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STUDENT TRAINING FOR ENTREPRENEURIAL PROMOTION (STEP) IN TANZANIA: IMPACT ON STUDENTS' ENTREPRENEURIAL MINDSET AND BUSINESS CREATION BEHAVIOR

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ABSTRACT

The objective of this paper is to report results of a research that assessed the long-term impact of an action-oriented students training on entrepreneurship (STEP) on the students' entrepreneurial mindset and business creation behavior. Action-orientation means that students engage in the start-up process of a real business during the training. We used randomized controlled trials (RCT) to assess the impact of STEP. We conducted several pre- and post-training measurement waves. In this paper, the results of 448 students who participated in the STEP at the University of Dar es Salaam are reported. We used questionnaires to assess students' entrepreneurial mindset and business creation. Based on statistical analyses, we find that STEP has significant short and long-term effects on students' entrepreneurial mindset and business creation behavior. The findings hold across three different cohorts of students. We conclude that STEP is an effective training intervention to foster students' entrepreneurial mindset and to boost the number of new business created by university students. Our study contributes to the literature that seeks to identify effective means to foster entrepreneurship among university students. STEP students create jobs for themselves by means of entrepreneurship. Furthermore, our study contributes to the literature that seeks to develop a theory of entrepreneurship training.

Key words: *Entrepreneurship training, randomized controlled trial, entrepreneurial mindset, business creation, Tanzania*

INTRODUCTION

Entrepreneurship has been central to economic transformation around the world since the medieval times (even though a despised undertaking then) and largely responsible for the industrial revolution in Europe in the 19th century (Ricketts, 2006). The creation of large organizations in the 19th Century and which continue to exist to date is the results primarily of the efforts of entrepreneurs. Attention to entrepreneurship reemerged in the later part of the 20th advocated by among others Schumpeter who emphasized its critical role in galvanizing economic development (Schumpeter, 1934). More recently, entrepreneurship has been viewed as critical for attaining sustainable development as it creates jobs, drives economic growth and innovation and helps to improve social conditions including addressing environmental concerns (United Nations, 2014). The United Nations (2014) stressed the importance of giving appropriate consideration to the promotion of entrepreneurship in the post-2015 development agenda for which entrepreneurship education is a critical element.

Effective entrepreneurship education needs to be able to impart knowledge and skills which center around attitudes (soft skills), such as persistence, networking and self-confidence, on the one hand, and enabling skills (hard skills), which include basic start-up knowledge, business planning, financial literacy and managerial skills (United Nations, 2014). To achieve this goal, most of the best universities have introduced the business plan-based training model (Honig, 2004). Yet, this model is still viewed as inadequate, a fact that left the question of how to design and deliver effective entrepreneurship training has been not fully addressed (Honig, 2004). In other words, merely telling people that they need certain characteristics and behaviors in order to be entrepreneurial will not enable people to develop the competence they need start and run a

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business.

The starting point for addressing concerns about effective entrepreneurship training is the realization that entrepreneurship is an action-based phenomenon. Action is needed in order to start a new business; a process that starts a continuous chain of actions involving gathering different types of resources and setting up a viable business structure (Gartner, 1985). Entrepreneurship-relevant action has two sides to it: it results in the actual setting up of the business and presents the entrepreneur with the opportunity to learn better ways of starting and operating the business[4]. Indeed, learning starts with the very process of staring a new business as one learns efficient ways of starting a business while continued running of the business allows the entrepreneurs to learn and perfect his/her ways of managing a business. However, as entrepreneurship is conceptualized as a process of identifying and exploiting business opportunities to introduce new products or services into the market (Shane and Venkataraman, 2000), in the absence of necessary skills, people will not be able to start a new business even in the most favorable entrepreneurial ecosystem even if they were motivated to start one (Gielnik et al, 2015). Therefore, entrepreneurship training that provides entrepreneurial skills constitutes an important complementary factor empowering people to take advantage of the entrepreneurial opportunities available in the operating environment (Gielnik et al., 2015).

As action lies at the heart of entrepreneurship, the key question from an educational perspective concerns effective methods for training on entrepreneurial actions (Edelman, Manolova, and Brush, 2008; Honig, 2004). In relation to this question, two issues are central. The first one is how to include action in the training (Pittaway, Missing, Hudson, & Maragh, 2009) second is how to integrate theory in the learning (Fiet, 2000). In terms first, scholars have noted that while a large number of entrepreneurship trainings put a strong focus on developing a business plan (Honig, 2004), they lack a method that involves active engagement by the participants (Pittaway, Missing, Hudson, & Maragh, 2009). Active engagement means that the training emphasizes learning by action and involves performing start-up activities that correspond to the activities performed by entrepreneurs (Edelman et al., 2008). Action-based entrepreneurship trainings (i.e., engaging in start-up activities and starting a business in the training) have become a popular method to train students in entrepreneurship (Taylor and Thorpe, 2004).

In terms of the second issue, scholars have criticized the fact that many training programs lack a solid theoretical footing (Fiet, 2000). Fiet (ibid) posits that a theoretical basis gives the training participants guidance in what they should do, in order to be successful at entrepreneurship instead of only describing what other entrepreneurs have done. One way to include theory in trainings is to use action principles that are derived from theory and scientific evidence to provide knowledge about how to do something (Frese, 2009; Frese, Gielnik, and Mensmann, 2016). The Student Training for Entrepreneurial Promotion (STEP), the assessment of which we present in this paper, confronts these issues head on. First, STEP integrates actions in the training. This is achieved through engagement of participants in the start-up activities to establish micro business entities as an integral part of the training. Second, STEP integrates theory in the training by training participants on action principles regarding the process of starting and running a business enterprise. Thus, the core idea of STEP is to bring together action and theory in a comprehensive ways to produce entrepreneurial students.

The importance of grounding the training in theory is critical by not addressed in most entrepreneurship trainings. A number of scholars have pointed out a number of gaps in the previous research regarding the theoretical model underlying the short- and long-term effects of entrepreneurship trainings (Gielnik et al., 2015). Martin et al. (2013) contend that many entrepreneurship studies have no or only have an inconsistent theoretical grounding, pointing to the need for more studies that develop a better theoretical understanding of entrepreneurship trainings.

[4] Business failure could be viewed as resulting partly from the entrepreneurs' failure or inability to learn how to run the business given the operating environment whereas intended closure could reflect lessons that such a business in note relevant given the prevailing environmental conditions.

Further, most studies investigating the impact of entrepreneurship education and trainings focus only on short-term outcomes, such as entrepreneurship training programs that focus on equipping individuals with knowledge and skills for launching and operating business ventures (Katz, 2007). So, we know that entrepreneurship increases new business creation and entrepreneurial activity (Martinez et al., 2010). Indeed, meta-analyses have shown that entrepreneurship training effectively promotes entrepreneurial attitudes and performance in new venture creation (Martin, et al., 2013). However, we lack a theoretical understanding of the mechanisms and boundary conditions that explain why and under which conditions entrepreneurship training has a positive impact (Martin et al., 2013). Accordingly, there is a gap in our knowledge about how to develop effective trainings to promote entrepreneurship (Edelman et al., 2008; Gielnik et al., 2015; Pittaway and Cope, 2007). While promotion of entrepreneurship may be important for all countries, it acquires special significance in developing countries where the problem of youth unemployment is huge and entrepreneurship is increasingly seen one of the key solutions to the problem.

This paper provides evidence of effectiveness of an entrepreneurship training that has sought to combine action and theory in the training on entrepreneurship in a developing country that previously followed a more state-based entrepreneurship approach to economic development rather than individual-based entrepreneurship. In conducting and assessing this training in the Tanzanian context, we provide evidence for the short- and long-term effects of the training to develop a better understanding of the factors underlying the impact of training on entrepreneurship. We next describe Tanzania as a specific context or ecosystem in which entrepreneurship occurs.

Tanzania as an Entrepreneurial Ecosystem

Isenberg (2010) observes that a profound understanding of entrepreneurial ecosystem, which consists of cultural, social, political, and economic structures and processes as they influence all aspects of entrepreneurship is needed to underpin the efforts aimed at promoting entrepreneurship. In this regard, Tanzania as a specific context in which entrepreneurial activities are performed needs to be understood. It is the largest country in East Africa made up of the spice islands of Zanzibar (consisting of Pemba and Unguja) and the mainland, which is located south of the equator and between the great lakes (Victoria, Tanganyika, and Nyasa) and the Indian Ocean. Tanzania holds significant promise for its people and for the world even as Agriculture remains the main part of Tanzania's economy (Bella and Melyoki, 2017). It follows multiparty political system and elections are held every five years and political competition has been on the rise (Muya, 1998).

Real gross domestic product (GDP) grew by 7.3% in 2013 and 7.0% in 2014 (World Bank, 2014). The main contributor to the economy was agriculture, which contributed USD 13.9 billion to its GDP (nearly 30%) and 67% to total employment during 2014. As of 2016, Tanzania had over 44 million hectares of arable land with only 33% of this amount being cultivated (Tanzanian Investment Center, 2017). Other significant sectors include construction, trade, and transportation sectors. Tanzania is endowed with huge mineral and petroleum resources (Melyoki, 2017). The current attempts by government at industrialization are meant to further diversify the economy as much as properly the nation toward middle-income country status by 2025 (United Republic of Tanzania, 1999; 2016).

In terms of its underpinning core ideas, the Tanzanian economy has taken different turns over time. Between 1967 and 1985, the country attempted to build a socialist economy based on concepts of self-reliance and state entrepreneurship articulated in the blueprint, commonly referred to as the Arusha Declaration (Nyerere, 1977). Nationalization occurred and newly created state-owned enterprises had monopoly over various sectors of the economy. Expect for farming activities, which continued to be largely peasantry-based, private business enterprise largely played second fiddle. As the country changed to a market-based system from 1986 (Bagachwa et al, 1992), transformation of state entrepreneurship and encouragement of private enterprises became important. This was achieved through a combination of actions: privatization of state owned enterprises, liberalization of the economy and reform of the business environment to create space

and incentives for private entrepreneurs to engage in business (Bagachwa, et. al., 1992). Other elements of context include a collectivist, risk averse, and harmony-oriented ted cultural orientation (Hofstede, 2015). Thus, in the context of the foregoing opportunities and dynamics, the role of individual-based entrepreneurship is worth a thought.

From an entrepreneurial ecosystem perspective, the forgoing background is important because legacies of state entrepreneurship manifested in involvement production and distribution of goods and servicer are real and entrepreneurs must still deal with them in the process of becoming the main engine of economic growth and social development in this context. Thus, while Tanzania has developed a sound policy base over time to support the entrepreneurial activity, the challenge lies in translating these policies into initiatives and practices (Bella and Melyoki (2017). For example, the low level of trust between the public sector and private is still a huge issue in Tanzania and it needs to be addressed (United Republic of Tanzania and Danish Ministry of Foreign Affairs, 2015). Other issues emanating from the socialist legacies include a weak entrepreneurial culture, regulatory aspects that make doing business difficult (World Bank, 2017). Thus, similar to other developing countries, Tanzania presents an interesting context for the study of entrepreneurship but more particularly how to equip young people with knowledge and skills so that they can avoid unemployment by venturing into entrepreneurship.

Developing or changing economies provide more opportunities but often also more necessity to become a business owner (Frese, 2009). Entrepreneurship develops more strongly in these types of economies and contributes more to the development of wealth (Frese, 2009). Entrepreneurship has been argued to be an important factor contributing to economic development in transitional and developing economies (Reynolds et al., 2004 cited by Frese, 2009). Current governments efforts at achieving industrialization (United Republic of Tanzania, 2016) need to be seen largely as a grand entrepreneurial project whose realization depends to large extent on how entrepreneurship is promoted by focusing on external (environmental) factors as well as internal (psychological) factors. While we recognize the importance of the external environment, this study is about the internal factors as it is focused on how to promote entrepreneurship via knowledge and skill infusion/training. The rest of this paper discusses the action regulation theory which is used a theoretical basis for this research, research methods, research findings, discussions and conclusions.

ACTION REGULATION THEORY AND ENTREPRENEURSHIP

Action Regulation Theory[5] (ART) was developed in the field of Psychology (Hacker, 2003) and draws heavily from the work of German and Scandinavian researchers bringing together the Levin's Field Theories as well as key elements of Activity Theory proposed by Leontiev and Vygotsky (Jones, 2014). ART has foundations in cognitive, information processing and behavioral theories (Frese and Zapf, 1994). As entrepreneurship is an action-based phenomenon (Gielnik, et al., 2015) these foundations are important for the development of entrepreneurship: they reveal that it can be influenced at different levels. That is at the level of cognition, information processing and behavior. At the cognition level; cognition processes that have implications for entrepreneurship can be manipulated in order to decipher information from the environment that is entrepreneurship-favorable. Further, manipulation may focus on information so that leads to generation of actions that may become a behavior. The discussion below further elucidates these aspects.

[5] There are many theories of entrepreneurship. They include economic theories, which argue that entrepreneurship occurs as a response to the environment stimuli. According to this theory such interventions as taxes, business environment are critical for making entrepreneurship to occur. The sociological theory views entrepreneurship as a process of organizing resources in the environment to respond to societal needs. Innovation theory of entrepreneurship views entrepreneurship as an innovative activity while psychological theories review entrepreneurship carried out by people who have certain characteristics. The later argues that if people can be made to acquire the entrepreneurship-relevant characteristics, entrepreneurship will occur.

As noted, central to ART is action, which has two elements: the action process and the structure of action. Action has been defined as the smallest unit of behavior (Hacker, 1986a cited by Frese and Zapf, 1994) ad consists of a number of processes. These are: (i) development of goals and decisions between competing goals, (ii) orientation including prognosis of future events, (iii) generation of plans, (iv) decisions to select a plan from available plans, (v) execution and monitoring of the plan and (vi) the processing of feedback (Frese and Zapf, 1994 p.273). These authors content that, although the different activities in the action process may be not implemented sequentially and back and forth shifts are possible in the process, they also imply that these processes must all be accomplished for actions to take place. As one may note, the first four elements of the action process are cognitive activities as they take place at the mental level. For example, goals are considered as anticipative cognition structures (future results) that guide the action process (Hacker, 1986 cited by Frese and Zapf, 1994).

According to Hacker (2003), the starting point for action regulation is the goal. In this sense, actions are controlled or regulated by goals. Brushlinsky (1989 p.37 cited by Kaptelinin, Kuutti and Bannon, *undated*), states that, ‘‘human activity is always determined by its object not directly but in a mediated way, through its inner specific regularities’’ such as goals, motives, knowledge, experience, or values. This characteristic constitutes the most important aspect of ART. Citing Chapman and Skinner (1985) and Heckhausen (1999), West et al., 2013 content that, this is because goals and goal-related processes motivate, organize, and direct behavior at all ages. This leads to the conclusion that action is regulated by cognition - a process that may be conscious or automatic (Scheider and Shiffrin, 1977 cited by Frese and Zapf, 1994).

Goals, as conscious cognitive activities, have important features are important in order to influence actions. For example, research has found that specific goals tend to raise performance levels, and individuals with specific goals have shown higher performance than those without goals (West et. al., 2013) and that individuals will strive to meet even very challenging goals (Locke & Latham, 2002 cited by West et al., 2013). Another feature of goals is that goals can be decomposed into several partial goals that together constitute the main goal. Furthermore, the goals that regulate activities are stored in the memory, until the action has been completed, as a representation for what the final result should look like. Goals are also the starting points of the emotions that are inherently associated with actions, e.g., perceptions of success or flow (Hacker, 1985 in Hacker 2003).

In terms of action processes mentioned earlier, orientation, development of action plans and selecting the action plans to implement are also by their nature cognition activities: they are at the level of knowledge. From the perspective of entrepreneurship, all these mental activities can be influenced in several ways. For example, people may be trained to set goals that have effect on entrepreneurial activities. Also, by providing people with information on the benefits of entrepreneurship, they may start to form interest and hence set entrepreneurial goals. Also, by training people on ideas related efficient realization of entrepreneurial goals, they may develop plans that can be efficiently pursued to achieve the set entrepreneurial goals. It is important to note that setting entrepreneurial goals and developing good plans to achieve the goals are not enough for entrepreneurship to occur. However, they are the starting points. Indeed, academic entrepreneurship trainings are meant to promote entrepreneurship by influencing these mental activities (Honig, 2004). STEP addresses this mental level activities by offering students knowledge on entrepreneurship and train them on how set goals and prepare plans that are linked and executable for realization of goals (Gielnik et at, 2015; Frese, Gielnik, and Mensmann, 2016). However, focusing on this level alone is not enough as cognitive activities are only a part of the entrepreneurial action and as presented by Frese and Zapf (1994), the full action process must be accomplished, which brings us to execution.

Execution and monitoring are closely linked processes that make ART a truly action- oriented theory. Execution lies at the boundary of the subjective and objective world (Frese and Zapf, 1994)

and may be viewed as a process of transforming activities accomplished at the mental level (that is, the plan) into an objective world in order to create a new world represented by goals. In entrepreneurship, execution means implementing a series of activities that create a business and running a business firm. Typical activities would include preparing articles of association either oneself or by hiring a legal expert to do it, submitting these documents to government agencies that register a business, renting or building premises from which to run the business and undertaking core business activities related to production and provision of the product or service including making sales.

According to ART, the execution stage in the action process can be influenced by training people on ways to do things in an efficient manner that improves the chances of success. In terms of entrepreneurship, this means providing people with effective skills to actually implement actions that entrepreneurship-relevant. This is important because there are factors that make goals self-motivating of which self-efficacy is one. Self-efficacy is one's assessment of individual capability in a defined task domain, for example, one's belief that one can run at a high speed that one can be become an athlete. Goals tend to be motivating when self-efficacy is higher (Maddux, 1995) and that people with higher self-efficacy have an expectation that additional effort will lead to a positive outcome (Bandura, 1989). Theoretically, self-efficacy is related to performance in a reciprocal fashion (Bandura, 1997 see West et al., 2013). That is, initial levels of self-efficacy should affect initial performance and subsequent evaluations of that performance, in light of one's beliefs, should raise or lower self-efficacy, which will in turn affect further future performance (Berry, 1999; Valentijn etal.,2006).

Self-efficacy in entrepreneurship is also addressed in STEP. STEP provides students with action knowledge by providing them with opportunities to perform the actions required in real life in order to create a business and manage it. This boosts their self-belief that they can pursue entrepreneurship and be successful at it. Thus, at the beginning of the program, students are asked to create business ventures in groups of five. They then receive $100 as loaned start up capital to start an manage the business during the twelve-week training and as part of it. At the end of the twelve weeks, students are asked to return back the initial capital advanced to them. If during the process, they managed to make a profit, they are allowed to keep the profit but if they made a loss, they are not punished but encouraged to reflect on the causes of failure. The report back at the end of twelve weeks constitutes the feedback time. In the ART, feedback is an important process as it represents a time for looking back to see how far one has come in realizing the goal According to Frese and Zapf (1994, p. 279), feedback is the information about how far one has progressed toward the goal and it essential for future actions.

The STEP's process and model that we used in operationalizing this study is shown in figure 1. The figure shows that the before the training is offered, a baseline is tine at T1. It is then followed up at T2 by the training covering the following: formation of entrepreneurial goal intension, action planning, entrepreneurial self-efficacy and action knowledge. These in turn lead to entrepreneurial action at T2 and T3. The training also covers aspects of business opportunity identification. The entrepreneurial actions and business opportunity identification result in business creation at T3.

METHODS

We used randomized controlled field experiments with a training group and a control group. The training group received the STEP training. The control group received no intervention. In this study, we report the results of three rounds of trainings with three different cohorts of students (2013, 2014, and 2015). In each year, we sampled students from the University of Dar es Salaam. The students received information about the possibility to take part in STEP. They could then apply for the training. The training was voluntary and not part of the regular studies. At the end of the training, the participants received certificates upon successful completion of the training.

In each year, we randomly assigned students, who applied for the training, to the training group and the control group. We then applied a longitudinal design with measurements before the training

(baseline; T1) and after the training (follow-up studies; T2-T3). The measurements after the training took place in the month after the training (T2) and one year after the training (T3). The randomized controlled field experiment with a pre-/post-test design is the gold standard to evaluate interventions and allows to draw causal conclusions regarding the effectiveness of the training (Reay et al., 2009).

All applicants for the training completed a baseline questionnaire. Students from all faculties could apply for the training. Across the three cohorts, we received a total of 1,045 valid questionnaires that we could use for this study at the baseline measurement (training group = 448; control group = 597). Students from all years applied for the trainings. Furthermore, we received applications from different schools and colleges, such as Business School, College of Social Sciences, College of Natural and Applied Sciences, College of Humanities, and College of Engineering and Technology. The students in the training groups formed classes of about 50 students. Students who did not attend the training regularly (i.e., less than eight out of the 12 sessions) were excluded from the analyses to eliminate participants with an incomplete treatment.

We collected all data through questionnaires at the three measurement waves (T1-T3). We collected data from 1,045 students at T1 (training group = 448; control group = 597), from 761 students at T2 (training group = 425; control group = 336), and from 380 students at T3 (only two cohorts; training group = 221; control group = 159).We used the following scales as short-term outcomes: business opportunity identification (3 items), entrepreneurial self-efficacy (12 items), entrepreneurial goal intentions (5 items), entrepreneurial planning (12 items), and entrepreneurial action (12 items). We measured these variables at T1 and T2. We measured business creation at T3 to assess the long-term impact of STEP. All measures are based on Gielnik et al. (2015). All scales were internally consistent using Cronbach's Alpha.

RESEARCH FINDINGS

We first calculated whether the randomization was successful. We calculated t-tests between the training group and control group before the training at T1. The results showed that the two groups did not significantly differ, which means that the two groups were equivalent before the training. We then calculated whether STEP had a significant impact on students' entrepreneurial mind-set. We found significant short-term effects of STEP on students' entrepreneurial mind-set. Specifically, the comparison between the training group and control group after the training at T2 showed that STEP significantly increased opportunity identification ($t = 7.34$, $p < .01$), entrepreneurial goal intentions ($t = 5.54$, $p < .01$), entrepreneurial self-efficacy ($t = 7.96$, $p < .01$), entrepreneurial planning ($t = 7.23$, $p < .01$), and entrepreneurial action ($t = 8.90$, $p < .01$). These findings confirm our hypotheses that STEP has a significant short-term impact on students' entrepreneurial mind-set.

We tested the long-term effects of STEP to investigate whether the short-term effects translate into long-term effects in terms of business creation. STEP had a significant effect on business creation at T3 ($t = 4.21$, $p < .01$). In the training group, 60.2% had created a business whereas in the control group only 38.4% had created a business. This results thus suggest that STEP had a significant impact and boosted the number of business created by the students. Furthermore, STEP also had a long-term impact on the following training outcomes: opportunity identification ($t = 3.95$, $p < .01$), entrepreneurial self-efficacy ($t = 3.07$, $p < .01$), entrepreneurial planning ($t = 3.79$, $p < .01$), and entrepreneurial action ($t = 5.36$, $p < .01$). These findings indicate that the short-term effects sustain over a period of one year. STEP thus has a long-term impact on students' entrepreneurial mind-set and entrepreneurial behavior. The trajectories over the three measurement waves are depicted in Figure 2.

DISCUSSION & CONCLUSION

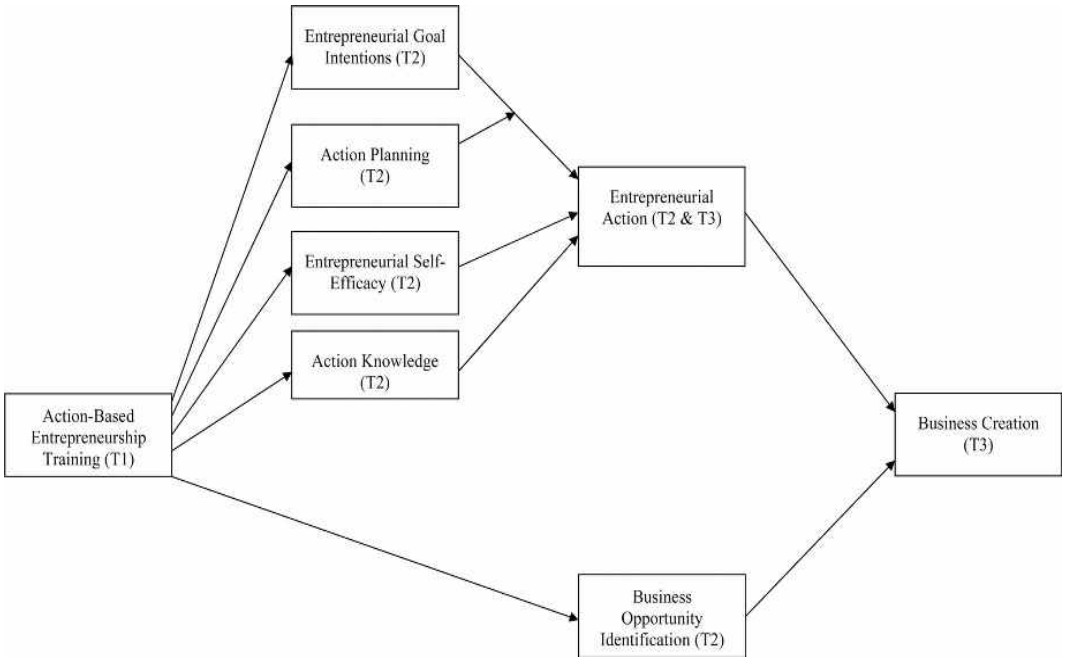
Our paper presented the STEP training and its implementation in Tanzania at the University of Dar es Salaam. We presented the theoretical concept underlying STEP. STEP is based on action-regulation theory fulfills the criteria of an evidence-based intervention. Thus, STEP addresses the

issue raised in the literature concerning lack of entrepreneurship training that integrates action (Honig, 2004; Pittaway, Missing, Hudson, & Maragh, 2009) and theory (Fiet, 2000). STEP uses latest scientific findings about success factors in entrepreneurship and incorporates these findings on the basis of action principles in the various modules of the training. Furthermore, STEP is evaluated using the gold standard in intervention research. RCT is the most effective method for evaluating intervention (Reay et al., (2009). Specifically, we used randomized controlled trials to assess the impact of STEP on students' short- and long-term entrepreneurial mind-set and behavior. The results showed that STEP fosters students' entrepreneurial mind-set and enhances students' entrepreneurial behavior. STEP students create more businesses over a period of 12 months. Furthermore, the short-term effects on opportunity identification, entrepreneurial self-efficacy, entrepreneurial planning, and entrepreneurial action maintain over 12 months. This indicates that STEP makes a difference and is an effective intervention to promote entrepreneurship.

Our study has important theoretical and practical implications. First, our study shows that action-regulatory factors in terms of entrepreneurial goal intentions, entrepreneurial self-efficacy, entrepreneurial planning, and entrepreneurial action are important short-term outcomes. Trainings that enhance these factors are more likely to increase business creation in the long-run. Thus, entrepreneurship trainings need to be action-oriented. Furthermore, our study shows entrepreneurship training can be effective for larger groups of students. Entrepreneurship trainings can be offered and applied with students from various disciplines to enhance their entrepreneurial mind-set and behavior.

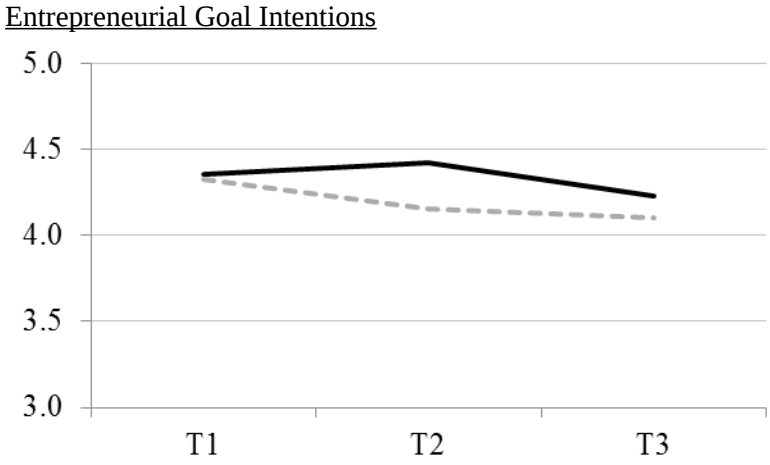
With regard to the practical implications, our study shows that entrepreneurship training is an effective means to enhance the rate of new business created. This holds true even in environments including Tanzania where collectivist cultural orientations is the norm and where individual-based entrepreneurship was not promoted in the past due to preference for socialism as a model of economic coordination. STEP is therefore capable of transforming students in these environments to become entrepreneurial as their counterparts from historically market oriented economies. Thus, Universities could incorporate action-oriented entrepreneurship trainings, such as STEP, in their curricula to train their students in entrepreneurship. This helps students to pursue a career as an entrepreneur and offers an alternative to overcome the adverse labor market conditions for youths and young adults. Entrepreneurship constitutes an important economic driver (United Nations 2004; Ricket, 2012). Enhancing the number of students, who start a business, should have beneficial economic consequences because students have the necessary human capital from their studies to create businesses that contribute to economic value of their communities. STEP provides a starting point for integrating more action-oriented entrepreneurship training in universities education.

Figure 1

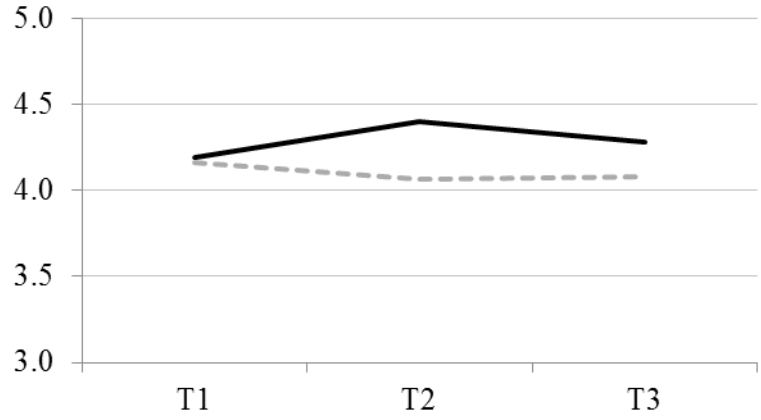


Source: Gielnik et al., 2015

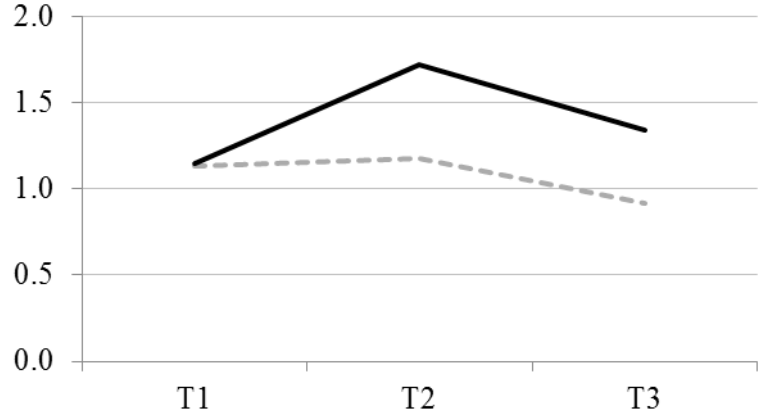
Figure 2
Trajectories over the three measurement waves for STEP (solid black line) and control group (dashed grey line)



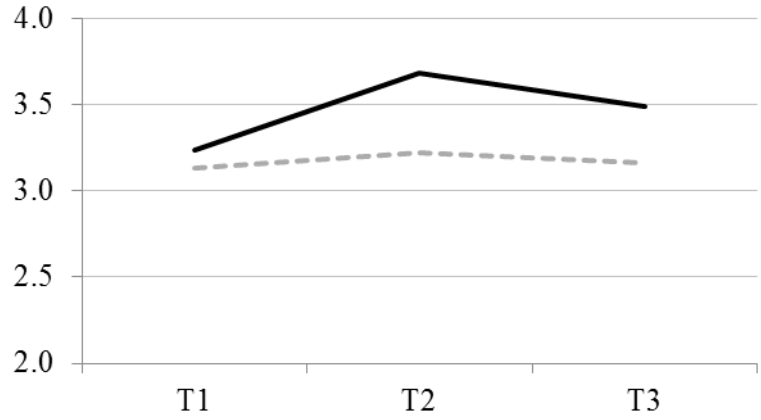
Entrepreneurial Self-Efficacy



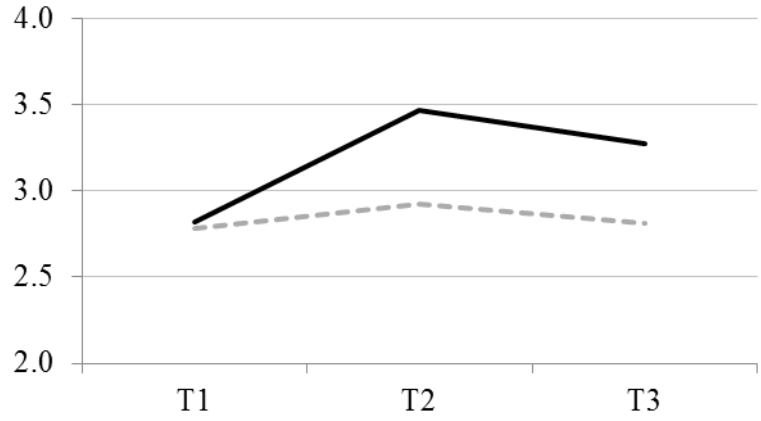
Opportunity Identification



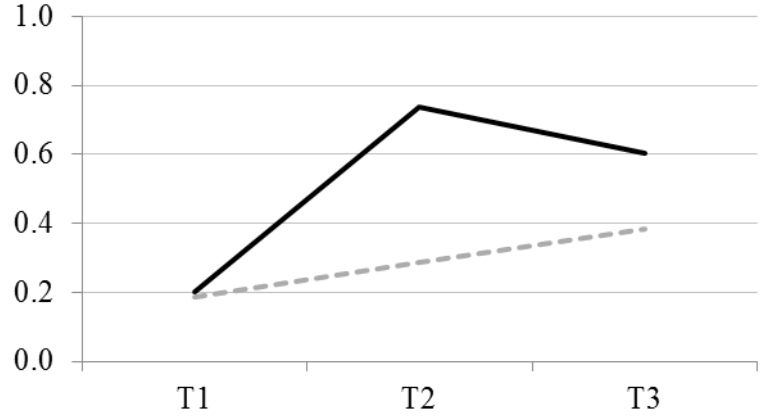
Entrepreneurial Planning



Entrepreneurial Action



Business Creation



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STRATEGIC ORIENTATION, INNOVATIVE CULTURE AND FINANCIAL INCLUSION AMONG SMALL AND MEDIUM WOMEN ENTREPRENEURS

Judith N. Nguli[6]

ABSTRACT

Access to and use of financial services, commonly referred to as financial inclusion among the entrepreneurs is an important determinant of entrepreneurial success. Indeed, financial inclusion among women entrepreneurs is lower as compared to male counterparts despite the higher percentage of women engaged in entrepreneurship. Statistics drawn from the African continent indicate that women account for only 20% of the banked population as compared to 27% for men. This variance is attributed to socio-cultural barriers and inefficiencies in legal and regulatory frameworks. Despite efforts for financial inclusion, there is scanty evidence on how strategic orientation of entrepreneurs influences financial inclusion and yet there is growing use of technology in access to financial services. Further, there is reason to believe that innovative culture would moderate the relationship between strategic orientation and financial inclusion because innovative culture would encourage the use of new technological advances in access to financial services. The advance in technology in relation to access to finance such as use of Mpesa, Mshwari, among others is a testimony that technology enhances financial inclusion. This paper reviews the relevant literature and theories to determine how strategic orientation influences financial inclusion and the moderating role of innovative culture particularly among women entrepreneurs. This paper adds to the literature a new understanding of how strategic orientation of individual entrepreneurs influence financial inclusion and the role of innovative culture in the domain of financial inclusion.

