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## DOCTORAL THESIS

### **Examining the factors affecting the growth of agro- processing small and medium enterprises (SMES) in Tanzania**

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**EXAMINING THE FACTORS AFFECTING THE GROWTH OF AGRO-PROCESSING  
SMALL AND MEDIUM ENTERPRISES (SMES) IN TANZANIA**

**JOYCE MHOJA NKWABI**

**DOCTOR OF BUSINESS ADMINISTRATION**

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**EXAMINING THE FACTORS AFFECTING THE GROWTH OF AGRO-PROCESSING  
SMALL AND MEDIUM ENTERPRISES (SMES) IN TANZANIA**

JOYCE MHOJA NKWABI

A Thesis Submitted in Partial Fulfilment of the Requirements of the University  
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## **Abstract**

Agro-processing Small and medium-sized enterprises (SMEs) are important agents of development throughout the world. Promoting a country's agro-processing sector plays a crucial role in maintaining high employment and income generation and is therefore critical for achieving sustainable growth. Tanzania has arable land and produces a large amount of agro produce. The Agro sector in Tanzania contributes about 29.1% of Tanzania's GDP and is the main source of raw materials, food, and foreign exchange. Despite having a favourable agricultural climate, processing activities are limited and as a result, the growth of agro-processing firms is affected. Such a decline in processing activities can be explained by several challenges that processors encounter. Although the benefits of agro processing have been documented by various researchers, the majority of studies have focused on large enterprises, whereas small and medium enterprises (SMEs) have been neglected in contrast. Little research has been conducted on agro-processing SMEs. Furthermore, with regard to the agro sector in Tanzania, previous studies have focused on the entire industry while others have focused on raw agricultural products analyses. Agro-processing SMEs in Tanzania have been growing rapidly; however, they have showed that there is high possibility of them meeting their death or stagnation. Therefore, this study examined the factors affecting the growth of small and medium agro-processing firms in Tanzania. A mixed-method approach was employed in this study; 15 interviews were conducted, and 170 questionnaires were distributed to the respondents. The data collected was analysed using NVIVO 12 and SPSS 25. The findings reveal that the status of agro-processing SMEs in Tanzania is still developing. The study found out that, education, technology, competitive markets, financial resources, poor facilities as well as government policy and regulations influence the growth of agro-processing SMEs in Tanzania. Operational challenges, technical and networking challenges, quality and completion, management training and seasonality of crops, were identified as a set of factors that affect the processors and growth of SMEs. This result implied that the growth of the agro-processing firm in Tanzania depends on technological support, easy access to loan, financial resource and government policy and regulations. This work contributes to the literature on agro-processing SMEs. This is where limited research has been conducted, especially in developing countries. This study also created an opportunity for future studies to focus on the development of strategies to grow agro-processing SMEs in Tanzania and can thus serve as a reference when

seeking to understand related to issues affecting the growth of agro-processing SMEs and how to overcome them.

## **Dedication**

I want to dedicate this thesis to my lovely family members, especially my parents. My mother, the late Fraziana Kadege Maganga, was a source of motivation and strength during difficult times. My father, Mr. Mhoja Nkwabi Kabalo, has been a source of encouragement and he has devoted himself to my education journey. He has supported me throughout my DBA journey. His care and encouragement have been shown in numerous ways. My daughter Bluesky, my fiancée Erick Martin Msomekela, my brother, Sylvester Mhoja Nkwabi, and my sisters, Dr. Jesca Mhoja Nkwabi and Jenifer Mhoja Nkwabi, encouraged me to finish this research.

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Finally, my special thanks go to my family members and friends for their encouragement through the depressing moments. I would not have done it without your support.

## **Declaration**

I declare that the work in this thesis has not been submitted for any other degree or qualification in any university or institute of learning.

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## **Publications**

The author has made the following publications:

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## List of Abbreviations

Acronym	Definition
AGRA	Alliance for a Green Revolution in Africa
ASDS.	Agricultural Sector Development Strategy
BRAN	Big Results Now
BRELA	Business Registration and Licensing Agency
CAADP	Comprehensive Africa Agriculture Development Plan
COSTECH	Tanzania Commission for Science and Technology
DADP	District Agricultural Development Plan
DBA	Doctor of Business Administration
DC-MSE	Development Commission Ministry of Micro, Small and Medium Enterprise
EC	European Commission
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
FAO	Food and Agriculture Organisation
GOT	Government of Tanzania
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
ISO	International Standard Organization
IT	Information Technology

ITDG	Oil Industry Transport Discipline Guidelines
MAFC	Ministry of agriculture and Cooperatives
MITM	Ministry of Industry Trade and Marketing
MSME.	Micro, Small and Medium Enterprise
NFYDP	National Five-Year Development Plan
NGOs	Nongovernmental Organisation
SIDP	Sustainable Industrial Development Policy
SIDO	Small Industries Development Organisation
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
SUN	Scaling Up Nutrition
TAFSIP	Tanzania Agriculture and Food Security Investment Plan
TBS	Tanzania Bureau of Standards
TECC	Tanzania Entrepreneurship and Competitiveness Centre
TFDA	Tanzania Food and Drugs Authority
TMDA	Tanzania Medicines and Medical Devices Authority TZS Tanzanian
TIN	Taxpayer Identification Number
TZS	Tanzanian Shillings
TCCI	Tanzania Chamber of Commerce Industry and Agriculture
UNDP	United Nations Development Plan
UNESCO	United Nations Educational Scientific and Cultural Organisation

UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
URT	United Republic of Tanzania
SACCOS	Savings and Credit Co-operate Society Shillings (TZS)
UDEC Tanzania	University of Dar es Salaam Entrepreneurship Centre URT United Republic of Tanzania
VAT	Value Added Tax
VRN	Vehicle Registration Number

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# CHAPTER 1

## Introduction

### 1 Background and Rationale

Agriculture is a major contributor to Tanzania's economic expansion. This industry accounts for almost 30% of Tanzania's gross domestic product and offers employment opportunities (World Bank ,2021). Moreover, agriculture is the primary source of raw resources, food, and foreign investment. Due to the country's favourable climatic circumstances, farmers can produce a wider array of goods each year, such as tea, tobacco, coffee, sunflowers, and cashew nuts (Oxford Business Group, 2019). Even though these items are produced in huge quantities, Tanzania has inadequate processing capabilities. (2014) (Kipene, Lazaro, and Isinika). Tanzania, for example, produced approximately 1 million tonnes of sunflowers in 2018, but only 180,000 tonnes were processed (Balchin, Kweka and Mendez-Parra, 2018). In 2019, Tanzania also produced 2.75 million tonnes of sunflower, of which only 4% was processed (Daninga, 2020). Similarly, although annual cashew production has increased to 120,000 tonnes, barely 10% is processed (Oxford Business Group, 2019). On domestic, regional, and international markets, there are various commercial opportunities for both established and novel items. Nevertheless, productivity remains low, with only modest increases over the past two decades. It is predominantly inhabited by subsistence farmers who rely on rains for irrigation. Modernizing the industry in order to increase yields, exports, and value-added processing poses considerable obstacles for farmers and other industry stakeholders. The sector has been hit by decreased export revenues, difficulties in land acquisition, and the inability of smallholder farmers to access economically viable technology, suitable storage facilities, markets, and loans ("Tanzania - Country Commercial Guide", 2021). Earlier researchers (Kamuzora, 2013; Kipene, Lazaro, and Isinika, 2014; Magesa, Michael, and Ko, 2015) attempted to highlight the constraints constraining the agriculture industry's overall expansion (Kamuzora, 2013; Kipene, Lazaro, and Isinika, 2014; Magesa, Michael, and Ko, 2015). In the agro processing sector of the agricultural industry, little study has been undertaken. Most scholars have focused on concerns impacting raw agricultural products while remaining silent on processing sector issues. For instance, Mollel (2015) investigated agricultural product marketing structures. In addition, Akyoo and Lazarus (2007) studied the management of the spice supply

chain in Zanzibar. Consequently, there is a paucity of information on factors influencing processing expansion. Consequently, this study fills a gap in the literature by investigating the limits on the expansion of Tanzania's agro-processing sector and the constraints on the growth of these processing enterprises in order to offer ways for boosting the growth of processing activities in Tanzania.

The next section will provide an overview of the agriculture sector in Tanzania

### **1.1 The Agriculture Sector in Tanzania**

The agriculture sector in Tanzania is comprised of small, medium, and large industries. The agro-processing sector is one of the most important sectors in the country (Ruteri and Xu, 2009). According to the United Republic of Tanzania (URT, 2012 and FAO 2020), almost 15.5 hectares of land are cultivated to ensure that there is enough food and raw materials for the country. In comparison to large firms, the country heavily relies on SMEs to process foods for local consumption (Ekblom, 2016). However, even though there are high expectations related to the SMEs providing food that is of high quality, these organisations still fail in terms of long-term sustainability in the market (Katunzi and Zheng, 2010). The failure sometimes is caused by unstable price, whereby farmers spend in producing the products but end up with low price which gives no profit for development of them

Due to the poor level of technology and financial constraints, Agro SMEs find it hard to integrate their activity (Mkuna, Nalaila and Isaga, 2021). This ultimately adds costs to the firms, making it even harder for them to make a profit (Mollel, 2015; Ruteri and Xu, 2009; Eskola, 2005). As a developing country, Tanzania is highly dependent on its business sector to function effectively and to contribute to the overall economic growth (Okpara, 2011; Mambula, 2002; Damirchi and Rahimi, 2011). URT (2012) stated that the Agro SME sector generates approximately 1 million business opportunities, which is approximately 20 - 30% of the labour force. Msigwa and Kipesha (2013) stated that SMEs help entrepreneurship development in agro business by motivating individuals to exploit various opportunities and to set up their ventures. Nevertheless, even though the government has recognised the importance of Agro SMEs in Tanzania, there are still challenges that make these Agro processing firms underperform and that often cause new businesses to fail in less than a year (Aikaeli, 2007; URT, 2012). This leads to the contribution of SMEs to the

country's Gross Domestic Product (GDP) to be low as argued by (Katunzi and Zheng, 2010; Okpara, 2011; Temtime and Solomon, 2002). It is arguable that, SMEs in the Agro processing sector are still hindered by several factors which make them unable to compete with bigger firms including their poorly managed technology, inadequate raw material, supply chains, financial constraints, and inability to compete effectively in both the local and international markets.

## **1.2 Statement of the Problem**

Agro processing activities have increased in importance to meet new consumer demands, particularly as urban migration increases. Tanzanian entrepreneurs have a long history in this subsector, but their ability to expand production and sales is constrained. However, most SMEs studies conducted in Tanzania have not focused on agro processing, despite the fact that agriculture is the country's backbone economy. The majority of studies on agro processing have focused on business enterprise, the constraints faced by agro processing SMEs, and supply chain management. For example, (Eskola, Akyoo, and Lazoro, 2012) concentrated on issues relating to raw materials and agricultural products, while ignoring the processing component.

Other studies, such as (Mkuna, Nalaila, and Isaga, 2021; Mbura, 2020), have examined issues such as an inconsistent and insufficient supply of raw materials, inefficient or obsolete processing and ancillary equipment, inadequately trained personnel and a shortage of qualified technologists, inefficient packaging materials and high packaging costs, and a lack of market development. This study will therefore explore and investigate SMEs in the agro-processing industry in Tanzania to provide insight into the current challenges impeding growth and opportunities that these agro-processing SMEs in Tanzania should capitalise on. Additionally, it would outline strategies to assist SMEs in manufacturing and marketing processed food products effectively. According to UNIDO (1999), enterprises rarely expand beyond the level of family businesses. Lambert (2001) and Mbura (2020) also noted that, given the pitfalls and impediments to agro-industrial development, it may be instructive to examine the problems and constraints that have plagued this sector in order to develop strategies that will result in the improvement of processing activities in Tanzania, thereby increasing exports and decreasing imports.



### **1.3 Justification of the Study**

The agricultural processing sector contributes significantly to the development of various economies by creating jobs and generating revenue (Okpara, 2011). Although agricultural processing accounts for the majority of businesses in many countries, their growth is constrained by obstacles such as financial constraints, managerial incapacity, and insufficient investment in technology. This has a detrimental effect on the sector's overall performance (Katunzi and Zheng, 2010). Due to an increase in the global competition, Agro SMEs are yet to be tapped due to the existence of several constraints hampering the development of the sector. For socio-economic development of any country, a strong industrial base is desirable. The natural resources need to be developed and utilized both as input to industrial production and as direct products for the social wellbeing of the citizenry (Mhazo et al, 2003).

Furthermore, as highlighted in the above section, less attention has been given to agro processing SMEs and most of the studies have focused on raw agricultural products. This study aims to address the gap in the literature by exploring the implementation and issues affecting the growth of agro processing and practices in food processing SMEs in Dar es Salaam. The next section will discuss the aim of the study, the objectives, and the research questions:

### **1.4 Aim of the Study**

The primary aim of this research is to determine the barriers to growth for Agro Processing SMEs in Dar es salaam, Tanzania, and the impact of government programmes on their performance. Tanzania produces a diverse range of agricultural products from its vast arable land, but the literature is silent on processing activities. Small and medium-sized enterprises (SMEs) in the agro-processing industry are battling to maximise their potential and expand (Mbura, 2020). Nonetheless, research has not sufficiently examined the unique and specific challenges affecting the performance of Agro Processing SMEs in this under-researched context. The purpose of this research is to close a gap in the literature by increasing our understanding of the challenges confronting the growth of agro processing SMEs in Tanzania, specifically the role of government programmes in fostering the growth of these firms in the agro sector.

## **1.5 Objectives of the Study**

To achieve the research, aim three objectives were formulated below:

To explore the challenges hindering the growth of Agro-Processing SMEs in Tanzania.

To examine the nature of government programmes supporting Agro-Processing SMEs in Tanzania.

To determine the practice recommended towards policy makers and SME owners in improving agro-processing SMEs processing activities in Tanzania.

## **1.6 Research Questions**

This research is conducted to answer the following main research question.

What are the factors affecting growth of agro-processing SMEs in Tanzania?

In order to answer the main research question; the following sub-questions derived from the literature review are as follows.

What are the challenges that affect the growth of agro processing SMEs in Tanzania?

What factors affect SMEs effective use of government support programmes to facilitate growth in Tanzania?

How can the processing activities be improved in Tanzania?

## **1.7 Scope of the Research**

From May to July 2021, data were collected via interviews and questionnaires in Dar es Salaam, Tanzania. Participants included entrepreneurs, farmers, and SMEs with expertise in food processing SMEs in Dar es Salaam. Wherein fifteen participants were interviewed, and one hundred and seventy participants completed the questionnaire.

## **1.8 Dissertation Structure**

Chapter 2, the research context provides an insight of the country. This includes the country's historical background, geography, economy, society, government, and politics etc.

Chapter 3 discusses and presents the theoretical and empirical presentation of issues related to agro processing industry in past written documents. The first part covers the theoretical review on the growth and performance of small and medium enterprises in the world, Africa, and Tanzania in particular. The second part covers the empirical and practical review of the growth and performance of the SMEs and covers the findings of which related studies had in the past. In this chapter also the conceptual framework which shows the path of the study is also portrayed.

Chapter 4 explains the research methodology and the relevant techniques used in the research. The research paradigm is reviewed and the justification for employing a mixed- method approach is explained. Additionally, the data collection methods are discussed as well as the analysis methods and sampling techniques. Any ethical issues in the research are also considered in this chapter.

Chapter 5 describes the collection, processing, and analysis of the data. It describes how qualitative data were analysed and how themes were developed. It also describes quantitative data analysis techniques (descriptive statistics, principal component analysis, correlation, regression)

Chapter 6 illustrates the qualitative data analysis where thematic data analysis was conducted on the semi-structured interviews. Themes such as education, technology competitive markets, bureaucracy etc., which emerged from the data have been described.

Chapter 7 includes the data analysis of the questionnaires where descriptive as well as factor statistics is used to explain the data in detail.

Chapter 8 highlights the major findings presented in the constructed model and the chapter also discusses the recommendations presented.

Chapter 9 contains the summary and highlights of the contributions of the study and its implications. Finally, the conclusion is presented.

## CHAPTER 2

### Research Context

#### 2 Introduction

This chapter discusses the research context by examining the country and region in which the investigation was conducted. Following are descriptions of the agriculture sector in Tanzania, the Agro-processing sector, the SME sector, and the underlying policies.

#### 2.1 The Territory

Tanzania is situated on the east coast of Africa between 10- and 110-degrees south latitude and 290- and 400-degrees east longitude. Uganda shares Lake Victoria with Kenya to the west. Kenya shares the northern boundary. Tanzania shares a southwest border with Rwanda, Burundi, and the Democratic Republic of Congo, and a southern border with Zambia, Malawi, and Mozambique. Tanzania has around 1 million square kilometres of land area (Bryce's son, 2019). It includes the offshore islands of Zanzibar, Pemba, and Mafia. Plate tectonic movements have produced a breathtaking panorama of mountains, lakes, and rolling valleys in the northwest, while the middle plateau, which is above 2000m in altitude, maintains the division. Mt. Meru and Mt. Kilimanjaro, the highest mountains in Africa, dominate Kenya's north-eastern border and are surrounded by stunning lakes, calderas, and grassland steppes. The second mountain range, the Southern Highlands, divides the two regions. The climate is tropical, with scant and irregular precipitation. The average annual precipitation ranges between 600 and 800 millimetres. However, only a few regions receive 1000 millimetres. Bimodal precipitation is observed in the north of the country (long rains from March-May, short rains from October - December). The Southern regions experience a single wet season from November to April (World Bank). From June to August, the average minimum temperature is below 150 degrees Celsius over a large area of the western region of the United States because of altitude on the average temperature trend. The light intensity is satisfactory across the nation. With an estimated population of 59.7 million and an annual growth rate of 2.8%, Tanzania is one of the most populous countries in Africa. By 2050, the population is expected to reach 129.4 million. More than 80 percent of the population currently resides in rural areas. (Tanzania: projected total population 2020-2050 | Statista, 2021)

## **2.2 Employment and Joblessness in Tanzania**

In recent years, Tanzania has experienced remarkable political and economic growth and advances in social welfare. Nonetheless, the nation continues to face significant development obstacles, not least in fundamental areas such as economic distribution, population growth, corruption, and a more pronounced separation between party and state (Boateng, 2021). Tanzania is seeing increasing out-migration of young people from low-productivity agricultural to low-productivity urban informal service industries. The unemployment rate is high and rising rapidly, particularly in urban regions and among young people. The official unemployment rate is 12%, with the highest rate in the cities at 21.1% in Dar es Salaam and 9.9% in other cities 2021 (IPP Media, 2021). The number of employed Tanzanians was predicted to be 22.5 million in 2019. Since 2015, when 20.5 million Tanzanians were working, the employment rate in the country has climbed gradually (Faria, 2021).

In addition, one-third of the employed are "working poor"; that is, they are nominally employed, but their income is below the daily poverty threshold of USD 0.96. (Salah and Bachuba, 2021). Frequently, they hold low-productivity, part-time positions in agriculture or the urban informal service sector. Each year, an estimated 700,000 new young job searchers enter the labour market, but only a portion of them have a realistic chance of securing a secure job that will allow them to support a family (Boateng, 2021). Rural-urban migration will continue in the next years, and Dar es Salaam is already one of Africa's most rapidly rising cities. The prime minister also noted that 64.4% of Dar es Salaam households are employed in the informal economy, compared to 59.9% in rural areas (IPP Media, 2021).

Numerous individuals have been denied opportunities to evaluate government initiatives and services due to the informal sector. Boateng (2021) states, "The country has over 25 million people, but just 2.8 million, or 9 percent, are covered by social security." The problem of unemployment is exacerbated by the absence of established spaces where people can conduct their business in peace."

## 2.3 People

### 2.3.1 Mainland Cultural Groups

According to the majority of trustworthy surveys, Tanzania's population consists of over 120 distinct indigenous African peoples, the majority of whom are now consolidated into larger groups. As a result of rural-to-urban migration, industrialisation, and politicisation, a number of smaller ethnic groups are vanishing gradually. Today, the majority of Tanzanians are of Bantu heritage; the Sukuma are the largest tribe, residing in the north of the country, south of Lake Victoria. The Nyamwezi, who inhabit the country's west-central region; the Hehe and Haya, who inhabit the country's southern highlands and northwest corner; the Chaga of Kilimanjaro, who inhabit the mountain's southern slopes; and the Makonde, who inhabit the Mtwara and Ruvuma districts of the southeast. Maasai, Arusha, Samburu, and Baraguyu are Nilotic peoples who reside in the north-central part of Tanzania's mainland. The Zaramo, a highly diluted and urbanised people, are an additional notable and sizeable ethnic group. The bulk of Zaramo reside in the Dar es Salaam region and along the adjacent coastline. Near Musoma, the Zanaki, the smallest ethnic group in the Lake Victoria region, reside. Julius Nyerere, the nation's founding father and first president (1962–1985), was the son of a chief from the Zanaki community in Tanzania and Kenya. He was educated at Tabora secondary school and Makelele university in Kampala, and he later attended the University of Edinburgh in Scotland, where he earned an M.A. in history and economics in 1952, before returning to teach in Tanganyika. He was the first Tanganyikan to graduate from a British university after studying there. Asian and European minorities also exist. Throughout the colonial period, Asian immigration was promoted, and Asians dominated the upcountry product trade. They are divided into numerous groups, including the Ismls, Bohras, Sikhs, Punjabis, and Goans. The majority of them are from Gujarat, India. Since independence, the Asian population has steadily decreased due to emigration. Because Tanganyika was not a colonial province, the majority of the European population consisted of English, German, and Greek people. During the post-independence era, a large number of European, North American, and Japanese aid workers picked Tanzania as their temporary residence. Tanzania, unlike many African nations, does not have a politically or culturally dominant ethnic group; however, those who were subjected to Christian missionary influence and Western education during the colonial period (particularly the Chaga and the Haya) are better represented in government administration and the cash economy.

### **2.3.2 Island Ethnic Groups (Zanzibar and Pemba)**

There are numerous African tribes on the islands. In the 10th century, indigenous Bantu groups such as the Pemba in Pemba and the Hadimu and Tumbatu in Zanzibar assimilated migrants from Persia. In addition to these tribes, Shirazi also refers to certain descendants of slaves. Additionally, there are modest Comorian and Somali enclaves. Early on, Arab colonies were established alongside the indigenous population. Oman was the origin of the elite Arabs who arrived in the 18th and 19th centuries. At the beginning of the twentieth century, Omani immigrants were often poorer. Asians constitute a negligible portion of the population.

### **2.4 Languages**

Swahili (Kiswahili) and English are Tanzania's official languages. Swahili is a mixture of Bantu and Arabic dialects that originated along the East African coast and on the island of Zanzibar. Swahili is spoken by the majority of the population. Since independence, the government and other national institutions have promoted the use of Swahili through literature, local theatre, and poetry. In the first seven years of elementary education, Swahili is also used as an instructional language. English is the language of instruction at higher levels of education, and it is widely used in government offices.

In addition to Swahili, the majority of African Tanzanians also speak their ethnic group's traditional language. Gujarati, Hindi, Punjabi, and Urdu are the primary languages spoken by Asian people in Tanzania.

### **2.5 Religion**

The majority of Tanzania's roughly one-third Muslim population is Sunni. Tanzania's Shii people includes an Isma'ili group led by Aga Khan. Christianity is practised by a third of Tanzanians, including Roman Catholic, Lutheran, Methodist, and Baptist sects. Most of the population holds traditional beliefs. Due to the fact that many rural Tanzanians adhere to aspects of their indigenous religious practise, the division is frequently less pronounced than official statistics indicate.

### **2.6 Agriculture Sector in Tanzania**

Tanzania's abundant natural resources can contribute to agricultural development. The country has 94.5 million hectares of land, of which 44 million hectares are classified as arable; however, only

24% of the arable land is farmed. The remainder of the 50 million hectares suitable for cattle are unavailable due to tsetse fly infestation, leaving approximately 26 million hectares in use. It has the third-largest cattle population in Africa after Sudan and Ethiopia. (Epaphra and Mwakalasya, 2021). A total of 29,4 million hectares have been recognised as having irrigation potential, with 2,3 million hectares assessed to have high potential and 4,8 million hectares deemed to have medium potential. Although it has expanded over the past decade, the irrigated area in 2013 was less than 20% of the high potential irrigation area and less than 5% of the cultivated land ("Agriculture in Tanzania Since 1986 | Country Studies", 2021).

Despite the country's vast agricultural growth potential, there are only a few of large-scale commercial farms. Small farmers dominate the agricultural industry. They represent the majority of rural families, although half of them is commercial, not subsistence farmers, in that they sell anything from a quarter to more than half of their products within the local community. The Government Programme Document on Agricultural Sector Development Strategy - Two, 2015/2016 - 2024/2025 identifies this.

In recent years, the proportionate contribution of crops, cattle, forestry and hunting, and fisheries to agricultural GDP averaged 18%, 5%, 3%, and 1.4%, respectively. Tanzania has approximately 7.1 million hectares of high and medium potential (2.3 and 4.8 million hectares, respectively) irrigable land, which is supported by rivers, lakes, wetlands, and aquifers. In 2015, just 1.6% of the total area with irrigation potential, or 461,326 hectares, had improved irrigation infrastructure, out of 2.3 million ha categorised as high potential (MAFC, 2015). More than 51% of the area may be used for pasture, while 55% might be used for agriculture. The technique of shifting cultivation promotes deforestation and soil degradation on pastoral land. Tanzania is one of the few countries in Africa with considerable wildlife resources and protected areas covering around 25 percent of its land area" (URT 2015/15-2025/26. Obtaining favourable market prices for agricultural products, i.e., farm gate pricing, is crucial for small farmers. However, the majority of agricultural products have low market prices due to poor quality, which is caused by a lack of adoption of new technologies such as enhanced variety, nutrients (fertiliser), and pest management, as well as a lack of awareness of market demands. The farm gate pricing offered by intermediaries at the farm gate are significantly impacted by the limited amount of production resulting from poor



productivity and limited acreage farmed. The lack of accreditation, testing, quality monitoring, grades, and standards for agricultural products also influences the cost determination. Not only would value addition through crop processing generate more jobs and income, but it would also reduce rural-urban migration, particularly if processing industries were established in rural districts. Nonetheless, Tanzania's agro-processing businesses remain underdeveloped due to a lack of rural roads, electricity, water, communication, rural finance, and market infrastructure.

## **2.7 Size of the Agricultural Processing Sector in Tanzania**

Agriculture is one of Tanzania's key industries, accounting for 29.1% of the country's gross domestic product, 30% of overall exports, and 65% of the raw materials used by Tanzanian businesses. Cereals make for 61 percent of the total planted area in Tanzania, or 4,798,071 hectares, followed by roots and tubers (14%), pulses (12%), and oil seeds (7%). Due to the country's fertile arable lands, different climatic zones, and abundant natural water, Tanzania's agriculture sector has played a significant role in eliminating poverty during the past quarter-century. UNESCO estimates that just 24% of the projected 44 million hectares of total land have been utilised thus far. Only 10% of arable land is farmed by tractor in these regions, which are grown by small-scale farmers employing traditional techniques to grow typical farm sizes between 0.9 and 3 hectares. The agro-processing sector comprises a vast array of post-harvest processes, such as artisanal, minimally processed, and packaged agricultural raw materials, industrial and technology-intensive intermediate goods processing, and the production of agricultural end products. Agro industry is the process of transforming primary agricultural products into various goods for sale and consumption. There is currently no smooth trend indicating the size of the agro-industrial supply chain. The value chain is affected by droughts, storms, market access, storage facilities, and prices.

## **2.8 SMEs Sector in Tanzania**

The SME sector is a consequence of the structural adjustment programme as opposed to a deliberate design (Isaga, 2017) It is one of the results of the collapse of African socialism, which precipitated the economic crises of the 1970s and 1980s. In this political climate, the private business sector was deliberately discouraged in favour of government-, community-, and cooperative-owned enterprises (Gamba, 2019). In response, legislation was established to prevent

civil workers and leaders of the ruling party from engaging in business enterprises. Since the vast majority of civil servants were educated, it is not surprising that company operations were delegated to individuals with no formal education (Ismail, 2022). Moreover, this African socialist philosophy was predicated on a top-down decision-making technique, with the government being the sole institution responsible for determining, among other things, who should attend which school or college, where one should work and live, and how much one should be paid. (Małkowska and Uhruska, 2022).

Due to their reliance on the discretion of the government to make choices, the majority of Tanzanians have created a culture of dependence and unquestioning obedience. This method has stifled the development of entrepreneurial ideals such as the need for achievement, personal initiative and/or invention, and risk-taking capacity, as well as other related behaviours (Olomi, 2021). In the 1970s and early 1980s, the socialism method witnessed substantial societal development, particularly in basic education, health care delivery, water supply, and sanitation (Temu and Due, 2000). The nationalisation of the private sector, on the other hand, resulted in a weak economy marked by several macroeconomic imbalances and, consequently, a recession that lasted for more than a decade (Kanaan, 2000). The actual purchasing power of salaried citizens has also diminished as a result of the economic crisis. In order to supplement their meagre salaries, Tanzanians were driven to establish small companies. Some individuals participated in dubious activities, such as smuggling items from neighbouring countries and selling them at inflated prices in Tanzania. These enterprises ran opposite to official policies, which deemed them incompatible with the nation's philosophy (stensson, 2020; Maliyamkono and Bagachwa, 1990).

In response to pressure from the World Bank in the early 1980s, Tanzania's government shifted from a state-led to a market-driven economy (Costello, 1994). In 1991, the final reform resulted in the privatisation of the majority of governmental enterprises. The privatisation of state corporations and the government's withdrawal from some operations resulted in a reduction in public sector positions; consequently, the majority of these workers moved to microbusinesses in order to make ends meet. As a result of the experience, the SME sector in Tanzania's economy has recently become a primary priority. The Tanzanian government formed the Small Industries Development Organization (SIDO). SIDO's mission was to create and sustain an entrepreneurial foundation by promoting and supporting the growth of small and medium-sized enterprises

(SMEs) by providing them with business development services and specialised finance services on demand. SIDO provides technological development, business development, marketing and information services, and financial services to SMEs. According to Mbilinyi and Shundi (1999), SIDO's accomplishments include the formation of the National Entrepreneurship Development Fund in 1994, the ongoing provision of extension and loan services, and the execution of feasibility studies. As for its limitations, they include insufficient finances to meet demand; the fund's lack of sustainability; and the majority of grantees coming from urban regions. Indeed, the importance of the SME sector to the economy is well recognised. Following an explanation of the growth of the SME sector in Tanzania, the next section defines SME in Tanzanian terms, followed by an examination of the current situation and difficulties of SMEs in Tanzania.

According to Tanzania's SME Policy, a "small and medium enterprise" (SME) is any business that fits the following criteria. A micro enterprise is a corporation with less than five employees and an annual revenue of less than five million Tanzanian shillings (TZS). A macro enterprise is a business with fewer than 100 people and a revenue of less than 800 million Tanzanian Shillings (Nyamanza, 2021). According to the Tanzania Chamber of Commerce, Industry and Agriculture, small and medium enterprises (SMEs) account for approximately 35 percent of the country's gross domestic product (GDP) (TCCIA).

Despite the importance of the SME sector to economic growth, it is difficult to obtain timely and accurate data on the current state of the SME sector in Tanzania. Even if the available evidence to support this conclusion is scant and unreliable, the researcher conducting this study revealed through expert interviews that the SME sector is dominated by micro and small businesses (Msuya et al., 2017). Approximately 60 percent of the estimated 2.7 million firms in the United States are in urban regions. The overwhelming majority (98%) of these are micro companies (employing less than five people). Due to this, there are very few middle and large enterprises in the economy (World Bank, 2021). The majority of micro and small firms (66 percent) were founded as a survival strategy and generate less than \$2,000 in annual revenue. In addition, statistics estimate that around 700,000 new workers enter the labour field annually. Approximately half a million of these are high school dropouts with limited marketing and entrepreneurship expertise (Woldie et al., 2012). Fewer than forty thousand new recruits to the labour market are recruited by the public sector, leaving roughly six hundred and sixty thousand to join the unemployed or underemployed army

reserve. The majority of these persons enter the SME sector, particularly the informal sector. In the first five years of operation, more than sixty percent of newly founded small and medium-sized enterprises (SMEs) fail. SMEs are prevalent in all economic sectors, but trade (54%) and services (34%) are the most prevalent (Mbura, 2020; URT, 2003). This is due to the fact that the above-mentioned SME industries demand a minimum amount of cash and prerequisites for anyone to start a firm of this sort.

## **2.9 SME Statistical Data in Tanzania**

According to the research of Haki Kazi (2005) and Richard and Kabala (2020), the SME sector in Tanzania accounts for several thirds of GDP. There are around 1.7 million SMEs (Kapinga, 2020). These account for roughly 20% of the labour force. The globe has a tremendous capacity for creating jobs and generating equally distributed money.

### **ii) SME Policy in Tanzania**

In 2002, Tanzania announced its SME Development Policy. In accordance with United Republic of Tanzania (URT, 2002), the mission of the policy is to "stimulate development and growth of SME activities through improved infrastructure, enhanced service provision, and the creation of a conducive legal and institutional framework in order to achieve competitiveness." It is evident from the Policy Mission that the areas of policy emphasis in the attempts to make SMEs competitive are the improvement of infrastructure, the expansion of service offering, and the establishment of a favourable legal and institutional environment. The SME Development Policy was developed to address the challenges faced by SMEs and maximise the sector's full potential. This policy will serve as a tenet for all stakeholders to encourage the formation of new SMEs and enhance the competitiveness of current businesses. The anticipated effect is that SMEs will contribute much more to economic development in Tanzania. The success of this policy is entirely dependent on the collaboration of all parties involved (URT, 2002).

### **iii) Opportunities and Obstacles Facing SME's**

There are two layers of limitations affecting Tanzanian SMEs: those affecting general operations and those hindering expansion (Stevenson and St-Onge, 2005). The UNDP, ILO, and UNIDO (2002) report concluded with a list of obstacles to the establishment of informal MSMEs: The low

level of education of the entrepreneurs; the lack of managerial, marketing, and production skills; the use of rudimentary technology; The low-skilled work-based; lack of access to credit; the low purchasing power of their consumers/clients; Regulatory restrictions resulting from the difficulty of obtaining a position. Despite restrictions on SME access to the export market, numerous attractive options exist for SME entry to the export market. These include industries and commodities with a strong capacity to provide employment and revenue, economic processes, and poverty reduction. These sectors include agriculture, agro-processing, and commercial farming (spices, horticulture, floriculture, rice, livestock, fruits, kidney beans, cashew nuts, and fish); mining, tourism, industry, and metals; and social sectors associated with enterprise development, such as education, labour, and health. Therefore, initiatives and efforts that attempt to improve these areas should be supported (Ogutu et al, 2006).

This industry receives negligible assistance from the government, private institutions, and international donor organisations. However, the rate of growth of SME falls short of expectations (Morrissey, 2000). In Tanzania, the full potential of the SME sector has yet to be realised due to the existence of a number of obstacles impeding global development. These include an unfavourable legislative and regulatory environment, an underdeveloped infrastructure, inadequate company development services, limited access to financing for SMEs, and an ineffective and poorly organised institutional support framework, among others (SME Development Policy, 2002). A powerful industrial base is desirable for the socioeconomic growth of any nation. The natural resources must be cultivated and utilised as inputs for industrial production as well as direct products for the social welfare of the populace (Mhazo et al, 2003). Since Tanzania's independence in 1961, industrialisation has been acknowledged as the key element in the country's economic transformation. Small and medium-sized enterprises, on the other hand, got comparatively little direct government support and were left to the initiative of private entrepreneurs (Morrissey, 2000). It has been reported that small and medium companies (SMEs) now account for more than 75 percent of the nation's businesses. In contrast to industrialised and a few developing economies, the contribution of small and medium-sized enterprises (SMEs) to the Tanzanian economy in terms of output, exports, and employment is relatively low (Morrissey, 2000). Consequently, the government of Tanzania (GOT) established the tiny Industries Development Organization (TIDO) to assist SMEs (SIDO). The objective of

SIDO was to establish and maintain an entrepreneurial foundation by promoting and supporting the emergence of small and medium-sized enterprises (SMEs) through the provision of business development services and specialised financial services on demand. SIDO provides technology development, business development, marketing and information, and financial services to SMEs. According to Mbilinyi and Shundi (1999), SIDO's accomplishments include the establishment of the National Entrepreneurship Development Fund in 1994, the continued provision of extension and credit services, and the completion of feasibility studies. As for its drawbacks, they include insufficient finances to meet demand, an unsustainable fund, and the majority of recipients coming from urban regions. Small and medium-sized businesses engaged in agro-processing are acknowledged as one of the most significant contributions to the economic development of numerous nations. Small-scale agro processing is a potential source of income for a number of impoverished individuals in a given region. The general potential of agro-processing is large because it can (Mhazo et al, 2011): increase the value of crops of poor farmers and thus yield higher returns; expand marketing opportunities; improve people's livelihoods; extend shelf-life of commodities; enhance food security; overcome seasonality and perishability constraints; and empower women who are frequently involved in agro-processing. In present-day Tanzania, industries, especially small and medium-sized agro-processing industries, operate under a variety of conditions and restrictions that are contingent on the attainment of organisational objectives. For instance, exorbitant expenses, a lack of resources, a lack of funding, and the inability to hire qualified personnel. Due to its scale, an individual company has no control over input factor costs or output selling prices, resulting in the forced closure of inefficient and high-cost businesses. Consequently, cost-cutting measures are crucial for economic survival (Morrissey, 2000).

#### iv) SME Agro-Processing Policy

The Tanzanian government has acknowledged in its SME Development Policy that it must encourage the growth of the agro-processing industry. According to the SME Development Policy, the government would support the development of producing firms in order to add value to agriculture goods (URT, 2002). In Sub-Saharan Africa, it is estimated that 60% of the labour force is engaged in small-scale agro-processing firms, with women being the majority (ITDG, 2005). Fruit and vegetable processing has the greatest growth potential among small-scale agro industries

because many horticultural producers face difficulties in marketing fresh produce, such as a lack of readily available marketing information and market integration, a lack of knowledge on supply and demand trends and costs, a reliance on spot or roadside markets, transport constraints, and spoilage (Mhazo et al., 2003, Boyd et. al, 1997). However, studies have revealed that a range of factors may limit the ability of small and medium-sized agro-based firms to manufacture and market processed food items effectively.

At the SME level, limited access to credit (Chakwera, 1996), lack of appropriate technologies (McPherson, 1996; Mugova, 1996), lack of technological capability, the unreliable supply of raw materials (Mosha, 1983), lack of management skills (Odunfa, 1995), poor product internal control (Jaffee, 1993), and poor markets, among other factors, have impeded the development of small-scale agro processing industries. These problems are applicable to a number of emerging nations, Tanzania in particular.

This study aims to examine the obstacles facing the expansion of agro-processing SMEs in Tanzania and to propose strategies for enhancing the growth of those SMEs, with a particular focus on the Small and Medium-Sized Enterprises required to manufacture and market processed food products effectively.

## **2.10 Government policy regarding small and medium-sized enterprises**

Tanzania's Development Vision 2025 seeks to transform the country's economy from a low-productivity agricultural economy to a semi-industrialized economy with highly productive agricultural activities that are modernised. This will be accomplished through supporting industrial and service operations and successfully organising residents and other resources toward common objectives. Successive administrations have made efforts to improve the performance and economic contribution of small and medium-sized enterprises (SMEs). In addition, the government has promised to foster private sector participation in the Poverty Reduction Strategy, particularly Small and Medium Enterprises. According to the SME Development Policy, the government would support the formation of manufacturing firms that add value to agro goods (URT, 2002). It is believed that in Sub-Saharan Africa, 60 percent of the labour force is employed in small-scale agro-processing firms, the majority of which are women (ITDG, 2005). Fruit and vegetable processing has the greatest growth potential among small-scale agro industries, as many

horticultural producers struggle with the marketing of fresh produce due to a lack of readily available marketing information and market integration, a lack of data on supply and demand trends and prices, a reliance on spot or roadside markets, transport constraints, and spoilage (Mhazo et al., 2003, Boyd et. al, 1997). Studies have revealed, however, that a number of issues may hinder the ability of small and medium-sized agro-based firms to make and market processed food products effectively.

The following are some government policies designed to foster the growth of SMEs.

The Sustainable Industrial Development Policy - SIDP (1996-2020) lays a particular emphasis on promoting small and medium-sized businesses via the following measures: Priorities include assistance for existing and new promotion institutions, tax simplification, licencing and registration for SMEs, and increased access to financial services. SIDP also encourages the formalisation and expansion of informal sector businesses. Additionally, the strategy outlines measures to assist indigenous entrepreneurs, women, adolescents, and individuals with disabilities in participating in economic activities. The government is reducing the regulatory burden placed on entrepreneurs. These include the expedited issuance of permissions and the use of digital technology. It also facilitates entrepreneurs' access to networks through international trade missions and government organisations. Improving ties between school and the labour market would help young people who have completed their training find employment quickly and ensure that businesses have sufficient trained labour (Shayo, 2021).

Covered under the 2017 National Microfinance Policy is the provision of financial services to small and micro firms in rural and urban areas involved in all legitimate economic activities. In addition, the Agricultural and Livestock Policy seeks to encourage small farmers and livestock keepers to engage in agricultural and livestock activities. Priority is given to resource-based firms, particularly those that add value to agricultural products. However, agriculture remains the foundation of our economy. It accounts for around 60% of the country's foreign profits and more than 50% of its GDP.

Other government policies that influence the development of the SME sector include those aimed at fostering economic growth. These policies include the Gender and Women Development Policy,



the Cooperative Development Policy, the National Energy Policy, the National Environmental Policy, and the Rural Development Strategy. Under the late Dr. John Pombe Magufuli's fifth administration, a greater number of industrialists have pursued economic prospects in a more lawful manner as a result of increased public knowledge, technology developments, and improved opportunities. Small and medium-sized enterprises are positioned to have a significant impact on the Tanzanian economy through mainstreaming IT-based ecosystems such as the use of social media platforms such as Twitter, Instagram, and Facebook (Galilee institute 2021). All these policies revolve around the creation of an enabling environment, the emergence of a robust private sector, and the design of long-term growth strategies. Multiple governmental and private bodies were established to administer and enforce the diverse policies that came from these policies. In addition, the government has taken initiatives to foster an environment conducive to economic expansion. Among these are the maintenance of macroeconomic stability, the review of the tax system, the simplification of licencing procedures, the introduction of the "Business Environment Strengthening for Tanzania- BEST" initiative, and the implementation of the "Comprehensive Economic Strategy for Tanzania."

## **2.11 Obstacles Facing Agro-SME**

Despite their contributions to revenue and employment growth, agro-based SMEs in Tanzania are currently facing challenges (Maswana and Munisi, 2020; Ziorklui, 2001). In Tanzania, small and medium-sized enterprises confront two sorts of constraints: those that impede general operations and those that impede development. The following are some of the factors preventing the growth of SMEs:

- **Bureaucracy:** Tanzania's reliance on imports is hampered by the existence of unfavourable government laws and regulations that restrict the expansion of processing activities. Studies (Lauwo, Otusanya, and Bakre, 2016; Nkwabi and Mboya, 2019) have shown that businessmen in Tanzania suffer greatly due to minimal or no government support. In the agro-processing industry, for instance, there has been a significant reduction in processing enterprises due to unfavourable rules and regulations requiring excessive taxation, particularly in the processing of cashews, cotton, and oil. Moreover, foreign investors are hesitant to participate in Tanzania's agro-processing sector due to the country's complex rules. Charles et al. (2016) showed that in countries

such as Tanzania, Kenya, and Zambia, the food processing industry is disorganised and poorly supported. The findings are also consistent with those of Swai (2017), who found that severe rules and regulations, especially for small-scale processors, inhibit the expansion of these companies since they are unable to comply with the stringent national bureau of standards laws.

- Technological difficulties: The inability of agro-processing enterprises in Tanzania to adapt to new and cost-effective technology, which may be connected to a lack of enough capital, is a further significant barrier. Achandi et al. (2018) discovered that women rice processors are unable to employ the most recent technologies due to a lack of financial resources. This study is also consistent with that of Swai (2017), who discovered that sunflower processors in Tanzania are negatively impacted by a lack of suitable equipment and a deficiency of skills in operating such equipment. This finding is also consistent with that of (Nkwabi and Mboya, 2019), who observed that technology challenges hinder the expansion of businesses in Tanzania.

- Lack of raw materials: Despite having an abundance of agricultural products, Tanzania imports raw materials since local raw materials are frequently of a lower quality and therefore unsuitable for processing (Mgeni, Müller, and Sieber, 2019).

In addition, weak relationships between actors in the supply chain prevent processors from acquiring raw materials on time.

Unfavourable meteorological conditions and the overuse of fertilisers, which degrades arable land, also have an impact on the supply of raw materials (Kweka, 2018)

The results are consistent with those of Ekblom (2016), who reported that poor climatic conditions and droughts have an impact on the availability of raw materials.

