CUSTOMER CARE AND PERFORMANCE OF SMALL MEDIUM ENTERPRISE
(SMES).
(THE CASE STUDY: KINONDONI DISTRICT DAR ES SALAAM -TANZANIA)

BY

ADOLPH A. MOSHY

BBA/25937/111/DF

A DISSERTATION SUBMITTED TO COLLEGE OF ECONOMICS AND
MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF BACHELOR'S
DEGREE IN BUSINESS ADMINISTRATION
OF KAMPALA INTERNATIONAL
UNIVERSITY

DECEMBER 2012

CERTIFICATION

The undersigned, certify that he has read and hereby recommend for acceptance by Kampala Internationa University, a Research Proposal entitled: **Customer care and Performance of SMEs in Kinondoni District Dar es Salaam Tanzania**. In partial/fulfillment of the Requirements for the Bachelor of Business Administration-Marketing option of Kampala International University-Uganda.

MR. HENRY BARAZA

(Supervisor)

Date: 11/1/2013

DECLARATION

I Adolph A. Moshy declare that this thesis is my original work and it has never been presented and will not be presented to any other university for a similar or any other degree award.

Signature: _____

ACKNOWLEDGEMENTS

First and foremost I thank God for giving me strength and ability to undertake and complete this report. The completion of this dissertation has been one of the most significant academic challenges I have ever had to face.

I owe my deepest gratitude to MR. HENRY BARAZA my supervisor for his intellectual guidance, incisive and constructive criticism, patience and encouragement. Despite of his many other academic and professional commitments MR. BARAZA has always found time to see me. I am heavily indebted to him without him this study would have not been on this present form.

Several colleagues have helped me in deferent capacity. I am grateful to Lillian Augustnine, Clephance Nsheka, Josiah Elieza, Hellen Mrango, Martha C. Lupoja, Emmanuel Mkinga, Emmanuel Aron and others. Institutionary, in academic, my gratitude goes to the entire management of Kampala International University for giving me the chance to study since first year until my last year without them I could not be able to write this today, and thanks to all my lecturers to mention are a lot but for a few I would like to say thanks. First, Mr. Baraza, Tom Mugume, Ssali Mashood, Florence Irau, Dr. Omara and others who helped me to pursue well by BBA studies.

My special thanks go to my parents Mr. and Mrs. Augustino Moshy, for their support. Second thanks and appreciation go to my family members Wendy A. moshy, Joseph A. Moshy, Magreth A. moshy, Wolfgang A. Moshy, Bonus A. Moshy, Morando A. Moshy, Colman A. Moshy, and Winy A. Moshy, they all stood by me in one way or another until this day. And satisfy to all my relatives, friends and neighbors, I thank them a lot for their understanding and support for the entire period of my studies.

ABSTRACT

This research focused on the Customer care and performance of SMEs in Kinondon district Dar es salaam. The main objective of the study was to develop objective of customer care and performance of SMEs sector in the stated area and suggest possible solutions to those objectives. Specifically, the study focused on identifying the business practices undertaking by SMEs, examining the methods, procedures, processes and rules employed or followed by SMEs in the pursuit of their objectives and drawing recommendations based on the results of the study.

Sampling technique which was used in this study was random sampling from a sample frame of business operators in which 50 sample sizes was selected. The data were collected by using questionnaires and structured interview baselines.

The results of the findings revealed that in some extent the business practices of Mwenge SMEs is practicing although in very limited manner.

Based on the findings, it is recommended that the SMEs business operators need to be equipped through various trainings programmes on marketing, financial management, human resource management, modern technology, communication skills, etc. The government agencies on other hand need to create conducive environment for effective and efficient business practices to prosper, such as advise banks to reduce interest rates, reduce the trade fair participation fees, act as agency for searching the markets for products abroad, provide bank guarantee for these firms, reduce tax burden and create tax incentives, etc.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF ABBREVIATIONS

BOA Bank – Bank of Africa

CTI – The Confederation of Tanzania Industries

ESRF – Economic and Social Research Foundation

EWURA – Energy and Water Regulatory Authority

GDP – Gross Domestic Product

ILO – International Labor Organization

MFIs – Micro Finance Institutions

NMB – National Microfinance Bank

SBM – Small and Medium Business

SELF – Small Entrepreneurs Loan Facility

SMEs – Small and Medium Enterprises

SPSS – Statistical Package for Social Scientists

SUMATRA - Surface and Marine Transport Regulatory Authority

TANTRADE – Tanzania Trade Development Authority

CHAPTER ONE

INTRODUCTION

1.0 Background Information

Kinondoni is one of the municipal councils of Dar es Salaam region, others are Temeke and Ilala. Dar es Salaam is the busiest commercial city in Tanzania. My study broadly focused on the challenges faced by SMEs in Kinondoni district. Also the researcher took a look at the objective of the study, how did the problem develop and significance of SMEs to government, consumers, academic community, policy makers, SMEs, and society in general.

SME sector has claimed a very great part in the development of our country, increase income of individuals, employment, raising government revenues by collecting taxes and levies. But this sector lack customer care strategies that hinder it growth. Under this chapter I focused on the context of my study, statement of the problem, research question, and objective of my research and significance of this study.

Context of the Study

SMEs in our country makes one third of the GDP and there are 1.7 million SME projects which employ 3 million people. This number is equivalent to around 20% of the work force in Tanzania.

According to the study conducted by Economic and Social Research Foundation (2006), statistics shows that there are about 700,000 new entrants into the labour market every year. About 500,000 of these are school leavers with less marketable skills. The public sector employs about 40,000 new entrants only, leaving about 660,000 to join the group of unemployed or underemployed. Most of these people end up in the SME sector, especially in the informal sector. Given that situation and the fact that Tanzania is characterized by low rate of capital formation, SMEs are the best option to address economic development.

Kinondoni Municipal Council Strategic Plan (2007 - 2010), shows that 360,000 residents of Kinondoni Municipality are employed in both private and public sectors. Out of these, 95% are

1

employed in the private sector while the rest 5% are employed in the public sector. A working force of 200,000 people is self-employed. The majority of the residents are involved in petty business, fisheries, livestock keeping and agriculture including horticulture. Only 3% of the working force is engaged in subsistence agriculture in the peri-urban areas. There are no big farms but small plots ranging from 2.5 to 6 acres. Others make small gardens around their houses in which various vegetables and root crops like cassava and sweet potatoes are grown for family food and the surplus for generating income.

The study conducted by Swiss Cooperation in 2007 on Private Sector Development revealed that SMEs luck many customer care strategies such as poor managing customer service, poor encouragement customer loyality, poor identification of customer needs, wants and expectation and lack of customer care quality dertermination which result in bad perfoemance of SMEs.

1.2 Statement of the Research Problem

Tanzania has passed through number of economic eras before independence up to this juncture. During those eras SMEs in this country faced a number of challenges mentioned as lack of Entrepreneurial skills: Lack of entrepreneurial culture which calls for high involvement in entrepreneurship training and opportunity identification, business registration procedures, lagging behind technology, globalization on the labour market, lack of marketing information, lack of inadequate markets and poor infrastructure.

There is a need for effective customer care to meet the needs of end user and business objectives in relation to customer care and performance of SMEs.Due to poor customer care strategies which is usual carried by SMEs make them to have poor performance in the sector.

To have effective customer care which can lead to better performance SMEs should engage in strategies such as managing customer service by encouraging customer loyalty, identification of customer needs, wants and expectation and customer service quality determination.

Most of the school leavers engage themselves in entrepreneurship, but due to the limited knowledge of customer care they have on entrepreneurship, they do not make it. After short time

2

their businesses collapse. However, SMEs provides incomes to the business holders, and is one of the major sources of employments in Kinondoni district and Tanzania at large.

1.3 Research Objectives

1.3.1 General Objectives

To correlate the relationship between customer care and performance of SMEs in Kinondoni.

1.3.2 Specific Objectives

To establish how customer care affect sales in SMEs in Kinondoni.

To establish how customers care affects profit of SMEs in Kinondoni.

To establish how customer care affect market share of SMEs in Kinondoni.

1.4 Research Questions

1.4.1 General Question

What is the correlation of relationship between customer care and performance of SMEs in KinondoniTanzania.?

1.4.2 Specific Questions

How does customer care affect sales of SMEs in Kinondoni Tanzania?

How does customer care affects profit of SMEs in Kinondoni Tanzania?