Keywords*: Strategic orientation, financial inclusion, innovative culture, women entrepreneurs*

INTRODUCTION

Financial inclusion has attracted global attention in the recent years particularly in emerging economies. Financial inclusion is defined as the availability of financial services to the underserved and financially excluded populations(World Bank, 2012).Nwanko and Nwanko (2014) also define it as initiatives that make formal financial services available, accessible and affordable to all the larger population. The increasing interest in financial inclusion is borne out of the understanding that exclusion affects the growth of the economy as it tends to hamper the financial infrastructure, which is undoubtedly a key driver of economic growth (Claessens & Feijen, 2006; Sharma, 2016). Though financial inclusion affects the general population, it is reported that it is prevalent in the lower strata of the economy, particularly small firms (Beck & Demirguc-kunt, 2006), and more so women entrepreneurs operating such ventures (Muravyev, Talavera, & Schafer, 2009). Despite SMEs being the engine for economic growth, most of the enterprises has a high mortality rate due to lack of access to financial services (Davidsson, 2004). According to survey done in South Africa 41.8% of the SME were financially excluded with 15.3% of the financially included being informally served (FinScope South Africa Survey, 2010).

However the mainstream financial service industry is undergoing dramatic changes, particularly with the new technological changes. For instance, the introduction of mobile money transfer system has changed how financial inclusion is perceived in the SME sector. In Kenya for example, the mobile money transfer system such as *MPESA* allows money transactions such as savings, loans, advances and repayments of loans to be made using a mobile phone (Tarus & Sitienei, 2015). The use of mobile money transfer has expanded financial inclusion among the users. Indeed, entrepreneurs' are key users of mobile money transfer in terms of executing payments, savings in bank accounts, and even processing of loans.

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Drawing from resource dependency theories, decision makers pursue a strategy depending on their orientation (Pfeffer and Salancik, 1978). In this regard, the strategic orientation of entrepreneurs determines the ability of their organizations to be financially included, more so when financial inclusion is a function of new technology. Indeed, it is argued that SME's with high level of innovative culture are more likely to be financially included, when they embrace learning, focus on customers, market driven and receptive to new technology. For instance, an entrepreneur with a knack for learning is likely to try and experiment on new financial avenues such as mobile banking. This paper therefore seeks to review extant literature to determine the effect of strategic orientation, herein conceptualized as learning orientation, customer orientation, market orientation and technology orientation on financial inclusion and how entrepreneurial innovativeness moderates the between strategic orientation and financial inclusion. This paper focuses on women owned enterprises because extant literature shows that women have limitations in accessing finances for their enterprises. Indeed, differential treatment under law or customs may constraint women from access to finance, including opening bank accounts (World Bank, 2012), borrowing loans, and general demand for financial services.

THE KENYAN CONTEXT

In line with Millennium development goals, Kenya's vision 2030 goal is to have Kenya become a regional financial hub with established financial system boosting savings and investments.
This goal can only be achieved with financial services made accessible and being used by all more so small and medium scale enterprises. FinAccess (2009) documented a turnaround in increase in the number of persons financially included from 26.3% to 40.5% from 2006 to 2009. Banking population increased from 18.5% to 22.6%. Africa as a whole has made efforts towards financial inclusion, with Kenya having ranked among 30 developing countries that is scoring high on financial inclusion (Jain, Zubenko, & Carotenuto, 2014).

Mobile financial services e.g. *Mpesa* has caused stir in market by creating a total new picture in financial inclusion area. It has promoted digital financial inclusion by allowing its users to connect, make digital payments, digital savings, access credit and insurance services and make digital in-store purchases (Radcliffe & Voorhies, 2012). Technology such as *Mpesa* provides an opportunity to appreciate how innovation culture can enhance financial inclusion. Further, Kenya is among other few countries that have made significant progress towards financial inclusion by embracing innovation through financial technology such as *Mpesa*, *Mshwari* among others. However, access to finance largely depends on the ability of the entrepreneurs to put viable strategies to be financially included. SMEs need to adopt strategies that enhance their inclusion. For this inclusion to take place, strategic orientation is crucial.

Entrepreneurs that value learning, value customers, market oriented and technologically apt is likely to be financially responsive particularly to new sources of funding. For example, such entrepreneurs are most likely to borrow funds from dynamic sources such as *Mshwari*. Entrepreneurs who are strategically oriented influence how the firm access to finance. Firms that that have access to finance are likely to perform better. Although most studies have looked at how financial inclusion affects firm performance there is a need to study how financial inclusion as a function of strategic orientations adopted by SMEs can be moderated by innovative culture

THEORY AND HYPOTHESES DEVELOPMENT

The Concept of Financial Inclusion

The Financial Inclusion Data Working Group of the Alliance for Financial Inclusion (AFFIDWG) endorsed three main dimensions of financial inclusion: access, usage, and quality (Triki & Faye, 2013). This broadened definition provides a more complete understanding of the financial inclusion by taking into account the availability of the financial services, frequency of use by the clients and whether the needs of the user are met and satisfied. Financial exclusion arises due high risk associated to the business or poor project quality, while others are due to market imperfections such as asymmetric information arising from lack of credit worthiness of the prospective borrowers. Such

clients are voluntary excluded despite being bankable (Stiglitz & Weiss, 2016; Claessens & Feijen, 2006).Mostly voluntary exclusion is as a result of credit discrimination. Discrimination in the credit market against women among small and medium businesses can have a devastating effect on the success of that business given on the importance of external finances in business including the SMES.

Concept of Strategic Orientation

Strategic orientation concept is broadly used in strategic management and entrepreneurship fields. It is a key element with important implications for the management and efficiency of SME's (Hambrick & Schecter, 1983). Researches on strategic orientation are either conducted in a holistic approach or a sub-division approach, that is, strategic orientation is an integrative concept consisting of its own dimensions or strategic orientation is a mix covering, market orientation learning orientation and technology orientation (Baker & Sinkula, 2005). Strategic orientation as explained in Resource-Based View theory (RBV) is a major driver of a firm towards a competitive advantage (Barney, 1991) . Drawing from strategic management literature, strategic orientation increases the likelihood of shared goals, making it easier to implement effective processes and activities. Firms achieve a superior performance and access critical resources such as financial resources because of their distinctive competences (Barney, 1991). This theory considers that, on one hand, the firms are constantly creating new combinations of capabilities and strategic orientations, and on the other hand, the dynamics in the market is continuously changing. For instance, the financial market is changing fast and accommodates new technologies which may not have been in existence a few years ago. In this regard, strategic focus of the firm determines the ability of the said firm to access resources.
Learning orientation is a set of organizational values that enable a firm to create, disseminate, and utilize knowledge (Sinkula, Baker & Noordewier, 1997).

Emphasis is placed on understanding the relationship with between the environment relative to both customers and competitors. It emphasizes the ability of the firm to learn from the environment and utilize the knowledge in making decisions. Learning organizations utilize knowledgeable, interdependent, human communication networks in order to achieve the organization's mission, goals, and objectives. Learning orientation is an important and complex resource for any firm to generate a competitive advantage in a dynamic and turbulent market (Hunt & Morgan, 1995). A firm is able to learn more quicker in comparison to its competitors that gives any firm a sustainable competitive advantage in the market (Dickson, 1996). A firm that has learnt its business environment its in a better position to take advantage of what such environment offers creating a superior value for itself and remaining ahead of its competitors Ramaswami *et al*., 2004).

Market orientation refers to the ability of a firm to meet and satisfy the needs and expectation of a client in offering products and services.(Suliyanto & Rahab, 2012; Polat & Mutlu, 2012). Marketing orientation is one of the primary organizing principles of the firm. It is critical for any business to maintain focus on the market and the customer it serves. Market-oriented businesses always have the need and desire to keep exploring new markets in search of new opportunities to meet the demands of the firmwhile still maintaining the existing clients (Hamel & Prahalad, 1994). Technology orientation, refers to a firm's inclination to introduce or use new technologies, products or innovations(Baines, Lightfoot, Benedettini, & Kay, 2009). Customers will always desire same products or services they have been using (Hamel & Prahalad 1991), therefore product differentiation from the competition or cost advantages in production can be achieved by developing and adapting new technologies (Gatignon and Xuereb 1997). Firms can make investments in developing its technological capabilities through investments in R&D or strategic technology alliances. A firm's technological capability is a major component of its knowledge base. Technology to be adapted to smaller firms is quite different to technology required for the bigger firms (Farhoomand & Hrycyk, 1985). SMEs face substantially greater risks in information system implementation than large businesses, since they have inadequate resources and limited education about information systems (Cragg & King, 1993).

The link between learning orientation and Financial Inclusion

Learning organization has drawn considerable interest in the literature. (Liu, Luo & Shi, 2002;Calantone, Cavusgil & Zhao, 2002;Sinkula *et al.*, 1997). Dynamics in organizations occur when organization place great value in learning orientation. Sinkula *et al.,* (1997) argue that organizational learning involves a shared vision, open-mindedness and a commitment to learn with inter-organizational learning (Calantone, Cavusgil, & Zhao, 2002). Learning orientation encourage open mindedness of the members of the firms, ability to question long-held assumptions and behaviors. Individual staff are given certain levels of autonomy and accountability as well as more opportunities to advance their own knowledge base. Members are encouraged to generate solutions as long as they are in alignment with firms policies. The operation teams of many firms now consist of *dotcom generation* ,a demography that has embraced digitalization and who have been reported to include higher percentage of Mobile money users as well as accessing their bank accounts through the phone (Sitbon, 2014) it follows that they are more likely to advocate for digital financial inclusion.

Dickson (1996), commenting on Hunt and Morgan's (1995) comparative advantage theory, suggested that an excellent learning environment in an organization will leverage the use of all resources to sustain competitive advantage. The development of new processes and adopting to shifting dynamics is forms of learning (Calantone, Cavusgil, & Zhao, 2002). It is expected of a firm ought to understand the dynamics in the financial market such as *MPesa*, *Mshwari* among others in order to derive its benefits. Financial literacy is antecedent of financial inclusion and therefore learning oriented entrepreneurs are likely to understand benefits of financial inclusion and embrace it. This therefore postulates a relationship between learning orientation and financial inclusion among women owned SME's.

The link between market orientation and Financial Inclusion

A firm's market orientation reflects its ability to appreciate marketing as key and delicate principle of a firm. A market oriented firm is one which obtains and uses information from customers; develops a strategy which meets customer needs; and implements strategies that are responsive to customers' needs and wants (Ruekert, 1992). Such firm prioritizes learning about customers, factors that influence customers and the ability of the firm to influence and satisfy customers (Bruque & Moyano, 2007). A firm with high regard to its customer's resource is likely to pursue financial inclusion through new methodologies in order to serve their customers. Indeed, they engage in search of resources to meet customer needs. With the need to make customers happy and satisfied, at such a time where customers prefer to make payments through paperless money, a market oriented firm will certainly embrace Mobile finance services.

The link between Technology orientation and Financial Inclusion

Technologically-oriented firms devote substantial resources to acquire new and advanced technologies and developing new processes, products and services (Chandler *et al.,* 2000). Technology oriented firms experiment on new methodologies such as *Mpesa*, agency banking and other mobile transfer models. These help the firm to be included in the recent financing avenues that have arisen due to technological changes. Technological capability is widely known as a strategic source of growth and wealth at the firm levels (Monopoloulos *et al.,* 2009) and is even more critical in resource mobilization. For instance, firms that engage and adopt new technologies are likely to pursue finances in the mobile money driven systems. A case in point is the use of *M-Kopa* and *Mshwari* which allows enterprises to borrow money using a mobile phone. Research indicates that the use of mobile money technologies is driven by the individual or firms appetite to utilize such innovations. As such firms that are technologically driven are more likely to access financial services via mobile money transfers systems. Therefore, this study postulates that entrepreneurs who encourage use of new technologies in their firms are more likely to be financially included.

The concept of innovative culture

Innovation refers to the generation, acceptance and implementation of new ideas, processes, products or services (Thomson, 1965). Innovative culture on the other hand refers to the way an organization develops a continuous system of access and usage of technologies. The innovative culture allows

organizations to constantly develop and embrace new ways of doing things. And therefore, in the context of SMEs, it is expected that such firms develop and embrace new ways of operations.

Gender gap in financial inclusion

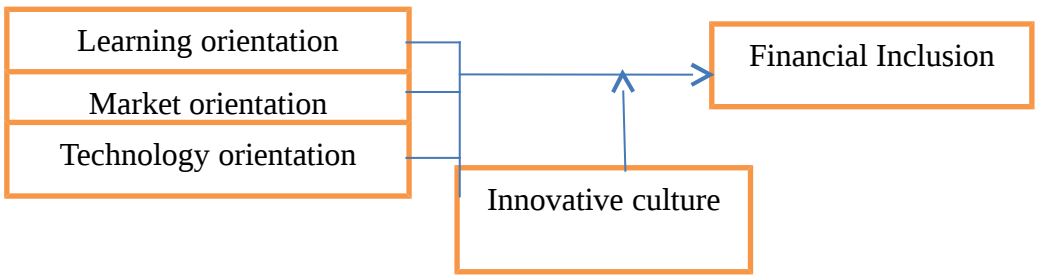
Existing research documented globally indicate that women's access to formal financial services is low relative to men with a study carried entire of Africa showing an average of 1 out of 5 women having an account with a formal financial institution, compared to an average 4 out of 5 men having an account with a formal institution. The financing gap is more pronounced as it is compared to urban areas (Triki & Faye, 2013). It is worth noting that conventional access to finance requires collaterals, an aspect which may be a challenge to women. Indeed the current mobile money transfers may allow access to credit largely without collaterals. In many developing countries (including Kenya), women entrepreneurs face more systematic challenges to accessing financial services (Goheer, 2003). In most of these studies, results indicate that banks discriminate against women in their lending methodologies. For example, in Kenya, some banks require male guarantors who are family members, preferably the spouses and as such unmarried women are generally not considered favorably for credit

While growing literature examines the households borrowing and savings decisions, data on individual women and the use of financial services is largely limited. The general absence of such data contributes to the scarcity of literature investigating the extent of financial inclusion among women entrepreneurs. Much of the literature on women and access to conventional finance has focused on access to credit in the context of financial entrepreneurial activities. Yet, policy makers and researchers have emphasized the increased use of mobile money. Although many entrepreneurs seek funding from formal financial services to finance their enterprises, there are new platforms and innovations that are currently in use e.g. *Mpesa*, *Mshwari*, *Mkopa* among others.

The Moderating role of innovative culture

At the broadest sense, innovation is any new idea to a population. Innovation is defined as an idea, practice or object that is perceived as new by an individual or larger population (Vakola & Rezgui, 2000). Indeed, it does not matter if the idea, practice, or object is new; rather, it is the perception and acceptance of novelty. In this regard, firms that value learning as a strategy are likely to be financially included when the entrepreneurs are innovative. Drawing from resource dependency theory and subsequent studies, entrepreneurs provide critical firm resource in the form innovation. And so firms that have innovative entrepreneurs are likely to focus on organizational learning and therefore improve access to financial services. Furthermore, other strategic orientations such as customer orientation, market orientation and technological orientation are likely to influence access to financial services when the entrepreneur is innovative. Entrepreneurship and innovation goes hand in hand with a risk of the firms slow to innovation being pushed down the ladder in this era of high competitiveness. Financial inclusion thrives well when there are new sets of innovation particularly in the money transfer system. For example, entrepreneurs who embrace learning in their organization are likely to be financially included, particularly when the learning is on innovative ideas. Therefore, it is believed that for meaningful financial inclusion to take place, both entrepreneurial spirit and innovative culture ought to exist. It is postulated that innovative culture plays a moderating role between entrepreneurial orientation and financial inclusion.

The Model



DISCUSSION AND CONCLUSION

The issue of financial inclusion has gained widespread currency and research. Most of these studies attempt to determine the factors that affect financial inclusion. This study follows the same path; however, it attempts to review literature on whether strategic orientation affects financial inclusion. Entrepreneurial orientation is conceptualized as containing the following variables: learning orientation, market orientation and technology orientation. To add to existing literature, the paper seeks to break new ground by introducing innovative culture as a moderator in the model. In this paper, a discussion is focused on women entrepreneurs who operate SMEs. In particular, this paper is conceptualized on the fact that women are disadvantaged lot when issues of financial access are considered. This paper notes that financial inclusion in Africa provides consistent results that financial inclusion is more prevalent in the lower strata of the economy including SMEs (Zins & Weill, 2016; Donovan, 2011; Lal, 2015). Following the traditional financing models, it is expected that women entrepreneurs may not get access to financial services because of cultural and economic reasons. With this in mind, women entrepreneurs who are entrepreneurial in nature can still access financial services owing to the technologies prevalent in the money market.

A market oriented firm's major goal is learn about customers, factors that influence customers and the ability of the firm to influence and satisfy customers (Bruque & Moyano, 2007). Unlike large firms, SMEs often suffer from the “liability of smallness” settling for lower mark ups since economies of scale does not allow them to that command higher prices (Laforet, 2008). That leaves them with only option of being exceptionally good to retain and look for more market shares to be able to compete at the same level with the large firms. Their size of firm favours personalization of customers as customers receiving individual attention are likely to more happier compared to their counterparts. Firms which are market-oriented have been found to have positive influence on the firm’s profitability (Baker & Sinkula, 2005) which in turn increase the likelyhood of a bank to extend credit facilities to such a firm.

Technological orientation is a source of strategic source of growth it’s a critical resource in finance mobilization (Monopoloulos *et al*., 2009). SME's advantage of flexibility would enable continuous adoption of ever-changing technologies in the environment is likely to pursue finances in the mobile money driven system. using modern technology enables an SME to produce high quality goods and services which has a likelyhood of hiting high profitabilities and attracting external funds from financial institution in the long run. Learning orientation involves development of new processes and adopting to shifting dynamics is forms of learning. It is expected to have SMEs inclined to learning oriented making high internal income which would in turn attract external financing. Likewise, firms that are using modern technology can produce high-quality goods and services that may increase the ability to attracting external funds from financial institution in the long run. Therefore, in this paper, we believe that financial innovation results from the entrepreneurial ability of the owner, more so for the women. Further, we believe that because women are excluded from the mainstream financial services, entrepreneurial orientation couple with innovative ability will allow them exploit the opportunities inherent in the new financing models. The new financing models is characterized by mobile money transfer system that allows entrepreneurs to access loans using mobile phones as well as other modern methods. Thus, financial inclusion is a function of both the entrepreneurial orientation and the innovative capability of the entrepreneur

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A CANONICAL CORRELATION ANALYSIS OF SMALL AND MEDIUM PRACTICES (SMPs) AND ADOPTION OF INTERNATIONAL STANDARDS OF AUDITING (ISAS) IN TANZANIA

Henry Chalu[7]

ABSTRACT

The adoption of ISA in SMPs while depends on several factors to be successful it is a subject which has not received wide attention by scholars. Hence this study aimed to fill that knowledge gap by exploring factors influencing successful adoption of ISAs by SMPs in Tanzania. Through theoretical triangulation approach, the study utilised three theories to generate factors that influence successful adoption of ISAs namely: resource-based view (RBV), the theory of economic regulation and contingency theory. The identified factors were assessed against successful adoption of ISAs measured by compliance to ISAs and ISQC 1 requirements. Data was collected using questionnaire to 113 auditors working in SMPs. The collected data were analysed using Canonical Correlation Analysis (CCA) to test three hypotheses based on the three theories. The results from the study indicate that financial resources, clients, regulatory framework, technology as well as organizational structure have positive influence on successful adoption of ISAs. On the other hand organization culture was found to have negative influence on successful adoption of ISAs. The study implies that for successful adoption of ISAs, there is a need for SMPs to be concerned with resource-based, regulatory-based as well as contingent based factors.

Keywords*: Small and Medium Practices (SMPs), International Standards of Auditing (ISAs), Canonical Correlation Analysis (CCA), International Standard of Quality Control 1(ISQC 1).*

INTRODUCTION

The adoption of international standards in the areas of accounting and auditing has been challenging and sometimes becoming unsuccessful. As result a number of studies have been conducted to investigate factors that will influence successful adoption of these standards. However, majority of these studies have focused on accounting standards (i.e. International Financial Reporting Standards – IFRS and International Public Sector Accounting Standards - IPSAS) while ignoring the auditing standards (i.e. international auditing standards – ISAs). While there are no clear reason for this situation, but one plausible explanation could be the fact that while there are enormous pressure for companies to comply with IFRS, the pressure for auditing firms to comply with ISAs is rather limited. As such studies to investigate challenges facing the adoption of ISAs are rather scanty. In this situation, one the type of the auditing firms which have not adequately investigated is small and medium practices (SMPs). The extant literature have not addressed the challenges facing SMPs which are mostly found in emerging economies like Tanzania when adopting and implementing the ISAs.

As such this study intends to address that gap by exploring factors influencing successful adoption of ISAs by SMPs in Tanzania. We empirically address this objective by using Canonical Correlation Analysis (CCA) to clarify the influence of various factors (namely: financial, human resources, client, regulatory, organizational culture, auditing technology as well as strategy) on ISQC 1 and ISAs requirements (as measurements of successful adoption of ISAs). These requirements include; quality requirements, ethical requirements, accounting and continuity, human resource quality requirements, engagement and performance requirements as well as monitoring requirements. Our study makes several contributions to the literature concerned with international standards on accounting and auditing. First we provide further insights on the measurements of successful adoption of standards by

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looking on compliance with ISQC 1 and ISAs requirements. Previous studies on successful adoption of standards have looked on time of adoption (.....) as well as compliance with IFRS and IPSAS (...). By advancing the current understanding through focusing on ISAs adoption by SMPs that are particularly relevant to emerging economies, this study extend the understanding of adoption by both accounting and auditing. Second we use three theories to generate independent variables (i.e. factors). These theories are Resource-Based View (RBV), the Theory of Economic Regulation as well as Contingency Theory. In case of RBV it is considered that successful adoption of ISAs is a function of resources at the disposal of SMPs. This is based on strategic management and competitive advantages perspective (see Barney, 1991; Barney & Clark, 2007; Barney, Ketchen & Wright, 2011; Kozlenkova, Samaha & Palmatier, 2014) whereby we see that SMPs which adopt successfully ISAs will have more competitive advantages over other firms.

In case of the theory of economic regulation Stigler (1971) considers that it explains who receives the benefits and burdens of regulations, type and form of regulations as well as effect of regulations on the allocation of resources. In our perspective we consider that ISAs are type of regulations which SMPs have to comply. As such there are benefits and burdens for the adoption of these standards hence creating some motivations and in some situation discouraging firms not to comply. This is consistent with the views provided by Posner (1974) that the theory of economic regulation is based on public interest theory (which considers that regulations are demanded by the public to correct inefficiency in the market) and capture theory (which considers that regulations are supplied for the demand of interest groups to maximise benefits of their members).

And the last theory is contingency theory which we consider that successful adoption is a function of both internal and external environment facing the organizations. This theoretical triangulation helps this study to use various theories to generate factors influencing successful adoption of ISAs as well as analyse and interpret the results (Denzin, 1978; Hopper & Major, 2007: Thurmond, 2001). As put by Denzin (1978), each theory demands ad produces a special view of the research, as result we consider that using multiple theories will help our study to enrich its conclusion as well as providing different views. Denzin (1978: 297) argues that "... alternative theories against the same body of data is a more efficient means of criticism and it more comfortably conforms with the scientific method". As such Denzin (1978) see that theoretical triangulation will have a number of advantages. First is minimizing the risk of the researcher presenting himself and the world prematurely by not considering all set of propositions even those which are contradictory. Second is permitting the widest use of any possible set of observations. Lastly, theoretical triangulation encourages systematic continuity in theory ad research. However, despite all these advantages no study has been conducted in the adoption of ISAs using theoretical triangulation perspective.

In this study we argue that no one theory can fit to explain the factors for successful adoption of ISAs and ISQC 1 by SMPs in emerging economies like Tanzania. We apply RBV to assess the influence of tangible and intangible resources the SMPs have that may influence successful adoption of ISAs. The intangible and tangible resources considered here are financial resources and human resources as well as information technology (technology). The theory of economic regulation helps to generate insight on the influence of regulatory related factors and client related factors based on public interest theory and capture theory. The contingency theory is continuation of the two theories selected because it considers both internal and external environment. As such contingency variables will assess the influence of organizational culture, structure, strategy and technology as well. Even the list of theories is not exhaustive; in our perspective application of three theories suffice to consider that the study used triangulation perspective. Third contribution is that the study assessed the adoption of ISAs by SMPs in emerging economies hence extending the understanding of SMPs in emerging economies context as well as ensuring improvement of audit quality by complying with ISAs ad ISQC 1. As put by IFAC (2016), SMPs are very crucial for economic growth particularly in emerging economies because they constitute the majority of accounting practices, employ majority of practising accountants as well as serving small and medium-sized enterprises (SMEs) which are believed to be economic backbone of developing countries.

Fourth contribution is based on the method used for analysis. This study use CCA which takes into account that successful adoption of ISAs is a multidimensional concept whose dimensions are jointly interacting. As argued by Mair and Rata (2004) that CCA is useful when underlying dimensions are potentially related and there is a possibility of series of multiple regressions. Also it is suited to measure the relationship between set of variables and accounting for interdependencies within those sets (Stowe, Watson & Robertson, 1980; van Auken, Doran & Yoon, 1993). As such this study suggests the use of CCA in order to examine the influence of various factors on successful adoption of ISAs. The factors examined are financial resources, human resources, client, regulatory, organizational culture, organizational structure, organizational strategy and technology. In case of successful adoption of ISAs, this was considered as multi-dimensional and six variables were used to express it. The six variables to express the dependent variable are quality requirements, ethical requirements, acceptance and continuation of client relationship, human resources management, engagement performance as well as monitoring. The analysis was done on data collected using structured questionnaire administered to 113 auditors from SMPs in Tanzania. Our results are based on the first three canonical functions despite the CCA producing six canonical variates because only three were found to be significant at 5% significance level.

The results on canonical relationships were interpreted using the approach suggested by Alpert and Peterson (1972) of three measures standardized form of canonical weights, correlation between individual variables and the respective canonical variates (loadings) as well as variable-variate correlation squared as expressed as a percentage of the sum of squared correlations for each variate. The results indicate that primary factors influencing successful adoption of ISAs are technology and organizational culture. These two factors are followed by financial resources, client factors, regulatory factors and organizational structure. The remaining factors namely, human resources and organizational strategy were found to have least significance influence. In case of measurements for successful adoption of ISAs, the study found that most critical measurements are human resource management as well as engagement and performance. These were followed by quality requirements and ethical requirements. Acceptance and continuation as well as monitoring were found to be the least measurements to reflect successful adoption of ISAs. These findings indicate substantial support for contingency theory while RBV and the theory of economic regulation are partly supported. The contribution of this study therefore shows that it is useful to consider multiple theories to identify which theories are more supported by the findings.

The rest of the paper is divided into five sections. The second section covers the auditing practices in Tanzania by applying a diagnostic view. In this section we provide an overview of the auditing arrangements and regulations. The third section covers the prior literature and formulation of hypotheses for the study. The formulation of hypotheses is based on theoretical perspective contingent, RBV and regulatory perspectives. The fourth section presents the study method which includes sampling, data collection and analysis techniques as well as model evaluation. The fifth section presents results of the study both descriptive and inferential ones. The descriptive results include mean, standard deviation (SD) and correlation. On the other hand, the inferential results are based on CCA. The sixth and last section presents discussion and conclusion of the study which include theoretical and practical implications of the study.

AUDITING PRACTICES IN TANZANIA: A diagnostic view

Tanzania is one of the developing countries in East Africa with economy largely dependent on agriculture. In Tanzania, the development of auditing professional has been together with accounting discipline and has reflected its colonial heritage from the United Kingdom (UK). In other words, the arrangement of auditing practices initially tended to follow UK structure (CIPFA,2011) but later on changed (UK also has changed a lot but most of its colonies have remained with similar structures. CIPFA (2011) attribute this slow change to limited adaptations by professional bodies because of existing vested interests. UNCTAD (2013) considers that growth of auditing was influenced by continued relationship with UK, change in business and political environment, international accounting bodies as well as foreign accounting literature. Wijewardena and Yapa (1998) as

well as Yapa (2000) found that using colonial system impaired production of accountants in various developing countries.

According to Mwinyimvua and Killagane (1980) the formalization of auditing in Tanzania started few years before independence with the introduction of Companies Ordinance 1929 CAP 212 (as cited by UNCTAD, 2013). Among the things covered in CAP 212 was auditing practices which included items like appointment and remuneration of auditors as well as disqualification of auditor. Here we recognise that CAP 212 was the first law to regulate auditing profession in Tanzania. After independence the auditing professional continued to be regulated and was done by the formation of the National Board of Accountants and Auditors (NBAA) in 1972. The formation of NBAA followed the enactment of Auditors and Accountants (Registration) Act No. 33 of 1972 and amended by Act No.2 of 1995. NBAA started its operations as government parastatal in 1973 and serves dual role of both regulatory body as well as examining body for accounting qualification.

The dual role of NBAA can be explained under the perspective of self-regulatory mechanisms which apart from having advantages, it has got its own limitations. For example Hilary and Lennox (2005) found that at the auditing firm level, self-regulation increases credibility of auditing practices. IFAC (2011) considers that advantages of self-regulations arise because professional bodies are close to the market where their members are operating hence a good understanding on the effect of regulations to the market as well as easy access of information and expertise and skills of members to regulate the profession. However, other studies considers that self-regulation does not serve public interest instead they serve private interest of professional body members and see them as entrepreneurial agencies established to preserve and enhance interest of their members (Robson, et al., 1994). In addition, self-regulation is considered to lack independence and suffer from secrecy (Anantharaman, 2012). To the critics, they consider external regulation which is done by the government to be more effective because it will limit the interest of members. But Stigler (1971) using the theory of economic regulation, considers that even external regulation may not be effective if the regulators are capture by the regulated to serve their interests.

May be based on these critics, IFAC's (2011) position paper proposes a shared regulation which combine both self-regulation and external regulation to achieve effective and efficient regulatory mix. The IFAC (2011) approach seems to recognise that both self-regulation and external regulation have got weaknesses and strength as argued by Anantharaman (2012). Hence, the mix perspective is considered for optimal advantages that can be generated from both approaches. While this study is not about regulation approaches, but we discuss here because it needs to be recognised that model of regulation are likely to affect the auditing practices in the country (see Puxty, et al., 1987). While in the examination process, NBAA does not distinguish between accountants and auditors, the regulations have more rules for auditors such s requiring those who want to be auditors to take practical training in an auditing environment and being supervised by registered senior auditor (UNCTAD, 2013). In this aspect auditing is regulated more because it to serve the public interest.

To ensure that auditing is conducted in a professional and accountable manner, NBAA has the responsibility of providing auditing standards as well as registering and categorising auditing firms in Tanzania. In case of registering and categorising auditing firms, NBAA up to year 2017 had a total of 200 auditing firms out of which seven (7) firms are classified as larger is equivalent to 3.5% of all auditing firms. In case of medium firms, they are 16 which is equivalent to 8% of all auditing firms while the remaining 177 (about 88.5%). In this case it can be seen that auditing practices in Tanzania is mainly dominated by SMPs (with 96.5%). However, while large firms are few, these large firms are the ones with large market share.

For the auditing standards, NBAA has adopted the ISAs since 2005 hence all auditing standards are required to comply with ISAs. The ISAs have posed numerous challenges to SMPs even though in some professional such as Australia Auditing and Assurance Standard Board (2012) considers that auditing standards can be applied by the SMPs in an effective and efficient manner to achieve audit

quality. In other words, the appropriateness of auditing standards is not a function of organizational size and complexity of audit engagement. However, in Tanzania this seems to be different because studies conducted so far found that the auditing standards adopted do capture appropriately characteristics of SMPs and found that the applications are inadequate, hence they suggested various strategies to improve application of auditing standards. For example, Kitindi (2000) conducted study before the adoption of ISAs and argued that accounting standards do not give adequate attention to the differences between SMEs which are expected to be audited by SMPs and large enterprises which are more likely to be audited by large auditing firms.

These findings are consistent with the results reported by the joint report produced by the Government of Tanzania and the World Bank (i.e. ROSC Report of 2015) which among other things it considered that despite the introduction of Audit Quality Review (AQR) unit by the NBAA to review audit methodology of SMPs, there are number of weaknesses. The weaknesses include low compliance with ISQC 1, inadequate training and practical application of ISAs among SMPs, majority of SMPs have significant need for capacity building to improve compliance level with ISQC 1 and ISAs requirements. ROSC (2015) cite a number of reasons for low level of compliance which include firms being registered without sufficient vetting, local firms operating for many years without their quality being reviewed as well as firms being poorly resourced. ROSC (2015) suggest that to enhance compliance with ISAs there is a need to strengthen technical department to support SMPs on ISAs technical application, enhance licensing requirements for auditing firms, develop CPD programmes with practical focus for SMPs, make SMPs use robust methodologies as well as introducing sanctions which may include withdraw of practicing certificate for repeated unsatisfactory performance.

ROSC's (2015) observation are consistent with earlier observations by Boolaky and O'Leary (2011) who found that despite adoption of ISAs in Tanzania, compliance gaps exist due to lack of audit education and knowledge as well as noncompliance on evidence, reporting, planning, quality assurance and unlicensed auditors offering auditing services. These issues echo the debate on the appropriateness of ISAs to SMPs as well as what can be done to make SMPs adopt ISAs and ISQC 1 in Tanzania effectively. While ROSC (2015) has provided evidence on compliance it mainly limited itself to ISQC 1 and lacks theoretical basis for factors influencing ISAs adoption. Boolaky and O'Leary (2011) on the other hand did not focus on SMPs it focused on macro perspective. As we consider that our study will supplement and extend Boolaky and O'Leary (2011); Kitindi (2000) and ROSC (2015) because we are not aware of any other study which has been conducted to assess ISAs adoption by SMPs in Tanzania. Our study also provides more insight on the environment where SMPs are also engaged in large audit despite their limitations on application of ISAs and ISQC 1.

DEVELOPMENT OF HYPOTHESES

Resource-based factors

The implementation of ISAs has been explored by a number of studies such as Boolaky and O'Leary (2011). However, if the comparison is made between accounting standards and auditing standards we observe that accounting standards have been enjoying significant attention from scholars. According to IFAC (2012) up to 2012, a total of 126 countries have adopted ISAs but there are different variations of adoption. For those which have included in their laws/regulation were 11, those termed as ISA adopted were 32, those considering national standards as ISAs were 29 and using others were 54. These variations indicate that adoption of ISAs is not uniform because the countries have different environmental factors. This may also be the case even for SMPs that their successful adoption of ISAs may be a function of various factors. We use RBV, the theory of economic regulation as well as contingency theory to investigate those factors.