Kweka (2018) noted that the poor quality of raw materials was another important barrier to obtaining quality raw materials). Financial restrictions the majority of agro-processing enterprises in Tanzania are unable to expand due to inadequate funds caused by unfavourable financing conditions, such as rising interest rates (Export.gov, 2019) Additionally, limited access to commercial bank financing exacerbates financial concerns. The findings are consistent with those of Mashene (2015), who discovered that the lack of collateral, the low value of collateral, poor saving habits, and high interest rates had a substantial impact on the availability of money from

lending institutions. These findings are similarly consistent with those of Nkwabi and Mboya (2019), who discovered that financial limitations significantly influenced firm growth in Tanzania. Others include legislative limits resulting from the difficulty of gaining legal status, lack of access to credit, poor education level of entrepreneurs, and lack of administrative, marketing, and manufacturing abilities. Calcopietro and Massawe (1999) and DAGIM (2020) classify the constraints inhibiting the development of SMEs in Tanzania into five categories: macroeconomic and policy framework, physical and technological infrastructure, banking and finance structure, legal and regulatory system, and business circumstances. Despite several programmes designed to improve the SME sector, these unfavourable conditions have lasted for a long time. According to (Olomi 2006), institutions and organisations that help SMEs are inadequate; their initiatives are very basic and mostly focus on assisting the poor to survive. Consequently, the performance of SME's varies, with some expanding and others stalling.

## **2.12 The Government Aid to the Farm Industry**

The Tanzanian government launched the Agricultural Sector Development Strategy (ASDS) in 2001 to completely address the sector's limitations and problems. The overall objective of the ASDS was to achieve an agricultural growth rate of at least 5% by 2007, with the five strategic areas of institutional strengthening; (i) creating a favourable environment for commercial activities; (ii) enhancing public-private roles in improving supporting services; (iii) improving marketing efficiency for inputs and outputs; and (iv) maintaining the ASDS's overall objective of achieving an agricultural growth rate of at least 5% by 2007. The Government of Tanzania (GOT) launched the Agricultural Sector Development Programme (ASDP) in 2006 with the intention of coordinating development partner money to accomplish the aims of the Agricultural Sector Development Strategy (ASDS). The seven-year commitment had two initial objectives: I to improve farmers' access to and use of agricultural knowledge, technologies, marketing systems, and infrastructure, which all contribute to increased productivity, profitability, and farm incomes; and (ii) to encourage private investment based on enhanced regulatory and policy environments. In accordance with the GOT's commitment to decentralisation, the ASDP provided two levels of programming: I National Level Support and (ii) Local Level Support - through the District Agricultural Development Plan (DADP). Significant progress has been made in pursuit of the ASDS aim of a reformed farm sector by 2025. In some regions, crop and animal productivity,

small-scale irrigation projects, livestock dips, Charco dams, shallow wells, and feeder roads have all increased. Providing farm power, small-scale agro-processing, and strengthening human capacity among farmers, farmer groups, private sector service providers, extension people, and national level staff are additional positive interventions that have been identified.

In addition, the agriculture industry and its subsectors have recently undergone numerous institutional and regulatory reforms. Outside of the ASDP, there are a multitude of agricultural initiatives that are all compatible with the ASDP. Among these are Feed the Future (USAID), the Breadbasket Initiative (AGRA), and the Marketing Infrastructure Value Addition and Rural Finance Support Programme (IFAD). Since 2008, the Livestock Sector Development Programme has existed to improve the livelihoods of livestock farmers (particularly pastoralists) by enhancing livestock input and service delivery and strengthening livestock product marketing systems. In addition, the Tanzanian government endorsed initiatives that specifically link agriculture to food and nutrition security to make further progress in combating undernutrition (e.g., joining the Scaling Up Nutrition (SUN) Movement and endorsing a National Nutrition Strategy with an Implementation Plan). In contrast, the majority of development partners continue to fund a variety of activities, some through official channels and some outside of them. A growing number of non-governmental organisations (NGOs) are receiving funding for one-of-a-kind projects. In the meantime, the basket fund of the original ASDP is being closed, necessitating a new framework for coordinating public sector investment and better arranging the sector's diverse project funding. The Tanzania Agriculture and Food Security Investment Plan (TAFSIP), published in November 2011 as part of the Comprehensive Africa Agriculture Development Programme (CAADP), is one of the pillars of this new coordinating architecture. The TAFSIP identifies seven Thematic Program Areas for priority investment and places a strong emphasis on involving the private sector in agricultural investment and policy reform. In 2013/14, the government of Tanzania began implementing Big Results Now (BRN) initiatives to overhaul the economy in order to promote sustainable economic growth and inclusive wealth development. The Agricultural BRN aims to improve (i) smallholder irrigation projects, (ii) the community warehouse-based maize trading system, and (iii) the promotion of commercial farming.

## CHAPTER 3

### Literature Review

#### 3 Introduction

In the first chapter, it was said that Tanzania's agro processing sector is very important to its economy. A broad term called "agro processing" refers to post-harvest activities that change, preserve, and prepare agricultural products for intermediate or final use. Agro processing is likely to become more important than farming and take over manufacturing. There are some basic trends in both non-food and food that are shown in this research. A lot of attention is paid to Agro processing SMEs. As more and more people move to cities, the agro industry becomes more important in coordinating the production and consumption of agriculture goods. In all developing countries, population growth is becoming more and more urban, which increases the role of the agro industry in coordinating production and consumption of agriculture goods. Many long-term commodity exports have become less important, but so-called "non-traditional" food exports like fruits, horticulture, and fish products, as well as parts of the animal protein complex, have become more important to developing countries. If you look at it from the point of view of the domestic market or exports, agro industry is very important to the creation of income and jobs in Tanzania. In addition, it plays a big role in pro-poor development strategies because it can help rural areas grow more decentralised and have non-farm jobs. This chapter ascertains the extent to which scholarly literature exists and identifies potential gaps in the scholarly literature that warrant additional inquiry. It also provides context for the research issue, theories and techniques which will be used in the collection of data in order to contrast with the findings of this study

Therefore, purpose of this chapter is to review various empirical and theoretical studies on agricultural processing SMEs. This chapter is comprised of five sections. Section one discusses the definition of agro-processing, the importance of agro-processing, the importance of agro-processing SMEs, and the variables affecting the growth of agro-processing SMEs. The second section explores the effect of strategic positioning on small business growth and reviews the work of other specialists. Additionally, the chapter discusses the nature of agro-processing in Tanzania and the issues confronting Tanzanian agro-processing SMEs. Section four discusses ideas such as firm growth theory, institutional theory, network theory, transaction cost theory, competition

theory, and demand theory in order to better understand the relationship between growth and organisational effectiveness. The chapter finishes with a discussion of the literary gap and a summation.

### **3.1 Definition of Agro processing**

Agro-processing is the process of converting agricultural goods, referred to collectively as agro-products, into additional raw resources or food products (Wilkinson and Rocha, 2008). Agro processing can be classified as primary or secondary processing. Primary agro processing is the process of converting agricultural products to raw resources. This can be accomplished by drying, packaging, or semi-processing the products that will be used as raw materials in subsequent processing. Secondary processing, on the other hand, entails entirely processing the agricultural product for final consumption (Buckler et al., 2009). Secondary processing includes the grinding of peanuts to make peanut butter, the processing of milk to make cheese, and the milling of maize to make flour (Kamuzora, 2013). According to Gell-Mann (2018), agro-processing is a techno-economic process that converts agricultural goods, such as those from rural homesteads, livestock, aquaculture sources, and woods, into consumable food, feed, fibre, fuel, or mechanical basic materials. Thus, the agricultural processing sector comprises all operations from harvest to delivery of the cloth to the final consumer in the desired form, packaging, quantity, quality, and price (Puja, 2018)

A common and traditional definition of the agro-processing industry refers to the subset of producing raw materials and intermediate products derived from the agricultural sector. The Agro-processing industry thus mainly focus on transforming harvested products originating from agriculture, forestry, and fisheries into useable goods (FAO, 2005). A large part of agricultural production undergoes some form of transformation between harvesting and final use. A variety of industries use agricultural, fishery, and forest products as raw materials. They range from simple preservation (such as sun drying) and operations closely associated with harvesting to the assembly, by modern, capital-intensive methods, of outputs such as textiles, and paper (FAO, 2005). The food industries are rather more homogeneous and are easier to classify than the non-food industries since their products all have the identical end use. Most of the preservation techniques, for instance, are basically similar over a full range of perishable food

products, whether they are fruits, vegetables, milk, meat, or fish. In fact, the processing of the more perishable food products is substantial for the aim of preservation (FAO, 2005).

In comparison, non-food industries have a diverse range of end uses. The majority of agricultural non-food products require extensive processing (Pamwal and Tata, 2019). Rather more markedly than with the food industries, there's usually a sequence of operations, leading through various intermediate products before reaching the ultimate product. Due to the value added at each of those successive stages of processing, the proportion of the full cost represented by the initial staple diminishes steadily. An additional feature of the non-food industries is that several of them increasingly use synthetics and other artificial substitutes (especially fibres) together with natural raw materials (Muzyczek, 2020).

Owoo and Lambon-Quayefio (2017) and FAO (2005) further classifies the agro-processing industry in two categories: upstream and downstream industries. Upstream industries are engaged in the initial processing of agricultural commodities. Samples of such industries are rice and flour milling, leather tanning, cotton ginning, oil pressing, sawmilling, and fish canning. Downstream industries undertake further manufacturing operations on intermediate products made up of agricultural materials. Examples are bread, biscuit and noodle making, textile spinning and weaving; paper production; clothing and footwear manufacturing; and rubber manufactures.

### **3.2 Significance of Agro-processors and Agro-processing industry**

Development of agro-processors is critical for the growth of developing countries (Magombeyi and Odhiambo, 2019 Rivera-Santos et al., 2015). Accordingly, SME agro-processors particularly in developing countries contribute towards job creation, help reduce poverty, and uplift living standards especially among women (Ampadu-Ameyaw and Omari, 2015). The link between processors and farmers provides an avenue for income to farmers who are generally rural settlers. In most African countries, food and beverages dominate employment (Mhazo et al., 2012), whilst furniture making has grown to become one amongst the foremost expanded and established sectors. A study shows that 46% of the adult population in Africa, are micro, small to medium enterprise (MSME) owners with 43% working in the agriculture sector (Scope, 2013). The reliance

on agriculture and SMEs is not unique to Tanzania, but rather to the entire Sub-Saharan African region (Mhazo et al., 2012), as SMEs account for the majority of private-sector enterprises and provide the majority of employment (Reeg, 2015; Muzyczek, 2020 and Ampadu-Ameyaw and Omari, 2015). As a result, agricultural processors are critical to industry and economic processes (Reeg, 2015; Kamuzora, 2013; Mhazo, et al., 2012; Mbura, 2020 and FAO, 2019).

Numerous developing countries, without a doubt, rely on agriculture for economic development. This is because the agro processing industry not only generates jobs, but also contributes to economic growth through exports of finished and raw products (Kipene et al., 2015). Agro-processing activities can contribute to sustainable livelihoods through improved incomes, employment, food availability, nutrition, and social and cultural well-being from a limited area of land (Simalenga, 1996; Proctor et al., 2000; Azama-Ali, undated). Vibrant agro-industrial activities can expand the markets for primary agricultural products, add value by vertically integrating primary production and food processing systems and minimize post-harvest losses. Additionally, such activities would reduce seasonality in the consumption of a variety of processed foods, improve the viability, profitability, and sustainability of production systems by increasing farm incomes, rural employment, and earnings from interchange, while mitigating marketing risks (Lambert, 2001). Also, people working in the agro-processing sector, act as processors or suppliers of finished products. Hence, the changing role of agriculture act as an element of a process of structural change and economic transformation (Herrendorf et al., 2015). The countries that succeed in lifting themselves out of poverty are those that can diversify their economies away from agro processing. More so, agro processing is important for the modernization of agriculture and human living. It's needed for development and optimal utilization of natural resources, appropriate mechanism of unit operations of agriculture for increasing production, productivity with the reduced cost of production for greater profitability, economic competitiveness, and sustainability (Owoo and Lambon-Quayefio, 2017).

Different countries define SMEs differently depending on their level of development. However, the commonly used criteria in the definition include the total number of employees, the total investment, and sales turnover. A small to mid-size enterprise (SME) is a business that maintains revenues, assets, or the number of employees below a certain level (Oecd, 2005). SMEs are non-



subsidiary, independent firms that employ less than a given number of employees. The factor for determining an SME varies among countries and industries. For instance, within the international organisation a business with fewer than 250 employees is considered as an SME, as within the European Economic Community small firms are generally those with fewer than 50 employees, while micro-enterprises have at the most 10, or in some cases 5, workers (D'Amato et al., 2020). However, some countries set the limit at 200 employees, while the US considers SMEs to incorporate firms with fewer than 500 employees (Decker et al., 2014). The most frequently used upper limit for defining a SME is 250 employees.

Some try to use capital assets while others use the skill of labour and turnover level. Others define SMEs in terms of their position and method of production. Bargerion et al. (2010) tries to sum up the danger of using size to define the status of a firm by stating that in some sectors all firms are also considered small, whilst in other sectors, there are possibly no small firms. Bolton (1971) first formulated an “economic” and “statistical” definition of a little firm. Under the “economic” definition, a firm is alleged to be small if it meets the subsequent three criteria: ‘It’s a comparatively small share of their marketplace; it’s managed by owners or part-owners in a very personalized way, and not through the medium of a formalized management structure; it’s independent, within the sense of not forming a part of an outsized enterprise. Under the “statistical” definition, the Committee proposed the subsequent criteria: The dimensions of the tiny firm sector and its contribution to GDP, employment, exports, etc; the extent to which the little firm sector’s economic contribution has changed over time; Applying the statistical definition in a very cross-country comparison of the tiny firms’ economic contribution (Kipene, 2009, P.18).

The European Commission (EC) defined SMEs primarily in terms of employee count: Firms with 0 to 9 employees - micro-enterprises; 10 to 99 employees - small enterprises; 100 to 499 employees - medium enterprises. Thus, the SME sector includes all businesses (except agriculture, hunting, forestry, and fishing) with fewer than 500 employees. In practise, the EC definitions are based entirely on employment, rather than a variety of criteria. Second, given the rise in productivity over the last two decades, utilising 100 employees as the small firm's upper limit is more appropriate. Finally, the EC definition assumes about the homogeneity of the SME group; the definition distinguishes between micro, small, and medium-sized enterprises. However, the EC

definition is far too broad to be applied to a diverse range of countries. Researchers would employ definitions for small businesses that are more pertinent to their "target" group (an operational definition). It must be emphasised that debates over definitions are fruitless, unless one considers the possibility that size has an effect on performance. For instance, when evaluating the impact of a credit programme on a target group, the relationship between size and performance is critical (Storey et al., 1994). Weston and (Abor and Quartey, 2010) hold that definitions of the size of enterprises suffer from an absence of universal applicability. In their view, this is often because enterprises could also be conceived of in varying terms. Size has been defined in numerous contexts, in terms of the amount of employees, annual turnover, the industry of enterprise, ownership of enterprise, and value of fixed assets. (Van Der Wijst, 1989) considers small and medium businesses as privately held firms with 1 – 9 and 10 – 99 people employed, respectively. (Moghimi and Subramaniam, 2013) define SMEs as firms with fewer than 100 employees and fewer than €15 million turnovers. (Michaelas et al., 1999) consider small independent private limited companies with fewer than 200 employees and (Lopez-Gracia and Aybar-Arias, 2000) considered companies with sales below €15 million as small. Per the country Department of Trade and Industry, the simplest description of a tiny low firm remains that employed by the Bolton Committee in its 1971 Report on Small Firms. This stated that a tiny low firm is an independent business, managed by its owner or part-owners, and having a little market share (CompanyLaw, 2001).

The UNIDO also defines SMEs in terms of the number of employees by giving different classifications for industrialized and developing countries (Elaian, 1996). The definition of industrialized countries is given as follows:

Large firms with 500 or more workers; Medium firms with 100-499 workers; Small firms with 99 or less workers.

The classification given for developing countries is as follows:

Large - firms with 100 or more workers; Medium - firms with 20-99 workers; Small - firms with 5-19 workers; Micro - firms with but 5 workers.

It is clear from the varied definitions that there is no consensus over what constitutes an SME. Definitions vary across industries and across countries. It's important now to look at definitions of SMEs given within the context of Tanzania.

Tanzanian authorities classify SMEs according to sector, employment size, and capital invested in machinery. Accordingly, SMEs are defined in Tanzania as micro, small, and medium-sized enterprises engaged in the majority of economic activities, including processing, manufacturing, mining, commerce, and services. A microenterprise is defined as a business with fewer than five employees, whereas a small business is defined as one with fewer than five employees.

### **3.2.1 Characteristics of SMEs in Developing Countries**

According to Fisher and Reuber (2000), SMEs in developing nations exhibit a variety of characteristics under the broad themes of labour characteristics, sector of operation, owner gender, and efficiency. Given that the majority of SMEs are one-person operations, the largest job group is that of operating proprietors. This group accounts for about half of the employees in most developing countries' SME sector; their families, who are typically unpaid but actively involved in the firm, account for around another quarter. The remainder of the workforce is made up of hired individuals and trainees or apprentices.

Due to the fact that SMEs employ a greater number of people than larger firms, they incur lower capital expenditures connected with employment creation (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995). They are largely engaged in retailing, trading, and manufacturing (Fisher and Reuber, 2000). While it is widely believed that the majority of SMEs fall into the primary category, the proportion of SME activity that occurs in the retail sector varies significantly across countries and between rural and urban regions within countries. Retail is typically concentrated in metropolitan areas, although manufacturing can be located in either rural or urban areas. However, the extent to which a rustic participates in manufacturing is governed by a range of circumstances, including raw material availability, consumer choices and consumption patterns, as well as the maturity of export markets.

In Ghana, SMEs are classified as urban or rural. Frequently, the first group is separated into "organised" and "unorganised" firms. The organised ones often have salaried staff and a registered

office, but the disorganised ones are created by artists who add open spaces, temporary wooden structures, or work from home, and employ few or no salaried employees (Kayanula and Quartey, 2000). They rely entirely on family members or apprentices. Rural enterprises are generally comprised of family groupings, independent artisans, and women engaged in the production of food from indigenous crops. The sector's most significant operations include the following: soap and detergents, fabrics, clothing and tailoring, textiles and leather, village blacksmiths, tin smithing, ceramics, timber and mining, bricks and cement, drinks, food processing, bakeries, wood furniture, and electrical assembly. agro-processing, chemical-based products, and mechanics (Osei et al., 1993; Kayanula and Quartey, 2000). Most SMEs are female-owned and are frequently not home-based in comparison to male-owned businesses; they are operated from home and are largely ignored by official statistics. This clearly affects their chances of obtaining financing, as such programmes are not designed with female-owned businesses in mind. These female entrepreneurs often get the impression that they're unable of taking advantage of those credit schemes because the executive costs related to the schemes often outweigh the advantages. Prior empirical studies in Ghana have shown that female-owned SMEs often have difficulty accessing finance. Females are mostly involved in sole-proprietorship businesses which are mainly microenterprises and per se may lack the required collateral to qualify for loans (Aryeetey et al, 1994; Abor and Biekpe, 2006). Measures of enterprise efficiency (e.g., labour productivity or total factor productivity) vary greatly both within and across industries. Firm size is also related to other factors that are correlated expeditiously, like managerial skill and technology, and the effects of the policy environment. The majority of studies conducted in developing countries indicate that the smallest businesses are the least efficient, and there is some evidence that both small and large businesses are relatively inefficient in comparison to medium-sized businesses (Little et al., 1987). It is often argued that SMEs are more innovative than larger firms. Many small firms bring innovations to the marketplace, but the contribution of innovations to productivity often takes time, and bigger firms may have more resources to adopt and implement them (Acs et al., 1999).

### **3.2.2 SMEs in Tanzania**

Most economies in both developed and developing countries acknowledge the role and importance of SMEs in generating employment, stimulating growth, and creating social cohesion.

Additionally, interest in SMEs appears to have been rekindled in the face of globalisation, which is increasingly becoming a dominant force in global trade. SMEs are viewed as instruments capable of responding to globalisation due to their adaptability and rapid ability to change. While it's true that globalization creates opportunities for SMEs to be effectively involved in global markets, it also poses numerous challenges and problems. Czinkota et al. (1983) argue that SMEs are weak in Africa due to small local markets, entry of the many firms into their markets with sometimes superior products, undeveloped regional integration, and difficult business conditions, which include cumbersome official procedures, poor infrastructure, dubious legal systems, and unattractive tax regimes - or difficult business conditions. That is, many firms stay small and informal and use simple technology that doesn't require great use of national infrastructure. This can be a proven fact that hinders them from becoming competitive within the marketplace.

### **3.2.3 Importance of Agro Processing SMEs**

There continues to be the popularity that agro-industrial development, even at the industry levels, is critically important to the expansion and diversification of the agricultural sector. Agro-industrial development could make a major contribution to the transformation of agriculture and, by extension, rural and national development (Ruml et al., 2021). Vibrant agro-industrial activities can expand the markets for primary agricultural products, add value by vertically integrating primary production and food processing systems and minimize post-harvest losses (Kumar, 2019). Additionally, such activities would reduce the seasonality of consumption of a widely distributed processed food, improve the viability, profitability, and sustainability of production systems by increasing farm incomes, rural employment, and exchange earnings, while mitigating marketing risks (Lambert, 2001). Agro industry provides capital and services to farmers (e.g., seeds and equipment, training, production, and market information) promotes entrepreneurship, raises demand for agricultural products and connects farmers with markets through the handling, processing, marketing, and distribution of agricultural products. As a result, productivity and quality of agricultural production farm returns, economic stability for rural households, food security and innovation throughout the worth chain are often enhanced. Efficient agro industry can therefore spur agricultural growth and in the midst of a robust link with smallholders reduce rural poverty (United Nations Commission, 2008; Tschirley, Bricas, Sauer and Reardon, 2020).

However, with few exceptions, the agro industrial sector remains rudimentary, underdeveloped and largely without significant institutional, technical and support. Thus, being mindful of the pitfalls and obstacles to agro-industrial development, it's relevant to re-examine a number of the issues and constraints which have continued to plague this sector (Lambert, 2001).

### **3.3 General Opportunities and Challenges Faced by SMEs**

SMEs do not face their own special opportunities and challenges but rather because they operate in the same environment with their bigger competitors, they face similar aspects in this respect. This is relation to the general concern of the paucity of studies on agro processing SMEs. Therefore, this section explores and presents specific challenges and opportunities faced by agro processing SMEs.

#### **3.3.1 Opportunities**

Kroon (1990) defines opportunities as favourable or unexploited situations in one or more of managers 'environments that may proactive managers can utilize for the advantage of the organization. Opportunities within the business environment normally include such factors which can provide the firm with possibilities for expansion so on make more sales and profits. For example, management can cash in and vigorously market a product or service for there are a limited number of substitutes within the face of great demand. El-Enbaby et al (2016) added their voice by defining opportunities as external conditions useful for a firm to attain its objectives. They further assert that an entity should endeavour to spot practical opportunities that have an affordable probability of success as distinct from anything that anyone or any firm might want to try and do. Jaiswal (2020) noted the subsequent opportunities for business organizations: good country image, favourable laws and regulations, competitors' vulnerabilities, possibilities of developing new products and positive market developments amongst others.

#### **3.3.2 Challenges**

These are the factors that limit the firm's ability to grow and consequently reduce sales and profit potential. Chingosho (1990, 21) defined challenges as "all external conditions that have a detrimental effect on and obstruct efforts to achieve set objectives" When adequate preparation is made, the effect of many of those factors can frequently be mitigated or their impact softened.

According to Kroon (1990), challenges are unfavourable situations that manifest in one or more of the management environments and may result in disastrous outcomes or even the entity's failure due to a lack of proactive management. He further asserts that such would result from scarcity of a particular critical item or restrictive legislation, competitor entry into the market, economic recession, technological change, and demographic changes. The challenges that entities face in today's world village include uncertainty, globalisation, government policy and regulation, technology, supply chains, as well as strategic thinking and problem solving (BMGI, 2015)

### **3.3.3 Uncertainty**

All people, particularly SMEs leaders, tend to exhibit great discomfort within the face of uncertainty (Etemadi, 2020). This could be uncertainty in credit markets, within the global economy, on the impact of recent regulations on business activities (Al-Thaqeb and Algharabali, 2019), on competitor activity moreover as uncertainty on the impact of latest technology on business activities (BMGI, 2015). Uncertainty in most cases ends up in a brief term focus by managers who may shrink back from long range planning all for short-term results, making uncertainty the excuse.

### **3.3.4 Globalization**

BMGI (2015) conducted interviews where seven out of the ten Fortune 500 CEOs indicated that globalization was their main challenge. There's need for managers and everybody within the firm to grasp foreign cultures. The firm if it's to achieve success must be able to penetrate new markets with existing products, should design new products for brand new customers moreover as recognizing emergent, disruptive competitors (BMGI, 2015). of these weren't know some months or simply some years ago. Challenges are present in understanding better the international markets, cultures and customer tastes and preferences globally (Wise, 2020).

### **3.3.5 Policy and Regulation of the Government**

The dynamic regulatory environment is a major source of concern for businesses. Though it's seeming as if the volatility of the regulatory environment has somewhat settled down over the past years, a more in-depth analysis reveals that organizations are constantly managing an unknown regulatory environment (BMGI, 2015). What's interesting is that almost all entities have gotten

together with the scenario of handling an unknown and unpredictable regulatory environment. Entities therefore should understand what regulation and government policy mean in their industry or their area of operation additionally as its implications on the business. It is of importance for SMEs to come together and decide what organisation they should confer and adhere with the regulations. However, the responsible country's policy should clearly articulate this to eliminate inconveniences.

### **3.3.6 Technology**

The rate at which technology advances accelerates with each passing day. Astounding investment is thus required to keep up with development. Investment is frequently surrendered when a firm chooses to rely on next-generation technology, relying on technology that may be a year away from achieving a competitive advantage (BMGI, 2015). This is frequently risky, as firms that invest can successfully establish barriers that prevent them from profiting from next-generation technology. As a result, providing opportunities for SMEs to adopt technology can aid in their growth.

### **3.3.7 Supply Chains**

Entities nowadays have resorted to carrying smaller inventories because of uncertainty within the demand for the products and the need for staying lean (BMGI, 2015). Supply chain planning has become tougher recently because of uncertainty in supply directed by wildly changing prices (Daninga, 2020), escalating disruptions that are weather-related and mounting pressure for raw materials. Entities are thus during a dilemma that needs them to develop a supply-chain strategy that minimizes the danger of crippling supply-chain disruptions while simultaneously being a minimum of possible cost (BMGI, 2015; Tan et al., 2021).

### **3.3.8 Strategic Thinking and Problem Solving**

Strategic thinking and problem solving tends to be a serious challenge firms face. The dearth of sophisticated approaches to information acquisition, analysis and therefore the development of unique insight leave many companies at a disadvantage (Ferraris et al., 2019); they lack a long-term strategic imperative and instead jump from one strategy to the following on a year-to-year basis (BMGI, 2015). Lack of everyday problem-solving competency among present day managers



restricts their ability to handle other problems as they arise. When all is said and done, the most effective way to puzzle over opportunities and challenges is to appreciate that an impressive business is one that seeks to convert obstacles into opportunities while simultaneously building on existing opportunities (Chingosho 1990; Ryan, R. M., Soenens, B., and Vansteenkiste, M. (2019)). Strategies to ensure viability and sustainability Strategic thinking and problem solving tends to be a significant challenge firms face (Kumar, 2019). The dearth of sophisticated approaches to information acquisition, analysis and therefore the development of unique insight leave many companies at a disadvantage; they lack a long-term strategic imperative and instead jump from one strategy to the subsequent on a year-to-year basis (BMGI, 2015). Lack of everyday problem-solving competency among present day managers restricts their ability to accommodate other problems as they arise (Ruml et al., 2021). Some leaders find being drenched short term planning thereby resorting to firefighting normally cited as management by crisis. When all has been said and done the most effective way of wondering opportunities and challenges is to comprehend that an impressive business is that the one which seek to show challenges into opportunities, while simultaneously building on existing opportunities (Chingosho 1990; Ryan, 2019). This needs management that is proactive, one which might plan carefully and forecast well into the long run. Thus, management shouldn't be betrothed with the operational planning at the expense of strategic planning. Strategic planning enables the firm to be proactive thus it'll be able to foresee challenges and style corrective actions to convert these challenges into

### **3.3.9 Start-up Strategies**

According to Kerr (2010), almost all businesses fail as a result of a failure to choose appropriate start-up strategies. He goes on to say that one should choose a business venture that expands one's experience and knowledge, and then look for markets with long-term potential. The business must be kept simple, as it will take longer and consume more energy. At this stage, it is prudent to keep an eye out for opportunities that are always available and people who will come along way (Ryan, 2019).

### **3.3.10 Operational Strategies**

Operational strategies normally focus on the daily operational activities of the entity. Kerr (2010) notes that it is crucial for management to identify the company's' mission. The mission will

determine all other strategies. Goals should be established, and strategies be developed to reach those goals based on their affordability, practicality as well as efficiency. Kroon (1990; Ferraris et al., 2019) stresses that goals should clearly expressed in writing, deadlines be set for implementation and where possible celebration of success should be regularly done.

### **3.3.11 Marketing Strategies**

In any reasonably business one may venture into, marketing is crucial, be it online or by the other means. Per Kerr (2010) and Tan et al. (2021), it's crucial to spot the target market before choosing the simplest marketing strategy. For example, a target market of business professionals may have success on LinkedIn instead of on social network platforms like Twitter or Facebook.

### **3.3.12 Staff Retention**

Kroon (1990) and Al-Thaqeb et al. (2019), argue that companies can ensure continuous viability and sustainability if they expend efforts and resources in retaining key employees within the organization. They will be able to build knowledge bases over the years. This makes the companies learning organizations, which have employees who are creative and innovative. Knowledge bases are stored within the human brains and are continuously improved and updated (Tschirley et al., 2020). If correctly used a company can obtain a foothold over its competitors. A major loss is suffered if such employees conceive to part ways with the organization.

### **3.3.13 High Costs of Funds**

A country's agricultural processing sector is so vital that it cannot meaningfully care for its citizens if it is in shambles. The arena necessitates massive investments in the form of machinery acquisition, research, and development, to name a few (Puja, 2018). Entrepreneurs considering investing in this field must have the necessary funds; otherwise, they will be easily chucked by competitors and will fail even in the face of extremely low competition. Tanzania's manufacturing sector is blighted by an ongoing increase in the cost of capital (Gadzikwa 2013). This stymies the sector's revival and growth, as businesses require funding to operate. Investment in equities by potential investors is dwindling because the fear for losing their wealth is mounting since the chance is incredibly high (Balchin et al., 2018). They now tend to favour debt financing which since this manner of investment has some type of security. Also, it always contains a higher rate

of interest to atone for the associated risk (Wise, 2020). It's thus gradually becoming difficult to source funds for expansion and harnessing the advantages of technological advancements in most agro processing companies. This could continue into the longer term if no corrective measures are taken to stabilize the economy.

### **3.3.14 Uneven Playing Field for Local Businesses**

Locally produced goods are priced at levels that locals believe are unaffordable. As a result, there has been a significant increase in the quantity of low-cost imports. Gadzikwa (2013) notes that while some of these imports are subsidised in their countries of origin, others should not be covered by certificates of origin. As a result, both domestic and international businesses are now without a market for their products.

### **3.3.15 Challenges Synthesized**

Worldwide, business constraints have been noted to be the stumbling blocks of potential growth of Agro processing SMEs. For instance, Amegashie-Viglo and Bokor (2014) study indicate that the major constraints confronting local Agro processing artisan/entrepreneurs include financial/capital, lack of market/poor patronage, high cost of inputs and lack of tools/equipment. Also, the same study reveals that low level of education, business ownership being mostly sole proprietorship, low level of technology with the majority still using traditional/rudimentary methods of production which results in low production, high cost for available raw materials and lack of business training are constraints facing entrepreneurs in. Also, Mujuru (2014) finds that poor marketing and strategic skills due to low education tend to limit entrepreneurial competencies of the local small-holder farmers. Moreover, Felix and Ezenwakwelu (2014) on empirical analysis of entrepreneurial development and implication for Nigerian economic growth indicates that lack of strong patent law and lack of knowledge of entrepreneurial development in the basic science and technology constitute the challenges of entrepreneurial development.

Ndyali (2013) on the adaptation and barriers of e-commerce in Tanzanian SMEs shows that the majority (76.0%) of SMEs have not adopted the use of e-commerce. Also, the study indicates that technical, legal, and regulatory, lack of internet security and limited use of internet banking and web portals by SMEs are the critical barriers which inhibit the adoption of e-commerce in

Tanzania. Majenga (2013) identifies family roles, women's immobility for business opportunities, insufficient education and business training, insufficient business information, ethnicity, and poor support from husbands as sociocultural factors affecting the performance of women SMEs in Tanzania. Kessy (2009) points out that women cultural orientation, lack of business training and limited access to capital are factors hindering the performance of women SMEs in Tanzania. Fjeldstad et al. (2006) reports that constraints facing SMEs in Tanzania include competition (79.4%), cost of raw materials (69.4%), license and permit (67.5%), high tax rates (66.9%), insufficient demand (61.9%) and corruption (53.1%).

### **3.4 Facilitators of Agro Processing SMEs Growth**

The term ‘‘growth’’ means increase in size or an improvement in quality as a result of process of development, during which an interacting series of internal changes ends up in increase in size among changes within the characteristics of the growing object (Penrose, 1959). The quality of growth can be determined by the firm's evolution or sophistication. For instance, a business that transitions from owner-operated to owner-directed status may be considered to have grown significantly organizationally. Quantitative growth needs to do with changes that are quantifiable, like workforce size, sales revenue, profitability, investment, product mix (Olomi, 2009). Due to the potential benefits to society of growing businesses, there has been lots of interest within the question on why firms which face roughly the identical quite external circumstances experience different rates of growth. This interest is even more pronounced in many Sub-Saharan countries, where there are extremely few medium-sized enterprises, which has led to concerns about ways of filling the ‘‘missing middle’’. Sustaining or pursuing growth requires a thorough understanding of what causes it (Olomi, 2009). Unfortunately, empirical research on those specific push and pull factors is limited, with results having little predictive power (Krueger et al., 2000), and displacement may logically result in behaviours other than self-employment. Schmitt-Degenhardt et al. (2002) make four compelling arguments for why a small to medium-sized enterprise will remain small and avoid pursuing a growth strategy once a specified minimum size is reached: The owner-manager prioritises the disadvantages and risks of growth over the benefits and new opportunities; the owner-manager chooses voluntarily to keep his business small due to a limited achievement, motivation, or special personal reasons; and within the context of developing countries, a disproportionate share of small businesses are informal; expansion beyond a certain

size necessitates formalisation, which is frequently a posh and costly process. Schmitt-Degenhardt et al. elaborated on these four points:

a) The Locally Oriented SME

Numerous SMEs throughout the industrialised world, as well as emerging markets and developing countries, pursue an explicit or implicit strategy that implies a clear constraint on growth. The everyday example is a SME that sells standardised products and services on a neighbourhood or regional level, for example, SMEs in the retail or restaurant sector, bakeries, as well as services such as hair cutting or car repair. In the vast majority of those cases, the owner-manager of the SME chose from the start to occupy a large enough area or regional market niche to meet personal income expectations and to ensure the upkeep or relocation of buildings, machinery, and other assets. Within this type of locally focused SMEs and given market structures, there is a natural limit to the size of the business. Beyond this point, expansion would necessitate a radical rethinking of the SME's fundamental strategy and the set of (explicit or implicit) objectives of its owner. It entails a fundamental reorganisation of the companies' organisational structure across all functional areas (production, marketing, and logistics). Generally speaking, a SME's growth cannot be expected to continue once the "optimal level" for the specific local conditions has been reached.

There are, however, a few exceptions to consider:

Locally oriented SMEs in traditional sectors can sometimes be transformed into large companies, most frequently through external growth, such as acquisition of comparable SMEs in other local markets or the establishment of franchising systems.

When fundamental market conditions undergo rapid change, SMEs may also face the choice of "grow or perish." The German brewing industry is a good example of this "induced growth": when the beer market transitioned from primarily local relationships to a national distribution system, many small breweries experienced a zoom process, which was frequently accompanied by a change in the owner structure or acquisition by a larger competitor. We can resume that in industrialised likewise as in developing countries we discover a relevant segment of SMEs that growth shouldn't be expected. Their orientation on a stable company size isn't contrary to the logic

of an economy but reflects a rationale strategy of locally oriented firms. They will invest, re-organise and contract advisory services whenever they consider this necessary or helpful for his or her goal of maintaining their market position.

b) “Arrested Development”

According to some empirical studies (Hanks et al. 1993, Davidson 1989), even firms that do not fall into the above-mentioned category of locally oriented SMEs may fail to grow simply because the owner-manager chooses to maintain a limited corporate size ("arrested development"). There is no direct correlation between small business growth and profitability, as empirical evidence (e.g., Roper 1999) demonstrates. Once a commercially viable scale of operation is achieved, there may even be a trade-off between additional growth and rate of return. With profit maximisation as the driving force behind higher cognitive processes, the owner or manager will opt to keep the business small and profits high in these instances. Additionally, business owners may value the foreseeable disadvantages and risks of growth in addition to the benefits and opportunities. This is frequently consistent with psychological observations that people tend to overvalue the possibility of failure (Pilous 1993, p.98), which translates into failure related to growth in this context. They are prone to be "risk averse" when profits are at stake (Pilous 1993, p.70), avoiding investments necessary for business growth when doing so would jeopardise the corporation's continued profitability.

c) “The “Life-Style Firm”

Once a SME reaches a size that enables the owner to earn an attractive income, a trade-off may occur between the owner's quality of life and continued business growth. Expansion entails a constant pursuit of new challenges, a more sophisticated cognitive process, and a willingness to take calculated risks. As a result, it is preferable for the owner-manager to keep the business small and to operate in a well-known field. There should be a strong intrinsic "achievement motivation," a private desire to grow the business, increase revenue, and lead a growing organisation (e.g., Davidson 1989). There are additional reasons to keep the business small, even when the market and external conditions are favourable. Many business owners are averse to delegating strategic decisions to business partners or subordinates. They prefer the autonomy of leading a small

business to the benefits of being the general manager of a larger organisation. This type of business is referred to as a "lifestyle firm" (McMahon 2000, Hanks et al. 1993, Hay and Kamshad 1994).

#### d) Informality and Formality

In developing countries, a disproportionately large proportion of SMEs, particularly informal microenterprises, are not growth-oriented: Frequently founded because of a lack of job opportunities in the formal sector, the primary objective of the majority of businesses is the entrepreneur's and his or her family's reproduction. In most cases, the entity becomes obsolete due to the limitations of available labour within the family group and the market constraints imposed by informal sale channels. This aggravates the above-mentioned low inclination towards risk-taking. Thus, besides the known critical external factors that hamper the expansion prospects of micro-enterprises like lack of access to training, credit, and other business services, there also are very relevant factors within the person of the micro entrepreneur and his or her business and growth objectives. As there's only part of all enterprises interested to contract Business Development Services (Schmitt-Degenhardt 2002) one can safely assume that there will be an outsized proportion of micro-entrepreneurs who don't wish to grow with their business but who will prefer e.g., a proper job after they get access to that. Due to this and other internal and external factors, the expansion potential of the numerous informal SME is limited. Several studies discuss the factors that are thought to influence the growth of SMEs. The most important factors affecting the growth of SMEs are a strong need for accomplishment, the availability of financial capital (Zhou and Wit, 2009); their behaviour, personality, and attitude (Storey, 1994); their capabilities, including education and training, which contribute to higher expectations in certain industry sectors (Henry et al., 2005); and their social capital, which affects access to resources (Brush et al., 2004). Second, Storey (1994) identified prior management experience, case history, functional skills, and knowledge of relevant business sectors as significant determinants of SME growth.

While the determinants generally help firm growth, there also are factors that inhibit firm's growth (Davidson, 1989). These factors are considered as growth barriers. Most of the SMEs are more likely to face problem after they enter into the business and also once they are growing compared to the massive business. Commonly addressed barriers for tiny businesses include institutional barriers and financial barriers (Zhou and Wit, 2009). Institutional barriers are mainly discussed

with the focus on firms' interaction with government, including legalization, taxation, and government support amongst others. Davidson and Henreksson (2002) studied from both theoretically and empirically and strongly argue that certain institutions intentionally discriminate against the expansion of SMEs which successively act as a growth barrier. It is not difficult to imagine that SMEs would have a troublesome period once they face unfavourable legal system, discriminatory regulations, and sophisticated laws (Shah Alam et al, 2011).

#### e) Education of the Labour Force

There has been considerable debate about the role of education in the economic development and poverty reduction of states. According to some studies, the effect of education on the likelihood of poverty is a very strong relationship (Appleton, 1997; Oxaal, 1997). Alkali (2010), citing research from Uganda and Russia, asserts that education enables people to adapt more easily to economic, social, and technological changes, as well as changes in labour demand. Education is frequently the most critical foundation for individuals seeking new business opportunities, seeking higher employment, and migrating (World Bank, 2008). Nigeria is renowned for its substandard primary education and low tertiary enrolment (GEM, 2014). Around 40% of Tanzanian children aged 6–11 years (approximately 4.7 million children of primary school age) do not attend any grade school, the lowest rate in the country, particularly for females (UNICEF, 2005). In Tanzania, the issue is not simply one of low faculty completion rates, but also one of skill mismatch (GEM, 2014). As a result, as explained in the following section, this can have an effect on the growth of agricultural processing SMEs.

### **3.5 Factors Affecting Agro processing SMEs Growth**

Figure 2.1 depicts the internal elements and their relationships to external factors. The economic performance of SMEs is often fostered or hampered by many various factors. Some are internal to the enterprises, while others belong to the economic and social environment within which they operate. Some are generic to all or any SMEs while others are sector specific. Some may be directly targeted through government intervention, while others are more effectively promoted through market channels.



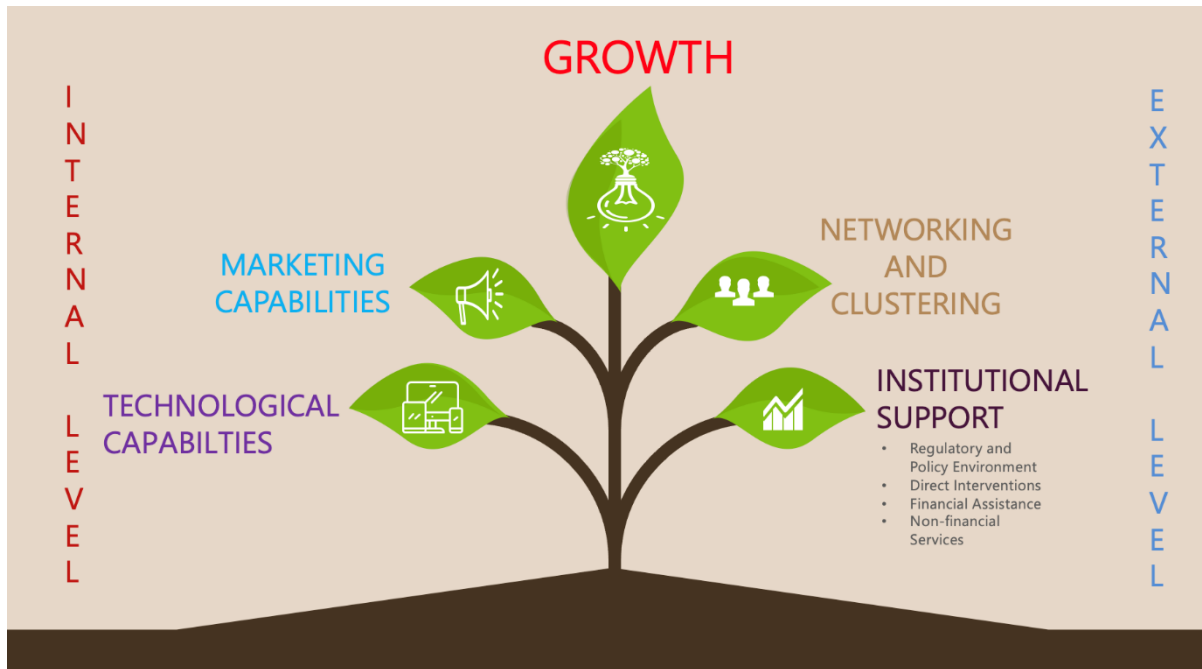
While this section cannot fully capture the scope, it does present a strategic framework outlining the most critical elements, levels of study, and connections for the development of agro processing SME in Tanzania. Given that the report is primarily concerned with enhancing the growth of agro-processing SMEs, it is necessary to open the recording equipment in order to ascertain the types of requisites and internal processes that result in technological upgrading and the development of selling capability in businesses.

### **3.5.1 Internal Factors**

The framework distinguishes between internal and external factors affecting businesses. The large circle in the diagram's centre represents the critical internal requirements and processes that can result in increased output and innovation in businesses. These are frequently referred to as inputs. Technological capabilities, and the knowledge, skills, and effort required for firms to initiate an indigenous process of technological development, are defined as the knowledge, skills, and efforts required for firms to induce an indigenous process of technological development. This will be accomplished by increasing the efficiency of production activities (capabilities), such as quality control, production scheduling, and preventive maintenance. A more advanced technological development is enhancing established systems and creating new ones (innovation capabilities).

