

**Factors Influencing the performance of small and medium enterprises in Tanzania: A
case of Zanzibar**

ABSTRACT

In spite of the paramount importance of small and medium enterprises on the contribution of economic development in Tanzania. But still the sector hindered by several challenges. The study aimed to examine Factors influencing the performance of small and medium enterprises in Tanzania, a case of Zanzibar. Qualitative and quantitative techniques were used. The data collected through questionnaire and interview methods and involved 400 respondents.

Descriptive statistic and correlation analysis were generated using SPSS version 26 to show the characteristics of the respondents and relationships between the variables of the study.

The results of the study show that there is strong significance relationship between the dependent and independent variables at the significant at .01 level (2-tailed). Study shows that, only 17% of the sector are keeping financial record and employments and 82.9% are not keeping the record, 79.9% are registered enterprises and 20.1% are not registered, and only 2.9% use website in the business and 97.1% are not using. The study recommend that small and medium enterprises need to ensure are registered so as to make easy accessing finance from bank, also the government should reduce taxation to allow good performance of the sector in the country.

Key words: *Performance of SMEs, internal factors, external factors, government taxation.*

1. INTRODUCTION

1.1. Background

The small and medium enterprises play the significance role in promoting and strengthening the economic growth and development in the World especially creation a number of employment opportunity and reducing the of poverty in the country[1]. Throughout the years, the sector has contributed significantly to economic development in Tanzania by creating employment opportunities, generating the national income and equitable distribution of income towards poverty alleviation [2]. Performance and growth of the small and medium enterprises in Tanzania is hindered by many challenges such as improper record-keeping, poor business planning, lack of good professional advice and consultation, lack of business trust, lack of training, lack of enough capital for running business, government policy and unfriendly business environment[3], also business competencies and honesty has a positive impacts on influencing the sector[4]. Worldwide the sector account over 90% and about 365 to 445 million firms located in developing countries. Most of small and medium enterprises are faced with finance problems and about 70% of the sector do not using external financing from banks and other financial institutions and the remain 15% are under financed, where the total credits needed to finance the sector is more than 2 trillion USD, similar to 14% of GDP to the developing economy (World bank group, 2018)[5].

Reported that, the formal small and medium enterprises generate about 60% of employment and contributes about 40% of gross domestic product (GDP) in World emerging economy and estimated that about 600 million people will enter to the global workforce in next 15 years, especially in Asia and sub-Saharan African countries[6]. Existence of small and medium enterprises in Tanzania speed up the rate of business activities where more than three million of small and medium enterprises are located in urban areas which form 45%, and others are located in countryside areas[7].

The sector in Tanzania contributes about 27% of Gross domestic product (GDP) and generating 23.4% of the labor force[8]. The establishment of small and medium enterprises is not a new phenomenon in Zanzibar, Small and medium enterprises in Zanzibar have been existed before revolution of 1964, where the different small and medium enterprises were existed such as coconut oil and cloves industries, timber industries, milk and sugar manufacturing industries. It has been reported that most of the business taking place in Zanzibar is small and medium enterprises[12].

In Tanzania, the central bank reported that small and medium enterprises often borrow money through innovative channels because of the variety of factors, these factors are to meet the business startup, expansion cost of the business and operational, but still the access of loans by small business from financial institution is low and only 28.8% of small enterprises reported to receive loans through out innovative platform, most of business owners does not meets the term of the loans, low knowledge about loans through innovative platform and short period of loan repayment. Mean time size of loan, time of loan processing, access of loan has higher chance of increasing access of loan by small and medium enterprises[9]. The government of Zanzibar working and cooperating with UNIDO and others

development partners so as to ensure the better performance of the sector, specifically to encourage the sector to keep more emphasize in food processing small industries. But the sector still not performing well in Zanzibar due to the existence of many factors that hindering their performance[10]. Small and medium enterprises in Tanzania is under the Small Industry Development Organization (SIDO) which official established in order to supervise and help the performance of small and medium business in Tanzania, but to those effort showed by SIDO still the small and medium business in Tanzania is faced with the same challenges[11]. It has been reported that most of the business taking place in Zanzibar is small and medium enterprises[12].