Historically, Resource Based View Theory (RBV) was first introduced by Penrose (1959) who argued that the competitive advantage or success of a firm is largely determined by the resources it controls and the growth of the firm are due to the management of the available resource owned by the firm. To Penrose (1959), firm's resources comprise of assets, capabilities, process, attributes, knowledge and know-how that are possessed by the firm which will provide competitive advantage of the firm. For

the firm to achieve competitive advantages over other firm in the same industry, the firms must have internal idiosyncratic capability meaning that they must own resources that are rare, imperfect imitable, and none substitutable as resources are heterogeneously distributed among firms and imperfectly mobile (Barney, 1991). Phua et al (2011) used the RBV theory in examining the resources preparedness of the small audit firm in adopting IFRS convergence. Again, the application of the RBV to the SMPs in relation to adoption of auditing standards has been demonstrated by Mahzan and Yong (2013) who examined the Malaysia audit industry and applied the concept of RBV to classify resources into five major categories namely, intellectual resources, human resources, financial resources, organizational resources and physical resources. Likewise Maijoor and Van Witteloostuijn (1996) used RBV to assess competitive advantages of Dutch auditing firms. As such we considered that RBV is useful theory in our study because it helped us identify key resources for ISAs adoption by SMPs.

The first resource based factor in this study is financial resources as put by Kohlers (2009) that the audit fir with strong financial position will be more effective in adopting ISAs than those which are weak financially. According to Mahzan and Yong (2013), if the audit firm is not financially sound, its auditors will be depressed hence will not apply auditing standards in a proper manner. The second resource-based factor we recognize in this study is human resources. In case of SMPs, the human resources refer to both quality and quantity of human capital employed. Phua, et al. (2011) consider that training to employees of SMPs to meet CPD requirements as well as training on IT issues such as audit software and accounting software used by client will increase exposure of auditors hence making them more efficient in adopting auditing standards.

To Newbert (2008), human resources include training, experience, judgement, intelligence as well as relationship of individual employees. Likewise, Hsu and Fang (2009) recognize that human resources as intellectual capital of the organization is crucial for the performance of new product development. The third resource-based factor is client the SMP has because they are source of financial resources through audit fees. For example while the demand for audit services by SMEs which are served by SMPs is inelastic because they are required to do that by regulatory requirements, but SMEs have choices on which SMPs to use. The SMPs will compete on number of things such as reputation, training, competence, global reach and industry expertise (Craswell, Francis, & Taylor, 1995; Niemi, 2004; Sundgren, & Svanström, 2013; Svanström, 2016).

Niemi (2004) for example argued that while the studies have considered that auditing firms with international network provide services of better quality they ignore product differentiation among auditing firms. As such Niemi (2004) found that SMPs practices product differentiation in order to be competitive. The SMPs have to compete with large audit firms so that they can be able to survive. In this aspect providing differentiated services to clients will not only help them to secure non-audit services (advisory services) but also increase customer loyalty hence making client as competitive edge. According to Svanström and Sundgren (2012) the length of the auditor client relationship will increase the probability that non-audit services will be demanded from the incumbent auditor. However, that will depend on positive relationship between the auditor and the client. Based on the above, the availability of resources in terms of financial, human and clients should increase the success of adopting ISAs and the following hypothesis is therefore formulated:
H1: *Resources availability is positively associated with successful adoption of ISAs by SMPs.*

Regulatory-based factors
The regulatory based factors are based on the theory of economic regulation which considers that there are benefits and burdens attached to the regulations (Stigler, 1971). In brief the theory of economic regulation considers that a regulator faces two kind of interests: public interest and private interest which can be explained by public interest theory, regulatory capture theory and private interest theory. In the case of public interest theory, the government regulations are required for public interest to clear market failure which can be cause by things like lack of competition, barriers to entry as well as information asymmetry. On the other hand, regulatory capture and private interest theories, these are concerned with private interest of the regulations whereby the interest of the public are not

achieved because the regulator lacks control or dominated by the regulated to protect their interest and increase their wealth. In accounting and auditing, Gipper, Lombardi and Skinner (2013) recognises the application of the theory of economic regulation when they argue that politics have got influence on setting of accounting standards even though the accounting standards are different from other types of regulations since they only apply to accounting and the standard setters try to be independent from political actors.

But using Stigler's (1971) perspective that the fundamental assets of the government which is considered to be beneficial to those with private interest is coercive power. As such in developing countries with market failure as well as limited participation, the accounting standards setters are more inclined to lean with the government as well as being dominated by the regulated. This is consistent with views provided by Kothari, Ramanna and Skinner (2015) as well as Ramanna (2015) of political standards and thin political market. According to them, the accounting standard setters want to regulate the accounting practices using small pool of qualified experts. However, in that attempt they are faced with two problems. First the qualified experts being used have commercial interest in the outcome of the standard setting process. Second, there is absence of accountability whereby the accounting standard setters have got limited attention from the public.

As such Kothari et al. (2015) and Ramanna (2015) seem to agree with Gipper et al (2013) that managers and accounting firms may use this opportunity of thin market to lobby for the standards for their own interest or their clients. Gipper et al. (2013) argue that large auditing firms have effectively controlled the decisions of accounting standard setters for their own interest and their own clients. Chalmers, Godfrey and Lynch (2012) assessed the public interest and private interest (using both regulatory capture theory and private interest theory) in the setting of accounting standards in Australia and concluded cautiously that even though at the time private interest was not seen to outweigh the public interest, but there were opportunities for private interest to outweigh the public interest. In case of Tanzania we have seen that the accounting standard board (i.e. NBAA) it is under the control of the government as well as combining both professional bodies hence limiting their independence and provide the opportunity for private interest to flourish.

In case of ISAs while on one side may be considered that they are for public interest because they intend to address the market failure (Skinner & Srinivasan, 2012). The governments across the globe are concerned that the management knowingly prepares false financial reports and that the auditors did not comment on them. As such, national and international regulatory bodies established several punishment and requirements to auditors in their regulatory standards such as Sarbanes-Oxley Act, (2002) in US as well as the Auditors and Accountants (Registration) Act (1972) in Tanzania addresses several measures to auditors. The measures include penalties for allowing misleading financial statements, increased the amount of checks in the process, by increasing the role of the audit committees and creating new regulatory oversight boards as well as the requirement to provide more financial disclosures.

However, while these standards are being made, the interest of professional bodies as well as large auditing firm may outweigh the public interest including those of SMPs. One factor is a cost for implementing those standards since SMPs have got limited scales of operation hence increased costs reduces their profit. Furthermore, within the audit services market, there are suspicions of a greater divergence between those SMPs to be able to undertake the statutory audit of large scale and public interest entities. An SMPs global survey of 2015 revealed that keeping up with new regulations and standards are greater challenge to SMPs worldwide because of the significant costs associate with the adoption and implementations of ISAs (IFAC, 2015; 2016). To capture the regutory factors in this study, we use two factors professional bodies involvement and legal framework.

In case of professional bodies were other factors considered as per Mir and Rahman (2005) as well as Aljifri and Khasharmeh (2006 that they drive the decision to adopt ISAs in any particular country. However, based on the perspective of neutrality, the involvement of professional bodies may make standard-setter bodies to serve the interest of the professional bodies. Likewise, since the professional

are more likely to be involved with large audit firms, the auditing standards prescribed may be more appropriate to large auditing firms than to SMPs. In case of legal framework, some studies such as Boolaky and O'Leary (2011) as well as La Porta et al (1998) consider that legal frameworks may have positive impact on the strength of auditing standards. However, using the theory of economic regulation the connection of legal framework and accounting standards will impair the independence of the standard setting board as well as allowing professional bodies to control the crucial government asset of coercion. However, in other instance linking the legal framework and ISAs will help to ensure that the adoption is achieved and complied appropriately. Based on the above, the involvement of professional bodies as well as accounting standard setting body to be based on legal setting should facilitate the success of adopting ISAs and the following hypothesis is therefore formulated:
H2: *Regulatory factors are positively associated with successful adoption of ISAs by SMPs*

Contingent-based factors
The contingent based factors are based on the contingency theory which consider that organizational effectiveness is a function of both internal and external environment of the organization. According to Donaldson (2001) the essence of contingency theory is based on the assumption that effectiveness of the organizations results from fitting characteristics of the organizations to contingencies variables that reflect the situation of the organization. The contingent variables include technology, structure, environment, size as well as strategies (Donaldson, 2001; Otley, 1980). The contingency theory is considered to be the opposite of universalistic theories which assumes that is one best way to make organizations effective (Donaldson, 2001).

In accounting, the contingency theory has been widely applied in the areas of adoption and implementation of accounting systems particularly accounting information systems and management control systems. Limited studies have applied contingency theory in attempt to understand the adoption of accounting standards. The study by Massaro and Bagnoli (2013) while specifically did not use contingency theory, it used contingent variables of age, education and prior experience of SMPs for entrepreneurial intentions. Even though the SMPs with entrepreneurial intentions are not concerned with adoption of ISAs but they are concerned with SMPs effectiveness. Likewise, it can be argued that SMPs with more entrepreneurial tendencies are more likely to adopt ISAs successful compared to with less entrepreneurial tendencies. IFAC (2016) Global SMPs survey report found that the major challenges facing SMPs are complying with regulations and standards as well as attracting new clients. In case of the factors which influence the SMPs to achieve success in terms of complying with auditing standards and attract new clients include regulatory environment, technology and capability to adapt. These factors can be also categorised under the contingent perspective even though IFAC (2016) did not use contingency theory to understand those factors.

Likewise the study by Phua et al (2011) found that technology employed by auditing have influence on adoption of ISAs. Phua et al (2011) argue that technology will help the auditing form to manage large portfolio of clients, change and staff because will make SMPs adopt ISAs successful. Despite the importance of contingent variables for successful adoption of ISAs, there are limited studies on other contingent variables such as strategy, culture and structure. According to Blackburn and Jarvis (2010) SMPs are required to develop proper strategies so that they can be successful and competitive. Their argument is based on the assumption that despite the fact that SMPs focus on SMEs as their market segment, the SME-SMP relations is still underdeveloped and is a result of chance and not by SMPs' strategy.

Likewise, in case of organizational structure as well as organizational culture they have not been explored in relation to the adoption of ISAs. For example Anderson-Gough and Robson (2005) and DeAngelo (1981) consider that organizational structure will influence audit quality but they focused on big audit firms and audit firm performance while not considering the adoption of auditing standards. Similar situation can be observed on another contingent variable which is organizational culture, has been found by some studies like Chow et al (2002) as well as Pratt and Beaulieu (1992) to influence the performance of auditing firms because it influence commitment, job satisfaction as well as propensity to remain in the organization. But these variables have not been investigated on their

influence on successful adoption of ISAs. As such in this study we consider that for successful adoption of ISAs, contingent variables should play a significant role. As such the following hypothesis was formulated.

H3: *The contingent related variables have significant association with the successful adoption of ISAs by SMPs in Tanzania*

DATA AND MODEL SPECIFICATION

Data

As we have seen in Section 1, the Tanzania audit market consist of about 200 audit firms. While the majority of the audit firms are SMPs (about 97%), the market share is highly dominated by the Big Four. SMPs concentrate much on SMEs and small projects. The data used in this study are based on survey responses from 113 auditors working in SMPs in Tanzania. The survey was based self-administered questionnaire which were distributed to 125 practicing auditors and a total of 113 which is equal to 90.4 percent were received. The survey questionnaire was divided into four sections. The first section covered the general profile of the respondent. In this section the items covered included gender, academic, professional and working experience (i.e. profile of the respondents). The second section covered the profile of the firm and included items such as services provided, operation model, partnership setting and number of employees. The third section covered factors of influencing successful adoption of ISAs in SMPs which are divided into financial resources, human resources, client, regulatory as well as contingent related factors.

The third section also include indicators of successful adoption of ISAs which included quality requirements, ethical requirements, acceptance and continuation of client relationships specific engagements, human resource quality, engagement performance requirements as well as monitoring requirements which have been generated from ISAs and ISQC 1. The last section comprise challenges facing SMPs in Tanzania. In the last section, the respondents were about their opinion on challenges facing SMPs in the auditing industry. The opinion provided were not analysed separately but they included in the discussion to interpret the findings.

Model Specification

This study investigates the factors influencing successful adoption of ISAs by SMPs. The factors and indicators of successful adoption of ISAs are measured by using ordinal likert scale. The ordinal Likert Scale was put in 5 points whereby 1-strongly disagree was considered to be the lowest point the item can score while 5-strongly agree was considered to be the highest point the item can be ranked with. The use of 5-point Likert Scale is consistent with the views provided by Nemoto and Beglar (2014) as well as Smith Jr, et al. (2003) who are argued that the point for Likert scale should be between 4 and 6. Since this study used CCA, the variables of the study are divided into two sets of variables.

The first set of variables which is concerned with independent (predictors) comprised of factors influencing adoption of ISAs. These factors are financial resources (FINRES), human resources (HUMRES), client factors (CLIFA), regulatory factors (REGFA), technology (TECHNO), organizational culture (ORGANCUL), organizational strategy (ORGANSTRA) and organizational structure (ORGANSTRU). The second set of variables is concerned with dependent (criterion) variables which are measurements of successful adoption of ISAs. These measurements generated from compliance checklist for ISAs and ISQC 1 comprised six items namely: quality requirements (QUALRE), ethical requirements (ETHIRE), acceptance and continuation requirements (ACCECORE), human resource quality requirement (HRMREQ), engagement and performance requirement (ENGAPERE) as well as monitoring requirements (MONIRE). Based on the above, the relationship is presented in the following CCA empirical model consistent with Marlow (1983) and Stowe, et al. (1980).

Whereby:

Factors for ISAs adoption

$$g(FINRES, HUMRES, CLIFA, REGFA, TECHNO, ORGACUL, ORGANSTRA, ORGANSTRU) = f(QUALRE, ETHIRE, ACCECORE, HRMREQ, ENGAPERE, MONIRE)$$

FINRES = financial resources
HUMRES = human resources
CLIFA= client factors
REGFA = regulatory factors
TECHNO = technology
ORGANCUL = organizational culture
ORGANSTRA = organizational strategy
ORGANSTRU = organizational structure

Successful ISAs adoption indicators
QUALRE = quality requirements
ETHIRE = ethical requirements
ACCECORE = acceptance and continuation requirements
HRMREQ = human resource quality requirements
ENGAPERE =engagement and performance requirements
MONIRE = monitoring requirements

Table 1 presents the variables with their corresponding definitions or measurements for both predictor and criterion variables. For predictor variables there are eight of them and their measurements based on ordinal likert scale do vary depending on the number of items/statements. The number of statements ranges from four (for TECHNO) to ten (for REGFA and FINRES). The statements have been developed from various literature which are based on RBV, the theory of economic regulation and the contingency theory. In case of criterion variables, there were six of them and the number of statements ranged from five (for QUALRE, ACCECORE and MONIRE) to nine (for ETHIRE and ENGAPERE).

Table 1: Definition of independent and dependent variables

Variable	***Definition/Measurement***
Predictor set	
FINRES	A score taking a value of 10 to 50 based on responses provided to ten statements. These statements are a)size of capital employed by the firm, b) low fee pressure, c) late payment of the fee by client, d) adoption costs, e) training costs related to adoption, f) interpretation costs of new ISAs, g) implementation costs of adopted ISAs, h) human resource costs, i) costs for computer-assisted audit tools and techniques (CAATTs) tools, j) cost benefit analysis
HUMRES	A score taking a value of 8 to 40 based on responses to eight statements namely; a) availability of adequate pool of qualified staff, b) availability of training to auditors, c) availability of experienced auditors, d) availability of professionally qualified staff (with CPAs, ACCA etc), e) availability of in-house expertise to support adoption and implementation of ISAs, f) availability of additional guidance on audit methodology, g) availability of staff with technical skills, h) availability of technical support for implementation after adoption
CLIFA	A score taking a value of 6 to 30 based on responses to six statements. The statements are: a) size of the client, b) types of the client, c) 0 level of understanding on ISAs by client, d) client's perception on usefulness of audit report prepared in accordance to ISAs requirements, e) pressure of government to the clients to use audited reports based on auditing standards, f) capacity of the client to meet the cost of the engagement

Variable	*Definition/Measurement*
REGFA	A score taking a value of 9 to 50 based on responses to ten statements. The statements are: a) availability of professional support from NBAA, b) NBAA provides timely interpretative guidance and additional translations materials, c) NBAA provides quality interpretative guidance and additional translations materials, d) NBAA pressure on quality control, e) NBAA pressure on processing sufficient and appropriate audit evidence, f) legal requirements for all legal entities to file audited reports which have been audited according to ISAs, g)legal requirements to file audited reports as per companies Act Section 170, h) legal requirements to employ a CPA to certify annual returns as per Income Tax Act, i) legal requirement for the procurement of audit services, j) legal requirement to file audited reports as per Auditors and Accountants Act of 1995
TECHNO	A score taking a value of 4 to 20 based on responses from four statements: a) type of CAATTs utilised by the firm, b) level of utilization of CAATTs, c) CAATTs linked to the performance of auditor, d) suitability of CAATTs used to the firm
ORGANCUL	A score taking a value of 6 to 30 based on responses to six statements. The statements are: a) firm is results oriented and not process oriented, b) firm is employee-oriented and not job-oriented, c) firm is more professional than parochial, d) firm is more of an open system than closed system, e) firm is more inclined to a tight control than a loose control, f) firm is more normative than pragmatic
ORGANSTRA	A score taking a value of 5 to 25 based on responses to six statements which are: a) building anticipation and excitement for change, b) firm set specific adoption goals and communicate results, c) setting adoption as one of the KPIs of the firm, d) established guiding principles towards adoption, e) adoption plans both short term and long term
ORGANSTRU	A score taking a value of 6 to 30 based on responses to six statements. The statements are: a) type of chain of command used, b) span of control applied by the firm, c) decision making style by the firm, d)specialization level, e) formalization level, f) departmentalization level
Criterion set	
QUALRE	A score taking a value of 5 to 25 based on responses to five statements from ISQC 1 and ISA. These statements included a) established policies to promote internal culture recognising quality (ISQC 1.18, ISA 220), b) established procedures recognising quality, c) CEO/Managing Board Partner assumes the responsibility of quality control system (ISQC 1.19), d)firm has documented quality control policies (ISA 200, ISQC 1.20), e)firm has documented quality control procedures
ETHIRE	A score taking a value of 9 to 45 based on responses to nine statements also coming from ISA and ISQC 1. The statement include a)policies to provide reasonable assurance on compliance with IFAC code of ethics, b)procedures to provide reasonable assurance on compliance with IFAC code of ethics, c)policies on integrity are clear and well circulated, d)policies on objectivity are clear and well circulated, e)policies on professional competence and due care are clear and well circulated, f)everybody sign confidentiality form, g)each auditor sign declaration form every year, h)policies on professional behaviour are clear and well circulated, i)ensure compliance with independence requirements such as maintenance of adequate records each year

Variable	*Definition/Measurement*
ACCECORE	A score taking a value of 5 to 25 based on responses to five statements from ISQC 1 and ISA. These statements included a) established policies and procedures for the acceptance and continuance of engagements (ISA 315, ISA 230, ISA 240, ISQC 1.18), b) firm undertake engagement which has reasonable assurance of competence to perform, c) firm undertake engagement which has reasonable assurance of capabilities (in terms of time and resources) to perform, d) firm undertake engagement which has reasonable assurance of knowledge about which client to undertake, e) firm undertake engagement which has reasonable assurance of knowledge about which client to reject
HRMREQ	A score taking a value of 8 to 40 based on the responses to eight statements also based on ISA 230 and ISQC 1.20 The statements include a) staffs are considered to be real assets and essential for ISA adoption, b)firm has a well-documented professional development policies and procedures communicated to all staff, c) firm maintains files that record career development, d) firm maintains personnel files that record staff competencies, e) firm maintain files that record professional development courses attended by staff, f) firm maintain personnel files for qualifications obtained by staff, g) firm maintain files for work experience (including industry experience) of the staff, h) firm maintains personnel file that record performance appraisal for each individual.
ENGAPERE	A score taking a value of 9 to 45 based on responses to nine statements also coming from ISA 300, 320, 330 and ISQC 1. The statement include a)firm established system of quality control according to ISQC 1, ISA 300, 320 and 330, b)firm maintains a system of quality control according to ISQC 1, ISA 300, 320 and 330, c)firm designed policies to provide reasonable assurance that engagements are performed in accordance to professional standards, d)firm established policies to provide reasonable assurance that engagements are performed in accordance to professional standards, e)policies and procedures setting out the nature of engagement quality review (EQR) are clear and well circulated, f)policies and procedures setting out the timing of engagement quality review (EQR) are clear and well circulated, g)policies and procedures setting out the extent of an engagement quality review (EQR) are clear and well circulated, h) policies and procedures addressing the difference of opinion within engagement team with those consulted and where applicable between the engagement partner and the engagement quality reviewer are in place
MONIRE	A score taking a value of 5 to 25 based on responses to five statements from ISQC 1 and ISA 450, 501, 530. These statements included a) established monitoring process designed to provide reasonable assurance that policies and procedures are relevant in accordance with standards, b)established monitoring process designed to provide reasonable assurance that policies and procedures relating to the system of quality control operate effectively, c) involvement of inspection of a sample of completed engagements, d)monitoring process assigned to persons with sufficient experience, e)monitoring assigned to persons with sufficient authority in the firm

STUDY RESULTS

Descriptive Statistics

The descriptive results for this study are presented on Table 2. These results include minimum, maximum, mean ($\bar{x}$), standard deviation (SD) and standard error of mean. According to Table 2, the results are put into categories: predictor set and criterion set. For predictor set the variables with highest score on average are REGFA (min = 20, max = 49, $\bar{x}$ = 38.372, SD = 6.279) as well as FINRES (min = 13, max = 49, $\bar{x}$ = 35.655, SD = 8.164). The variables with low average score is TECHNO (min = 11, max = 19, $\bar{x}$ = 15.354, SD = 1.625). On the other hand, in case of criterion set, the variables which scored high are ETHIRE (min = 18, max = 45, $\bar{x}$ = 36.956, SD = 6.990) and ENGAPERE (min = 19, max = 45, $\bar{x}$ = 36.159, SD = 5.929). The variable with least score is QUALRE (min = 10, max = 25, $\bar{x}$ = 20.018, SD = 3.375).

Table 2: Descriptive Statistics

Variables	N	Min.	Max.	Mean ($\bar{x}$)	Std. Deviation	Std. Error of Mean
Predictor set						
FINRES	113	13.00	49.00	35.655	8.164	0.768
HUMRES	113	8.00	40.00	32.743	6.990	0.658
CLIFA	113	13.00	30.00	22.664	4.673	0.440
REGFA	113	20.00	49.00	38.372	6.279	0.591
TECHNO	113	11.00	19.00	15.354	1.625	0.153
ORGANCUL	113	15.00	28.00	22.142	2.584	0.243
ORGANSTRA	113	15.00	25.00	20.796	2.623	0.247
ORGANSTRU	113	12.00	30.00	23.292	4.198	0.395
Criterion set						
QUALRE	113	10.00	25.00	20.018	3.375	0.318
ETHIRE	113	18.00	45.00	36.956	6.990	0.658
ACCECORE	113	14.00	25.00	20.717	2.998	0.282
HRMREQ	113	19.00	40.00	32.770	5.182	0.488
ENGAPERE	113	19.00	45.00	36.159	5.929	0.558
MONIRE	113	12.00	25.00	20.513	3.083	0.290

In addition correlation analysis was performed (see Table 3) which shows that majority of independent variables (predictor set) have significant relationship with dependent variable (criterion set) at 5 percent significance level. At the same time, the results indicate that correlation between independent variables range from -0.010 to 0.597 and dependent variables range from 0.297 to 0.698. While these correlations are significant at 5 percent significance level, they do not exceed limit of 0.90 provided by Hair, et al., (2010). Hence, these correlations allowed for regression analysis.

Table 3: Correlation Analysis FINRESHUMRESCLIFAREGFATECHNOORGANCULORGANSTRAORGANSTRUQUALREETHIREACCECOREHRMREQENGAPEREMONIREFINRES1.000HUMRES.316**1.000CLIFA.482**0.1491.000REGFA0.159.206*-0.0101.000TECHNO.443**.256**.597**0.0601.000ORGANCUL.280**.327**.320**.269**.641**1.000ORGANSTRA-0.046-0.084-0.130-0.012-0.0270.0271.000ORGANSTRU.261**0.101.247**.295**.197*.330**-0.1031.000QUALRE0.162.336**.272**0.116.575**.588**-0.0420.1281.000ETHIRE.359**.255**0.175.343**.396**.413**-0.019.229*.556**1.000ACCECORE0.130.273**0.070.328**.275**.319**-0.150.396**.297**.398**1.000HRMREQ.290**.195*0.023.206*.281**.350**-0.093.327**.311**.416**.609**1.000ENGAPERE-0.0390.0530.0330.135.258**.260**-0.047.333**.372**.459**.675**.560**1.000MONIRE0.0430.146-0.0560.146.220*0.1840.0080.159.441**.336**.679**.689**.698**1.000**. Correlation is significant at the 0.01 level (2-tailed).*. Correlation is significant at the 0.05 level (2-tailed).

Canonical Correlation Analysis (CCA)

The CCA was conducted using the eight variables as predictors of ISAs adoption in the SMPs. The adoption of ISAs was captured by six variables (criterion set). The analysis yielded six functions with squared correlations (R_c^2) of 0.5894, 0.3622, 0.2847, 0.1449, 0.0624 and 0.0370for each success canonical function. The full model was found to be statistically significant using Wilk's Lambda (Λ) = 0.144, F(48, 491.184) = 4.9289, p<0.01. As argued by Sherry and Henson (2005) that Wilk's Lambda (Λ) represents the variance unexplained by the model. As such, the variance explained by the mode will 1- Wilk's Lambda (Λ) which yields the full model effect size (i.e. r^2 metric).

As for this study, for the set of six canonical functions, the r^2 type of effect size was 0.856 meaning that the full model explained a significant part about 85.6 percent of the variance shared between factors for ISAs adoption (predictor set) and measurements of successful ISAs adoption (criterion set). Because the full model produced for significant canonical functions, Redundancy Analysis was performed to test the hierarchical arrangement of the functions for statistical significance. Function 1 to 6 was statistically significant [F(48, 491.184) = 4.9289, p < 0.001; Function (2 to 6) with F(35, 418.89) = 3.2058, p < 0.01; as well as Function (3 to 6) with F(24, 350.07) = 2.6486, p<0.01, were all found to be significant at 5 percent significance level. However, function (4 to 6) with F(15, 279.22) = 1.8211, p<0.1 was found to be significant at 10 percent significance level.

The components of redundancy are presented in Table 4 and we see that the first canonical variate explain 58.94 percent of the variation of criterion set (i.e. successful adoption of the ISAs). The second canonical variate explains 36.22 percent of variation, the third canonical variate explains 28.47 percent of the variation. The fourth canonical variate explains about 14.5 percent of variation in criterion set. The fifth and sixth canonical variates explain 6.2 percent and 3.7 percent respectively. In general the model shows that predictor set can explain 25.6 percent of variation in criterion set and the criterion set can explain about 41 percent of variation in the predictor set.

Table 4: Components of Redundancy Measure

Relationship function	***Canonical R***	***R^2***	***Variance Extracted***	***Redundancy $\bar{R}^2$***	***Proportion of total redundancy***	***Sig.***
Predictor set						
1	0.7677	0.5894	0.1134	0.0668	0.2610	0.000
2	0.6018	0.3622	0.2111	0.0765	0.2986	0.000
3	0.5336	0.2847	0.2024	0.0576	0.2250	0.003
4	0.3807	0.1449	0.2591	0.0375	0.1466	0.059
5	0.2498	0.0624	0.1915	0.0119	0.0467	0.148
6	0.1946	0.0370	0.1531	0.0057	0.0221	0.313
				0.2560		
Criterion set						
1	0.7677	0.5894	0.1876	0.1106	0.2697	
2	0.6018	0.3622	0.4073	0.1475	0.3599	
3	0.5336	0.2847	0.2177	0.0620	0.1512	
4	0.3807	0.1449	0.4201	0.0609	0.1485	
5	0.2498	0.0624	0.3175	0.0198	0.0483	
6	0.1946	0.0370	0.2480	0.0092	0.0224	
				0.4100		

Table 5 presents the canonical relationship between variables and canonical functions. In this case Table 5 covers canonical functions coefficients (weights) as well as structure coefficients (loadings) for all functions. In addition Table 5 presents the variate correlation squared and expressed as percentage of the sum of squared correlations for each variate. This approach is consistent with the

approach proposed by Alpert and Peterson (1972). Hence based on the four criteria to decide which canonical functions should interpreted as identified by Dattalo (2014), we interpret only four canonical functions out of six. According to Dattalo (2014), the criteria for interpretation of canonical functions include: (1) level of significance based on a Multivariate F-test of all canonical functions, (2) level of statistical significance for each function, (3) magnitude of canonical correlation coefficient (R_c) or canonical correlation coefficient squared (R_c^2) and Redundancy analysis.

Observing the canonical function 1 loadings, we observe that relevant predictor variables are TECHNO (loadings=0.6539), ORGANCUL (loadings = 0.4743) as well as ORGANSTRU (loadings = -0.3684). These predictors have significant influence on three indicators of successful adoption of ISAs namely QUALRE (loadings = 0.8262, $\%\sum_L 2$ =60.7), ENGAPERE (loadings = -0.3689, $\%\sum_L 2$ =12.1) as well as HRMREQ (loadings = 0.3097, $\%\sum_L 2$ =8.5). However, on examining the direction of the variables we find that ORGANSTRU has got negative relationship with successful adoption of ISAs in terms of QUALRE and HRMREQ while it has got direct relationship with ENGAPERE. These results are even supported by weights if they were used to make interpretation. In case of canonical function 2 loadings, Table 5 shows that FINRES (loadings = 1.1129, $\%\sum_L 2$ =73.8), TECHNO (loadings = -0.4393, $\%\sum_L 2$ =11.5) and CLIFA (loadings = -0.3011, $\%\sum_L 2$ =5.4) were found to be relevant. In this aspect, FINRES was found to be primary contributor to the predictor set variable. TECHNO and CLIFA were found to be secondary contributor with inverse relationship with successful adoption of ISAs. In case of criterion set of variables only ACCECORE (loadings = 0.1474, $\%\sum_L 2$ =0.9) was found not to be relevant while the rest of the variables were found to be relevant. However, in case of the relevant variables, two variables QUALRE (loadings = -0.6173, $\%\sum_L 2$ =15.6) and ENGAPERE (loadings = -1.0720, $\%\sum_L 2$ =47.0) were found to be negatively related to FINRES, HUMRES and REGFA.

Moving to canonical function 3 as presented in Table 5 the results suggest that four criterion were relevant except MONIRE (loadings = 0.1343, $\%\sum_L 2$ =1.4) and HRMREQ (loadings = -0.2797, $\%\sum_L 2$ =6.0). In this third canonical function, QUALRE (loadings = -0.6381, $\%\sum_L 2$ =31.2) was found to be negatively related to HUMRES (loadings = 0.0131, $\%\sum_L 2$ = 0), REGFA (loadings = -0.4177, $\%\sum_L 2$ =10.8), ORGANSTRU (loadings = 0.8851, $\%\sum_L 2$ =48.4), TECHNO (loadings = 0.5212, $\%\sum_L 2$ =16.8) as well as ORGANSTRA (loadings = 0.0763, $\%\sum_L 2$ =0.4). The remaining predictor set variables were directly related to criterion measurements. In case of predictor variables we find that ORGANSTRU, ORGANCUL(with loadings = -0.5477, $\%\sum_L 2$ =18.5), TECHNO, REGFA (loadings = 0.4177, $\%\sum_L 2$ =10.8) were found to have more contribution than others on the predictor variables. ORGANCUL is negatively related to ETHIRE (loadings = 0.5401, $\%\sum_L 2$ = 22.3), ENGAPERE (loadings = -0.5982, $\%\sum_L 2$ =27.4) as well as ACCECORE (loadings = 0.3911, $\%\sum_L 2$ =11.7). The remaining factors were found to negative relationship with QUALRE.

In case of canonical function 4, Table 5 results indicate that in case of criterion (indicators of successful adoption of ISAs) the relevant variables are HRMREQ (loadings = -1.1387, $\%\sum_L 2$ =51.4) ACCECORE (loadings = 0.8447, $\%\sum_L 2$ =28.3), ENGAPERE (loadings = -0.5647, $\%\sum_L 2$ =12.7) and ETHIRE (loadings = 0.3294, $\%\sum_L 2$ =4.3). In case of relevant factors (predictor set), out of eight

factors only two variables namely ORGANSTRU (loadings = -0.2554, $\%\sum L^2$ =3.1) and TECHNO (loadings = -0.0338, $\%\sum L^2$ =0.1) were found not to be relevant. The remaining factors were found to be relevant but FINRES and ORGANCUL were found to be inversely related to ETHIRE as well as ACCECORE while being direct related to ENGAPERE. On the other hand HUMRES. CLIFA, REGFA and ORGANSTRA were directly related ACCECORE as well as to EHIRE but inversely related to ENGAPERE as well as human management.

In relation to the testing of hypotheses in this study, the interpretation is based on the first three canonical functions. The reason is that the three functions are statistically significant at 5 percent significance level and contribute about 78.5 percent in the model (see Table 4). The remaining functions are not interpreted because they are not statistically significant. These results are presented in Table 5.For the first hypothesis (**H1**) which states that: *Resources availability is positively associated with successful adoption of ISAs by SMPs*, the results indicate that the hypothesis is supported in case of FINRES which loads high in canonical function 2. However, in case of SMPs' clients (CLIFA), the hypothesis was not supported because despite loading significantly (loading of -0.3011 which is high based on the benchmark of 0.3) on canonical function 2, the direction is negative. In case of human resources factor (HUMRES) the loading is below the benchmark of 0.3 for all canonical functions hence was not considered influential.

The study also tested the second hypothesis (**H2**) which stated that:*Regulatory factors are positively associated with successful adoption of ISAs by SMPs.* The results using canonical function 3 indicate that regulatory factors (REGFA) with a loading of 0.4177 support the second hypothesis (**H2**). We also tested the third hypothesis (**H3**) which stated that:*The contingent related variables have significant association with the successful adoption of ISAs by SMPs in Tanzania.* The contingent variables which were found to have significant association with the successful adoption of ISAs by SMPs were three. These are technology (TECHNO- canonical function 1 = 0.654; canonical function 2 = -0.439;canonical function 3 = 0.521); organizational culture (ORGANCUL- canonical function 1 = 0.474; canonical function 3 =-0.578) as well as organizational structure (ORGANSTRU- canonical function 1 = -0.368;canonical function 3 = 0.885). The canonical loadings for organizational strategy (ORGANSTRA) were less than 0.3 in all canonical functions hence do not support the hypothesis three (**H3**). For the third hypothesis, using canonical function 3 which all the contingent variables are loading above 0.3, we see that organizational culture is negatively related to successful adoption of ISAs while organizational structure and technology are positively related with successful adoption of ISAs.