Acquisition of such capabilities cannot be regarded as a right. It frequently requires deliberate and cumulative efforts aimed at assimilating and adapting existing technologies to local conditions. This is particularly true in developing countries, as the majority of major innovations remain concentrated in technologically advanced countries. Two major factors are assumed to influence the effectiveness of those integrated efforts that result in in-firm technological learning. First, the founder/educational manager's background and prior work experience; and second, the workforce's talents and working conditions (including compensation levels, job security, and so on), with the former affecting the latter.

**Figure 3.1: Abstract Frame to Support SME Growth**



Source: Author's compilation based on findings from Albaladejo and Romijn (2000, page number 45); Cosenza and Bivona (2021).

Marketing capabilities are required to create the merchandise available and attractive to the client. They include activities concerned with establishing a marketing channel from the factory to the client (direct sales or intermediaries), organising the logistics (related to mode and speed of transport), promotion (advertising, branding) and after sales service. These activities have received less attention from researchers and policy makers than those concerned with improving products and production processes. The neglect of selling has, however, begun to be rectified (Lall 1991; Humphrey and Schmitz 2000). There is now a transparent recognition that breaking into distant markets, especially export markets, could be a discontinuous step. This is often most clearly expressed by (Roberts and Tybout, 1995; Cosenza and Bivona, 2021), who suggest that the critical barriers to entering export markets are the high cost of gathering information on foreign markets, establishing marketing channels, and defining products suitable for the new market.

### **3.5.2 External Factors**

It is widely recognised how critical it is to develop internal technological and marketing capabilities in order to compete with more innovative, fashionable, and high-quality products. Developing those capabilities requires effort and investment on the part of businesses. However, this is frequently an expensive and risky process, particularly when SMEs are left to their own devices. This is even more difficult in developing countries, where the regulatory and policy environment frequently makes it difficult for SMEs to raise the capital necessary for subsequent technological learning. Clusters and networks constitute the immediate external context within which SMEs operate. The advantages of clustering are widely acknowledged: the spatial and sectoral concentration of firms generates externalities, favours inter-firm cooperation, and constitutes a distinct segment for effective policy support. Clustering may be particularly significant in poor countries because it facilitates growth in small and risky steps. Small amounts of capital, skills and entrepreneurial talent is made to count. It absolutely was emphasised, however, that clusters only experience industrial growth where effective trade networks connect them to sizeable markets and where trust sustains inter-firm relations. Over previous few decades, research on SMEs development has concentrated in various disciplines, like economics, strategy, psychology, network, and innovation. Nevertheless, research on small firm growth continues to be limited (Davidson and Wiklund, 2000; Wiklund, Patzelt and Shepherd, 2009; Zhou and Wit, 2009). Consistent with Zhou and Wit (2009) the present literature is extremely fragmented. As an example, Begley and Boyd (1987) focused on the behaviour of the entrepreneurs, Smallbone et al. (1995) and Constantinides (2004) focused on strategy of growth, whereas Audretsch et al. (2004) focused on the relation between growth and firm size. To our understanding, none of them has exclusively focused on the determinants and barriers of growth of firm within the food industry (Shah Alam et al, 2011).

### **3.6 Other Business Climate Variables**

Associated investment climate and productivity has been examined thoroughly by several authors (e.g., De Rosa et. al., 2013; Klapper et al., 2006). Related business constraints that affect SMEs in Tanzania centre on the political, social, and legal ground rules within which businesses operate, including stable government, time it takes in handling government procedures, property rights and taxation (Ochulor, 2011). Aidis et al. (2012) argue that corruption constrains entrepreneurship by

detering entrepreneurs unwilling to have interaction in corrupt practices and inspiring unproductive kinds of entrepreneurship. Fear of failure is the percentage of people who see opportunities in their neighbourhood but indicate that fear of failure would keep them from starting a business (GEM, 2014). Fear of failure is influenced by both intrinsic personality characteristics and societal norms, cultural barriers, government procedures, taxation, and other regulations. GEM's (2002) recommendations to policymakers for improving the business environment in Sub-Saharan Africa include improving physical infrastructure – power, transportation, water, and broadband internet – particularly in rural areas, and reducing bureaucracy and procedures associated with starting a business.

Make it faster and less expensive; create incentives for entrepreneurs to start new businesses and corporations to invest in small businesses through internships and apprenticeships, among other things. World Bank Doing Business focuses on regulations and regulatory processes involved in fitting and operating a business. It analyses people who address asymmetries information (such as credit market regulations), people who balance asymmetries in bargaining power (such as labour market regulations) and people that enable the availability of public goods or services (such as business or property registration).

### **3.6.1 Conceptualizing and Analysing the Growth of Small and Medium-Sized Enterprises in the Agro-Processing Industry**

The concept of growth of agro-processing SMEs refers to the capacity of the enterprises to extend the presence of their products within the local and international markets. Growing through learning and innovation may end in the enterprises getting an enormous market share and competing with imported products. Growth depends on the standard of support available from intermediary institutions for training, technological services, financial institutions, etc. and efficiency of factor markets (skills, technology, finance, raw materials).

### **3.7 Strategic Positioning's Effect on the Growth of Small and Medium-Sized Enterprises**

This section discusses the impact of strategic positioning on the growth of SMEs and reviews the work of other experts. Strategic positioning is comprised of the following elements: positioning by corporate identity, positioning by target user, positioning by features and attributes, and finally

positioning by rival. Since the 1970s, the term "strategic position" has emerged in a variety of academic publications, mostly in the product, marketing, and strategic management fields. However, there are only a few articles that address this topic in the context of SMEs. Kleinhans et al. (2013) discovered that strategic positioning refers to the company's boundary and supply chain activity in order to expand vertically or, conversely, to phase out certain operations. Johansen and Riis (2014) propose a methodology for determining a company's strategic positioning by examining the company's location in the supply chain, as well as its production and roles.

### **3.7.1 Corporate Identity-Based Positioning**

According to a Watson study, positioning is defined as a firm's position in relation to the activities it performs or does not perform (2013). Another study finding defined 'strategic positioning' as the process of determining which production-related tasks a firm should do internally and which should be outsourced to suppliers, partners, distributors, and even customers (Baines, 2013). Corporate identity has been defined as a composite of a firm's mission, vision, and fundamental values that communicates via the delivery of a business's products and services (Klopper and North, 2011). To achieve a strategic position through corporate identity, SME owners and managers must guarantee that the business's fundamental principles are communicated both internally and internationally. Through corporate identity, an organisation can communicate to the market in which it operates the value of a brand to which both internal stakeholders and the target market can relate (Abratt and Kleyn, 2013). Prior to achieving positioning, a business's corporate identity must be defined. Corporate identity is defined by a commercial enterprise's mission, vision, and core values. To achieve growth and positive opinions both internally and publicly, a SME's corporate brand should ideally reflect what the business stands for. Corporate identity can also refer to a corporate enterprise's name and brand, as a positive image of the business cannot be produced without integrating both (Gambetti and Martin, 2014). It is critical for any owner manager of a SME to determine the intended market position and stakeholder perceptions prior to establishing the desired corporate identity, as a SME may have a preconceived notion about the corporate image (Beck et al, 2014). It is critical for commercial companies to understand the many corporate identity configurations available to manage the process. SMEs should also attempt to understand the many types of corporate identities, particularly given that firms are frequently

defined in such a way that they become extensions of their owners (Essoussi, 2013). It is critical for SMEs to recognise that corporate identity building occurs naturally, as opposed to the production of a wholistic image in nature (Melewar, 2014). As a result, it is necessary to guarantee that SMEs can incorporate strategic thinking while developing a corporate identity for their operations that is meaningful not only to the business's owner, but to other important stakeholders as well. Owner-managers of SMEs must be aware of the various types of corporate identity that dictate how the business should be strategically positioned in order to increase market share and profits (Abimbola, 2013). Understanding and being aware about the many types of corporate identity enables SMEs to ensure good management of their corporate identity and to actively counteract any other variables affecting the company identity. Having a strong corporate identity benefit not just the picture being projected, but it also helps develop a positive reputation and image with customers (Essoussi, 2013). Therefore, it is critical for businesses to understand their corporate identity's market positioning in order to produce sales income and to ensure the brand resonates directly with the target market.

### **3.7.2 Positioning of the Target User**

It is critical to not only develop a positive image for the company firm, but also to ensure that it has an influence on the market targeted. The process of positioning a target user is founded on marketing activities and programmes aimed at eliciting information about the target market's views, behaviour, and purchasing processes (Sengupta, 2013; Temporal, 2014). Additionally, the process of target user positioning guarantees that the product is well-positioned, well-known, and relevant to the market to which it is marketed, resulting in greater profit margins during commercial operations (Klopper and North, 2011). Typically, placement by target user is accomplished using a technique called segmentation, targeting, and positioning (STP). The technique identifies untapped market environments that may be further explored by delving into the behaviour patterns of a certain group of consumers (Helms, 2015). Additionally, the STP process aids in developing a more in-depth understanding of the target market's nature and provides an opportunity to develop long-term affiliations between the target market and a business's brand (Hamel and Sapienza, 2014). It is critical for a SME to go through the segmentation process before making any market segmentation decisions. Segmentation is a

method that divides an existing market strategically into categories of potential markets from which the target market will be extrapolated (Dibb and Simkin, 2014; Weinstein, 2013). This is a critical procedure that helps a company enterprise to identify possible target markets and develop strategies for approaching them. Segmentation enables businesses to find potential audiences with shared features and expectations around a certain brand (Basu, 2015). As a result, SMEs get the capacity to categorise individuals who may respond positively to the products and services they offer. Apart from that, segmentation strongly encourages businesses to consider a variety of population characteristics, including demographics, behaviour, geography, and psychography. Demographic segmentation entails the examination of demographic characteristics such as gender, age, and race (Klopper and North, 2011). Individuals with similar demographics have a proclivity for similar behaviour, consumption, and routines.

Marketers examine consumer habits in different geographical places such as cities and towns to segment by geography. According to Abimbola (2013), geographical analysis and segmentation are crucial when determining a business's location and can help find a highly concentrated market that can drive profitability and sales. Segmentation must also be studied from a behavioural standpoint, looking at both product and media consumption trends (Klopper and North, 2011). As a result of the segmentation process, the procedure identifies the items and services that consumers may want depending on their existing behaviour. The fourth type of segmentation is psychographic, which looks at potential customers' views and lifestyles (Dibb and Simkin, 2014).

### **3.7.3 Positioning is the Final Stage of STP.**

As previously stated, positioning is important in the consumer's mind to stay competitive (Keller and Lehmann, 2013). Every product and service should be strategically positioned to fulfil the demands and desires of a certain target market. According to Dibb and Weinstein (2013), a favourable positioning status is achieved by communicating perceptions and benefits to the target market in such a way that they occupy a relevant space in their thinking. SMEs face challenges in appealing to their target markets. Most SMEs, especially in Africa, cater to the same market, reducing their financial viability (Hodson, 2014). Also, the inability to determine a SME's target market shows a lack of grasp of the importance of target user positioning (Marjanova, 2013).

### **3.7.4 Positioning of Characteristics**

There are two ways of thinking on this strategy. Some researchers believe this method is best used for developing new products and services (Hassan and Craft, 2013), while others say it should be used to improve existing items. Thus, the positioning factor of characteristics and attributes should be continuously analysed to ensure that the product is appropriately positioned in the market and that it is related to the values of the customers (Newberry, 2015). This strategy should not just focus on the product's functionality, but also on the customer's and the company's perceptions of its benefits and traits (Berger and Udell, 2014). Product positioning has been compared to features and attribute positioning, and the two ideas are often used interchangeably (Fuchs and Diamantopoulos, 2013). Product positioning is described as the methods in which a product employs salient product qualities and features to promote itself versus competitors (Hassan and Craft, 2013). Product positioning ensures psychological linkages and emotional implications between buyers and the product. Positioning via features and attributes is described as leveraging product attributes to communicate to the target market that the product is superior or distinct (Klopper and North, 2011; Sengupta, 2013). The aspect of features and attributes positioning is similar to a brand positioning tool that promotes innovation in positioning a company's product, service, or brand (Kotler, 2012). This marketing technique uses tangible and intangible benefits to attract customers and maintain a positive brand image (Hassan and Craft, 2013). Customers should be able to explain why they need to buy a product, as well as how it will benefit them and whether it will meet their requirements and desires (Sengupta, 2013).

### **3.7.5 Positioning of Rivals**

Every competitor in business uses this aggressive positioning strategy. A brand's strategy is compared to a competitor to assure a substantial market share (Bigne, Vila-Lopez and Kuster-Boluda, 2013; Burke, 2014). SMEs must be aware of their competition in terms of what they do, who they are, and how their brand is superior to their competitors. By implementing this positioning strategy, SMEs may ensure that consumers prefer their brand over competitors. As stated by Burke (2014) and Prasad (2013), firms have a deficit in defining their competitive landscape in a restricted manner. For a firm to succeed, it must be able to see beyond direct competitors. This strategy excludes the potential of a SME, but rather a unique value proposition



that is different from competitors (Etemad, 2014). A company's resources and capabilities must match consumer wants and aspirations to develop a successful plan. This ensures the company to meet client wants and demands while also leading the competition. Profitable markets are more likely to attract new rivals (Porter, 2011). If the number of new competitors entering a new market is significant, the profitability of SMEs is affected, and hence market share. This threat can be mitigated by developing creative products and brands, patenting them, and making them difficult to replicate (Burke, 2014; Prasad, 2013). Substitute products pose a major danger to business success (Porter, 2011). This form of danger arises when consumers have wide access to similar products and services, and even equivalent benefits. To promote consumer loyalty to a product, firms must develop items that are uniquely positioned and have favourable perceptions by the target market (Msoka, 2013). Van de Ven (2013) found that consumers have negotiating power, which poses a competitive threat because they are knowledgeable about products and services. This threat usually arises when the consumer has a significant impact on a company's profit margins. In the 21st century, social media has greatly increased customer buying power, allowing a little bad view about a particular brand of a product or service to go viral, irreversibly damaging the brand. SMEs must be able to manage their customer base and protect their brand from the effects of this danger (Hart et al, 2014). These strategies assist SMEs to expand and grow profitably by anticipating market changes and implementing the intended market. Many SMEs fail because they enter unknown areas that are highly competitive, reducing their chances of becoming progressive (Cante, 2014). (Lee et al., 2013). To survive in the challenging market, SMEs must become more competitive, and strategies must be undertaken to empower SMEs with information and knowledge about competition and establishing brands that can survive.

### **3.8 Theoretical Framework**

#### **3.8.1 Firm Growth Theory**

In economics, firm expansion is a well-studied topic. Its impact on employment, industry concentration, business survival, and economic activity alone is reason to consider it a severe threat. However, no single theory can be used to analyse the impact, causes, and progress of business expansion. This is frequently the case since the firm's definition is complex and multidimensional, as Correa (1998) explained. Without a doubt, firm growth is critical to a

business's existence and competitiveness, and it occurs as a result of both individual and collective work. This complexity has resulted in the development of pupils with varied perspectives and, more importantly, divergent forecasts regarding the path of progress. This is frequently evident in the variables used to study firm growth and its causes in the literature. Certain theories lay an emphasis solely on average size, while others place an emphasis on internal characteristics, and so forth. In any case, it is worth noting that the numerous theoretical models all share a similar denominator: business size. The following section discusses the following topics: Which metrics are used to track the business's growth? Numerous studies in economics have explored the pattern of firm expansion in a variety of methods. What is Gibrat's Law and what are its most significant empirical implications?

### **3.8.2 Factors of Firm Growth**

The first studies on firm growth concentrated mainly on the impact of size and age. However, the characteristics which will influence post-entry firm behaviour are wider and authors like Storey (1994) determined several factors affecting firm growth. Following Storey's (1994) classification, a distinction is usually made between three groups of growth determinants: (i) those associated with the entrepreneur (also defined as founder-specific); (ii) those associated with the firm (also defined as owner/manager specific); and (iii) those associated with strategy market), sector and size. With relevance (iii), firms may adopt strategies involving technology or exportation. However, an absence of information in their analysis meant that they didn't incorporate all those dimensions.

### **3.8.3 Other Studies Serve as the Basis for this Theory.**

The theoretical framework for this dissertation relies on several prior studies, and theories all of which are published in peer-reviewed, academic journals. These theories include institutional, networking, and transactional theories are supported by research on Tanzanian enterprises and firms in other African countries, additionally as in countries of other continents. The rationale for not limiting this framework to theories with a Tanzanian focus is because it's been considered that valuable lessons may be learned within the context of other developing countries in addition. Within the literature found on MSE-CDP growth and adjacent topics, several factors affecting these firms are identified. The six sets of things most relevant to the current case study are

handpicked and can be presented below. These will then be used as a framework for analysis of the empirical findings of this study.

### **3.8.4 Institutional Theory**

Institutional theory is used to describe the impact of external pressures on an organisation, such as technology improvements, government laws, and environmental changes (Glover et al., 2014). External pressures, according to institutional theory, shape an organization's supply chain tactics (Mollel, 2015). Coercive, normative, and mimetic motivations are all critical in defining organisational strategies, according to institutional theory. Coercive drivers occur as a result of government interference.

Normative drivers compel organisations to adhere to ethical business practises by keeping an eye on the environment in which they operate. This institutional impact manifests itself in three ways. The regulatory pillar consists of formal laws and regulations that actors must adhere to in order to avoid being penalised. The normative influence is on informal norms and values, which are frequently derived from culture. The cognitive pillar is comprised of an individual's personal perception of his surroundings and self-imposed constraints on the activities and tactics that are available (Scott, 2001; Hoffman, 1999; Baugh, Chua and Neupert, 2006). Entrepreneurship rates vary by country, and entrepreneurs interact with their surroundings. As a result, studying entrepreneurship in isolation from its context is tiresome (Pathak, Golz and Buche, 2013). Institutions have an effect on "entrepreneurial attitudes and motivations, available resources, as well as the limits and possibilities associated with beginning and sustaining a firm" (Welter and Smallbone, 2011, p. 108). As a result, institutional theory is increasingly being used as a framework for studying corporate behaviour (Welter and Smallbone, 2011). Earlier study indicates that formal institutions have an effect on the relative costs and benefits of starting and operating a business (in comparison to those associated with regular employment) (Pathak, Golz and Buche, 2013). More precisely, a stable regulatory environment that facilitates access to resources and enforces regulations effectively promotes entrepreneurship. Protracted procedures, insufficient property laws, heavy taxation, and high unemployment benefits, on the other hand, increase the opportunity cost, making business less appealing (Yousafzai, Saeed and Muffatto, 2015; Estrin and Mickiewicz, 2011). Informal institutions have an effect on the feasibility and desirability of

entrepreneurship (Pathak, Golz and Buche, 2013). Normative institutions, in particular, have an impact on entrepreneurs' social acceptability and image in society (Yousafzai, Saeed and Muffatto, 2015). Finally, cognitive institutions have an effect on an individual's impression of his or her capacity to run a firm (Yousafzai, Saeed and Muffatto, 2015).

#### **3.8.4.1 Emerging Economies' Institutions**

Entrepreneurship is critical in emerging economies. Entrepreneurs on a subsistence level are pushed towards business in order to obtain a basic income. Innovative entrepreneurs are attracted to entrepreneurship by emerging company prospects in a growing market (Smallbone and Welter, 2001; Baughn, Chua and Neupert, 2006). Institutional theory is an especially relevant paradigm for studying entrepreneurship in emerging nations, as institutions exert a greater influence on enterprises (Hoskisson et al, 2000; Welter and Smallbone, 2008). Additionally, the business environment looks to be "hostile in social, economic, and political aspects" in transitional or rising economies (Smallbone and Welter, 2001 p260-261). Previous research indicates that the political framework in emerging nations can be unstable (Peng, 2002) and that legal and financial institutions are frequently ineffective (Scheela et al, 2015). Procedures for formalisation are exceedingly lengthy and complex, resulting in a sizable informal sector and a high rate of corruption (Amine and Staub, 2009). Even more enterprises are compelled to operate informally as a result of exorbitant taxes and unreliable government authorities (Smallbone and Welter, 2001). Additionally, enforcement methods are ineffective or non-existent (Welter and Smallbone, 2011). These institutional shortcomings contribute to unpredictability and expensive expenses, which impede business beginning and growth (Peng and Heath, 1996; Acs and Autio, 2010). As a result, informal institutions have largely taken the place of official institutions in many emerging economies. In uncertain circumstances, personal trust and networks mitigate risks and transaction costs and ensure contract enforcement (Smallbone and Welter, 2001). Additionally, networks assist in interpreting legislation and avoiding harassment and corruption (Peng and Heath, 1996; Peng, 2001).

Another significant effect of institutional voids is the inability of small enterprises to access funding (Hitt et al, 2004). Investor protection deficiency results in underdeveloped capital markets (La Porta et al, 1997; 2000; Peng and Heath, 1996). Additionally, inadequate court systems

discourage financiers from lending money since they cannot rely on the judiciary to interfere (Khanna and Palepu, 1997). Additionally, because of the significant degree of knowledge asymmetry between credit providers and entrepreneurs, collateral requirements are high (Hainz, 2003). Additionally, entrepreneurs frequently cannot utilise their assets as security due to lax property rights and a lack of enforcement measures (Estrin and Mickiewicz, 2011). Loan terms are further devalued by a lack of competition among banks, which results in rent extraction (Menkhoff et al., 2006). Finally, complicated formalisation procedures and high tax rates contribute to the informality of small enterprises, further reducing financing alternatives (Smallbone and Welter, 2001; Aga and Reilly, 2011). Agro SMEs in emerging Tanzania rely on informal organisations to close funding gaps created by inefficient official institutions. According to Peng and Heath (1996), expansion through networks is the dominating strategy in emerging economies since firms lack the resources essential for internal growth or mergers and acquisitions. Rather than that, SMEs rely on their own networks for financial support. Small business entrepreneurs that are unable to obtain formal financing turn to family, friends, and other informal sources. Not every entrepreneur has access to networks or personal trust mechanisms. Particularly small or informal businesses will almost certainly have to employ alternative techniques, such as bribery (Welter and Smallbone, 2011). Serial entrepreneurship is another coping mechanism. Due to the inability of enterprises to grow due to a lack of formal financing, entrepreneurs operate many small businesses to assure a suitable income. The revenue generated by the several enterprises is later used to establish a larger enterprise (Smallbone and Welter, 2001).

### **3.8.5 Networking Theory**

According to Nooy (2005), "Social Networks Theory" focuses on "connections between individuals, groups of people, organisations, and countries." According to some writers, social atoms, which include a person and his or her social, economic, or cultural relations, are the basic social unit. Friendships, buyer-seller relationships, contracts, certifications, and collaboration are all examples of connections (Wasserman and Faust, 2005). The flexibility of Social Network Theory allows for analysis of relationships from a macro-level (countries, organisations, and firms) to a micro-level (individuals) (people, individuals). This feature is especially important in our study because it proposes an agribusiness analytical paradigm focused on the interpretation of

interpersonal 1994; Nooy relationships as its key goal. Even though Social Network is a well-structured theory that has been widely studied, we will concentrate on the fundamental aspects of the theory, especially those related to the social network structure. These considerations are relevant because our proposal employs a hybrid concept of analytical system in the agribusiness field, combining social networks and blockchain. The four most critical points to observe in a systemic study of a social network, according to Wasserman and Faust (1994):

1. The actors (individuals, parties, companies, organisations, and countries) and their activities are seen as interdependent rather than autonomous units.
2. The linkages are channels by which resources (materials, tangible, or intangible goods) are transferred or flow.
3. Individuals view the network structure as a source of opportunities and/or constraints on their behaviour in this model of networks.
4. That network models consider the system (social, economic, political, and so on) in terms of patterns of inter-actor relationships.

Furthermore, the unit of study in a network is not only the actors, but also the linkages between groups of actors. The network can be examined at various levels: from a single dyadic connection to an entire network.

This study focuses on the entrepreneur's personal network and its impact on company success. A balanced alignment of the owner-intention, entrepreneur's business competencies, and environmental opportunities is a crucial feature of a successful SME. The variables of intention, ability, and opportunity are integrally interrelated, and business success is improbable if one is lacking or poor. I used entrepreneurship theory to investigate the impact of entrepreneurs' networks on SME growth (based on authors Shane and Venkataraman, 2000). A dynamic business climate requires SME-s to compete and innovate. Assisting other companies in the design and delivery of products or services is critical to a company's external linkages in securing restricted resources (Valkokari and Helander, 2007).

Network formation is unpredictable and involves socio-psychological factors (Valkokari and Helander, 2007). SME networks are particularly intimate, overlapping with entrepreneur networks (Biggiere, 2001). The issue for SMEs is to properly use networks and to profit from those networks. Firm success and expansion are essential to economic growth, wealth creation, and job creation. Entrepreneurial potential is not fully harnessed, according to recent studies (Slovenian Entrepreneurship Observatory and Global Entrepreneurship Monitor). So, a better knowledge of this phenomenon is critical for at least three areas. Socially, there is reason to learn more about the factors that encourage and discourage small business entrepreneurship. Such knowledge is required to reinforce the empirical micro-level basis of entrepreneurship and firm theories.

### **3.8.6 Transaction Cost Theory**

Theory of transaction costs attempts to explain why businesses exist and why they expand their operations or outsource them to the outside world. According to the transaction cost principle, businesses seek to minimise the costs associated with resource sharing with the environment, as well as the administrative costs associated with internal transactions. As a result, businesses must weigh the cost of sharing services with the environment against the administrative overhead associated with performing tasks in-house. Institutions and markets, according to the theory, are two distinct ways of arranging and coordinating economic transactions. When the company's external transaction costs are higher than its internal bureaucratic costs, the company can prosper because it can conduct its operations more cheaply than if they were done in the market. The corporation would be downsized if the administrative costs of coordinating the operation are greater than the external transaction costs. Any business can grow as long as its operations can be done more cost effectively within the company rather than outsourcing them to market providers. A transaction cost arises "when a product or a service is moved through a technologically separable interface," according to (Schlecht, Schneider, and Buchwald 2021). As a result, transaction costs occur if a product or service is moved from one point to another, necessitating the acquisition of new technical capabilities. Entrepreneurs and governmental entities alike bear the burden of transaction costs. Public agencies must spend a lot of money to enforce complex rules and manage enormous bureaucratic processes. Direct and indirect expenses must be considered in company relationships to reduce regulatory and administrative burdens and build simplified tactics. We can

improve the company environment, increase productivity and competitiveness by identifying and quantifying the major components of transaction costs. But calculating transaction costs empirically isn't straightforward. Depending on the definition, transaction costs may include advertising, administration and management, finance, research and development, public relations, etc. SMEs tend not to record these costs in detail, making it difficult to distinguish them from manufacturing, transportation, etc. Because there is no universally agreed definition or measurement methodology, researchers generally define and estimate transaction costs subjectively, which is costly and time consuming. Internationally, transaction cost empirical studies are gaining popularity. For example, Nobel Laureate Oliver E. Williamson and others have studied economics of transaction costs, including the classification of transaction costs by organisation and contract type, as well as the effect of uncertainty and frequency of certain activities and asset specificity on transaction costs. Additionally, John Wallis and Douglass North conducted research on quantifying the overall amount of transaction expenses in an economy by defining the "transaction sector's" size. For instance, the "Economic Freedom Report - 2019" (Open Society Forum, 2019) estimated that the Tanzanian economy's transaction sector accounted for 29.1% of GDP in 2019. Additionally, other research examining the cost of transactions in any industry may be included in this group. The third line of research in transaction cost economics is "non-market transaction costs," which Hernando de Soto pioneered. Non-market transaction costs include the expense of obtaining business approval, the time and effort required to navigate multiple layers of bureaucracy, and bribes to bureaucrats. Non-market transaction costs are substantial in developing countries.

The following factors may represent the transaction costs associated with the exchange of resources with the external world. This is not an exhaustive list.

Uncertainty in the environment, opportunism, risks, bounded rationality, and core business assets are all factors to consider.

All the above variables can raise external transaction costs, making it prohibitively costly for a corporation to manage them. As a result, it could be more cost-effective to keep the operation in-house so that the organization does not waste time on things like supply contracts, meetings, and supervision.



As a result, if businesses perceive the level of environmental uncertainty to be high, they will opt not to outsource or share resources with the environment.

The agency interpretation of governance assumptions is a version of transaction cost theory. Rather than contractual arrangements outside the company, it defines governance structures as being focused on the net effects of internal and external transactions (i.e., with shareholders).

When negotiating with a third party, transaction costs will arise:

- Costs of search and information: to locate a supplier.
- Costs of bargaining and deciding: to buy the part.
- Costs in policing and enforcement: to keep track of consistency.

The structure of an organization will influence its ability to manage transactions and, as a result, costs. It is in management's best interests to internalize transactions as much as possible to eliminate these costs, as well as the associated risks and uncertainty regarding prices and quality.

### **3.8.7 Managerial Skills**

Management refers to the human process of identifying and effectively utilizing organizational resources for instance human capital among others to realize the stated goals. Many small and medium agro-processing firm owners or managers lack managerial training and knowledge. The standard owner or managers develop their own approaches to management through a process of trial and error. As a result, their management style is probably going to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues and opportunistic than strategic in its concept (Hill 1987). Although this attitude is that the key strength at the start-up of the enterprise because it provides the creativity needed, it's going to present problems when complex decisions should be made. A consequence of poor managerial ability is that tiny and medium agro-processing firm owners don't seem to be well prepared to face changes in technology, majority of these who run firms are ordinary lot whose educational background is lacking. Hence, they will not be equipped to hold out managerial routines for his or her enterprise (King and McGrath, 2002). An entrepreneur may be a person or individual who organizes and manages a business undertaking and assumes a risk for the sake of profit maximization. Running of an enterprise needs some special skills to confirm smooth operation within the organization. Few people have all it takes to hold out a business successfully. They bridge their limitation areas by hiring of staff or consultants, acquiring knowledge through education or training. For one to begin

a business he or she must have a broad range of managerial skills to achieve a competitive market environment. These skills include personal attributes, business skills and management capabilities. Most of the owners or managers lack the specified managerial skills hence it becomes difficult for them to manage the business effectively (McCormirck, 1996). in line with Elmore and Plowiman Saleemi (1997) management is viewed as a way by which the aim and objectives of a specific human group are determined, clarified, and affected. However, on the opposite hand, McCormirck, (1996) sees management as a process of getting things done through agency, community with a view to fulfil the aim that it exists. He emphasized the accomplishment of the tasks through the efforts of the people. this means that it's the duty of the manager to guide and coordinate the efforts towards the belief of the goals. This will only be achieved when the owners or managers have adequate knowledge and skills about management. In line with Sasidharan and Rajesh Raj (2014) people venture into business without proper planning and sometimes for wrong motives i.e., lure for large money. The maximum amount of money they anticipate earning, it's prudent to have specific objectives in place. This can assist the organisation in appreciating its mission, and it can serve as a guideline for the firm's interactions with its employees, associates, clients, government, and lenders, among others. He also added that to be effective, the owner or manager must have an honest understanding of various styles of leadership.

### **3.8.8 Financial Resources**

Limited access to finance and lack of capital are identified as constraints in most papers investigating obstacles to growth of small enterprises in Africa et al (Nichter and Goldmark, 2009; Sasidharan and Rajesh Raj, 2014; Chu et al, 2007; Mukantwali et al, 2012; Okpara and Wynn, 2007; Kinda and Loening, 2010; Bigsten and Söderbom, 2006; Ruteri and Xu, 2009). SMEs tend to face greater financial constraints than do firms of larger scale (Nichter and Goldmark, 2009) Therefore, issues associated with capital are going to be discussed closely. In their paper on growth barriers of informal sector enterprises in India, Sasidharan and Rajesh Raj (2014) found that the declining rate of firms increased when credit availability was absent. Meanwhile, increased availability of credit was proven to boost growth prospects of firms in expansion (Sasidharan and Rajesh Raj, 2014). This ends up in the conclusion that low availability of credit limits these growth prospects. Limited finance has also been identified as a significant obstacle in articles from various African countries. For example, Okpara and Wynn (2007) describe lack of monetary support as a

serious problem in sustaining a small-scale enterprise in Nigeria. Receiving bank loans is known as a challenge, and loans provided by micro-finance institutions are small but with high interest rates (Okpara and Wynn, 2007). Moreover, limited access to credit has been realized as a key constraint for SMEs in Rwanda, Ghana, and Kenya moreover (Mukantwali et al, 2012; Chu et al, 2007).

In their article surveying research on the African business environment, Bigsten and Söderbom (2006) found that the most important constraint cited by enterprise managers in Africa was indeed financing. Using data from various countries and regions in Africa, it had been found that the link between financial constraints and growth was significantly negative. After discussing the adverse effect that limited financial resources wear business growth, the authors persist to debate reverse causality, meaning that bad performance and slow growth of firms may result in difficulties in receiving funding (Bigsten and Söderbom, 2006). This suggests that it is hard to inform when lack of capital causes slow growth, or when the alternative is occurring. Although the number of articles investigating obstacles to small business growth in Tanzania is little, some were found. One such paper was written by Ruteri and Xu (2009) who, after analysing their findings supported questionnaires filled out by 23 food processors, concluded that those businesses were having a tough time receiving loans from banks. This was successively observed as an obstacle to development of these enterprises, as their growth possibilities were limited by lack of economic resources (Ruteri and Xu, 2009). Furthermore, in writing on small enterprise growth in rural Tanzania, 61 percent of the entrepreneurs rated financing as a severe constraint to business operations (Kinda and Loening, 2010).

### **3.8.9 Raw Materials**

Another set of factors, which is critical to the food processing industry in some ways, is the availability and quality of raw materials. Due to the high reliance on raw material input by food processing SMEs, farm-level constraints can have a disproportionate impact on the non-farm sector. Climate variability and droughts have a significant impact on agricultural output, while also implying a significant risk of income loss for those engaged in agriculture (Kinda and Loening, 2010).

Additionally, seasonality crises create uncertainty for agricultural enterprises that rely on agricultural products (Tersoo, 2013). It would be necessary to source material from other districts or nearby regions during periods of low production, as was the case with the Nigerian pineapple processing enterprises investigated by Mukantwali et al (2012). However, they discovered that small businesses had fewer difficulties obtaining the quantity of material they required than larger businesses, simply because smaller quantities are easier to accumulate (Mukantwali et al, 2012). As Ruteri and Xu (2009) have documented, food processors in Tanzania face significant challenges and difficulties obtaining high-quality ingredients. Because it's difficult to find high-quality merchandise all year, inconsistency may be a problem that has proven difficult to overcome (Ruteri and Xu, 2009).

### **3.8.10 Technology**

The financial resources that remain after obtaining the stuff for processing successively affect many other factors thus determining the failure or success of agro-processing business. The power to amass appropriate technology for processing and packaging is among these, and it's proven to be a very large problem for MSEs in developing countries (Nichter and Goldmark, 2009). In their article on Tanzanian food processors, the authors write that “In spite of accessible advanced technologies round the world, most food processors (especially small and medium enterprises) within the country still use poor and labour-intensive technologies” (Ruteri and X u, 2009, p. 76), the reason is again insufficient capital (Ruteri and Xu, 2009). Access to equipment and packaging materials could be a problem for small-scale food processing enterprises in many African countries including Rwanda (Mukantwali et al, 2012). These enterprises can hardly afford modern equipment and suitable packaging materials, something which leads several of them to use recycled packaging materials (Mukantwali et al, 2012). Many processors do seem to refrain from buying new technology, and one explanation for this can be given by Bigsten and Söderbom (2006) that because the second-hand marketplace for used machinery is little, investment in technology is irreversible. Just in case of uncertainty and a high risk of demand shocks, business owners therefore tend to be somewhat reluctant to speculate in new machinery (Bigsten and Söderbom, 2006). Power supply is another important factor for enterprises hoping on electricity for running their machinery. Power failures affect production, and reliable electricity supply has been an extended time problem facing Tanzanian processors (Ruteri and Xu, 2009). Shortage of power

supply has been noted as a serious growth barrier to enterprises operating in India's informal sector (Sasidharan and Rajesh Raj (2014) and could be a challenge to business in both urban and rural areas (Sasidharan and Rajesh Raj, 2014; Coad and Tamvada, 2012). However, it seems likely that little firms are more susceptible to problems of power shortages than are larger firms (Coad and Tamvada, 2012). Furthermore, an electricity fee is a challenge to several businesses, like the small-scale pineapple processing enterprises studied by Mukantwali et al (2012). In their paper, it had been revealed that 81, 5% of the 27 enterprises had encountered problems associated with the high cost of electricity and water (Mukantwali et al, 2012).

### **3.8.11 Government Policy and Regulations**

Due to the weakly installed institutional environment in Tanzania the growth of SMEs is not encouraged (Puffer et al., 2010; Puffer and McCarthy, 2011; Krasniqi and Mustafa, 2016; Ratten et al., 2017) and small and medium sized enterprises (SMEs) do not have the required institutional support to develop and commercialise innovation, therefore they face numerous hurdles. Financial resources also affect the chance to fulfil the regulations of both national and international standards, since doing so requires "significant investments in terms of upgrading facilities, purchases of recent monitoring systems and on-going expenses related to new technical staff" (Mather, 2005). Rather than investing in costly laboratory equipment, many small and medium-sized agricultural processing firms have come to rely on sensory evaluation to ensure the quality of their products (Mukantwali et al, 2012). As noted by Weatherspoon and Reardon (2003), export standards and domestic retail product standards converge most of the time. This suggests that the bulk of these who cannot meet with export standards are excluded from the domestic formal retail-chains further (Weatherspoon and Reardon, 2003). This is often a very large problem for small-scale processors with limited capital to form the desired investments (Mather, 2005). Furthermore, majority of the small- and medium-scale processors interviewed by Mukantwali et al (2012) found that regulations of the national bureau of standards were too restrictive. Strict regulations affect the expansion of the many MSEs, which successively can limit profit and available capital. The regulatory environment was noticed by Nichter and Goldmark (2009) as hampering small enterprise growth in developing countries, and indeed, a negative and statistically significant relationship has been found between regulations and growth in sales (Bigsten and Söderbom, 2006).

Being registered with an authority, however, can grant legitimacy to the business owners in terms of obtaining bank loans (Sasidharan and Rajesh Raj, 2014). Sasidharan and Rajesh Raj (2014) argue that signalling legitimacy reduces growth barriers further, and Kinda and Loening (2010) found that registration with an office is significantly associated with employment growth. On the opposite hand, registration fees are perceived as too high by entrepreneurs in rural Tanzania, and thus many refrains from registering (Kinda and Loening, 2010).

### **3.8.12 Market Accessibility**

Registering and meeting national and international standards can give SMEs access to previously unreachable markets, while failing to try and do so limits such an expansion. Exporting has been observed to possess a positive effect on firm growth and has been distinguished as a promising route to development in Africa (Coad and Tamvada, 2012; Bigsten and Söderbom, 2006). Although many small-scale enterprises struggle to fulfil international standards, however, the expansion potential that comes with exporting is stifled (Anderson, 2011). This is often because, they fail to fulfil such standards within the process therefore resorting to using indigenous technology which however as Anderson (2011) notes, using such technology often leads to a low-quality product that doesn't meet the standards of the international market (Physical access to markets is another problem faced by some, and challenges associated with poor infrastructure facing small scale firms are investigated by researchers like Kinda and Loening (2010) and Bigsten and Söderbom (2006). because the authors put it, “The poor infrastructure in Africa is probably going to be a very severe constraint to manufacturing growth” (Bigsten and Söderbom, 2006). They denote that poorly developed transport infrastructure creates pockets of demand that tend to get localized producers of small scale (Bigsten and Söderbom, 2006).

More authors have discussed the implications that poor infrastructure has on small-scale enterprises. For example, Okpara and Wynn (2007) indicate that inaccessible roads both limit distribution and result in a rise of transportation costs, and poor infrastructure was listed as a significant problem by 96 percent of the small-scale house questioned (Okpara and Wynn, 2007). Furthermore, problems associated with poorly maintained roads become a fair bigger challenge during the rainy seasons in countries like Tanzania (Ruteri and Xu, 2009).

### **3.8.13 Competition and Demand**

Which markets may be accessed by food processing enterprises successively affects the extent of competition faced? As Mather (2005) argues in his study on South African SMEs; to be competitive, food processors must invest in modern processing equipment to fulfil the quality requirements of the market (Mather, 2005). Here, the problem of capital makes itself felt another time. The Ghanaian and Kenyan entrepreneurs questioned by Chu et al (2007) listed high competition mutually of their most serious problems. Furthermore, Ruteri and Xu (2009) argue that the tiny scale of production itself makes food processing enterprises less competitive than their larger counterparts. As suggested by the authors, firms must provide products and services that customers perceive as valuable to beat this challenge (Ruteri and Xu, 2009). Competition isn't only occurring between domestic enterprises, this is often because, Ogori and Joeguluba (2015) describe the challenge of competing with the low prices of imported products where they note that: "...agriculture sector appears to be losing intent on imported processed food products and is unable to compete due to low productivity of her processing units" (Ogori and Joeguluba,2015). Because the worth of imported processed foods limits the quantity processors will pay their staple suppliers, the chance to compete with imported products is slim (Ogori and Joeguluba, 2015). Associated with the difficulty of competition is that the level of demand for the merchandise, and low demand can cause inertia in development of those small and medium agro-processing firms (Okpara and Wynn, 2007). Here, seasonality is important since demand sometimes varies over the course of 1 year. as an example, in Rwanda, processed pineapple products are in high demand during the time of year, and low during the rainy months (Mukantwali et al, 2012).

**Table 3-1:Contextual literatures on Challenges Facing Agro Processing Sector in Tanzania Summarized**

Author(s) and Title	Major Findings
Atsede W. and John I. M., 2012. Challenges of Microfinance Accessibility by SMEs in Tanzania	i) Inadequate skills in developing and managing bankable project, ii) Lack of collateral, iii) High transaction costs
Edwin P. M., 2012. The Growth of Micro and Small, Cluster Based Furniture Manufacturing Firms and their Implications for Poverty Reduction in Tanzania	i) Insufficient business skills, ii) Poor infrastructure within the business sector, iii) Technological backwardness, iv) Insufficient raw materials, v) Competition from imported products
Elizabeth M. M., 2013. Do Entrepreneurship Skills Have an Influence on the Performance of Women Owned Enterprises in Africa? Case of Micro and Small Enterprises in Dar Es Salaam, Tanzania	i) There is a relationship between entrepreneurship knowledge and the performance of small-scale businesses, ii) Small scale businesswomen need training in business planning, marketing skills, and accounting knowledge and customer care skills
Enock N., 2010. What are the factors limiting the success and/or growth of small businesses in Tanzania? –An empirical study on small business growth	i) Inadequate education and training, ii) Lack of proper business plan, iii) Capital constraint, iv) Theft/cheating and lack of trust, v) Corruption, vi) Government policy, vii) Bureaucratic processes
Gamba, F.J., 2019. SME development policies of Tanzania and Rwanda: comparability of policy presentation on focus, significance, challenges, and participation	i)Lack of entrepreneurial culture ii) Limited technical and business skills iii) Limited Business Development Services iv) High cost



	<p>of doing business v) Lack of access to finance vi) Difficulty accessing market information</p>
<p>Hawa P. T., 2012. Gender and Small Business Growth in Tanzania: The Role of Habitus</p>	<p>i) Financial capital has a significant influence on business growth, ii) Presence of role models is significantly associated with growth aspirations, iii) Ethnicity has influence of business growth, iv) Male owner-managers have higher growth aspirations than female owner managers, v) The level of education is significantly related to growth aspirations, vi) High taxes affects SMEs</p>
<p>Ian S. S. 2014. Role of Operative Environment of Micro-finance on Poverty Alleviation in Tanzania: The need for a holistic Research Proposal</p>	<p>i) Poor infrastructure (electricity and transport), ii) Gender discrimination, iii) corruption, iv) Lack of access to education, v) Theft and robbery, vi) Diseases, vii) Unemployment, viii) Poor access to capital</p>
<p>Josephat K. and Louse F., 2011. The Household Enterprise Sector in Tanzania: Why it Matters and Who Cares</p>	<p>i) Lack of access to secure workspace to run the small businesses, ii) Lack of credit is a problem across all enterprises in Tanzania</p>
<p>Martijn B. and Daan W., 2012: Financial constraints, risk taking and firm performance: Recent evidence from microfinance clients in Tanzania</p>	<p>i) Financially constrained, ii) Somewhat unlikely to take risk</p>

<p>Mika M., Andrew H. M., Shiv K. T., 2012. Study of Tax System Impact on the Growth of Small and Medium Enterprises: With Reference to Shinyanga Municipality, Tanzania</p>	<p>Business owner-managers perceive the adverse impact of existing tax policies on the growth of SMEs, i.e., high taxes imposed on SMEs impact their growth in terms of profits.</p>
<p>Musambya M., 2011. Sources and Constraints to Technological Innovation in Tanzania: A Case of the Wood Furniture Industry in Dar Es Salaam</p>	<p>i) Less innovation, ii) Insufficient and outdated equipment, iii) Inadequate technical expertise, iv) High cost of timber, v) Threat from imported furniture, vi) Shortages and inconsistency of orders from customers, v) High cost of marketing strategies</p>
<p>Nkwabi, J. and Mboya, L., 2019. A Review of Factors Affecting the Growth of Small and Medium Enterprises (SMEs) in Tanzania.</p>	<p>i) Financial constraints ii) Bureaucracy iii) Technological difficulties iv) Lack of raw materials</p>
<p>Onesmo S., 2011. Does a Loan Have an impact on Attitude to Risk Among Micro Entrepreneurs in Tanzania? Evidence from Morogoro and Mvoromero Districts</p>	<p>i) Low re-investment using the profits generated by micro entrepreneurs or that the profits were used for consumption, ii) Small loans offered to clients by money lenders, iii) Less capacity building in business, iv) Poor entrepreneurial skills, v) Low amount of start-up capital</p>
<p>Petro M., Annastazia M., and Robert G. M., 2014: The Effects of Socio- Cultural Factors on the Performance of Women SMEs in Tanzania</p>	<p>i) Women immobility, ii) Poor support from society members and ethnicity negatively affect the performance of women SMEs, iii) Family roles, level of education and business training have a weak positive effect on the performance of women SMEs</p>

Robert G. M., Joyce G. L.M., and Leo D. 2014: Socio-Cultural Determinants of Entrepreneurial Capabilities among the Chagga and Sukuma SMEs in Tanzania	i) Values, social factors, beliefs, norms, and perception have positive effects on entrepreneurial capabilities, ii) Attitudes have a negative effect on the entrepreneurial capabilities, iii) Lack of business training
Tundui, C. and Tundui, H. 2012. Survival, Growth Strategies and Performance of Women Owned Micro and Small Businesses in Tanzania	i) Use of unpaid family labour has a negative effect on enterprise profitability, ii) Business skills have a positive effect on enterprise performance, iii) Ownership of multiple enterprises has a significant effect on business profitability, iv) Non-separation of business resources from household resources have a significant effect on business profitability
URT, 2012: National Baseline Survey Report. Micro, Small and Medium Enterprises in Tanzania	i) Insufficient capital, ii) Lack/poor market for products, iii) Lack of training, iv) High competition from other small businesses, v) High taxes

### 3.9 Gap in the literature

Despite the fact that numerous studies have been conducted locally and internationally on the growth of small and micro businesses, including those conducted 8ioInternational Bank for Reconstruction and Development (2004), Bloom et al. (2010), and Ahmed and Ahmed (2012). The majority of these studies focused on commercial enterprises and remained silent on agro-processing firms (Mlugeta, 2010; Dereje, 2010). (2008; and Eshetu and Zeleke (2008). Additionally, previous researchers Eskola (2005), Akyoo and Lazaro (2007) have concentrated exclusively on issues relating to raw agricultural products, while ignoring processing. Additionally, researchers who have examined the processing sector have concentrated on supply chain management issues Ruteri (2009) and Mollel (2010). (2015). The few who have attempted

to address agricultural processing issues have concentrated their efforts on a few specific regions. For example, Kipene, Lazaro, and Isinika (2014) focused exclusively on factors affecting agricultural processing in Mbeya and Morogoro. There has not been another study devoted to agro processing issues. This study will fill this gap by examining the state of the agro processing sector in Tanzania and focusing on issues affecting the expansion of agro processing SMEs in order to develop strategies that will result in the development of processing activities in Tanzania, thereby increasing exports and decreasing imports.