The government of Zanzibar ensure to identify and improve those small and medium enterprises that creating the employment and serve a local and international markets[13]. Zanzibar is an island and most of the small and medium enterprises are not well integrated to the global markets because Zanzibar's economy dealing only with small and medium enterprises which depending on local market and most of the firm employ workers below 50, Zanzibar based in low industrial sector which is small and medium enterprises and bounded to low added-value enterprises including production of bottled water and repackaging second hand clothes[14]. Basically, the firms from Zanzibar perform very well after receiving products from Tanzania mainland, but the small and medium enterprises from Zanzibar are rarely to export their products to Tanzania mainland compare to firms from Tanzania main land to Zanzibar, where about 44% and 39% from Tanzania mainland export and sell their products to Zanzibar, compare to 18% of the firms from Zanzibar that export and sell their products to Tanzania mainland[15]. Due to the outbreaks of Covid-19 pandemic the in the World many country such as China its economy slowed down and over 80% small and medium enterprises in China are faced with the problems of cash flow and World economy decreased by 3%[16]. And some enterprises were temporary close due to the consequences of Covid-19 pandemic[17] and 80% of small and medium enterprises were closed [18]. World bank (2020) the sector is now mainly faced with global disaster of Covid-19, and seemed that most of the sector are vulnerable to decline and over 8% of the sector will temporarily decline, 30% likely temporary closed and about 51% of large enterprises have been temporary closed[19].

2. METHODOLOGY

2.1. Study approaches and Methodologies

The study employed qualitative and quantitative techniques where both primary and secondary data were used, the primary data was collected through interview and questionnaires and the secondary data were collected from the most reliable sources of the government institution which is the data from Office of Chief Government Statistician of Zanzibar. The study uses Performance of small and medium enterprises as a dependent variable and availability of capital, business management, quality of goods, government policy, government taxation, natural disaster and market competition as in dependent variables.

Methodological, the study employed descriptive analysis and correlation analysis so as to determine the existing relationships between the dependent variable and independent variables on the Factors influencing performance of small and medium enterprises in Zanzibar.

2.2. Methods of data collection

The study involved questionnaire and interview method of data collection so as to get the primary data where by 400 respondents were involved, and the main aim of using these methods of data collection is to get the pure and original data from the study area. Furthermore, the study involved the use of secondary data from the most reliable government offices in Zanzibar, the main purpose of using the secondary data is to slow down the time and to get the realistic picture of the small and medium enterprises in Zanzibar.

2.3. Firm growth (Business growth) theory

The theory concerned with a number of firms that can grow successful and several firms fail to grow due to the different reasons such as lack of enterprising direction, poor management, shortage of capital-rising, poor adaptability to changing the circumstances, costly mistake and poor judgment leading. The theory compares the business grow like a tree this means that in order the firm or business to grow well should meets the most identifiable conditions, this identifiable condition will affect the growth and survival of the tree, while the missing or poor identifiable condition the tree will fail to grow and survive. The theory concluded that, to ensure the business growth enterprising management is the most identifiable condition which will ensure the survival and firm grow[20]. Business growth is the phenomenon that taking place over a long period of time, the firm growth should be assessed longitudinal instead of cross sectional. The business growth demonstrated into different dimensions based on the duration and period of time and growth formulae, the business growth can be measured by change in size of the firm over a long period of time, so that in order to measure the business growth must look some indicators such as amount of assets, profits, availability of reliable market, sales and employment created by the firm[21] and also the loan impacts has a positive effects on performance of the business[22]. Also revealed by Ismail (2022)[23] that there is a significance link between personality traits and business growth.

Business growth involves both quality and quantity, where the increasing of quantity in the business includes the extension of the business scale example increasing the volume of sales, profits, share in the market, the value of production and increasing the amount of employees. Also, the growth quality of the business involves the improvement of the business quality such as technological innovation from low stage to high stage producing technology, optimum investment efficiency and production, the organization reform and innovation[24]. Business growth can be demonstrated into different dimensions based on the duration and period of time and growth formulae, the business growth can be measured by change in size of the firm over a long period of time, so that in order to measure the business growth

must look some indicators such as amount of assets, profits, availability of reliable market, sales and employment created by the firm (Per Davidsson and Leona Achtenhagen, 2005)[25].

Thus, business growth theory is most relevant to Tanzania, because most of small business fail to grow well in many developing countries especially Zanzibar. According to the many scholars refers to the increasing of the quality and quantity, and they explained many ways and different measures which can be used to measures the firm growth including the change in business turnover and increasing of employees. The theory is directly connected to the study and reflect the reality that small and medium enterprises is very significance sector regardless their size, and the sector play the great role for bringing the economic development in Tanzania.