Canonical relationships123456VariablesWeightLoading% ∑L2WeightLoading% ∑L2WeightLoading% ∑L2WeightLoading% ∑L2WeightLoading% ∑L2WeightLoading% ∑L2Predictor (Factors)x1 (financial resources)0.00290.02360.10.13631.112973.8-0.0302-0.24673.8-0.0501-0.40878.1-0.0350-0.28605.30.03800.31027.9x2 (human resources)0.02140.14962.50.00150.01080.00.00190.01310.00.07890.551214.70.10480.732535.00.04780.33429.1x3 (Client factors)-0.0411-0.19204.1-0.0644-0.30115.4-0.0325-0.15171.40.17510.818332.30.00320.01510.00.09770.456717.0x4 (Regulatory factors)0.03860.24276.50.04230.26554.20.06650.417710.80.08290.520713.1-0.0242-0.15171.5-0.1186-0.744745.3x5 (Organizational culture)0.19360.474324.8-0.0403-0.09870.6-0.2235-0.547718.5-0.2566-0.628819.10.11570.28355.2-0.0151-0.03700.1x6 (Organizational structure)-0.0537-0.368415.0-0.0284-0.19502.30.12900.885148.4-0.0372-0.25543.10.04170.28645.40.06310.433115.3x7 (Technology)0.37420.653947.1-0.2514-0.439311.50.29830.521216.8-0.0193-0.03380.1-0.3511-0.613624.6-0.0110-0.19163.0x8 (Organizational strategy)0.00050.00410.0-0.0237-0.19432.20.00930.07630.40.05450.44629.6-0.7230-0.592822.90.02060.16872.3100.0100.0100.0100.0100.0Criterion (successful adoption)y1 (Quality requirements)0.24480.826260.7-0.1829-0.617315.6-0.1891-0.638131.20.03350.11320.50.05500.18571.80.05180.17482.1y2 (Ethical requirements)0.02890.20223.60.09900.691919.60.07730.540122.30.04710.32944.3-0.1251-0.874240.1-0.0080-0.05580.2y3 (Acceptance and Continuation)0.09630.28877.40.04920.14740.90.13040.391111.70.28170.844728.30.30780.922944.7-0.1995-0.598124.0y4 (Human resource management)0.05980.30978.50.10500.543912.1-0.0540-0.27976.0-0.2197-1.138751.40.04080.21132.3-0.0143-0.07430.4y5 (Engagement and Performance)-0.0622-0.368912.1-0.1808-1.072047.00.10090.598227.4-0.0952-0.564712.7-0.0708-0.41989.30.02220.13181.2y6 (Monitoring)-0.0376-0.29437.70.04370.34234.80.01710.13431.40.03380.26512.80.02350.18401.80.13231.036272.2

DISCUSSION AND CONCLUSION

Adoption of ISAs in SMPs depends on several factors to be successful particularly to developing countries like Tanzania. It is considered that the factors can emanate from different sources such as resources available to the organization, the environment in which the organization operates as well as well regulatory factors. With this lack of knowledge on factors because most of the extant literature have not addressed these source of factors in relation to ISAs adoption, this study aimed at assessing the factors influencing successful adoption of ISAs. The successful adoption in this study has been assessed using compliance with ISAs and ISQC 1 requirements. These requirements include quality requirements, ethical requirements, acceptance and continuance requirements, human resource requirements, engagement and performance requirements as well as monitoring requirements. In case of factors, they were grouped into three categories namely: resource-based, regulatory based and contingent based factors.

The resource-based factors are based on RBV considered that SMPs need adequate resources to successful adopt the ISAs in their operations (Mahzan & Yong, 2013: Maijoor & Van Witteloostuijn, 1996). In this study we used three factors namely financial resources, human resources and clients of the SMPs. The results support previous studies on financial resources and clients that they are crucial for successful adoption of ISAs. However, the results of this study do not support prior studies such as Newbert (2008) as well as Hsu and Fang (2009) which recognise the influence of human resource as competitive advantage to the organization. Plausible explanation can be that human resources may not be a competitive advantage if the SMPs do not have adequate financial resources and clients as critical factors. Hence, having financial resources and clients as critical factors, then human resources because less critical. In addition, availability of training, guidance on audit methodology as well as accounting graduates makes human resources factor to be not that significant because the SMPs consider themselves to be adequately staffed. The findings of this study suggest that financial resources and clients are still concern to the SMPs hence supporting prior studies on limited competitiveness of SMPs in terms of finance and clients. Hence supporting the resource based views which consider that resources availability increase competitiveness of the organizations.

In case of regulatory factors, this study found that it has significant influence on adoption of ISAs. The relationship is positive hence supporting the public interest perspective of the theory of economic regulation (Gipper et al., 2013; Stigler, 1971). Also the results on regulatory factors since have positive influence on successful adoption of ISAs, it may imply that they are not only made for large audit firms and for regulators. This is not consistent with the thin market perspective as argued by Kothari et al. (2015) and Ramanna (2015). In Tanzania, this may be the case because of dual role played by the NBAA. The NBAA as a member-based organization as well as regulatory organization include SMPs as members hence when the standards are developed or adopted from international standards, the SMPs because they are members are also involved. In this case they are also participants in standard formulation. Also NBAA while it has the legal power to ensure compliance, but because of members participation in the process of standards, the regulation to use ISAs may not be seen as coercive rather than voluntary one.

For contingent related variables which are based on contingency theory, the main assumption was the successful adoption of ISAs by SMPs will depend on internal and external environment of SMPs. In this study the contingent factors were technology, organizational culture, organizational strategy and organizational structure. The results of the study support previous studies on technology (Phua, et al., 2011); on organizational culture (Chow, et al., 2002; Pratt & Beaulieu, 1992) as well as organizational structure (Anderson-Gongh & Robson, 2005; DeAngelo, 1981). However, the study found that organizational strategy is not a significant factor for successful ISAs adoption which is not consistent with previous studies such as Blackburn and Jarvis (2010). One plausible explanation is that SMPs do not see adoption of ISAs as a strategic issue. This reasoning may be consistent with Blackburn and Jarvis (2010)

argument that SMPs have not taken small client market as strategic issue rather than being a result of chance.

In summary the findings of this study reveal that resource based view (RBV), the theory of economic regulation as well as contingency theory can be used to assess factors influencing adoption of ISAs in SMPs. In that aspect, the study found that under resource based, financial resources are crucial for successful adoption of ISAs. This also applies to clients because they are the main source of revenue to SMPs in terms of audit services and non-audit service provided. For regulatory factors the study found positive contribution to successful adoption of ISAs. While generally is considered that regulatory factors may improve the adoption of ISAs but there is a need of taking caution on coercive nature and nature of linkage between the regulatory body and SMPs as members because these may result into negative influence. For contingent-based factors, only three factors out of four were found to have influence on adoption of ISAs by SMPs. These factors are technology, organizational culture and organizational structure.

There are several limitations to this study despite its contributions. First, this study used survey responses which are affected by inaccurate and dishonest responses. Given that situation it is unclear to what extent the SMPs comply with ISAs and ISQC1 in actual sense. Second, the study used variables originating from resource based view, the theory of economic regulation and contingency theory. Hence, findings may be different if other variables from different theories are used. Third, this study has been carried out in SMPs in Tanzania hence may not be generalized outside this scope. Based on these limitations, further studies may be carried out to extend the contributions provided by this study. First, further studies may carried out using actual data on compliance of ISAs and ISQC 1. Second, future studies may carried out using variables from different theories. In addition, further studies may be carried outside Tanzania or using large audit firms.

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SERVICE DOMINANT LOGIC IN SMEs INNOVATION: IMPLICATIONS FOR THE EAST AFRICAN CONTEXT

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ABSTRACT

This paper is contextualized within East Africa, among SMEs. It investigates how SMEs can innovate through S-D logic. Precisely, it addresses specific objectives: One, to propose a theoretical model and testable research propositions based on S-D logic for SMEs in East Africa; Two, to assess ways in which SMEs can involve other actors in co-creation of service value and experiences. The paper followed a critical review of literature and analysis based on content analysis through the use of qualitative research software (Atlas). It is a qualitative meta-analysis that draws findings and conclusions based on related literatures on this subject. The paper found that service innovation process through the lens of S-D logic involves the integration of both operant and operant resources and co-creation of value-in- use. All actors (such as SMEs, customers and related parties) are to be actively involved in the service innovation process. The creativity of the paper is based on the proposition that we developed: the higher the level of integration of resources from various actors, the higher the innovation potentials for SMEs. We offer directions for practical usefulness of S-D logic for SMEs in East Africa.

Keywords: *S-D logic, value-in-use, co-creation, innovation, SMEs, East Africa.*

INTRODUCTION

There is no unique or specific definition for small and medium enterprises (SMEs). Different countries and institutions have different definition of what constitute a small firm (Olomi, 2009). SMEs are normally classified into Micro, Small, Medium and large business. According to Isanga et al, (2015) In Tanzania SMEs are categorized in three groups which are: first, micro enterprises which employ up to five employees and have a capital of up to five millions Tanzania shillings; second, small enterprises which employ between 5 and 50 employees and have capital investment of up to 200 million Tanzania shillings; and third, medium sized enterprise which employees between 50 and 100 employees and have capital investment range between 200 million to 800 million Tanzania shillings.

SMEs are widely recognized as the key engine of economic development (Isanga et al, 2015). Like many other developing countries East African nations recognize the importance of SMEs for economic development and poverty alleviation. For that purpose the governments have introduce various policies and programs seeking to boost SMEs development in the country. For example in Tanzania, the policies and programs include establishment of small industries development organization (SIDO) with aims at planning, coordinating and organize services to SMEs. On a similar vein, the vision of 2025 national growth for growth and poverty reduction emphasize the significance of private sector as the engine of economic growth (Isanga et al., 2015).

Most studies in East Africa related to SMEs have delved into issues such as; access to finance, gender, entrepreneurial behavior, tax burden, SME policy and access to markets. One such example is from the editorial work of Rutashobya and Olomi (1999), where a series of articles appeared in their compendium: African Entrepreneurship and Small Business Development, in this collection several issues related to SMEs are presented ranging from: conceptual model, role of research, macro-environmental factors, specialization, breading business innovators, performance, gender, female entrepreneurs, challenges, informal sector, missing links and financing. To the best of our knowledge we found no study or paper that has attempted an application of S-D logic among SMEs in the African context.

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A quick survey of recent related works from the East African Context that are on-line indicates that they have dealt with a variety of issues as they relate to SMEs: Muriithi (2017) looked at contributions, challenges and solutions, Haselip et al (2015) document evidences from Ghana, Senegal, Tanzania and Zambia, in which they report evidences on access to affordable finance as the principal constraint to establishing and expanding local SMEs energy businesses. Goedhuys (2007) finds that local firms in Tanzania counterbalance vertical linkages with foreign parent firms' disadvantages through in-house R&D, connectivity, and collaboration with other local firms. Local firms seem to collaborate more with local firms than with foreign firms. SMEs tend to collaborate and network with other local firms as a means of obtaining information on markets to improve or upgrade products and production processes. The local firms are more acting internally and through in-house activities such as study tours, trade fairs, in collaboration with suppliers, copying competitors and sourcing from universities. He further reports that firm/SMEs size has a non-linear relationship with likelihood to innovate. Chemical and plastic firms/industries led in innovation indicators.

Carlisle et al (2013) studied innovation for tourism through multi-stakeholder approach using Tanzania and Gambia contexts; they indicate that multi-stakeholder collaboration and training program building capacity in universities have helped to provide supportive environment for SMEs and innovation. They based on the Triple Helix model; they demonstrate the significance of institutions in motivating networking, transfer of knowledge and best practice through collaborations particularly with research institutions such as universities. Admassie and Matambalya (2002) basing their study on economic technical efficiency of SMEs in Tanzania, demonstrate that high levels of technical inefficiency, reduce SMEs potential output levels significantly, this feature typify Tanzanian SMEs. They suggests that, assisting these SMEs to improve their technical efficiency through adequate supply of inputs, markets, and credit facilities, and undertaking extensive infrastructural improvement and training could be vital measures. They further document that, unfavorable macro-economic and policy environment; poor physical, technological, and financial infrastructure; uncoordinated legal and regulatory framework; and lack of marketing capabilities and associated linkages, weak infrastructures, lack of capital, fierce competition, lack of raw materials from local markets, high prices and high numerous taxes as main constrains facing SMEs in Tanzania.

Other studies have raised related issues like: SMEs specific characteristics affect access to finance (e.g. Kira and He, 2012), SMEs networks eliminate ownership disadvantages and their perceived mental distance, thereby facilitating their entry into foreign markets (Rutashobya and Jaensson, 2004), their findings reports four types of network typologies used by small handcraft exporters as an example: network with close friends, family and customers; network with foreign distributors in foreign markets; networks with cluster members, local and foreign associations and chamber of commerce and network with local producers. Okello-Obura et al (2008) contribute evidences from Uganda, they reveals that SMEs in northern Uganda have varying background and are engaged in diverse/varied business activities with varying business information needs that require a multifaceted approach in the provision of business information. They recommend that a business information system distinctive to the SMEs be designed to provide among others business legal, technical, economic, contacts and management skills information. Their findings indicate the following areas as having the most need information by SMEs: finance, capital and loans, business management skills, trade fairs, local and stock markets, business competitors, security, appropriate technology, law and taxation, tenders and contracts, and policies and regulations.

Another study by Ntayi et al (2014) from Uganda demonstrate that, legal and regulatory framework is biased towards SMEs, this is witnessed by high-regulatory burden of registering and running enterprises, the cost of registering a business is high, legal proceedings are inefficient, complex and costly only favoring firms with resources and connections. These are some of the issues that are addressed in the East African context, our article contributes to the existing theoretical and practical literature by offering theoretical propositions and practical applicability of the S-D logic for SMEs in East Africa. The main

objective of this paper is to investigate ways in which SME can innovate through the lens of S-D logic. Precisely, the paper aim to address the following specific objectives: One, to propose a theoretical model and testable research propositions based on S-D logic for SMEs in East Africa. Two, to assess ways in which SMEs can involve other actors in co-creation of service value and experiences

THEORETICAL CONTEXT AND OBJECTIVES

Service dominant logic

The services dominant logic (S-D logic) was developed by Vargo and Lusch (2008). It is based on two foundational ideas; first, developed by economist Fredric Bastiat. In selected essays on political economy (Bastiat, [1848], reprint: 1964, p.161-162), as cited in Lusch and Nambisan (2015, p. 158) he states "… the great economic law is this: services are exchanged for services…It is trivial, very commonplace; it is, nonetheless, the beginning, the middle and the end of economic science." And second, added by Vargo et al. (2010, p.172): stating "value is created collaboratively and inputs (resources) must be integrated in order to realize value". Based on these two premises they proposed eight and later added two more to make ten axioms or foundational propositions (FPs). Vargo and Lusch (2008) and other researchers (e.g. Williams & Aitken, 2011, p. 440; Van Winkle & Bueddefeld, 2016, p. 5) document them as follows: "1. Service is the fundamental basis of exchange. 2. Indirect exchange masks the fundamental basis of exchange. 3. Goods are a distribution mechanism for service provision. 4. Operant resources are the fundamental source of competitive advantage. 5. All economies are service economies. 6. The customer is always a co-creator of value. 7. The enterprise cannot deliver value but only offer value propositions. 8. A service centered view is inherently customer oriented and relational. 9. All social and economic actors are resource integrators. 10. Value is always uniquely and phenomenological determined by the beneficiary."

S-D logic strike a difference between operant and operand resources. Operant resources are resources acting on other resources, they act on other things, and they are usually intangible and multifaceted; such as skills, knowledge and expertise. Operand resources are acted on by other resources; they are usually tangible and static, such as natural resources. Unlike in the Goods dominant logic (G-D logic) where operand resources are considered a source of competitive advantage, in the S-D logic the most central resources are operant resources which are dynamic and difficult to transfer, they are considered a source of competitive advantage. The most key operant resource is knowledge and technology (Capon and Glazer, 1987; Lusch and Nambisan, 2015). Technology is the application of science or knowledge; hence there are clear linkages between technology, innovation and service. S-D logic put stresses on the deployment of specialized knowledge and skills. Services innovation is therefore technology and based on operant resources, but inevitably creates new operand resources (Lusch and Nambisan, 2015). It hinges on resources liquefaction idea, which entails decoupling of information from its physical form to usable forms (Normann, 2001; Lusch and Nambisan, 2015).

Unlike G-D logic, S-D logic, arguably (Mele et al, 2014) underscores the importance of resource and knowledge management in marketing theory and practice and management research. While the former marks a separation between production and use, restrict market exchange into two parties and rests on linear value chain (Porter, 1985; Michel et al, 2008), the later blurs it, opens up into many actors and extents into multifaceted value constellations (Michel et al, 2008), value stars (Norman, 2001). S-D logic emphasizes the interactions between service providers and consumers to co-create value in use. The beneficiaries of the service perceive and determine value attained from use. Value is delineated into time and place dimension. The framework of S-D logic on innovation is based on looking at services as a process rather than an outcome. The process of value creation involves collaboration through resources integration and nurturing value co-creation. Unlike market orientation which focuses on value-in-exchange, S-D logic emphasizes value-in-use. While the former stresses listening to customers and delivering to their specific needs, the later capitalizes on customers' involvement in co-creation of value-in-use. It treats the customer perspectives endogenously in delivering innovative offerings (Michel et al, 2008).

Unlike in G-D logic, in S-D logic the novelty in innovation does not need to be technological. It may rather involves new ways of using a product, such as in new context, place and time. The critical factor is not how innovative the product is, but rather what the customer can do with it, that is how it makes the customer innovative with that product (Michel et al, 2008). Value of an innovation comes about through resources, context and experience integration. Firm products are not end in themselves, they are vehicles and means for value creation (Vargo and Lusch, 2004; Michel et al, 2008). The focus is rather on serving rather than product delivery in exchange (Lusch and Nambisan, 2015). This process requires among others a set of competencies for a continued renewal, creation, integration and transformation of firms offerings or propositions. Following this logic, value as defined and derived by users, not value in exchange or production delineates innovation. It comes about through co-addressing users' needs. This as such necessitates a set of sharing platforms such as; resources, information, knowledge, technology, work, actions, activities, risk and cost sharing. (Mele et al, 2014).

In S-D logic innovation is not a surprising discovery as in G-D logic, it is a common process that is nor simplistically linear, but it is also continuous, systemic and based on complex interactions betwixt heterogeneous actors, activities and resources. It transcends B2B, C2C and B2C relationships and boundaries into actors to actors (A2A) innovation constellations of networks. Innovation is both an output and an input into the activities customers engage in during resources integration and co-creation activities. Customers are not idle users and consumers of products and services but are actively acquiring value propositions and employ such in value creation actions in order to harness value-in-use (Mele et al, 2014), for example, Blazquez-Resino et al (2015) testing the S-D logic in tourism industry maintains that, S-D logic is an orientation that permits greater competitive advantage by spotting the dynamic role of tourists in the creation of their own experience. Innovation is therefore not a provider concern but a network issue (Mele et al, 2014).

The S-D logic presupposes that co-involvement, co-engagement, co-generation accomplished by the firm, customer and other stakeholders form the locus of idea generation and development toward innovation success, and that this happens in open and larger network ecosystem. The boundaries between firm and customers are blurred to facilitate A2A relationships. Mutual involvement is the key in resources integration in a many to many arrangements. Co-creation can be extricated into several "co-s": co-ideation, co-evaluation, co-design, co-test, co-launch, co-improvement, co-development, and the list goes on, among many actors (Mele et al, 2014). On a side note but related to collaboration, prior researches (e.g. Zacharia et al, 2011; Ordanini and Parasuraman, 2011) indicate that self-motivated capability of customer orientation, knowledge edges and collaborative abilities of customers influence firm outcomes such as performance (Lusch and Nambisan, 2015).

METHODOLOGY

This is a conceptual paper which is based on qualitative meta-analysis research design. It is a critical review of related literature about S-D logic and its applicability for SMEs innovation. It is a work in progress as it starts with a theoretical synthesis and end up with research and practical propositions and implementation for SMEs in East African context. The review of was based on extracted articles from various journals as indicated in the reference list. These were sourced from online journals. The search process involved key words such as: innovation, co-creation, value-in-use, operant resources, operand resources, service dominant logic (also, S-D logic, SDL and related acronyms), SMEs and small business and innovation. The articles were analyzed though content analysis using Atlas software. The main themes of analysis were; service innovation, co-creation, resources integration, value-in-use. From the themes we developed a proposed conceptual research model, research hypotheses and practical implications for SMEs in East Africa.

FINDINGS AND DISCUSSION

Services innovations in SMEs

Service is defined as an interactive process and during such interactions the customer and service provider co-produce the service. During this interactive part of the service process, production and consumption take place simultaneously and hence during that process the customer perceives the value that is created or emerges from the service (Gronroos, 2008). Service can be also explained as a support given to individuals or organizations in their day to day operations or in a way that facilitate individuals or organization's value creation. Service Innovation is defined as changes in structure that stem from either a new configuration of resources or a new set of schemas and that result in new practices that are valuable for the actors in the specific context (Edvardsson and Tronvoll, 2013). It is not about resources as such but it is about actors using resources (including their knowledge and skills) in a specific context. So the outcome of service innovation should be the improved value and attractive experience. Blazquez-Resino et al (2015) indicate that, the essential tenet in S-D Logic is that service, viewed as the use of skills and knowledge for the benefit of another entity, is the fundamental basis of economic exchange. All economies are essentially service providers, and service is therefore exchanged for service. Ordanini and Parasuraman (2011) posit that, S-D logic is appropriate for studying service innovations because it nests both services and tangible goods into an integrated, all-embracing service view (Vargo and Lusch, 2006).

Because it entails value in an actor's use context, service innovation in the S-D logic is centered on the actor and related to usage. Service innovation then is always about value co-creation processes in usage settings, with an associated shift from static to dynamic resources such as employees, competences, value-creation partners and customers. In its ideal form, the S-D logic pictures the co-creation of value through innovative integrations of resource (Vargo and Lusch, 2008; Edvardsson and Tronvol, 2013). As such, service innovation is the product of process networks, with an attitude and implementation of co-involvement, co-engagement and co-generation (Russo-Spena and Mele, 2012; Mele et al, 2014). On a similar vein, de Jong and Hulsink (2012) argue that SMEs in various industries seem to maintain very similar patterns of innovation networking, indicating that the SMEs industry level is too rough as a basis for classification into segments. This implies that SMEs can be analyzed as a group representing relatively homogenous innovative patterns and behaviors that can be studied through S-D logic.

Innovation has been argued (Rosenbusch et al, 2011) as a key distinguishing feature in business administration. In order to survive and grow in highly competitive markets, innovation is the only key solution (Kim and Maubourgne, 2005). An entrepreneurial success promise is indisputably characterized by innovation. In order to be successful the entrepreneur or small business manager needs an innovative edge to compete against number and size of competitors. Fostering an innovation orientation has desirable effects on firm outcomes, such as increased performance. It has been argued (Rosenbusch et al, 2011) that, innovation has a stronger impact in younger firms than in more established SMEs. It is found that new firms possess unique capabilities to create and appropriate value through innovation. It is also witnessed that innovation has the greatest impact in cultures that are characterized by collectivism (such as in Asia) than individualistic cultures (such Western countries). Lee and Chen (2009) indicate that, there is a greater promise for innovation among small firms than large organizations. Various scholars (e.g. Nooteboom, 1994; Vossen, 1998; Rosenbusch et al, 2011) are of the view that, though SMEs are challenged with resource limitations they are often successful innovators. They maintain that, small, agiler structure and an entrepreneurial orientation can facilitate innovation in SMEs. The ability recombine their resources among SMEs compared to large firms, is considered high due to their agility and dexterity. As such, from a dynamic capability view, SMEs have greater innovation potentials. On a similar vein, Rosenbusch et al (2011) are of the expectation that SME performance is affected more strongly by amount of innovation outcomes than innovation inputs.

A high level of individualism has been thought to constrain teamwork and internal and external resources interactions. Social interactions are crucial for the success of innovation (Nakata and Sivakumar, 1996;

Rosenbusch et al, 2011). The advocacy for external collaboration and networking for SMEs is growing. While the findings of Rosenbusch et al (2011) indicate that internally oriented innovation help improve performance among SMEs, Uhlaner (2012) posits that external sourcing has direct effects on both product and process innovation. Bahadir et al (2009) shows that innovation is one of the most consistent driver of organic sales growth. Mele et al (2014) conclude that firms need to allow actors to access knowledge, relationships and value in the ecosystem. Managing new opportunities for innovation and value co-creation requires the involvement of customers, employees and other actors and conducive climate for innovation. An investment in soft factors as well is of a significant consideration, for example, trust and communication, there should also be an enabling of social activities such as interactions, sharing, collaborations and dialogues between actors in the ecosystem.

Although there is a plenty of literature on S-D logic research, it has been argued that there is no clear articulation of the model in practice except in a few isolate case (Lusch, 2011; Randall et al, 2014). For instance, de Jong and Hulsink (2012), studying SMEs and innovation identify six patterns of innovation networking; supplier based, customer based, information based, bank/accountant based, science based, and government based; and show that the supplier based pattern was the most dominant one. They further indicate that, innovation in SMEs typically traverses the SMEs boundaries. And that, SMEs can reap from network ties with suppliers, customer, friends relatives for innovation purposes among many other potentials. They argue also that innovation studies have put the importance of collaboration among actors. These actors cited were thought to be informal contacts such as friends and relatives, direct business contacts such as customer, competitors, suppliers, bank and accountants, marketers, engineers, technical advisors, consultants, universities and government organizations who are part of the SMEs ecosystem. In the innovation research, customers have been considered as a major sources of innovation for SMEs (Rothwell, 1991; de Jong and Hulsink (2012). Due to their small size and costs that are resulting from innovation, researchers (e.g. Gomes-Casseres, 1997; Elfring and Hulsink, 2003; de Jong and Hulsink, 2012) indicate that, SMEs may collaborate with competitors in order to manage risk and cost of innovations. On a similar argument about ecosystem and external parties, their findings indicated that most innovations in MSEs are developed with support of inputs from external partners. Their findings also indicate that financial advisors are important contributors to innovation process especially when SMEs expand their networks in a quest for innovation. They also confirm the results of von Hippel (2005) who show that, innovating users or customers are brilliant sources of innovations with practical originality, and better able to recognize new product functions, originally for individual need, than firms.

Operant and operand resources integration

S-D logic based on its 4th FP: “Operant resources are the fundamental source of competitive advantage”, and its 9th FP: “All social and economic actors are resource integrators” signifies the role that resources play in innovation co-creation process. Lusch and Nambisan (2015) posit that, if S-D logic is the application of resources for the benefit of others or oneself, a key aspect of it is whether the resources mobilization is possible in a timely manner, in space and for an actor that is intended to offer the anticipated services. Following this argument, (Lusch et al, 2010; Normann, 2001) suggest that maximum resource density occurs when the best combination of resources is mobilized for a particular situation. All economic, social, political and economic actors are regarded as resource integrators, all actors are prospective innovators and co-creators of value (Blazquez-Resino et al, 2015). Actors integrate resources primarily for two purposes; one, bundling and combining resources for usefulness or value realization, innovation is a result of combining or bundling of existing resources. Many resources that are integrated are market related, also non-market related, such as private resources such as knowledge, and public resources such as institutions, land and infrastructures. Two, recombining and re-bundling resources for more innovation. Each innovation becomes a precursor and a module for another innovation which can be recombined for yet another innovation experience (Lusch and Nambisan, 2015).

According to S-D logic, the possession of operand resources (such as physical assets) in itself is not complete for developing competitive advantage. The coupling of operant resources (such as skills and knowledge) is inevitable, because, it is these later type of resources that are capable acting on other resources by bundling and combining operand resources during value co-creation. In S-D logic, customers are operant resources who actively engage operand resources in co-production of innovative experiences (Blazquez-Resino et al, 2015). S-D logic borrows the idea of resource liquefaction, which is the dissecting information resources from its physical form to usable forms. It implies the diffusing of information from its original forms such as writings, drawings or paper or electronic devices to sharing forms. The advent of information technology led to decoupling of information and hence easy of liquefaction of information. This has led to success in social and network building possibility and open up innovation opportunities (Lusch and Nambisan, 2015).

Innovation value co-creation

According to Ramaswamy (2011) Co-creation is defined as a process by which mutual value is expanded together, where value to participating individual is a function of their experience in terms of their engagement experience, productive and meaningful human experience. It focuses on the interactions and relationship with other people and service cap (Prebensen and Foss, 2011). Thus the focus is more individual rather than the companies. There has been a confusion among researchers between co-production and co-creation some believe that co-creation is synonymous with co-production. However some researcher manages to draw distinction between the two terms. Edger, (2008) as cited by Bueddefeld (2016) say that while co-production may be the form of co-creation can be used in regard to customer knowledge input and the interaction between the customer and the firm while co-production used in terms of customer participations in terms of new product and service development.

According to William and Aitken (2011) value refers to anything worth what someone is willing to pay and things in themselves have no value apart from the use we put them to i.e. the purpose from which the object or service was obtained. Thus firms can only make offering that they hope will be of value so in order for the value to be created the offering has to be taken up by someone who derives value from the use of that offering. Thus value in use is defined as the value for customers created by them during their use of resources i.e. value is always created by customers and determined by the customers (Grönroos and Gummerus, 2014). The process of value generation involves actions by several actors including service providers, customer and others. The process comprises three value spheres. First is provider sphere where providers compile resources include potential value in use, to be offered to customers to facilitate their value creation. Second is the joint sphere where service providers and customers interact directly which enables the providers to engage with customers' value creation and co-create value with them. Third is a customer sphere which is closed to service provider and where customers independently create value.

According to the S-D logic, service provision process begins with value propositions in forms of services or products, which have value innovation and creation potentials. These are "promises of reciprocal value between providers and their customers" Kowalkowski (2011, p. 277). They describe the expected service performance and its relationship with customers' needs (Blazquez-Resino et al, 2015). This thinking imply that products or services are not promises through which a customer during interaction with product or provider realize value-in-use. Koziol-Nadolna et al (2011) follows Schumpeter definition in which innovation process entails idea generation (invention), implementation (innovation) and dissemination (imitation); then extend the reasoning on innovation into, generating innovation idea, crating, designing and implementation, the main focus is the implementation of a new offering. Mele (2009) conceptualizes value innovation as "the development of new competencies or a new combination of existing competencies for the provision of new or increased benefits to one or more parties" (p. 204). From all facets of innovation, it is evident that there are two main parts, innovation creation and its dissemination. Innovation need to be planned a way that will enable creation, management, storage and transfer of knowledge and its usage. Collaboration is seen as crucial process in innovation process.

Collaborations have been evidenced in Europe (Ibid) among manufacturing and services firms, chemicals, pharmaceuticals and ICT, wholesale and retail, transport and communication alike, with high level of open innovation collaborations. They argue that firms collaborate on innovation most often with supplies and customers. At varying degrees, collaboration has also been done with research institutes and consultants.

Mele et al. (2014) basing his argument on the S-D logic, posits that the firm and customer interact during services process and there by co-create value. The users determine the co-created value in context and time as derived from the interactions; this is called value-in-use as opposed to value in exchange. Innovation is viewed as a process in which both provider and users find ways that successfully engage them in collaboration during resources integration and value creation (den Hertog et al, 2010). The innovation in this perspective does not have to be technological, it may take into accounts products being consumed in new ways, in different contexts, place or time. That is, "Altering value as it is defined and used by the customer, not value in production and exchange, defines innovation" (Michel et al., 2008, p. 50). The beneficiary in this case is the entity or person that determines value-in-use. Success in this process of innovation rely on firms' competences that allow them to continue renewing, creating, integrating and transforming their propositions or offerings. Successful innovations are enshrined on mutual collaboration in co-creating value within a democratized protocol, because a single firm seldom possess all knowledge and human resources to create innovations on its own, especially when it is called to compete on a wider space. Edvardsson and Tronvol (2013) propose, all activities, as well as value co-creation and innovation, originates within the frame of social systems. An example from Van Winkle and Bueddefeld (2016) suffices an illustration, during their study, by observing the festival experience from the attendee's viewpoint it was clear that sometimes the attendee was the catalyst for creating value, alternatively the festival or other stakeholders may be the trigger for value creation. Occasionally, attendees engage with the festival in unintended ways thereby acting as catalysts for a new experience that brought meaning to the event. Finally, there are times when other attendees, performers, vendors or sponsors acted as the stimulus for creating value.

There are arguably (Mele et al, 2014) three main sources of innovation: collaborative competencies, customer self-motivated capabilities and knowledge edges/interfaces. As such, innovation is developed in terms of discovering new ways of co-solving and co-addressing customer needs. It involves asset, information, work and risk sharing among other resources and outcomes. It is both an input and output, the output at another level are considered as modules for yet another innovation process. This type of innovation is a mix of integrated resources. Customers are not mere buyers and users, but are active agents of innovation, they are seen not as destroyers but creators of value. They are co-producers, co-creators of innovation outcomes informed by knowledge, information and other resources. The S-D logic proposes that value is co-created with the customer via the activation of sets of resources. (Blazquez-Resino et al, 2015). Michel et al. (2008) posits that S-D logic treat the consumer side as endogenous to the development of innovative offerings. The roles of a customer in value co-creation has been highlighted (Lusch & Nambisan, 2015) as a resource, buyer, user, co-producer and product, ideator, designer and intermediary; such a picture shows the multiplicity of roles that he/she plays through the S-D logic lens.

Networking in ecosystem

Lusch & Nambisan (2015, p. 161) citing Iansiti and Levien (2004) and Moore (1993) define "an ecosystem as a community of interacting entities— organizational and individuals (including customers) — that coevolve their capabilities and roles and depend on one another for their overall effectiveness and survival". They idealize service innovation based on S-D logic as constituted of an A2A network and is conceived in terms of service ecosystems. This underscores the significance of organizational resources and principles to enable resources integration and service exchange among the actors. They further maintain that, "…service ecosystem… [is] a self-contained, self-adjusting system of mostly loosely

coupled social and economic (resource-integration) actors connected by shared institutional logics and mutual value creation and through service exchange" (p.161). The ecosystem representation allegorizes connections among actors sharing common or complementary features. The metaphor of ecosystem helps to paint the innovation canvas by showing how networks work and how many actors interact in integrating resources for innovation co-creation (Mele et al, 2014).

On a similar shade, Edvardsson & Tronvol (2013) and Van Winkle & Bueddefeld (2016) indicate that value is co-created in a social context because service systems are grafted in social environment, and indeed, service innovation, as such is rooted in a social system. Knowledge is cumulative, social systems are key in originating, generating and integrating by acting on available resources to create value for themselves. Truly, as Mele et al (2014) put it, the locus of idea generation and development can be anywhere in the open and wide ecosystem or network. The idea of ecosystem depicts a wider and mutual context— social, cultural, political and economic—in which co-creation for innovation happens. The innovation ecosystem is arguably the context and environment where actors; share norms, values and institutions; interact and build relationships, deploy and integrate resources; and harness value from co-creation. Innovation with S-D logic is a social process by a constellation of actors, the firms' boundaries are faint, and internal versus external environments is replaced with market network-to-network ideals. Van Winkle & Bueddefeld (2016) findings on the applicability of S-D logic in festivals, confirm that social systems are part of value creation. They indicate that, the individual artists, attendees and actors bring more meaning to the experience which had implications to value-in-use.