### **3.10 Conclusion**

This chapter provided a summary of theoretical and empirical studies on agro-processing SMEs, focusing on the factors that influence transformation and ultimately serve as growth drivers for SMEs. The role of SMEs has also been discussed in a similar fashion, as other authors have defined SMEs in a number of ways. Significant problems include financial/capital constraints, a lack of market/low patronage, high input costs, and a lack of tools/equipment. In addition, entrepreneurs face limitations due to a lack of education, the majority of businesses being sole proprietorships, a lack of technology, with the majority still employing traditional/rudimentary production methods, resulting in low production, high costs for available raw materials, and a lack of business training. The next chapter outlines the methodology for conducting the study, including how data will be obtained from the SMEs in issue, as well as their farmers, managers, and directors.

## CHAPTER 4

### Research Methodology

#### 4 Introduction

The preceding chapter examined both theoretical and empirical literature on the topic of agro-processing, as it relates to the study's aims and specifically to small and medium-sized enterprises (SMEs). This literature assessment also contributed to the identification of the academic research gap that the current study seeks to fill. The fourth chapter describes and justifies the study's logical foundations, the theoretical perspectives underlying the technique, and the methods of data gathering and analysis. Research paradigms are examined to situate the philosophical frameworks of the study, and a justification for acting within a realistic paradigm is presented. Quantitative and qualitative methods of data gathering, and analysis are reviewed, and the justification for adopting a mixed-methods strategy is outlined. The research design for this study is discussed, along with the sample and context, as well as the intervention, data creation instruments, data collection, and data analysis procedures. Consideration is given to problems with dependability and validity, and ethical considerations are examined. This chapter describes the approach the researchers will use to collect data from agro-processing SMEs to effectively address the study objectives and answer the research questions. The parts that follow describe the methodology employed in the study, including the research design, philosophy, strategy, and data collection and analysis techniques.

#### 4.1 Research Paradigms

The definition of research is "a process of systematic inquiry designed to collect, analyse, interpret, and use data to comprehend, characterise, forecast, or control a phenomenon or to empower persons in such circumstances" (Mertens et al., 2005, p.2). The enormous expansion in the number of research methods employed, "particularly in the social or applied sciences" (O'leary, 2004), has made what was formerly relatively straightforward and straightforward to define complicated. According to Mertens (2005, p.2), "the precise form of the notion of research is impacted by the researcher's theoretical framework." Then, this theory is used to develop linkages between or among constructs that transcend the local event and to attempt to link it with events of a similar nature (Mertens, 2005).

As distinct from a theory, a theoretical framework is typically referred to as a paradigm, which determines the motivation and expectations for the research, the choice of methodology, methods, literature review, and research design, as well as the way knowledge is studied and interpreted (Mertens, 2005). There does not appear to be a comprehensive discussion of paradigms in research texts, and different focus and occasionally contradictory meanings are presented. For example, the term "paradigm" could also be defined as "a loose collection of logically related assumptions, notions, or propositions that guide thought and research" (Bogdan and Biklen, 1998) or as the "philosophical goal or motivation for doing a study" (Cohen et al., 2013, p. 22). (Willis et al., 2007 p.12) Willis describes research paradigms as "a comprehensive belief system, perspective, or framework that governs study and activity in the discipline." A paradigm is defined by Senge (1990) as "deeply established beliefs and generalisations that influence how people view the world and behave. (Reeg, 2015, "P.8) and (Rolfe et al., 2001, p. 32) identify three parts of paradigm: a belief regarding the nature of information, the methodology to be employed, and the criteria for validity. Consequently, research paradigms shape the nature of inquiry and serve as a tool of producing knowledge (Taylor and Medina, 2015). These assumptions govern and influence thinking and behaviour not only in method selection, but also in the nature of reality (ontology), the concept of information (epistemology), and the precise manner in which knowledge is formed (methodology), in fundamental ways (Taylor and Medina, 2015; Morgan, 2007). According to (Creswell et al., 2011, 41) the primary focus of research should be "on the question raised, as opposed to the method." Consequently, the research will be "pluralistic and geared toward "what works" and practise" and will not be limited to a single perspective (Creswell and Plano Clark, 2011, p. 14). The framework for guiding research has been recognised as a "pragmatic paradigm," which permits researchers to use both quantitative and qualitative methods that can be described as belonging to more than one of the described paradigms, such as the positivist, post positivist, interpretive, and constructivist paradigmatic stances (Creswell and Zhang, 2009). As this study will employ both quantitative and qualitative data collection techniques to investigate the challenges faced by agro-processing SMEs in Tanzania, it will be viewed as falling within the purview of positivism and interpretivism; thus, its paradigmatic positioning is also referred to as "pragmatic."

To provide a more comprehensive explanation of this perspective, we will briefly examine positivistic, post-positivistic, interpretative, and pragmatic paradigms and link them to the research methods that will be employed in this study.

#### **4.2 Positivist Paradigm**

Positivism is "based on the rationalistic, philosophical concept that started with Aristotle, Francis Bacon, John Locke, August Comte, and Emmanuel Kant" (Mertens, 2005, p.8) and "reflects a deterministic philosophy in which causes likely influence consequences or outcomes" (Mertens, 2005, 8) (Creswell, 2009, p.7). It is sometimes referred to as 'scientific technique' or 'science study'; linked with the notion that science gives us with the clearest possible informational ideal (Cohen and Manion, 2001). Science is viewed as the simplest means for a researcher to obtain the truth, comprehend the world, and be able to anticipate and control events (Krauss, 2005). The word knowledge base refers to a technique that includes systematic observation, testing, modifying hypotheses, measurement, speculation, theory construction, and explanation in addition to the generation of ideas and conceptual tools (Lederman et al., 2002). In this context, reasoning is based on empirical objectivity and mathematical certainty in order to disclose the law-like features of the universe's fabric (Taylor, 2015). Consequently, the researcher oversees the study process in order to maintain objectivity. A positivist's objective is to explain an experience or test a theory "by observation and measurement in order to forecast and regulate the forces that surround us" (O'Leary, 2004, p. 5). Positivist research is characterised using treatment and control groups, pre- and post-tests, large sample sizes, and random sampling (Taylor, 2015).

The assumption that "the social world can be studied in the same way as plants, that there is a value-free method for studying the social world, and that explanations of a causal nature can be provided" has been challenged and criticised by scientists who believe that material and humans cannot be studied in the same way (Mertens, 2010, p. 8). People think and feel about significant components of the human experience that cannot be observed objectively (Mertens, 2010). As a result, what will be examined is not restricted to that which can be observed, an observation that post-positivists utilise to imply the limitations of positivism. There are, however, components of positivism that can provide assessments of human skills that can then be studied and understood in greater depth using qualitative methodologies, as will be done in this study.



Therefore, this study will not apply this paradigm, as it does not match the nature of the study, which aims to obtain both objective and subjective knowledge from participants, neither of which can be obtained using this paradigm.

### **4.3 Post-Positivist Paradigm**

Post-positivism is consistent with the constructivist paradigm in that post-positivists view the world as ambiguous, varied, and comprised of numerous realities - "what is the reality for one person or cultural group may not be the truth for another" (O'Leary, 2004, p. 6-7). Moreover, he asserts that post-positivism is intuitive and holistic, inductive, and exploratory, with qualitative findings.

Quantitative findings may be augmented with qualitative discoveries to identify the participants' thoughts, perceptions, actions, and emotions towards a particular phenomenon (Taylor, 2014; (De Vos et al.); Mertens, 2010 and 2011). (Willis et al., 2007). While the basis of positivist research is "real investigations" employing massive sample sizes and sampling, the concept of post-positivism is "quasi-experiments" employing smaller samples and non-random assignments (Taylor and Medina, 2013). The latter is characterised by greater interaction between the researcher and participants, the presence of qualitative data generation tools such as interviews, sampling techniques that include non-random sampling and are not limited to random assignments, purposeful sampling, and convenience sampling, and the presence of smaller sample sizes than positivist research.

The affective responses of the participants are deemed knowledge; knowledge is not solely supported by objectively observable empirical evidence (de Vos, et al., 2011). Taylor and Medina (2013, p. 3) describe post-positivism as a "modified approach for social sciences" that permits the use of pre- and post-tests, interventions, control/comparison, and experimental groups. To comprehend the research problem, quantitative and qualitative data will be gathered and triangulated in the present study. As a result, the post-positivist paradigm will not be appropriate for this study, as the participant information will be evaluated both fully objectively and subjectively, which partially contradicts the presented paradigm.

#### **4.4 Interpretivism Paradigm**

The interpretive paradigm is applied to the study of hermeneutics, which refers to the study of interpretive comprehension (Mertens, 2005), wherein knowledge is socially constructed by those who are actively engaged in the research process and who can offer a variety of experiences and conceptions of reality (Mertens, 2010). The interpretivism/constructivist paradigm came out of Edmund Husserl's phenomenology, Wilhelm Dilthey's and other German philosophers' studies of interpretative understanding known as hermeneutics, and other philosophers' work in this area (Mertens, 2005, p.12 citing Eichelberger, 1989). The goal of interpretivism/constructivist research methodologies is to comprehend "the world of human experience" (Cohen and Manion, 2013, p. 36), on the premise that "reality is socially produced" (Mertens, 2005, p.12).

The interpretivist/constructivist researcher relies on "participants' perspectives of the items being investigated" (Creswell, 2003, p.8) and distinguishes the influence on the research in accordance with personal background and experiences. As opposed to post-positivists, constructivists "create or inductively establish a theory or pattern of meanings" throughout the research process (Creswell, 2003, p.9). The constructivist may blend qualitative and quantitative methods (mixed methods) or rely on qualitative methods for data production and analysis. Quantitative data may also be supported or elaborated upon by qualitative data, so expanding the sketch in an effective manner.

This understanding of how people generate meaning from their lived experiences depends on a lengthy intersubjective interaction between the researcher and the participants (Taylor, 2014; Taylor and Medina, 2013). Since the information is generated solely by the participants and not the researcher through an interactive process, the participants are solely responsible for its generation. Validity of the interpretivism procedure depends on the conformity of a notion with reference to whether the information is traced back to its origin (Taylor and Medina, 2013; Mertens, 2010). As will be the case for this study, information generation methods are frequently qualitative, quantitative, or a combination of the two. This study will not use this paradigm due to its reliance on meaning building from people's lived experiences, which is gathered through the interaction between the researcher and the participant. This is especially true for longitudinal studies focusing on a single aspect of a participant's life, as opposed to the current study, which

may take a short amount of time and examine a variety of variables related to the challenges facing Agro processing SMEs; consequently, the knowledge gained will not be primarily subjective, but rather both subjective and objective, which goes against the paradigm of interpretivism.

#### **4.5 Pragmatic Paradigm**

Pragmatism is not devoted to any philosophy or reality system. Pragmatist scholars focus on the "what" and "how" of a study issue (Creswell, 2003, p.11). The pragmatists' basic position was that they "rejected the scientific premise that social inquiry could obtain the 'truth' about the world using only one scientific approach" (Mertens, 2005, p.26). Because the pragmatic paradigm acknowledges that scientific or positivistic ideas are not the only source of truth, "the focus is on the results of research on the first importance of the question asked, rather than the tactic, and on the use of multiple methods of knowledge collection to describe the topic under study" (Creswell and Plano Clark, 2011, p.41). Therefore, it is pluralistic and focused on "what works" and practise. Therefore, no reality system has priority (Mertens, 2005). The pragmatic paradigm permits researchers to employ both quantitative and qualitative methodologies, which include positivist/post-positivist ways for creating quantitative data and interpretive/constructivist approaches for generating qualitative data (Creswell, 2009).

Pragmatism is seen as the paradigm that provides the conceptual foundation for mixed-methods research (Somekh and Lewin, 2005); (Tashakkori and Teddlie, 2003); and it places "the research topic at the centre and uses all methodologies to address the problem" (Creswell, 2003, p.11). With the research question deemed 'central,' data collection and analysis methods are selected as those most likely to provide insights into the question, with no philosophical allegiance to any alternative paradigm. Quantitative and qualitative methods will be utilised in accordance with the pragmatic paradigm.

#### **4.6 Justification for Choosing a Pragmatic Paradigm**

The study was based on the pragmatic paradigm, which emphasises applications of "what works" and solutions to issues (Patton, 1990). Instead of emphasising procedures, the researcher highlights the study problem and uses all possible approaches to comprehend it (Rossman and Wilson, 1985). As a conceptual foundation for mixed methods studies, (Morgan, 2007; Patton, 1990; and

Tashakkori and Teddlie, 2010) highlight its significance for focusing on the research challenge in business and social science research and employing pluralistic methodologies to obtain knowledge about the problem. This paradigm was chosen because it allowed the researcher to gain insight into the problem by combining qualitative and quantitative characteristics to explore the obstacles to the expansion of Agro processing SMEs in Tanzania. To gain a deeper grasp of the research problem, the knowledge gathered from participants will be evaluated subjectively and objectively in their entirety.

**Table 4-1 Research paradigm**

Research Paradigm	Meaning	Reasons Selected/Not Selected
Positivism paradigm	In a positivism approach, quantitative methods such as surveys, structured questionnaires and statistics are widely used by researchers as they offer greater representativeness and are reliable. They also provide generalisations of the findings (Krauss, 2005; Kivunja and Kuyini, 2017)	The post-positivist paradigm is inapplicable to this study because participant data were analyzed both objectively and subjectively, which somewhat contradicts the presented paradigm.
Interpretivism paradigm	In the interpretivism paradigm, the researcher chooses a qualitative epistemology to gather information on (Bryman and Bell, 2011). Methods	This paradigm allows for an exploration of the study as well as the use of qualitative methods with smaller samples (Baškarada and Koronios, 2018). In this

	such as unstructured interviews and observations are adopted by the researcher to find solutions to the problem (Kivunja and Kuyini, 2017).	study, since a mixed method was selected, this paradigm alone is not suitable.
Realism paradigm	The realism approach is the one that shares the beliefs of both a positivist approach and a interpretivism approach (Antwi and Hamza, 2015). In other words, in realism, researchers believe that there is some reality that exists in the thoughts and minds of people.	This has not been chosen as the focus is on one truth and does not allow for testing.
Pragmatic paradigm	A pragmatic approach enables the researcher to integrate both qualitative and quantitative methods in the research to facilitate more solutions by solving the problem using multiple methods (Baškarada and Koronios, 2018).	This approach is more suitable for this study as a mixed method was employed.

#### **4.7 Quantitative Methods**

Quantitative approaches require systematic and objective procedures wherein numerical data from a specific group is utilised to generalise conclusions (Maree and Pietersen, 2007). Literature suggests that quantitative research formulates either positivist or post-positivist research paradigm-compatible assumptions (Taylor, 2014; Taylor and Medina, 2013; Creswell and Planwell Clark, 2011). Quantitative classicists who are positivists evaluate that, social observation should be addressed in identical way for the natural phenomenon (Johnson and Onwuegbuzie, 2004). (Johnson and Onwuegbuzie, 2004). In contrast, the post-positivist quantitative research methodology is uncertain and circumspect when generalising findings (Taylor and Medina, 2013; Creswell, 2009). 171 respondents from a population of 500 Dar es Salaam-based SMEs listed on government websites such as SIDO, TFDA, and TCCIA comprised the quantitative sample.

#### **4.8 Qualitative Methods**

Qualitative research seeks to generate descriptive data in order to create a knowledge of the phenomenon under investigation (Nieuwenhuis, 2007). In qualitative research, the interpretive/constructivist paradigm is utilised to comprehend the many realities of people's lived experiences. Contrary to positivist philosophy, which interprets the world in an objective manner, qualitative researchers argue that "the knower and the known cannot be separated because the subjective knower is the only source of reality"; therefore, multiple realities exist (Guba, 1990, cited in *Qualitative Research: The Knower and the Known*) (Johnson and Onwuegbuzie, 2004).

According to Johnson and Onwuegbuzie (2004), point and content-free generalisations appear to be difficult due to the value-bound nature of research, making it nearly hard to discern issues and solutions that flow logically from the specific to the general. The findings of this study, which were derived through interviews, are not intended to be generalizable, but rather transferable to a different setting. This study viewed its quantitative findings via a postpositivist lens. Minimum sample size was 15 and maximum sample size was 20 for the interviews. To ensure that only people with knowledge of agro processing SMEs and food production participated in the study, the respondents were selected using a method of purposive sampling. Twenty participants were selected as the sample size because it enabled the researcher to approach saturation and attain the desired results. Previous writers (Guest, Bunce, and Johnson, 2006; Baker and Edwards, 2012;

Malterud, Siersma, and Guassora, 2016) have advised that 12 interviews are adequate to approach saturation, which is the point at which the researcher can no longer get new insights.

#### **4.9 Mixed Methods**

The mixed-methods strategy entails collecting both quantitative and qualitative data (Tashakkori and Creswell, 2009, p.20) so that the final database contains both quantitative and qualitative information that may be merged. Mixed-methods research has been identified as a "key element in the development of scientific discipline, including Business research "with research strengthened by the use of a variety of methods and one that "requires a higher level of skill, can result in less waste of potentially useful data, and creates researchers with a greater capacity to create appropriate criticisms of all types of research" (Gerard and Taylor, 2004, p.7.) Mixed-method research is frequently more convincing because statistics are frequently more persuasive to policymakers than narratives, which are more easily remembered and retold for demonstrative purposes (Johnson and Onwuegbuzie, 2004; Creswell, 2003).

Currently, research styles are becoming more intricate in design and versatile in their application of methods, with mixed methods becoming more acceptable and prevalent (Denscombe, 2008).

Some questions may cause a researcher to prefer qualitative or quantitative methodologies, and no paradigm promotes or forbids the use of any one methodological approach (Creswell et al., 2011). Quantitative and qualitative methodologies may be required if the research is to be entirely successful. If research does not permit the use of both approaches, it may be hampered. The pragmatic paradigm, which openly recommends mixed-method approaches, permits the question to define the information collection and analysis methods applied, collecting both quantitative and qualitative data and integrating the information at various stages of inquiry (Creswell, 2003). Therefore, questionnaires and interviews were utilised in this study.

Mixed methods also improve the validity and reliability of the data and lead to a deeper comprehension of the information that can be created (Creswell, 2003). Creswell and Plano Clark (2007) emphasise that it is not sufficient to collect and analyse quantitative and qualitative data separately; they must be "combined" to provide a more comprehensive solution to the study topic. Johnsons and Turner (2003), as referenced by (Tashakkori and Teddlie, 2003, p.238) describe the

fundamental principles of mixed methods as follows: "methods should be combined in a way that has complementary strengths and non-overlapping weaknesses." According to Onwuegbuzie and Leech (2006), mixed method research has both logical and intuitive appeal and serves as a bridge between qualitative and quantitative approaches. It is the ability to connect the objective of the strategy with the requirements of the study. This helps clarify critical topics and approaches prior to the study's execution (Tashakkori and Teddlie, 2010). In addition, the study explained the complementary nature of qualitative and quantitative data and provided guidance on complex or contradicting responses as well as unanticipated themes and data that may not have come to light (Driscoll et al., 2007). The combination of data kinds can enhance comprehension of both qualitative and quantitative conclusions (Creswell, 2009). In turn, Driscoll et al. (2007) argue that a mixed-method approach may compromise sample size and increase the amount of time and resources necessary to conduct the study. The timing of the sample and the compilation, management, and analysis of the data provide issues. In this study, however, data mixing was conducted solely during presentation and interpretation of findings.

The researcher of this thesis devised a mixed-methods strategy in which qualitative interviews influenced quantitative surveys. Using qualitative methods, viewpoints of experts on agro processing issues in SMEs were obtained, and then questionnaires were sent to agro processing SMEs to enable triangulation and enhance the credibility of the findings. In addition, the findings were compared to those of previous studies conducted in Dar es Salaam to establish whether the challenges remained the same or had changed since the conclusion of the last study in 2019.

Previous researchers in the field of SMEs (Mentzer and Kahn, 1995; Boyer and Swink, 2008; Marquardt, Golicic, and Davis, 2011; Golicic, 2012) assert that agro processing SMEs studies typically employ quantitative methods as opposed to qualitative methods due to the complexity and lack of understanding of how to employ mixed methods. Golicic and Davis (2012) argued that a variety of approaches are necessary to comprehensively address the complexities of agro processing issues. In addition, by employing many methodologies, researchers can increase the reliability of their findings. On the other hand, according to Tashakkori and Teddlie (2003), the mixed methods approach requires knowledge of both quantitative and qualitative procedures. In addition, implementing both solutions can be challenging, costly, and time-consuming. Therefore,



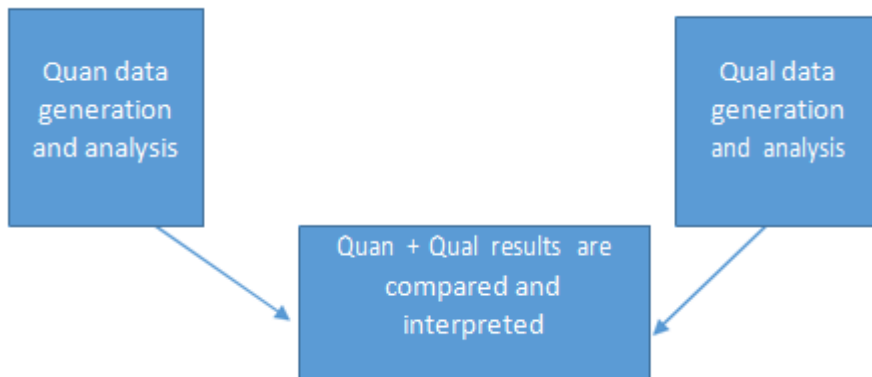
appropriate preparation is required to aid the researcher in integrating both techniques in a timely manner so that solutions can be provided.

The next section will explain how participants were selected by describing the population, sampling methodologies, and sample sizes for both the pilot project and the main study.

#### 4.10 Triangulation

Triangulation is explained by Creswell and Clark (2011), Mertens (2010), and Johnson and Christensen (2008) as the process of cross-checking information using several data gathering techniques. If the findings are consistent across multiple sources of information generating, then there is evidence or confirmation. Mixed approaches permit triangulation of several types of data to comprehend the phenomenon of interest (Creswell and Clark 2011). It should involve concurrent or sequential, but distinct, collecting and analysis of qualitative and quantitative data in order to compare and contrast the findings and determine the extent to which they concur or disagree (Figure 4.1). This investigation will combine interviews and questionnaires.

**Figure 4-1: Triangulation Mixed-method Design**



Source: Creswell and Plano Clark (2007, p.73)

According to Mertens (2005, p. 7), a researcher's theoretical orientation influences every decision made during the research process, including technique selection. This is true for both this study and the pragmatic orientation to be adopted, which will permit triangulation of quantitative and qualitative data, whereby qualitative and quantitative data will be given equal weight in the investigation of the challenges faced by small and medium-sized enterprises (SMEs) in Tanzania.

#### **4.11 Justification for Using a Mixed Method Design and Triangulation**

The purpose of a research design is to ensure that the information gathered enables impartially addressing the research problem. According to Creswell (2009), an inquiry design is primarily a notion that one selects in an appropriate and logical manner to do research. This was also backed by (Terrell, 2012), who described a search strategy as a road plan that specifies the correct direction while finalising the investigation. Other earlier scholars, such as Denzin and Lincoln (2005), considered the research design as a summary of the researcher's actions for collecting, analysing, inferring, and presenting study findings. Consequently, the study's research design was a descriptive concurrent/triangulation mixed methods design; nevertheless, to properly address the study's objectives, both quantitative and qualitative research methodologies were employed. The quantitative approach explored the obstacles faced by agro-processing SMEs, while the qualitative methodology examined how the operations of agro-processing SMEs in Tanzania may be enhanced. The application of a descriptive concurrent/triangulation mixed method research design in this study is largely influenced by (Sage, 2003), who proposes that descriptive concurrent mixed methods research acquires information about the position of the phenomenon and explains what exists with relevant variables or conditions in an extreme situation.

In this study, the descriptive concurrent/triangulation mixed methods research methodology was appropriate because it revealed the current issues facing SMEs in general and agro-processing SMEs, as well as how these challenges may be deciphered. The fundamental advantage of the descriptive concurrent/triangulation mixed methods approach is that respondents reply in a perfectly ordinary context, resulting in the collection of credible data; Johnson and Christensen (2008) endorse this as appropriate. Sage (2003) concurs with Johnson and Christeen (2008) that descriptive concurrent/triangulation mixed methods studies can produce rich data leading to crucial suggestions. Consequently, by employing the descriptive triangulation mixed methods research design, the researcher was able to collect rich data for detailed examinations that would lead to a well-informed method of enhancing the SMEs within the agro-processing sector, which is vital to Tanzania's economy and the well-being of its citizens.

Munn and Drever (2004) also argued in favour of the descriptive concurrent/triangulation mixed methods design, which they characterise as a technique that collects an excessive amount of data,

which was crucial for this study because the findings were generalised to numerous SME businesses in Tanzania. Although the researcher favoured the descriptive concurrent mixed methods approach for this study, it has several drawbacks, such as the timing and mixing of data produced. In this study, however, the problem of mixing was circumscribed by combining qualitative and quantitative data during data interpretation and discussion. Nonetheless, the researcher was able to design appropriate equipment for the study, which enabled the collection of as much information as possible. Natalia (2006) identifies a second fault in the descriptive concurrent mixed methods research design, namely the lack of confidentiality, because participants are dishonest because they feel obligated to tell the researcher what they believe the researcher wants to hear. Which was often challenging during interviews; individuals also refused to divulge information they consider private. In addition, descriptive research provides an even greater risk of mistake and prejudice.

#### **4.12 Study Setting**

The study was conducted mostly in the Dar es Salaam region of Tanzania. The Dar es Salaam area is one of Tanzania's 31 administrative regions founded in 2016. It is situated at 6°48' South, 39°17' East on a natural harbour on the eastern coast of Africa. It is the largest city and commercial port on Tanzania's coast of the Indian Ocean. As of the official 2012 census, the region's population was 4,364,541. (Susuman et al., 2015). The region's overall area is 1,393 km<sup>2</sup>. Five administrative districts make up the region: Kinondoni in the north, Ilala in the centre, Ubungo, Temeke in the south, and Kigamboni across the Kurasini creek in the west (Burgess, 1996). The researcher focused on this region where agribusiness is resilient due to superior science and technology and there are opportunities for government and non-government public relations campaigns on enhancing SME performance.

#### **4.13 Population and Sampling Techniques**

The following discussion covers the population and sampling techniques used in the study.

##### **4.13.1 Population**

According to Saunders et al. (2009), the research population is the total number of cases from which a sample is drawn. The study's target population is the total number of units. In accordance

with the micro and Small Industries Development Organization (SIDO) in Tanzania, the target population for this study comprises of all administrators, managers, and supervisors from all registered and operational agro-processing SMEs as well as all farmers in Dar es Salaam. According to Luck and Rubin (2007), defining the study's population is crucial because it establishes the criteria for sampling. According to SIDO, Dar es Salaam is home to 280 registered agro-processing SMEs ("Small Industries Development Organisation - SIDO", 2020)

Saunders et al. (2009) highlight that not all members of the population are evaluable due to cost and time constraints, hence it is likely necessary to select a sample that is representative of the target population through sampling. Sampling's primary purpose is to collect as much information as possible about the population under study within the allotted time frame and with the available resources according to the research budget (Dutta, 2006). The study adopted a combination of basic random sampling and convenience sampling because it was hard to have equal access to all or a portion of the workforce of the enterprises due to their varied duties and work schedules. First, a sample of agro-processing SMEs was selected as the study's sample, and then convenience sampling was employed within the selected SME organisations; to select the sample from managers who participate in the planning and supervision of the firms at the various SMEs, and where these are unavailable, the second line or level of management was used until a sufficient population was reached, as well as the lowest level of participants at the supervisory level.

#### **4.13.2 Sample Size**

All small agro-processing businesses in each of the chosen districts make up the sampling frame (Kothari, 2004; Bryman and Bell, 2007; Chakraborty, 2012). Best and Khan (2006) said that a sample of 10% of the target population was a good size. The research is based on a sample of at least 25% of the agro-processing SMEs that are registered with the SIDO. This is equal to at least 70 businesses. At least two administrators, managers, or supervisors from any of the departments chosen for the study came from each of the SMEs that were chosen. The sample was chosen by convenience sampling, which meant that it was made up of management members from SMEs who could be reached for the study within the limits of the study.

#### **4.13.3 Sample Size Determination**

Sample size determination is the process of choosing how many observations or duplicates to include in a statistical sample. In this study, the sample size was split into two parts: the sample for the pilot study and the sample for the main study.

- Sample of a pilot study for a qualitative study.

The qualitative sample size for this study was two agro processing managers or experts.

The sample size was determined by taking 10% of the number of people who took part in the interviews, which is 20. b) Pilot study sample size for qualitative study

In the quantitative pilot study, the researcher counted 15 of the 170 people who filled out the survey, which was 10% of the sample. Researchers (Connelly, 2008; Nkwabi, 2020) who have done pilot studies before having said that a sample size of up to 30 participants is good for doing quantitative pilot studies.

#### **4.13.4 Qualitative Sample**

The sample size for interviews was set at a minimum of 12 and a maximum of 20. Respondents were chosen using convenience and purposive sample approaches to ensure that only informants with knowledge of Tanzanian agro processing SMEs were chosen. Previous researchers (Malterud, Siersma, and Guassora, 2016; Nkwabi 2020) recommended a sample size of 12 informants to achieve saturation.

#### **4.13.5 Quantitative Sample Size**

The study sample was calculated with a confidence level of 95% and a sampling error of 5% using the online sample calculator (<https://www.checkmarket.com/sample-size-calculator/>, 2020). 185 responses were chosen from a population of 280 questionnaires.

#### **4.13.6 Sampling Procedure**

In this study, the researcher employed both probability and non-probability sampling techniques, including simple random and convenience sampling, in accordance with the findings of the relevant literature.

#### **4.13.7 Probability Sampling Method**

In probability sampling, as alluded to by Kumar (2009), each element of the population must have an equal and independent chance of being picked into the sample. The term equal means that the odds of each element's selection were not affected by other factors, such as individual preferences. As a result of the concept of independence, the selection of elements during the sampling process was not dependent on the selection of another element. This indicates that the selection of the SMEs for the study was not directly affected by the researcher, but rather by each of the 280 organisations.

#### **4.13.8 Nonprobability Sampling Method**

Non-probability sampling was employed, wherein the probability of each case being selected from the entire population was indeterminate, making it impracticable to answer research questions or achieve objectives requiring statistical conclusions regarding characteristics of the population (Saunders et al., 2009).

#### **4.14 Rationale for Sampling Procedures in the Study.**

##### **4.14.1 Simple Random Sampling**

The researcher was able to obtain a complete representation of the population, which consisted of 280 agro processing SME's, using a simple sampling technique.

##### **4.14.2 Purposive Sampling**

This technique enabled the researcher to pick only those individuals who met the study's criteria (Saunders, Lewis and Thornhill, 2009). In this study, only experts, managers, and directors of Tanzanian agro-processing SMEs were included.

##### **4.15 Convenience Sampling**

From the randomly selected SMEs, convenience sampling was utilised to select participants for the qualitative data production. According to Saunders et al. (2009), convenience sampling entails a haphazard selection of these cases that are simplest to obtain for the sample, and this process is repeated until the necessary sample size is reached. The benefit of adopting convenience sampling is that study volunteers can be located more easily and at a lower cost. However, it has the

disadvantage of being vulnerable to unfairness and pressure that is beyond the researcher's control (Etikan, 2017).

#### **4.15.1 Sources of Data**

This refers to the source of the data utilised in the study. The researcher relied primarily on original data, supplemented by secondary data.

#### **4.15.2 Primary Data**

Primary data refers to data obtained specifically for this study and collected by the researcher for this study alone (Franzitta et al., 2020). The benefit of using primary data is that it is comprehensive and contains all important information for the current study because it is collected specifically for this purpose (Leatherdale, 2018). The disadvantage of using primary data is that it is expensive and time-consuming to collect. A questionnaire containing structured and unstructured questions, as well as an interview schedule, were used to elicit information from the selected sample. As described below, data was acquired through semi-structured interviews and questionnaires.

#### **4.15.3 Interviews**

Interviews are the most prevalent information-gathering technique used participants whose expertise is anticipated to be sought (Depoy and Gilson, 2008). Kvale, referenced in Sewell Jr., 2001, page 1, defines qualitative interviews as "attempts to understand the world from the participant's perspective, to unravel the meaning of people's experiences, and to discover their lived experiences prior to scientific explanations." According to (Gay et al., 2000), interviews give a researcher with data that cannot be acquired from observations or questionnaires, as well as the ability to probe participant responses regarding their issues, experience, interest, sentiments, and attitudes. The purpose of interviews is to facilitate the exchange of information between the researcher and the participant. The quality and quantity of information exchanged rely on the interviewer's creativity and management acuity, as well as his or her awareness of relationships (Monette et al., 2005).

(DiCicco Bloom and Crabtree, 2006) define semi-structured interviews as those conducted around a special topic with a great deal of freedom in terms of in-depth data collection and scope (Jarbandhan and Schutte, 2006). Twenty Agro processing Managers and specialists who

participated in this study were interviewed using a semi-structured format. The interview schedules for participants of the same level were comparable. The interviews greatly improved the researcher's comprehension of the research problem.

in qualitative research (Depoy and Gilson, 2008). Researchers gather data through direct dialogue with accessing and sourcing out data.

#### **4.15.4 Questionnaires**

The questionnaire is a research instrument consisting of a sequence of questions (or other sorts of prompts) designed to collect data from respondents (Creswell, 2017). The questionnaire included both quantitative and extensive qualitative questions to elicit the essential quantitative and qualitative data for the study. Comprehensive qualitative questions permitted participants to express themselves freely using their own lexis, making it difficult to generate and compute answers; therefore, the data was subjected to theme analysis. While closed-ended questions (quantitative questions) required respondents to provide explicit responses to collect data on the size of the concerns under investigation, open-ended questions (qualitative questions) did not. Consequently, they were analysed statistically. The researcher, with the assistance of research assistants, distributed questionnaires to farmers who consented to participate in the study and constituted most of the sample. The surveys included all topics pertaining to the status of Agro processing SMEs, including technology concerns, supply chain, imports, and raw materials, as well as the benefits of Agro processing SMEs and improvement areas. Thus, the replies to the questionnaire provided a comprehensive picture of the issues that Agro processing SME's face and how they might be addressed. As a result, the responses were combined with those from interviews to meet the goal of the study.

#### **4.15.5 Secondary Data**

Secondary data is data obtained specifically for this study (Saunders and Lewis, 2012). Secondary data consists of Organization growth factors documents used and set by the management of the various SMEs that process agricultural commodities and any strategy review documents for the businesses as well as from launch ceremonies of recent products, company publications obtained from the companies' websites and in the newspapers. The benefit of secondary data is that it already



exists and was therefore collected at a lower cost. On the other hand, the primary disadvantage of secondary data was its brevity, which can lead to the omission of important original facts. If the secondary data had been acquired for other purposes, then it would've not be fit for the requirements of the present study.

#### **4.16 Data Collection Procedure**

The method of data collecting helps the researcher to gather pertinent answers to research questions in a scientific manner. Before venturing out into the field to collect and collect data, the researcher obtained approval from the supervisors and then the study school's Department. The researcher then requested an authorisation document from the School of Postgraduate Studies and Research at the university. In addition, authorization to perform the study was obtained from each SME participant in the pilot project.

The researcher then visited the collaborating organizations. During this visit, the researcher determined the number of individuals interested to participate in the study and forged relationships with the directors and managers of the SMEs. The dates for conducting surveys and interviews have been selected. In addition, the researcher is familiar with the atmosphere of agro-processing businesses.

On the second visit, participants filled out questionnaires and directors' managers and specialists participated in interviews to obtain actual data. All these collected data revealed the hurdles to the expansion of Tanzanian agro-processing SMEs.

##### **4.16.1 Data Analysis Procedures**

The process of editing, coding, and organizing obtained data is data analysis (Kothari, 2004). Before beginning the actual analysis, the researcher performed a preliminary analysis of the data to identify errors and missing information. The actual data analysis occurred afterwards. Due to the study's use of a mixed data collection method, the data collected were analysed qualitatively and quantitatively, and the data was analysed and presented concurrently, giving qualitative and quantitative data equal weight (Creswell, 2009). During the review and discussion of the data, there was more mixing.

#### **4.16. 2 Qualitative Data Analysis**

Thematic analysis was used to analyse the qualitative data acquired from both face-to-face and telephone interviews. According to Creswell (2009), thematic analysis is carried out by creating detailed descriptions of the survey and categorising the themes using coding. The information gathered from farmers, directors, and managers are classified and organised in accordance with the study's objectives. Citations were used to display the participants' arguments, viewpoints, and sentiments. Furthermore, the data was examined to determine what can be done to improve the growth of agro processing SMES.

#### **4.16.3 Quantitative Data Analysis**

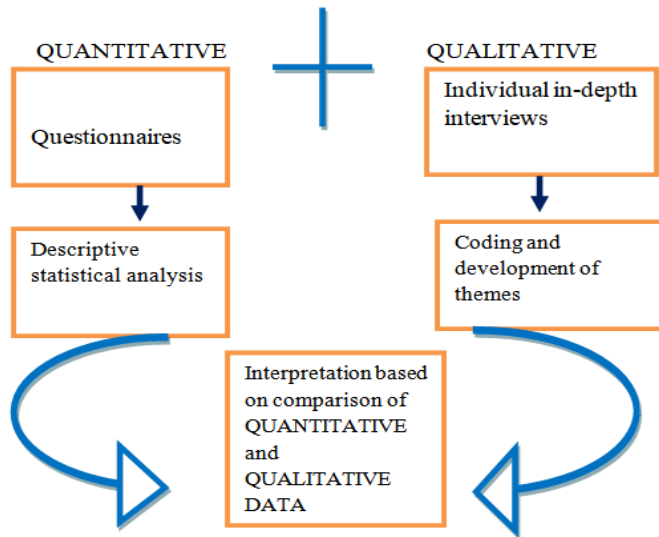
The researcher organised and coded the data before using the Statistical Package for Social Sciences (SPSS) software tool to analyse quantitative data from the structured questions in the questionnaires. The quantitative data was coded, loaded into SPSS version 25, and analysed using descriptive statistics. The findings are presented in the form of frequencies, percentages, tables, and graphs as appropriate to demonstrate agreement to the level as indicated in the questionnaires for the achievement of the study purpose, which is to investigate the challenges impeding Agro-processing SMEs in Tanzania.

In general, questionnaire data is coded and displayed in tables, graphs, and descriptive statistics used to analyse the material. Each questionnaire was assigned a unique code based on the sequence in which it was received from the respondents. The same codes were used to enter data into SPSS for research purposes. The researcher analysed and presented the data using descriptive statistics, which, according to (Leedy and Ormrod, 2010), are a set of statistics that characterise a body of data. Because data analysis is defined as the process of transforming data into valuable knowledge (Laird et al.,2005).

To organise the information, the researcher uses distillation, classification, and communication. Distillation entails sifting through massive amounts of knowledge to create a framework that is more easily manageable and valuable, as well as filtering out data that is not relevant to the study's aims. Then there is classification, which is the categorization of information to allow the researcher to swiftly analyse the meaning of the material. Frequencies, percentages, and averages were

examples of common descriptive statistics. These data are used to analyse the replies, allowing for interpretation and discussion of the findings.

**Figure 4-2: Visual model of concurrent triangulation mixed methods design procedures**



Source: Adapted from (Creswell and Clark, 2007)

#### 4.17 Research limitations

As a significant constraint, the research study was exposed to participation bias. The participant bias in this study occurred because the participant did not reveal accurate information, which may have affected the research findings. Participants have an obligation to protect company information, therefore they were unlikely to provide all the data, particularly given the issues that SMEs face; this information is also deemed sensitive. To address this, the researcher used personal relationships within the organisation as contact points for the purpose of disseminating information collection tools and coordinating work, allowing participants to deliver the data to colleagues they trusted more than an outsider.

## **4.18 Research Ethics and Data Credibility**

Participation in the study was entirely voluntary; no participant was compelled to reply or participate.

### **4.18.1 Ethics**

Ethical guidelines are vital to the conduct of any research since they dictate how the research should be conducted properly. In 2021, the researcher received ethical approval for this study from the ethics committee at the University of Northumbria at Newcastle. The ethical approval form is in Annex C. This research strictly adheres to Northumbria University's ethical requirements, which are as follows:

- **Privateness and anonymity:** All responses collected for this study have remained private and anonymous. To protect the respondents' personal information, codes in the form of numbers (1-13) have been assigned to the interview transcripts. This step was also taken for obtaining questionnaire replies. In addition, the researcher's computer is protected by a password that prevents access by third parties.

**Autonomy:** Respondents' informed consent was obtained for the research. A participant information leaflet was also mailed and distributed to responders to familiarise them with the research and expectations.

**Non-maleficence** entails avoiding damage, while **beneficence** entails doing good. This research has not harmed any responders emotionally or physically. The researcher has provided all respondents with her contact information, allowing them to reach her at any time if problems arise. In addition, the researcher advised the participants that they might withdraw from the study at any moment if they encountered any inconvenience. All the respondents were chosen without regard to their gender, age, or socioeconomic standing. Everyone who participated in the study was accorded equal rights; no participant was favoured over the others.

### **4.18.2 Validity**

Validity is the quality of being logically or factually sound; soundness or supremacy (Noble and Smith, 2015). To guarantee the validity of the instruments along with the trustworthiness of the

information, the study utilized the triangulation procedure of information accumulation, which includes the utilization of more than one strategy for information gathering. This empowered the specialist to countercheck the data offered and to supplement the shortcomings of certain strategies by the qualities of others to expand the legitimacy of the instruments. For interviews, the trustworthiness was ensured through member check immediately after the interviews. Also, as recommended by (Creswell, 2009), the researcher must find the peer people who will cross-check the instruments. The instruments were refined and validated according to relevance, accuracy, and coverage of the study for boosting the content validity, construct validity and face validity, after receiving the supervisors' comments.

#### **4.18.3 Reliability**

The reliability of measurement describes the consistency or dependability of the data from an instrument (Sowel, 2001). To ensure reliability, the instruments were pilot tested with 10% of ranged between;  $0.9 < \alpha$ - excellent,  $0.8 \leq \alpha < 0.9$ - good, and  $0.7 \leq \alpha < 0.8$ - acceptable. The items indicated a lower coefficient in the column and the item deleted was retained. And those which indicated to raise the coefficient if it were deleted, the instrument was adjusted by deleting that item. The adjustment of the questionnaire leads the Cronbach's alpha to be 0.79 and 0.84 which are fine and acceptable for the study made.