How has customer care affected market share of SMEs in Kinondoni Tanzania?

1.5 Significance of the Study

The study is important to the government, consumers, academic community, policy makers, SMEs, and society in general as explained below;

The Government

The study will help the government to get to know the nature of working conditions related to customer care of SMEs in Kinondoni district and Tanzania at large. They are among major contributors of the government's revenue in the country.

3

However, the government is obliged to make good environments to the SMEs so as they can have access to good services, good working and operating business premises such as fish market at Magogoni fish market and Machinga complex and alike. Having places like these of making business it will enable SMEs to have fixed premises of operating their business, also it will easy the work of Government in collecting taxes and levies and these working places will act as collateral when asking for the loans from financial institutions.

Consumer

Consumers will get to know what they actually deserve in terms of service quality and price band of the products in the market, and other benefits that they ought to be offered by business holders.

Academic community:

This study forms a basis for further researches in the same subject/content and therefore, it gives knowledge to other researchers who will be interested in researching.

Society in General

The society especially those around the business owners or small industries should benefit from such business, for example the provision of social services, and also should be protected against pollution or other hazardous chemicals from those industries.

Through this dissertation, the society will be in the position to understand better products or services, hence be in the position to challenge business owners.

SMEs

After identifying the customer care and performance of SMEs in Kinondoni district, there shall be room for the SMEs to engage in effective customer care and turn them into opportunities. SMEs in Kinondoni and Tanzania at large would get the opportunity to understand the basis of data the nature of competition they face in the business and also identify reasons for downward trend in their performance. The study helps them to design appropriate effective customer care

and marketing strategies that will make them compete effectively in the market and serve its segmented customers in the most efficient and effective way. This study will have a deep understanding of the various reactions and attitudes of its customers in relation to any changes made in the market strategies such as market segmentation and this will be a basis in formulation of relevant tactics of retaining core customers thus maintaining existing customer base and expand so as to increase sales volume and overall profitability. The research will also enables them to understand how the customers evaluate the services and satisfaction levels.

1.6   Scope of the Study

Tanzania is a very vast country that has about 29 regions (including 3 new regions that were formed recently).
Tanzania has a total area of 945,090 square kilometers with estimated population of about 40 million people.

More than 80 percent of the population is rural in Tanzania, who most of them depend on the agriculture.

Dar es Salaam is the largest city and is the commercial capital in Tanzania. It is also the country's richest city and a regionally important economic centre. Dar es Salaam is actually an administrative province within Tanzania, and consists of three municipal councils, namely: Kinondoni to the north, Ilala in the center of the region, and Temeke to the south. The Dar es Salaam Region has a population of about 4 million people (estimated figure).

The study was conducted in Mwenge, Kinondoni district, because of the easy of the information accessibility and additional to that Kinondoni is the place of my domicile.
Kinondoni has total area of 521.695 square kilometers, where it has 4 divisions, 27
wards, 113 streets and 14 villages. Population of Kinondoni is estimated to be more than 1 million. Number of population in Kinondoni grows in a rapid pace due to immigration of people from other region of Tanzania.A large number of SMEs are found in Dar es Salaam than any other region in Tanzania.

5

1.7   Limitations

The researcher faced some limitations from interviewees, some find it as a waste of time being interviewed while waiting for or attending customers, the fact that they are not being paid by the researcher, they did not make interview as something of their of priority.

Language barriers. Researcher faced same limitation especial in term of language barriers. This research was carried using English language but most of respondent especially in rural areas English language is difficult to then which leads to miscommunication.

Confidentiality. This means to keep something between two parties involved, it involves no one gives any details of what have just discussed or happened. Most of respondent don't expose same of information to researchers because it is very confidential to their business and they scared that information might be used in deferent way.

1.8 Conceptual frame work

Based on literature review and a clearly defined problem statement, the following is the summarized theoretical framework for the study.

The framework has been analyzed in the following diagram below, the framework has various variables as (independent variables) that seem to have influenced the Performance SMEs in particular Kinondoni district and Tanzania in general, namely: Product/Services pricing, Customer relationship, Product/service quality and Core business processes.

Under this study therefore, the dependent variable is the Performance of SMEs, which is the variable of primary interest, in which the variance is attempted to be explained by the above mentioned independent variables.

The network of relationship between above dependent and independent variables is labeled and diagrammed in the following diagram below and detailed as follows:

1.8.1   The Model

A Conceptual Framework Diagram

<u>Independent Variable</u>   <u>Dependent Variable</u>

Customer care mgt
Quality of customer service
Quality of product/service
Attention to inquires
Communication

Service delivery
Products availability
Price
Attention to inquires
Communication

Government policy
Fund and finance
Technology

<u>Intervene Variable</u>
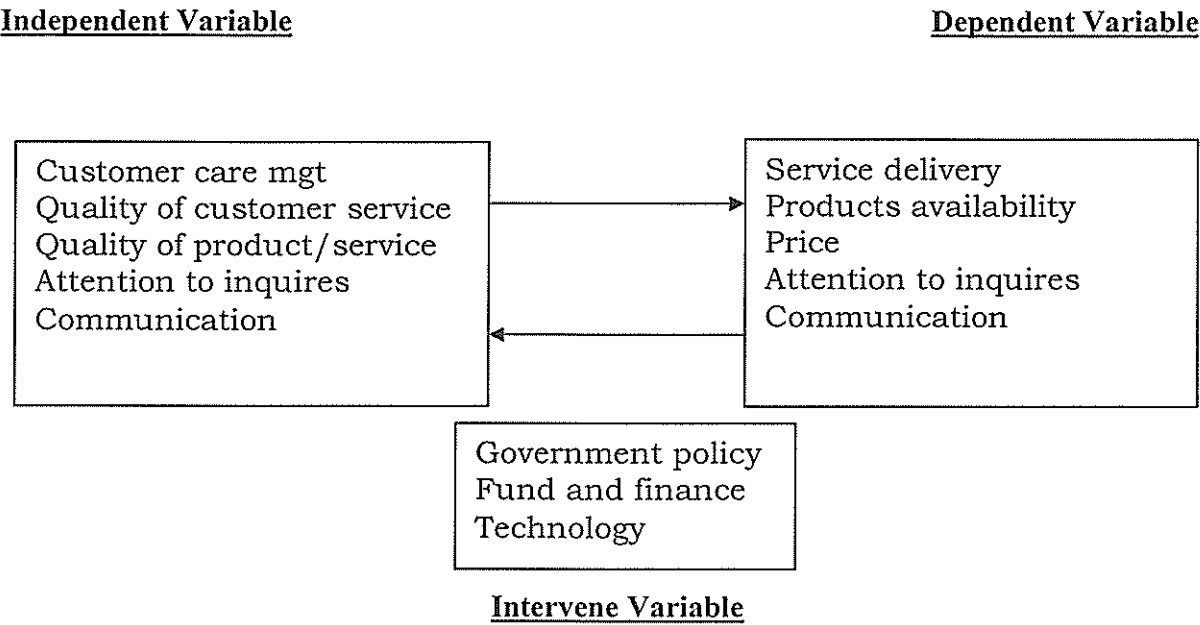
Source: by Researcher.

1.8.2   Underlying Assumptions

The study reveals out that the performance of SMEs in Kinondoni greatly depend on the these variables as mentioned above as customer care management, quality of customer services and quality of products or services, attention to inquires and communication.

The businesses that have effective customer care, better customer care management, quality of customer services and good quality of products or services, attention to inquires and effective communication stand a chance to win more customers than those which do not offer the same.

7

1.8.3 Relationship between Variables

Customer care.

The performance of SMEs mostly depends effectiveness of customer care. The effective customer care of the business enterprises the greater performance of that entrepreneur because most of the consumers look at sufficient service and would like to get an advantage from the the service, to solve their problem meaning meet their needs and wants.

Customer care management

SMEs face very intense competition in the market. Thus, effective customer care management should focus on the "customer order fulfillment". And this should be rendered on time as it reflects SME performance. Therefore, an entrepreneur with faulty or poor customer care management is exposed to negative performance.

Quality of Customer Service

Quality of customer service provided by entrepreneurs has a direct relationship to their performance. Service quality in the context of SMEs includes facilitating services such as delivery of product, quality of products, offers, convenience shops at retail shops etc. Thus the less the degree of services perceived by customers the greater the possibility of poor performance taking place.