CONCLUSION AND RECOMMENDATIONS

Conceptual framework for SMEs in East Africa

Scholars (e.g. Payne et al, 2008; Blazquez-Resino et al, 2015) argue that S-D logic offers a conceptual framework that will allow services providers to create competitive advantages and a way to comprehend how the customers is evolving into being a central person in co-creation value process management. The S-D logic echoes the economic reasoning principles, it offers a comprehensive perspective for a better understanding of innovation and its adaptation to various market contexts (Blazquez-Resino et al, 2015). As such, the aim of this paper, as noted earlier, is to analyze, develop and suggest an application model for SMEs services innovation process within the East African context. The application model will help both researchers and practitioners on how to test and implement SMEs innovation process based on the S-D logic, and propose how best to achieve competitive advantage through efficient management of value-in-use through co-creation activities.

Following the example of Edvardsson & Tronvol (2013), the development of such a practical and testable model in the SMEs context requires the identification of variables and actors in the SMEs innovation ecosystem. As identified in the preceding sections we highlight some of these variables and actors as; operant resources/actors (e.g. customers' skills, knowledge), operand resources (e.g. SMEs assets) and other actors such as research institutions (e.g. universities), experts (e.g. engineers, accountants, bankers, researchers) to be involved in co-creation activities for value-in-use outcomes. Researchers (e.g. Gummesson, 2011; Vargo and Lusch, 2011; Edvardsson and Tronvoll, 2013; Mele et al. 2014) indicate that, such type of a model needs to incorporate a range of stakeholders, and that none of which are to be merely considered as sources of idea, provider of goods and services, but rather true co-innovators. Such an integration occurs in a multiple integration of resources through B2B, B2C, C2C and A2C levels to co-create value in an ecosystem setting. Such a type of a framework, has been argued (e.g. Holland, 1992; Kuhn, 1996; Randall and Mello, 2012; Randall et al, 2014) that would provide researchers and practitioners ways upon which new theories and practices can be built and tested.

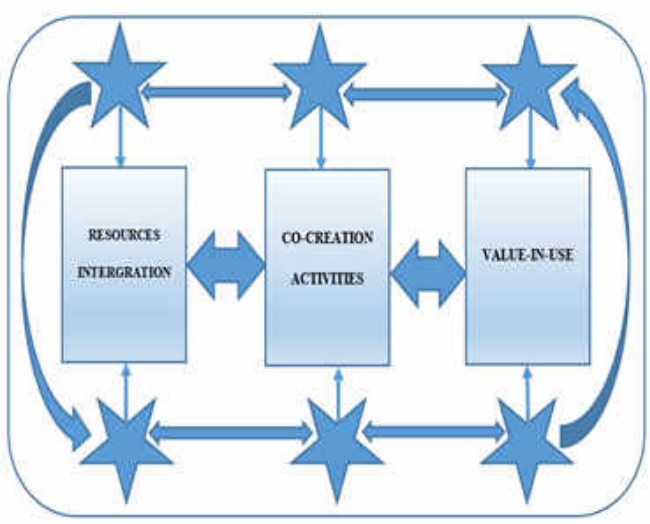


Figure 1: proposed Service innovation process.

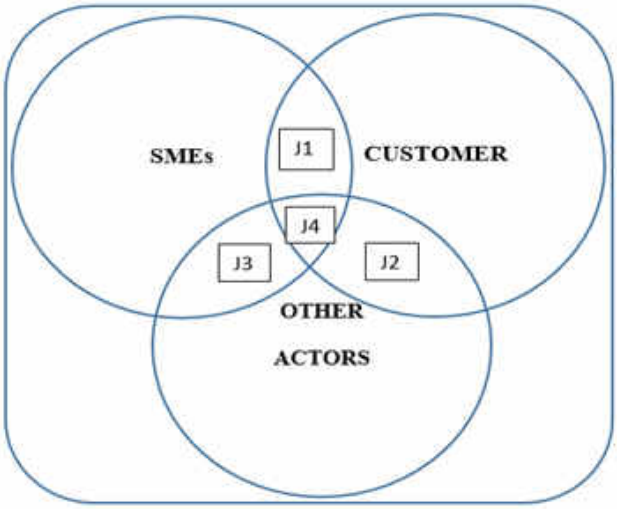


Figure 2: proposed S-D logic intergration levels

In Figure 1, is a depiction of the service innovation process; the stars are the SMEs, customers and other actors in the ecosystem, the arrows show possible interactions between and among the various parties involved in the network. The first block is the resource integration that must happen between opearant and operand resources. The middle block represents the possible co-creation activities that can be done by the stars, the last block represents the value-in-use that is experienced as the results of co-creation process. All these relationships and actions happen within the network ecosystym. In figure 2, we further show the level of integration of resources and parties to the relationships. J1 through J4 are joint areas of integrations for parties in the ecosystem. Based on these level of integration or collaboration we propose the following hypotheses:

J1: The higher the level of SMEs and customers spheres integration, the higher the innovation potentials and outcomes.
J2: The higher the level of customers and other actors spheres integration, the higher the innovation potentials and outcomes.
J3: The higher the level of SMEs and other actors spheres integration, the higher the innovation potentials and outcomes.
J4: The higher the level of SMEs, customers and other actors spheres integration the higher the innovation potentials and outcomes.
Based on these four propositions we further propose that: the higher the levels of integration depicted above the lower the cost and risk related to SMEs innovation due to co-insurance effects (risk sharing) and cost diversification effects (cost sharing) respectively.

S-D logic implications for SMEs in East Africa

The contribution of S-D logic from the marketing literature, as Blazquez-Resino et al (2015) notice, has mostly been on the theoretical domain. They maintain that there is lack of research focused on providing a framework that can assist firms to manage co-creation process. On a similar vein, Mele et al (2014) note that conceptualization of innovation within the S-D logic offers pathways for researchers, managers, decision makers and practitioners to handle innovation in a global as well as local competition. As such, S-D logic puts and open up SMEs service innovation or value innovation in a blurred network ecosystem context that SMEs owners and researchers alike may handle innovation in conceptual, physical and digital realities as well. As such our review of literature and critical thinking process led to the opening of possible implications of S-D logic for SMEs innovation within East African context, summarized in the following nutshells.

SMEs need to open up doors and inroads for customers to participate in firms activities at different levels, such as designing of products through offering idea, feedback and information which addresses their needs in the process of value-in-use co-creation process. SMEs should borrow practices from Asiatic and European organizations such as IKEA where customers assemble parts of the furniture products at home thereby enhancing their value experience. This way they have an opportunity to be innovative on the products. SMEs, particularly IT based SMEs should invest in self services technologies (SST), where customers are given an opportunity to serve themselves. The customers are given an opportunity to interact with firm operand resources, that way extending the possibility of them identifying innovation opportunities on the products. For example, tour operator SMEs may allow tourists to participate in cultural and social activities, and deciding tourist sites in order to make their experience more fulfilling. As they participate in creating value from their service experience they are empowered to sport opportunities for innovative solutions and services.

It has been argued by den Hertog et al, (2010) that, new service innovation (e.g. for SMEs) need to have in place or develop a revenue model to match the innovation. This is significant because, without this model the service innovation idea perishes or becomes economically non-feasible. SMEs service innovations require the existence of a corresponding revenue model to back it up profitably. As noted by Mele et al (2014), services innovation are sometimes elusive and highly intangible, maintaining and sustaining them profitably requires adept management skills. SMEs managers need to develop practices that will assist them in managing the innovation process, which as noted earlier, does not end with the provision of service. Some examples are; to appreciate how and why actors interrelate in a systemic (e.g. social, cultural, economic, political, ecological) context of innovation and to learn how to facilitate better integration of resources and how to design processes to bring new benefits (i.e. value innovation) to everyone involved.

Another, oftentimes misunderstood area of collaboration for firms and SMEs in particular is collaboration with competitors for cost and risk sharing reasons. Small firms may collaborate with competitors for a variety of reasons, including the desire to manage the risks of innovation, perceived usefulness when firms serve clearly separated markets or to team up against another, larger competitor (Gomes-Casseres, 1997; de Jong & Hulsink (2012). Assets size have been argued as an advantage during co-creation, SMEs often are not asset intensive as they are still young and need to grow big, sharing of resources among them may create synergetic collaboration for co-creation during value creation and innovation. SMEs need to seriously invest in collaboration with other actors in the innovation ecosystem, consultants and professionals such as accountants, marketers, engineers; also institutions such as university and government agencies. These should not be seen as enemies or unrelated parties in the context, but as key players that can play key interactions with SMEs for the sake of innovation. Following the advice of de Jong & Hulsink (2012), we recommend that, in order to innovate and co-create value, SMEs may need to pro-actively expand their networks. Instances are; distribution of products by specialized suppliers, cooperating with agents from research institutions to access scientific knowledge and collaborating with consulting engineers for contributions to new product development projects.

Manufacturing and service providers SMEs may allow their customers to participate in designing of product or service through offering Ideas, information and feedback which address their needs. Firms should strive to develop long term relationship with customer and always look for the best interest of customers and protect customer's long term wellbeing (William and Aitken, 2011). Manufacturing SMEs should view goods as vehicle for transmission of operant resources (embedded knowledge); they are intermediate products that are used by other operant resources (customers) as appliance in value creation process. Thus firm should focus on selling service flows. SMEs deals with Tourism activities such as tour operators may decide to allow tourist in deciding on tourist site and location. Co-creation strategies are enacted by tourist in response to the benefit they believe they will receive (Prebensen and Foss, 2011). It

is important for tourist operator to understand tourist experience from their own perspective on the various locations which they have visited so that they will be better able to co-create a meaningful tourist routs that will result in a valued tourism experiences. Understanding experience learned by tourist on various tourist site and location is the key to understand how to market various tourism location and sites. Also they may allow tourist to participate in cultural tourism instead of focusing just on national parks visits and game reserves. Cultural tourism will give tourist chance for social interaction and make friend with local citizen. Also they will get chance to learn local citizens culture, taboo and traditions e.g. test cultural foods and local drinks etc. the study by (Bueddefeld, 2016) on service dominant logic and festival experience found that physical, social, cultural and place domain contribute to value creation also artist, attendee, vendor and sponsor contribute to co-creation. The same aspect might be used in tourism where tour operators, visitors, hotel owner, airlines agent, government and local citizen are co-creators of value.

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MANUFACTURING CAPABILITY AS A FUNCTION OF FIRMS' STRATEGIC ORIENTATION: HOW DO NATIONAL INSTITUTIONS COME INTO PLAY?

Deusdedit Rwehumbiza[9]

ABSTRACT

Despite the widely accepted role of formal institutions in driving industrialization, there is a paucity of research exploring how firms in low-income developing countries can influence national institutions in favour of their manufacturing capability. This article argues that the resource-based and institution-based views can help fill that void. The paper applies a partial least squares path modeling method to test strategic predictions on the survey sample of 105 export manufacturers. Additionally the paper employs importance-performance-matrix analysis to identify strategic variables that matter the most. Findings indicate that entrepreneurial orientation and learning orientation are the major antecedents to firms' manufacturing capability. In conclusion, firms are urged to normalize learning by doing in order to enhance their manufacturing capability. Findings based on capabilities would therefore, enhance firms' strategic position and explicitly demonstrate the circumstances under which such capabilities matter. The logic behind capabilities is mainly important for low-income developing countries, whose people are trapped in poverty despite the abundance of natural factor endowments. Generally, this study provides a more convincing explanation why export manufacturers should participate in the formulation of policies that affect their investment, production and trade.

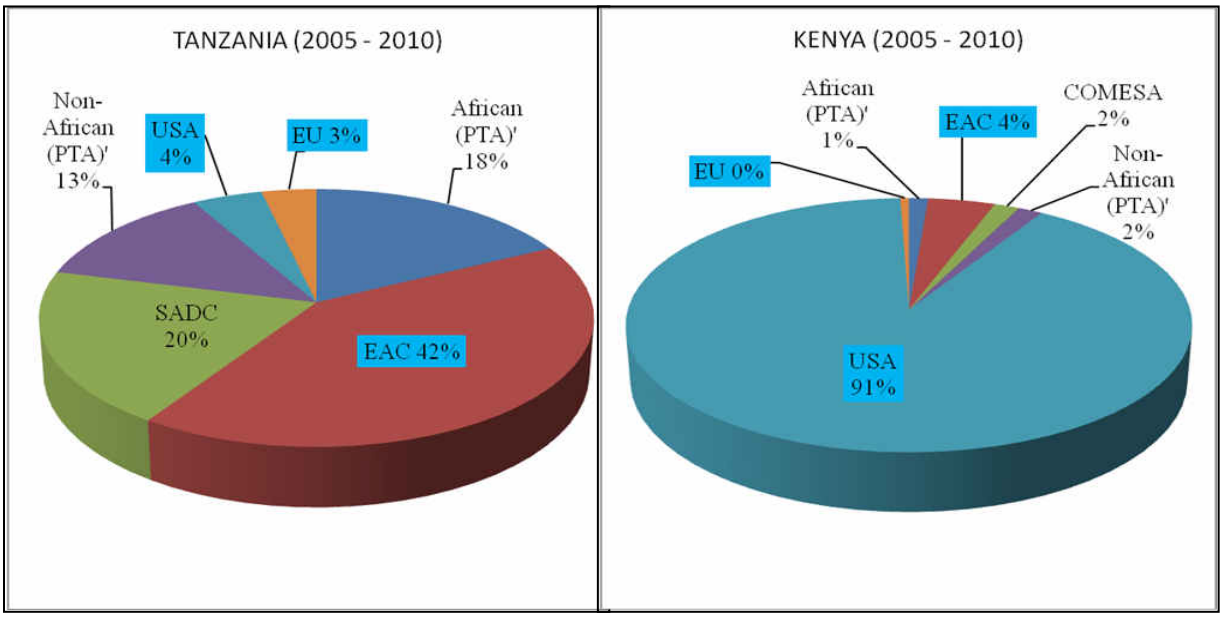
Keywords: *structural equation modeling, firm capabilities, institutional support, importance-performance-matrix analysis, low-income developing countries*

INTRODUCTION

Rich countries have historically been distinguished from poor ones based on their higher capabilities in manufacturing and exports. Given their *pull effect* on other sectors of a given economy, manufacturing and exports are confirmed as the main vehicle for employment opportunities, technological and skills development across the world (Amakom, 2012; Li, 2000; UNCTAD, 2008; UNIDO & URT, 2007). Conversely, East African countries mainly depend on a handful of primary commodities for earning foreign exchange without generating much of value addition (Yoshino, 2007). Tanzania and Kenya's manufacturing value added as a share of gross domestic product (GDP) has mostly stagnated at roughly 9.5 percent and 10 percent respectively (KER, 2013; UNIDO & URT, 2012). While Tanzania's recent global share of manufacturing exports stood at 0.007 percent that of Kenya was about 0.018 percent, making sector performance remain unimpressive and the two countries less competitive in the global market (KER, 2013).

Constraints on export manufacturers in these two countries are linked to their failure to dynamically deploy and utilise superior resources in the form of capabilities. Such constraints include but are not limited to (USITC, 2009; World Bank 2013; Yoshino, 2007): poor public goods capable of facilitating manufacturing and export activities; low and unexploited linkages with global value chains that could add value to exports; low entrepreneurial development; poor skills and outdated technology. Other serious constrains are inability of firms to generate sufficient orders to offset the high cost of input, management, and other overhead costs. Amid these constraints, there are clothing manufacturers that over the period 2005-2010, managed to manufacture, export clothing products and earn revenue from various market categories (Figure 1).

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COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; EU = European Union; SADC = Southern African Development Community.

Based on Child and Rodrigues (2005), the current study assumes that formal institutions, particularly nation states in low-income economies are the frequent drivers of industrialization. They enhance firms' capabilities by actively facilitating the transfer of technologies; control exchange currency and for a crucial period, they protect infant industries against foreign competition. Thus, the failure of export manufacturers in such countries is commonly blamed on supporting institutions. However, little is known about these two questions: Do successful enterprises have any significant influence on institutional support as they strive to build their manufacturing capability? What is the major source of firms' manufacturing capability? This scholarly work endeavors to answer these two specific questions by: First, investigating the extent to which export manufacturers in the clothing industry of Tanzania and Kenya influence national institutions in one hand; and then the extent to which national institutions influence firms' manufacturing capability on the other hand. Secondly, the paper establishes the major source of manufacturing capability by prioritizing its specific antecedents in the context of their importance and performance.

Given the paucity of research on the reciprocal relationship between firms' specific capabilities and institutional support; our study intends to provide a more convincing explanation why export manufacturers in East Africa should participate in the formulation of policies that affect their investment, production and trade. Findings based on capabilities would therefore, enhance firms' strategic position and explicitly demonstrate the circumstances under which such capabilities matter. The logic behind capabilities is mainly important for Tanzania and Kenya, whose people have been facing poverty despite the abundance of natural factor endowments. Of all East African Community (EAC) Partner States, this study focuses on Tanzania and Kenya because they constitute the top performing export manufacturers in the region and thus the best fit for this investigation.

The remainder of this paper proceeds as follows. The next section presents a theoretical framework based on the resource-based and institution-based views. Next, the research hypotheses concerning the reciprocal influence between firms' specific capabilities and institutional support are developed. In the subsequent two sections, the paper describes the methodological approach and present statistical findings. After that, it discusses each hypothesis in contrast to the literature. The paper closes with the conclusions

that establish contribution to knowledge, implications for policy and practice coupled with study limitations and directions for further research.

THEORETICAL FRAMEWORK

This study develops a conceptual rigour and parsimonious model relating to the antecedents of manufacturing capability based on the resource-based and institution-based views. The role that manufacturing can play in generating success is primarily dependent on strategic capabilities that enterprises possess (Größler, 2010). These two views are not mutually exclusive (Peng, 2002). According to the resource-based view, successful enterprises can mobilise resources in the face of uncertainty for their international market diversification. Such enterprises are considered to dynamically accumulate, renew or reconfigure capabilities in order to acquire and maintain competitive advantage in turbulent markets (Barney, Wright, & Ketchen, 2001). To sustain their competitive advantage, firms need to have valuable, rare, imperfectly imitable and non-substitutable (VRIN) capabilities (Barney, 1991). Moreover, the resource-based view stresses the point that great profits do not have to be achieved only in highly attractive industries, but companies can influence the rules of the game by themselves, by using their own resources and capabilities in the most effective and competitive way (Hsu & Pereira, 2008). This last contention requires validation, particularly in the case of low-income developing economies, which according to previous studies (Chiao, Lo, & Yu, 2010) are characterized by highly uncertain environments and high levels of government intervention.

North (1990) defines an institution as the humanly-devised constraints that structure human interaction. It sets the rules of the game that govern firms' behaviour. National institutional environment refers to the factors related to economic, political and social or cultural conditions (Chiao *et al.*, 2010). Home country institutions play an important role in supporting the effective functioning of market mechanisms and help firms and individuals to engage in market transactions (Hu & Cui, 2014). It follows that the institution-based view focuses on the dynamic interaction between institutions and firms; and considers strategic choices as the outcome of such an interaction (Peng, 2002). Although country institutions can regulate the activities of firms, firms can in turn respond by applying strategic choices best suited to their interest, as well as by taking other measures (Chiao *et al.*, 2010). The current study investigates that phenomenon from an African perspective and show this discussion in Figure 2.

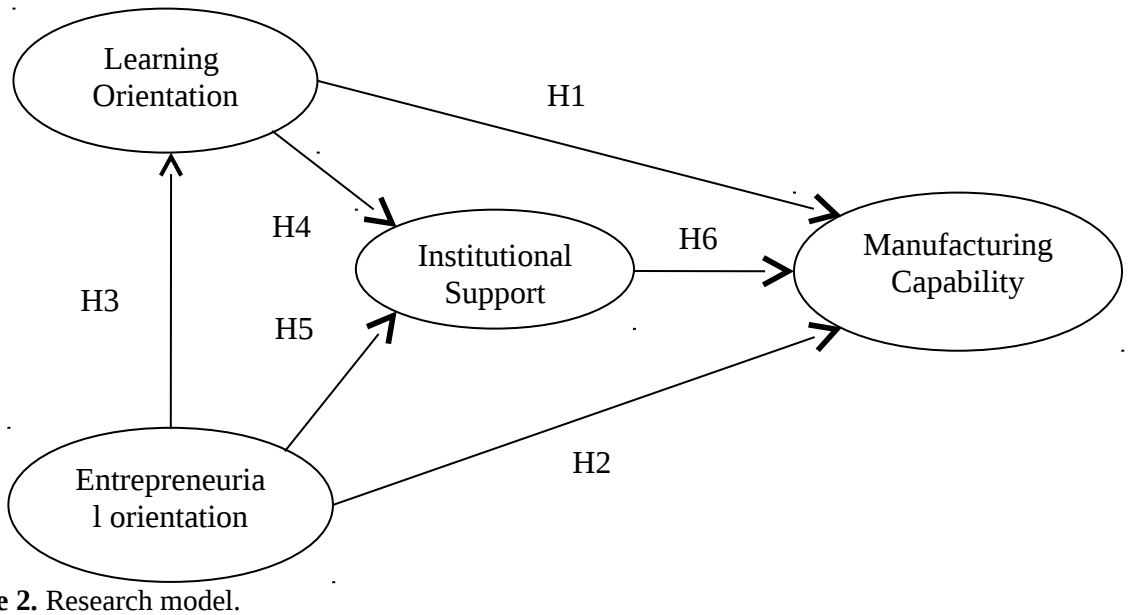


Figure 2. Research model.

Given the growing public policy which aims to stimulate diversification into export market categories with greater value added than traditional agricultural exports (Hurreeram & Little, 2004; UNIDO & URT, 2012), there is need for understanding distinctive roles of firms' superior resources in achieving successful outcomes. In this regard, entrepreneurial orientation (EO) and learning orientation (LO) become the most important independent latent variables (Figure 2) because generally EO affects the growth and survival of firms (Fernandez-Mesa & Alegre, 2015; Gurbuz, 2009). Moreover, pertinent to LO, entrepreneurial achievements such as capability to manufacture for various international markets, mainly rest on continually learning (Jiao & cui, 2010; Slater & Narver, 1995). LO is valuable when analysing manufacturing capability because it allows the firm to exploit opportunities meanwhile neutralizing threats in a firm's dynamic and turbulent environments (Farrell, 2008; Slater & Narver, 1995). Hence, based on theoretical underpinnings this study strives to explicitly identify the idiosyncrasy of each independent latent variable (hereafter, construct) in influencing the dependent construct, which in this regard is the firms' manufacturing capability.

HYPOTHESES DEVELOPMENT

Firms' manufacturing capability

Manufacturing capability is the company's ability to produce with low cost; in high quality; with reliable delivery; and with flexibility concerning the mix and volume of products (Größler, 2010). Manufacturing capability aligns with the resource-based view because in many firms, manufacturing capability is the custodian of large proportion of resources and capabilities (Maslen & Plats, 1997). Within this construct four strategic capabilities (manufacturing missions) are normally differentiated. The ability to produce: in high quality; with reliable delivery; with flexibility concerning mix and volume of products and with low cost (Größler, 2010).

Manufacturing missions are the ones that form manufacturing capability and firms are recommended to progressively focus on them in the mentioned order (Leung & Lee, 2004). Consistent with the latter, in a research on clothing manufacturers in South Africa, Roberts and Thoburn (2003) find that price, quality and delivery time are very important for export activities. Firms that focused on price-based export competitiveness had poorer performance than those which focused more on quality and delivery time. Moreover, Eusebio, Andreu, and Belbeze (2007b) argue that having a differentiated product, adapted to the needs of foreign demand is, without doubt, a key factor in competing effectively in complex international markets. Based on Porter's (1990) diamond model, previous studies also suggest that companies succeed in sectors where they are particularly good at creating and upgrading the needed factors (Jin & Moon, 2006; Liu & Hsu, 2009). Manufacturing capability is relevant to this study because competitive factor conditions in clothing industry lie in specialised or human created endowments (Jin & Moon, 2006) to which firms operating in East Africa give less attention than natural factor endowments. The pull effect that manufacturing and export activities constitute is likely to revamp the economy in the region.

Firms' learning orientation and their manufacturing capability

Learning orientation refers to the organisation-wide activity of creating and using knowledge to enhance competitive advantage, including four components (Calantone, Cavusgil, & Zhao, 2002; Keskin, 2006): commitment to learning, shared vision, open-mindedness and intra-organizational knowledge sharing. Learning orientation generates differentiated or unique technological and organizational knowledge difficult to imitate by competitors (Athreye, Kale, & Ramani, 2009), which in turn influences firms' manufacturing capability. Theoretically, the resource-based view is in the context of the relationship between learning orientation and manufacturing capability. The reason is that implicit in this view are the important roles that learning and knowledge management by entrepreneurs play in acquiring, honing, sharing and utilising knowledge to gain a competitive advantage (Loane, Bell, & Cunningham 2014). Therefore, learning orientation is a successive process that helps one to set up and operate a new enterprise (Jian & Cui, 2010) and thus crucial for firms' manufacturing capability.

Learning orientation is related to firms' manufacturing capability in the view that it focuses on understanding and effectively satisfying customers' expressed and latent needs through new products, services and ways of doing business. Moreover, learning orientation stimulates market-oriented behaviour and allows the acquisition of non-economic results such as the customer linking capability (Santos-Vijande, Sanzo-Perez, Alvarez-Gonzalez, & Vazquez-Casielles, 2005). In the study of newly internationalizing companies, Yeoh (2004) found a positive relationship between firm's learning and its performance. The role of information, knowledge and learning through experience are important factors in shaping manager's perceptions of risks of initiating and continuing export activity (Yeoh, 2004). Therefore, learning should lead directly to superior outcomes such as greater product success, superior customer retention and growth in international markets Farrell, 2008; Slater & Narver, 1995). Learning oriented firms are more able to detect export opportunities and manufacture suitable products to exploit such opportunities, thereby achieving superior levels of manufacturing capability. Based on these lines of argument, the following hypothesis emerges:

H1. Learning orientation is positively related to manufacturing capability of firms exporting to various markets.

Firms' entrepreneurial orientation and their manufacturing capability

Lumpkin and Des (1996) describe entrepreneurial orientation as the decision-making styles, processes and methods that inform a firm's entrepreneurial activities. Following Hughes and Morgan (2007) and Kropp and Zolin (2008), this study conceptualizes entrepreneurial orientation as a product of five dimensions, namely; autonomy, innovativeness, proactiveness, risk-taking and competitive aggressiveness. From the perspective of resource-based view, Li, Huang, and Tsai (2009) argue that entrepreneurial orientation can be regarded as an organizational resource. Therefore, entrepreneurial orientation relates to firms' manufacturing capability because entrepreneurial values support the creation of new businesses within the existing business and the renewal or revival of on-going businesses that have become stagnant or in need of transformation. The creation and/or revival of businesses can be accomplished through the development of new products, the reformulation of existing ones, the creation of new manufacturing methods, or the discovery of new approaches to, for instance, manufacturing or exploitation of foreign market opportunities (Slater & Narver, 1995).

As a strategic posture, entrepreneurial orientation reflects how firms operate rather than what they do (Li *et al.,* 2009; Lumpkin & Dess, 1996). Inherently, entrepreneurial orientation entails creativity, an independent spirit, and a whole-hearted commitment to new ideas, which are important impetus to entering and diversifying into new or established markets with new or existing goods or services (Lumpkin & Dess, 1996; Walter, Auer, & Ritter, 2006). Entrepreneurial orientation may be considered as a basic managerial approach to support learning. Managers with entrepreneurial orientation can readily open up to changes and complexities associated with learning when a firm intends to enter and expand into various foreign markets (Fernandez-Mesa & Alergre, 2015). So it is deduced that firms actualize entrepreneurial orientation into practical actions and embody knowledge (gained from learning orientation) into valuable assets through manufacturing capability by developing competitive products and spreading them into various international markets (Li *et al.,* 2009). It is important to investigate the relationships among entrepreneurial orientation, learning orientation and firms' manufacturing capability because Walter *et al.* (2006) insist that firms should use their resources and capabilities to develop their market expansion strategies. Value adding behaviour through manufacturing is one of such strategies. This discussion leads to the following hypotheses:

H2. Entrepreneurial orientation is positively related to manufacturing capability of firms exporting to various markets.

H3. Entrepreneurial orientation is positively related to learning orientation of manufacturing firms exporting to various markets.

Firms' specific capabilities and institutional support

There is a widespread consensus that national institutions are important for firms operating in a given country (Child & Rodrigues, 2005; Guler & Guillen, 2010; North, 1990; Peng, 2002; Wu & Chen, 2014). So this paper considers institutional support as leverage in the form of rules of the game in a society that comprise formal (or legal, political and economic) constraints (constitutions, laws, regulations, rules and property rights) (North, 1990) as well as informal (or social) constraints (sanctions, taboos, norms, customs, traditions, cultures, ethics and codes of conduct) (Peng, 2002; Scott 1995).

Consistent with the institution-based view, national institutions are considered to facilitate the development of the competitive capabilities of firms, help reduce information asymmetries and serve to disseminate information about what and how to gain or deepen new and existing capabilities (Chiao *et al.*, 2010; Hu & Cui, 2014). A country institutional environment significantly shapes firms' behaviours and encourages them to make long-term strategic decisions such as international market diversification (Peng, Wang, & Jiang 2008; Hu & Cui, 2014). It is also argued that firms' specific capabilities are not wholly enough for international endeavours; previous research findings show that successful firms in international markets are not only entrepreneurial but also well networked with various business actors including national institutions (Walter, *et al.*, 2006). Manufacturing capability is in itself valuable in the market, and results from a coherent stream of rational decisions made through formalized analyses of the institutional environment (Pandı~a, Polajnar, Buchmeister, & Thorpe, 2003).

More specifically, Guler and Guillen (2010) argue that firms would depend on technological institutions providing for entrepreneurial opportunities, legal institutions facilitating contracts, financial institutions making it possible to exit investments and political institutions preventing any harm to or curtailment of property rights. That means institutional complexities are likely to make it difficult for business managers to favourably piggyback on external resources (Slater & Narver, 1995). However, in such circumstances managers with the perception of internal control tend to take initiatives to control the environment in order to achieve the desired outcomes. In contrast, managers with the perception of external control believe that business outcomes are not entirely contingent upon their action. Instead, those outcomes are the result of other external forces such as luck, chance or fate (Qiu, 2008). Based on that phenomenon this study differs from the majority of existing studies in that it investigates the influence of learning orientation and entrepreneurial orientation on institutional support extended to export manufacturers. These ideas set the premises of the last hypotheses:

H4: Learning orientation enhances institutional support extended to manufacturing firms exporting to various markets.
H5: Entrepreneurial orientation enhances institutional support extended to manufacturing firms exporting to various markets.
H6: Institutional support enhances manufacturing capability of firms exporting to various markets.

METHODOLOGY

Sample and data collection

Before data collection content validity was established using experienced experts, who commented on the representativeness and suitability of the questions. Their suggestions on the structure of the questionnaire led to necessary amendments prior to data collection. This study did not do trial running of the questionnaire with a group similar to the final population because of their scarcity in the target countries. Instead, two senior experts in Tanzania who had extensive experience in business and economics research in an African context established face validity. They checked whether the questionnaire logically reflected what it was intended to measure. Saunders, Lewis, and Thornhill (2009) support this option by stating that occasionally when a researcher is extremely pushed for financial or time resources it is better to pilot-test the questionnaire using friends or family members than not at all. This approach to establishing content

validity and face validity is not new, previous researchers (Alban-Metcalfe, Alimo-Metcalfe, & Hughes, 2010; Cerjak, Haas, & Kovacic, 2010; Williams, Ponder, & Autry, 2009) have also used it.

The sample of this investigation comprised 105 garment tailors who were mainly owner-managers and garment factories that had participated in export activities for an average of at least three years. So target enterprises had sufficient experience relating to the phenomenon under investigation. During data collection, Tanzania and Kenya did not have a comprehensive sector registers from which the entire sample could be drawn. Consequently, the study opted for non-probabilistic sampling design (i.e. snowball sampling technique) comprising internationally harmonized firm sizes (Table 1) due to the difficulty to identify members of the desired population.

Table 1 Number of companies by size

Company Size	No. of employees	Tanzania	Percentage points	Kenya	Percentage points
Micro enterprises	< 10	24	53.33	20	33.33
Small enterprises	10 ≤x≤ 49	15	33.33	13	21.67
Medium size enterprises	50 ≤x≤250	01	0.00	7	11.67
Large enterprises	> 250	6	13.33	20	33.33
Total	None	45	100	60	100

Snowball sampling was administered by asking earlier interviewees, mainly a few registered firms to recommend suitable clothing enterprises for further interview. With the assistance of this technique the study generated heterogeneous sample that reduced bias. Along with a formal letter requesting firm managers to participate in the study, the delivery and collection questionnaires were administered between August and December 2012. Survey questionnaires were either emailed or handed to companies in geographical areas where there was concentration of clothing export manufacturers.

In Tanzania such areas comprised Dar es Salaam, Morogoro, Tanga and Arusha. In Kenya clothing export manufacturers are mainly located in Nairobi, Mombasa, Nakuru and Athi River. Other small firms are situated in Eldoret, Mariakani, Naivasha, Ruaraka and Voi. The number of firms contacted in Kenya was 95 out of which only 60 firms returned useable questionnaires, making the response rate of 63 percent. In Tanzania, 69 questionnaires were distributed out of which only 45 firms returned useable questionnaires, making the response rate of 65 percent. From Kenya, the cleaned sample contained 21 sole traders (20 indigenous owned and 1 foreign owned) and 39 limited companies (25 indigenous owned; 13 foreign owned; and 1 joint venture). From Tanzania, the cleaned sample contained 28 sole trades (27 indigenous owned and 1 foreign owned) and 17 limited companies (11 indigenous owned; 5 foreign owned; and 1 joint venture).

Measures

The dependent construct in this study is manufacturing capability, which was measured on a seven-Likert scale based on the components established by Li (2000) and Schmenner and Vollmann (1994). In this case, fourteen (14) indicators were employed where (1= statement does not apply at all; 7= statement applies completely). There are few researchers that have used validated statements to measure institutional support. One of them is Shahadan (2001) who measured institutional involvement in business activities based on: (i) assistance received by entrepreneurs (such as, finance or subsidy) from government agencies; (ii) participation in any government agencies, activities such as, attending courses, and (iii) number of visits to government agencies for consultations.

This study developed institutional support more precisely as a firm-level perceived support from national institutions. Therefore, it operationalised institutional support using the elements of formal institutions

from Shahadan (2001) and the arguments in Guler and Guillen (2010) and Yeung (2002). Ultimately, six (6) institutional support indicators were measured on a seven Likert-scale with the items (1= strongly disagree; 7= strongly agree). Moreover, drawing on previous studies (Calantone *et al.*, 2002; Keskin, 2006), seventeen (17) learning orientation indicators were measured. Then the study adapted sixteen (16) entrepreneurial orientation indicators from Hughes and Morgan (2007) as well as Li *et al.* (2009) and measured them on a seven-Likert scale with the items (1= strongly disagree; 7 = strongly agree).