The overall reliability increased by a mixed data collection method that is triangulation in which questionnaires and interviews were used. Questionnaires and interviews complemented each other on exploring the challenge for agro-processing SMEs in Tanzania.

the population used in the study in Tanzania which included in the real study. Alterations made in the instruments to suit the reason for the study. A pilot test was made for checking language use, phraseology, and vocabulary and sensitivity of words for the interview guide. Moreover, comparative data was gathered from different classifications of respondents. What's more, in the field the researcher expanded the dependability of information by plainly disclosing the reason of the study to clear away any uncertainties and let the participants check their responses immediately after the interview before using them for qualitative data analysis and presentation.

For the quantitative data, the researcher used Cronbach's alpha to secure the reliability of the instrument (questionnaire) whereby 10% of the study sample to be used for the pilot study (Mugenda and Mugenda). The researcher has administered the questionnaire to the respondents. The responses obtained were analysed by running Cronbach's Alpha using SPSS software. Then the consistency of the instrument was determined by the results which

#### **4.19 Permission**

Permission to carry out the research at the varied SMEs was sought from the respective authorities at the companies concerned.

##### **4.19.1 Informed Consent**

The researcher explained what the research is about, and participants decided whether to or not participate. Per Patton (2002), consent could be a process whereby participants give their consent to participate in very research after getting honest information about its procedures, risks, and benefits. In this case respondents were liberal to decide if they needed to participate or not.

#### **4.20 Chapter Summary**

The research used the descriptive Concurrent/triangulation mixed methods research design that comes with both quantitative and qualitative methods for purposes of knowledge analysis. The study samples were selected using convenience sampling from the qualifying employees of the varied SMEs who include the administrators, managers and supervisors who have some responsibility at either the strategic level, middle management or maybe lower levels of management as these are to blame for the crafting of the challenges further as strategies for improving the expansion of agro-processing SMEs. The questionnaires were among the data collection instrument and private or telephone interviews will be administered with the senior management of SMEs to attain triangulation.

## **CHAPTER 5**

### **Data Analysis**

#### **5 Data Analysis Procedures**

Data analysis is the process of editing, coding, and organising obtained information (Kothari, 2004). Before performing the actual analysis, the researcher conducted a preliminary data analysis by identifying mistakes and missing data. The actual data analysis then ensued. Since the study employed mixed techniques of data collecting, the collected data were analysed qualitatively and quantitatively, and both qualitative and quantitative data were given equal weight in the analysis and presentation of the results (Creswell, 2009). During the data analysis and discussion, additional triangulation was performed.

#### **5.1 Qualitative Data Processing**

After collecting qualitative data through interviews, the researcher was required to transcribe the information before analysing it using NVIVO 12. Before the recordings were exported into NVIVO, they were transcribed. To protect the respondents' identities, the transcripts were numbered from 1 to 20.

##### **5.1.2 Quantitative Data Processing**

After receiving the returned surveys, the researcher coded them in Excel to spot mistakes and prepare the data for SPSS 25 analysis. Since 15 of the 185 collected surveys included mistakes, they were excluded from the study. The subsequent section will discuss how the data was analysed.

#### **5.2 Qualitative Data Analysis**

The qualitative data gathered through in-person interviews and an open-ended (complete qualitative questionnaire) were analysed thematically. Minimum sample size for the interviews was 15 and maximum sample size was 20. According to (Creswell, 2009), thematic analysis is conducted by designing extensive descriptions of the survey and classifying the themes into categories. The respondents were chosen by a method of purposive sampling to ensure that only those who possessed the desired characteristics were surveyed. Participants with Agro processing and food production expertise participated in the study. Twenty respondents were chosen as the



sample size because it allowed the researcher to approach saturation and obtain the desired results. Previous authors (Guest, Bunce, and Johnson, 2006; Baker and Edwards, 2012; Malterud, Siersma, and Guassora, 2016) have recommended other researchers that 12 interviews are sufficient to approach saturation, which is the point at which the researcher can no longer obtain new insights. According to the objectives of the study, data obtained from farmers, directors, and managers were coded and arranged. Participants' arguments, viewpoints, and emotions are displayed as citations. In addition, the data were examined to clarify what can be done to boost the growth of agro processing SMES.

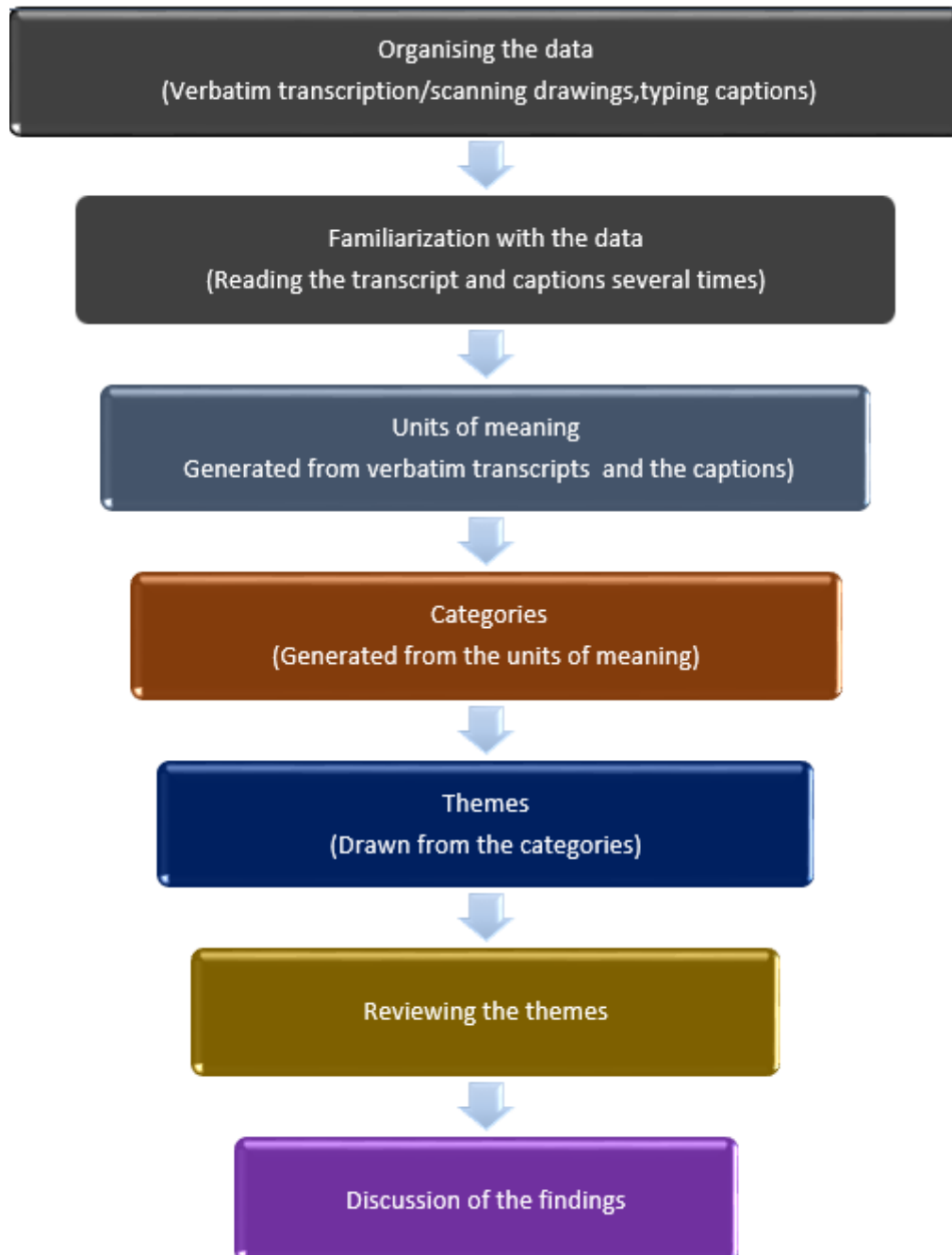
### **5.2.1 Thematic Analysis**

This is a technique for discovering themes (patterns) within data (Braun and Clarke, 2006). Coding is an essential part of thematic analysis. In this procedure, transcripts are used to construct units of meaning by placing some texts in brackets and writing a term (unit of meaning) in the margins that symbolises the texts in brackets (Creswell, 2014). The meaning units are organised into categories, which are then employed to form the themes (Creswell, 2014). Creswell (2009, pp. 184-189) offers the following essential processes for thematic analysis: (i) familiarisation with the data; (ii) generating initial codes; (iii) looking for themes among codes; (iv) reviewing themes; (v) defining and labelling themes; and (vi) composing the final report.

### **5.2.2 The Analysis Process**

As previously indicated in section 4.6, this study's data were collected using semi-structured individual interviews and drawing. In order to prevent misinterpretation, preliminary data analysis was performed concurrently with data collection by asking participants during interviews to explain certain facts. The data generated consisted of audio recordings. The data was prepared by transcribing the audio recordings. To preserve the information and meaning offered by the participants, an exact verbatim transcription was conducted. The analysis followed the steps of thematic analysis suggested by Braun and Clarke (2006) and Creswell (2009). I began by perusing the transcripts multiple times in order to become comfortable with the data. I took the effort to record the units of meaning obtained from the data in order to create meaningful patterns. These were written in the transcripts' margins. The meaning units served as the foundation for carefully generating the categories. Finally, I created and named the themes using the categories.

The figure depicts a summary of the processes I followed to analyse the gathered data. Figure 5-3  
Diagram showing the steps followed during the data analysis



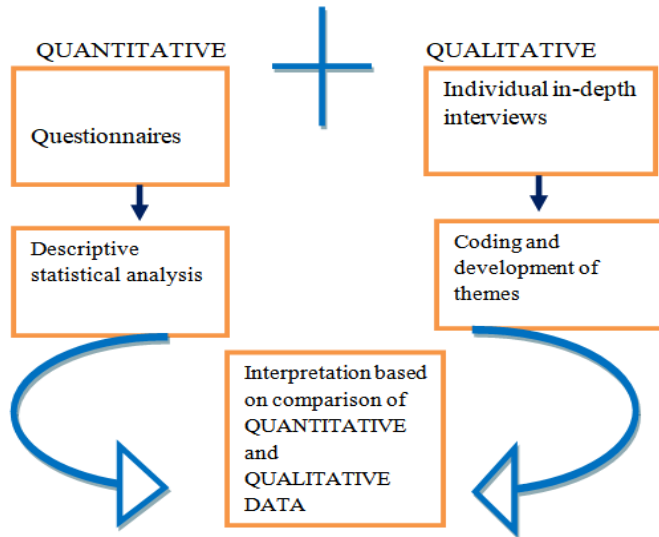
### **5.3 Quantitative Data Analysis**

The researcher first organised and coded the data, then analysed quantitative data from the structured questions in the questionnaires using the Statistical Package for the Social Sciences (SPSS) software. Quantitative data were encoded, loaded into SPSS version 25 and analysed using descriptive statistics. The findings were presented in the form of frequencies, percentages, tables, and graphs, as appropriate, to demonstrate the level of agreement with the information provided in the questionnaires in order to achieve the purpose of the study, which was to investigate the obstacles facing Agro-processing SMEs in Tanzania.

In general, questionnaire results will be coded and displayed in tables, graphs, and descriptive statistics will be used to analyse the data. Each questionnaire will be assigned a unique code based on the sequence in which it will be received from respondents. The same codes were used to enter the data into SPSS for research purposes. The researcher analysed and presented the data using descriptive statistics, which, according to (Leedy and Ormrod, 2010), can be defined as a collection of statistics that characterise a body of data. Since data analysis is the act of transforming raw data into usable information (Laird et al., 2005).

The researcher organises the knowledge through distillation, classification, and communication. Distillation is sifting through vast quantities of information to create a structure that is more easily understandable and usable, as well as excluding data that is not pertinent to the study objectives. The classification of information is the grouping of data into categories that facilitate rapid analysis of the data's significance by the researcher. Typical descriptive statistics include percentages. These statistics are used to analyse the replies in order to evaluate and discuss the findings.

**Figure 5-4 Visual model of concurrent triangulation mixed methods design procedures.**



Source: Adapted from (Creswell and Clark, 2007)

### 5.3.1 Questionnaire Design

The questionnaire consisted of three sections. The first section introduced the study, its goal and objectives, and the rationale for undertaking the research. In addition, the researcher included their contact information so that respondents may reach her directly in the event of difficulties.

Questions 1-10 of Part A required general and status information. Which consists of demographic questions about the respondents, including the name of their company, their position within the organisation, and the number of years they have worked for that company.

Part B contained issues affecting the growth of small and medium-sized enterprises in Tanzania. The questions addressed pertinent business difficulties and suggested solutions.

Part C dealt with business performance and strategies for agro processing enterprise growth. Further information on the questionnaire design can be seen in Appendix C

## 5.4 Validity Tests

### 5.4.1 Validity Tests in Quantitative Research

Validity in research is the extent to which evidence and theory support the interpretation of test results. To determine whether the variables measured what they were meant to measure, validity testing was performed. Four types of validity tests, including face, content, convergent, and predictive, were used.

Table 5-1 provides explanations of the various types of validity tests employed.

(Consider the validity of the data set)

**Table 5-1 Validity Tests Employed in the Study**

Type of Validity	Explanation
Face Validity	Involves a subjective judgement of the constructs included in the study.
Content Validity	This type of validity requires expert knowledge on whether the measures fit with the questions asked.
Convergent Validity	Measures the similarities between the variables.

Source: (Drost, 2011)

### 5.4.2 Reliability Tests in Quantitative Research

Experts in agro-processing SMEs evaluated the questionnaire's face validity to ensure that the variables measuring SME-related issues and firm performance were accurately measured. Through a pilot study in which 22 questionnaires were mailed to respondents, content validity was determined. The gathered input allowed the researcher to make modifications and clarify the final questionnaire. Using Spearman's rank correlation, convergence validity was tested. Through

regression analysis, it was determined that there were significant correlations between the dependent and independent variables, hence establishing the predictive validity of the model.

Cronbach's alpha was used to determine the consistency of the variables during reliability tests. Cronbach's alpha is a prominent internal consistency measure (Nguegan, and Mafini, 2017; Therakorn, 2014). It was determined that each grouping of variables was statistically valid. According to most researchers (Tavakol and Dennick, 2011; Nguegan and Mafini, 2017), a coefficient of reliability of 70% is adequate.

## **5.5 Validity Tests in Qualitative Research**

The subjective nature of qualitative research makes its findings more susceptible to criticism. Consequently, the researcher has taken the required precautions to assure the validity and dependability of their findings. Credibility, dependability, confirmability, and transferability comprised the framework employed by the researcher for the aim of evaluating the qualitative data.

### **5.5.1 Credibility**

Credibility is the capacity to demonstrate that the occurrence in question has been accurately portrayed (Alaf, 2019). Typically, a researcher's credibility is boosted when proper methodologies are selected. Various strategies of establishing credibility were used in the study.

### **5.5.2 Checking Methods with the Previous Studies**

In this thesis, semi-structured interviews have been used as a means of qualitative data collection. Such a method has been previously used by researchers looking into SMEs. Since this method has been previously used by researchers in SMEs, the credibility of the research findings is strengthened.

### **5.5.3 Triangulation**

In qualitative research, triangulation is another crucial technique for building credibility. Triangulation is the practise of utilising multiple sources to support findings (MORSE, 1991). Consequently, rather of focusing exclusively on SME managers, experts in the disciplines of SME and Agro processing were consulted to acquire a greater knowledge of the issues that food manufacturing SME face. This research employed a mixed methodology. The objective of this

qualitative study was to identify the obstacles faced by agro processing SMEs in Tanzania. There were several data sets provided. The first form of investigation was interviews with agro processing specialists. Using document analysis, SME observations, and audio recordings of interviews, a variety of experiences and perspectives were investigated. The interview information was analysed using NVIVO 12. The preliminary themes resulting from the analysis were sent to the participants for their feedback and confirmed by a literature study. In order to uncover trends and generalise data regarding the nature of agro SMEs in the country, I employed quantitative methods. I circulated surveys to SMEs and received 170 replies; I then utilised SPSS to incorporate factors into factor analysis.

#### **5.5.4 Member Checking**

In this thesis, audio-taped transcripts were shared with respondents to guarantee the accuracy of the data. This method is known as respondent validation or member checking. When the same interpretation of what is transcribed matches the view of what was recorded and the respondent's thoughts, the research findings are credible.

#### **5.5.5 Peer Debriefing**

Throughout the research, external perspectives were collected from numerous Agro processing professionals as well as the DOS in order to increase the validity of the findings by removing ambiguous statements and highlighting any over- or under-emphasized material.

#### **5.5.6 Dependability**

In this study, reliability was achieved by providing a comprehensive record of all interview transcripts and data collection notes: Dependability assists the researcher in achieving a well-documented and traceable study procedure. In addition to creating complete research transcripts, the researcher coded and recoded the data to guarantee consistency.

#### **5.5.7 Confirmability**

In this study, confirmation has been achieved through auditing. The supervisors verified that the transcripts accurately reflect the opinions of the respondents. In addition, there is complete openness regarding how data was acquired and how the results were obtained. According to

Bryman and Bell (2011), confirmability is vital in research because it helps the researcher to eliminate personal bias by compelling him or her to represent and report findings based only on the experiences and ideas of the respondents

### **5.5.8 Transferability**

Transferability is the extent to which another researcher can duplicate a similar work in a different location. The objective of this study was to collect extensive information on the agro processing methods and difficulties inhibiting the expansion of agro processing in Tanzanian SMEs. Despite the possibility of generalisation, it should be highlighted that the collected data may not necessarily apply to other contexts. When there is the potential for transferability, it is the researcher's job to offer appropriate information on how the data was collected so that individuals can make their own decisions. For future researchers to determine the transferability of this work, the following information has been included in this study:

The number of interview participants (20 participants)

The method employed (Telephone-based semi-structured interviews)

The time taken to complete the interviews (30-60 minutes)

The duration over which the data collection took place, which was from May 2021 to July 2021.



## **5.6 Chapter Summary**

In this study, the pragmatic paradigm was selected, which enabled the researcher to utilise both qualitative and quantitative research approaches in the same investigation. The researcher was able to accomplish the study objectives and obtain rich data, both of which helped permit effective replies to the research questions, thanks to a design that used a mixed-method approach. Interviews and questionnaires were used in conjunction with a survey approach to compile the information. Before the actual data collecting began, pilot studies involving both SMEs and specialists were carried out. Interviews were conducted with two industry professionals, and initial questionnaires were filled out by 22 participants. Before carrying out the main research project, the researcher used the pilot studies to help identify and eliminate any potential flaws in the process. In the end, 170 participants and respondents were chosen for the study, and 20 of those people were interviewed. NVIVO 12 was used to perform the analysis on the qualitative data, which resulted in the development of themes. SPSS 25 was used to perform the analysis on the quantitative data. In order to simplify the process of drawing conclusions from the data, both descriptive and inferential analyses were carried out. Methods of determining validity, both qualitative and quantitative, have been utilised. In addition, the ethical rules established by the university have been adhered to for the entirety of the time spent collecting the data. The qualitative and quantitative analysis that was carried out will have their specifics outlined in full in chapters 6 and 7.

## CHAPTER 6

### Qualitative Findings and Discussion

#### 6 Introduction

Based on the pilot interviews, the researcher was able to identify that the average interview lasted thirty minutes. During the pilot interviews, respondents had no difficulty answering the questions, allowing the researcher to move forward with the actual research interviews. During the pilot interviews, the researcher was able to ensure that the questions included in the interview guide addressed agriculture practises, implementation, and the difficulties faced by SME food manufacturers appropriately. In addition, it was noted that SME specialists were open to discussing Agro processing in SMEs. This would not have been achievable if organised interviews had been performed. Overall, the pilot interviews afforded the researcher the chance to become acquainted with interviewing, which helped her to hone her interviewing skills. It also boosted the study's credibility. The qualitative study results will then be explored in depth.

#### 6.1 Research Findings

**The Study's Findings will now be Addressed in Conjunction with other Emergent Subthemes. The Results of each Theme are Presented in the Section that Follows.**

##### 6.1.2 Respondent's Background

Experts in SMEs and SCM from diverse Tanzanian food businesses participated in the study as respondents. In total, there were 9 male respondents and 6 female replies. The majority of respondents held a master's degree, while others held a bachelors. One held a doctorate. Dar es Salaam's food processing sector employed the majority of respondents in managerial Agro-related positions. Table 6-2 displays the profile of each respondent, including their role and work experience.

**Table 6-2 Respondent's Profiles**

Respondents	Gender	Qualification	Role	Level of experience (No of years)
1	Male	Master's	PhD candidate  (Value management and horticulture)	4
2	Male	Bachelor's	Inventory manager	3
3	Male	Bachelor's	Manager	5
4	Male	Master's	Owner	16
5	Female	Master's	Inventory manager	4
6	Female	Master's	SCM manager	7
7	Male	Primary	Farmer	30
8	Male	Master's	Owner	7
9	Female	Secondary	Farmer	18
10	Male	Doctorate	Doctorate candidate  (Techno-economic)	4

11	Male	Master's	Food and nutrition lecturer	14
12	Male	Master's	Production manager	4
13	Female	Bachelor's	Owner	5
14	Female	Bachelor's	Manager	5
15	Female	Master's	owner	10

Source: Study interviews (2021)

## 6.2 Findings

I first present a summary of the findings of the sub-questions in Table:

**Table 6-2: Summary of the Findings**

The challenges facing the growth of agro-processing SMEs in Tanzania	
Issues affecting Agro processing	<p>Theme 1: Education</p> <p>Category entrepreneurship ed. to farmers</p> <p>Theme 2: Technology</p> <p>Categories Packaging</p> <p>Value Addition</p> <p>Theme 3: competitive Market</p> <p>Categories Local market</p>

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International market

Theme 4: Bureaucracy

Categories unfavourable government rules and regulations

Theme 5: financial constraints

Categories limited finances

Financial difficulties

Lack of capital

Theme 6: raw material

Poor raw materials

Inadequate of raw materials

Categories

Theme 7: poor facilities

poor storage

Lack of materials

Improvement support

Theme 1: access to finance

Categories Loans

Micro capital

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Venture capital

Development finance

Theme 2: Market access

Categories Industry competitiveness

Infrastructures

Theme 3: variety of natural raw agriproducts

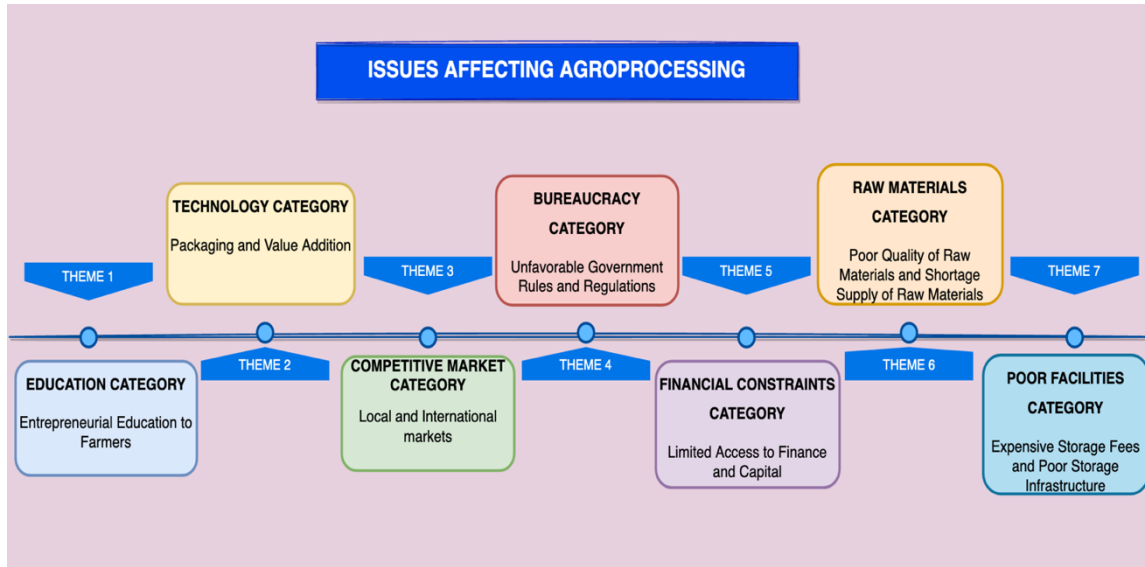
Theme 4: Technological support

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### **6.3 Issues Affecting Agro Processing**

The first qualitative question was designed to investigate the factors that contribute to agro-processing problems. The first question that needed to be answered by the research was, "What are the problems that face small and medium-sized agro-processing businesses in Tanzania?" An individual semi-structured interview was employed with each participant, as was detailed in the chapter before this one, in order to collect data from them. The findings are summarised in Figure 6.2, which shows the themes as well as the groups in which they fall.

**Figure 6-5 :Diagrammatic Presentation of the Findings; Issues Affecting Agro Processing**



The preceding findings show seven themes in response to the Agro processing Issues covered in this section. These include education, technology, a competitive market, bureaucracy, budgetary restraints, raw materials, and inadequate infrastructure.

#### **6.4 Theme 1: Education**

Participants in this study said that they face educational challenges in their entrepreneurial field, i.e., the Agro-processing business, particularly with regard to small and medium-sized enterprises. They indicated that entrepreneurship education would be crucial to the expansion of their business, since updating their business skills would assist them in managing their products. According to the participants, they lack the necessary education and seek to provide farmers with Entrepreneurial Education.

##### **6.4.1 Technical and Vocational and Training Education.**

Technical and Vocational Education and Training (TVET) refers to the business skills that can be taught to individuals to assist them in initiating, managing, and controlling profitable businesses. According to the participants in this study, a lack of TVET education hinders the expansion of businesses. In addition, they believed that the majority of them lacked sufficient knowledge regarding the business of agriproducts in the agro processing industry, which is a new skill they

need to relearn and adapt, since they rely on raw product direct to the market most of the time, which hinders the growth of the enterprises. This is demonstrated by the following quotes:

"My two suppliers have agricultural knowledge, therefore the things they offer to us are extremely straightforward; they are people who understand their business well." (Respondent 1).

"You see, my education is at the primary level, therefore we attempt to conduct this business to produce cash since otherwise I have nothing to do, and this business is difficult but simple for me..." (Respondent 2).

"...I'd like to go to school to learn more about how to keep these things from rotting and how to get more consumers outside of my area, ....." "...I'd like to go to school to study more about how to prevent these products from rotting and how to get more customers through phone. "You know how much we rely on the individuals who live nearby..." (Respondent 3).

"Education is needed to empower . . . many traders do not know the business principles" (Respondent 2)

The quotations above explain the lack of TVET as a barrier to corporate growth. According to Aikaeli (2010), education enables people to adapt to both social and technological changes more quickly in the economy, as well as changes in labour demand. TVET is frequently regarded as the most significant basis for people seeking chances in new businesses, seeking higher employment, and migrating (World Bank, 2008). Education is important, but so is the quality of education and skills imparted. So, the problem in Tanzania isn't just a lack of faculty completion rates, but also a lack of competencies (GEM, 2014).

## **6.5 Theme 2: Technology**

Technology is essential in the modern day since it facilitates labour simplification and enables corporate products to suit business requirements. Packaging and value addition were cited as the enterprise's two greatest technological obstacles.



### **6.5.1 Poor Packaging Technology**

In this study, participants reported having difficulties with packaging. This indicates that the agriproducts might be highly profitable if packaged appropriately. The following quotations illustrate the aforementioned:

“But for the best quality possible with packaging would be better, but no capital for machines to help in this...” (Respondent 7).

“In fact, something again that would work better and actually, the packaging materials are not in that quality we can use and afford, because the technology we are using is not good for that. . . and if you opt to buy them are expensive while people cannot buy our products when the price hike.” (Respondent 6).

The quotations above explain how are affected by poor technology of packaging materials packaging technology has the influence on customers choice of agriproducts. This is consistent with (Debevere, 2004) who found that there is an influence of packaging of goods to consumer perception and choice of agriproducts products in the market. This is not limited to not only packaging but also the quality of the packs. Luttenberger (2015) supports this in his findings whereby consumers says they wish more bagged agriproducts in quality packaging.

### **6.5.2 Value Addition Technology**

Value addition is an additional task for modifying products or developing services in accordance with the preferences of the target market. It is believed to be the signature of a product's alteration from its origin, which can help to give the intended market and societal benefits. Agriculture with added value describes the manufacturing processes that raise the value of basic commodities and the transformation of raw materials into the desired output. Value-added agriculture may also refer to raising the economic value of a commodity through specific production procedures, e.g., organic produce, or through regionally branded products that boost customer attractiveness and readiness to pay a premium compared to similar but homogeneous items. According to Fleming (2005), value-addition is the process of adding value to a product. It is the progression of any product from one level to the next. Additionally, from the farmer's perspective, value addition is essential for shifting a loss-making operation into arms. Value-addition is essentially a strategy for adding value

to a product, regardless of whether enterprises have expanded the initial product. It includes elevating any product to the next level. Value-addition is a crucial responsibility for farmers and a method for transforming a loss-making business into a successful one. It is accomplished through processing, cooling, pasteurisation, drying, packaging, extracting, or any other method that transforms agricultural raw materials into new products. Value addition has been cited as a difficulty resulting from firms' inability to afford the transformation required to create new products due to inadequate technology. This is demonstrated by the following quotations:

“To critique the production process and ...not just to sell...that because you have the product . . . it is good if we can grade the rice and pack them. . . . But you find you don't have a machine to help so you decide to buy from someone with a machine and add up price...” (Respondent 7).

“So, I needed a machine mmmh would be helping me in drying verges faster so I can keep them for long time. . .” (Respondent 8).

“Yah, you find it is brilliant to make let say mtori floor... you know, ahaa... but the technology to help in peeling and making the floor nowhere to find. We opt to take long time to prepare the products. . .” (Respondent 8).

The quotations above speak much about the value addition technology dilemma that businesses face. The participants appear to comprehend the importance of adding value to their product in the market, but technology continues to hold them back. This is consistent with the findings of (Kamuzora, 2013), who discovered that the processing industry is heavily reliant on obsolete technologies, resulting in underproduction and low value addition of products.

### **6.6 Theme 3: Competitive Market**

Competition in and agricultural markets is an essential, yet frequently overlooked, aspect of agro products and a significant role in determining the impacts and efficacy of companies and corporations as well as government initiatives intended to promote agribusiness. At the heart of the agro-processing competitiveness issue are the functioning of markets and their effects on consumers and farmers. When effectively employed, the market is essential for corporate growth and allows innovation. Participants in the survey indicated difficulty in competing in the market's

competitive environment. Their perspectives emphasised rivalry on the local market and (ii) competitiveness on the international market.

### **6.6.1 Local Market Competition**

Local markets are essential for promoting agro entrepreneurship. Participants in this study identified local market competition as a challenge to the expansion of their businesses. This is due to the fact that they lack the marketing abilities necessary to increase their management level and compete in the market. This was demonstrated by the following responses:

, “. . . , sometimes no customers even a week . . . we depend on people from around to come and buy. . .” (Respondent 9).

as “most of the time we cannot take our product to the supermarket because we are using local and low-quality technology which cannot preserve our milk for long time. . .” (Respondent 10).

“. . .yah most of our product cannot be sold in the supermarket. Few local people can buy but majority buy outside (imported) product because they have a big brand.” (Respondent 11).

The quotations above show that businesses struggle with local market rivalry. A study conducted by (Gadzikwa, 2013) indicated that firms cannot compete in the local market. This could be due to a lack of expertise or even a lack of technology, as addressed in earlier topics. According to (Amegashie-Viglo and Bokor, 2014), SMEs require entrepreneurial skills to manage the local market and persuade customers to acquire their products. However, it appears that some businesses may not always make their products of high enough quality to entice clients to buy them (Gadzikwa, 2013). According to Gadzikwa (2013), the aesthetic of the product in packaging attracts more customers, with branding as a bonus. If firms win the branding strategy and packaging with quality packing, they will be able to expand to the international market (Ndyali, 2013). The firm therefore must make every effort to take the responsibility of improving their entrepreneurial abilities to attract more clients (Fjeldstad et al., 2006). (Fjeldstad et al., 2006). Commitment to the market and branding necessitate some form of financial investment and business skills, which SMEs might invest in to overcome such a hurdle.

### **6.6.2 International Market Competition**

The degree to which intermediaries compete has long been a topic of study in studies of developing-country agricultural markets. Competition influences how price signals spread along supply chains, as well as the welfare consequences of taxes and subsidies for producers and consumers. Participants in this study face difficulties in

international market. They also explained difficulties they get in entering the international market aspects which became evident when the participants articulated it as follows:

“... it is so hard for us to compare our product with those from outside the country. . . see like rice and beans in town are imported while we have a lot of them locally . . . people value more outside things than ours. . .” (Respondent 8)

“Most of the time we cannot take our product to the supermarket because we are using local and low-quality technology. . . compared to imported products” (Respondent 15).

“That is what I am saying in my mind it was difficulty to get customers outside the country because I have no connection . . . and the product quality is embarrassing” (Respondent 14). The quotations above demonstrate that it is difficult for SMEs to compete on the international market. Kamuzora (2013) concurs that local businesses must find a means to enhance their products in order to compete on the worldwide market. Kipene et al. (2015) also note that local products are of high quality, but when it comes to increasing value for export, businesses are hampered by inadequate technology. SMBs must invest in technology to modernise their products to compete on the international market (Kipene et al., 2015). However, the impact of marketing expertise and entrepreneurial abilities on the local market in worldwide market rivalry is significant (Herrendorf et al., 2015). In order to compete on the international market, small and medium-sized enterprises (SMEs) must make substantial investments and need financial assistance to improve their products.

### **6.7 Theme 4: Bureaucracy**

Tanzania's reliance on imports is hampered by unfavourable government laws and regulations, which restrict the growth of processing activities in the nation. Numerous research (Lauwo, Otusanya, and Bakre, 2016) have found that businesses in Tanzania suffer greatly due to the lack of government support. In the agro-processing industry, for instance, there has been a significant

reduction in processing enterprises due to unfavourable rules and regulations requiring excessive taxation, particularly in the processing of cashews, cotton, and oil. Moreover, foreign investors are hesitant to participate in Tanzania's agro-processing sector due to the country's complex rules. Charles et al. (2016) observed that in countries like Tanzania, Kenya, and Zambia, the environment is disorganised and less favourable of food processing enterprises. The findings are also consistent with those of Swai (2017), who found that severe rules and regulations, especially for small-scale processors, inhibit the expansion of these companies since they are unable to comply with the stringent national bureau of standards laws.

“... starting up an SME in Tanzania is always hard. The process and procedures like business licence, taxpayer identification number (TIN), business name registration if the entity is a partnership, value added tax (VAT), registration number (VRN) etc..., which takes up to more than 100 million TZS just for the registration process alone. And all Service providers and registration are mandatory, regardless of the threshold, for professional service providers.” (Interview, Pt 4. Line 20, 16-06-2021).

“...another reason could be the complicated procedures of getting the quality certification by Tanzania Food and Drugs Authority (TFDA) and Tanzania Bureau of Standards (TBS). The implication is that Government interventions like SIDO development programmes should devise strategies for enabling the agro processing SMEs to grow.” (Respondent 5).

Consistent with the preceding responses demonstrates that government policies have always been a significant barrier to commercial practise in the country. The government adopted the SME development policy in 2003 to alleviate poverty and enhance the SME sector. This policy concentrated on three areas: the development of a business-friendly climate, the expansion of financial and non-financial services, and the establishment of a supportive institutional infrastructure (United Republic of Tanzania Ministry of Industry and Trade, 2003). The 2013 evaluation of the same policy revealed that despite government efforts to enhance the sector, Agro processing SMEs continue to encounter obstacles such as an unfavourable legal and regulatory framework/poor laws and regulations, business vehicles, registration need, and reporting requirement. Governments and development partners must reverse years of policy neglect and

rectify substantial underinvestment and disinvestment in agriculture in order to resolve these problems.

The following is possible:

Government should cut the agricultural company tax rate, which is now 30%; (this incentive for the private sector has already worked in Tanzania for the mining and tourism industry).

There must be investment incentives.

The links within the agricultural production value chain must be strengthened.

Tanzania ought to strengthen its agro-food processing industry to capitalise on rising local and regional demand.

### **6.8 Theme 5: Financial Constraints**

The majority of agro-processing enterprises in Tanzania are unable to expand due to insufficient financial resources caused by unfavourable borrowing conditions, such as rising interest rates (Export.gov, 2019). Additionally, limited access to commercial bank financing exacerbates financial issues. The results are consistent with those of (Mashenene, 2015), who discovered that the lack of collateral, the low value of collateral, poor saving habits, and high interest rates had a substantial impact on the availability of money from lending institutions. These data indicate that financial limitations have a negative impact on firm growth in Tanzania.

“... The most serious constraint to the development of a viable agro-processing sector is the scarcity of financing. Financial barriers represent lack of financial resources. Credit constraints, lack of external debt, and equity capital are the main obstacles to the growth of SMEs. Banks are more conservative when they provide loans to us (SMEs). SMEs are more likely to be charged relatively high interest rates and asked for high collateral and loan guarantees.” (Respondent 1).

“... It is sad to say that financing for a venture might be available only through banks and other financial institutions, the accessibility depends on account of the collateral requirements. Thus, we do not have anywhere to go borrow funds from.” (Respondent 3).

“... There is no recognition of the importance and potential role of the small farmers and agro-processors in the development of agriculture and agro-processing industry. Most farmers are mistreated and misled by investors. The thing that has not been adequately recognized is the need to vertically integrate these sectors, so that the primary producer has a direct financial interest in the viability of the sector.” (Respondent 14).

The government may intervene to encourage banks to offer cheaper credit rates to farmers engaged in such agro-processing companies by introducing guarantee programmes. The second option for the government is to become an equity partner or direct stakeholder in financially viable agro-processing enterprises. The government's core interest is that of a facilitator, and it will sell off its shares over time. Farmers and agro-processors also have the option of obtaining financing from their credit unions, such as SACCOS that offer higher interest rates than banks, or the credit unions can become partners in such a venture. The credit union could then supply financial and other crucial management services deemed essential to the enterprise's existence and success. When creating national policies and programmes, it would be impossible to marginalise or disregard the contribution of the agricultural and agro-processing industries under such an arrangement. This system would guarantee that both sectors are properly integrated into economic planning and growth.

### **6.9 Theme 6: lack of Raw Materials**

Despite having an abundance of agricultural products, Tanzania still imports raw materials since local raw materials are frequently of lower quality and thus inappropriate for processing (Mgeni, Müller, and Sieber, 2019). Furthermore, due to the bad relationships that exist amongst supply chain actors, processors are unable to obtain raw materials on time.

“... availability of raw materials also depends on climatic conditions and the use of excessive fertilisers which destroys arable land. The quality and quantity of raw materials depend on adverse climatic conditions and droughts which affect the availability of raw materials. Natural calamities affect our farms and crops therefore when we harvest the product comes out in poor quality.” (Respondent 6).

“... Farmers are likely to sale quality raw materials to foreigners rather than people in the country. This has affected most SMEs as to produce quality products they have to import quality raw materials from other countries which is costly”. (Respondent 9).

Best practice in irrigation must be established for public funded irrigation schemes. This will help during the draught season. Also, the government should make policies on how the raw materials are to be sold in the country.

#### **6.10 Theme 7: Poor Facilities**

Businesses utilise storage facilities to retain finished goods or raw materials until they are required by the market. Poor storage might result in spoiled goods. Storage has always been an issue in our region.

“Most of us store things at home that are susceptible to infestation by insects. When this occurs, it poses a problem for the customers, as we must either cut the cost of the raw material or discard the farm products that are affected.”

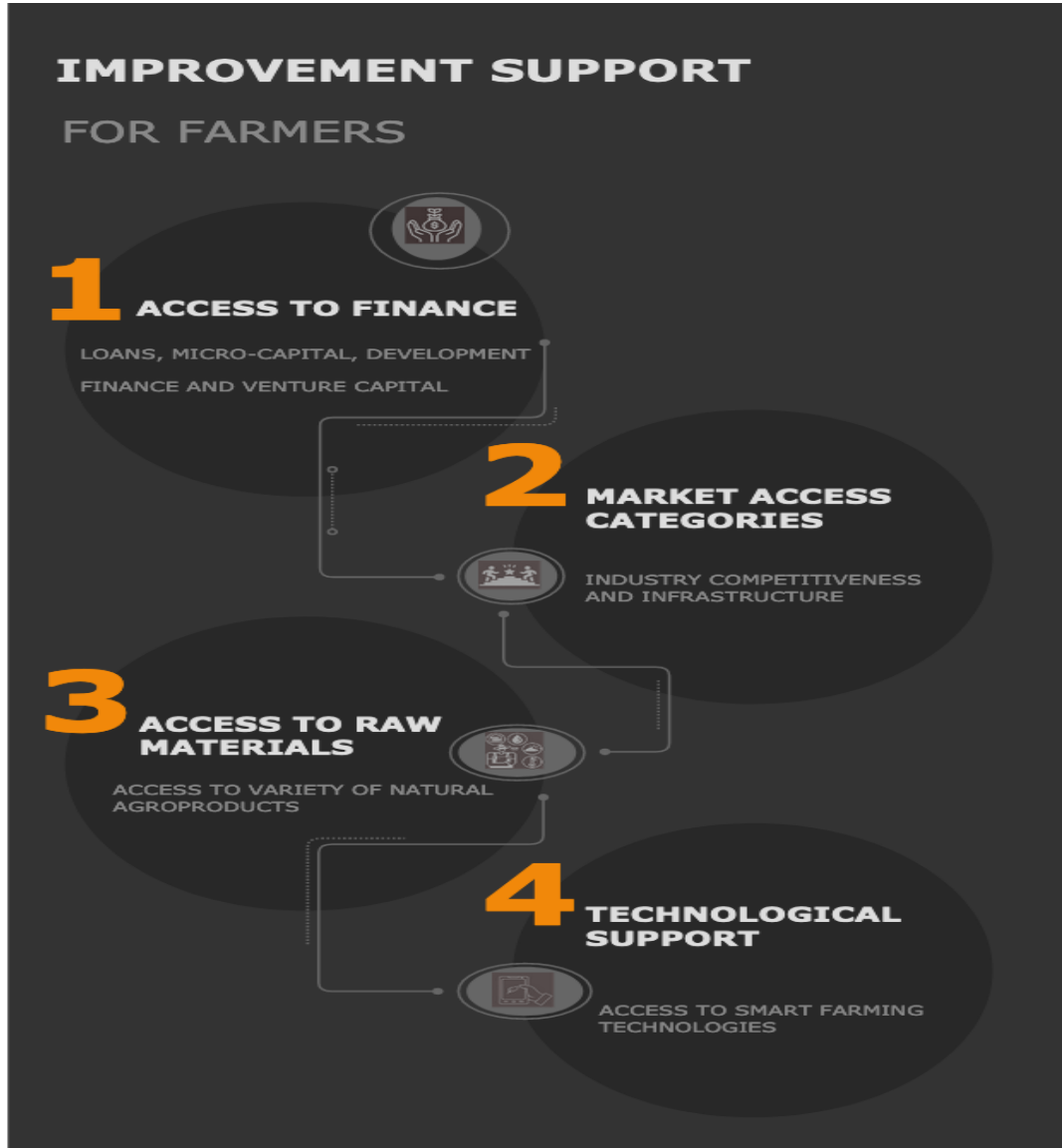
#### **6.11 Opportunities to Improve Agro Processing**

The second qualitative question investigated how Agro processing SMEs activities could be improved. The sub-research topic was, "How can the operations of agro processing SMEs in Tanzania be improved?" To collect data from the participants, an individual semi-structured interview was performed.



## Figure 6-6: Diagrammatic Presentation of the Findings; Opportunities to Improve Agro Processing SMEs

Figure 6-3 provides a summary of the findings as it presents the themes and associated categories.



The diagram above indicates four themes that portray the findings pertaining to the second qualitative research sub-question namely, (i) access to finance (ii) market access (iii) variety on natural raw Agri products and (iv) technological support.

## **6.12 Theme 1: Access to Finance**

Easy access to finance can be seen as the heart of a successful enterprise. During the interview with the participants, it was found that most of SMEs depended on personal or family finances which seems to be little and had difficulties in easy access to finance. They suggested to be supported in easy access to financial support and this is evident from the explanations of the participants which are discussed in this theme under two categories namely, (i) loan (ii) micro capital and (iii) development finances and venture capital.

### **6.12.1 Easy Access to Loan**

Loan refers to the financing granted to farmers and/or business workers to aid in the processing and upgrading of agri products and the care and marketing of animals. It is a loan with quick access that can assist SMBs fulfil the demand and supply of the market. As a result, the terms and conditions are simple and accessible, as seen by the following replies from the participants:

"There was no need to say this and this or bring whatever... items that I couldn't afford as a small business owner." We did look for loans on a continual basis, and it was the golden... threshold concept of having easy conditions for us to acquire loans is critical to financial services... (Respondent 15).

"And everything else will come when you can get a loan to help with the business."

(Respondent 8).

"Ahaa, there are certain standards for getting a loan, but most of them are impossible to follow. "Perhaps banks can relax these terms for our tiny firm. Most of us can easily access it, but because most loan providers prefer cooperatives, it is tough for individuals. So, they can consider that as well, just my opinion" (Respondent 9).