Quality of Products/Services

Product quality is perceived to be critical factor to the consumer before he/she decides to buy a product/service. Quality in any industry also goes in line with the changing customer needs as a result of rapid technological changes. Thus, the poor the product quality offered the greater the possibility of Negative performance for that organization taking place.

The relation of variables as explained above indicates that the four independent variables are related to the dependent variable.

1.8.4 Statement of Hypothesis

The preliminary study about the subject revealed that although the entrepreneurs in small industrial business in Tanzania are active in relatively similar environment but some of them after a while are bankrupted. This is the question why some of the entrepreneurs are successful but others fail to continue their businesses. For the purposes of this research, SME was defined as independently owned and operated businesses employing fewer than 99 employees. For measuring entrepreneurs successful in business there are a numbers of methods such as:, net profit after tax reduce, amount of tax paid during the last three years, rate of productivity (input-output ratio), current assets ratio (ratio of current assets to current debt), keep working since three years ago and active in the business, increase products, services and sale, increase business capital.

(Ho – Null Hypothesis)

The performance of SMEs does not significantly depend on the four variables. These variables are Product/Service Pricing, Business Process, Quality of Customer Services and Quality of Products/Services.

(H1 – Alternate Hypothesis)

The performance of SMEs depends significantly on the four variables.

CHAPTER TWO

LITERATURE REVIEW

2.1   Introduction

This chapter gives an insight on the review and analysis of existing literature about Customer care, Entrepreneurship, and Small Medium Enterprises and also looks at what other scholars, academicians and professions say about the subject.

2.2   Customer care

Customer care is the belief or idea of treating well, keeping informed, looking after customers and methods of managing the process. Customer care is the ability provides service or product to the customers in a way that has been promised or providing competitive advantage. Customer care aims at creating long relationship with customers, which will not only satisfy them but also leave them with a feeling of goodwill.

According to Drunker (2005), Customer care is built in culture within business environment. Customer care in any business enterprise should begin by identifying who its customers are. It has become goal not to just satisfy the customers but also to delight them by going beyond their expectations and this is by building a good relationship between business enterprises and the customer.

2.2.1 Managing customers care

Satisfying the customers by filling their needs or solving their problems in a courteous and timely manner. The degree of customer satisfaction is contingent upon the match between en the needs and how well the product or service fill that need. A customer expect courteous and prompt service at all times.

According Philip Kotler (2000), To increase sales and performance concentrate on helping customer to fulfill their needs or solve their problems. A need can only be filled properly when it is clearly understood by both customers and the service provider.

10

2.2.2 Entrepreneurship

The researcher agrees the fact that there is no universal definition for "entrepreneurship". It is always important to the researcher to provide his working definition. However, unfortunately this makes it difficult to compare the results from different studies, and to draw comparisons from country to country.

According to Robert (2002), entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psych, and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence.

According to Schumpeter (1934), entrepreneurship is an innovative process of change, whereby new products, or new combinations of procedures, are created through "creative destruction".

According to Hisrich & Peters (2002), entrepreneurship is a process of creating something new with value of devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the reward of monetary and monetary and personal satisfaction and independence.

2.3 Small Medium Enterprises (SME)

While most people know that SME stands for Small and Medium Enterprise, there was no clear cut definition of SME or how a company, entrepreneur or a business organization can be classified into SME category. This has caused confusion especially when an entrepreneur is looking to get assistance from the SME related bodies and financial institutions.

Different agencies and bodies use various/different parameters in deciding if a business entity falls under the SME group e.g. sales turnover, number of full time employees, paid up capital and so on.

The definition of SME is based on two criteria, namely:

The number of people the business is employing, or

Annual sales turnover or revenue.

The SMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes

referred to as micro, small and medium enterprises (MSMEs). The SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services.

There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development. The commonly used yardsticks are total number of employees, total investment and sales turnover. In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital
investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million. This is illustrated in the table below:

Table 1: CATEGORIES OF SMEs IN TANZANIA

Categories	Employees	Capital Investment in Machinery (Tshs.)
Micro	1 – 4	Up to 5 million
Small	5 – 49	Above 5 mil. to 200 mil.
Medium	50 – 99	Above 200mil.to 800 mil
Large	100+	Above 800 mil.

Source: Tanzania SMEs Development Policy, 2002

N.B: In the event of an enterprise falling under more than one category, then the level of investment will be the deciding factor.

2.4 Analysis of Studies from Abroad

EU SME defined - The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the WTO. The term small and medium businesses or SMBs is predominantly used in the USA.

EU Member States traditionally have their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium". By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with fewer than 100

employees, while medium-sized business often refers to those with fewer than 500 employees. Both the US and the EU generally use the same threshold of fewer than 10 employees for small offices (SOHO).

In most economies, smaller enterprises are much greater in number. In the EU, SMEs comprise approximately 99% of all firms and employ between them about 65 million people. In many sectors, SMEs are also responsible for driving innovation and competition. Globally SMEs account for 99% of business numbers and 40% to 50% of GDP.

In South Africa the term is SMME for Small, Medium and Micro Enterprises. Elsewhere in Africa, MSME is used for Micro, Small and Medium Enterprises.

Industry Canada defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business), and a medium-sized business as fewer than 500. In New Zealand a SME has to be 19 people or fewer.

International Perspective

The contribution of SMEs to GDP and employment has been shown to be significant in various countries. In Uganda SMEs put in 40% of GDP, more than 50% to manufacturing and over 80% in wholesale and retail. In Nigeria SMEs donate more than 42% of GDP. Despite the structure of a developed economy, SMEs in Japan contribute 38% of GDP. In Italy, Ireland, Israel, Portugal

and Spain, SMEs contribute between 35 – 50% of GDP (ILO 2001).

A survey of SE in five African countries showed that small firms employing less than 10 workers accounted for 45 – 50% of employment in manufacturing and 26 – 64% of manufacturing value added (Liedholm in Wangwe, 1999).

The importance of small enterprises for employment in selected countries in Africa is shown in the following table.

Table 2: Country Percentage Share Small Firms in Total Wage Employment.

COUNTRY	PERCENTAGE (%)
Ghana	85
Kenya	59
Nigeria	45
Sierra Leone	95
Tanzania	57
Uganda	62
Zambia	84
Zimbabwe	53

Source:

Paper for National workshop on Small Enterprise Research, Dar es Salaam

2.4.1. Analysis of Studies from Tanzania

There is no consensus of SME definition as various countries had different definition depending on the phase of economic development and their prevailing social conditions. In this, various indexes are used by member economies to define the term such as number of employees, invested capital, total amount of assets, sales volume (turnover) and production capability.

Small Medium Enterprises in Tanzania

In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million. This is with accordance to the Tanzania's SME Policy, 2002

SME in Tanzania has different features, such as;

Dependence on a limited number of people (often owners and managers are one and the same persons)

Close relationships to customers and business partners

Simple structures

Small size

2.5 Conclusion

In this literature review chapter we have seen the in depth meaning of SMEs, entrepreneurs and entrepreneurship from different contexts. However, there are no universal definitions of these words. It depends on the country.

Customer care and performance of SMEs in many places seem to be interrelated, especially in developing countries.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter is focused on the research design, area of study, data requirement collection and techniques, population and sampling size, data collection methods and instruments and data analysis and presentation.

3.2. Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

The methods under research design will be cross sectional study based on the qualitative together with quantitative in gathering the information that will be used to establish the relationship between customer care and small medium enterprises performance.

3.3 Study Area

The study was conducted in Kinondoni district; Kinondoni has total area of 521.695 square kilometers, where it has 4 divisions, 27 wards, 113 streets and 14 villages. Population of Kinondoni is estimated to be more than 1 million. Number of population in Kinondoni grows in a rapid pace due to immigration of people from other regions of Tanzania and some from other countries.

Kinondoni has numerous entrepreneurs that are located all over. I live in Kinondoni District: this is among other reasons that made me to conduct my research in Kinondoni so it was easy for me to collect data and access other necessary information for my research.

3.4 Sources of Data

The data collection techniques the researcher used helped us get data from both primary and secondary sources.

In this study secondary data was from the record of SMEs, policy paper, from government and report on SMEs; this is for the case of secondary data, and primary data, were obtained from

field, where data collection techniques such as interviews, observations, questionnaires, focus group discussions were employed to get required data.