Data analysis methods

Alternative to covariance-based techniques, this study opted for Partial Least Square Structural Equation Modeling (PLS-SEM) due to the exploratory nature of the central research question, small sample size and non-normal data (Hair *et al.*, 2011; 2012; 2014). In PLS, structural models use an iterative procedure which maximizes the strength of the relationship between independent and dependent variables (Chin, 1998; Schade, Hegner, Horstmann, & Brinkmann, 2016). SEM allows researchers to easily combine factors and handle both reflective and formative measurements. Moreover, relevant to this study SEM enables researchers to (Chin, 1998; Hair, *et al.*, 2014): (a) incorporate observable variables measured indirectly by indicator variables; (b) account for measurement errors in observed variables; and (c) statistically test a priori substantive/theoretical and measurement assumptions against empirical data (i.e. confirmatory analysis).

ANALYSES AND FINDINGS

This study used SmartPLS 3 (Ringle, Wende, & Becker, 2015) to compute the path model and subsequently carried out parameter estimation based on path weighting scheme (Henseler, Fassott, Gijkstra, & Wilson, 2012). The measurement (outer) model was assessed before evaluating the structural (inner) model (Klarner, Fassott, Gijkstra, & Wilson, 2013). Significance testing of the path coefficients involved a bootstrapping procedure of 5,000 replications (Hair *et al.*, 2014; Henseler, Ringle, & Sinkovics, 2009).

Assessment of the reflective measurement model

Previous studies (Bagozzi & Yi, 1998; Hulland, 1999; Henseler *et al.*, 2009; Hair *et al.*, 2014) suggest the criteria for evaluating and accepting reliability and validity of the outer or measurement models. This study is exploratory; therefore indicator reliability was considered adequate when an item had an outer loading of at least 0.40 for its construct. Indicators with outer loadings between 0.40 and 0.70 were considered for removal only if the deletion led to an increase in composite reliability and average value extracted (AVE) above the suggested threshold value for AVE, which is 0.5 (Hair *et al.*, 2014; Henseler *et al.*, 2009). The model had a total of fifty three reflective indicators. Forty one (for Tanzania) and forty four (for Kenya) reflective indicators satisfied this requirement (see Table 2 in the Appendix). That means only twelve items were deleted (for Tanzania) and nine items (for Kenya) because they had no significant contribution to AVE. After the deletion of these items, PLS-SEM was run again to obtain measurement and structural model results.

The study used composite reliability (ρc) to assess construct reliability where any ρc that fell between 0.60 and 0.70 was considered acceptable. In this research, all the constructs exceeded the minimum required threshold of ρc, providing evidence of the construct measures' internal consistency reliability (see Table 2 in the Appendix). This research opted for the average variance extracted (AVE) to measure convergent validity. All reflective constructs and dimensions attained convergent validity, because their AVE values were 0.5 or higher. Then heterotrait-monotrait ratio of correlation (HTMT) approach was used to assess the constructs' discriminant validity. HTMT is superior to the traditional Fornel-Lacker and cross-loading criteria for measuring discriminant validity (Henseler *et al.*, 2015). The key criterion for the HTMT test is whether the HTMT ratio approaches 1.0, such that a value, which is close to 1.0 (or that exceeds 1.0) would be interpreted as a discriminant validity violation (Voorhees, Brady, Calontone, &

Ramirez, 2016). Although the exact HTMT ratio that would trigger a discriminant validity violation is open to some interpretation, Henseler *et al.* (2015) suggest 0.85 and 0.90 as useful starting points.

Table 3a HTMT results for Tanzania

Construct	Manufacturing capability	Entrepreneurial orientation	Learning orientation	Institutional support
Manufacturing capability				
Entrepreneurial orientation	0.69 $CI_{0.90}$ [0.52; 0.92]			
Learning orientation	0.44 $CI_{0.90}$ [0.29; 0.74]	0.65 $CI_{0.90}$ [0.38; 0.94]		
Institutional support	0.32 $CI_{0.90}$ [0.24; 0.59]	0.33 $CI_{0.90}$ [0.22; 0.66]	0.30 $CI_{0.90}$ [0.23; 0.61]	

Table 3b HTMT results for Kenya

Construct	Manufacturing capability	Entrepreneurial orientation	Learning orientation	Institutional support
Manufacturing capability				
Entrepreneurial orientation	0.74 $CI_{0.90}$ [0.58; 0.88]			
Learning orientation	0.84 $CI_{0.90}$ [0.68; 0.97]	0.67 $CI_{0.90}$ [0.49; 0.86]		
Institutional support	0.36 $CI_{0.90}$ [0.27; 0.66]	0.47 $CI_{0.90}$ [0.31; 0.75]	0.35 $CI_{0.90}$ [0.29; 0.58]	

Tables 3a & b show that the maximum HTMT values are 0.69 and 0.84 for Tanzania and Kenya respectively. These values are below 0.85, which is the most conservative critical HTMT value. Moreover, the bootstrapping routine results show that all upper confidence interval limits for both countries are nicely below 1. In this case HTMT criterion indicates that all HTMT values are significantly different from 1. Therefore, $HTMT_{0.85}$ and $HTMT_{0.90}$ criteria indicate discriminant validity between independent constructs and the dependent construct. Within HTMT there are three aspects to note: (a) the most conservative HTMT critical value ($HTMT_{0.85}$); (b) liberal HTMT critical value ($HTMT_{0.90}$); and $HTMT_{inference}$, which is below 1 criterion for bootstrapping. $HTMT_{inference}$ should indicate discriminant validity between all construct measures.

Significance testing results of the structural model for Tanzania

Table 4 shows that the independent construct, learning orientation exerts less influence on the final dependent construct, manufacturing capability (path coefficient: 0.06) than the influence that the independent construct, entrepreneurial orientation exerts on manufacturing capability (path coefficient: 0.56). Subsequently, the results from a bootstrapping analysis regarding the positive influence of learning orientation on manufacturing capability are statistically insignificant. Therefore, *H1* is not supported. In contrast, the positive relationship between entrepreneurial orientation and manufacturing capability is significant *[β = 0.56, p < 0.01, C.I (*0.18; 0.94*)]*, supporting *H2*. The bootstrapping analysis also reveals that consistent with *H3*, the anticipated positive relationship between entrepreneurial orientation and learning orientation is statistically supported *[β = 0.56, p < 0.01, C.I (0.26; 0.86)]*.

Table 4 Significance testing results for Tanzania

Path	Path Coefficient (β)	t-Values	Significance Levels	p-Value	95% Confidence Intervals
LO → MC	0.06	0.27	NS	0.78	[-0.34; 0.45]
EO → MC	0.56	2.88	***	0.00	[0.18; 0.94]
EO → LO	0.56	3.64	***	0.00	[0.26; 0.86]
LO → IS	0.16	0.51	NS	0.61	[-0.45; 0.76]
EO → IS	0.16	0.68	NS	0.50	[-0.31; 0.64]
IS → MC	0.17	1.14	NS	0.25	[-0.12; 0.46]

Note: n= 45; NS = Not significant; EO = Entrepreneurial Orientation; MC = Manufacturing capability; IS = Institutional Support; LO= Learning Orientation.
*if p<0.1 **if p<0.05 ***if p<0.01

The influence exerted by both learning orientation and entrepreneurial orientation on institutional support is low and noticeably similar (path coefficient: 0.16). Test results show that firms' learning orientation and entrepreneurial orientation have a positive influence on institutional support, but their impact is statistically insignificant. Hypotheses *H4* and *H5* are in this regard not supported. Given the low influence that institutional support exerts on manufacturing (path coefficient: 0.17), bootstrapping test results are contrary to *H6*. The results show that institutional support in Tanzania does not significantly enhance manufacturing capability of clothing manufacturers expanding into various international markets.

Significance testing results of the structural model for Kenya

Table 5 shows that the independent construct, learning orientation exerts stronger direct influence on the dependent construct, manufacturing capability (path coefficient: 0.63) than that exerted by the independent construct entrepreneurial orientation on manufacturing capability (path coefficient 0.31). This is followed by the influence of entrepreneurial orientation on learning orientation (path coefficient: 0.60). Although the direct effect of entrepreneurial orientation on manufacturing capability is not very strong (i.e., path coefficient: 0.31), the total effect (both direct and indirect combined) is quite pronounced [i.e. 0.31 + (0.60 x 0.63) = 0.688], indicating the relevance of entrepreneurial orientation in explaining manufacturing capability. This type of result suggests that the direct relationship from entrepreneurial orientation to manufacturing capability is mediated by learning orientation (cf. Hair *et al.,* 2014). However, the major concern of this study was not to examine the role of the mediator constructs such as learning orientation but rather a distinctive influence of each variable on manufacturing capability. It follows that the results from a bootstrapping analysis regarding the positive influence of learning orientation on manufacturing capability are statistically significant *[β = 0.63, p < 0.01, C.I (*0.41; 0.85*)]*, supporting *H1*. Similarly, the positive relationship between entrepreneurial orientation and manufacturing capability is significant *[β = 0.31, p < 0.01, C.I (*0.10; 0.51*)]*, supporting *H2.* The bootstrapping analysis also reveals that consistent with *H3*, the anticipated positive relationship between entrepreneurial orientation and learning orientation is statistically supported *[β = 0.60, p < 0.01, C.I (0.39; 0.81)]*.

Table 5 Significance testing results for Kenya

Path	Path Coefficient (β)	t-Values	Significance Levels	p-Value	95% Confidence Intervals
LO → MC	0.63	5.57	***	0.00	[0.41; 0.85]
EO → MC	0.31	2.95	***	0.00	[0.10; 0.51]
EO → LO	0.60	5.71	***	0.00	[0.39; 0.81]
LO → IS	0.08	0.49	NS	0.63	[-0.26; 0.42]
EO → IS	0.38	2.15	**	0.03	[0.03; 0.72]

IS → MC	-0.05	0.41	NS	0.69	[-0.27; 0.18]

Note: n= 60; NS = Not significant; EO = Entrepreneurial Orientation; MC = Manufacturing capability; IS = Institutional Support; LO= Learning Orientation
*if p<0.1 **if p<0.05 ***if p<0.01

Table 5 also shows that the influence of learning orientation on institution support (path coefficient: 0.08) is less than the influence that entrepreneurial orientation exerts on institutional support (path coefficient 0.38). Surprisingly, institutional support exerts the least influence on manufacturing capability (path coefficient -0.05). Bootstrapping test results show that learning orientation has insignificant influence on institutional support, rejecting *H4*. On the other hand, the same results show that entrepreneurial orientation has a statistically significant influence on institutional support *[β = 0.38, p < 0.05, C.I (*0.03; 0.72*)]*, confirming *H5*. Contrary to the previous prediction concerning *H6*, institutional support has a negative influence on manufacturing capability and the impact of this relationship is statistically insignificant. This suggests that greater support from national institutions may have no control over success of goods manufactured for various international markets. This point is also supported in previous studies (Li, Poppo, & Zhou, 2008; Wu & Chen, 2014), which reveal that highly volatile institutional environments generate greater uncertainties which make it difficult for managers to predict the future.

Importance–performance matrix analysis of path modeling results

The importance–performance analysis is appropriate for a sound interpretation and further analysis of partial least squares (PLS) results. It permits the identification of areas of improvement that can subsequently be addressed to improve firms' performance (Höck *et al.*, 2010). Since all independent constructs of this study were measured reflectively, the importance-performance analysis was limited to structural (inner) model. The extended importance–performance analysis of the manifest variables (indicators) is especially suitable for *formative* measurement (outer) models (Höck *et al.*, 2010). So in order to increase the performance level of the analysed dependent construct, actions were taken along the lines that had a relatively high importance (or high path coefficients) and a relatively low performance. Figure 3 shows the performance level of each independent latent variable along with its impact on manufacturing capability. It is worthy of note that over the period 2005 – 2010, Tanzania's clothing industry generated 80 percent of its exports revenue from African markets (Figure 1). That means market diversification of firms from Tanzania is mainly influenced by African markets.

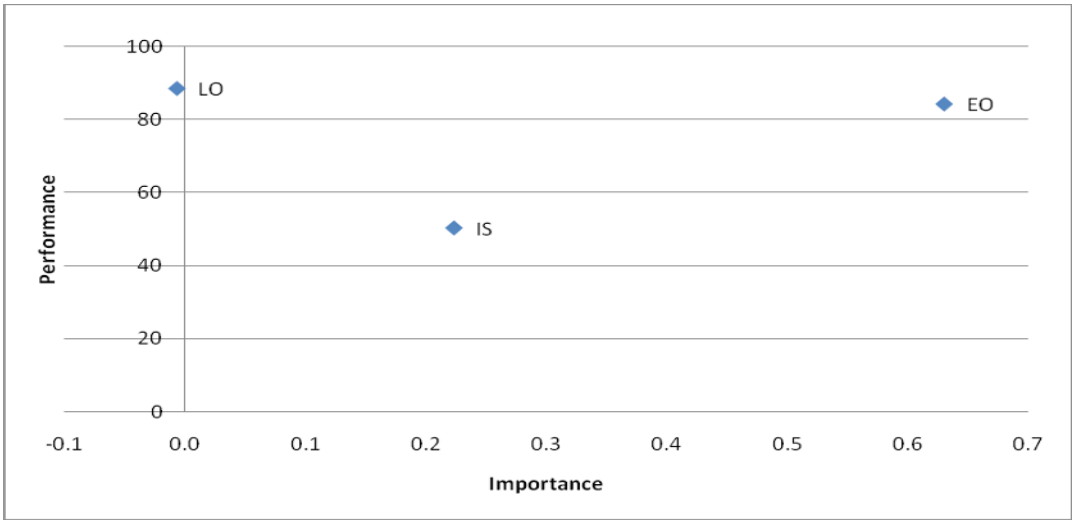


Figure 3. Importance – performance analysis (priority map) for Tanzania.
Note: LO = learning orientation; EO = Entrepreneurial orientation; IS = Institutional support.

Consequently, Figure 3 shows that due to its significance influence, entrepreneurial orientation is highly relevant to manufacturing capability of firms exporting to various international markets. Therefore, efforts should be made to maintain the performance level of this construct or even to expand it. Moreover, initiatives ought to be taken to enhance institutional support. Learning orientation is initially less important for clothing manufacturers diversifying within African markets because this construct exerts a relatively low impact on the firms' manufacturing capability. Moreover, unlike high value markets in Europe and USA, Africa is characterised by less demanding customers in terms of quality, quantity, variety and consistency. Normally these attributes compel firms to learn more and adjust themselves to the requirements of a given market.

Over the period 2005–2010, clothing manufacturers in Kenya exported to a larger number of non-African markets but generating more that 90 percent of its exports revenue from USA (see Figure 1). That means market diversification of firms in Kenya is mainly influenced by high value markets outside Africa, which are certainly more competitive. It follows that in highly volatile markets, firms-specific capabilities (in this particular case entrepreneurial orientation and learning orientation) are more salient (Figure 4). If clothing manufacturers in Kenya were to continue exploiting market opportunities in high value markets, they should put efforts to maintain (or even expand) the performance level of firms–specific capabilities, especially entrepreneurial orientation and learning orientation.

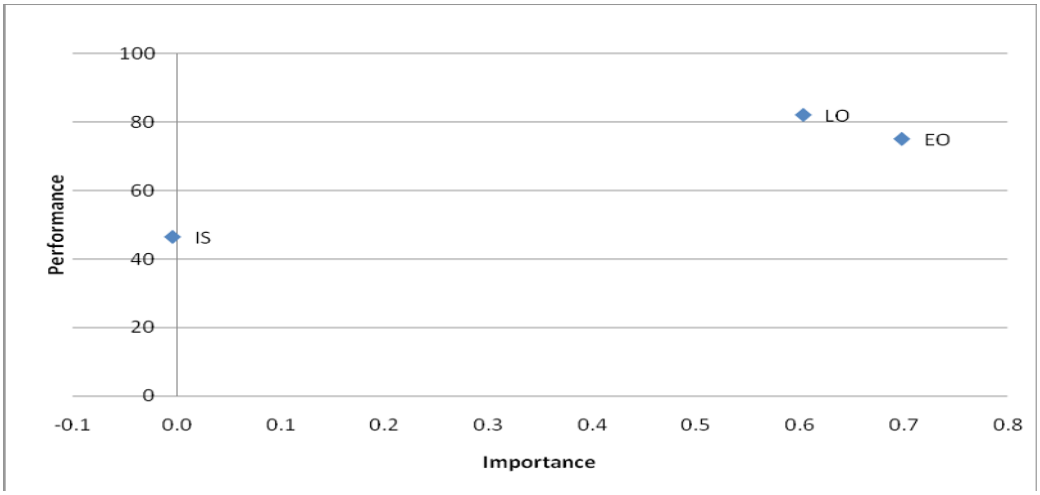


Figure 4. Importance – performance analysis (priority map) for Kenya.
Note: LO = learning orientation; EO = Entrepreneurial orientation; IS = Institutional support.

The support that firms receive from national institutions may be geared towards exporting but not necessarily international market diversification strategy. It is the firms and not institutions that choose the markets to export to. Although national institutions are important for investment and trade, its importance reduces as the products of clothing manufacturers enter into various markets outside Africa. Notably, this construct exerts the least impact on firms' manufacturing capability.

DISCUSSION

The issue this study set out to explore is twofold: First, the study investigated whether successful enterprises exert any significant influence on supporting institutions as they strive to build their manufacturing capability. Secondly, it explored the major source of firms' manufacturing capability. Statistical results for successful enterprises operating in Kenya reveal that learning orientation enhances their manufacturing capability (H1). This could be attributed to the fact that 90 percent of exports revenue is generated from one of the most competitive and high value markets, i.e. USA. By exporting to USA, such enterprises earn avenues to learn through increased competitive pressures and technological

advancements. Exporting to high value markets shapes firms capabilities through demanding customers and the gained capabilities help them get access to resources limited to specific countries and firms. It enables those enterprises to reach superior networks of lead firms, i.e. retailers, brand owners and brand marketers. Common to both countries is that entrepreneurial orientation exerts significant influence on manufacturing capability (H2) and learning orientation (H5). This is consistent with the previous studies (Hu & Cui, 2014; Walter *et al.*, 2006), which assert that international market diversification through exporting is an entrepreneurial act. This is because entrepreneurial orientation supports the creation of new products and leaning processes (Fernandez-Mesa & Alergre, 2015; Lumpkin & Dess, 1996). It also facilitates reformulation of firms' existing capabilities (Slater & Narver, 1995). Moreover, exporting shapes a firm's learning orientation through demanding customers as it focuses on understanding and effectively satisfying their needs better than its competitors (Farrell, 2008; Slater & Narver, 1995).

On the other hand, similar to H1 statistical results show that learning orientation does not exert any significant influence on manufacturing capability of successful enterprises operating in Tanzania. Moreover, statistical results relating to H4 and H5 show that these enterprises do not exert any significant influence on national institutions in favour of clothing products manufactured for various export markets. In the same vein, previous studies (Chiao *et al.*, 2010; Yeung, 2002) have shown that developing economies are characterized by highly uncertain environments and high levels of government intervention. 80 percent of clothing enterprises in Tanzania capitalise on low value markets in Africa for their exports revenues (Figure 1). These markets constitute low competitive pleasures and thus do not offer a greater opportunity for firms to learn. So limited exposure to high value markets and low entrepreneurial skills coupled with government intervention impair firm-specific influence on the support they receive from national institutions. On the contrary, successful enterprises in Kenya use their entrepreneurial orientation to exert a significant influence on national institutions (H5) as they strive to manufacture and export to various markets. However, institutional support does not have any significant influence on the manufacturing capability (akin to H6) of firms operating in both countries. The results on H5 could be attributed to the fact that 86.7 percent of clothing enterprises in Tanzania are micro and small as opposed to only 55 percent of clothing enterprises in Kenya falling under the same category (Table 1). Research results relating to entrepreneurial orientation (H5) underpin the applicability of both the resource-based and institution-based views in Kenya.

The resource-based view suggests that in certain circumstances, companies can influence the rules of the game (institutions) by using their own resources and capabilities (Hsu & Pereira, 2008). Similar to Porter's (1990) diamond model, the institution-based view points out that although country institutions can regulate the activities of firms, firms can in turn respond by applying strategic choices best suited to their interest (Chiao *et al.*, 2010). Kenya has since 1980s created "Ponds" (Special Economic Zones) and attracted "Migrating Birds" (mainly medium and large foreign investors) in order to increase employment opportunities, foreign currency, production, trade and knowledge transfer. For instance, the manufacture under bond (MUB) facility was introduced in 1986; Export Processing Zones Authority (EPZA) was inaugurated in 1990; and Tax Remission for Exports Office (TREO) was established in 2002. Tanzania lags behind Kenya, because except for EPZA, which was established just in 2006, till the end of 2012 the country did not have any clothing enterprises operating under MUB and TREO schemes.

The long-established incentive schemes in Kenya attract financially capable and globally networked investors with the industrial culture, international experience and right information about clothing industry and the related global value chains. The interaction between incentive-recipient enterprises and national institutions is high because the government compels them to export at least 80 percent of their products. In a similar vein, such enterprises compel the government to provide for them conducive environment for investment, production and export activities. So it is the presence of and government need for these strong enterprises (25 percent of the entire sample) that influence the direction of investment and trade policies in Kenya. During data collection, 96 percent of the enterprises sampled

from Tanzania were operating outside incentive schemes. They exported at will and thus their interaction with national institutions in relation to their manufacturing and export activities was comparatively minimal.

As regards the second research question, research findings reveal that entrepreneurial orientation plays the most important role in enhancing manufacturing capability of the firms operating in Tanzania. Priority-wise, entrepreneurial orientation is followed by the support firms receive from national institutions. As highlighted before, African markets do not constitute demanding customers in terms of quality, quantity, variety and consistency. That is why the impact of learning orientation on manufacturing capability is insignificant. These findings could additionally be attributed to the fact that unlike in high value markets in Europe and USA, the purchasing power of people in Africa is comparatively low and the clothing industry thereof is not driven by lead firms. These overriding actors in advanced economies usually encompass merchandisers, branded manufacturers, large retailers and marketers, who typically focus on design, product development and marketing.

Within Africa, trade in clothing is limited to micro, small and medium size enterprises (MSMEs) and merchandisers do not have controlled designs and internationally strong brand names comparable to those in Europe and USA. Both MSMEs and merchandisers operate mainly on business-to-consumer (B-to-C) basis where clothing enterprises export their products to final consumers after establishing contacts mainly during trade fairs. Business-to-business (B-to-B) relations are marginally extended to small retailers and corporate customers, such as public institutions, supermarkets and hotels. Moreover, apart from being geographically proximate to one another, institutionally, African countries share a lot of cultural affinities (for instance, languages and traditional attire) and macro-economic indicators (for instance, low wage rates and inflation), which help reduce psychic distance among the enterprises. Despite multiple memberships, investment and trade policies in African economies are synergised through regional trade agreements, such as the East African Community (EAC) and Southern African Development Community (SADC). The latter points explain why institutional support (Figure 3) appears a major source of manufacturing capability for firms in Tanzania that diversify within African markets. With these results, this study confirms the applicability of both the resource-based and institution-based views in low-income developing countries. Thus, supporting Peng et al.'s (2008; 2009) argument regarding institutions.

CONCLUSIONS

This study reveals that unlike in Africa, in high value markets outside Africa, clothing industry is driven by lead firms. These firms rarely own any of their own factories; they instead establish brokering relationships with separately owned, but often nearly captive suppliers. These play the central role in establishing decentralised production networks among exporting companies, normally located in developing countries (Gereffi & Frederick, 2010). In this case the support that firms expanding into various international markets receive from national institutions plays a marginal role. This pattern of trade-led industrialisation is common in the clothing industry and thus urging business managers to establish strong ties with lead firms. The government and other supporting institutions can through policies or otherwise enable clothing enterprises operate within the global value chains, where lead firms are found. The latter are liable to help such enterprises get access to such limited resources as input materials, brand names, competitive designs, relevant market information as well as customers with a relatively high purchasing power.

Since clothing manufacturing is labour intensive, East African Community Partner States could consider expediting their plans and strategies to improve the performance of this industry before it contracts. More specifically, this study calls upon policy makers in Africa to consider synergising investment, production and trade policies in the framework of harmonised regional trading arrangements. In order to flexibly and lucratively conquer volatile business environments, national institutions are urged to consider aligning the

support they extend to export manufacturers to the requirements of both local and foreign markets. As regards farms' specific capabilities, the study findings imply that to a great extent firms' learn much better as they pursue entrepreneurial endeavours. Thus, this study recommends business managers to proactively instil the "learning by doing" spirit within their enterprises, especially in East Africa where manufacturing and export activities are still at their infancy.

This scholarly work advances knowledge in three ways: First, it investigates the reciprocal relationship between firms' specific capabilities and institutional support in the African domain where studies in this context are lacking. Secondly, it establishes the major source of manufacturing capability by prioritising its specific antecedents. Thirdly, in the methodology, it introduces explicit indicators capturing the support that firms receive from national institutions. However, the current study must be viewed in the context of its limitations, which offer possibilities for further research. In order to make a substantial theoretical contribution, similar studies could be extended to other countries and different sectors. This study uses the importance-performance analysis to identify the constructs that are most important. Future studies may consider using a Multi-group Analysis (MGA) with PLS to provide further insights into the differences between target groups. Moreover, future studies may consider structuring a research model in a way it can accommodate some control variables that previous export studies have shown to influence the performance of export manufacturers. For example, the age of the firms, years of international experience, size of the firm, age of the decision maker and educational level of the decision maker. Although SmartPLS 3 can handle small sample size and non-normal data, future studies may also consider using large sample sizes and probability sampling techniques so as to make generalisations about the characteristics of the population.

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APPENDIX

Table 2 Measurement model evaluation results

	Construct/Indicator	Loading	Tanzania Composite reliability	AVE	Loading	Kenya Composite reliability	AVE
	Manufacturing capability		0.93	0.54		0.90	0.53
a)	*Production flexibility*						
1	We flexibly respond to customer's requirements in improving existing products	0.64			0.71		
2	We are flexible to increase product variety	0.76			0.73		
3	We are flexible to increase size variety or quantities	0.62			0.61		
b)	*Cost efficiency*						
4	Our company is capable of reducing direct costs (e.g. labour, materials, etc.)	0.37			0.19		
5	Our company is capable of reducing overhead costs (e.g. support services, administrative costs, equipment costs, etc.)	0.51			0.51		
6	Normally, our company has a small amount of clothing products in stock (reduced inventory level).	0.13			0.24		
7	Our company is capable of reducing waste of purchased materials (improving vendor's quality)	0.72			0.64		
c)	*Fast and reliable delivery*						
8	Our company is capable of producing required goods in time	0.81			0.80		
9	Our company is capable of delivering required goods in time	0.89			0.76		
10	Our company is capable of delivering reliable products	0.84			0.81		
d)	*Product quality*						

	Construct/Indicator	Loading	Tanzania Composite reliability	AVE	Loading	Kenya Composite reliability	AVE
11	Our company is capable of conforming to the required specifications and standards (pre-sale service)	0.67			0.44		
12	Our company has improved transaction services	0.72			0.61		
13	Our company has improved post-sale services	0.67			0.51		
14	Our company has improved process of monitoring the quality of products being produced and eliminate defects (statistical quality control)	0.80			0.46		
	Institutional Support		0.83	0.55		0.89	0.59
15	The government and other institutions provide information which enables companies to identify problems and opportunities in foreign markets	0.72			0.89		
16	Institutions for collaboration enable companies get access to specific information about customers and learn about their current and potential needs for clothing products	0.59			0.86		
17	Universities and other training institutes provide human resources in required numbers and with qualifications to support firms' performance in international markets	0.55			0.74		
18	There are different types of financial incentives from the government and other institutions to promote the export of	0.58			0.66		

	Construct/Indicator	Loading	Tanzania Composite reliability	AVE	Loading	Kenya Composite reliability	AVE
	clothing products to various markets						
19	Institutions extend various forms of other services, such as skill – upgrading, training of employees and marketing of clothing products abroad	0.71			0.60		
20	In general, supporting institutions and agencies reduce constraints relating to foreign market entry (e.g. rules and regulations, social norms, values, beliefs, etc.)	0.84			0.84		
	Learning Orientation		0.89	0.54		0.93	0.51
a)	*Commitment to learning*						
21	Basically the management agrees that our company's ability to learn is the key to our competitive advantage	0.40			0.75		
22	The basic values of this company include learning as key to improvement	0.52			0.79		
23	The sense around here is that employee learning is an investment, not an expense	0.48			0.82		
24	Learning in our company is seen as a key commodity necessary to guarantee organizational survival	0.28			0.84		
b)	*Shared vision*						
25	There is team spirit (i.e. a commonality of purpose) in our company	0.67			0.84		
26	There is total agreement on our company vision across all levels, functions and division	0.77			0.87		
27	All employees are committed to the goals	0.72			0.85		

	Construct/Indicator	Loading	Tanzania Composite reliability	AVE	Loading	Kenya Composite reliability	AVE
	of this organization						
28	Employees view themselves as partners in charting the direction of the organization	0.80			0.74		
c)	*Open mindedness*						
29	We are not afraid to reflect critically on the shared assumptions we have made about our customers	0.66			0.17		
30	Employees in this company realize that the very way they perceive the market place must be continually questioned	0.47			0.59		
31	We rarely collectively question our own bias about the way we interpret customer information	-0.38			-0.17		
32	We continually judge the quality of our decisions and activities taken over time	0.70			0.52		
d)	*Intra-organizational knowledge sharing*						
33	There is a good deal of organizational conversation that keeps alive the lessons learned from history	0.49			0.69		
34	We always analyse unsuccessful organizational endeavours and communicate the lessons learned widely within the company	0.51			0.58		
35	We have specific mechanisms for sharing lessons learned in organizational activities from department to department (unit to unit, team to team)	0.57			0.61		
36	Top management repeatedly emphasizes	0.36			0.70		

	Construct/Indicator	Loading	Tanzania Composite reliability	AVE	Loading	Kenya Composite reliability	AVE
	the importance of knowledge sharing in the company						
37	We put little effort in sharing lessons and experiences	0.06			0.00		
	Entrepreneurial Orientation		0.87	0.52		0.87	0.53
a)	*Autonomy*						
38	In our company, individuals or groups of individuals are free to independently bring forth an idea or a vision and carry it through to completion	0.59			0.12		
39	In our company, employees have the ability and will to independently make decisions and organize their work in the pursuit of business opportunities	0.54			0.39		
40	In our company, employees take action free of stifling (i.e. without causing) organizational constraints	0.26			0.52		
41	In our company, employees do not have access to all vital information	0.03			0.13		
b)	*Innovativeness*						
42	Our company seeks out new ways to do things	0.70			0.57		
43	Our company has very many new lines (or designs) of clothing products marketed in the past 3 years	0.37			0.59		
44	Changes in the product lines (or designs) have usually been quite dramatic	0.51			0.22		
c)	*Proactiveness*						
45	Our company usually initiates actions which	0.64			0.40		

	Construct/Indicator	Loading	Tanzania Composite reliability	AVE	Loading	Kenya Composite reliability	AVE
	other companies respond to						
46	In dealing with competitors, our company is very often the first business to introduce new products or services, administrative techniques, etc.	0.24			0.77		
47	In general, the top managers of this company have a strong tendency to be ahead of others in introducing new ideas or products	0.76			0.79		
d)	*Risk taking*						
48	Our company usually has strong willingness for high risk projects (with changes of very high returns)	0.38			0.48		
49	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the company's objectives	0.78			0.40		
50	Our company emphasizes both exploration and experimentation for opportunities	0.33			0.43		
e)	*Competitive aggressiveness*						
51	We usually try to undo and out-manoeuvre the competition as best as we can	0.68			0.54		
52	Our company is very aggressive and extremely competitive	0.47			0.65		
53	In general, our business takes a bold or aggressive approach when competing	0.50			0.81		

EFFECT OF PARTNER-AGENT MODEL PRACTICE ON MICROINSURANCE CLIENT-VALUE: INSIGHT FROM MICROFINANCE INSTITUTIONS IN TANZANIA

Isidore Minani, Esther K.Ishengoma & Neema Mori[10]

ABSTRACT

In absence of formal microinsurance to protect low-income people against natural and man-made disaster shocks, the partnership between insurance companies and microfinance institutions (MFIs), also known as Partner-Agent Model (PAM), is gaining a global recognition by governments, practitioners and donors for its potential role to deliver microinsurance. Despite that the model is still nascent in Tanzania it has significantly increased microinsurance outreach.However, while microinsurance landscape has been extensively studied, the inquiry on the effect of PAM practice on mandatory microinsurance client-value has not received much attention.Therefore, this paperexamines the effect of the PAM practiceonmicroinsurance client-value dimensions: appropriateness, accessibility, affordability and responsiveness. The paper utilizes quantitative primary data from 229 managers of MFIs involved in PAM selected through simple random sampling. It applies the structural equation modelling, particularly the regression analysis. The results indicate thatthe improvement of PAM practice leads to the improvement in microinsurance client-value dimensions.Thecurrent PAM practice is, however, still unsatisfactory and, hence, microinsurance client-value does not score well on its dimensions.Improvement of PAM practice istherefore recommended to foster microinsurance client-value.

Keywords: *Partner-Agent Model, Microinsurance, Appropriateness, Accessibility, Affordability, Responsiveness*.

INTRODUCTION

It is observed that PAM is becoming one of the options to expand the provision of microinsurance services to the poor who have been neglected for a long time. While it is estimated that 3.2% of the world's low-income people are covered by some sort of PAM microinsurance (Manorakan, G.,&Hema, A., 2013), in Tanzania, the model has enabled the expansion of mandatory microinsurance coverage to low-income people from 2 percent in 2007 to 19 percent in 2012 whereby 92 percent of those insured are covered by mandatory microinsurance (Hougaard et al., 2012; Kamuzora, 2012; Roth, McCord, & Liber, 2007).This development is important in Tanzania and other developing countries, where the majority of low income people are the most vulnerable to natural and man-made disasters such as fire, drought, floods, epidemics, loss of agricultural crops and livestocks, permanent disability or death (Gertler& Gruber, 2002; Loayza,Olaberria, Rigolini, &Christiaensen, 2012) and have been the least protected population against disaster shocks. Globally, natural and man-made disastersare responsible for 42% of low-income people total economic losses (UNISDR, 2015). It is estimated that 100 million low-income people are pushed below poverty line by disaster shocks each year (Mills, 2014). In Sub-Saharan Africa, drought and floods alone account for 70% of low-income people's economic losses (Shiferaw, Testfay, Kassie, Abate, Prasanna, &Menkir, 2014). In Tanzania, over 3 million low-income people have been affected by various disaster shocks for the past decade causing an estimated loss of Tsh 218 billion (Mkama, 2015).

The traditional risk management mechanisms (viz., microsavings, accumulating stored value-land and livestock which would be sold in times of financial need, borrowing from moneylenders, friends and relatives or contributions to local solidarity groups or funeral societies in order to meet funeral expenses) which low-income people have been applying to cope with disaster risks (Magnoni and Zimmerman, 2011; Roth et al, 2007; Wipf et al, 2011) offer less protection intervention when the disaster is significant

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(Morduch, 1999; Churchill and Cohen, 2006). However, the PAM practice and PAM microinsuranceclient-value havee not yet received much academic inquiry. Little is known about the client-value from PAM mandatory microinsurance, the emerging informal disaster coping mechanism targeting low-income people (Roth *et al*, 2007; Dalal et al, 2012).