These quotations demonstrate the necessity of simple loan access. Small- and medium-sized enterprises (SMEs) must have easy access to funding to support their efforts to expand their

businesses (Mhazo et al, 2011). It provides an efficient incentive for reaching market competition standards with improved items. According to (Ogotu et al, 2006), loan providers should find a means to contact underprivileged businesses, as well as agribusiness, in order to promote the circulation of cash in the community. Persistent distribution of loans to local businesses can improve the local economy and environment, as well as the agro-processing company market worldwide (Detsky and Baerlocher, 2007). As a result, SMEs can not only afford the many equipment necessary to upgrade their products, but also win the local and global market due to the quality of their products.

### **6.12.2 Easy Access to Micro Capital**

Micro capital in the context of agro-processing small and medium-sized enterprises means quick access to assets such as machinery, building costs, and other equipment. In this situation, SMEs require the majority of these to expand their businesses. Participants described a manner in which these assets can be attributed with bolstering their businesses, and this became obvious from the interview data presented below.

"So, every time I want to manufacture great things, I have to pay money to the person who owns the machine to process my products. I would love it if someone could lend me a machine and allow me to pay in instalments" (Respondent 6).

"They instructed me to feel free to phone or visit their offices at any time if I needed to negotiate a time frame with all the necessary equipment to process and trade my product..."

(Respondent 1).

The aforementioned data implies that access to micro capital under conditions of openness can aid the expansion of agro-processing activities among small firms (Mhazo et al., 2003). BMGI (2015) concurs that open and easy access to micro financing might encourage SME expansion. The enterprise and capital providers can agree on payment channels and aid the expansion of the agro-processing sector, as the majority of SME's struggle to acquire adequate equipment. Such agreements and assistance would be crucial to the growth of this industry. The terms and conditions for borrowing and lending equipment must be simplified and made readily available.

## **6.13 Theme 2: Market Access**

Market access refers to the ability of agro-processed goods to reach customers. Under this theme, participants shared their perspectives on market access support as reflected by the following categories: (i) industrial competitiveness and (ii) infrastructure.

### **6.13.1 Industry Competitiveness**

During the interview, the participants offered differing perspectives on how they could be assisted to enhance the competitiveness of the agro-processing industry. They described a non-dominant industry dependable and constant transportation system, including waterways, rail, and roads. To maintain normal farm and ranch operations, agribusinesses must be able to transport products and machinery (Mukantwali et al., 2012). In addition, it is recommended that all railways charge reasonable rates and provide firms with fair, consistent, and equitable rate spreads, service, and treatment. Competitiveness initiative. The business valued the fact that their items are in good shape, but they must outvote their competitors, whose products they admire for their superior quality. This is demonstrated by the following quotations:

"Until I saw flakes in the supermarket, I had never considered upgrading maize into something other than flooring. However, when I launched my firm, I discovered that there are practically identical products on the market, so I considered what to bring to market out of the raw crops" (Respondent 5).

"In recent times, it is crucial for us merchants to increase the worth of our products in order to meet the market's demands. (Respondent 10).

"In my opinion, imported products are perceived to be superior because of the brand and the way they are packaged. It is time to enhance our products and compete in the global marketplace. I believe the majority of our crops are unique, therefore if we improve them, we can win the market" (Respondent 3).

The aforementioned ideas are required for local SME success on the competitive market. Several scholars concur that a consideration of a competitor's market presence is necessary to improve one's product in order to manage competition (Amegashie-Viglo and Bokor, 2014), since SMEs items can be exported if the quality is improved, and the product is made distinctive. Intriguingly,

Kerr (2010) contends that the same product can be marketed differently depending on the value contributed. When small and medium-sized enterprises (SMEs) comprehend the products of their competitors, it is crucial for them to consider how they may improve their own products and how they can offer value to satisfy market demand from consumers (Gadzikwa, 2013). However, the price should be considered.

### **6.13.2 Infrastructure**

Infrastructure facilitates the delivery of goods and the expansion of company operations. Participants remarked that the distribution and supply channels for the products require improvement. This can be deduced from the following interview data:

"It is difficult to obtain resources due to the fact that the items originate from other regions and the majority of villages have inadequate roads, which increases the expense of acquiring raw materials" (Respondent 9).

"Whenever you consider acquiring superior raw materials, you discover the roads, where transportation is costly... but sometimes the network in the villages where items are located is inadequate. If these can be enhanced, we will benefit. Sometimes, when you desire a product, you must wait a long time or place an advance order (Respondent 5).

"There are times when you make an order for things but it's difficult to receive them on time... waiting for buses to come consumes time... perhaps allowing buses to operate at night will lessen the waiting time and speed up our procedure..." (Respondent 3).

These quotes demonstrate the need for infrastructure enhancements. Even though the firms have a minimal production capacity, they nonetheless require timely material delivery (BMGI, 2015). According to Mhazo et al. (2003), infrastructure should be regarded as essential to corporate growth. Infrastructure plays a crucial part in fostering any type of development (Solomon and Solomon, 2004). Therefore, businesses that are expanding should have easy access to networking channels, such as roads and phone lines. The enterprise should be supported by the government's policy of developing infrastructure, which will assist in reducing the operational costs of these businesses, which increase due to inadequate infrastructure (Mukajungu, 2017). Agriculture is highly dependent on a

### **6.14 Theme 3: Variety of Natural Raw Products**

The participants viewed the presence of several natural raw materials as an opportunity to enhance Tanzania's agro-processing industry. The following quotes illustrate how the natural raw materials can be utilised, as reported by the study's interviewees.

"In our country, fruits and vegetables are abundant and inexpensive, but preserving them so they don't rot is an issue; even if you store them, people don't buy them because they want them fresh from the field." (Respondent 5).

"Yes, the country has an abundance of natural resources, such as berries and other fruits, which may be processed to generate greater revenue and a larger market." (Respondent 12).

"You are aware that this country has a variety of crops, such as maize, rice, and beans. And if these items are processed... the agricultural processing business is prosperous." (Respondent 9).

The figures shown above demonstrate that the agro processing industry is still in its infancy. According to Mukajungu (2017), the majority of African agriproducts have not been investigated for value addition. Simultaneously, SMEs confront obstacles in acquiring raw resources that are simple to process and market unique (Tersoo, 2013; Ruteri and Xu, 2009). Therefore, it is vital for SMEs to develop a way to investigate accessible products and easily upgrade them (Mhazo et al., 2003 and Olomi, 2006). In addition to meeting the quality standards of a competitive market (Mhazo et al., 2003), these items must also be export-ready; they cannot be limited to the domestic market (Tiisekwa et al., 2005). For these items to be developed, small and medium-sized enterprises require government support and infrastructure improvements.

### **6.15 Theme 4: Technological Support**

Technology has played an essential role in advancing and expanding the agro-processing sector. Agro product processing technology can reduce post-harvest losses and increase the quality of the processed product. This should be done for product promotion. The following quotations expand on the preceding:

"Technology support is required, among other things." Like equipment for packing and refining commodities, I believe they would assist us." (Respondent 7).

When assisted by superior technology, more products can be found on the market. (Respondent 2).

Even if it's a loan for me, it's fine... "We would appreciate any sponsor who can offer us with good machines to handle a bit more to improve our production. (Respondent 9).

Technology is essential for developing viable items (Kamuzora, 2013). Therefore, it is essential that the people of SMEs have the necessary expertise to operate the necessary equipment (Magombeyi and Odhiambo, 2019). Although technology is not restricted to machine operation alone, it is also utilised in networking and marketing (Gell-Mann, 2018). Consequently, it is essential for agro processors to have market abilities utilising technology such as social media, as this is the current marketing trend. If considered, these skills and support can help improve the SME agro-processing sector

## **6.16 Summary**

The goal of this chapter was to convey the findings from the interviews, which took place from 1 May to 4 June 2021 and involved 15 respondents. The interviews were analysed using NVIVO 12 and thematic analysis was performed to assist the researcher in identifying themes from the responses. The comments from the interviews allowed the researcher to identify seven themes: education, technology, competitive marketplaces, bureaucracy, financial restraints, a lack of raw resources, and inadequate facilities. The majority of respondents noted that the situation of agro processing SMEs is fragmented and still evolving due to their lack of business knowledge, their fear of costs, their use of obsolete technology, unfavourable government regulations, lack of raw materials, and inadequate storage facilities. In addition, respondents emphasised variables such as access to capital, market access, a range of natural raw agriproducts, technological assistance, and government intervention. The findings from the interviews improved the researchers' understanding of the situation of agro-processing SMEs in Tanzania and provided the themes that would be examined and confirmed in chapter 8.



## CHAPTER 7

### Quantitative Data Analysis and Discussion

#### 7 Introduction

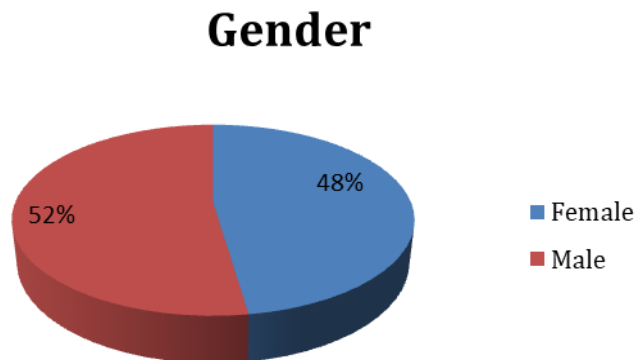
This chapter analyses the conclusions of the research. The first section of the chapter describes the respondents' age, gender, level of education, and years of experience in the field. The report then discusses the factors affecting the growth of agro processing and the potential for the expansion of SMEs in Tanzania.

#### 7.1 Demographic Representation of Characteristics

This section describes the background characteristics of the participants, as well as the overall state of the firms that participated in the study. This section is meant to present the status in terms of 'gender,' 'educational level,' 'ownerships,' 'funding source,' 'packing status,' and 'exportation status.'

#### 7.2 Gender of the Participants

Figure 0-1 :Presentation of gender of participants

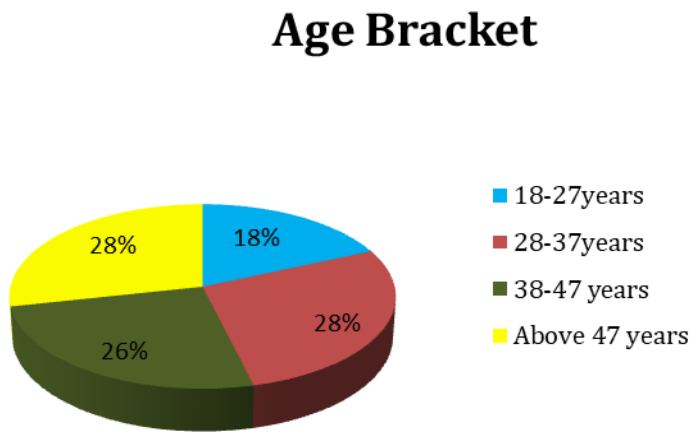


Source: Field Survey, 2021

According to Figure 7.1, males made up 52% of all participants, while females made up 48% of all participants. This suggests that data from both genders was evenly represented. The information provided by respondents is influenced by the influence of their gender groups. There is a representation of balanced perspectives from both male and female participants in this study.

### 7.3 Respondents' Age

**Figure 0-2: Presentation of Participants' Age Brackets**

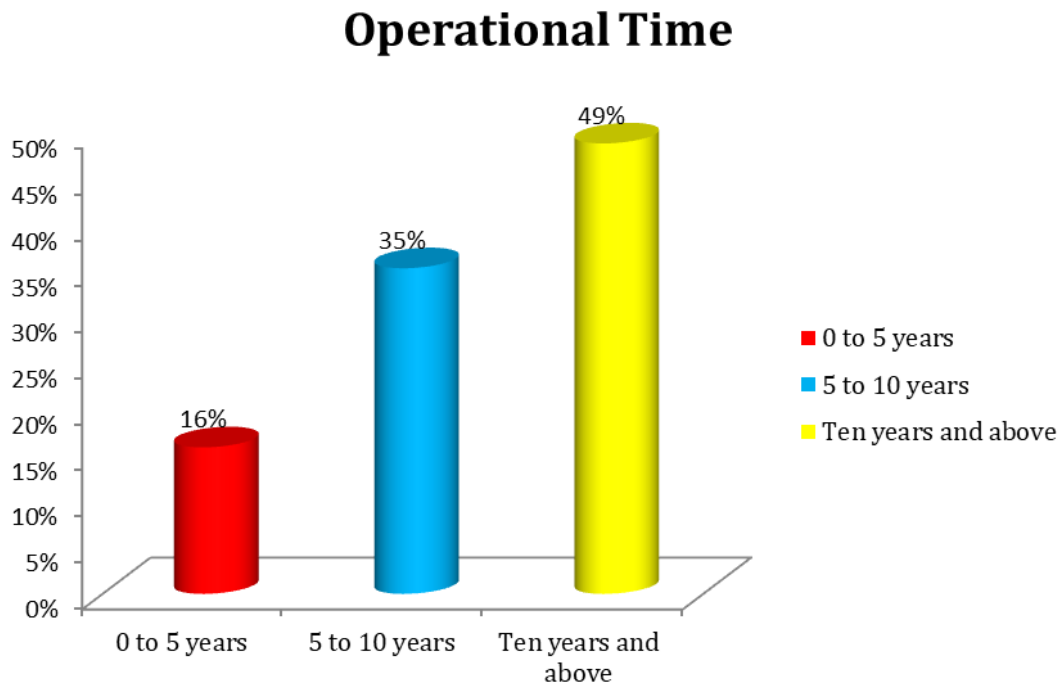


Source: Field Survey, 2021

According to Figure 7.2, the age groups of Above 47 years and between 28-37 years comprised the majority of participants in the study, accounting for 28% of the entire sample. 26% of the total participants were between the ages of 38 and 47, making this the largest age group. And the age group with the lowest representation was 18-27 years old, which accounted for 18% of all population studies. According to the study's findings, most businesses are formed of individuals of a mature and productive age, making it difficult for their organizations to grow rapidly. Moreover, this suggests that the participants were capable of handling challenges pertaining to agro-processing enterprises.

## 7.4 Operational Period of the Firm

Figure 0-3: Presentation of Firm's Operational Period

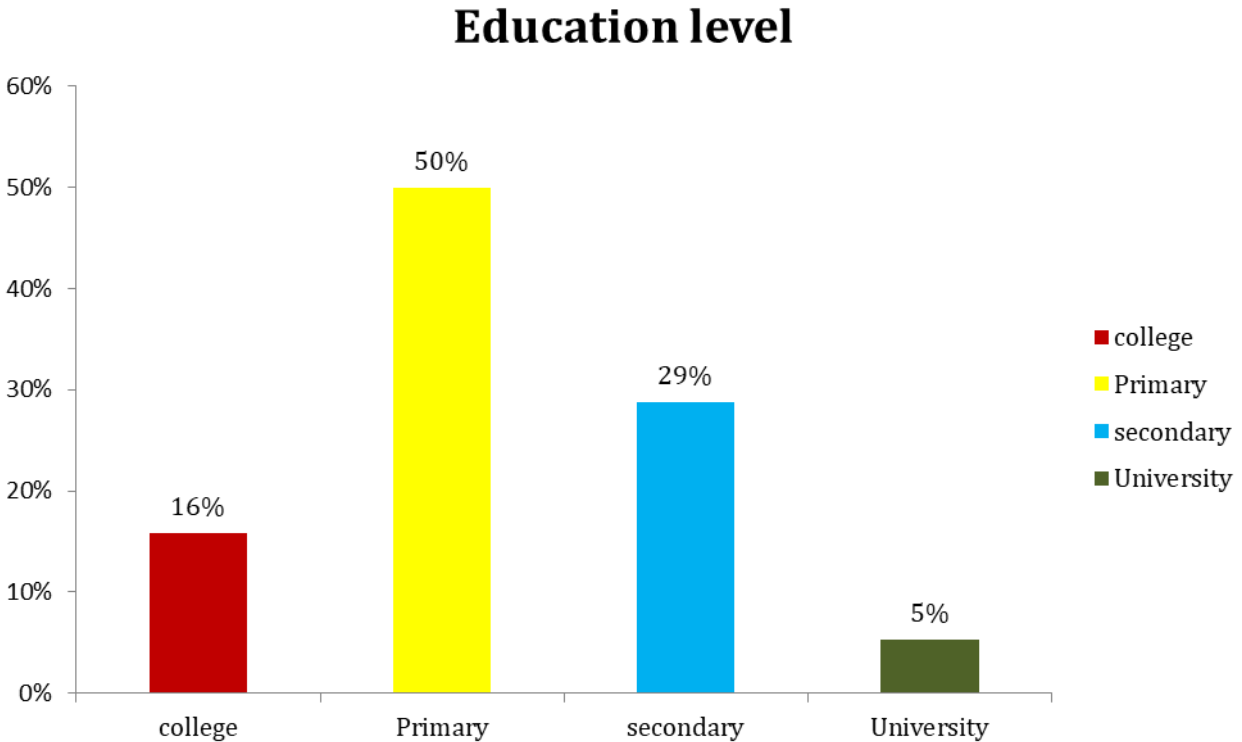


Source: Field Survey, 2021

The operational experience of the participants' firms as shown in the Figure 7.3 above clarifies that, most of the firms had more than 10 years of working experience. 35% of the firms studied 5 to 10 years of experience and the rest of the firms (16%) had 0 to 5 Years of operational experience in the agro-processing industry.

## 7.5 Educational Level of the Participants

**Figure 0-4: Presentation of Participants' Education Background**

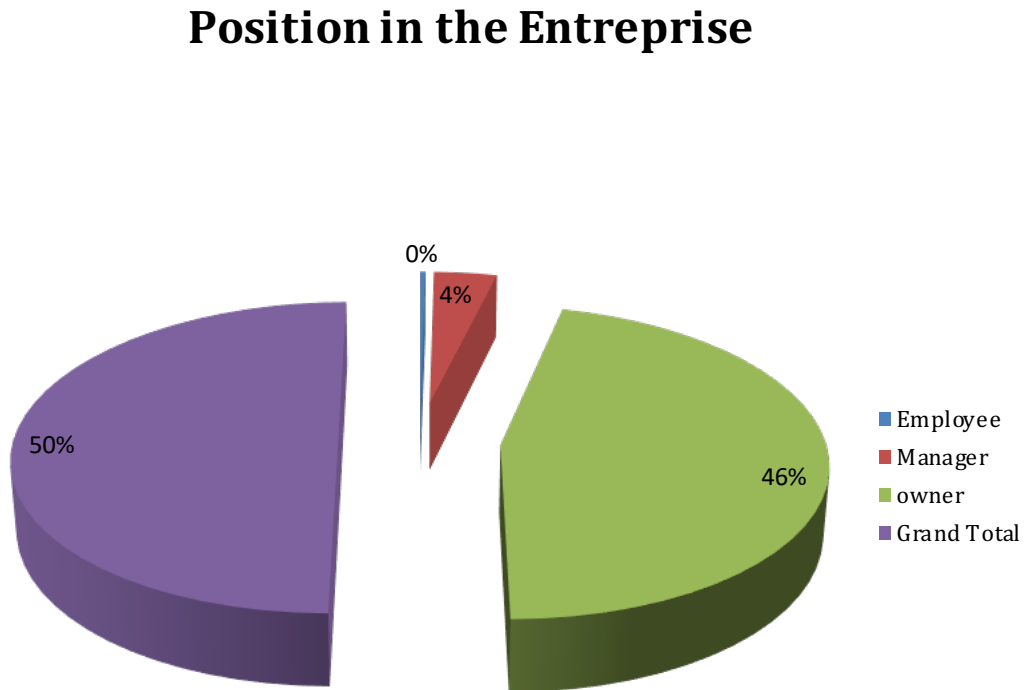


Source: Field Survey, 2021

From the figure 7.4 above it shows that, the educational level of the respondents may generally interpret to be moderate, in which it is revealed that majority of the participants fell in primary education bracket with 50% of the participants. Secondary education certificate holders made up 29% of the participants. Also, college education holders as well as tertiary education holders seem to be less in this study with 16% and 5% respectively. This implies that, majority of the respondents had primary and secondary education level which might be necessary for the growth of the firm.

## 7.6 Position of Participants in the Enterprise

Figure 0-5: Presentation of Participants' Positions in the Enterprise

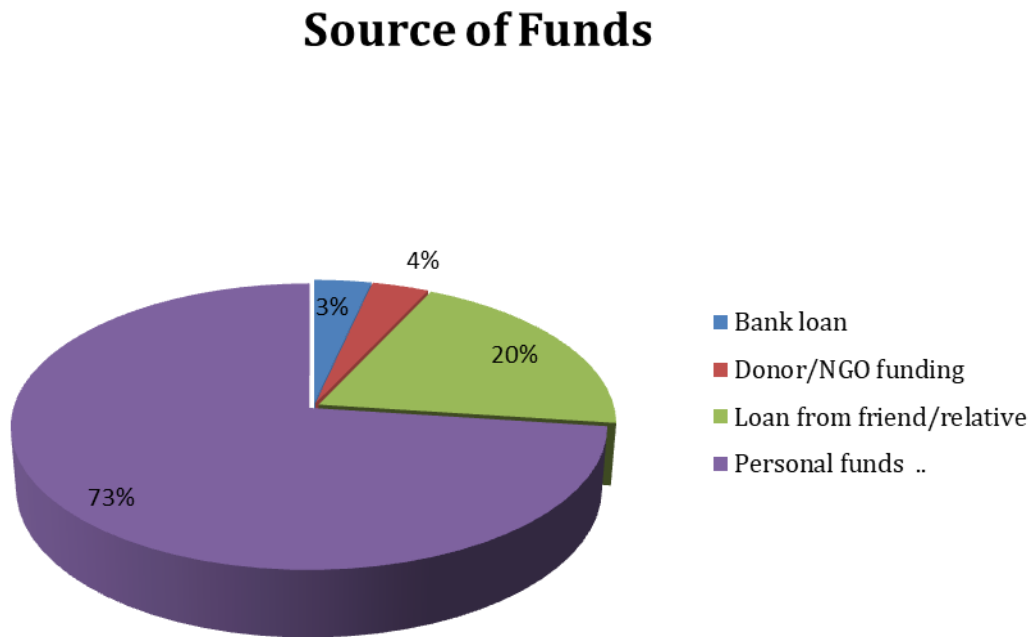


Source: Survey, 2021

The Figure 7.5 above shows that, 92% of the participants of the study were owners of the firm. The least representation of 7% of the participants was managers, and 1% of participants comprised employees respectively. This implies that, the study sourced information from valuable and direct participants in the agro processing sector

## 7.7 Source of Funding Among Enterprises

Figure 0-6: Presentation of Source of Funds by Enterprises



Source: Field data, 2021

Figure 7.6 above show that, most of the enterprises depend on personal funds to operate their business by 73% of the participant firms. Also, the findings show that 20% of the participated firms secured the funds from their relatives or friends to run their business. More so, the study's participants who depended on the Bank Loan or Donor Funding were less as 3% and 4% of participants respectively.

## 7.8 Main Products

**Table 7-1 Presentation of the Studied Firms' Product**

Products	(N)%
Beans	(43)25
Maize	(45)26
Groundnuts	(12)7
Fruits	(13)8
Wheat	(15)9
Sorghum	(5)3
Rice	(22)13
Millet	(6)4
Cassava	(2)1
Tomatoes	(1)1
Vegetables	(5)3
Green bananas	(1)1
Total	(170)100

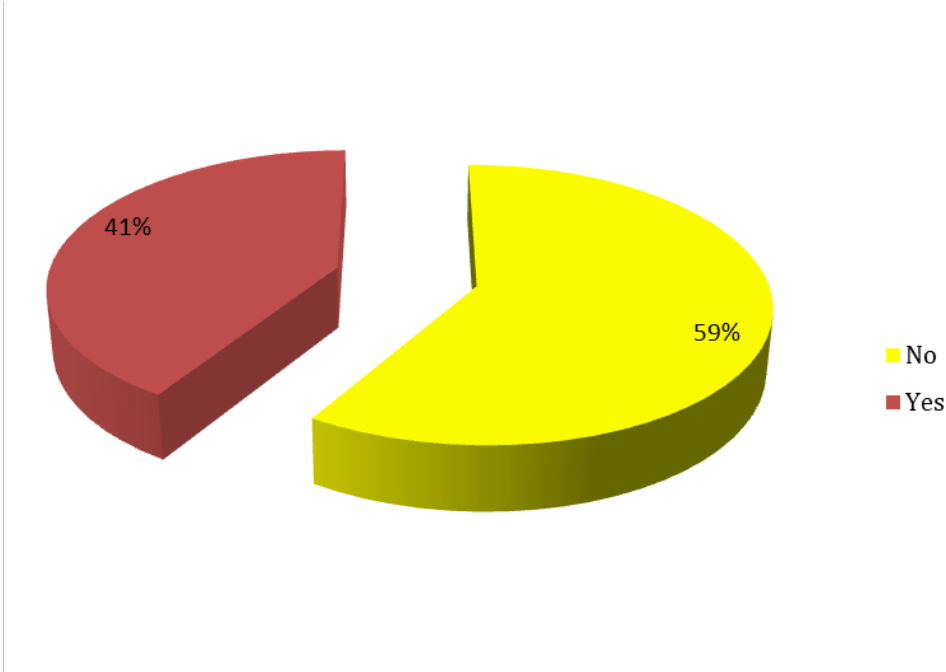
Source: Field survey, 2021

The Table 7.1 above shows that, Maize was the most sold product by most of participants which counts to (45)26% followed by Beans (43)25% and rice was not far by (22)13% of participants. Other products sold include groundnuts 7%, fruits 8%, wheat 9%, sorghum 3%, millet 4%, cassava 1%, tomatoes 1%, vegetables 3% and green bananas 1%. This may imply that, most of the

enterprises managed the business of staple foods in the country which traditionally are maize for Ugali and Beans.

### 7.9 Packaging

Figure 0-7: Packaging Status of the Products Sold



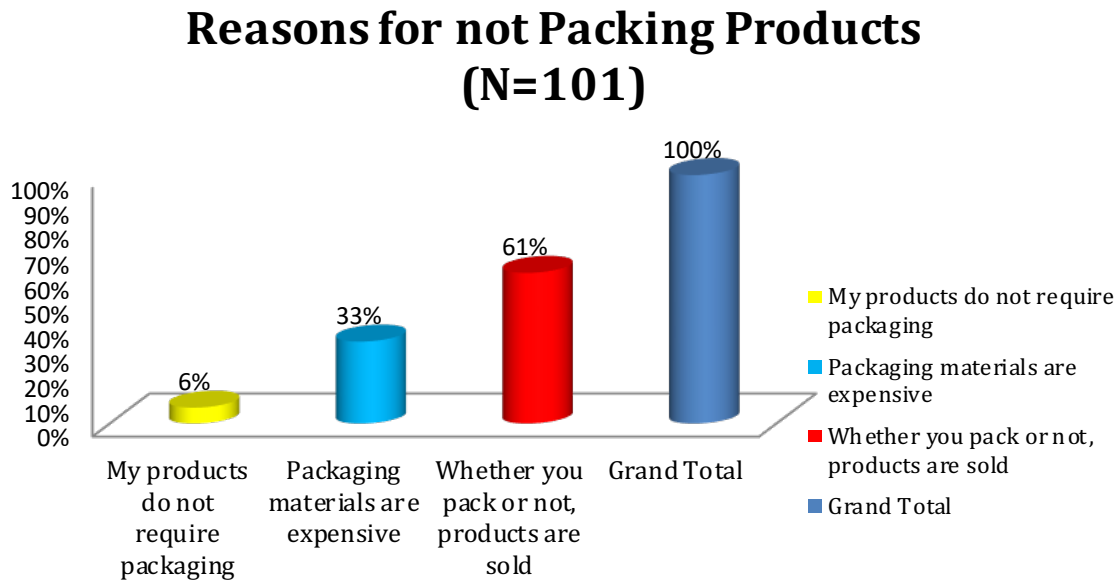
Source: Field Survey, 2021

Participants described the packaging status of their products as an additional value in figure 7.7 above whereby; majority indicated to not pack their product by 59% and the rest 49% of participants explained to pack their products. The reason for not packing their product is explained in the following figure.



## 7.10 Reason for not Packing Product

Figure 0-8: Presentation of the Reasons for not Packing Products



Source: Field Survey, 2021

The follow up response from participants who did not pack their product as shown in figure 7.8 express that, 61% of the participants who did not pack their product did not do that because of the market and buyer's ability of their product was neutral means that whether it is packed or not, can be sold. 33% said the packaging materials were expensive. This may imply that as much as they want to add value to their product and probably, they would sell more but they find out that they cannot afford the cost of packaging materials. Lastly, 6% of the participants show that by their products' nature packaging materials are not necessary.

## 7.11 End Users of the Product

**Table 7-2: Presentation of the End Users of the Products**

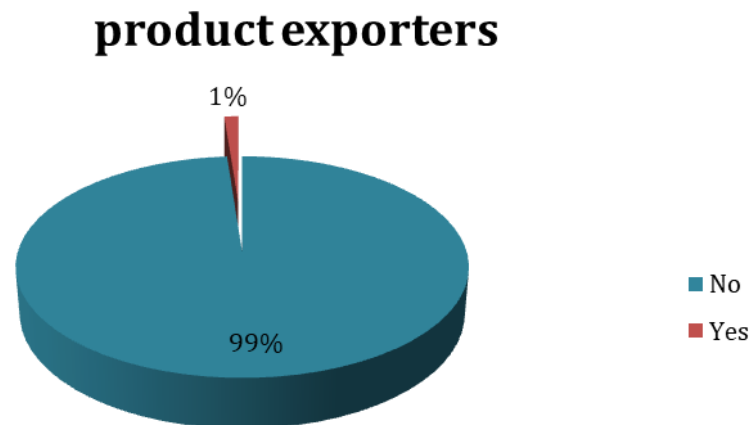
End users	Count (%) (N=170)
General public	56
Hospitals	12
Schools	23
Other	9
Grand Total	100

Source: Field survey, 2021

According to Table 7.2 participants, 56% of their consumers or end users were the general population. 23% of participants answered that their end consumers are schools, while 12% indicated that their products are sold to hospitals, and the 9% indicated that their end users are 'others.'

## 7.12 Firm's Product Exportation Status

Figure 7-9: Presentation of the Exportation Status of Firm's Products



Source: Field survey, 2021

Figure 7.9 above shows that, 99% of participants did not export their products. Only 2 participants indicated that they export their product which counts to 1%. However, producers may sell their products to exporting companies. Due to their lack of scale, smaller farmers cannot participate in international trade, but they can sell their produce to larger firms. The following section presents the country of export for those least that did.

## 7.13 Country of Export

Table 7-3 Presentation of the Firm's Place of Export

Country of export	Count (N=2)
Other African countries	50
Asia	50
Grand Total	100

Source: Field Survey, 2021

Table 7.1.3 shows that, the participants who exported their product, were only 2 in numbers which resulted to only 1% of participants (cf. figure 7.9). Their products' destination countries were other African countries 50% and Asia 50% which imply that 1 participant supplied to Other African country and another one supplied to Asia. This result can be interpreted that, the enterprises did not expand their market enough to exportation of their products which may have led to the count of only 1% of participants who supplied their products outside the country.

#### **7.14 General Discussion Based on The Status of Agro processing SMEs**

According to the data, most respondents were business owners, and their education levels ranged from elementary through secondary school. According to (GEM, 2014), there is a disparity between the educational levels of enterprise developers. In addition, this issue may be a result of bad market tactics that have led to a small number of exporters and the majority of agro processors focusing on the local market, as the findings indicate that only 1% of participants exported and the remaining 99% sold their products locally. However, this may be due to the fact that the country's economy depends on agricultural products and 75 percent of the population relies on agriculture for nourishment (Kipene, Lazaro and Isinika, 2014). Probably, the companies would have been satisfied with the local market rather than pursuing the international market.

#### **7.15 Issues That Affect Agro Processing SMEs in Tanzania**

The study second objective sought to find out the challenges for the growth of agro processing SMEs. Data on challenges were gathered by using a structured questionnaire where the respondents were required to show their level of agreement on a scale of 5 –1 (5=strongly Agree, 4=Agree, 3=Neutral, 2=Disagree 1= strongly disagree).

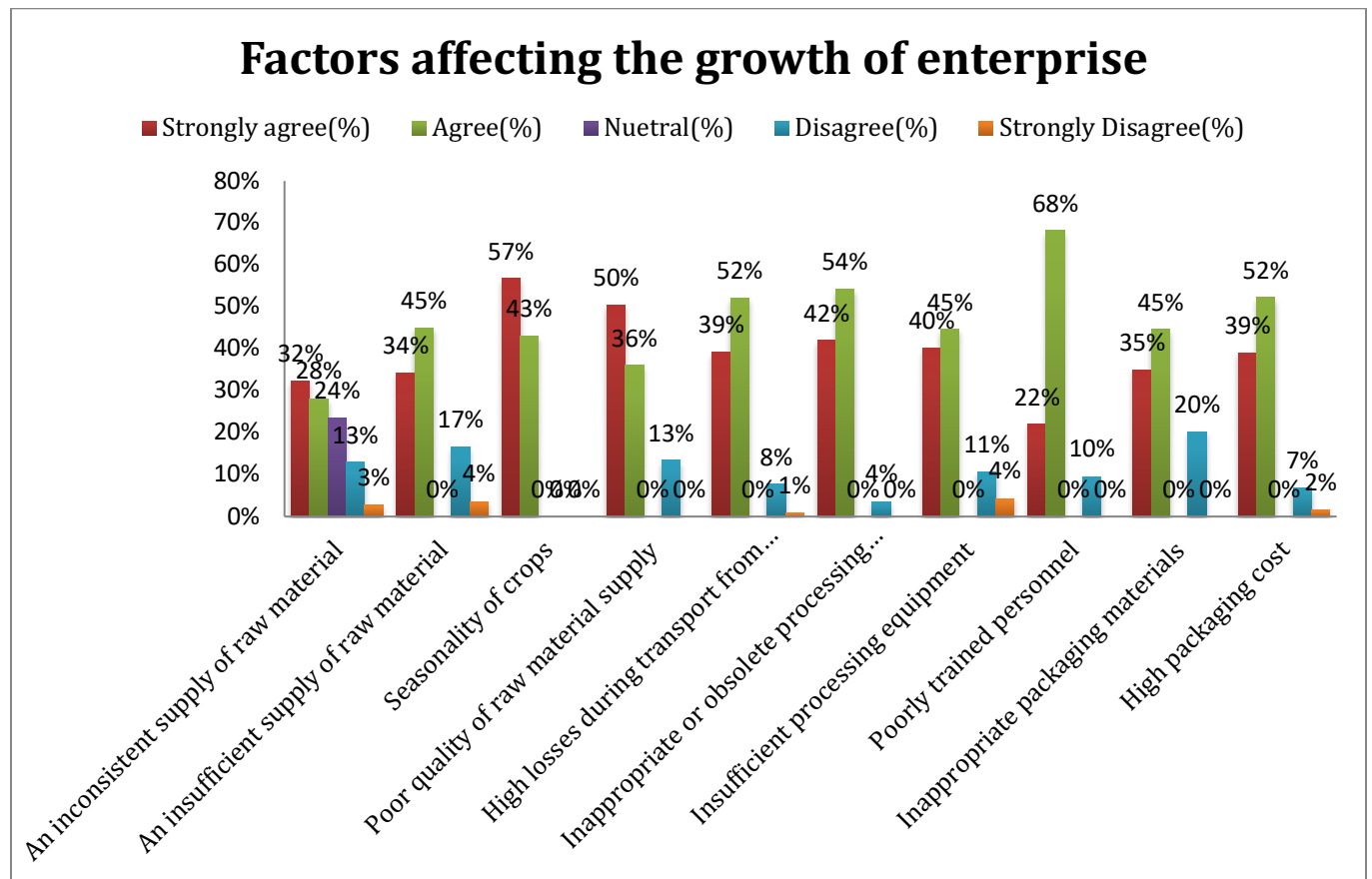
#### **7.16 Supply Factors Affecting the Growth of Agro Processing SMEs**

The findings that are displayed in figure 7.2.1 show that the majority of respondents agreed (strongly agree=32%; agree=28%) that insufficient raw materials hampered the growth. Other factors include seasonality of crops (strongly agree=57%; agree=43%); poor quality of raw material supply (strongly agree=50%; agree=36%); high losses during transport from farm to

factory (strongly agree=39%; agree=52%); inappropriate or obsolete technology; and insufficient supply of raw materials (strong

According to the findings, the listed variables have a negative impact on the expansion of agro processing SMEs, which was a consensus among the participants. Supply factors affecting the growth of SMEs

**Figure 7-10: Presentation of the Supply Factors Affecting SMEs Growth**



Source: Field survey, 2021

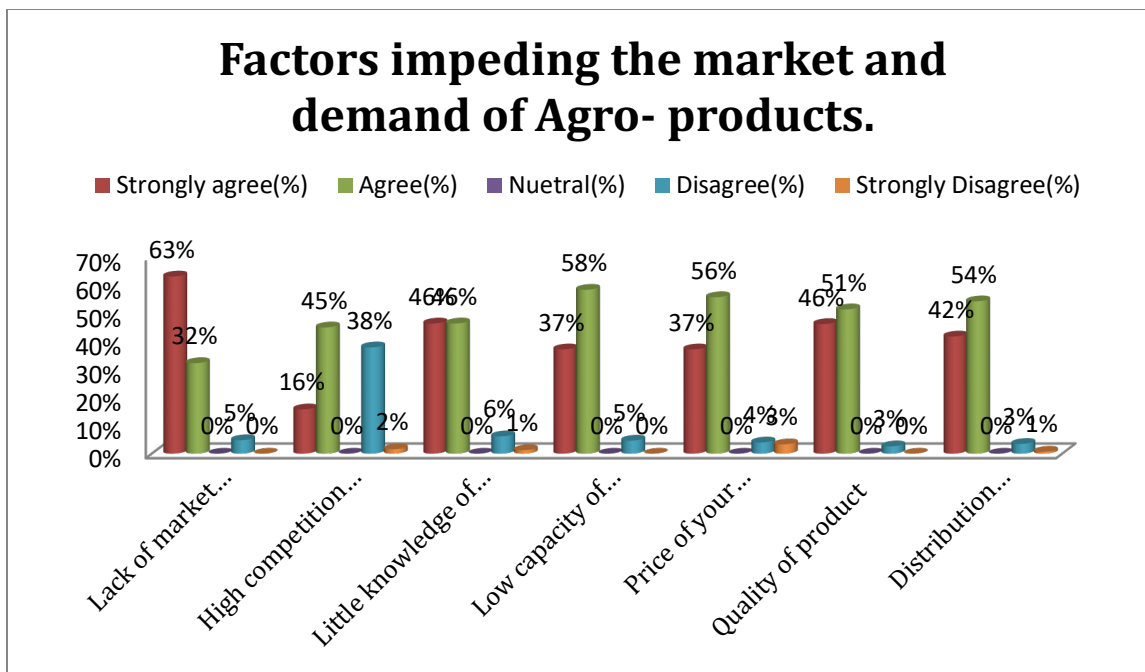
Figure 7-10 shows supply chain challenges affecting SMEs growth. These finding revealed that the supply factors affect the growth of the small and medium agro-processing firms in Tanzania. The overall findings mean that, the processors are mostly affected by seasonality of crops, inappropriate equipment, and packaging cost. Prior research has described seasonality as a challenge in the sense that it causes uncertainty and inconsistent quality (Tersoo, 2013; Ruteri and

Xu, 2009), but the issue of appropriate packaging materials has not discussed in detail. The findings are against those of (Mukantwali et al., 2012) who contended that, there is less problem relating to raw materials supply by SMEs simply because they need smaller amounts.

### 7.17 Factors Affecting Market and Demand of the Products

To find out the challenges that SMEs face concerning Market and demand another question that was asked to indicate their level of agreement with the listed factors from Strongly Agree through strongly Disagree. The Figure 7.11 shows the analysis and response of the participants.

**Figure 7-11 Presentation of factors affecting market and demand of products**



Source: Field survey, 2021

In the study, participants agreed that there are market and demand factors that hinder their enterprise growth such as; Lack of market information (Strongly agree=63%; Agree=32%); high competition with imported products (Strongly agree=16%; Agree=45 and Neutral=38%); little knowledge of consumer Education and market research (Strongly agree=46%; Agree=46%); low capacity of Production (Strongly agree=37%; Agree=58%); price of products compared to competitors (Strongly agree=37%; Agree=56%); quality of products (Strongly agree=46%; Agree=51%) and distribution network being narrow (Strongly agree=42%; Agree=54).

From interviews it was noted that, participants did not familiarize themselves with external market rather than local market as quoted, “. . . you have to prepare some little amount of cassava flour because, sometimes no customers even a week . . . we depend on people from around to come and buy. . .” (Respondent 15).

These findings imply that, the quality of products, followed by the narrow network were the most factors hindered the demand of the enterprises’ product. Also, the competition with competitors was expressed to be among the factors however some of participants nearly most were undecided regarding this constraint to their product demand. These findings concur with that of (Tiisekwa et al., 2005) who notes that, there is several constraints face agro processing SMEs in Tanzania including dynamic market. It is also noted that, SMEs are affected by transport problems, spoilage of products, and the reliance on roadside market which is due to the lack of market and information integrations (Mhazo et al., 2003). However, support needed from the community to support local products. This is because most of the biggest supermarkets are packed with most of imported products as quoted from the participant “. . . it is so hard for us to compare our product with those from outside the country. . . see like rice and beans in town are imported while we have a lot of them locally . . . people value more outside things than ours. . .” (Respondent 2). Probably this might have been due to the low rate of packaging local product as the firm’s profile stated in figure 7.1.7 previously.

### **7.18 Factors Impeding Expansion of the Enterprise**

Another research sub question asked participants to express their level of agreement with the factors that affect their expansion level of operation, and the Table 7.4 bellow illustrates.

**Table 7-4: Presentation of Factors Impeding the Expansion of Enterprise**

Expansion factors	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
1. Scarcity of financing	54	6	20	12	8	100
2. Inconsistence of Government projects and programs to support the development of the agro-processing enterprises	38	52	5	2	3	100
3. Low level of entrepreneurship and management training of many persons engaged in agro processing	24	56	10	8	2	100
4. Lack of technical guidance and counselling	44	56	0	0	0	100
5. Technological gap	50	40	10	0	0	100
6. Power supply inadequate, uncertain, and costly	36	64	0	1	0	100

Source: Field Survey, 2021

Most of participants agreed that Scarcity of financing hinder their expansion (Strongly Agree 56%; Agree=6%) which is more than a half of participants. This can be linked with the profile of the firms in 7.1 section where majority of participants depended on their own cash and friend support as source of funding. More so, most of participants expressed the inconsistence of Government projects and programs to support the development of the agro-processing enterprises (Strongly Agree 38%; Agree=52%) hindered their expansion. Also, other factors like; low level of entrepreneurship and management training of the large majority of persons engaged in agro-processing (Strongly Agree =24%; Agree=56%), lack of technical guidance and counselling (Strongly Agree= 44%; Agree=56%), Technological gap (Strongly Agree=



50%; Agree=40%), Power supply inadequate, and uncertain and costly (Strongly Agree= 36%; Agree=64%) hindered the enterprises expansion.

From interview participants explained as “most of the time we cannot take our product to the supermarket because we are using local and low-quality technology which cannot preserve our milk for long time. . .” (Respondent 3).

The study findings concur with the argument that, agriculture sector is affected by inadequate financing which could help in technology advancement and other development related to this sector (Tersoo, 2013; Mukantwali et al, 2012). This problem advances other issues like the use of low-quality machines. As per Tanzania budget, Agriculture has a little portion which is not proportional to the contribution of the sector to economy. Also, the power supply has been addresses as a challenge which hinders most of business. This is due to the low capacity of power supply as all business depends on TANESCO supply capacity. Probably, if there were enough capacity of power supply and other sources there could be a relief to enterprises in terms of cost and power reliability.

### 7.19 Opportunities for Agro Processing Improvement in Tanzania

The last question intended to gather data on participants’ opinion on the opportunities for agro processing growth as illustrated in Table 7.5

**Table 7-5: Presentation of Opportunities for Agro Processing SMEs Growth**

	Opportunity for Agro SMEs growth	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
1.	There is large, under-utilized arable land, suitable for a wide variety of crops	41	55	0	4	0	100
2.	Still very limited value addition to crops through grading, better	46	54	0	0	0	100

	packaging, labelling, processing, and marketing						
3.	There are massive untapped potentials for processing of agricultural crops	51	19	20	4	6	100
4.	There is a wide range of seasonal exotic fruits, spices, grains, and seeds which can produce very high-quality flours, oils, juices, and wines.	35	55	0	5	5	100
5.	Good local as well as international market, if the right qualities and quantities are produced of agricultural products (like vanilla, paprika, oil seeds, exotic fruits juices, wines, and spices)	16	54	5	10	5	100
6.	Presence of Government policies that support the development of the agro-processing industry	11	16	30	33	10	100
7.	We have easy access to finance from financial institutions	10	10	56	24	0	100

Source: Field survey, 2021

Participants opined that, there is large, under-utilized arable land, suitable for a wide variety of crops whereby most of participants seem to agree with that as (strongly agree=41%; Agree=55%). Also, it was found that there still very limited value addition to crops through grading, better packaging, labelling, processing, and marketing (strongly agree=46%; Agree=54%). In the other hand most of participants (strongly agree=51%; Agree=19%) agreed that there are massive untapped potentials for processing of agricultural crops.