3. RESULTS AND DISCUSSIONS

This section shows the results and discussions of the study based on the Factors influencing the performance of small and medium enterprises in Zanzibar. In this study analysis of data was generated by using SPSS software version 26. The analysis was focused in descriptive analysis and correlation analysis.

3.1. Characteristics of respondents

The study indicated the common features for the purpose of describing the total overview of the participants is small and medium enterprises in Tanzania (Zanzibar), where the highlight was well asserted through the variables of the study including Gender of respondents, Age, Educational level and the time of experience. Thus, the descriptions constitute the followings:

Gender of respondents

The sample of respondents of the study used were 400, where among the 400 respondents 56.5% (n = 226) were male, and 43.5% (n=174) were female. Low of female respondents in small and medium enterprises either because of cultural and religious belief about the roles of women in society of Zanzibar, or the environment of small and medium enterprise is less obliging female compared to male. In reflecting with the most recently finding of some studies which conducted in Tanzania mainland by Mashenene (2020)[4] where 47.11% were females and 52.89% were males. Nyamanza (2021)[26] show that (81%) males are participating in small and medium enterprises compare to females. Ntare and Shau (2022)[27] show that 73.7% are male and 26.3% of respondents were female. Khamis (2022)[22] show that 61.6% were males and 38.4% were females.

Table 1. Gender respondents

		Frequency	Percent	Valid Percent
Valid	Male	226	56.5	56.5

Female	174	43.5	43.5
Total	400	100.0	100.0

Source: Author (2022)

Level of education

In this study, educational level of the was measured by asking the respondents, where three level of education were used which ranging from Primary school, Secondary school and University level. Thus, the findings (Table 2) establish number of respondents from small and medium enterprises indicating that, 63.5% (n=254) completed secondary education, 18.5% (n=74) completed University level and 18% (n=72) completed Primary education. In contrasting the with some studies where majority of respondents completed the only primary education, like Isaga (2015)[6] where majority (69.7%) of respondent completed the primary education. Mashenene (2020)[4] 40.3% primary education, 32.4% had Secondary education and 27.3% were Tertiary education. Ntare and Shau (2022)[27] in there study show that 50.5% have a secondary education, 24.3% have tertiary and 25.2% of the respondents have primary education. Khamis (2022)[22] show that 5.4% had primary education, 12.5% had secondary level, 14.3% Certificate level, 48.2% diploma level and 19.7% were university level.

Table 2. Level of education

		Frequency	Percent	Valid Percent
Valid	Primary school	72	18	18
	Secondary school	254	63.5	63.5
	University	74	18.5	18.5
	Total	400	400.0	400.0

Source: author (2022)

Distribution of Age

The result show that, number of respondents engaged in small and medium enterprises were aged between 50-59 years old, which is 26.7% (n=107), And the respondents between 40-49 years old were 24.8% (n=99), were the respondents aged between 30-39 years old were 24.3% (n=97), the respondent aged between 60 years old and above were 14.2% (n=57), and finally the respondent aged between 20-29 years old were 10% (n=40). In contrasting with other studies conducted in Tanzania such as Tundui (2012)[28] which indicated the respondents aged bellow 40 years old were more engaged and working in small and medium enterprises. Mshenene (2020)[4] show that 13.4% were age 18 to 29, 45.8% were age between 30 to 39, 28.9% were age between 40 to 49 and 11.8% were 50 age and above .More

over study conducted by Ntare and Shau (2022)[27] show that 25.6% are below 25 years old, 14.9% are above 40 years old and age between 25 to 35 were 59.5%. Table 3. represent the distributions of respondent by age. Khamis (2022)^[22] show that aged 20 to 29 were 6.3%, 30 to 39 were 36.6%, 40 to 49 were 52.7%, 50 and above were 4.5%.