In absence of formal insurance targeting low-income people, the PAMhas been gradually gaining a global recognition by governments, practitioners and donors as an alternative informal microinsurance delivery approachto expand microinsurance services to low-income people (Roth, McCord, & Liber, 2007). In Tanzania, PAM has enabled the delivery of a variety of mandatory microinsurance products including credit life, saving life, endowment life, health and agriculturalmicroinsurance (Brown &McChord, 2000). Despite the continued expansion of PAM and its role in protecting low-income people against disaster shocks, less is known about its effect on microinsurance client-value dimensions. Lack of this knowledge may limit the development of policies for the enhancement and growth of PAM. The PAM is "a partnership between an insurance company (partner) and a microfinance institution company, a non-government organization or a cooperative organization (agent) whereby the agent is responsible for delivery and marketing of microinsurance products to clients whereas the partner retains all responsibilities for designing, pricing and underwriting products in order to expand microinsurance services that offer value to low-income people" (McCord, 2006, p.359).

PAM practice is a set of usual or expected organization ways of carrying on activities in order to achieve the partnership shared objectives (Min &Mentzer, 2007).From the theoretical underpinning, PAM practice consists of five facets: (i) collaborative product design between the agent and the partner during microinsurance product design, (ii) business information sharing between the agent and the partner (Prahalad& Hamel, 1990), (iii) integration of parties' respective core competencies, (iv) transfer of specialized knowledge transfer (Hancox& Hackney, 2000) and (v) parties' compliance to contractual obligations. Compliance to contractual obligations consists of insurance company' cooperation in case of contractual and operational dispute settlement (Ahimbisibwe, Nangoli, &Tusiime, 2012; Lambe, Spekman, &Hunt, 2002; Williamson, 1979).

Microinsurance client-value dimensions are appropriateness, accessibility, affordability and responsiveness. Microinsurance appropriateness refers to matching the most important risk management need of the targeted population. Accessibility is reflected by product choice option, product awareness, service proximity and flexible premium payment. While affordability was examined in terms of value for money at a premium that prospective low-income people can afford to pay, responsiveness refers to the timely response to shock through prompt claim settlement (Matual, et al., 2011). Previous studies(Giesbert& Sterner, 2011; McCord, 2006, Cohen &Sebstad, 2005; Matul et al., 2011; Okoampah, 2009) on PAM practice have been done to determine the role of PAM practice in reducing loan default risk for microfinance institutions and to determine its role in reducing loan default risk for microfinance institution and creating low-income people awareness of voluntary microinsurance. The studies also focused on the evaluation of the effect of PAM practice on the affordability of voluntary microinsurance (Churchill and Cohen, 2006; Gertler and Gruber, 2002). However, besides the fact that these studies were done outside Tanzania and examine microinsurance client-value based on one or some of its dimensions rather that holistically, i.e. based on all the four dimensions of client-value,mentioned above, their findings are contradictory. While Gertler and Gruber (2002) argue that PAM intermediation in product delivery hinders affordability, Churchill and Cohen (2006) contend that PAM practice reduces operational costs such as advertisements expenses as microinsurance products are promoted through the existing MFI's networks of clients.

In PAM, while the partner knows insurance, the agent knows the low-income market microinsurance needs (Rendek, 2012). Therefore, building on the Partnership and Alliance theory, the collaborative microinsurance products design between the partner and the agent by pooling together their respective

competencies (Ahmed, Mbaisi, Moko, & Ngonzi, 2005) andthe integration of specialized and synergetic competencies of the partner and agent are likely to mitigate the limited human cognitive ability to foresee the potential partner's opportunistic behavior and information discrepancy between the agent,the partner and clients, which may hinder microinsurance client-value, consistent with the transaction cost theory and the information asymmetry theory. Based on the discussion above, it is important to empirically examine the effect of PAM practice on microinsurance client-value dimensions, as the majority of Tanzanian low-income people (92%) access insurance through the PAM.

The findings from this study contribute to microfinance and microinsurance practitioners and policy makers understanding of PAM practice and microinsurance client-value for improvement, as studies in this area are still scant in Tanzania. From the academic perspective, the findings contribute to the literature on PAM for knowledge acquisition and lay a foundation for future researches in this field.
This paper is organized into five main sections, namely the background and objectives, the literature review, the methodology, the study findings and the discussion of findings and conclusion. While the background and objective section introduces the historical information about this study, its motivation and intent, the literature review section revisits the previous studies on PAM and microinsurance client-value along with related theories to inform the current study. The methodology section presents the study design, approach, the study population and sample size, source and type of data as well as the data analysis method. This section also presents several data validation tests. The study findings presented in the study findings section are synthesized in the discussion of findings and conclusion section.

LITERATURE REVIEW

The effect of PAM practice on microinsurance dimensions can beexplained by three theories namely the partnership and alliance theory(Lambe, Spekman, &Hunt, 2002), the transaction cost theory(Williamson, 1979) and information asymmetry theory(Akerlof, 1970). PAM practice entails pooling together agent and partner's respective competencies in designing insurance products in order to provide appropriate, accessible, affordable and responsive micronsurance to clients (Churchill & Cohen, 2006). While the partner has professional and technical skills of designing microinsurance products but has limited understanding of low-income people market segment, the agent has experience of working with low-income people and understand their risk exposure but has limited skills to design a variety of suitable microinsurance products (Rendek, 2012). The PAM enables the partner and the agent to join complementary competencies, to learn from each other, to share resources and experiences and devise new ways of better serving their clients. This collaborative microinsurance product design through PAM is likely to enhance microinsurance client-value that either the partner or the agent could not easily achieve alone (Ahimbisibwe, et al., 2012; Lambe, et al., 2002). Therefore, consistent with the Partnership and Alliance theory, PAM practice is likely the improvement of microinsurance client-value
However, though the PAM is governed by a contract specifying obligations of both the agent and the partner in order to mitigate future disagreements (Goo, Kishore, Ras, & Nam, 2009; Ntanyi, Rooks, Eyaa&, Qian, 2010),the transaction cost theory and the information asymmetry theorypost that the limited human cognitive ability, the bounded rationality and the information discrepancy in regard to party's integrity render MFI managersunable to predict with certainty whether the prospective partner may become opportunistic later (Ahimbisibwe et al., 2012; Williamson, 1979). The information discrepancy between the partner and the agent may lead to inadequate pricing of microinsurance products or offering products which do not matchclients' needs.

PAM Practice and Microfinance Institutions

MFIs' existing pool of clients and their experiences in managing and distributing financial services to low-income people make them a potential delivery channel of microinsurance services to low-income people through PAM (Churchill &Cohen, 2006). While insurance companies (partners) have expertise in insurance, MFIs (agents) have information and networks of clients hence reducing insurers' operating

costs such as labour, transaction, distribution and advertisement costs as partners use agents' staff and offices to deliver microinsurance services(Rendek, 2012).

PAM Practice and Mandatory Microinsurance Appropriateness

Appropriateness refers to matching the most important risk management need of the targeted population. It is conceptualized as product customization to contextual risk exposure, level of benefit and coverage inclusion and the provision of additional non-insurance services (Matul, et al., 2011). Building on the partnership and alliance theory, the collaboration between the partner and the agent enables the negotiation between agents and partners on the design or refinement of mandatory microinsurance products which are customized to clients' contextual risk exposure (Lambe et al., 2002). Additionally, PAM practice overcomes information asymmetry which could lead to the provision of untailored microinsurance products. Moreover, the complementarity of competencies allows the agent and the partner to concentrate on their respective areas of specialization where they can offer value to clients (Wang et al., 2004).

It is argued that information, new skills and methodologies of adding value to the service, also referred to as idiosyncratic resources, are developed by and shared among the agent and the partner over time of alliance. These idiosyncratic resources lead to improved ways of serving clients, provided that both the agent and the partner are bound to be committed to their respective contractual obligations (Lambe et al., 2002). Therefore, through the PAM, the collaboration between the partner and the agent during the product development, refinement and delivery process, sharing of business information, transfer of operational knowledge between parties's staff and their commitment to contractual partnership obligations in serving MFIs clients are likely to influence the design and refinement of mandatory microinsurance products according to clients contextual needs with added benefits (Armendariz de Aghion& Morduch, 2010; Matin, Hulme, & Rutherford, 2002; Radhawa et al., 2006). Therefore,

> ***Hypothesis 1:*** *The PAM practice has a positive effect on the appropriateness of mandatory microinsurance.*

PAM Practice and Mandatory Microinsurance Accessibility

Accessibility of mandatory microinsurance services is conceptualized as product choice option, product awareness, service proximity and flexible premium payment (DeAllegri, Bridges, &Sauerborn, 2006; Matul, et al., 2011).The collaboration between the agent and the partner regarding features of the required microinsurance products is likely to lead to the design and refinement of mandatory microinsurance products which are simple and easy to understand considering that most of low-income people are financially illiterate. Given that agents have information about their clients the collaboration may foster the negotiation for the development of diversified products to offer choice options at premium and payment arrangements that low-income people, particularly MFIs clients, can afford. Moreover, as agents are located in clients' localities, the PAM brings microinsurance closer to clients (Churchill & Cohen, 2006). The exchange of business information, knowledge and skills between agents and partners is also likely to overcome information asymmetry and lead to developing more effective methodologies to serve clients better. If both agents and partners could be committed to their contractual obligations, the complementarities of their respective core competencies are likely to influence the provision of accessible mandatory microinsurance (Ahimbisibwe et al., 2012) consistent with the Partnership and Alliance theory. Therefore,

> ***Hypothesis 2:*** *The PAM practice has a positive effect on the accessibility of mandatory microinsurance.*

PAM Practice and Mandatory Microinsurance Affordability

Affordability is one of the dimensions of microinsurance client-value. It is examined in terms of value for money at a premium that prospective low-income people can afford to pay (Matul, et al., 2011).

Affordability is conceptualized as premium to income ratio range, claim ratio range, hidden or incremental charges and cost control mechanisms. According to ILO guiding principles(Matual et al., 2012), the premium not exceeding 2% of client income and a claim ratio within the range of 50% and 90% are some of criteria for a microinsurance product to be considered affordable. On one hand, it is argued that a claim ratio less than 50% suggests that either clients claims are rejected, hence not paid or clients do not claim at all due to lack of awareness of their entitlements, hence depriving their benefits. On the other hand, a claim ratio of more than 90% suggests high operating costs of the insurance company which may lead to reviewing and increased premium chargeable to clients as additional and hidden costs (Matul, et al., 2011). In this regard, Thornton, et al. *(*2009) argue that transaction costs such as claim processing costs may increase the cost of mandatory microinsurance and make it unaffordable for low-income people given their limited capacity to pay. On contrary, in PAM, partners use agents' infrastructures already located in clients' localities to reach them in their environs (Meyer, 2012). As such, product sales campaigns, premiums collection and claims settlement are carried out through the already agent's existing network of clients and facilities hence reduce operation and transaction costs (Churchill & Cohen, 2006). Therefore, drawing on the Partnership and Alliance theory and the Transaction Cost theory, the PAM practice is likely to reduce clients travelling and claims processing costs as MFIs bring claims closer to the clients. The PAM is also likely to reduce insurer's transaction and operations costs of serving low-income people market which could raise the premium and other incremental costs charged to clients. Therefore,

> ***Hypothesis 3:*** *The PAM practice has a positive effect on the affordability of mandatory microinsurance.*

PAM Practice and Mandatory Microinsurance Responsiveness

Microinsurance responsiveness is examined based on claim procedures simplicity, claim duration, product tangibility and feedback mechanisms to clients (Cohen &Sebstad, 2005, Collins, et al., 2009; Matul, et al., 2011). With reference to ILO guiding principles (Matul et al, 2012), claims settlement are considered timely if primary benefits are paid in less than 7 days while other payouts have to be completed within 2 weeks. Additionally, the 1-3-5 day claims settlement model for life insurance is however recommended. According to this rule claims for indemnity must be settled within 24 hours upon notification if the dead body is not yet buried at the time of validation; within 3 days upon notification and complete documents if the dead body is already buried at the time of validation, and within 5 days upon notification for difficult claims (Matul, et al., 2011). Claims settlement is the moment of truth and trust in insurance. The length of time it takes to settle claims affects the product value in terms of responsiveness (Matul et al., 2011). The study in India (Roth et al., 2007) found that MFIs providing in-house mandatory microinsurance could pay benefits rapidly compared to when they partnered with an insurance company where claims could take several months to be settled if not rejected. However, Collins et al. (2009) argue that, in order to safeguard their reputations to their clients, MFIs have been negotiating with their partner insurers to legitimize previously rejected claims and to reduce claim settlement delay to improve mandatory microinsurance responsiveness. Moreover, the contractual relationship binding both parties to their obligations is likely to affect the responsiveness. Additionally, from the theoretical framework point of view, close collaboration and exchange of skills between agents and partners, complemented by their respective core competencies, have a potential influence on innovative methodologies of timely responding to clients shocks. Therefore,

> ***Hypothesis 4:*** *The PAM practice has a positive effect on the responsiveness of mandatory microinsurance.*

The four hypotheses above are conceptualized in Figure 1 belowwhich summarizes the relationship between PAM practiceand microinsurance client-value dimensions as described above.

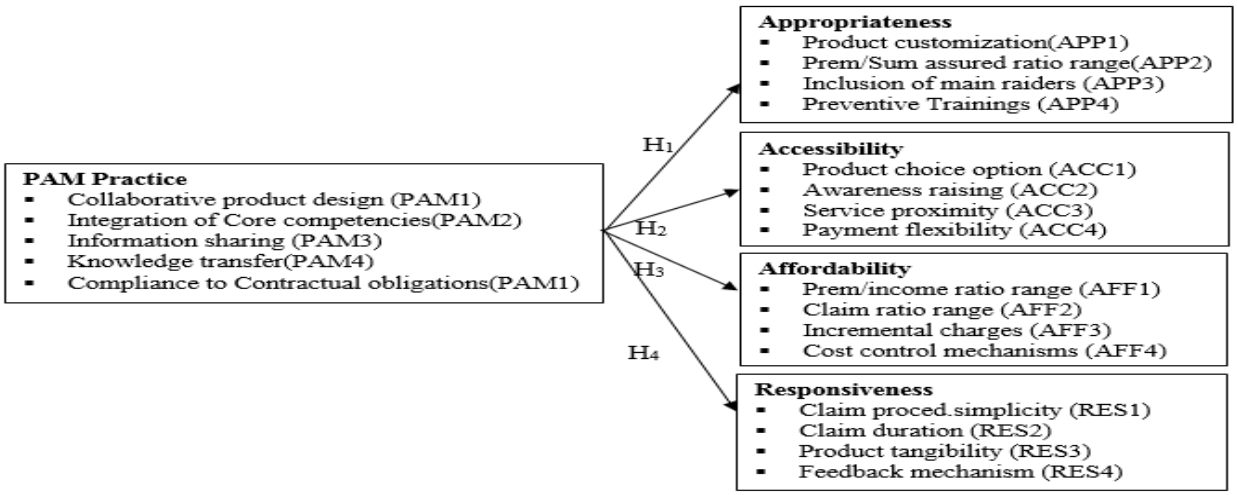


Figure 1: Conceptual Framework of the Study

METHODOLOGY

This paper applies an inductive reasoning approach to examine the effect of PAM practice on mandatory microinsurance client-value dimensions. It utilizes the cross-sectional primary survey and secondary data from a sample of 229 out of the population of 472 MFIs in PAM countrywide (i.e. NGO, MFI-companies and MFI- cooperatives) in the target regions. To ensure the availability of reliable data, selected MFIs were involved in PAM for more than 3 years (Matual, et al., 2011). The target regions were ten (namely Dar es Salaam, Arusha, Mwanza, Mbeya, Kilimanjaro, Morogoro, Kagera, Dodoma, Shinyanga and Costal Region) out of 31 regions in Tanzania. The selected regions areprone to disaster risks (URT, 2011) and account for 41% of all MFIs involved in PAM for at least 3 years (Brela, 2014). Primary data were collected from MFIs through a structured questionnairewhose respondents were MFI managers.

The population of 472 MFIs was obtained from insurance companies involved in PAM, namely Alliance Life Assurance, Jubilee Life Insurance Company Limited, MicroEnsure company Tanzania, Sanlam Life Insurance (T) Limited and Bumako Insurance Company Limited. This list of these life insurance companies was obtained from Tanzania Regulatory Authority (TIRA).

After data editing, coding and tabulation, several descriptive data analysis methods (mean, standard deviation, frequency distribution, skewness, kurtosis, scree plot) were used to measure the central tendency, variability, divergence from normality and present the data in their respective categories. Furthermore, multivariate analysis methods including the Confirmatory Factor Analysis (CFA) and the Structural Equation Modeling (SEM),particularly the regression analysis, were used to validate the study constructsandto test the hypothesized relationship between the PAM practice and microinsurance client-value dimensions.

STUDY FINDINGS

Descriptive Results

Status of PAM practice: The PAM practice was evaluated based on collaborative product design (PAM1), integration of core competencies (PAM2), information sharing (PAM3), Knowledge transfer (PAM4) and compliance to contractual obligations (PAM5). While 76.9 % of respondents posited that the collaboration between MFIs and insurance companies during microinsurance product design is minimal, 67.2% of them contended that there is a minimal integration of MFIs and insurance companies' core competencies in the course of MFI-Insurer partnership. Moreover, 59.4 % of respondents observed that there is a low level of business information sharing between MFIs and Insurance companies while 91.7% of them belittled the transfer of microinsurance-related knowledge between MFIs and Insurance companies' staff. Moreover, 56.3% of respondents contended that insurance companies do not comply with PAM contract terms and conditions. On average, 73.6% of respondents observed that there was an unsatisfactory partner-agent

model which had leada number of MFIs either to change their partners or to revert to their original in-house model. As PAM is a potential emerging delivery model of microinsurance to low-income people, there is a need of further study to identify and assess the contributing factors to the unsatisfactory PAM practice.

Status of microinsurance appropriateness: The majority of respondents (63%) observed that microinsurance products were not tailor-made to prevailing risks. The study revealed a demand-supply mismatch: while 62.8 % of respondents prefer illness microinsurance cover, 71.4 % of insurance companies offer microinsurance cover against death and permanent disability. It was also noted that 87% of respondents had not received disaster risks preventive trainings at all.On contrary, there was an evidence of a recommended range or premium to sum assured ratio by 88.6%. The worst situation was observed on product inclusion whereby almost all respondents (99.6%) contended that the product coverage, i.e. the number of family members covered by the provided microinsurance product, was below average or poor. On average, 63.3% of respondents rated the currently offered microinsurance products inappropriate for clients risk exposure protection.

Status ofmicroinsurance accessibility: Accessibility was examined based on client's choice option of microinsurance products, client's awareness of the products, microinsurance service proximity to clients and the flexibility of premium payment. While more than 80 % of respondents had no choice option for products, only 26.1% were satisfied with the effort of insurance companies to create MFI clients awareness of microinsurance products. Moreover, proximity of microinsurance services was rated satisfactory by 51.5% of respondents while only 48% of respondents rated the payment for premium as flexible. On average, the results indicate that only 22.1% of respondents observed that microinsurance services were accessible.

Status ofmicroinsurance affordability: microinsurance hidden charges, mechanisms to control for claim fraud, premium to income ratio and claim ratio range were the measurement items of the affordability construct. On average, 58.9 % of respondents perceived microinsurance product as affordable. Specifically, the findings in regard to premium to income ratio indicate that 90 % of respondents consented that the products are affordable, with less hidden charges (71.6%). However, only 49% of respondents appreciated the adequacy of insurers' mechanisms to control fraud during claims settlement process.

Status ofmicroinsurance responsiveness: responsiveness was examined based on claims procedures in case of shock, claim processing duration from the date of claim submission to claim settlement and product tangibility, the policy documentation and feedback mechanisms such as clear client grievance reporting mechanism. On average, the majority of respondents (88.9%) expressed dissatisfaction with microinsurance responsiveness. Specifically, while microinsurance claim procedure was appreciated by only 24.9% of respondents, claim processing time was the most dissatisfying aspect of responsiveness by 97.3% of respondents followed by product tangibility (92.1%) and feedback mechanism (90.4%).
In a nutshell, study results from descriptive analyses indicate that PAM practice in Tanzania is still unsatisfactory leading to marginal client-value as it scores low on its four dimensions, with exception of microinsurance affordability.

Structural Model - Standardized Estimates
In order to validate how the data fit the model, the recommended confirmatory factor analysis (CFA) model fit tests (Hair et al., 2010) were conducted before the structural analysis.Theseincluded the Chi-Square (χ^2), the Comparative Fit Index (CFI), the Goodness-of-Fit Index (GFI), the Normed Fit Index (NFI), the Tucker-Lewis Index (TLI) and the Root Mean Square Error of Approximation (RMSEA) index.The model fit resultsindicate that all indices are within the recommended range as indicated in Table 1 below. Additionally, the visual examination of the structural model in Figure 2 below indicates

that factor-loadings onobserved variables are greater than the recommended threshold of 0.5 (Hair et al., 2010), hence, validating the model for structural analysis.

Furthermore, the standardized structural estimates in the structural model (Figure 2) indicate the extent of the hypothesized relationships between PAM practice and the appropriateness, accessibility, affordability and responsiveness of mandatory microinsurance services.

Table 1: CFA Model Fit Results (Standardized Estimates)

Goodness-of-Fit Index	Recommended Indices	Observed Results
Chi-Square (χ^2)		278.224
Degree of Freedom (DF)		177
χ^2/DF	≤ 3	1.572
CFI	≥ 0.90	0.975
GFI	≥ 0.90	0.900
NFI	≥ 0.90	0.934
TLI	≥ 0.90	0.970
RMSEA	≤ 0.08	0.050

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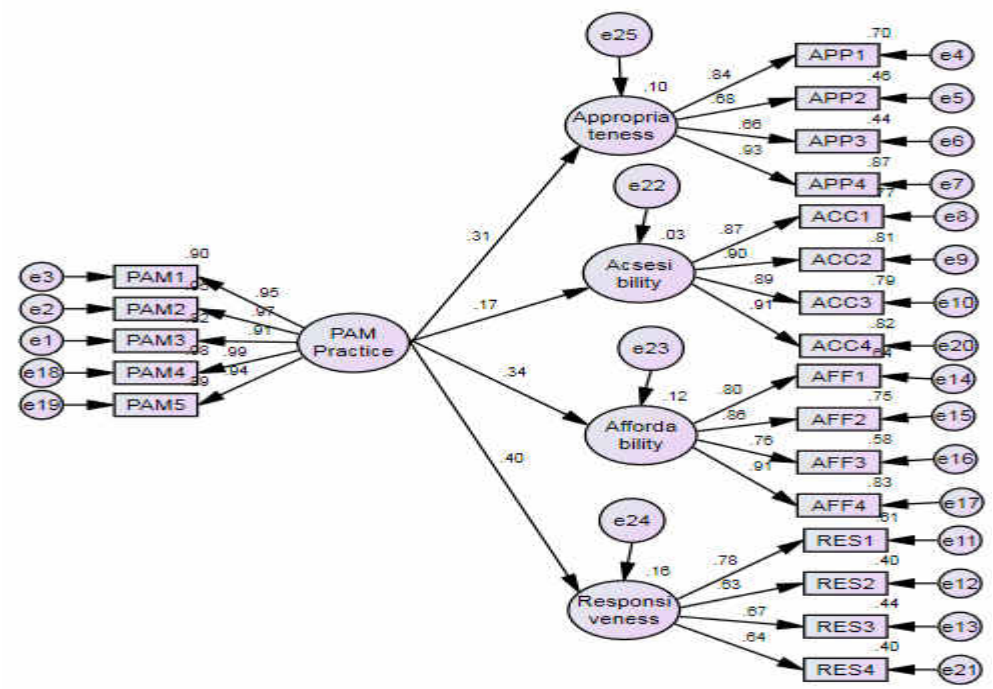


Figure 2: Structural Model (Standardized Estimates)

Examination of Hypotheses

The standardized structural estimates in the structural model in Figure 2 above indicate that there is a statistically significant positive relationship between PAM practice and mandatory microinsurance appropriateness, β = 0.31 (p<0.001), accessibility, β = 0.17 (p<0.05), affordability β = 0.34 (p<0.001) and responsiveness, β = 0.40 (p<0.001). The results indicate that when the PAM practice is improved by one level, the microinsurance appropriateness, accessibility, affordability and responsiveness are expected to

increase or to improve by 31 percent, 17 percent, 34 percent and 40 percent, respectively. Therefore, as initially hypothesized, the results indicate that the PAM practice has a positive and a statistically significant on mandatory microinsurance client-value dimensions.

DISCUSSION OF FINDINGS

The findings from this study are organized into two categories: descriptive and multivariatefindings. From the descriptive findings, particularly the percentage frequency, the PAM practice which comprises of collaborative product design, the integration of the partner and agent respective core competencies, information sharing, knowledge transfer and compliance to contractual obligation is still unsatisfactory in Tanzania. It was found that MFIs do not participate in the development or refinement of the loan-imbedded microinsurance products done by the partner insurance company rather than choosing among the offered microinsurance products by their prospective partner.

Several partner's limited interest to meet clients' contextual risk protection needs rather than earning their premiums hinders its willingness to integrate partner and agent's respective core competencies, share business information, transfer the insurance knowledge to MFIs and to comply to contractual obligation. Furthermore, the descriptive results indicate that microinsurance appropriateness, accessibility and responsiveness are not scoring well. From the multivariate findings perspective, there is a positive correlation between the level of PAM practice and microinsurance client-value. The improvement in PAM practice leads to the improvement in microinsurance appropriateness, accessibility, affordability and responsiveness. These results, consistent with the three theories informing this study, corroborate the four hypothesized relationships between PAM practice and microinsurance client-value.

CONCLUSION AND IMPLICATIONS

The motivation for this study was roused by the growing contribution of PAM in expanding microinsurance to generally marginalized low-income people and the limited studies which examine its effect on microinsurance client-value dimensions in Tanzania. The descriptiveresults indicated that while the PAM practice in Tanzania is unsatisfactory, microinsurance appropriateness, accessibility and responsiveness are disapproving except its affordability which score fairly well. From multivariate results, it was revealed that the PAM practice is positively correlated with all four microinsurance client-value dimensions. The findings imply that the improvement of PAM practice will improve microinsurance client-value dimensions.

Apart from its theoretical and methodological contributions, this study contributes to the limited literature and knowledge on PAM microinsurance client-value as well as the management of PAM relationships in Tanzania. While the three theories informing this study are managerial theories widely used in information technology outsourcing, this study has extended their application in insurance and microfinance sectors. In addition to the empirical evidence of the effect of PAM practice on microinsurance client-value dimensions, this study, contrary to previous studies, has determined the holistic dimensions of client-value. Moreover, the findings provide an understanding of PAM-based microinsurance, as PAM is a nascent microinsurance delivery approach in Tanzania. It revealed the limited MFIs' client awareness of microinsurance performance indicators and uncovered some managerial challenges that hinder PAM practice and, hence, impede microinsurance client-value. However, as the study focused on the dependence relationship between PAM practice and microinsurance value, further research is required to thoroughly investigate the contributing factors to the unsatisfactory PAM practice and microinsurance client-value dimensions. The study findings lay a foundation for future researches and call for policy implication to formalize and regulate this emerging microinsurance delivery model.

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MICRO CREDIT AS A STRATEGY FOR POVERTY REDUCTION AND EMPOWERMENT OF WOMEN ENTREPRENEURS

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ABSTRACT

Micro credit facilities have been evidenced as a tool for poverty reduction and women entrepreneurs' empowerment in both developed and developing countries where Tanzania is inclusive. Yet women access to Micro credit facilities has been low. This study intended to investigate the influence of micro credit on poverty reduction and women entrepreneurs' empowerment in Tanzania. Quantitative data were collected in Iringa district using questionnaire to a sample size of 136 drawn using simple random sampling methods. Findings using multiple linear regressions indicated that microcredit is significant in poverty reduction and women empowerment through increase capital empowerment, enhance self and group empowerment, improve standard of living, enable access and control of resources and boosting economic activities. In Additional, micro credit strengthens women in all dimensions but plays more influential role when they are provided with autonomous access to microcredit, support from family, and facilities from MFIs. The study recommended that the micro credit facility have to reduce the requirement for women to secure micro credit in order to reduce poverty and empowering women in their business enterprises.

Key World: *Micro credit, Poverty Reduction, Women Empowerment, Women Entrepreneurs'*

INTRODUCTION

In today's dynamic global economies, developing women micro and small scale enterprises through micro credit is greater than it was before 2010. Sanyang and Huang(2008) declared that micro credit is emerging as a powerful instrument for poverty alleviation and women empowerment in the new economy. As argued by Qazi, et al.(2013) that micro-credit institutions are dedicated to provide savings and loan facilities to clients neglected by the conventional formal banking sector either because of the smallness of the amounts provided, the perceived remoteness of the clients location, or a lack of property that could serve as collateral or loan guarantee. Previous study by Misnan and Manaf (2015) shown that microcredit has changed the socio-economic of the participant in increasing empowerment, entrepreneur skills, transformational thinking and a desire to improve get out from poverty. Hence, access to micro credit has often proven to be the first step out of poverty alleviation and women entrepreneurs' empowerment because it gives rural community window of opportunity to operate small enterprise at profit orientation.

Despite of prevailing large number of micro credit institutions and organizations that provide micro financial assistance to women in poverty alleviation, still difficult loan conditions like collateral, unfriendly repayment schedules, higher interest rates continue to hinder and limit participation of many women (Nelson, and Nelson, 2010; Hammawa and Hashim, 2016).As argued by Muhoho and Mwinyimkuu (2014)that the conditions, procedures, and terms used by micro credit institutions in providing credits to women credit borrowers hinder the microcredit initiative to serve as an essential strategy for poverty alleviation. Given this situation it is not clear whether micro credit are really strategy for poverty reduction and women empowerment. This study filled the gap by analyzing the influence of micro credit on poverty reduction and women empowerment.

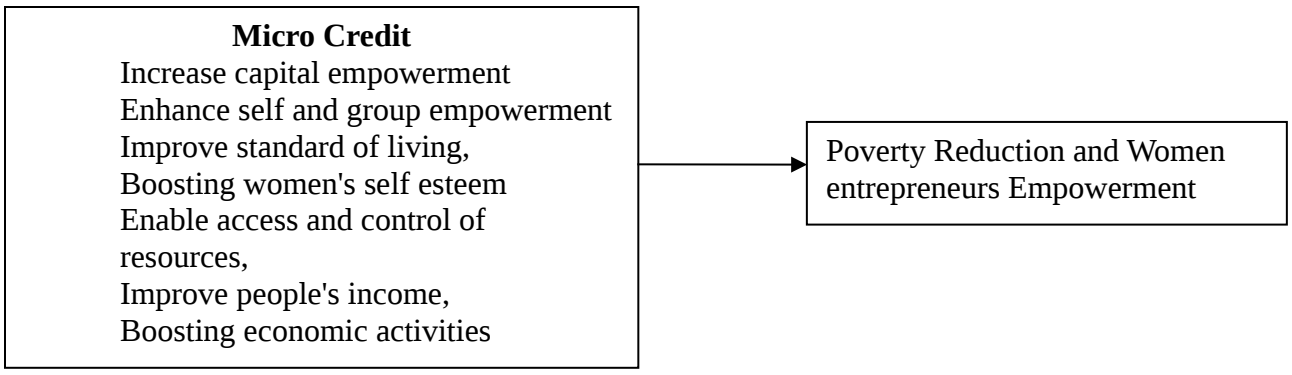
EMPIRICAL LITERATURE REVIEW

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Njogu (2016) found and conclude that microfinance institutions play a positive role on women who invest in them by: increasing their well-being, access to and control of their resources, eradicating illiteracy among women, taking part in decision making in their households as well as economic decisions and finally microfinance institutions have boosted women's self-esteem. On the other hand, Nelson and Nelson(2010) findings showed among others that micro-credit schemes present enormous potentials for enhancing income generation; improving household's living condition and reducing abject poverty in rural areas. In addition, micro-credit was found to presents critical scope for improving rural people's income, bolstering their economic activities and making significant difference in the living conditions of rural households. Similarly, Idris and Agbim (2015)found that micro-credit has significant effect on self-employment, education, training and skills acquisition, and economic empowerment. The researchers recommended that more awareness on the relevance of micro-credit to self-employment, education, training and skills acquisition, and economic empowerment should be created. Further, Nsanganzelu (2015) in their study in Tanzania, found that micro finance institutions contributed to the reduction of poverty and vulnerability of poor through enabling them to break the vicious cycle of poverty and also enabling them to enhance self-empowerment, respect and social dignity. The study concludes that micro-credits are a useful means for the poor section of the society to reduce or eliminate poverty. It enables the financially less fortunate members of our society to overcome financial inadequacies. Moreover, Muhoho and Mwinyimkuu (2014), found and conclude that credit institutions created ability to them to increase capital for their business by being able to seek loans something which has contributed to the improvement and expansion of their business of all respondents said that credit have helped to meet their basic family needs, they said loans obtained from various institutions through establishment of entrepreneur activities have raised their ability to meet several family needs such as foods, clothes, shelter and paying school fees for their dependents on time, while 7.5% said loans has helped them to buy plots for building houses and others have built better houses and 5% have benefited much through business training provided by these institutions and hence have improved their skills and capacity.

Given the above empirical evidence, the current study posits the hypothesis which state that:
H1: Micro credits have a significance influence on poverty reduction and women entrepreneurs' empowerment in Tanzania.

1. **Conceptual framework**
   Base on the literature review, the researcher have developed a conceptual framework with micro credit as independent variable influencing poverty reduction and women entrepreneurs empowerment as depicted in figure 3.1 below.
   Figure 3.1 Conceptual Framework



Source: Constructed by authors (2017)

METHODOLOGY

This research applied quantitative approach. Quantitative approach could be viewed as a research philosophy aiming at testing significant relationship. Quantitative approach was used to test relationship on hypothesis developed to determine the influence of micro credit on poverty reduction and women entrepreneurs' empowerment. Quantitative data were collected in Iringa district using questionnaire to a sample size of 136 drawn using simple random sampling methods. Documentary methods will also be used to support and give evidence of the data collected from a field survey. Thus the use of multiple data sources will serve to triangulate data (Greener, 2008), and enhance the quality of the collected data.

MAJOR FINDINGS

Major findings of this study are based on assessment of the influence of micro credit on poverty reductions and women entrepreneurs' empowerment in Tanzania as the hypothesis stated below:

H1: Micro credits have a significance influence on poverty reduction and women entrepreneurs' empowerment in Tanzania.

To test this hypothesis, multiple regression analysis was used as described in the three output tables below.