Participants outline that, there is a wide range of seasonal exotic fruits, spices, grains and seeds which can produce very high quality (strongly agree=35%; Agree=55%). Also, the presence of good local as well as international market, if the right qualities and quantities are produced of

agricultural products (like vanilla, paprika, oil seeds, exotic fruits juices, wines, and spices) were expressed (strongly agree=16%; Agree=54%). However, participants did not agree with the presence of Government policies that support the development of the agro-processing industry (Neutral=30%; Agree=33%). Also, they expressed to be undecided regarding easy access to finance from financial institutions (Neutral=56%; strongly agree=10%; Agree=10%).

From the interview also participants narrated the presence of opportunities for growth. However, with little support from the community and government that could enhance the development of enterprises as quoted

“ . . . you see in this country we are rich of things like fruits and vegetable and at cheap price. . . but storing to not decay is a problem, even though you store them still people don't buy they want fresh from farm” (Respondent 10)

The findings are concurring with that of (Mukajungu, 2017) who found that most of the participants see few opportunities from the government policies that would push enterprises to take advantages of the other opportunities available for the development of Agro processing Industry. The findings are matching with those of (Mhazo et al., 2003 and Olomi, 2006) who found that, in Tanzania still have a lot of agro products which needs to be upgraded in term of value addition after harvest. Like packaging, labelling as well as grading. Although currently as per the study, the participants notice the importance of packaging even though are yet to implement it effectively as quoted from the participant

“Packing products like rice is good and the product looks good and people like it. The problem is the customers want us to sell the packed product at the same price as those not packed which is not fair in terms of value. . . so we decide to sell unpacked because even if not packed still people can buy” (Respondent 13).

## **7.20 Government Policy and Regulations Factors**

Another question sought to understand how the government policy and regulation can empower the agro processing enterprises. The Table 7.6 gives out what participants opined

**Table 7-6:Presenting Government Policy and Regulations Factors**

	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)	Total (100%)
1. TBS certification can help into the growth of the firm	5	68	10	17	0	100
2. There should be government initiative to support our activities	37	53	5	2	3	100
3. Enterprise can be supported to meet the various requirements of TBS	35	42	3	13	7	100
4. Create awareness on importance of company registration and licensing	9	51	20	6	4	100
5. Make accessibility of information on government regulation about the business	47	33	6	8	6	100
6. Financial support by financial service providers like Banks, SACCOS, should be made easy for SMEs	48	42	6	3	1	100
<b>Technological factors</b>						
7. Adapt the use appropriate machinery and equipment	36	54	3	2	5	100
8. Improve in skills to handle new technology	24	56	4	10	6	100

9. Improve the ability to select proper technology	47	33	20	0	0	100
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Source: Field Survey, 2021

From the table 7.6 above, most of the participants agree that TBS certification can help into the growth of the firm (Strongly Agree=5%; Agree=68%); there should be government initiative to support our activities (Strongly Agree=37%; Agree=53%). Likewise, participants viewed that, enterprise should be supported to meet the various requirements of TBS (Strongly Agree=35%; Agree=42%), and through creating awareness on importance of company registration and licensing (Strongly Agree=9%; Agree=51%), however, 20% were uncertain of this.

Making accessibility of information on government regulation about the business (Strongly Agree=47%; Agree=33%) seen by participants as among of the enablers too. Lastly, financial support by financial service providers like Banks, SACCOS, should be made easy for SMEs as participants suggest (Strongly Agree=48%; Agree=42%). In interview, it was viewed that, for government to encourage agro processing enterprise should start with easy way of fund security among enterprises as quoted.

” Sometimes government intervention can start in policies that would enable us to get credit from banks with considerable conditions . . . now you see one to get even loan can take a lot of time . . . sometimes you apply and end up with nothing because of small business or being individual and not group. . .” (Interview, Pt.1. Line 86-92, 16-06-2021)

Further the research sought to understand how technological factors could support enterprises growth. The participants agreed that they should adapt the use appropriate machinery and equipment to further their business (Strongly Agree=36%; Agree=54%). Moreover, they articulated that, there is a need to improve in skills to handle new technology (Strongly Agree=24%; Agree=56%). More importantly, they agreed that they need to improve their ability to select proper technology (Strongly Agree=47%; Agree=33%).

The findings imply that, proper government policies and regulations can play a great role in supporting the growth of SMEs in agro processing Industry. As argued by (Bigsten and Söderbom, 2006) that, there is a significant relationship between regulations and business growth. Similarly (Mukantwali et al., 2012) points out that in most developing countries there

have been poor regulations by government relating to agribusiness even though, most of these countries depend on this sector. So, this should be providing feedback to the Tanzania government to provide better regulatory environment and policies that supports agro processing industry for development.

Furthermore, from the finding as described previous that, most of the business among the participants are impeded by technology factor. There for a need to improve the speed of adaptability in this skill this is required for 21st century economy. As (Tersoo, 2013; Mukantwali et al, 2012) stress that, the technology challenge should be solved for the growth of agro business and the survival of SMEs

### 7.21 Support for Agro Processing SMEs Growth

The last question sought to find out the strategies that participants think could enhance the growth of agro processing SMEs as shown in table 7.7

**Table 7-7:Presenting important Conditions for Agro Processing SMEs Growth**

	Important conditions for agro processing SMEs growth	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
1.	Small corporate tax	6	63	20	1	9	100
2.	Import duty concessions and charges	10	59	10	1	20	100
3.	Favourable government policies	13	57	5	10	5	100
4.	The incentives for agro-processing firms provided by government	38	42	15	1	4	100
5.	Good infrastructure and support services (banking, legal, accountancy services)	19	51	10	15	5	100

6.	Presence of Government policies that support the development of the agro-processing industry	34	46	14	5	1	100
7.	Financial cost (e.g., bank interest rates)	14	66	14	4	2	100
8.	Utility services cost	36	4	50	3	7	100
9.	Telecommunication services	9	61	10	20	10	100
10	Utilities services supply	45	35	5	11	4	100

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Source: Field Survey, 2021

The findings show that there should be important conditions to support the growth of agro processing SME as agreed by participants that, there should be Small corporate tax (Strongly Agree=6%; Agree=63%) to reinforce the growth; there should be consideration of the import duty concessions and charges (Strongly Agree=10%; Agree=59%. Also, they suggested to be favourable government policies (Strongly Agree=13%; Agree=57%). On the other hand it was agreed that, there should be incentives for agro-processing firms provided by government (Strongly Agree=38%; Agree=42%); good infrastructure and support services (banking, legal, accountancy services) (Strongly Agree=19% ; Agree=51%); presence of Government policies that support the development of the agro-processing industry (Strongly Agree=34% ; Agree=46%; financial cost (e.g., bank interest rates) (Strongly Agree=14% ; Agree=66%). However, most of participants were certain to whether utility services cost could support their enterprise development because almost half of participant were neutral on this statement (Neutral=50; Strongly Agree=46%; Agree=4%). They considered telecommunication services (Strongly Agree=9%; Agree=61%) and good utilities services supply (Strongly Agree=45%; Agree=35%) respectively, important for their business development.

Also, the interviewee had their suggestions as quoted.

“Most of us lack business education hence the programs like this seems meaningless so I suggest education first” (Respondent 6).

“If government will set good policy and support us everything is possible” (Respondent 2).

“If everyone involved will be committed then it is possible” (Respondent 4).

“It is possible if funds are given to traders” (Respondent 9).

“Education is needed to empower . . . many traders do not know the business principles” (Respondent 13).

The findings imply that there should be favourable environment that will push the enterprises to move forward for the development of agro processing Industry in the country. The findings concur with what (Mwakajungu, 2017) theorize that, the government priority in policies setting and implementations concerning Agribusiness in Tanzania should be the most considered condition to boost SMEs and empower community in supporting small business.



## 7.22 Summary

The results of the questionnaires that were filled out by 170 different respondents are reported in this chapter. It was found that the overall state of agro processing SMEs, as well as their practises and the problems that they face, are at an average level. These factors include the overall status of agro processing SMEs. In addition to this, the problems that are associated with the obstacles that SMEs face in their attempts to expand were brought to light. being a big barrier, has this chapter's study been able to answer the questions listed in the first chapter? To conduct the analysis, both the descriptive and the inferential statistics were utilised. During the descriptive analysis, the following topics were covered: the respondents' demographic information; the type of company; the items that were manufactured; and the respondents' roles. Both the difficulties and the potential solutions have been pinpointed at this point. In addition to that, the validity and reliability tests that were utilised have been elaborated upon. In the following chapter, we will talk about the findings that came from both the qualitative design and the quantitative design sections, and we will report on the discrepancies as well as the parallels that were seen.

## **Chapter 8**

### **Discussion of Findings**

In this chapter, we will discuss the study questions and objectives that were presented in the previous chapter, and most significantly, we will describe the primary findings that were uncovered. Table 8-1 outlines the data that were gleaned from the interviews and questionnaires that were conducted. Following the previous section 8.1, section 8.2 will present a synopsis of the findings obtained from both the qualitative and quantitative aspects of the research. After this, there will be a conversation concerning the qualitative and quantitative analysis. During this discussion, the obstacles that are preventing the growth of agro-processing SMEs will be identified, and alternative solutions will be presented. A summary is provided as the final part of this chapter.

Before providing a summary of the findings and addressing them, the study aims and objectives that have been addressed throughout the nine sections of this chapter have been restated as follows:

#### **8 Research Objectives**

To explore the challenges hindering the growth of Agro-Processing SMEs in Tanzania

To examine the nature of government programmes supporting Agro-Processing SMEs in Tanzania.

To examine the external and internal factors affecting the Agro -Processing SMEs' effective use of government support programmes.

To provide recommendations on how agro-processing SMEs processing activities can be improved in Tanzania.

#### **Research Questions**

What are the challenges that affect the growth of agro processing SMEs in Tanzania?

What are government policies supporting agro-processing SMEs in Tanzania?

What factors affect SMEs effective use of government support programmes to facilitate growth in Tanzania?

How can the processing activities be improved in Tanzania?

### 8.1 Summary of the Findings from the Interviews and Surveys.

**Table 0-1: Findings from the Qualitative and Quantitative Research**

S/NO	Theme	Qualitative Findings	Quantitative Findings
	Challenges that affect the growth of agro processing	Education Technology Competitive market Bureaucracy Financial constraints	Operational challenges Technical and networking, Quality and competition, Management training and seasonality of crops Lack of financing, and government support
	Government implication	The government of Tanzania has over time formulated different policies and strategies so that small agro-processing firms may contribute more effectively to employment creation and income generation.	The government provide various incentives and schemes for encouraging agro processing in the country.
	Opportunities	Expand marketing opportunities Improve palatability of commodities	Variety of Agro products for international market Favourable Institutional support,

		Overcome seasonality and perishability constraints	TBS certification and requirements
	Strategies	Access to finance Market access Variety of natural raw agriproducts Technological support	Technology, utility, and support services Technical capabilities, and financial support TBS certification and requirements.

As demonstrated by the literature review (Chapter 3), Agro processing is essential for the creation of jobs, the promotion of broad-based development, and the distribution of revenue. Although Tanzania has arable land and generates a huge quantity of agricultural products, processing activities are limited, which hinders the expansion of agro-processing enterprises. This drop in processing operations can be attributed to many obstacles processors face. For identifying the challenges that effect the growth of processing enterprises in Tanzania, a mixed-methods approach including content analysis and descriptive statistics was utilised. Consequently, based on the outcomes of this study, proposed actions are provided. The following part will detail the qualitative study's findings.

## 8.2 Qualitative Findings Discussion

The qualitative data collection was undertaken through the interviews conducted with experts in the field of agro processing in Dar es Salaam. The interviews focused on the challenges, opportunities, and possible measures to be taken. The results from the interviews as outlined in Chapter 6 generated five themes as outlined below:

The profile and status of the Agro processing firms in Tanzania.

Factors that affect their growth

## Opportunities for improvement

To propose strategies that can be the catalyst for the growth of agribusiness, particularly agro processing SMEs and the whole sector in general.

The findings for each of these themes have been explained below.

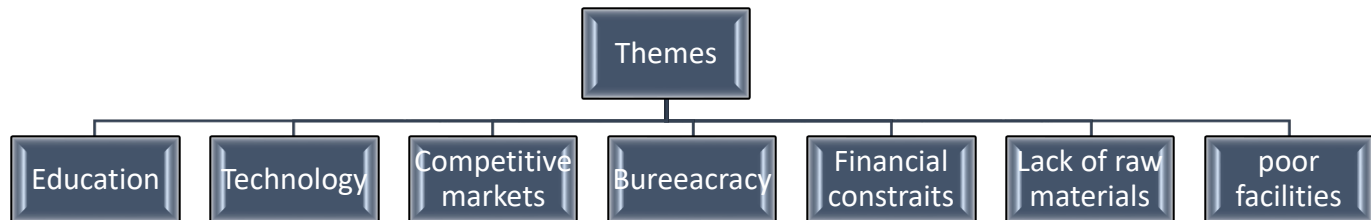
### **8.2.1 The Profile and Status of the Agro Processing Firms.**

According to the respondents, the state of Dar es Salaam's agro-processing SMEs is constantly evolving. The majority of respondents agreed that this issue still requires development. According to the interviewees, the lack of expansion in the agro-processing sector is due to a lack of sufficient education or necessary information regarding agro business practise, technological challenges, competitive marketplaces, bureaucratic restrictions, and financial restraints. A similar observation was made by (Chin et al., 2012), who claimed that SMBs do not grasp the effective applicability of new technology since they are more concerned with the expenses than the advantages. SMEs are also hindered by their lack of business knowledge and experience, particularly when it comes to exploring new markets and comprehending foreign markets. This lack of information hinders the SME's ability to function properly and hinders its growth and overall performance.

### **8.2.2 Issues Affecting the Growth of Agro-processing SMEs.**

The data analysis revealed several issues as presented in Chapter 6.8. The main issues affecting the growth of agro processing SMEs based on our data analysis are shown in Table 8.2 and discussed.

**Figure 8-1: Themes of Factors Affecting Agro-processing SME Growth**



Source: Authors' own work adapted from the study

**8.3 Education:** Lack of education was listed as one of the difficulties. Referring to section 6.9, the majority of participants had primary and secondary education, whereas few had college degrees. Regarding the growth of any organisation, education plays a crucial role. Education increases both economic and social consequences, such as minority empowerment and social mobility. In addition to providing professional advancements in terms of seniority, there has been an increase in business graduates' desire in launching their own companies (Chimucheka, 2013). According to the economic literature, human capital can also improve education. Human capital comprises of vocational and technical education, as well as apprenticeships and other forms of training. There is evidence that highly educated employees not only contribute more to the firm's output, but also improve the productivity of less educated employees. This is because a trained workforce may assist a company in anticipating and adapting to changes in the business environment. Human capital is a vital component of economic production and a significant contributor to rising incomes, independent of an economy's level of development. In fact, the private returns to an additional year of education are greater in emerging nations than in other nations. It is projected that every additional year of schooling in Tanzania increases private incomes by more than 12 percent, the biggest gain in the world. (Possi and Milinga, 2017) Because competent people are required for any firm to launch and flourish, strengthening human capital is crucial for the development of agro processing SMEs and

critical for investments. In dynamic economic situations where technological change is rapid and volatile, education can also be crucial. In this instance, education can promote technical dissemination inside the enterprise and the economy, hence fostering economic expansion. The respondents agreed that a lack of such information hinders agro-processing SMBs. Some scholars contend that this educational path may restrict the transferability of general abilities between industries, particularly on dynamic labour markets. My findings, however, indicate that vocational education and training in developing nations such as Tanzania provides large private and social gains. The majority of respondents agreed that the lack of well-trained and experienced staff, the absence of low-cost and easily available training facilities, and the absence of strategic business planning were issues inhibiting the expansion of agro-processing enterprises. It is obvious from the findings that a lack of education is a barrier to enterprise growth. According to Aikaeli (2010), education enables people to adjust more readily to both social and technical changes in the economy and to shifts in labour demand. Upgrading vocational and training skills would contribute to the continuation of the structural shift of the economy towards non-agricultural activities, promote job creation, and increase welfare. Therefore, a plan to expand education and skills would benefit businesses, entrepreneurs, workers, the economy, and attract international investors (World Bank, 2021).

**8.4 Technology:** The interviewees emphasised that agro-processing SMEs in Tanzania continue to confront technological challenges due to the prevalence of obsolete and labor-intensive equipment. The use of machinery is accompanied by inadequate technology, which has a negative effect on rising expenses, inventories, low production, and low-quality goods, all of which hinder the expansion of a business. IT is regarded as the most important driver of growth in businesses. As has been emphasised by earlier researchers (Zacaras et al., 2018; Nkwabi, 2019), IT is essential for the proper management of organisations, as evidenced by enhanced communication, shortened lead times, and decreased inventory levels. The failure of processors to adopt new, cost-effective technology may also be down to a lack of enough cash. Agro-processing SMEs in Tanzania must invest considerably in technology to gain competitive edge over rivals, produce quality commodities, reduce expenses, and boost output, among other benefits. The respondents also indicated that there were problems with the company's management.

**8.5 Competitive Markets:** The majority of respondents indicated that their businesses suffer with local market rivalry. According to a study (Coghlan et al., 2020), businesses cannot

compete on the local market. This could be due to a lack of talent or technology, as stated in earlier sections. According to Amegashie-Viglo and Bokor (2014), SMEs require entrepreneurial skills that allow them to navigate the local market and persuade consumers to purchase their products. However, it appears that certain businesses do not always produce products of sufficient quality to attract clients. Gadzikwa (2013) claims that the addition of branding to a product's packaging draws more buyers. If firms win the branding strategy and packaging with high-quality packs, they will be able to develop into worldwide markets (Ndyali, 2013). Therefore, agro-processing businesses must make every effort to improve their entrepreneurial skills in order to attract more clients (Iloga Balep et al., 2016). Small- and medium-sized agro-processing enterprises (SMEs) might invest in capital and business skills in order to overcome market commitment and branding challenges.

Moreover, respondents emphasised that foreign market products inhibit their expansion. A business that operates on an international market faces intense competition. According to Kamuzora (2013), local businesses must find a means to enhance their products so that they can compete on the international market. Kipene et al. (2015) also note that local products are of high quality, but when it comes to increasing value for export, businesses are hampered by inadequate technology. Small- and medium-sized enterprises must invest in technology to modernise their products to compete on the global market. However, marketing expertise and entrepreneurial skills influence the local product market in international market competitiveness (Herrendorf et al., 2015). To compete on the international market, small and medium-sized enterprises (SMEs) must make substantial investments and need financial assistance to improve their products.

**8.6 Bureaucracy:** In section 6.12, interviewees said that unfavourable government policies and restrictions impede the expansion of processing activities in Tanzania, resulting in a reliance on imports. Numerous studies (Lauwo, Otusanya, and Bakre, 2016) have determined that the lack of government support has a devastating effect on enterprises in Tanzania.

In the agro-processing industry, for example, there has been a considerable decline in processing enterprises due to unfavourable rules and regulations mandating heavy taxation, especially in the processing of cashews, cotton, and oil. In addition, foreign investors are cautious to invest in Tanzania's agro-processing industry due to the country's complex regulations. Charles et al. (2016) discovered that the environment in countries such as



Tanzania, Kenya, and Zambia are disorganised and less conducive to food processing firms. The findings are also consistent with those of (Swai, 2017), who asserted that tight rules and regulations, especially for small-scale processors, impede the growth of these businesses because they are unable to comply with the stringent national bureau of standards laws.

**8.7 Financial Constraints:** The majority of respondents to Chapter 6.13 said that financial limitations impeded the expansion and success of agro-processing SMEs because they get limited financial support due to the absence of collateral and unfavourable borrowing terms. In addition, financial institutions such as banks rarely issue loans to SMEs. The same was observed by (Nyamanza, 2021), who noted that multinational corporations and larger businesses receive more grants from banks than small and medium-sized firms (SMEs), mostly because their weak management abilities prevent them from being provided loans. This is reinforced by (Nkwabi, 2019), which identified financial limitations as a major barrier to SME development. To overcome financial difficulties, SME organisations can offer collateral for SMEs and grant loans to enable agro-processing SMEs increase their productivity and compete on global markets.

**8.8 Lack of Raw Materials:** Despite being endowed with an abundance of agricultural produces; Tanzania still imports raw materials as local raw materials are often of a lower standard and thus unfit for processing (Mgeni, Müller and Sieber, 2019). Also due to the poor relationships that exist between actors in the supply chain processors are unable to acquire raw materials on time. The result obtained from the interviews as seen in chapter 6.14 points out that, the respondents agreed that raw materials was the factor which influenced the growth agro-processing SMEs. The respondents agreed that there was high price of the raw materials and agreed that there was scarcity of the raw material in low season. The study also found that, there was shortage of working capital as well as the low supply of the raw materials which did not meet the demand of the processors. Lastly, the respondents agreed that the quality of the raw materials supplied was not satisfying for the production. These findings reveal that raw materials are the factors which affect the growth of the small and medium agro-processing firms in Tanzania.

## **8.9 Strategies that can be the Catalyst for the Growth**

To propose strategies that can be the catalyst for the growth of agribusiness agro-processing SMEs and the whole sector in general, the following strategies are developed with regard to individual semi-structured interviews used to generate the data with the participants.

### **8.10 Theme 1: Access to Finance**

Easy access to finance can be seen as the heart of a successful enterprise. During the interview with the participants, it was found that most of SMEs depended on personal or family finances which seems to be little and had difficulties in easy access to finance. Section 6.17 respondents suggested to be supported in easy access to financial support and this is evident from the explanations of the participants which are discussed in this theme under two categories namely, (i) loan (ii) micro capital and (iii) development finances and venture capital.

#### **8.10.1 Easy Access to Loan**

Loan can be referred to the credit extended to farmers and or business personnel to assist in agro products processing and upgrading as well as to care for and market livestock. An easy access to loan can help agro-processing SMEs meet the market demand and supply. As such, it involves easy and reachable terms and condition for SMEs to opt for it. The quotations in chapter 6.17.1 provide evidence of the need of easy access to loan. Easy access to credit among SMEs is crucial in supporting their efforts to grow their business (Christian, 2017). It provides an efficient working motive toward achieving the standard of market competition with upgraded products. According to (Magembe, 2019) loan providers should find a way to reach the less privileged enterprises and of course for agribusiness for liquidity circulation in the community. Persistent loan provision to local enterprises can expand the local business and environment or success in agro processing business market even internationally (Msindai, 2020). As such, agro-processing SMEs can afford different tools they need for upgrading their products, but as well can win the market locally and internationally as a result of quality products.

#### **8.10.2 Easy Access to Micro Capital**

Micro capital in the context of agro-processing small and medium-sized enterprises means quick access to assets such as machinery, building costs, and other equipment. In this situation, SMEs require the majority of these to expand their businesses. Section 6.17.2 proposes that open conditions in access to micro financing can enable small firms expand their agricultural

processing activities. BMGI (2015) concurs that open and easy access to micro financing might encourage SME expansion. The enterprise and capital providers can agree on payment channels and aid the expansion of the agro-processing sector, as the majority of SME's struggle to acquire adequate equipment. Such agreements and assistance would be crucial to the growth of this industry. The terms and conditions for borrowing and lending equipment must be simplified and made readily available.

## **8.11 Theme 2: Market Access**

Market access refers to a situation where agro processed products can reach the consumers. Under this theme, the participants expressed their views on market access support which are presented by the following categories: (i) industry competitiveness, and (ii) infrastructure.

### **8.11.1 Industry Competitiveness**

During the interview, the participants offered differing perspectives on how they could be supported to enhance the competitiveness of the agro-processing industry. They described a non-dominant industry competitiveness initiative. The business valued the fact that their items are in good shape, but they must outvote their competitors, whose products they admire for their superior quality.

The ideas expressed in section 6.18.1 are necessary for local SME success on the competitive market. Several scholars concur that a consideration of a competitor's market presence is necessary to improve one's product in order to manage competition (Amegashie-Viglo and Bokor, 2014), since SMEs items can be exported if the quality is improved, and the product is made distinctive. Intriguingly, Kerr (2010) contends that the same product can be marketed differently depending on the value contributed. When small and medium-sized enterprises (SMEs) comprehend the products of their competitors, it is crucial for them to consider how they may improve their own products and how they can offer value to satisfy market demand from consumers. However, the price should be taken into account.

## **8.12 Theme 3: Variety of Natural Agro Products**

The participants perceived the presence of several natural raw materials as an opportunity to enhance Tanzania's agro-processing industry. In this study, interviewees indicated how natural raw materials can be utilised. Section 6.19 provides evidence that the agricultural processing industry is still in its infancy. According to (Mukajungu, 2017), the majority of African agro

products have not been investigated for value addition. Simultaneously, SMEs confront obstacles in acquiring raw resources that are simple to process and market unique (Tersoo, 2013; Ruteri and Xu, 2009). Therefore, it is vital for SMEs to develop a technique to investigate the available products and easily upgrade them. The upgrading of these products should also fulfil the requirements of a competitive market and exporting, rather than limiting them to the local market (Machado,2016). In order for these items to be investigated, SMBs require government financing and infrastructure improvements.

### **8.13 Theme 4: Technological Support**

Technology has played a crucial role in the growth and improvement of the agro-processing sector. In agro-processing, technology plays a significant role in reducing post-harvest losses and enhancing the quality of the processed product. This should be done for product promotion. Technology is essential for developing viable items (Nkwabi and Mboya, 2019). Therefore, it is essential that the people of SMEs have the necessary expertise to operate the necessary equipment (Magombeyi and Odhiambo, 2019). Despite the fact that technology is not limited to the operation of machinery, but also in networking and marketing, it is essential for agro processors to have market abilities using technology such as social media, which is the current trend in product marketing. If considered, these skills and support can help improve the SME agro-processing sector.

### **8.14 Quantitative Findings Discussion**

The findings from the quantitative data analysis are as follows:

### **8.15 Challenges**

Using factor analysis, I evaluated the obstacles to the expansion of SMEs. Factor analysis is a statistical technique used to uncover a limited number of underlying dimensions, or factors, that can be used to express relationships between connected variables (Rahn, 2016). The information gathered from the completed surveys served as the analysis data. The data was utilised to research and establish cross-correlation impacts of the variables affecting the growth of small and medium-sized enterprises (SMEs) engaged in agro processing in Tanzania. Following the computation of the data, the initial factor solution was extracted using the Kaiser and Scree tests. After factor extraction, the analysis was conducted, and the factors were examined from various perspectives to determine whether the inference from all of them points to a single output. It was approximated what the actual values of observations were. The

extracted findings identified the number of associated variables. The stated issues are technical and networking difficulties, quality and competition, management training and seasonality of crops, lack of financing and government support, lack of information and food technologists, and intense rivalry from imported goods. These parameters demonstrate how effectively they load onto the whole dimension. These difficulties are described below considering this study's field findings.

### **8.16 Operational Challenges**

Operational problems are issues that affect the day-to-day operation of a firm and reduce its profitability (Chumbook, 2020). These obstacles can lead to waste and decrease profitability, which can impede expansion. The findings indicate that operational constraints such as inadequate raw material supply, inappropriate packaging materials, inappropriate or outmoded processing and ancillary equipment, and large transportation losses have a significant impact on the growth of capital-intensive SMEs. The impact of limited processing equipment, unreliable raw material supply, and poorly qualified people on the capital growth of SMEs was minimal. The findings are consistent with (Ali Qalati, Li, Ahmed, Ali Mirani, and Khan, 2020), who identified the challenges faced by small-scale and micro food processors as inadequate equipment quality, lack of quality raw materials, inadequate packaging materials, inadequate transport infrastructure, and absence of cold chains.

#### **8.16.1 Technical and Networking Challenges**

Tanzania falls behind in utilising contemporary technology to increase productivity and assist business expansion. Utilized production technique has a substantial impact on the quality of processed goods. In the case of grains, for instance, it is difficult for processors to obtain gear that can keep nutritional qualities. Tanzania has an extensive cotton seed, sunflower oil, and cashew processing industry (Lwesya, 2021). In the small-scale processing industry, technology and networking have remained relatively static and conventional. Consequently, other significant obstacles to the development of the agro-processing sector include a lack of technical assistance and counselling, poor product quality, narrow network distribution, and a technological gap. Neither the public nor the commercial agro-processing sector has invested in the development of the most effective research, nor have they readily embraced and adapted the most relevant and contemporary technology.

These issues are exacerbated in the case of small farmers, who typically lack the financial resources and credit facilities necessary to invest in new processes, human resources, management, or technology innovation. In addition, food science and technology serve as the basis for research and development in the food sector. Therefore, professional growth in this sector must be seen as the linchpin of any agro-industrial/food processing development programme. National agriculture and agro-industrial development policies must address this fact in a serious manner.

**Table 8-2 Factor Analysis of Challenges**

Construct code: factor	Ref	Measurement Variable	Factor Loadings						
			F1	F2	F3	F4	F5	F6	F7
Operational challenges (OPEC)  Cronbach's $\alpha=0.$	OPEC	Operational challenges							
	OPEC1	An insufficient supply of raw material	.774						
	OPEC2	Inappropriate packaging materials	.771						
	OPEC3	Inappropriate or obsolete processing and ancillary equipment	.721						
	OPEC4	High losses during transport from farm to factory	.699						
	OPEC5	Insufficient processing equipment	.671						
	OPEC6	An inconsistent supply of raw material	.587						
	OPEC7	Poorly trained personnel	.526						
Technical and networking challenges (TENC)  Cronbach's $\alpha=0.$	TENC	Technical and networking challenges							
	TENC1	I am involved in peer group relations		.797					
	TENC2	Lack of technical guidance and counselling		.796					
	TENC3	Quality of product		.734					
	TENC4	Distribution networks not wide		.734					
	TENC5	Technological gap		.616					
Quality and competition (QUAC)	QUAC	Quality and competition							
	QUAC 1	Price of your product compared to competitors			.807				

### **8.16.3 Quality and Competition**

Compliance with quality norms was discovered to be low among enterprises that process grains. Aware firms judged that compliance costs are too high. In Figure 1, 83% of respondents indicated that competition hinders the growth and development of small and medium-sized firms (SMEs) in emerging economies, specifically Tanzania. This may be due to the rapid volatility of product pricing in comparison to competitors, insufficient production capacity, and the consumer's preference for imported items. Consequently, Tanzanian food makers face stiff competition from imported items. Therefore, one of the methods to support the establishment of agro-processing SMEs should be related to access to a significant portion of the local market. Respondents emphasised that SMEs faced a forceful and challenging competitive environment, particularly from importers due to the quality, lower cost, and more innovation of imported foreign goods or services, and that they had to compete for resources and capital.

### **8.16.4 Management Training and Seasonality**

Another problem is inadequate training in entrepreneurship and management for those involved in agro processing. Lack of qualified personnel for operation, maintenance, and product processing. The findings in Table 8-2 indicate that the respondents did not receive agro processing-specific management training. These results are comparable to those of (Zali, 2016), which indicated that 80 percent of workers in small agro-processing enterprises in the study area were unskilled. Managers of the company complained about the workers' inability to operate and maintain agro-processing equipment and plants. These obstacles have also contributed to the sub-sluggish sector's expansion of enterprises, labour productivity, and job creation. Unless efforts are taken to remove these obstacles, the subsector will continue to have a limited impact on job creation and subsector expansion.

Different cultivars require varying growing seasons. If the temperature goes below 6 degrees Celsius or the soil remains frozen for five consecutive months, most plants cannot grow (S-cool,2021). Consequently, numerous regions are unsuited for crop cultivation. Seventy-six percent of respondents answered that the majority of their crops and companies are affected by climatic elements such as the growth season, temperature, rainfall, soil, altitude, etc. Because various crops require water at different times, seasonal fluctuation has a negative impact on crops. For instance, rice is the dominant crop in the tropics because it requires large quantities



of water, whereas coffee requires a time of drought before to harvest. As a result, there is an insufficient supply of raw materials, as crops are grown according to the seasons.

#### **8.16.5 Lack of Financing and Government Support**

The lack of capital is a significant barrier to the creation of a viable agro-processing industry. Financial obstacles reflect a deficiency in financial resources. Most agro processing enterprises in Tanzania are unable to expand due to their limited financial resources, which are the result of unfavourable financing conditions for agro processing firms, such as higher interest rates. ("Tanzania - Agriculture and Agricultural Processing", 2021) This study's findings reveal that a lack of financing has a significant impact on the decline of small and medium-sized enterprises (SMEs) and their capacity to successfully contribute to sustainable development. According to (Brown and Lee, 2014), credit limits, lack of external financing, and equity capital are the most significant hurdles to the expansion of SMEs. There is evidence that banks are more cautious when extending loans to small and medium-sized enterprises (SMEs). According to (Quain, 2019), small and medium-sized enterprises are more likely to be charged relatively high interest rates and asked to provide substantial collateral and loan guarantees. Government action in the form of the consideration of guarantees to encourage banks to offer lower borrowing rates to farmers and small and medium-sized enterprises engaged in agro-processing operations is one potential solution to this limitation. The second option for the government is to become an equity partner or direct stakeholder in financially viable agro-processing enterprises. The government's core interest is that of a facilitator, and it will sell off its shares over time. The significance and potential involvement of small farmers and agro-processors in the development of the agricultural and agro-processing industry is well acknowledged. However, the requirement to vertically integrate these sectors such that the primary producer has a direct financial interest in the sector's success has not been fully recognised. Credit unions, such as the Ministry of Agriculture, Food Security, and Cooperatives (MAFC), that offer better rates than banks, or the credit unions themselves becoming partners in such a venture, are an additional enticing option for agro processors.

Complex and frequently unfavourable rules and regulations impede the growth of processing operations in Tanzania, and as a result, the country suffers from its reliance on imports. Government rules affect the performance of small and medium-sized enterprises (SMEs) and

other businesses. Government restrictions can either support or inhibit economic growth. Some firms are compelled to sell their products in accordance with certain procedures, and its observance ensures their continued existence. High tax rates diminish enterprises' internal sources of finance and prevent them from extending their activities and becoming more visible to government officials, as doing so is likely to increase their operating expenses.

#### **8.16.6 Lack of Information and Food Technologist**

The majority of individuals engaged in agro-processing firms also face a significant obstacle in their lack of entrepreneurial and management training. In general, the majority of these operators have received minimal or no formal training in the technical facets of their operations, and even less in small business organisation, marketing, and management. On the contrary, in the most crucial aspect of domestic marketing, domestic products have had to compete with a vast array of imported products. Agro processors are conscious that their products must be competitive with imported goods in all respects. Insufficient customer education and market research have also contributed to the industry's sluggish growth. There has always been a propensity to view local people as captive customers, investing little or nothing in consumer education and market marketing of locally processed goods (Sara and Graham, 2014). Similarly, very few resources are allocated to research and promotion on regional and international export markets. As a result, the necessity of standards, quality control, packaging, and product presentation is given minimal consideration.

#### **8.16.7 High Competition with Imported Products.**

Lack of market accessibility arises when companies are unable to reach markets due to either intense competition or inadequate infrastructures (Mbuyisa and Leonard, 2016). According to the conclusions of the study, the expansion of agro-processing SMEs is hindered by factors such as a reliance on imported goods, financial restraints, inadequate technology, and bureaucracy. Failure to fulfil international standards is one of the obstacles preventing small and medium-sized enterprises from penetrating international markets and receiving certifications. Certification is evidence of a product's excellent quality and, thus, its competitiveness. Lack of market intelligence, inadequate quality of products manufactured by SMEs, lack of knowledge, insufficient marketing networking infrastructure, and intense competition impede the internationalisation of SMEs (Kazimoto, 2014). Table 8-2 indicates

that foreign marketing has the greatest impact on the internationalisation of small and medium-sized enterprises (SMEs) in Tanzania due to the country's large imports. High levels of competition will have a negative impact on product quality, causing businesses to lose clients over time.

**Table 8-3:Factor Analysis of Opportunities**

Construct code	Ref	Measurement Variable	Factor Loadings		
			F1	F2	F7
Untapped potential market (UPM)  Cronbach's $\alpha=0.$	UPM	Untapped potential market			
	UPM1	There are massive untapped potentials for processing of agricultural crops	.925		
	UPM2	Still very limited value addition to crops through grading, better packaging, labelling, processing and marketing	.906		
	UPM3	There is large, under-utilized arable land, suitable for a wide variety of crops	.784		
Variety of Agro products for international market (VAIM)  Cronbach's $\alpha=0.$	VAIM	Variety of Agro products for international market			
	VAIM1	There is a wide range of seasonal exotic fruits, spices, grains and seeds which can produce very high-quality flours, oils, juices and wines		.895	
	VAIM2	Good local as well as international market, if the right qualities and quantities are produced of agricultural products (like		.842	

		vanilla, paprika, oil seeds, exotic fruits juices, wines and spices).			
Favourable institutional support (FINS)	FINS	Favourable institutional support			
	FINS1	Presence of Government policies that support the development of the agro-processing industry			.923
Cronbach's $\alpha=0.$	FINS2	We have easy access to finance from financial institutions			.873

### 8.16.8 Untapped Potential Markets

With Tanzania being amongst the developing countries, the market is full of opportunities for investments ranging from agribusiness, tourism manufacturing to importation. When asked about the opportunities seen in the agro-processing industries, Table 8-3 indicated that many respondents responded that they see many opportunities of large, under-utilized arable land, suitable for a wide variety of crops; still very limited value addition to crops through grading, better packaging, labelling, processing, and marketing; massive untapped potentials for processing of agricultural crops. Tanzania is also rich in natural resources such as gas minerals and uranium that are yet to be fully exploited

### 8.16.11 Variety of Agro Products for International Market

Tanzania has plenty of uncultivated arable land for agricultural investment. There is a wide range of seasonal exotic fruits, spices, grains and seeds which can produce very high-quality flours, oils, juices and wines; good local as well as international market, if the right qualities and quantities are produced of agricultural products. However, SMEs see few opportunities of government policies and programmes that support the development of agro processing industry and easy access to finance from financial institutions.

### 8.16.12 Favourable Institutional Support

The aforementioned data indicate that the growth of many small and medium-sized agro-processing businesses has been hindered by severe government rules, which in turn might limit profits and available capital. Respondents said that the regulatory environment hinders the growth of small businesses in emerging nations, and a negative and statistically significant correlation was established between regulations and sales growth. Government policies that encourage the growth of the agro-processing sector should be formulated. Despite these obstacles, the Tanzanian government offers local and global companies a variety of investment incentives through the Tanzania Investment Centre.

### 8.17 Strategies for Agro processing Enterprises Growth

The respondents indicated some of the measures that can be taken to aid the growth of agro processing SMEs. The major recommendations included technology, utility and support services, technical capabilities and financial support, and TBS certification and requirements measures as seen in table 8.4.

**Table 8-4:Factor Analysis of Strategies for Agro-processing Enterprises Growth**

Construct code	Ref	Measurement Variable	Factor Loadings		
			F1	F2	F3
Technology, utility and support services (TUUS)  Cronbach's $\alpha=0.$	TUUS	Technology, utility and support services			
	TUUS1	Telecommunication services	.812		
	TUUS2	Utility services cost	.796		
	TUUS3	Good infrastructure and support services (banking, legal, accountancy services)	.791		
	TUUS4	The incentives for agro-processing firms provided by government	.775		

	TUUS5	Utilities services supply	.752		
	TUUS6	Favourable government policies	.727		
	TUUS7	Financial cost (e.g., bank interest rates)	.697		
	TUUS8	Presence of Government policies that support the development of the agro-processing industry	.682		
	TUUS9	There should be government initiative to support our activities	.517		
Technical capabilities and financial support (TCFS)	TCFS	Technical capabilities and financial support			
	TCFS1	Improve the ability to select proper technology		.878	
	TCFS2	Financial support by financial service providers like Banks, SACCOS, should be made easy for SMEs		.846	
	TCFS3	Adapt the use appropriate machinery and equipment		.819	
	TCFS4	Improve in skills to handle new technology		.808	
	TCFS5	Make accessibility of information on government regulation about the business		.679	

	TCFS6	Create awareness on importance company registration and licensing		.586	
TBS certification and requirements (TBSC)  Cronbach's $\alpha=0.$	TBSC	TBS certification and requirements			
	TBSC 1	TBS certification can help into the growth of the firm			.918
	TBSC 2	Enterprise can be supported to meet the various requirements of TBS			.827

### 8.17.1 Technology, Utility and Support Services

In the agro-processing industry, technology plays a crucial role. Every respondent believed that technology is a crucial enabler for improving business success. Small- and medium-sized enterprises engaged in agro-processing derive incalculable advantages from the utilisation of technology. Technology is required to improve a product's quality and durability. These findings align with those of (Song et al., 2021), who hypothesised that technology improves products via packing, labelling, storage, transportation, and certification. If a company creates unique items in a timely manner, current customers will have confidence in the company and new customers will be drawn to the company. Training in business and entrepreneurial abilities are crucial for the success of small and medium-sized businesses (Juma and Said, 2016). According to Kotorri and Krasniqi (2018), the more educated the managers are, the more likely they are to have superior knowledge and problem-solving skills, and thus be more likely to relate to organisational success.

### 8.17.2 Technical Capabilities and Financial Support

Recognizing the relevance of small and medium-sized agro-processing businesses to economic development, the Tanzanian government should initiate numerous initiatives and adopt numerous regulations that can boost the competitiveness of these businesses. The government should also adopt a master plan to integrate SME development with the larger national goal of

building a high-income economy through innovation-led and productivity-driven growth in the coming years. The master plan should aim to raise awareness of the significance of company registration and licencing, improve skills to handle new technology, adapt the use of appropriate machinery and equipment, and create globally competitive small and medium-sized enterprises (SMEs) across all sectors that contribute to the nation's economic and social well-being. In accordance with the National Five-Year Development Plan (NFYDP) 2016-2025, it seeks to unleash Tanzania's latent growth potential in order to achieve the Vision 2025 goal of becoming a middle-income country. (Lapygin and Kovalev, 2021) It aims for a real growth rate of 8% over the next five years, laying the groundwork for a growth rate of 10% from 2016 to 2025. The NFYDP has created technologies that can improve the effectiveness of corporate operations, labour productivity, and the quality of SME goods. NFYDP has also been tasked with fostering the growth of agro-based SMEs through government initiatives known as Agriculture venture. With economic initiatives in the fields of food crops, livestock, processing of agricultural goods, fisheries, agricultural products, agribusiness, and farm services, the aim of the agriculture venture programme is to raise the income of the poor and the most impoverished families. These technologies are marketed exclusively to small and medium-sized agribusinesses. Access to financial resources is one of the most important needs for the development of successful small and medium-sized agro-processing businesses in the country. Better access would aid in the improvement of products, the dissemination of new technical skills/knowledge, and management approaches. The provision of discounted financial resources would enable small business owners to invest in the development of their products. Respondents suggested that financial support from banks and financial institutions is crucial for SMBs, allowing them to invest in new gear and technology to give superior goods and services to clients. This is consistent with (Swai, 2017), who indicated that since food production requires a substantial investment to sustain production, banks can provide financial assistance.

### **8.17.3 TBS Certification and Requirements**

Tanzania Bureau of Standards is a government agency that is wholly funded by the government. The Tanzania Bureau of Standards (TBS) was formed in 1975 by the Standards Act 3 of the Tanzanian Parliament (Ngenya, 2021). This Act went into effect on April 6, 1976.



Six departments comprise the Bureau: The Process Technology Standards Department, the Engineering Standards Department, the Quality Management Department, the Testing and Calibration Department, the Documentation Department, and the Administration Department ("TBS", 2021). The TBS is the only agency tasked with developing national standards for products and services. It is also obligated to regulate food product safety and quality. Failure to meet multiple TBS firm registration and licencing requirements is a major obstacle to the expansion of agro processing SMEs. The respondents indicated that the absence of TBS certification hindered the expansion of their enterprises. According to previous research (Lwesya, 2021), only 40.1% of businesses operated with TFDA and TBS approval. This is because obtaining quality certification from the Tanzania Food and Drugs Authority (TFDA) and Tanzania Bureau of Standards involves complex procedures (TBS). The result is that government interventions such as SIDO development programmes should establish growth strategies for SME agro processors. TBS has made arrangements with Small Industries Development Organization (SIDO) to provide free certification services to SMEs registered with SIDO. This is a campaign to promote quality products in accordance with the TBS solicitation and pre-licensing inspection programme for SMEs, which began in January 2009. The purpose of this programme is to certify their products in order to strengthen the capacity of SMEs to create high-quality goods, hence facilitating their access to both domestic and international markets. TBS certification also enables businesses to work more efficiently, as all processes will be aligned and understood by every employee or member of the organisation, to expand into new markets, as some industries and clients require ISO 9001 certification before doing business, and to comply with all applicable laws and regulations. This enhances production and efficiency, hence decreasing internal expenses.

## **8.18 Conclusion**

In this chapter, a summary of the primary findings presented in section 8.2 has been provided. In addition, the chapter has presented the most important findings from both the qualitative study, which can be found in section 8.4, and the quantitative study, which can be found in section 8.5. Furthermore, the chapter has discussed how these findings relate to the literature or how they differ from it. The findings, recommendations, and consequences of the study, as well as some recommendations for future researchers, are presented in the next chapter.