Table 3. Distributions of respondent by age

		Frequency	Percent	Valid Percent
Valid	20-29	40	10.0	10.0
	30-39	97	24.3	24.3
	40-49	99	24.8	24.8
	50-59	107	26.7	26.7
	60-Above	57	14.2	14.2
	Total	400	100.0	100.0

Source: author (2022)

Distribution of experience

The distributions of respondents were determined by the age in which the respondents working in the small and medium enterprises, the result show that, 46.3% (n=185) have the working experience between 0-10 years, 33% (n=132) have the working experience between 11-20 years, 11% (n=44) have the working experience between 21-30 years, and finally the finding show that 9.8% (n=39) have the working experience between 30 years and above. In contrasting with the recent study conducted by (2021)[29] show that 10.% have business experience 0 to 4 years, 15.8% have experience of 4 to 6 years, 26.3% experience of 7 to 9 years, 15.8% have experience of 10 to 12 years, 21.15 have experience of 13 to 15 years and 10.5% have experience of 16 years and above. (2022)[27] 50.5% have no business experiences and 49.5% has a business experience. Ismail (2022)[23] show that 33.5% have business experience of 1 to 8 years, 54.5% experience of 9 to 17 years and 12% have a business experience between 18 years and above. The table 4. show the descriptive analysis of the working experience of respondents involved with in the study.

Table 4. Distribution of experience

		Frequency	Percent	Valid Percent
Valid	0-10 years	185	46.3	46.3

11-20 years	132	33.0	33.0
21-30 years	44	11.0	11.0
30-Above	39	9.8	9.8
Total	400	100.0	100.0

Source: author (2022)

Mean and standard deviation

The table 5. shows the results on the mean score and standard deviation on the internal factor (availability of capital, Application of technology, business management and quality of goods) and external factors (government policy, government taxation rate, emergence of natural disasters and market competition) that influence the performance of small and medium enterprises in Zanzibar, for the statement measured on a five (5) points scale (1= very low, 2= low, 3= moderate, 4= high, 5= very high). From the table 5. mean score responses was 3.9750 which indicating that, majority of respondents agreed on the Business management influence the performance of small and medium enterprises in Zanzibar, where this variable show the highest influence among all other independent variables.

Therefore, this implies that, the performance of small and medium enterprises in Zanzibar in large extent is influenced by the business management compare to other factors in the dataset. And the number of respondents show that the standard deviation of responses did not vary from the mean by more than 1.08930. The second variable have mean of 3.9625 show that number of respondents were agree that government policy have the impacts on influencing the performance of SMEs with the standard deviation of 1.11319. The third variable was market competition where the mean score was 3.9425 and the standard deviation of 1.23410, this implying that the market competition has impacts on influencing the performance of SMEs in Zanzibar. Moreover, the variable natural disaster and availability of capital seemed to have the same mean score of 3.7775 and same standard deviation of 1.15166, which means these factors has great impacts on the influencing the performance of SMEs in Zanzibar in the same extent. Where closer the result of Simon (2021)[29] mean of capital availability is 3.43 and standard deviation of 1.251, application of technology mean was 3.48 and standard deviation of 1.021. The analysis of the measurement of central tendency was described and well elaborated by using the table 5.

Table 5. mean and standard deviation

Descriptive Statistics			
	N	Mean	Std. Deviation
Availability of Capital	400	3.7775	1.15166
Application of Technology	400	3.5375	1.47446
Business Management	400	3.9750	1.13693

Quality of Goods	400	2.0975	1.13190
Government Policy	400	3.9625	1.11319
Government Taxation	400	3.9200	1.08930
Emergence of natural disasters	400	3.7775	1.15166
Market competition	400	3.9425	1.23410
Valid N (listwise)	400		

Source: author (2022)

Pearson correlation coefficient between internal factors and Performance of SMEs.

The correlation coefficients presented in the table 6. indicate the significance relationship between the dependent and independent variables at the significant at 0.01 level (2-tailed). The correlation coefficient = 0.729 between availability of capital and performance of SMEs, while the relationship between application of technology and performance of SMEs was correlation coefficient = 0.237 level. Also, the relationship between Business management and performance of SMEs at correlation coefficient =0.737 level, where the result similarly with recent study Simon (2021)[29] the correlation coefficients of application of technology was positive significance 0.000 level (2-tailed). Furthermore, the interrelationship was assessed using the similar correlation coefficients and finds that both variables have a strong relationship between the variables which shown in the table below.