3.4.1 Primary Data

This is data that is collected specifically for the research project being undertaken. Raw data is a term for data collected on source which has not been subjected to processing or any other manipulation. Data collected specifically for a purpose; sources may include questionnaires, interviews and focus groups.

3.4.2 Secondary Data

This is the data that is used for the research that were originally collected for some other purposes. Secondary data includes both raw data and published summaries. Most organizations collect and store a variety of data to support their operations: for example payroll details, copies of letters, minutes of meetings and accounts of sales of goods or services. Other examples of secondary data are voice recordings, video recordings, government publications, journals, population census, surveys etc

3. 5 Population and sampling

Sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen.

Researchers rarely survey the entire population for two reasons (Adèr, Mellenbergh, & Hand, 2008): the cost is too high, and the population is dynamic in that the individuals making up the population may change over time. The three main advantages of sampling are that the cost is lower, data collection is faster, and since the data set is smaller it is possible to ensure homogeneity and to improve the accuracy and quality of the data.

3.5.1 Target Population

Population is about people, and the dwellings, locations and environments that people live in. Population can be defined in many ways, for example by age, gender, birthplace or location. The study targeted SMEs who are located in Mwenge, Kinondoni district.

3.5.2 Sample Size

Out of total population a sample of 50 respondents will be selected from which the information will be sort. The sample size will be determined by using solvens formula which stated,

$$n = N/1 + N (e^2)$$

where by   n= sample size

N= total population

$e^2 = 0.05$ is level of significance

In this research, 50 people were the target sample size. But due to some reasons that were above my control, only 44.4 people responded to the questionnaires distributed to them.

3.6 Data Collection Methods and Instruments

3.6.1 Data Collection Methods

In the field work, data collected through various methods such as questionnaires, observation, interview and literature reviews.

3.6.2 Questionnaires

A questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic.

Questionnaire will contain both open ended and close ended questions. The researcher will use a questionnaire because they will help in collecting a large amount of data within a very short period of time and involving a large number of respondents.

3.6.3 Observation

This is systematic observation, recording, recording, description, analysis and interpretation of people's behaviors.

This will be used to enable the researcher to obtain primary data which could be observed easily and does not require the uses of questionnaire and interview.

3.6.4 Interviews

An interview is purposeful conversation in which one person asks prepared questions (interviewer) and another answers them (respondent).

Interview will be used to enable the researcher to obtain primary data which could be observed easily and does not require the uses of questionnaire and interview.

3.6.5 Data Collection Instruments

In this research, questionnaires and interviews and were mostly employed in the exercise of data collection.

For the purpose of this study the researcher decided to choose these instruments, as they may help in the exercise of data analysis where reliable and valid observation in my research were obtained.

3.7   Data Analysis

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it. The process of organizing and thinking about data is key to understanding what the data does and does not contain. There are a variety of ways in which people can approach data analysis, and it is notoriously easy to manipulate data during the analysis phase to push certain conclusions or agendas. For this reason, it is important to pay attention when data analysis is presented, and to think critically about the data and the conclusions which were drawn.

3.7.1 Data Processing

Data processing is a process used to enter data into a computer in order to summarize, analyze or convert it into other usable information. It may involve recording, sorting, calculating and disseminating data.

3.7.2 Data presentation

In this study software for the data analysis known as Statistical Package for the Social Science (SPSS) will be used. This is analytical software specializing in data mining, customer relationship management, business intelligence and data analysis.

3.7.3 Hypothesis Testing

A statistical hypothesis test is a method of making decisions using data, whether from a controlled experiment or an observational study (not controlled). In statistics, a result is called statistically significant if it is unlikely to have occurred by chance alone, according to a pre-determined threshold probability, the significance level.

After having data from field, the researcher tested the hypotheses;

(Ho – Null Hypothesis)

The performance of SMEs does not significantly depend on the four variables.

(H1 – Alternate Hypothesis)

The performance of SMEs depends significantly on the four variables.

3.8 Conclusion

The researcher got data from various sources and by using various instruments. For example secondary data were obtained from text books, various organization reports, research papers and manuals, and in the case of primary data, these data were obtained directly from the field through interviews where structured and unstructured types of interviews were employed, and observations. Primary Data obtained from the field were analyzed by using SPSS.

20

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION OF THE FINDINGS

4.1 Introduction
This chapter explains field findings specifically on the profile of the respondents, research objectives and hypothesis testing.

This chapter guides the researcher throughout his study, the study was conducted in Kinondoni district in the areas of Mwenge.

4.2 Profile of the Respondent
Total of 45 people were interviewed; all of them were business owners. Males were 24 and females 21, this means males were 53.3% of the respondents and females were 46.7%.

The aim was to reach 50 SMEs operators. 5 people did not respond to the questions due to several reasons. For example others thought I was revenue collector/tax assessor from government authorities.

The study revealed that, most of the age group that engages in business are people who range from 31 – 40. This group comprises about 60% of the respondents.

Furthermore, most of the SMEs operators in Mwenge area are retail shop owners, carpenters, pharmacies, tailoring business.

Also gender influenced the choice of the business to a large extent. For example, most of the females were engaging themselves in businesses that do not need a lot of energy such as beauty salons, retail shops, food vending outlets and catering services. Males concentrated in businesses such as welding, carpentry, mechanics sculpturing and such like.

Figure 1: Profile of the Respondent
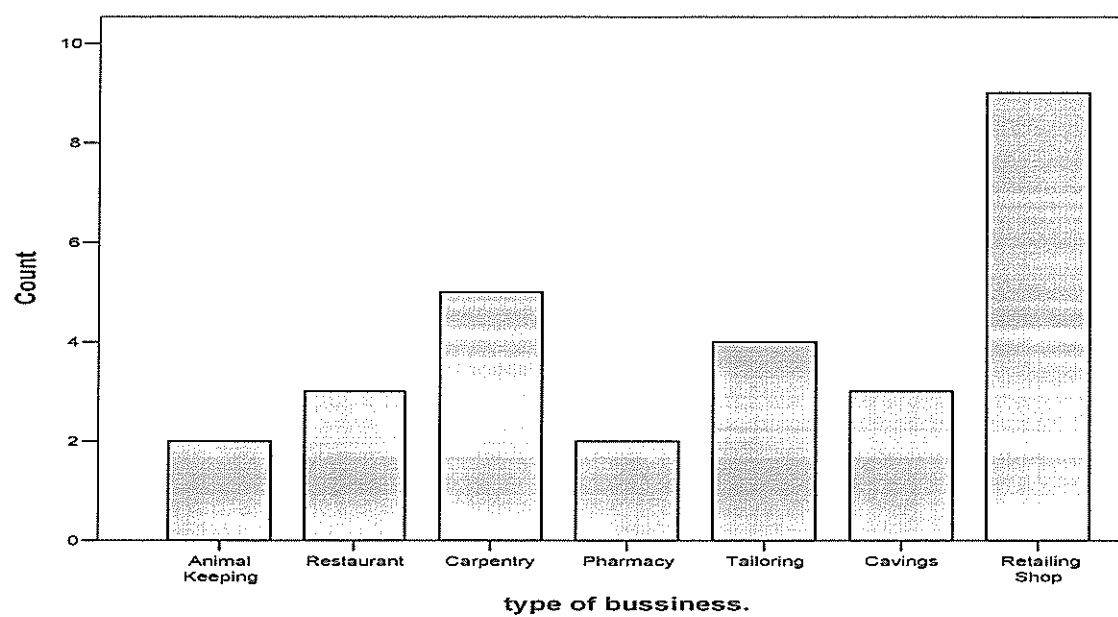
Source: Research Data

Distribution of the age of the respondent is given below in the table.

Table 4.1: Age Distribution of the Respondents

	Frequency	Percentage	Cumulative Percentage	Male	Female
Below 20 years	1	2.2	2.2	1	0
21 – 30	8	17.8	20	5	3
31 – 40	27	60.0	80	13	14
41 – 50	6	13.3	93.3	3	3
50>	3	6.7	100	2	1
Total	45	100.0		24	21

Source: Research Data

Business owners who were interviewed ranges from beauty salons and pharmacy owners, handcrafts carvings, retail shops, tailors, catering operators, cosmetic shop owners, furniture sellers & carpenters.

All respondent were interviewed by using questionnaires. All of these people are located in Mwenge area, Kinondoni Municipal.

4.3 Reason for poor customer care of SMEs in Kinondoni District

Introduction

In the field it was revealed that there were number of factors that made businesses to have poor customer care. These factors differed from one business to another, but some of the factors are more or less from other business.