## CHAPTER 9

### Summary, Conclusion and Recommendations

#### 9 Introduction

This chapter is comprised of an overview of the outcomes of the research in line with the research aims, objectives and questions. The chapter begins with a summary of the literature review and the associated findings. A recap of the research objectives and questions is then presented and an explanation of how the research objectives and questions have been achieved is provided. After these are discussed, the research recommendations are explained, and the theoretical and methodological contributions of the study are then elucidated. Later, the implications of the research for practitioners, policymakers and future researchers are elaborated on. Finally, the conclusion is provided.

#### 9.1 Study Findings

The study sought to find the profile and status of the Agro processing firms, issues that affect their growth opportunity for improvement to propose strategies that can be the catalyst for the growth of agro business agro-processing SMEs and the whole sector in general. It was found that, most of the business owners were sole proprietorship and employed 1 to 16 personnel. The operators of the business most were found to be the maturity age from 28 years old and above. Furthermore, it was found that the staple food was the most sold by enterprise i.e., maize, beans, and rice. Besides, it was found that most of the enterprises did not pack their product and did not export their product. Even those who exported took their product to other African Countries and Asia.

Most of the participants addressed to be constrained by financial resource as it can be noted that, in the profile, most of participants secured funds from friends of personal. More so, they pointed out uneasy access to those funds which may cause the financial resource scarcity. The cost of utility and unreliability of power supply was outlined too to hinder their progress. Additionally, the technological gap challenge was outlined as they addressed to have poor and little production which results from poor technology. Also, the study found that most of the entrepreneurs did not know the proper use of technology especially in value addition to their product. This could help them sell more. Besides that, education was the most mentioned

challenge, referring to section 6.1 most of participants had primary and secondary education and few had college education. Therefore, lack of the entrepreneurial education was among of the challenges mentioned.

The study found that, there are various opportunities for agro processing SMEs development which include the wide range of variety of grains that can be used to produce a large amount of flour, fresh and natural fruits that can be used to produce juice and wines and vegetable. Also, they outlined the presence of free large under-utilized arable land which can be used to grow a plenty of crops. Also, they outlined the presence of international and local market if the product can be upgraded to the quality standard that can compete with other countries. Also, there still a room for the government to implement policies that would support enterprises in their business.

## **9.2 Achievement of the Research Objectives and Questions**

This study aimed to assess the factors affecting the growth of agro processing SMEs and issues that the SMEs are facing. As presented in Chapter 1, the study had five objectives that have been addressed adequately through the interviews and questionnaires. Five research objectives and questions were posed at the beginning of the research which have been recapped below.

### **9.2.1 Research Objectives**

To examine the external and internal factors affecting the Agro -Processing SMEs' effective use of government support programmes.

To explore the challenges hindering the growth of Agro-Processing SMEs in Tanzania

To examine the nature of government programmes supporting Agro-Processing SMEs in Tanzania.

To provide recommendations on how agro-processing SMEs processing activities can be improved in Tanzania.

### **9.2.2 Research Questions**

What are the challenges that affect the growth of agro processing SMEs in Tanzania?

What are government policies supporting agro-processing SMEs in Tanzania?

What factors affect SMEs effective use of government support programmes to facilitate growth in Tanzania?

How can the processing activities be improved in Tanzania?

Each of these questions has been fully addressed by the findings from the literature review, interviews, and survey. A further explanation of how the research objectives and questions have been achieved is presented in the section below:

To examine the external and internal factors affecting the Agro -Processing SMEs' effective use of government support programmes.

In line with the findings agro processing in Tanzania is still at a slower pace even though it is considered to have immense contribution in economic growth. This is caused by both internal and external factors. Internal factors such as lack of capital, technology, operations etc., affect the agribusiness SME owner/ manger's ability to operate efficiently. Whereas competitive markets, and government policy are some of the external factors affecting agro processing SMEs.

Over the years Tanzania has made some efforts in promoting this sector through government policy and deliberate initiatives such as creating of the National Small-Scale Industries Corporation (NSCIC) which was then replaced by the Small-Scale Industries Development Organisation (SIDO) in 1973 due to problems of inefficiency in operation planning and lack of an extension network (Kipene et.al, 2015; Kumburu et.al, 2019). Given that there is so much potential in the Tanzanian agro-processing sector the government should work on levying rules taxes and formulating policies that will favour both local and international processors to promote more processing activities in Tanzania. More commitment by the government through formulation of relevant policies, managing good governance and the rule of law is key to transforming agriculture into market-oriented industry through agro processing. With good governance, the rule of law, commitment and strong leadership, investment in agro processing subsector can help in economic transformation by increasing the share of trade between Tanzania and its trade partners.

To explore the challenges hindering the growth of Agro-Processing SMEs in Tanzania

Responses from both the interviews and questionnaires revealed agro processing SMEs in Tanzania face challenges that inhibit them to grow. Numerous problems have been highlighted in the Chapter 8 section 8.3.2. The interview respondents stressed that education, technology, competitive market, bureaucracy, financial constraints, and inadequate of raw materials were the key challenges affecting the growth of agro processing SMEs in Tanzania. Similarly, in the questionnaires, the respondents highlighted the following challenges based on their businesses.

**Operational challenges:** As seen in section 8.5.1 chapter 8, the respondents mentioned an insufficient supply of raw materials, inappropriate packaging materials, inappropriate or obsolete processing and ancillary equipment, high losses during transport from farm to factory, insufficient processing equipment, an inconsistent supply of raw materials and poorly trained personnel are the critical operational challenges impacting the growth of agro processing SMEs

**Technical and Networking Challenges:** It has been shown in section 8.5.2 in Chapter 8 that lack of technical guidance and counselling, quality of product, distribution networks not wide, and technological gap are some of the challenges affecting the growth of agro processing SMEs in Tanzania.

**Quality and competition:** The respondents were asked to indicate the issues affecting the standard and demand of their products, which included Price of your product compared to competitors, Low capacity of production, little knowledge of consumer education and market research, and poor quality of raw material supply

**Management training and seasonality of crops:** The respondents concurred that Seasonality of crops and Poor entrepreneurship and management training of persons engaged in agro processing were preeminent issues preventing the growth of firms

**Lack of financing and government support:** The informants emphasised that scarcity of financing and inconsistent government support and development of agro-processing enterprises are significant challenges related to expansion of SMEs

**Lack of information and food technologists:** Most of the respondents selected Lack of market information and a lack of qualified food technologists' factors affecting integration of agro processing SMEs

High competition with imported products: The respondents were asked to indicate the issues affecting market accessibility high Competition with imported products and poor infrastructures to be significant factors impacting the availability of agro produces.

Based on the issues that have been mentioned above, it is evident that agro processing sector needs to be improved in SMEs. SMEs can eliminate most of these challenges through the presence of government support, financial support and high-level technology within the country. Also, Previous researchers in SMEs have confirmed that technology is essential in as it allows a firm to reduce costs by eliminating manpower, decreasing lead times, managing inventory, and increasing productivity and profitability (Tripathy et al., 2016; Nguagen and Mafini, 2017; Nkwabi 2019).

To examine the nature of government programmes supporting Agro-Processing SMEs in Tanzania.

The implication is that Government interventions like SIDO and development programmes should devise strategies for enabling the agro processing SMEs to grow. Based on the findings from the factor analysis presented in table 8.2, The complicated procedures of getting the quality certification by Tanzania Food and Drugs Authority (TFDA) and Tanzania Bureau of Standards (TBS) hinders the growth of agro processing SMES. Numerous researchers (Lauwo, Otusanya and Bakre, 2016; Nkwabi and Mboya, 2019) have revealed that businesspeople in Tanzania immensely suffer due to little or no support from the government. For instance, in the agro-processing sector, there has been a huge decline in processing firms due to unfavourable rules and regulations involving high taxation especially in cashew processing, cotton processing and oil processing. Furthermore, foreign investors are reluctant to invest in the Tanzanian agro-processing sector due to complex regulations that exist.

To provide recommendations on how agro-processing SMEs processing activities can be improved in Tanzania.

From the issues that were raised, the respondents were asked to comment on the measures that can be taken to aid the growth of agro processing SMEs. According to the responses outlined in table 8.4 and section in chapter 7.3.3 measures such government support, market access, technology, utility and support services, technical capabilities and financial support, TBS

certification and requirements were recommended by respondents themselves. These are further discussed below

**Government support:** The respondents highlighted that government support should be given to agro processing SMEs to enable them to grow and expand their firms effectively. Such support can be given in the form of financial aid, framing policies to protect both suppliers and SMEs and providing agro processing training through SME supporting organisations such as SIDO.

**Market access:** The interviewees highlighted that the access to markets can help SMEs scale production and increase product quality. Government organisations should evaluate and assess programs and policies designed to expand market access to SMEs. As it is mentioned by (Swai, 2017) an easy access market has the great impact to the growth of the small and medium agro processing firm in Tanzania

**Technological support:** Most of the respondents agreed that technology was imminently necessary in growth of any firm. Without technology, it becomes hard to achieve integration. Furthermore, the use of outdated technologies results in firms acquiring losses due to producing inferior products, using excessive manpower and increased lead times. SMEs that have invested in technology have seen numerous benefits such as increased productivity, producing goods of a high quality, being agile and meeting customer demands.

**Access to finance:** The interviewees highlighted that Lending institutions should lower interest rates for processors to make funds available to them which will help various processors to acquire up to date technologies which will speed production, reduce costs, and increase profitability. Government should intervene by considering guarantees to encourage banks to offer lower interest rates to farmers and SMEs involved in such agro processing ventures. The finding is in line with those of (Njiku, 2019) who implied that government should be equity partner or direct shareholder in financially viable agro processing ventures. The fundamental interest here is that of a facilitator with government divesting its shares over time.



**Table 9-1: Achievement of the Research Objectives and Questions in the Qualitative and Quantitative Analysis.**

Research Objectives	Research Question	Achieved	Qualitative Analysis	Quantitative Analysis
To examine the external and internal factors affecting the Agro -Processing SMEs' effective use of government support programmes.	What are government policies supporting agro-processing SMEs in Tanzania?	✓	From the literature review, it was highlighted by the researchers that the Tanzania is still lagging in its economic growth. Due to both internal and external factors	The SMEs showed in the questionnaire responded that the growth of agro processing SMEs is still average. As seen in chapter 7.3.1section
To explore the challenges hindering the growth of Agro-Processing SMEs in Tanzania	What are the challenges that affect the growth of agro processing SMEs in Tanzania?	✓	The issues that were emphasised by the SMEs are shown in section 8 and Figure 8-1, some of which include: education, competitive markets, bureaucracy, lack of raw materials, poor facilities.	Numerous issues were highlighted in section 8.5 but the main factors affecting the growth of agro processing SMEs include operational, technical, and networking challenges, quality and competition, lack of government support, lack of information and food

				technologist, high competition with imported products.
To examine the nature of government programmes supporting Agro-Processing SMEs in Tanzania.	What factors affect SMEs effective use of government support programmes to facilitate growth in Tanzania?	✓	The respondent also highlighted that Government interventions like SIDO and development programmes should devise strategies for enabling the agro processing SMEs to grow.	This was a cause-and-effect relationship which required statistical proof and was therefore confirmed in the quantitative data analysis that government support should be given to agro processing SMEs to enable them to grow and expand their firms effectively.
To provide recommendations on how agro-processing SMEs processing activities can be improved in Tanzania.	How can the processing activities be improved in Tanzania?	✓	The informants suggested various measures in figure 6-2 such as, technological support, access to finance, variety of	SMEs stressed that improved variety of agro products for international markets, untapped potential market and favourable

			natural agro products, market access	institutional support can aid the growth of agro processing SMEs in Tanzania.
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Having discussed how the research objectives and questions were addressed, the next sections will discuss the research recommendations.

### **9.3 Recommendations of the Study**

Based on the study findings and considering the growth of the agro processing enterprises it can be recommended as follows.

#### **9.3.1 Recommendations for Agro - Processing SME**

There should be emphasis to entrepreneurs especially in agro processing SMEs on the importance of upgrading themselves in the use of technology for their business prosperity. This can be initiated through the Ministry of Industry and Trade.

Enterprises should be given entrepreneurial innovation and market education. This will enable them to start expanding themselves outside the local market. Hence, they will be learning from competitors.

If available natural crops, such as grains, can be packaged to a quality standard, the researcher is confident that there is still room for the growth of agro-processing SME's. Natural fruits can be processed into a great juice or wine that can penetrate other markets. This can be accomplished if adequate education and responsible entities promote the Agro product manufactured by local businesses. Additionally, the combination of success stories from other nations that can be carefully tailored to national plans will aid in the development of the agro processing industry.

agricultural processing SME development is not a panacea for all problems, and it is a long-term and costly investment due to the considerable quantities of institution/capacity building required. Expected results will not be attained unless adequate resources are allocated.

Furthermore, capacity development on the supply side should go hand in hand with market access. Members of SIDO should fully incorporate SME elements into the work of its Poverty Reduction Network (POVNET) on how to promote the contribution of private sector development to pro-poor growth.

### **9.3.2 Recommendation for the Government**

Government should regulate an easy access to financial services especially to financial institutions. Also, the government should set clear and supportive policies that can be implemented to support local agro processing enterprises. Also, the community should be emphasized to support small business.

To improve the quality of products, TFDA and TBS should provide proper and easy approval of agriproducts. These bodies should provide guidance to the SMEs for improvement and keeping high value of the product. This will enable the enterprises to face the external market confidently in the competition.

Effective aid administration requires policy clarity and a unified government in both transition and developing countries like Tanzania. In reality, one of the goals of executing a strategy for agro- processing SME growth and integrating it into national frameworks is to promote policy consistency and integrated government. Therefore, transition and developing countries require assistance with capacity building at an early stage of SME growth strategy formulation.

Facilitation of business noteworthy is, as part of the altered standard, the return under eight labour laws and ten Union regulations should only be filed only annually.

Having elaborated on the research recommendations, the next sections will discuss the study contributions and implications.

### **9.4 Contribution to the Theoretical Knowledge**

The literature review demonstrated that there is a dearth of literature on agro processing SMEs in the Tanzanian context. This research has contributed in various ways to examine the challenges and give recommendations in issues impeding the growth of agro processing SMEs in Tanzania. The main contribution is analysing impediments in the context agro manufacturing

SMEs in Tanzania. Such a study has briefly been conducted in Tanzania. This research addressed issues, opportunities, and measures to be taken. The theoretical implications presented in the thesis have been further recapped below:

Agro processing is still fragmented in Tanzania. This means that the agro processing SMEs encounter problems such as technical issues, financial constraints, bureaucracy and inadequate of raw materials. The findings from the qualitative analysis demonstrate that functions of agro processing SMEs is not consistent. SME owners should get advanced training to improve management skills and processing techniques, SMEs should increase consistency in production and marketing of their products to tackle with competition. Findings from this study also show that, firms whose workers had a higher level of education were able to attain higher levels of labour productivity, which has contributed to higher firm growth in terms of value of products and investment. It is therefore recommended that, employers should aim at raising labour productivity within their firms by either hiring trained and skilled workers for agro processing activities from the labour market or by providing on the job training to their employees to improve their knowledge and agro processing skills for activities they are responsible, thereby ensuring good quality products. The research that was undertaken in this thesis statistically proves growing trend of investigating the role of agro processing industries in economic transformation and the opportunities available in investing in the growth of agro processing sector in Tanzania. A review of studies from previous research was done whereby scholarly studies from different sources as well as research findings identify the potential impact of agro processing by drawing lessons from successful agro processing subsector.

### **9.5 Methodological Contribution**

The research method adopted in this study is new in the context of factors affecting the growth of SMEs in Tanzania. Most agro business studies by (Mukajungu Kamuzora,2013), (Visent Kipene Tisimia, (2014), (Swai ,2017), (Njiku 2019) have focused on quantitative methods and completely ignored mixed methods due to a lack of understanding and the complexity of agro processing SMEs issues. Through adopting a mixed methodology, the researcher has been able to adequately meet the objectives of the study. Furthermore, this study confirms that a mixed-methods approach in exhibiting challenges faced by SMEs allows for a better understanding of the agro processing phenomena.

## **9.6 Implications of the Study for Practitioners**

The study reveals that agro processing sector in Tanzania is a driver to industrialization and economic transformation. The results of this study prove that Tanzania has a profitable and durable environment to invest in agriculture and agro processing. However, agro processing in Tanzania is still at a slower pace even though it is considered to have immense contribution in economic growth. This research study has looked at the situation of the agro-processing SMEs to establish their profile. The study has identified the challenges facing these SMEs and the opportunities available to them to propose strategies that can enhance the growth of the agro-processing SMEs. Identifying the status alone is not sufficient for the growth of agro processing SMEs. Through understanding the problems therein, practitioners can effectively spot the root causes of stumbling blocks that inhibit the growth of agro processing SMEs and find solutions on time. In this research, the findings highlighted the issues mainly relating to bureaucracy, financial constraints, inadequate of raw materials, poor technology, and the use of outdated technologies. These are the main root causes of other issues such as insufficient supply of raw material, lack of technical guidance and counselling, competitors, Seasonality of crops and lack of market information. By being able to analyse issues and using the latest technology, improvements in the entire agro processing sector can be witnessed through improved communication, producing quality goods, reducing costs and an increase in profits.

Tanzania has socio-economic structures that are favourable for establishment of small-scale agro processing industries to help the country attain transformation in rural development. For example, the country has less capital investment and shorter gestation period required to establish SMEs. The rural sector has many people who can be employed in agro processing subsector. The rural areas also have resources and raw materials to feed the agro processing industries. Thus, establishing small agro processing industries in rural areas will favour balanced development of the region by reducing income and other economic disparities. Opportunities available for the agro processing SMEs are large, under-utilized arable land, suitable for a wide variety of crops; still very limited value addition to crops through grading, better packaging, labelling, processing and marketing; massive untapped potentials for processing of agricultural crops; and wide range of seasonal exotic fruits, spices, grains and

seeds which can produce very high quality flours, oils, juices and wines; good local as well as international market, if the right qualities and quantities are produced of agricultural products.

### **9.7 Implications for Policymakers**

The results of this study highlights that most agro processing SMEs in Tanzania are focused on processing confectionery, tea, coffee, items while other products such as cotton, oil, cashew nuts, meat, gas minerals and uranium etc are manufactured in low quantities. With the attention being on eatables the processing of other products is limited. This forces the country to depend highly on imports despite having the raw materials to manufacture various products to meet the customer demands. SIDO, as well as other government agencies, must put policies in place to encourage SMEs to diversify the products manufactured to help control the high cost of imports. This will result in consumers buying products at a higher price. Many firms in the study area collapsed due to insufficient capital, low level of technology and poor infrastructure such as electricity and water. To improve the availability of capital and technology to agro processing firms, it is recommended that the government should work with other stakeholders to improve provision of adequate and affordable financing for the sub-sector.

SMEs will benefit from financial aid to help them to avail loans from banks so then they can invest in better technologies which will not only serve as means of speeding up processing, but it will also reduce costs and improve the quality of goods, hence adding value for the customers. Efforts should be made by the government to simplify the registration of SMEs to increase their chances of accessing financial aid, availing tenders, and competing in international markets. Currently most of the agro processing SMEs in the country are not registered and as a result, they are unable to compete with multinational companies in Tanzania whose goods are more preferred compared to those produced by SMEs on the grounds of quality. The study also established that compliance to quality standards was low among agro processing SMEs. SMEs that were aware found the cost of compliance is too high. In some cases, they did not know how to comply or where to get information regarding in compliance procedures. Government through relevant organization, including, SIDO, TFDA, TBS, MITM and others should make it a priority to educate SMEs and develop innovative ways to raise awareness among processors as well as consumers. Given that SIDO has offices in most regions in

Tanzania, it should be able to offer more knowledge on agribusiness and how it can speed up growth in SMEs.

### **9.8 Research Limitations and Problems Encountered.**

The researcher was able to finish the project on schedule; nevertheless, there were issues that arose both during and after the data collection process. These are discussed in greater detail below.

Only Dar es Salaam was surveyed for this research project.

It is important to note that the scope of my study was limited to small and medium-sized enterprises (SMEs) in the city of Dar es Salaam, as this was the only location from which I could obtain the necessary data. Most small and medium-sized agro-processing businesses are also based in Dar es Salaam.

Because we did not have access to the necessary data, it was not possible to include any other regions in the analysis.

Because it was so simple to get in touch with SMEs that were registered with BRELA, it was practical to utilise their services. The researcher was able to gain access to the data because of this.

Although the researcher was able to address the research phenomenon more effectively thanks to the utilisation of a mixed approach, the analysis was time-consuming and difficult.

The time span for collecting data was constrained to a period of two months, and the vast majority of it was obtained directly as a result of the low response rate obtained online.

My thesis was difficult to cite and reference due to the dearth of relevant earlier research works on the topic.

As a result of my use of qualitative methods, I experienced challenges such as high expenses and the need for a staff to conduct interviews. The quality of the collected data was dependent on my skill at data collection. And the procedure was time-consuming, requiring transcribing, organizing, and reporting, among other tasks.



As I employed quantitative methodology, I encountered a few problems, such as the possibility that many questions would go unanswered, and that participant would lose interest before the end of the questionnaire. Without clarification, participants may have varied interpretations of the questions, and I was unable to completely capture their emotions and sentiments.

During the extraction and analysis of data, some information was obsolete or irrelevant. The evaluation of documents and records was a time-consuming process. employing a mixed strategy can be an insufficient form of data gathering because I had less control over the results and some documents were not accessible.

### **9.9 Future Developments**

This study focussed on establishment of the status of the agro processing SMEs, issues that impeded their growth as well as opportunity for their growth. However, this study was mixed method descriptive, therefore, the further research can be done to establish the significant relationship and/ or the influence of these factors or opportunities identified to the growth of agro processing SMEs. Future researchers can expand the study to include more regions in Tanzania, such as Dodoma, where processing activities are rapidly increasing. This study was geographically focused on Dar es Salaam. However, a researcher must make sure that they have the resources in terms of both money and time to make it feasible to achieve. Also, as the population of the study most of them based on crops and few were based on other agro products. Since Agro processing is wide, therefore research can be done in other areas like gas, textiles, rubber products etc. It will also be interesting to analyse each challenge separately. For example, future researchers can pick one practice, explore the issues related to it and provide recommendations on how the problem can be tackled. For example, it will be worthwhile exploring demand-related issues in more detail and providing solutions on how to tackle them.

### **9.10 Concluding Remarks**

From the findings, it can be concluded that.

Most of the enterprises depended on personal finances. Also, the products were little as drawn that they couldn't export their product. This is due to the fact that they had no enough financial and technological resource and probably the education on the use of technology, also value addition is little. And therefore, the qualities of their products were low to be exported.

Also, it can be concluded that, enterprises are constrained by poor entrepreneurial education, lack of technology knowledge, poor market awareness; seasonal crops, costly and unreliable power supply as well as unclear government policy that could support their business and easy financial security.

Generally, the researcher is convinced that, there still a potential and viable growth of agro processing SMEs if the available natural crops like grains can be packed in a quality standard. Natural fruits can be turned to a super juice or wine that can bit the external market. This can be achieved if a proper education and responsible bodies play their part in supporting the Agro product, processed by local enterprises. Also, the combination of other countries success stories which can be closely adapted to the national strategies will help in upgrading the agro processing sector.

This research has therefore made a useful contribution to knowledge in terms of theory, methodological contributions, and empirical contributions. The investigation conducted in this study has offered a new insight into agro processing SMEs where there is a paucity of literature, especially in developing nations.

## **Chapter 10**

### **Critical Reflective Summary**

This chapter details the researcher's DBA journey and experiences during the research period that led to the completion of the DBA thesis. The chapter consists of two sections. In section 10.1, the details of the module Advanced Business Research and how the researcher advanced to the second year are described. In section 10.2, the researcher describes how she began the research period in October 2019 and then proceeds to describe how each chapter of the dissertation was written, and the challenges experienced. In addition, information is provided on how ethical permission was obtained and how data was collected and analysed. In section 10.3, the researcher also analyses the lessons learned from completing a DBA and her future professional objectives. In section 10.4, a summary has been presented at the conclusion.

#### **10 First Year DBA**

In October of 2019, I began my doctorate in business administration. From October through November 2019, Advanced Business Research (Project Approval) was held. I attended two campus lectures during this time period. Introduction to the Program, Philosophical Considerations, and Qualitative Research Methods were presented at the first block session in October.

During the Theme 1: Introduction to the Program session, we became acquainted with one other, faculty members, the surrounding area, the formalisation of the module structure, and the subsequent stages of the study, including annual progression points and the eLearning platform. Existence, knowledge, values, the mind, and language are among the fundamental topics studied by philosophy. The purpose of this session was to examine methodologies for contextualising and conducting business and management research. I learned about the value of philosophies. This lecturer assisted me in selecting research methods.

This course was designed to teach advanced qualitative research techniques. I learned how to use NVivo to analyse qualitative data and discover evaluative strategies for qualitative research.

In November 2019, the following topics were taught Document Analysis, Grounded Theory, Case Studies, Qualitative Strategies: Content Analysis and Mixed Methods, Template Analysis, and NVivo Analysis. The objective of these sessions was to acquire advanced knowledge in specialisation areas, cultivate advanced theoretical or practical research skills, comprehend the role of specialisation areas in managerial and organisational contexts, and demonstrate personal integration of an original intellectual contribution to a field of professional practise.

The two-block course helped me enhance my research skills and comprehend strategic models, such as the meta-model and enneagram model, for analysing and resolving business difficulties. The two block sessions assisted me in refining my research topic and selecting pertinent methodology. I've always been interested in SMEs. My interests were TQM, business networking, and leadership. After researching the three, I opted to write on Agro processing SMEs in the food processing sector. After completing my investigation, I will work in Tanzania's food industry. After selecting this topic, creating the proposal was challenging. The summary evaluation for the major doctoral phase has been submitted. The four-thousand-word assignment contained a theory, scope, philosophical outlook, methodology, and ethical considerations. The final plan required four draughts. My topic required refinement. After presenting my concept to the panel and obtaining more favourable feedback than my peers, I was permitted to advance to the next phase. I developed a deeper understanding of methodology, study subjects, document gathering, and analysis through creating my research proposal.

### **10.1 Second Year/Research Phase**

Then, the next phase of the DBA, research, was accessible. This began in February of 2020. I began my research by focusing on the literature review, which was time-consuming and difficult. I began by reading data pertaining to agriculture processing SME's. The initial obstacle was locating information on Tanzanian SME's. I spotted a gap in the literature when I realised there was little attention paid to the agro processing SME sector in developing nations like Tanzania. Previous researchers attempted to investigate the obstacles hindering the growth of the agricultural business as well as the issues affecting agricultural raw products. However, I found that two of Eskola's studies examined marketing structure for agricultural products.

Akyoo et al. examined the management of the spice supply chain in Zanzibar. These were quite helpful in assisting me to formulate my research hypothesis. Neither study, however, discussed the actual obstacles impeding the expansion of Tanzanian agro-processing SMEs. These two discoveries encouraged me to study the factors inhibiting the growth of small and medium-sized food manufacturers in Dar es Salaam. In addition, these studies highlighted a dearth of Agro processing research in the food manufacturing sector, as the majority of studies had focused on raw agricultural products while the processing sector was mostly ignored. I next went on to papers regarding small and medium-sized enterprises (SMEs), specifically their significance and relationship to organisational performance. According to the majority of studies, agro processing SMEs have a positive correlation with organisational performance. This inspired the formulation of a second hypothesis, which tried to establish whether agricultural practises and organisational performance were positively or negatively correlated. I had gathered sufficient information to begin writing the literature review at this time. Before moving on to the strategy, I had to rewrite this chapter numerous times due to feedback. The most difficult aspect was providing literature pertinent to my research concerns and aims while also ensuring cohesion throughout the many sections.

After over four months of studying, writing, and revising the literature, I eventually moved on to the techniques section. I wondered whether to use simply one strategy or to combine qualitative and quantitative approaches. The majority of the reviewed studies used only quantitative methods to investigate their phenomena. However, I needed detailed information on the overall application of practises and challenges affecting the food manufacturing sector in Dar es Salaam, and I also wanted to measure the relationship between agro and organisational performance, so I used a mixed-method approach. The book on mixed approaches by (Creswell, 2014) was useful in taking me through the entire process of merging two systems. Even though I had decided on a technique, my colleagues discouraged me from merging two approaches due to their intricacy and time commitment. Nevertheless, I adhered to my original intention to use both approaches to fulfil my study questions and objectives. Because I revised the chapter numerous times, I spent around two months on the process.

The most difficult aspect of the research procedure was determining how to write the chapters and defend my conclusions. Due to Dr. Richard Nyuur's (my supervisor) comments, I was able

to clarify my argument. After overcoming this obstacle, the following step was to acquire ethical approval. This took some time due to issues such as a system breakdown and changes associated with translating the questionnaire and interview guide into Kiswahili, Tanzania's native language. After getting ethical approval, the next step was data collection. The questionnaires followed the interview information. During the pilot interviews, several of the questions were adjusted. Due to the dispersed nature of the respondents in Tanzania and the researcher's location in the United Kingdom, the primary interview was performed through telephone. Recently, I had returned from Tanzania. During my trip to Tanzania in December 2020, I had the opportunity to interact with some SIDO-trained SMEs in the food processing industry. However, I was unable to collect the essential data prior to receiving ethical approval. Interviews were performed through telephone as opposed to in-person. The phone interviews were successful and efficient. I discovered that drafting an interview guide in advance was valuable because it allowed me to ask additional questions as necessary. During this phase, issues emerged due to the unavailability of several respondents who had agreed to participate in the study. Some individuals felt uncomfortable with phone interviews because they preferred in-person meetings with the researcher. As a result, fewer interviews than intended were conducted. In addition, this was a result of the delay in receiving ethical approval. In retrospect, I should have started the ethical approval process earlier, allowing me to begin the interviews earlier. The response rate would have grown as a result. Another obstacle was qualitative data analysis, which I had never done before. I needed to take a break in order to prepare how I would analyse the data, as the entire procedure was extremely stressful. To address this issue, I consulted multiple books and YouTube videos on data analysis and employed NVIVO. With the use of NVIVO, I was able to expedite the complete qualitative data analysis. I was also responsible for developing the themes that were used to tailor the questionnaire. Throughout this time period, I learnt to be resilient. Despite my challenges, this helped me analyse qualitative data. In the subsequent step, questionnaires were employed to collect data. Once the questionnaire had been modified, it was time to distribute it to the SMEs. Initially, this was conducted online, but insufficient replies were received. Consequently, they were administered directly. Both strategies increased the number of participants in the study. Due to the increased human contact, respondents were more inclined to complete questionnaires in person as opposed to online. Additionally, snowball sampling was utilised to facilitate questionnaire

dissemination. Consequently, 185 questionnaires were collected. However, fifteen questionnaires included errors and were therefore eliminated. This meant that just 170 individuals were analysed using SPSS 25. The procedure was time-consuming, but it enabled me to report the findings. As there was a great deal of information for both qualitative and quantitative outcomes, it was a challenge to contextualise the data in a way that allowed for simple comprehension. Consequently, the results of both approaches were tabulated prior to analysing and proposing an empirical model. The final step was formulating recommendations and writing the conclusion. In retrospect, I can say that I was able to complete my thesis on time despite issues faced during the research process and the necessity to redo certain chapters multiple times. Most importantly, I've learnt that persistence and adaptability are crucial traits for a researcher. These two attributes moved me from one project phase to the next. Although critical, the feedback I received during the project enabled me to develop and consider new ways to make my research more productive.

## **10.2 Future Career Goals**

After obtaining my doctorate in business administration, I will work in Tanzania's food processing industry. I aim to establish a consulting organisation that will provide guidance and training on the numerous difficulties faced by SME's. I have submitted other papers on SME-related topics for publishing. I plan to further distribute my work by publishing the dissertation as a book, along with the literature review and findings chapter. Future study will also focus on ways to grow small and medium-sized enterprises (SMEs) in Tanzania, particularly agro-processing SMEs, to increase the demand for locally produced goods and further boost the Tanzanian economy.

### **10.3 Summary**

This chapter has centred on the DBA research experiences. In section 10.1, the details of the first-year module (Advanced Business Research) are supplied. Next, the researcher's progression from taught module to research phase is described. Next, in section 10.2, experiences such as how each chapter was written, the challenges encountered, and how the researcher overcame these obstacles are described. In addition to the gathering of data, details regarding how ethical approval was gained are also provided. In section 10.3, the researcher's takeaways from doing the DBA are detailed, along with their future professional objectives.



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## Appendices

### Appendix A- QUESTIONNAIRE

Dear Sir or Madam,

Thank you for taking part in this survey. The purpose of this study is to examine the challenges impeding the growth of Agro Processing SMEs in Tanzania in partial fulfilment for the requirement of the DBA of Joyce Mhoja (at Northumbria University, Newcastle). This study focuses on small and medium-sized enterprises (SMEs) in the agro-processing sector in Tanzania. This survey is voluntary and expected to last about 20 minutes. The information you provide will be treated as strictly confidential and will be summarized to ensure anonymity. The information will also be used only for academic purposes. Specifically, the findings will be used to complete writing up the DBA, and perhaps further disseminated through publication in academic journals and conferences. A summary report of the findings will be available to you. To receive a copy of this summary report, please provide your e-mail address at the end of this Questionnaire.

If you have any further questions about this survey, please contact the researcher at [joyce.nkwabi@northumbria.ac.uk](mailto:joyce.nkwabi@northumbria.ac.uk).

#### 2. PART A: GENERAL/STATUS INFORMATION

Please tick (✓) the appropriate choice.

Name of Business(optional) .....
How long have your business been in existence? <input type="checkbox"/> 0 to 5years <input type="checkbox"/> 5 to 10years <input type="checkbox"/> 10years and above
1. Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female

3. Your highest Educational Level: <input type="checkbox"/> Primary <input type="checkbox"/> secondary <input type="checkbox"/> college <input type="checkbox"/> University
4. Position in the enterprise <input type="checkbox"/> owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Farmer
5. Ownership of the enterprise <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Group <input type="checkbox"/> Cooperative

<p>6. Source of Funding</p> <p><input type="checkbox"/> Personal funds <input type="checkbox"/> Bank loan <input type="checkbox"/> Loan from friend/relative <input type="checkbox"/> Donor/NGO funding</p> <p><input type="checkbox"/> Other (explain).....</p>
<p>7. Do you pack your products</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>If No</b>, why (choose the appropriate box)</p> <p><input type="checkbox"/> My products do not require packaging <input type="checkbox"/> Packaging materials are not available</p> <p><input type="checkbox"/> Packaging materials are expensive <input type="checkbox"/> Whether you pack or not, products are sold</p> <p><input type="checkbox"/> Other (explain).....</p>
<p>8. Who are the end users of your product? (Tick one or more)</p> <p><input type="checkbox"/> General public <input type="checkbox"/> Schools <input type="checkbox"/> Hospitals</p> <p><input type="checkbox"/> Other (Please mention them) .....</p>

**3. PART B: FACTORS AFFECTING THE GROWTH OF AGRO-PROCESSING SMEs**

1. How would you rank the following statement regarding the factors which you think negatively affect the increase in capital by your enterprise by indicating their effect?

Tick (**v**) the appropriate response

Rank in the following order.

5= strongly agree 4= Agree 3=Neutral 2= Disagree 1= strongly disagree

<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1. An inconsistent supply of raw material					
2. An insufficient supply of raw material					
3. Seasonality of crops					
4. Poor quality of raw material supply					
5. High losses during transport from farm to factory					
6. Inappropriate or obsolete processing and ancillary equipment					
7. Insufficient processing equipment					
8. Poorly trained personnel					
9. Inappropriate packaging materials					
10. High packaging cost					
11. A lack of qualified food technologists					

2. Please put a Tick (v) in the applicable box to rate your level of agreement or disagreement regarding your feelings regarding the factors impeding demand and expansion of operation of enterprise like yours. Mark one box only.

Rank in the following order.

5= strongly agree 4= Agree 3=Neutral 2= Disagree 1= strongly disagree

<i>Statement</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
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<b>Market/Demand factors</b>				
a. Lack of market information				
b. High competition with imported products				

c. Little knowledge of consumer education and market research					
d. Low capacity of production					
e. Price of your product compared to competitors					
f. Quality of product					
g. Distribution networks not wide					
<b>Expansion of operation factor</b>					
a. Scarcity of financing					
b. Inconsistence of Government projects and programmes to support the development of the agro-processing enterprises					
c. Low level of entrepreneurship and management training of the large majority of persons engaged in agro-processing					
d. Lack of technical guidance and counselling					
e. Technological gap					
f. Power supply inadequate, uncertain and costly					
g. I am involved in peer group relations					

3. How can you rate the following statements regarding the Opportunities for agroprocessing SMEs growth in Tanzania? Tick (✓) the appropriate response

5= strongly agree 4 = Agree 3=Neutral 2 = Disagree 1= strongly disagree

<i>Opportunities</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1. There is large, under-utilized arable land, suitable for a wide variety of crops					
2. Still very limited value addition to crops through grading, better packaging, labelling, processing and marketing					
3. There are massive untapped potentials for processing of agricultural crops					
4. There is a wide range of seasonal exotic fruits, spices, grains and seeds which can produce very high-quality flours, oils, juices and wines.					
5. Good local as well as international market, if the right qualities and quantities are produced of agricultural products (like vanilla, paprika, oil seeds, exotic fruits juices, wines and spices)					
6. Presence of Government policies that support the development of the agro-processing industry					
7. We have easy access to finance from financial institutions					

#### 4. PART C: STRATEGIES FOR AGRO-PROCESSING ENTERPRISES GROWTH

1. How can you rate the following statements regarding the strategies for agro processing SMEs growth in Tanzania? Tick (✓) the appropriate response

5= strongly agree 4= Agree 3=Neutral 2= Disagree 1= strongly disagree

<b><i>Government policy and regulations Factors</i></b>	<b><i>1</i></b>	<b><i>2</i></b>	<b><i>3</i></b>	<b><i>4</i></b>	<b><i>5</i></b>
1. TBS certification can help into the growth of the firm					
2. There should be government initiative to support our activities					



3. Enterprise can be supported to meet the various requirements of TBS					
4. Create awareness on importance company registration and licensing					
5. Make accessibility of information on government regulation about the business					
6. Financial support by financial service providers like Banks, SACCOS, should be made easy for SMEs					
<b><i>Technological factors</i></b>					
7. Adapt the use appropriate machinery and equipment					
8. Improve in skills to handle new technology					
9. Improve the ability to select proper technology					

2. Do you think there are any ways Agro processing SMEs in Tanzania can be supported?

(Can you Explain)

.....  
.....  
.....

## 5. Appendix B- INTERVIEW GUIDE

Dear Sir or Madam,

Thank you for taking part in this interview. The purpose of this study is to examine the challenges impeding the growth of Agro Processing SMEs in Tanzania in partial fulfilment for the requirement of the DBA of Joyce Mhoja (at Northumbria University, Newcastle). This study focuses on small and medium-sized enterprises (SMEs) in the agro-processing sector in Tanzania. This interview is voluntary and expected to last about 45 minutes. The information you provide will be treated as strictly confidential and will be summarised to ensure anonymity. I intend to record this interview, but if you are opposed, please do not hesitate to tell me. Alternatively, after the interview you can request any comment to be removed. The information will also be used only for academic purposes. Specifically, the findings will be used to complete writing up the DBA, and perhaps further disseminated through publication in academic journals and conferences. A summary report of the findings will be available to you. To receive a copy of this summary report, please provide your e-mail address at the end of this Questionnaire.

If you have any further questions about this survey, please contact the researcher at [joyce.nkwabi@northumbria.ac.uk](mailto:joyce.nkwabi@northumbria.ac.uk).

1. Name of institution  
.....
2. Position/ Designation  
.....
3. What is the role played by this institution in supporting SME development?
4. What is the role played by this institution in supporting SME development?

<i>Aspect</i>	<i>Guiding Questions</i>
<b>Introduction</b>	<ul style="list-style-type: none"><li>• What inspired you to establish this firm?</li><li>• Do you think it benefits you? If yes, how?</li><li>• What makes you continue support your firm?</li></ul>

**Status**

- What is the source of the starting capital?
- What is your enterprise's major product(s)?

	<ul style="list-style-type: none"> <li>• Do you pack your products? If no, why?</li> <li>• Who are the end users of your product?</li> <li>• Is there a good demand for your product? If yes, how do you know If no, why do you think it happens so?</li> </ul>
<b>Opportunities/challenges</b>	<ul style="list-style-type: none"> <li>• What opportunities do you see for the agro-processing SMEs?</li> <li>• What do you consider to be the obstacles for growth of Agro processing-SMEs, particularly your firm?</li> </ul>
<b>strategies</b>	<ul style="list-style-type: none"> <li>• In your opinion, what can be done to support agro processing SMEs growth? <ul style="list-style-type: none"> <li>○ By the owners/managers of the SMEs</li> <li>○ By the Government</li> <li>○ By other support institutions like TPSF, TCCIA, TBS, commercial banks etc</li> </ul> </li> <li>• What strategy is your institution implementing that is supporting the growth of agro-processing SMEs?</li> </ul>

## **6. APPENDIX- C Consent to participate in the Interview**

**Interviewer's name: Joyce Mhoja Nkwabi DBA candidate at the University of the Northumbria Newcastle, Sutherland Building, Newcastle upon Tyne NE1 8ST, United**

**Kingdom**

**Title: Examining the factors affecting the Growth of Agro processing SMEs in Tanzania**

**Participants Name:**

You have been asked to participate in a research study "Examining the factors affecting the growth of agro processing SMEs in Tanzania". The study aims to examine the factors that affect the challenges that impend the growth of agro processing and provide recommendations as to how these issues can be resolved through proposing a framework. If you agree to participate, you will be asked to participate in a 20–30-minute tape-recorded interview. The investigator will provide all forms and materials needed for completion of this study. You are also being asked for your permission to audiotape this interview, but if you wish not to be recorded, only notes will be taken. Although the findings of this study may be published, no information that can identify you will be included.

Your consent is being given voluntarily. You may refuse to participate in the entire study or any part of the study at any time.

At the time that you sign this consent form, you will receive a copy of it for your records, signed and dated by the investigator.

**Please tick the appropriate boxes**

### **1. Taking part in the study**

I have read and understood the study information dated (dd/mm/yyyy) or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.

a) Yes

b) No

I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and I can withdraw from the study at any time, without having to give a reason.

a) Yes

b) No

I understand that there are no risks involved in taking part in this study and will be used for academic purposes only.

a) Yes

b) No

## **2. Use of the information in the study**

I understand that information I provide will be used for the study of Miss Joyce Mhoja based on the topic Examining the Factors That affect the growth of Agro processing SMEs in Tanzania.

a) Yes

b) No

I understand that personal information collected about me that can identify me, such as my name or where or gender, will not be shared beyond the study team.

a) Yes

b) No

### **3. Future use and reuse of the information by others**

The researcher will use voice recordings (interview) available in their personal phone to record conversations with the respondents. These recordings will be used for the purpose of analysis and reporting of findings only and will be protected with a password only known to the researcher in a



special folder. Prior to recording the researcher will obtain oral and written permission from the respondents for both the recordings and publishing of the findings.

I give permission for the interview answers' that I provide to be deposited in the study examining the Factors Affecting the Growth of Agro processing SMEs in Tanzania so it can be used for future research and learning.

a) Yes

b) No

I have witnessed the accurate reading of the consent form with the potential participant and the individual has had the opportunity to ask questions. I confirm that the individual has given consent freely.

---

##### **5. Study contact details for further information**

Any Questions concerning this research please contact

Researcher's name: Joyce Mhoja Nkwabi

Contact number: +44739850648

Email id: [joypbrownbrown@gmail.com](mailto:joypbrownbrown@gmail.com)/[joyce.nkwabi@northumbria.ac.uk](mailto:joyce.nkwabi@northumbria.ac.uk)

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Signature

Date

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Investigator's Signature

Date:

## **APPENDIX D- Participant Information Sheet**

### **Study Title: Examining the Factors Affecting the Growth of Agro Processing SMEs In Tanzania.**

I would like to invite you to take part in a research study titled “Examining the factors affecting the growth of SMEs in Dar es Salaam”. Before you decide to take part in the study you need to understand why the research is being done and what it would involve for you. Please take time to read the following information carefully. Ask questions if anything you read is not clear or would like more information. Take time to decide whether to take part.

What is the purpose of the study?

The main purpose of the study is to examine the factors that are affecting the growth of Small and medium Manufacturing Enterprises (SMEs) in Tanzania and provide recommendations on how these issues can be tackled.

Why have I been invited?

You have been asked to participate in this study since you are a SME

Do I have to take part?

It is entirely up to you to take part in the study. Your participation is voluntary. You agree to take part in the study we will ask you to sign the consent form. You can withdraw at any time without giving any explanations.

What will happen to me if I take part?

You will be asked to fill out the questionnaire containing questions on SMEs practices in your organisation which will take up to 20 minutes

Will my taking part in the study be kept confidential?

Your responses will be kept confidential and will not be shared by anyone.

What will happen to the results of the research study?

No information identifying participants will be included in the final dissertation. Participants wishing to get updates on the research can add their contacts.

**Further information**

**and contact details:**

Researcher's name:

Joyce Mhoja Nkwabi

Contact number:

+44739850648

Email id: [joypbrownbrown@gmail.com](mailto:joypbrownbrown@gmail.com)

[joyce.nkwabi@northumbria.ac.uk](mailto:joyce.nkwabi@northumbria.ac.uk)