Table 6. Correlation analysis of internal factors

		Correlations				
		Availability of Capital	Application of Technology	Business Management	Quality of Goods	Performance of Small and medium enterprises
Availability of Capital	Pearson Correlation	1	.165**	.679**	.121*	.729**
	Sig. (2-tailed)		.001	.000	.016	.000
	N	400	400	400	400	400
Application of Technology	Pearson Correlation	.165**	1	.150**	-.056	.237**
	Sig. (2-tailed)	.001		.003	.268	.000
	N	400	400	400	400	400
Business Management	Pearson Correlation	.679**	.150**	1	.060	.737**
	Sig. (2-tailed)	.000	.003		.229	.000
	N	400	400	400	400	400

Quality of Goods	Pearson Correlation	.121*	-.056	.060	1	.119*
	Sig. (2-tailed)	.016	.268	.229		.018
	N	400	400	400	400	400
Performance of Small and medium enterprises	Pearson Correlation	.729**	.237**	.737**	.119*	1
	Sig. (2-tailed)	.000	.000	.000	.018	
	N	400	400	400	400	400

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: author (2022)

Pearson correlation coefficient between External factors and Performance of SMEs.

The correlation coefficient which are presented in the table 7. indicating a significance relationship between the dependent and independent variables at the 0.01 level (2-tailed). The correlation coefficient =0.540 between the government policy and performance of SMEs, while the relationship between emergence of natural disasters and performance of SMEs presented by correlation coefficient = 0.729. Also, the relationship between market competition and performance of SMEs was presented by correlation coefficient = 0.271 level. It is close similar to Simon (2021)[29] the correlation coefficient of business policy =0.001 level (2-tailed) .Moreover, the interrelationship between the variables was assessed using the same Pearson correlation coefficient and showing that all variables have the strong relationship as shown in the table below.

Table 7. Correlation analysis of external factors

		Correlations				
		Government Policy	Government Taxation	Emergence of Natural Disaster	Market Competition	Performance of small and medium enterprises
Government Policy	Pearson Correlation	1	-.286**	.865**	.212**	.540**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	400	400	400	400	400
Government Taxation	Pearson Correlation	-.286**	1	-.348**	-.266**	-.385**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	400	400	400	400	400
Emergence of Natural Disaster	Pearson Correlation	.865**	-.348**	1	.227**	.729**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	400	400	400	400	400
Market	Pearson Correlation	.212**	-.266**	.227**	1	.271**
	Sig. (2-tailed)					
	N					

Competition	Sig. (2-tailed)	.000	.000	.000		.000
	N	400	400	400	400	400
Performance of	Pearson Correlation	.540**	-.385**	.729**	.271**	1
small and	Sig. (2-tailed)	.000	.000	.000	.000	
medium	N	400	400	400	400	400
enterprises						

** . Correlation is significant at the 0.01 level (2-tailed).
Source: author (2022)

Challenges facing the small and medium enterprises in Zanzibar and possible solutions

The economy of Zanzibar mostly characterized by small enterprises (less than 10 employments), medium enterprises (10 and bellow 50 number of employments) and a low number of large enterprises where most of them are owned by the public. Most of the small and medium enterprises established in Zanzibar are facing the different challenges[12].

Record keeping, keeping of records in enterprises is very important issues for the better performance of the sector, keeping of employment and financial records is considered important only in registered establishment, but it is also important to un registered business. The table below 8. Showing the establishment which use to keep record and those do not keep. The table below shows that only 17.1% of non-governmental formal entity keeps both financial records and employment records. And the remaining entity some either keep employments records or financial records. Moreover, in region wise showing that only two region Kusini Unguja (South Unguja) keep 24.2% and Mjini Unguja (Urban Unguja) keeps 23.0% which make the higher proportions of the of an entity keeping both financial records and employment records. This is to conclude that number of the business in Zanzibar (82.9%) keeps either financial or employments record and only few (17.1%) keeps records in finance and employments. As argued by Saifuddin (2020)[2] keeping record in doing business is very important because it help to assess the performance of the business.

Table 8. Keeping record status

Keeping Record Status			
Region	Keep both records	Financial /employment	Total
Kaskazini Unguja	158	946	1104
Kusini Unguja	185	579	764
Mjini Magharibi	987	3313	4300
Kaskazini Pemba	11	831	842
Kusini Pemba	94	1268	1362

Total	1435	6937	8372
Percentage	17.1	82.9	100

Source: Office of the Chief Government Statistician (2017)

Business registration, the registration of the business is another challenge that facing the of business in Zanzibar, this is because the registered business will be official known and can be easy to gain loans from different financial institutions, but the un registered business will be informal and difficult to access loans in financial institutions. From the table 4.19. below show that 21,735 (79.9%) are registered business and the remaining 5,481 (20.1%) are un registered business. As reported by Farm Africa (2021)[30] Most of the small business in Tanzania are not full registered by the BRELA (Business Registration and Licensing Agency) due to different reasons such as cost and some business owners fear for tax obligation.