Lack of customer care knowledge and service

Most of business operator do not have knowledge about how they have to deal with their customer involve the ability to provide service or product to the customer in a way that customer will meet their expectation. Customer care are aims at creating close relationship with customers, which not only satisfy them but also leave them with a feeling of goodwill, but most of people engage in small medium enterprises luck that knowledge.

Customer service plays a great role in the performance of SMEs. Good customer service can attract customers and yet create customers satisfaction which in turn leads customer loyalty. Customer loyalty is most important thing in any business to grow. Customers who buy at your business frequently help you to cut the cost of acquiring new customers. Acquiring new customers is much more expensive than keeping existing ones.

Lack of Marketing Skills

In the interview it was revealed that, the respondents do market their products through personal selling technique. This type of marketing is very limited in scope that is why the main buyers of the products are those who are coming to their sites. Therefore, the marketing skills are needed in order to increase/acquire new number of customers and keeping the existing ones.

23

Most of the business operators do not have the right selling skills. Selling skills make customers spread word of mouth advertisements; hence customers flow at your business.

One businessman interviewed said after finishing his Secondary school's education he did not perform well so he decided to run a retail shop business in Mwenge, but education he got at school does not help him in running his business. The education did not help him acquiring necessary skills for running his business.

This problem faced many entrepreneurs in our country. Our education system and curriculum do not prepare one to be self reliant or to be entrepreneurs. It prepares one to be employed, and that is why most of educated are employed somewhere else, and they are not entrepreneurs, most of the people who turn into business are those who have been trained by their parents and not in schools.

Poor Customer Service

Bad customer service can lead to a bad ending for your business. Good customer service keeps customers coming back. Bad customer service keeps customers away. It is important that a business have effective and pro-active customer service personnel and a good policy. Keeping customers happy, and getting them to tell others about the great service they received. Some business men/women do not treat well their customers, this makes the customers turn to other businesses.

It costs less to retain current customers than it does to attract new ones. Good customer service keeps customers happy. If needs go unmet, or the acknowledgment of a less-than-stellar product is lacking along with an attempt to satisfy customers, customers might buy from the business once, but will not return. If a company has to spend a constant portion of their operating budget attracting new customers, it can lead to a cash flow problem, which can be the death of a business

Poor Quality of Products

SMEs face problems of the availability of production inputs. For example better quality raw materials are generally exported or are available only to larger firms and their suppliers tend to

be oligopolies. Inadequate customer knowledge, infrastructure and weak provision of basic services such as transportation, energy, urban planning and production sites represent particular impediments for SMEs.

This in turn leads to the poor provision poor or double standards products. Most of the products that are produced by SMEs in Kinondoni business area have poor quality; hence they cannot compete with other products foreign countries.

High Price of Commodities/Products

Prices that are charged to the products that are sold by SMEs in Tanzania are slightly higher than those of imported products/commodities. This is a result of high cost production in Tanzania compared to other countries.

The high cost of production has been caused by many factors such as the problem of power rationing and number of taxes and local levies that are charged to these SMEs.

Business Process

It was revealed that customers are not involved in the business process. Customers or consumers do not have any influence in the production of any product/commodity or rather services.

This greatly leads to dissatisfaction to the customers as they not involved in the business process/production. So most of the products that customers buy or consumers use are not custom or tailor made. Customers or consumers are just getting what was produced against their will. And if one wants to have a product which is custom made he/she has to pay a premium price to that product, which most of customers can not afford to that.

If all customers were involved in the process of production like in barber shops customers would have been satisfied a lot in the process.

Poor market infrastructure

Five customers, who were interviewed in Mwenge market area, seemed to be dissatisfied with the market infrastructures. The market does not have public toilets for customers and entrepreneurs. However, the market itself is not conducive to support many people at a time, no sewerage systems, no spacious parking lot and business booths are not arranged in a particular

25

order with accordance with type of business one is undertaking.

Government Bureaucracy

High start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs. The high cost of settling legal claims and excessive delays in court proceedings adversely affect SME operations. The absence of antitrust legislation favors larger firms, while the lack of protection for property rights limits SME access to foreign technologies.

4.4 Possible Solutions to the problem

Introduction

As far as problem differed from one business operator to the other, also suggested solutions differed accordingly, but some of them the researcher found to be common. The suggested solutions are such as follow;

Provision of Good Customer Service

This includes many factors such as Communicating your best through: your body language, the sound and tone of the voice (it's often more important than the words one uses), identifying, understanding, and anticipating the needs of your customers by being sensitive to cultural differences, knowing their time requirements, being attentive, developing the skill to read your customer and understand what your customer may need or want. Instilling trust and confidence by treating customers with respect and courtesy, making them feel welcome and important, providing a comfortable environment, staying energized and projecting a positive attitude (you never get a second chance to create a positive first impression), listening, obtaining feedback, sending clear messages, saying the right thing.

Customer care knowledge

Business operators should acquire knowledge about how they have to deal with their customer involve the ability to provide service or product to the customer in a way that customer will meet their expectation. Customer care are aims at creating close relationship with customers, which

not only satisfy them but also leave them with a feeling of goodwill.

Marketing Skills

Business operators should have the right selling skills. Selling skills make customers spread word of mouth advertisements; hence customers flow at your business. Product and market skills and knowledge enable business operator or sales representative to know how to handle customers for better performance.

Good Quality of Products/service

Quality of Products/Services is another important factor that marks the performance of SMEs. Any product or service should have good quality so as to attract more customers.

The quality of the product have to match the expectation of the customer, customer always expect get product which satisfy their needs and wants. To fulfill this believes small medium enterprises have to produce quality product to their target customer to retain them and earn more market share.

It was revealed in the field that most of the products that are produced by especially small SMEs have very low quality. This is a result of poor technology that they use in the production of their product. SMEs in Kinondoni use very poor technology in the production. This is the result of poverty and lack of enough capital that is needed to buy that technology that is seems to be extremely expensive. However, they do not have collateral that can enable those SMEs operators accessing loans from financial institutions.

Also, the quality of service that is being provided to the customers affects the performance of SMEs. It was revealed during the field that, most of SMEs that are being operated by third parties (people who sells or attend customers are not business owners) do not have good customer service unlike those which are being operated owners of the business.

Fare price of Commodities/Products

Prices that are charged to the products that are sold by SMEs in Tanzania should also match customer ability and expectation. Price of the commodity also has to match the quality of the respective product.

27

Price is the most important factor in product or service that a business offers. Any product or service should charge a reasonable price. A business should charge a price that customer can afford to pay for and yet the business makes profit.

The study found out that some the SMEs are charging very high prices. This has been caused my various factors such as high cost of production and lack of new technology and modern tools of the production. As a result of this challenge, these SMEs do not get reliable customers because of the high prices of their products. Their products face stiff competition from products that are imported from foreign countries, especially China. Products from China seem to have low price compared to our local made products. Hence, higher prices of local products have adversely affect SMEs products in Tanzania

Provision of the Working Capital/Loans
Strategies have to be developed and pursued to ensure increased access to available financial resources for development as well as operational ambitions of SMEs in our country.

However, our Government has done very good job on the provision of loans to SMEs through the project known as Small Entrepreneurs Loan Facility (SELF). About 32 billion Tanzanian Shillings have been injected in this project. So far 9 billion Tanzanian shillings is still outstanding balance to small entrepreneurs. This money is being distributed through Micro Finance Institutions (MFIs) countrywide. Though, not all entrepreneurs in need have been benefited from this project, as there is very great demand than the capacity of the government.

About 13 entrepreneurs who were interviewed have asked the government to provide financial support in terms of soft loans to SMEs in order to foster their businesses.

Provision of Soft Loans
The provision of low interest loans will enable many SMEs operators to access these loans and develop their businesses.

Most of businesses can not access these loans because they do not have collaterals, as this is one

of the requirements of accessing loans. Banks and other financial institutions should review the requirements of provision of loans and other financial assistance to SMEs in Tanzania, Kinondoni district. In this district there various banks that can cater for the problem of loans to SMEs, these banks are such as CRBB, NMB, NBC, BOA Bank, Barclays Bank, Eurafrican Bank just to mention few.

But all of the mentioned commercial banks that are located in Kinondoni district do not target SMEs as they claim to be. Most of the SMEs can not access loans from these banks as they do not qualify the necessary conditions for the acquisition of the loans. Their loans need a lot of conditions to be fulfilled in order for the one to get loan. However, they charge very high interest rates that these SMEs can not afford.

Nine of the respondents were sure of getting loans from SELF. They applauded the government for the design of t this project as it is real targeted entrepreneurs, and of course they were sure of getting the loans from their respective SACCOS.

Education & Trainings to the Business Operators
Government and other stakeholders need to conduct various trainings on how to establish and serve customer smoothly. This will help these SMEs to develop and excel further. Also they will have an opportunity to have knowledge of better customer care tactics and hence development of the sector.

SMEs need to be capacitated in the fields such as marketing and sales promotion. pricing, booking and accounting, training on entrepreneurship and training on the technologies. These areas seem to have gaps, most of the SMEs need to be capacitated in these areas so as they can prosper and excel.

4.5 Conclusion

Customer care plays a great role in the performance of SMEs. Good customer care can attract customers and yet create customers satisfaction which in turn leads customer loyalty. Customer loyalty is most important thing in any business to grow. Customers who buy at your business frequently help you to cut the cost of acquiring new customers. Acquiring new customers is much more expensive than keeping existing ones.

CHAPTER FIVE
DISCUSSION OF THE FINDINGS; SUMMARY AND CONCLUSION:

5.1 INTRODUCTION

The research found that most of the business operators enter in the business as a way of overcoming their frustrations after not getting jobs. On the course of finding alternatives of life, these people open business so as to sustain their lives and meet their daily demands.

5.2 BRIEF SUMMARY OF THE FINDINGS
The study found most of the business operators are not doing business just because they were born entrepreneurs but they were forced by nature to do the same. Some of them are school drop outs, unemployed etc. To fight those frustrations they opted to do business.

Some of them are not devoted to the businesses and others do lack entrepreneurial skills, due to the same reasons most of the businesses either die before the age of three years or their businesses remain stagnant.

5.3 Why SMEs in Kinondoni failed to have better performance?
Cochran (1981, p.52) suggested that 'failure should mean inability to "make a go of it", whether losses entail one's own capital or someone else's, or indeed, any capital'. This definition is wider, presumably, include as failed any business that was not earning an adequate return (or was not meeting other owner objectives). The main difficulty with this definition is that most studies have relied on business closure, or sale, to trigger the classification of the business as either failed or non-failed. However, some businesses may continue operating even though they would be classified as having failed under this definition. In addition, an adequate return is hard to define: many SME owners may be willing to accept low financial returns as the cost of independence.

31

Finding of the Respondents

5.3.1 Limited Access to Information

The study found that many business operators do not have access to information regarding customer care from whether the Government, Trading Unions or other corporations for example Ministry of Trade, Industry and Marketing, SIDO, TANTRADE, UNIDO, TIC etc.

It was revealed that, about 73.3% of all respondent do not get any vital information from any of the bodies or trade unions. The findings were as follows; only 2.2% were getting information from TIC, 4.4% were accessing information from TANTRADE, information from SIDO were 17.8% and UNIDO were 2.2%.

Table to illustrate the findings is provided below;

Table number 5.1: Access to Information from?

		Frequency	Percent
Valid	TIC	1	2.2
	TANTRADE	2	4.4
	SIDO	8	17.8
	UNIDO	1	2.2
	Total	12	26.7
Missing	System	33	73.3
Total		45	100.0

Source: Research Data

5.3.2 Limited Access to Financial Resources

SMEs often have inadequate financial statements and lack accounting records, business plans and the necessary knowledge to present their business case in a realistic and favourable light to financial sources. In order to address this problem, there is, therefore, a need for better information flows among the financial providers, the SMEs and the concerned government agencies.

32

People do not access financial assistance from financial institutions. Findings show that about 55.5.% of the respondents started their business from their own savings, 28.9% accessed assistance from financial institutions, from relatives and friends makes 6.6% and other sources 6.7%.

Table number 5.2: Source of Capital

		Frequency	Percent
Valid	Personal Saving	25	55.6
	From Relatives and Friends	2	6.6
	Loan from financial Institutions	13	28.9
	From Other Sources	3	6.7
	Total	44	97.8
	Missing System	1	2.2
Total		45	100.0

Source: Research Data

5.3.3 Marketing and sales department

Lack of trained and qualified marketing manager and personnel is another barrier that requires improvement. Generally, marketers allocation in the SME sector is limited to essential business functions, such sales and marketing. In most cases, there are no environmental personnel in the SMEs to undertake related tasks effectively.

Findings show most of the business operators who are engaging in SMEs have secondary school education. After completing form four and not getting chances to pursue for further education, they opt to engage themselves in business. This category employs about 44.4% of all respondents, followed primary schools level. In this level 26.7% of all respondents fall here. Also graduates have very enthusiasm to engage themselves in business, only 2.2% of the respondent.

Table number 5.3: Level of Education

		Frequency	Percent
Valid	Primary school level	12	26.7
	Secondary school	20	44.4
	High school	3	6.7
	College	2	4.4
	University	1	2.2
	Total	38	84.4
Missing	System	7	15.6
Total		45	100.0

Source: Research Data

However, apart from explanation provided by respondent, I found out factors that make the SMEs business operator not to achieve their goals. See explanations here in below;

5.3.4 No Research

Research activities are limited in the SME sector. Most of them do not conduct research at all. This inhibits innovative improvement within the sector. One of the major reasons for the poor performance is technological obsolescence coupled with information deficiency and poor management practices.

However, they do not seek potential information from Trade Unions.

It was revealed that SMEs do not have access to any vital information from trade unions or other association that aid them in their day to day activities. Information from these trade organizations/associations is very vital as they have been researched and they are tailor made to help SMEs. In our table below 73.3% of the interviewed have no access to information from Trade unions/associations, these means they lack important information from these association, information that could be very useful to SMEs.

Table 5.4: Accessing Vital Information

		Frequency	Percent
Valid	TIC	1	2.2
	TANTRADE	2	4.4
	SIDO	8	17.8
	UNIDO	1	2.2
	Total	12	26.7
Missing	System	33	73.3
Total		45	100.0

Source: Research Data

Normally, SMEs function in a business-as–usual mode. They are not fully aware of the emergence of a new business environment, for example, non-tariff barriers, new trade and technology. This is the result of not keeping themselves updated with some information that is available in the market about their industry and such like.

One SME named Abdallah Nangale, of Mwenge Handcraft Cluster says; he does not get any information from any trade union, it like he is in the island. However, he says they have an association known as The Mwenge Arts and Crafts Dealers Association and Chama cha Wachonga Sanaa na Wauzaji Tanzania (CHAWASAWATA) which represents carvers. Although this association is not so much active.

5.4 Factors leading to the good performance of SMEs in Kinondoni?

Storey (1994: 158) claims that there are three key influences on the growth rate of a small independent firm: 1. The background and access to resources of the entrepreneur(s); 2. The firm itself; and 3. The strategic decisions taken by the firm once it is trading. The most important factors associated with an entrepreneur are motivation, education, the firm having more than a single owner, and the firm having middle-aged business owners. The growth of the smallest and youngest firms is the most rapid. The location and industry sector also affect the growth. The most important strategic factors are shared ownership. an ability to identify market niches and introduce new products, and an ability to build an efficient management team. Storey argues that

35

these three components need to be combined appropriately for growth to be achieved.

Finding of the Respondents

The findings of the respondents show that there are several reasons that led to the good performances of their businesses. The factors are such as;

5.4.1 Good Customer Care

About 91.1% of all respondents say that the reason for the good performance of the business is due to the good customers care they offer to their customers.

This in turn leads to customer loyalty and customer retention. Customer retention reduces the cost of marketing and finding new customers.

5.4.2 Creativity & Good Quality Products

Creativity in business often leads to customer retention. This can only be achieved when the business operator meets or exceeds customers' expectations. For example in some butchery help their customers to cut into small pieces meat they buy from them. This reduces the time of meal preparation of food. Other meat sellers provide their customers with vegetables (greens) for free; here the customers find two in one advantage.

Another respondent revealed that, the low prices he charges to his/her customers, the more he gets customers. So the respondent decided to charge low price so as to get more customers. His strategy is to get low profit but on a very short period of time.

Other interviewed responded that they usually keep themselves updated on what customer wants/needs so they make sure they have for products that meet customers' demands/needs. They do this through survey to their fellow rivals and competitors and they get online information.