Table 9. Registration status

Registration status			
Region	Registered	Not Registered	Total
Kaskazini Unguja	2642	900	3542
Kusini Unguja	2005	491	2496
Mjini Magharibi	11373	1882	13255
Kaskazini Pemba	2649	591	3240
Kusini Pemba	3066	1597	4663
Percentage	79.9	20.1	100
Total	21735	5481	27196

Source: Office of the Chief Government Statistician (2017)

Website use, due to the globalization and business liberalization the using of website in business activities become very important issues, not only that but also the using of websites to the enterprises will facilitate the information and advertisement of the business. But unfortunately, in Zanzibar majority of the enterprises does not use websites for their business as shown in the table 4.20. where, 26483 (97.1%) are not using websites and only few enterprises 798 (2.9%) using websites. Thus, many enterprises fail to run and survive for long time due to the lack of application of ICT. This is because nowadays everything done through internet services. A s revealed by Simon. E (2021)[29] that application of ICT have a positive significance in the performance of Small and medium enterprises. Moreover, digitalization is very important for the performance of the sector especially during the Covid-19[31]. Also Bernard M (2021)[32] argued that adoption of ICT in business it enhance the performance of the business to global level.

Table 10. Use website status

Use Website Status			
Type of ownership	Uses of Website	Not Website Use	Total

Family	329	22094	22423
Cooperation/ Company	319	889	1208
Government Institution	96	1402	1498
Cooperative/ SACCOs	28	1924	1952
Civil Society Organization	26	174	200
Total	798	26483	27281
Percentage	2.9	97.1	100

Source: Office of the Chief Government Statistician (2017)

4. CONCLUSION

In general, the performance of the small and medium enterprises sector in Tanzania (Zanzibar) are influenced by a number of factors including both internal and external factors such as management skills and business experiences, business planning, cash flow management, national economic influence, entrepreneur characteristics. Moreover, in capital inadequacy the problems still continuing to affects numerous SMEs in the country this is because the enterprises owners have the minimum level of income so it become very difficult for them to provide the enough source of financing.

Apart from that, most of SMEs in Tanzania have a less or limited means of accessing the financial services from the financial institutions such as Banks and other development stakeholders, not only that but also numerous SMEs in Tanzania are informal, this means that they are not official registered by the government that is why is a difficult for un registered enterprises to gain loans through any financial institution to running their business.

Due to the advancement of world technology the SMEs should directly involve in application of ICT, the application of ICT will open the door for the Tanzanian SMEs to looks for international market, because most of the successful SMEs in developed countries such as China they use the internet services for advertising their goods, goods promotions as well as accessing the e-marketing which is mostly focused in online selling and buying the goods. So, this will help the SMEs in Tanzania to dominant the internal and international market in general.

Nowadays, global economic competition is becoming more and more developed in different part of the World, in order to create the competitiveness and efficiency in developing the small and medium enterprises in Tanzania, there is a great needs for SMEs to get the management education because many enterprises are failed to survive and perform well due to the lack of management education, not only that but also the improvement of quality of goods should be kept more in consideration, this is because normal the high quality of goods will open more market and poor goods quality will close the market fir enterprises.

4.1. Recommendations and Policy reforms

Tanzania like other developing countries the small and medium enterprises are faced with many challenges. So, that there is a significance needs to the Government to take reforms for the existing policy of small and medium enterprises so as to improve the performance and growth of the sector. Moreover, the government should target promoting the sector and capacity building and enabling environment for the sector to exploit many opportunities national and international level. In 1973, small industry development organization (SIDO) was established by the government as a parastatal organization that provide the technological knowledge, business extension and training, financial services and marketing information to a small and medium sized enterprise.

In addition to that, the government need to put more emphasize on to promoting and empowering the sector through initiating different funding programs focusing in empowering the specific groups of people like Youths and women under the supervision of Ministry of Community Development and Women Affairs and Children.

In the context of Zanzibar as a semi-autonomous part of United republic of Tanzania, also should reforms the policy and promote its small and medium enterprises and keep more emphasize in ensuring the better performance of the sector by improving the business infrastructures, also Zanzibar government must keep efforts on work together with different development partners such as UNIDO, donors and other development patterners so as to ensure the better performance and growth of the sector.

COMPETING INTERESTS

The authors of this study declare that there is no competing interest exist.

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