5.4.3 Hard Working & Finding Reputable Markets

Hard work pays. Some respondents use this rule. I found out that establishing business is not an easy task; it needs to be devoted on the business. It needs a lot of time and devotion

Table below illustrates responses of the interviewees from field.

Table number 5.4: Good Performance of the Business

	Frequency	Percent
Valid	41	91.1
Good Customer care	1	2.2
Fair Price	1	2.2
Creativity & Good Quality Products	1	2.2
Hard Working & Finding Reputable Markets	1	2.2
Total	45	100.0

Source: Research Data

Other factors that the researcher revealed that led to the good performance of the business in the field, these factors are researchers own observations in the field;

5.4.4. Utilizing Skills Effectively & Efficiently

The use of skills and resources of others to open growth, opportunities and provide support outside the core mission of the business. The virtual nature of today's business means that you can tap into resources that previously would have to be purchased through capital expenditure, employee commitments or long-term arrangements. What you can't provide through core capabilities can probably be better and more efficiently provided through strategic alliances where each alliance partner realizes a benefit from working together.

5.4.5 Effective Utilization of Information and Communication Technology (ICT)

To find the balance between online and offline activities that's right for the business. This includes marketing, public relations, customer service, business development and, of course, e-commerce. If one is utilizing an online business usually reaches a broader market by waging a multimedia campaign, but this mostly used when the budget is limited, one should try to weigh

efforts in areas that are less expensive (online, public relations, press coverage). The most important thing is to insure that the online and offline messages are consistent. Also, ICT reduces costs and time of marketing.

But ICT to SMEs in Tanzania at large face many challenges such as lack of suitable infrastructures to support ICT, and most of SMEs and Tanzanians at large are novices when it comes the question of the utilization of computers, and most of ICT equipments are very expensive.

Mr Nandole of Mwenge handcraft cluster said that he has never used computer since he was born, so he can not sell any of his products online, unless he employs a person to take care of that, but he can not afford that because he has small capital.

5.4.6. Attracting and Maintaining Customer Loyalty

Customer loyalty is all about attracting the right customer, getting them to buy often, buy in higher quantities and bring to you even more customers. However, that focus is not how you build customer loyalty.

Customer loyalty can be achieved through number of ways such as; keeping in touch with customers using email marketing, thank you cards and more, treating your team well so they treat your customers well, showing that you care and remembering what they like and don't like, you build it by rewarding them for choosing you over your competitors, you build it by truly giving a damn about them and figuring out how to make them more success, happy and joyful.

When you are engaging in any business you should make sure that your customers are pretty satisfied with the products or services that you offer, this creates customer satisfaction which eventually leads to customer loyalty, customer loyalty leads to customer retention.

If you have succeeded to retain your customers, despite of the competition, the customers will come back to you.

Constraining Factors That Hinder the performance of SMEs in Kinondoni

According to SIDO survey that was conducted 2006, they revealed that challenges that face SMEs. They say observed that: There are many challenges that face the transformation of SMEs to be competitive nationally and internationally. Serious problems include high cost of utilities, legal and regulatory requirements, poor infrastructure, lack of market and technological information, poor attitude on quality, low entrepreneurship development, and outdated technologies. The key challenge is to develop strategies to resolve issues that are inhibiting enterprise performance.

Finding of the Respondents

5.5.1 Lack of Good Customer Service

According to Turban et al. Customer service is a series of activities designed to enhance the level of customer satisfaction that is, the feeling that a product or service has met the customer expectation. Its importance varies by product, industry and customer. As an example, an expert customer might require less pre-purchase service (i.e., advice) than a novice. In many cases, customer service is more important if the purchase relates to a service as opposed to a product.

It was revealed in the field that most of the business operators do not have good customer care. A customer can enter business premises without being warmly welcomed by the business operator. In business first impression matters a lot to the customers. And always there is no second chance to rectify the mess up. If you give bad first impression to the customer, he will never come back to your business again.

Fourteen business operators who were interviewed were not business owners. They were either employed or helping owners of the business, and these were relatives or close friends of the business owners. But these people did not have knowledge on running business. Most of them are either school drop outs or standard seven leavers and they had not attended any course or trainings on running business.

5.5.2 Lack of customer care knowledge and service

Most of business operator do not have knowledge about how they have to deal with their customer involve the ability to provide service or product to the customer in a way that customer will meet their expectation. Customer care are aims at creating close relationship with customers, which not only satisfy them but also leave them with a feeling of goodwill, but most of people engage in small medium enterprises luck that knowledge.

Customer service plays a great role in the performance of SMEs. Good customer service can attract customers and yet create customers satisfaction which in turn leads customer loyalty. Customer loyalty is most important thing in any business to grow. Customers who buy at your business frequently help you to cut the cost of acquiring new customers. Acquiring new customers is much more expensive than keeping existing ones.

5.5.3 Lack of Marketing Skills

In the interview it was revealed that, the respondents do market their products through personnel selling technique. This type of marketing is very limited in scope that is why the main buyers of the products are those who are coming to their sites. Therefore, the marketing skills are needed in order to increase/acquire new number of customers and keeping the existing ones.

Most of the business operators do not have the right selling skills. Selling skills make customers spread word of mouth advertisements; hence customers flow at your business.

One businessman interviewed said after finishing his Secondary school's education he did not perform well so he decided to run a retail shop business in Mwenge, but education he got at school does not help him in running his business. The education did not help him acquiring necessary skills for running his business.

This problem faces many entrepreneurs in our country. Our education system and curriculum do not prepare one to be self reliant or to be entrepreneurs. It prepares one to be employed, and that is why most of educated are employed somewhere else, and they are not entrepreneurs, most of the people who turn into business are those who have been trained by their parents and not in schools.

5.5.4 Lack of Planning

Anyone who has ever been in charge of a successful major event knows that were it not for their careful, methodical, strategic planning and hard work success would not have followed. The same could be said of most business successes.

It is critical for all businesses to have a business plan. Many small businesses fail because of fundamental shortcomings in their business planning. It must be realistic and based on accurate, current information and educated projections for the future.

Eleven respondents revealed that they did not prepare business plans for their businesses. This was because of the lack of the knowledge of preparation of the business plan and no support from authorities on the preparation of the same. However, it's very expensive to hire consultant to do the same.

Business Plan may include various components such as; Description of the business, vision, goals, and keys to success, Work force needs, Potential problems and solutions, Financial: capital equipment and supply list, balance sheet, income statement and cash flow analysis, sales and expense forecast, Analysis of competition, Marketing, advertising and promotional activities, Budgeting and managing company growth.

In addition, most bankers request a business plan if you are seeking to secure addition capital for your business. It was revealed in the field that most of the interviewed entrepreneurs do not plan on their businesses, and on to of that they do not have business plans of their businesses, hence lack of the vision of their businesses.

5.6 Conclusion

Proper planning is critical to the success of a new business. While some of the best prepared and best planned businesses still fail, an understanding of the above reasons for failure can help to asses the overall success potential of a business. In planning against failure, be honest and objective, know yourself and your limitations and be prepared to really manage the business. There are many ways to achieve business success. Study the success of others, identify business role models and network with other business professionals.

Some products which are produced by SMEs do not have property rights. For example carvings which are produced in Mwenge Handicraft Cluster do not benefit the SMEs. This has been caused by the lack of intellectual property rights. Large businessmen buy these products and sell them to the higher prices.

SMEs should be assisted getting intellectual rights of their products so as they can be benefited with their products and work.

5.7 GENERAL CONCLUSION

SMEs in Kinondoni and Tanzania at large help in jobs creation and incomes generation, this could led to poverty reduction among our community and employment creation. Some of the products that are produced by local SMEs do not have good quality compared to the ones that are imported. This is caused by poor technology that they use in the production process. Due to the production costs and government taxes and levies, some of the products are very expensive. This makes not to have customers of their products. Government should take initiatives to improve working and business operations of the SMEs in Tanzania as they did when they established its first major attempt to promote the small industries sector as far back as 1966 with the formation of the National Small Industries Corporation (NSIC) under the National Development Corporation (NDC).

SMEs in many countries across the world are known for there biggest contribution the economic development. This is apparently the case in Tanzania where SMEs contribute significantly to employment, income generation and stimulation of growth in both urban and rural areas. SMEs contribute about 40% to the country's Gross Domestic Product. In
Tanzania, it is estimated that every year about 5.7% of the school leavers get employed in the Public Sector as such the remaining 94.7% end up being employed in the SMEs sector. There is a need for the government to lay down strategies so as to strengthen SMEs platform in Tanzania. This includes but not limited to policies and guidelines, taxes strategies and alike.

42

5.8 GENERALIZATION

Customer care is the back born of any business performance. Intensive market survey should be performed before the new entry in to this SME sector. As observed from the finding, there is a stiff competition in the SME sector and if proper analysis has not been performed, there is a huge chance of not succeed to service. Performance tools like Strengths Weaknesses Opportunities and Threats (SWOT analysis) can be employed to study the competition intensity and capacity of the company if it has sufficient resource to compete and survive in the industry.

5.9 SUGGESTION FOR FURTHER STUDIES

The study identified some gaps that could be worth to focus at when doing the research to other researchers.

There is a great need for the business operators to utilize effectively Information regarding customer care so as to save their customers smoothly, these methods are such as the use of Internet, websites/homepages and shopping online techniques .

Business operators in Tanzania need to change their business undertakings and change the technology they use, and use the advanced one so as to capture the market and venture into new markets of East Africa. This will make their business grow bigger.

Entrepreneurs should make use of the information obtained from the business service providers such as UNIDO, Tanzania Investment Centre (TIC), External Processing Zone Authority (EPZA), and Tanzania Trade Development Authority (TANTRADE)

REFERENCES

Cochran, A. B. (1981). "Small Business Mortality Rates: A Review of The Literature," Journal of Small Business Management 19(4), 50-59, Georgia, US

ESRF (2006), Policy Dialogue Seminar Paper on Opportunities and Challenges for Rural SMEs Development in Tanzania

ESRF (1997), Micro and Small Enterprise (MSE) Framework in Tanzania, ESRF, Dar es Salaam.

Gomez, G.M. (June 2008) "Do micro-enterprises promote equity or growth?" Institute of Social Studies, Woord en Daad, The Hague

Hisrich, R.D. and Peters, M.P. (1998). Entrepreneurship, 4th edition. New York: McGraw-Hill

Kasilo, D.M (1997), Profitability of Working Capital Investment Decisions, D.M.L Kasilo, 1997, Dar es Salaam.

Kotler, P (1984) Marketing Management: Analysis Planning and Control. Fifth edition, Prentice Hall of India *Private* Ltd, New Delhi, India.

Kuratko. D.F and Hodgetts, R.M. (1995). *Entrepreneurship: A Contemporary approach*, 3rd edition. Orlando: The Dryden Press.

Lehmann. E.L.; Joseph P. Romano (2005). *Testing Statistical Hypotheses* (3E ed.). New York: Springer

Lewis. B.R. and Mitchell, V.W. (1990), "Defining and measuring the quality of customer service", *Marketing Intelligence & Planning* , Vol. 8, No. 6, pp. 11-17.

Saunders. M.N.K., Lewis, P and Thornhill, A. (2009), Research Methods for Business Students, fifth edition, FT Prentice Hall, London, UK.

Schumpeter. (1934) *The Theory of Economic Development*, a bridge, M.A.Harvard University Press.

Ngowi, H.P (2010), Class Notes on "Theories of Entrepreneurship and Small Business Development", Mzumbe University – Dar es Salaam Business School.

Olomi, D.R (2009), African Entrepreneurship And Small Business Development, Otme Company Ltd , Dar es Salaam, Tanzania.

Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985), "A conceptual model of service quality and its implication", *Journal of Marketing* , Vol. 49, Fall, pp. 41-50.

URT, (2003a) Small and Medium Enterprise Development Policy,Dar es salaam: Ministry of Industry and Trade.

Schervish, M (1996), Theory of Statistics, Series in Statistics, Springer, 1995, Berlin

SIDO Corporate Strategic Plan 2005/2006 – 2007/2008

Wanjohi, A.M. and Mugure, A. (2008). Paper on Factors affecting the growth of MSEs in rural areas of Kenya: A case of ICT firms in Kiserian Township, Kajiado District of Kenya.

Wisniewski, M. (2001), "Using SERVQUAL to assess customer satisfaction with public sector services", Managing Service Quality, Vol.11, No.6, pp. 380-388, MCB UP Ltd. Scotland, Edinburgh, UK

Zeithaml, V.A. and Bitner, M.J. (1996), *Services Marketing*, McGraw-Hill, New York, NY.

Swiss Cooperation, (2007), Private Sector Development – Concept Paper, Dar es Salaam

Carmichael, E (2005), Financial Institutions Contributes to Growth and Development in SMEs in Tanzania. http://www.evancarmichael.com/tags/financial-institutions-contributes-to-growth-and-development-in-smes-in-tanzania.html Accessed on 05/02/2011 at 18:00hrs

International Usage of SME.
http://en.wikipedia.org/wiki/Small_and_medium_enterprises Accessed on 06/02/2011 at 12:40

European Commission (2003). "Recommendation 2003/361/EC: SME Definition".
http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme definition/index_en.htm

European Union (2005),
http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm. Retrieved 2011-02-06. Definition of SME
Wikipedia (2006),
http://wiki.answers.com/Q/What_is_the_research_design#ixzz1E3bsVBIU. Accessed on 15/02/2011, definition of research design

APPENDICES

Appendix 01

Questionnaire for entrepreneurs/owner in Kinondoni District Dar es Salaam.

Dear respondent,

I am Adolph A. Moshy a student of Kampala International University pursuing my Bachelor Degree in Busness Administration. I am currently carrying out the research on Customer Care and Performance of Small Medium E nterprises in Tanzania – Case Study Kinondoni district.

I will be very grateful if you can spare sometime to answer my questions. Please be free to give your answers since you are assured of confidentiality from the researcher. Would you please choose best answer to the questions asked and further comments are welcome.

I wish further to guarantee that the information obtained shall be used for the said academic purpose only and not otherwise. I request your cooperation in order to make this exercise a success.

Thank you for such a support and cooperation.

....

ADOLPH A. MOSHY

MSc Student Kampala International University Business School

A QUESTIONNAIRE FOR THE SMEs OPERATOR (English)

SECTION A: PERSONAL INFORMATION

Name of the Business:

Gender (a) Male (b) Female

Age:

18 to 20

21 – 30

31 – 40

41 – 50

Above 50

Education level

Primary School level

Secondary School

High school

College/University

SECTION B: BUSINESS INFORMATION

5.   What type of ownership is your business?

   (a) Sole proprietorship.   ( )

   (b) Partnership   ( )

   (c) Company   ( )

   (d) Others   ( )

6.   What was your initial capital when starting your business?

(a) Below 5m

(b) 10m – 30m

(c) 40m – 70m

(d) 80m – 150m

(e) Above 150m

7.   What was the source of your capital when you started?

(a) Personal saving

(b) From relatives and friends

(c) Loan from financial institution

(e) From other sources. (Please mention_____)

8.   What is your current capital? _____

9.   How long have you been in this business?

(a) Below one year

(b) 1 – 3 years

(c) 5 years

(d) 6 – 10 years

(e) Above 10 years

10.   Does your business have any link to external markets?

(a) YES

(b) NO

11.   How many staffs do you have?

(a) 1 - 2

(b) 3 - 5

(c) 6 – 10

(d) Above 10

12. What are the challenges that you face in your business?

 (a) Financial

(b) Lack of customers

(c) Lack or insufficient suppliers

(d) High taxes

(e) Lack of conducive business premises

(f) Others. Please mention_____

What solution do you suggest for the above challenges?

13. Do you get any vital information from the following business service provider?

a) TIC

b) TANTRADE

c) SIDO

d) TCCIA

e) UNIDO

14. How does the information obtained from these business services providers assisted your firm towards success?

    (a) Increase income

    (b) Improved quality

    (c) Technology advancement

    (d) Increased profits

    (e) No changes

15. Are you a member in any of the associations/affiliations?

    a) Yes

    b) No

16. In your own opinion, what is the performance of your business?

(a) Very good

(b) Good

(c) Moderate

(d) Poor

If your answer in number 14 is (a) or (b), what do you think is the reason for your business to perform well? Please mention

_____

_____

_____

If your answer in number 14 is (d), what is the reason for poor performance of you business?

17. What do you think is the possible solution for the poor performance?

THE END

THANK YOU FOR YOUR COOPERATION IN ANSWERING THE QUESTIONS