5.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.500[a]	.250	.236	.819

a. Predictors: (Constant), Increase capital empowerment , Enhance self and group empowerment, Improve standard of living, Boosting women's self esteem, Enable access and control of resources, Improve people's income, Boosting economic activities

Table 5.1 above showed that dependent variable "Poverty Reduction and Women entrepreneurs Empowerment " is explained by predictors namely "Increase capital empowerment , Enhance self and group empowerment, Improve standard of living, Boosting women's self esteem, Enable access and control of resources, Improve people's income, Boosting economic activities" as demonstrated by R^2 of 25%. This means that the independent variables micro credit is used to explain 25% of the variation in the dependent variable Poverty Reduction and Women entrepreneurs Empowerment in this study, which is low. Further analysis was done to determine the significant influence of micro credit on Poverty Reduction and Women entrepreneurs Empowerment as the results are demonstrated in table 5.2 below

Table 5.2 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.871	7	11.982	17.842	.000[b]
	Residual	251.826	375	.672		
	Total	335.697	382			

a. Dependent Variable: Poverty Reduction and Women entrepreneurs Empowerment

b. Predictors: (Constant), Increase capital empowerment , Enhance self and group empowerment, Improve standard of living, Boosting women's self esteem, Enable access and control of resources, Improve people's income, Boosting economic activities

Table 5.2 ANOVAs above showed that overall, the model applied in this study can statistically significantly predict the outcome variable of relationship between dependent variable" Poverty Reduction and Women entrepreneurs Empowerment " and independent variables micro credit as explained by predictors "Increase capital empowerment , Enhance self and group empowerment, Improve standard of living, Boosting women's self esteem, Enable access and control of resources,

Improve people's income, Boosting economic activities" to a large extent as demonstrated by significant p-value less than 0.05 in a ANOVA table above. This indicate that the overall hypothesis which state that micro credits have a significant influence on Poverty Reduction and Women entrepreneurs Empowerment in Tanzania is accepted. To assess the significant influence of the attributes of micro credit, table 5.3 below depict the results of each attributes

Table 5.3 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.043	.277		7.370	.000
	Improve standard of living	.413	.063	.342	6.545	.000
	Enable access and control of resources	.150	.052	.153	2.895	.004
	Boosting women's self esteem	-.058	.044	-.070	-1.327	.185
	Enhance self and group empowerment	.096	.056	.095	1.716	.003
	Boosting economic activities	-.281	.052	-.347	-5.387	.000
	Improve people's income	.046	.046	.062	.994	.321
	Increase capital empowerment	.232	.043	.275	5.340	.000

a. Dependent Variable: Poverty Reduction and Women entrepreneurs Empowerment

The results provided in table 5.3 Coefficients above showed that all indicator variables "Increase capital empowerment , Enhance self and group empowerment, Improve standard of living, Enable access and control of resources and boosting economic activities" of micro credits have significant influence on SMEs Poverty Reduction and Women entrepreneurs Empowerment in Tanzania except improve people's income and boosting women's self esteem. These findings in table 5.3 helps to explain the explanatory power of micro credit contributed to Poverty Reduction and Women entrepreneurs Empowerment

DISCUSSION

This study focused on analyzing whether micro credit has impact on poverty reduction and women empowerment. Finding using multiple regression have indicated that micro credit have significant influence on poverty reduction and women entrepreneurs empowerment by yielding a p-value less than 0.005.This finding collaborate with the study done by Nsanganzelu (2015) who found that The study found out that Micro-credits contribute positively towards reduction of poverty for Dar-es-Salaam residents who are mainly neglected by the formal banking sector on the aspects of loans provision. In the current study the possible explanation of the significant influence of micro credit is explained by the factor that micro credit were found to contribute more on Increase capital empowerment, Enhance self and group empowerment, Improve standard of living, Enable access and control of resources and Boosting economic activities. This contribution of micro credit in the current study has concurred with Muhoho and Mwinyimkuu (2014) who found that micro-credit institutions have great impacts and contributed to improve standard of living of many women credit borrowers and poverty alleviation at household level.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The result of the study has proved that micro-credit is significantly micro credit have impact on poverty reduction and women empowerment. Related to increase capital empowerment, enhance self and group empowerment, improve standard of living and enable access and control of resources. Women need micro-credit to become or remain self-employed either by starting their own businesses or by expanding their existing businesses. To increase their capability and level of empowerment in their chosen vocation, women entrepreneurs need education, training, skills acquisition and economic empowerment.

Recommendations

Based on the findings and conclusion of this study, the following are recommended:

i. Policy should address on efforts should be geared towards reducing the cost of borrowing and consultancy More awareness on the relevance of micro-credit to self-employment, education, training, skills acquisition and economic empowerment should be created among women entrepreneurs

ii. Microfinance institutions should be encouraged to provide women entrepreneurs with more micro-credit, business education, training and skills acquisition, and economic empowerment so as to increase their profit, household income and reduce household poverty;

iii. Owing to the advantages of formal education to entrepreneurs, illiterate women entrepreneurs should be encouraged to acquire formal education by sitting adult education schools within the markets, very close to the market or very close to their residence;

iv. Training and skills acquisition programmes should be organized for women entrepreneurs as often as necessary so as to ensure that they possess the technical, business management and personal entrepreneurial skills, and all other relevant skills to their respective businesses; and

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MOBILE MONEY PAYMENT ADOPTION IN TOURISM: INCIDENCE FROM SMES FROM ZANZIBAR

Romed Kavenuke, Hadija Matimbwa, Lupyana Samwel, Hawa Jummane, Eva Kapinga & Alberto Gabriel Ndekwa[12]

ABSTRACT

This paper focused on adoption of mobile money payment among SMEs in Tourism Sector. Survey design was used to collect quantitative data for testing hypothesis in a total sample size of 158 respondents in Unguja. Managerial stratified sampling technique was used to ensure representation of the sample among SMEs in tourism sector and thereafter simple random sampling was used to draw a sample from each strata. Cronbach's alpha (p) of greater than 0.6 was found and confirmed the acceptable range of internal consistent of the each variable. Findings using multiple regression analysis revealed that perceived usefulness and perceived ease of use have a significant influence on SMEs adoption of mobile money payments in Zanzibar. This study concluded that the benefit offered bymobile money payments such as compatibility and ease of using mobile payment have a significant influence on SMEs adoption of mobile money payment. This study recommended that for SMEs to adopt MMS, vendors have to develop the mobile money payments services which fit well to SMEs daily operations. Additionally, the government should develop a policy that could help to speed up the adoption by increasing mobile infrastructural, technological knowledge and reducing tax for mobile money devices.

Key Word: *Mobile payment, Mobile money payment, Small and medium tourist enterprise*

INTRODUCTION

In this era of globalization, the demands and globalization lead to an intense competition in informationtechnology especially for Small and Medium Enterprises (SMEs) in tourism sector. To help improve the SMEs operations in tourism, Tanzaniangovernment has strived to support the development of innovativeness in technology deployment. Mobilepayment adoption becomes an important factor for firms to compete within the tourism industry. As argued by Ngaruiya,*et al*. (2014) that mobile payments are increasingly being adopted by organizations as a new way of doing business in the 21st century of high competition. In related perspective, Mbogo (2010) advocate that mobile payment services by the micro businesses tend to enhance their success and growth. Ngaruiya,*et al*. (2014) indicated that the inception of mobile phone financial transaction has brought benefits to SMEs including; money transfer to be available at a low cost compared to the traditional banking system where some transactions would be done within the premises of the bank. SMEs face unique challenges due to the nature of their operations. Their need for payment and transactional services are not always served by banks. Hence m-payment solutions for SMEs are a hot topic again after a chequered history of successes since the turn of the millennium.

Despite these benefits and government effort, the actual adoption of mobile payment in SMEs is limited(Ajmal and Yasin, 2012). This was also observed by Muciimiand Ngumo (2014) who concluded that mobile payments as a mode of settling day to day business transactions has not received sufficient attention. On the other hand, Sokobe (2015) has evidence that, in Kenya there has been a rapidly increasing adoption of electronic payment by large enterprises but not by small and medium enterprises.The slow adoption of mobile payment by SMEs in tourism might hinder their financial operations. To the best of researcher's knowledge, limited studies have been done to investigate factors that could influence mobile payment adoption. This implies that, the design and implementation of mobile payment has been done with little understanding of what motivate users of mobile payments users. This

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study fills the gap by analyzing factors influencing mobile payment among SMEs in tourism sector in Tanzania.

LITERATURE REVIEW

Theoretical Literature Review

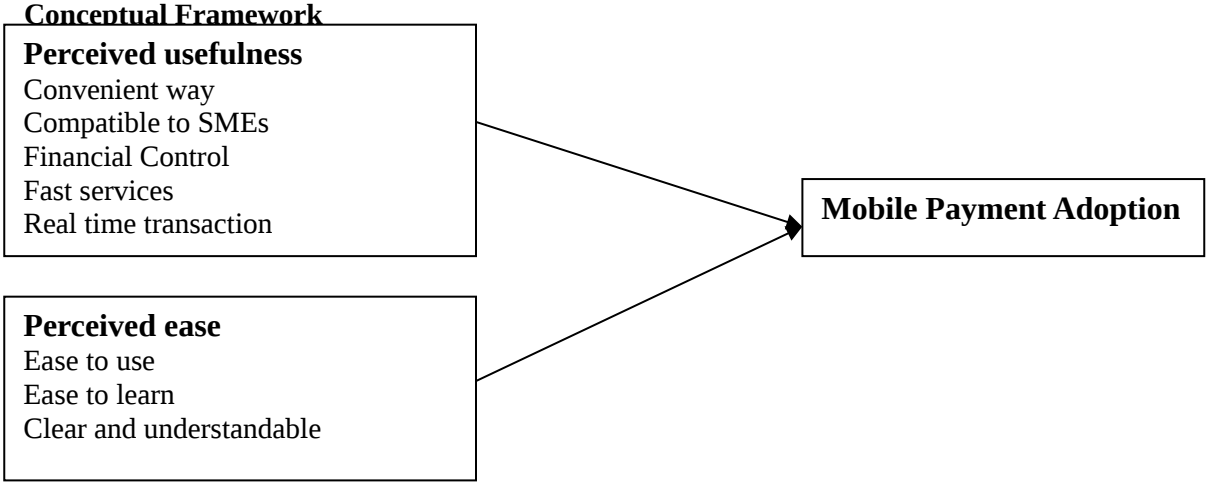
The Technology Acceptance Model (TAM) is a specific model to explain the acceptance and use of new information technologies in organizations.Accordingto Davis, users' motivation of actual usage is subject tothe ambience of perceived ease of use, perceived usefulness and attitude towards using a systemin addition to users' behavioral intention (Davis, et al, 1989).It is based on the fact that the adoption is based on the influence of the perceived ease and the perceived usefulness of the user which tend to influence behavior intention to adopt a particular technology. As in this study SMEs' behavior intention to actual adopt mobile payment is determined by perceive ease and perceive usefulness of mobile payment. The applicability of using TAM in studying adoption of mobile technology is well evidenced in previous studies (Almasri ,2014; Krishanan,et al.,2017). Notably example Al-Fahim (2012) found and concluded that perceived usefulness and perceive ease of use have significant influence to SMEs adoption of mobile banking services. In this study, TAM was used to inform the researcher on the influence of perceived usefulness and perceived ease to use on SMEs adoption of mobile money payment services.

Empirical Literature Review

Aboelmaged and Gebba (2013) in their study of mobile banking adoption, the regression results indicated a significant impact ofperceived usefulness on attitude toward mobile banking while the effect of perceived ease of use onattitude toward mobile banking was not supported. On other hand, Tobbin (2010) found the influence of Perceived Ease of Use and Perceived Usefulness on mobile payment adoption to be significant. Similarly, Raidaand Néji (2013) tested and found that perceived usefulness and perceived ease determine the attitude of the use, and that attitude determines the intent to use of e-banking by means of the multiple regressions. Moreover, Chitungoand Munongo(2013) indicated and concluded that , perceived usefulness, and perceived ease of use have a significant effect on user's attitude thus influence the intention toward mobile banking. In related perspective, Lule, *et . al.* (2016) analysis revealed that Perceived Ease of Use, Perceived Usefulness, Perceived Self Efficacy and Perceived Credibility significantly influenced customers' attitude towards usage of M-banking. Given this empirical evidences, this study posits two hypotheses as follows:

H1: Perceived usefulness have significant influence on SMEs in Tourism adoption of mobile payment
H2: Perceived ease have significant influence on SMEs in Tourism adoption of mobile payment

Conceptual Framework



Source: Constructed by authors by modifying TAM (2017)

METHODOLOGY

This research applied quantitative approach. Quantitative approach could be viewed as a research philosophy assuming the phenomena being studied have a stable reality measurable from the outside by an objective observer and have a power of testing the existence of relationship.Quantitative approach was used to test relationship on hypothesis developed to determine the influence of usefulness and ease of use on mobile payment adoption. The study was conducted in Zanzibar to a targeted population of owners and employers of SMEs in tourism sector. Managerial stratified sampling technique was used to ensure representation of the sample among SMEs in tourism sector and thereafter simple random sampling was used to draw from each strata from a sample size of 158 respondents. Questionnaire was used to collect primary data to understand the role played by MFIs to SMEs. Documentary method was also be used to support and give evidence of the data collected from a field survey. Thus the use of multiple data sources served the triangulation cause (Greener, 2008), and enhance the quality of the collected data.

FINDINGS

Findings are organized into three categories:Firm characteristics, Reliability and Major finding as described below.

Firm Characteristics

Table 4.1 Firm Characteristics

Firm characteristics	Scale Items	frequency	percent
	Owners	45	28.1
Management Level	Managers	38	22.2
	Employees	75	49.6
	Male	59	37.8
Ownership Gender	Female	41	25.2
	Both Male and Female	58	37
	1-4Employees	66	42.2
Firm Size	5-49 Employees	57	37
	50-99 Employees	36	20.7
	Less than 5 Years Old	55	34.8
Business Age	5-10 Years old	67	43.7
	Above 10 Years	36	21.5
Total		158	100

Table 4.1 above shows the general proportional of representation of firm characteristics in this study in terms Management level, Ownership Gender, Firm Size and Business Age.The proportional of the percent indicate that each unique firm characteristics were well represented in this study which increased the validity of the findings in this study

Table 4.2 Reliability Test

Variable	Items	Cronbach's Alpha p-value
Perceived usefulness	Convenient way Compatible to SMEs Financial Control Fast Services Real time transactions	0.654
Perceived ease	Ease to use Ease to learn Clear and understandable	0.732

To assess the reliability of the factors, in table 4.2 the researchers computed Cronbach's alpha(p) of greater than 0.6, which is coefficient of reliability and it suggests that the measures are acceptable.

MAJOR FINDINGS

Major findings of this study are based on two hypothesis formulated a described below:

H1: Perceived usefulness have significant influence on SMEs in Tourism adoption of mobile payment

To test this hypothesis, multiple regression analysis was used as described in the three output tables below.

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.775[a]	.601	.595	.596

a. Predictors: (Constant), convenient way, compatible to SMEs , ensure greater financial control, offers fast services , real time transactions

Table 4.3 above showed that dependent variable "Mobile Payment" is explained well by five predictor namely "convenient way, compatible to SMEs , ensure greater financial control, offers fast services and real time transactions" as demonstrated by R2 of 60%. This means thatthe independent variables "perceived usefulness" is used to explain 60% of the variation in the dependent variable "mobile payment" in this study, which is higher.

Further analysis was done to determine the significant influence of perceived usefulness on mobile payment as the results are demonstrated in table 4.4 below

Table 4.4 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	201.652	5	40.330	113.429	.000[b]
	Residual	134.045	377	.356		
	Total	335.697	382			

a. Dependent Variable: Mobile Payment Adoption

b. Predictors: (Constant), convenient way, compatible to SMEs , ensure greater financial control, offers fast services , real time transactions

Table 4.4 ANOVAa above showed that overall, the model applied in this study can statistically significantly predict the outcome variable of relationship between dependent variable" Mobile Payment" and predictors "convenient way, compatible to SMEs, ensure greater financial control, offers fast services, real time transactions" to a large extent as demonstrated by significant p-value less than 0.05 in a ANOVA table above. This indicates that the overall hypothesis which state that perceived usefulness have a significant influence on SMEs adoption of mobile payments in Tanzania is accepted. To assess the significant influence of the attributes of perceived usefulness,table 4.5 below depict the results of each attributes

Table 4.5 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.272	.211		1.290	.198
	Real time transactions	.649	.042	.612	15.524	.000
	Compatible to SMEs	.110	.044	.097	2.496	.013
	Offers fast services	.168	.034	.187	4.962	.000
	Ensure greater financial control	.082	.029	.096	2.857	.005
	Convenient way	-.002	.030	-.002	-.061	.951

a. Dependent Variable: Mobile Payment Adoption

The results provided in table 4.5 Coefficientsa above showed that all indicator variables " compatible to SMEs , ensure greater financial control, offers fast services and real time transactions" of perceived usefulness have significant influence on SMEs to adopt mobile payment in Tanzania except convenient way. These findings in table 4.5 helps to explain the explanatory power of perceived usefulness contributed to mobile payment resources adoption among SMEs in tourism sector.

H2: Perceived ease have significant influence on SMEs in Tourism adoption of mobile payment
To test this hypothesis, multiple regression analysis was used as described in the three output table below.

Table 4.6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.416[a]	.173	.167	.856

a. Predictors: (Constant), Clear and understandable, Easy to use, Easy to learn

Table 4.6 above showed that dependent variable "Mobile Payment" is explained by three predictor namely "Clear and understandable, Easy to use, Easy to learn" as demonstrated by R Square of 17%. This means that the independent variables "perceived ease" is used to explain 17% of the variation in the dependent variable "mobile payment" in this study, which is low.
Further analysis was done to determine the significant influence of organizational context on mobile payment as the results are demonstrated in table 4.7 below

Table 4.7 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.128	3	19.376	26.456	.000[b]
	Residual	277.569	379	.732		
	Total	335.697	382			

a. Dependent Variable: Mobile Payment Adoption

b. Predictors: (Constant), Clear and understandable, Easy to use, Easy to learn

Table 4.7ANOVAa above showed that overall, the model applied in this study can statistically significantly predict the outcome variable of relationship between dependent variable" Mobile Payment" and predictors "clear and understandable, easy to use, easy to learn" to a large extent as demonstrated by significant p-value less than 0.05 in a ANOVA table above. This indicate that the overall hypothesis which state that perceived ease have a significant influence on SMEs adoption of mobile payments in Tanzania is accepted. To assess the significant influence of the attributes of perceived ease, table 4.8 below depict the results of each attributes

Table 4.8 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.140	.271		7.888	.000
	Easy to use	.312	.062	.258	5.012	.000
	Easy to learn	.123	.052	.126	2.347	.019
	Clear and understandable	.173	.041	.205	4.209	.000

a. Dependent Variable: Mobile Payment Adoption

The results provided in table 4.8 Coefficientsa above showed that all indicator variables "clear and understandable, ease to use and ease to learn" of perceived ease have significant influence on SMEs to adopt mobile payment in Tanzania to a large extent as demonstrated by p-value less than 0.05 in a coefficients table above. This findings in table 4.8 helps to explain the explanatory power of perceived ease is contributed by significant influence of "clear and understandable, ease to use and easy to learn".

DISCUSSION OF THE FINDINGS

H1: Perceived usefulness have significant influence on SMEs in Tourism adoption of mobile payment

Findings from the current study have indicated a significant influence of perceived usefulness by yielding a regression p-value less than 0.05 in ANOVA table. These findings collaborate with the work by Maditinos, *et al*. (2013) and Ramayah, *et al*. (2003). The possible explanation of why perceived usefulness was found to be significant in the current study is explained by explanatory of indicators variables "compatible to SMEs, ensure greater financial control, offers fast services, real time transactions".

H2: Perceived ease have significant influence on SMEs in Tourism adoption of mobile payment

Findings from the current study have indicated a significant influence of perceived ease by yielding a regression p-value less than 0.05 in ANOVA table .These findings collaborate with the work by Maditinos, *et al*. (2013) and Ramayah,*et al*. (2003). The possible explanation of why perceived usefulness

was found to be significant in the current study is explained by explanatory of indicators variables“Clear and understandable, Easy to use and Easy to learn”.

CONCLUSION AND RECOMMENDATION

The findings concluded that perceived usefulness and perceived ease of use play a greater role in influencing adoption of mobile payment in Tanzania tourism sector. Further the study concluded that perceived usefulness through “compatible to SMEs, ensure greater financial control, offers fast services, real time transactions” have higher significant influence to SMEs adoption of mobile payment while perceived ease through “clear and understandable, easy to use and easy to learn” have a strong significant influence on SMEs adoption of mobile payment. Base on these findings, this study has made the following recommendations:

i)While perceive usefulness was found to be significant, the study recommend a calls for policies that create conducive operating environment, encouraging small firm use of mobile money payment services and embrace on an entrepreneurial culture that leads to greater understanding of opportunities offered by mobile money payment services.

ii)While compatibility was found to be significant, the current study recommend that the financial institutions should select the appropriate mobile technology topology which fit well with SMEs operation in tourism sector.

iii)While TAM was found to predict the adoption at R square of 60% greater than half in the current study, it is now recommended for researcher to use this model as a base model as it offer high predictive power.

Recommendation for further studies

This study was conducted in Unguja in Zanzibar which is located in a small geographical area of Tanzania, therefore the finding from this study cannot be generalized to a larger population. This call for further study that could extend the geographical coverage in order to strengthen the evidence.

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INNOVATION FOR GROWTH OF SMEs IN TANZANIA

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ABSTRACT

Companies always seek to get competitive advantages and one of the most researched is innovation. The innovation concept is not totally clear, and there are many different perspectives on innovation in the current research. For SMEs innovation is as important as for large companies and many innovations emanate from SMEs. However, it is unclear if innovations in SMEs in East Africa are used as important strategies to increase their competitive advantage in a fierce globalized market. This is a literature study, and the objective of this paper is to study the research evidence of the relationship between innovations and growth in SMEs in general, and in Tanzania specifically. The conclusion is that there is a lack of studies in this area and this paper reveals five essential research gaps for further research in East Africa.

Keywords*: Innovation, SMEs, Tanzania, Growth*

INTRODUCTION

Companies always seek to improve products, services, internal and external processes and organizational structures that will satisfy customer needs better than competitors, reduce company costs and increase profit. There are different sources of these improvements, sometimes it emerges directly from the customers, sometimes it is a result of genuine market research, and sometimes it is a result of deregulation of a market which opens up for new possibilities. Innovation is a key issue and could be used as a common label for this development. In the Global Innovation Index of 2017, we can observe that Tanzania has gained 27 positions (to No 96 of 127 countries in the list) in one year making it among the countries that have improved most in Sub-Saharan Africa. This is a positive trend, but how could innovation be enhanced and especially how could SMEs increase their innovation capacity? Two main factors have enhanced innovations in the companies' environment; deregulation and technology (Nejad, 2016). Deregulation of markets has been a trend all around the world and some examples of deregulated industries are; airline, telecommunication, and financial services. These deregulations have made it possible for companies to compete and to be more globalized, and for the consumers to get improved and cheaper products and services.

The technological development has been rapid and it has been the precondition for many innovations, mainly in the services sector with much different software which is used both by Governments, companies, and consumers. The growth of many global companies would have been difficult without the technological development, where for example; companies could maintain product development 24/7 through internet and subsidiaries around different time zones, the development of e-commerce, and financial services which enable customers to pay directly to internet based services. Innovations have made it possible for companies as Apple, Alibaba, Facebook, Samsung etc. to grow and to compete globally and to create competitive advantages (Nejad 2016). However, the development of financial services has been essential for globalization. Innovations as such have been studied for decades in research and there is a solid foundation of different theories and models in the area where the Diffusion of Innovation Theory and the Technological Acceptance Model are frequently used when it comes to studies of new technologies.

In poor countries as in Africa, the technological innovations are important for the population and especially the financial innovations. They have meant that poor people nowadays have access to banking

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services through the development of mobile money (Mafuz et al., 2015). They have had no access to any financial services without traveling far distances and spend many hours traveling to a Bank branch.
SMEs are the most innovative companies worldwide and they have an important role to play in the economy of all countries. They generate employment and also in some cases generate export income to a country (hard currency). These are justifications for studying innovation and its effect on SMEs in general and in Tanzania specifically. The objective of this paper is to study the research evidence of the relationship between innovations and growth in SMEs in general and in Tanzania specifically.

METHOD

This paper is based on a literature review about innovation and growth of SME's and it is a work in progress. Articles have been extracted from different Journal databases using the keywords (alone and in different combinations): innovation, SME, growth, East Africa and Tanzania. Thereafter the articles have been subject to content analysis (Budd et al. 1967; de Sola Pool, 1959; Hsieh and Shannon, 2005; Stemler, 2001). Content analysis has been defined as a systematic, replicable technique for compressing many words of text into less content used to categories based on explicit rules of coding (Stemler 2001). This method of analysis contextualizes interpretations of the articles to produce valid and trustworthy results. In this case, the articles were analyzed manually and separately to generate the data to this study. The two main codes were innovation and growth.

INNOVATION THEORY

Main theories frequently used in research about technological innovations are the Diffusion of Innovation Theory (DOI) and the Technology Acceptance Model (TAM). The DOI, states five characteristics important for customers especially when it comes to the speed of acceptance of an innovation (Rogers, 2004). The five characteristics are: 1) relative advantage compared to existing ways to solve problems, 2) compatibility with the existing values and needs of customers, 3) level of complexity which is the ease of understanding the innovation, 4) trialability which is the possibility to try the innovation, and 5) communicability which is the degree of showing the customers the result of the innovation (Mafuz et al., 2015). According to Rogers (1983), these five characteristics explained between 49 and 87 percent of the variation in the adoption of new products.

Diffusion research examines how ideas are spread among groups of people, and the frequent categorization of groups is innovators, early adopters, early majority, late majority and laggards (in order of acceptance of innovations). However, the model is not general in respect of individuals and all categories of products/services. One individual could be an innovator in one category of products (example home electronics), but a laggard in another (example fashion clothes). The basic idea with DOI is to focus on attributes of the innovation which will enhance the adoption of the new product/service.

The TAM was developed by Davis (1989) and it is frequently used in studies of new information technology and its acceptance. Like DOI, it also focuses on the end-users acceptance. TAM is based on two theoretical constructs; 1) perceived ease of use, and 2) perceived usefulness. That study developed scales to measure the two constructs. Later research confirms the importance of these two constructs (Al-Ajam and Nor, 2013). Adoption of new products or services includes a degree of risk and uncertainty; therefore there is a need for impersonal marketing methods to promote the advantages to adopt the new product or service (Robinson, 2009). The risk of adopting the "new" will be reduced severely through conversations with trusted persons close to the potential adopter, but the group "early adopters" differs since they are prepared to take much higher risks than the rest of the population (Robinson, 2009).
Originally, TAM was applied to adoption of technology in the workplace, with a focus on computer technology. Since the seminal article and use of the model, it has become more generic and studies in many different areas use this theory, as for example health care.

DEFINITIONS AND PERSPECTIVES ON INNOVATION

There is no widely accepted definition of innovation (Alonso and Bressan, 2016; Gow, 2014; Hilman and Kaliappen, 2015; Ndubisi and Iftikhar, 2012), and it has been categorized from different perspectives as for example i) radical and incremental innovations, ii) organizational and individual, iii) people, functional and structural, iv) process and product.

The perspective of radical or incremental has already been mentioned and it has to do with the definition of an innovation. The organizational and individual perspective is concerned with if the focus should be on the individual characteristics (as entrepreneurship) or how an organization could enhance innovation through its organization, incitement and how to construct teams. The perspective people, functional and structural are close to the former discussions where the linkage between employees, functions, and structures in an organization could be constructed for increased innovation capacity. The process and product perspective are concerned with if the process to develop an innovation (new product) are more significant for success or the product itself is the key success factor. Process and product are used as mediators between strategic orientation and success (Hong et al., 2013).

One old definition by Merrit and Merrit (1985, p. 11) is that an innovation is "the introduction of a new idea, method or device". There is a distinction about how challenging or big an innovation must be to be considered an innovation. Some authors have a broad definition which includes minor changes – incremental changes like above, and some authors have a more advanced idea like Behn (1997) who argues that to be considered as an innovation, a change must be an original, disruptive, and fundamental transformation of an organization's core tasks. Depending on the definition used the research, and the results will be different. In this paper the definition by Kanter (1983) is adopted, which states that; innovation is bringing into use any problem-solving or new idea. It is a wide definition which includes both products and services, used to search for and analyze the discussed articles below.

INNOVATION AND GROWTH OF SMEs

Growth could be defined in many different ways. Studies have used sales, revenue, employees, market share etc. as growth measures. In this paper, growth is used in a wide meaning incorporating all these measures, which in the discussed papers often is equivalent to performance. Okpara (2011) studied constraints for the growth of SMEs in Nigeria using 211 small business managers. The most obvious factors hindering growth was the lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services. To overcome some of the obstacles the study recommends the Government to create a more conducive environment for innovation. Uhlaner et al. (2013) also studied the relationship between growth and some variables of which innovation was one. The sample was 229 Dutch SMEs, and data was collected three times (1999, 2000 and 2002). They found a significant relationship between innovation and sales growth.

There is also a vast literature on entrepreneurial orientation among SMEs, and innovativeness is one of the components in the entrepreneurial orientation construct. These studies (for example Eggers et al., 2013; Harms et al., 2010; Le Roux and Bengesi, 2014; Reijonen et al. 2015; Shikorova et al., 2015; Stanslaus et al., 2017) also conclude that innovativeness contributes to growth. Studies by Freel and Robson (2004) Love and Roper (2015) Oke et al. (2007) Varis and Littunen (2010) confirm the link between innovation and growth of SMEs. Love and Roper (2015) argues that it is important with a conducive system for innovation in a country for the SMEs to utilize and combine with their internal resources. O'Cass and Weerawardena (2009) conducted a study of 302 exporting and non-exporting manufacturing SMEs in Australia. They found a link between innovation and competitive advantage for all SMEs, but especially for the exporting ones. International SMEs that were engaged in both technological and non-technological innovations had a better position on the market.

The Meta-analysis by Rosenbuch et al. (2011) shows slightly different results than the other discussed studies. The analyzed sample was 42 studies of more than 21,000 firms. They concluded that the link between innovation and performance is context dependent. The factors mentioned having effect in their

study was firm age, type of innovation and culture (measured with country individualism, Hofstede (1980)). However, there was no study from a developing country in their sample.

This raises the question about the relationship between the variables in a developing country like Tanzania. It appears to be a research gap here, and there is a need to pursue studies about the innovation – performance link in a Tanzanian context to provide additional knowledge. The studies found (Le Roux and Bengesi, 2014; Stanslaus et al., 2017) are about entrepreneurial orientation among SMEs and one dimension is innovativeness, but they do not consider any cultural dimension. The focus on innovation has shifted from a closed firm innovation process to a more open innovation process. In the literature, we nowadays find many articles advocating open innovation, and this is especially linked to service innovations where the contact with the customer normally is very obvious. Colin et al. (2014) studied 223 Asian service firms and the link between open innovation and innovation effectiveness, which will affect the performance of the firms. Their conclusion is that open innovation positively affects all areas of; new product/service innovativeness, new product/service success, customer performance, and financial performance. They also compared different strategic orientations and innovation where entrepreneurial orientation was the most significant driver of open innovation compared to market orientation and resource orientation.

There is a systematic literature review of open innovation in SMEs by Hossain and Kauranen (2016). They note that SMEs embrace open innovation in a different way compared to large firms. SMEs cooperate much more about innovations in inter-firm linkages or networks. However, they conclude that studies indicate that SMEs cooperate more about commercialization than about innovation. They also show divergent results concerning the effectiveness of external resources in innovations. The linkages to public organizations aimed at enhancing innovation are also unclear regarding output from SMEs. They propose more studies about open innovation and the effects on SMEs to bring clarity about this important issue.

INNOVATIONS IN TANZANIA

Except the two studies mentioned above, Anderson (2017) conducted a study of 150 SMEs in Dar es Salaam. She concluded that there was a connection between the owner managers' innovation capacity and SME growth. However, in the study, the lack of innovation and creativity affected the growth negatively so most of the firms in the sample remained small. The study by Mahemba and De Bruijn (2003) of 150 SMEs in the manufacturing sector in Tanzania showed little innovation among the SMEs. The innovations noted were generated from customers and other firms and almost nothing was generated from internal sources. Universities or Government organizations were also absent. Therefore only a weak relationship was found between innovation and growth. To the author's best knowledge, the latest SME policy published by the Tanzanian Government is from 2003. In that document, there is nothing about innovation at all. It is about training, simplify bureaucracy, financial and non-financial services and infrastructure. However, the most recent research and development policy from the Government is from 2010. It describes the different research institutions and outlines some prioritized research areas. It also mentions innovation as important for product development for the market demand side. The vision (p 10) is: "To be a nation with a strong, dynamic, resilient and competitive economy that is both knowledge-based and innovation driven." It also discusses the lack of incubators and entrepreneurship. The conclusion of the research and development policy is that there is a need for developing a plan which identifies strategies for each described area. To the authors best knowledge there is no evaluation of this policy. No innovation system is discussed in the policy.

The study by Yaha and Mutarubukwa (2015) examines the potential for Tanzanian SMEs in EAC. They identify obstacles for growth as for example low capital, low educational level, limited networking, entrepreneurship skills etc., factors well known from the literature. They recommend a new Ministry to

handle SME issues, but they don't recognize innovation skills per se. There is also a stream of research about innovation systems where intermediaries enhance the innovation development and skills for different firms. Researchers argue that innovation skills are a result of interactive learning where local, regional and national organizations could be involved in a system (Szogs et al., 2011). However, in the mentioned study by Hossain and Kauranen (2016) this interaction is questioned and research results diverge when studying SMEs.

Szogs et al. (2011) also state that there are differences between developed and developing innovation systems:

> Typically less developed countries are characterized by deficient socio-economic infrastructure, weaker institutional frameworks and low levels of interaction. Formal institutional, legal and regulatory frameworks are generally weakly developed and usually have less reliable enforcement mechanisms. (Szogs et al., 2011, p. 284)

The statement above indicates that the environment for innovations in developing countries is undeveloped and could be a reason for the low level of innovations in SMEs in these countries which are added to the firm constraints. In Tanzania, there is an ongoing discussion about conducting more entrepreneurship training at almost all level of education in the country. The idea has not been implemented so far, but will entrepreneurship enhance innovation? In the study by Ndubisi and Iftikhar (2012) this relationship is studied. They used 124 SMEs in Pakistan for their research. They found a significant relationship between entrepreneurship, innovation, and performance. This is encouraging and is supporting the arguments to implement more entrepreneurship training in the education system in Tanzania.

CONCLUSION

This literature review found five research gaps about innovation and growth of SMEs. First, that innovation has no generally accepted definition. This has an impact on how we construct the measurement in a study. If we consider only radical innovations we get one result, but if we also include incremental innovations the study becomes broader with more "innovations" noted in a sample. Second, the link between innovation and growth is not clear. The research results are diverging, especially for research about SMEs (maybe because of the definition problem). Third, Studies of innovation and SMEs appear to be scarce in developing countries as Tanzania. We rely on studies mainly from developing countries, which have different business environments and regulations than firms in developing countries. Forth, there is not a consensus about innovation systems and their contribution to innovation in SMEs. This idea advocates the construction of national systems for innovation to help firms produce new products and services. The involvement of Governments and national/regional public organizations are supposed to interact with SMEs and increase the innovation capacity, but the scientific results don't find this significant relationship. Fifth, there is a lack of studies about open innovation and its effect on SMEs. The studies found are not from the African continent, and contributions here will be important.

The final conclusion is that there are many research gaps to be filled for interested scholars in Tanzania and other developing countries. The contribution to theoretical knowledge lack studies from these environments.

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TOWARDS INDUSTRIALIZATION IN TANZANIA: WHAT IS THE ROLE OF AGRICULTURAL SECTOR?

PROSPECTS AND CHALLENGES OF THE 5TH PHASE GOVERNMENT

Honest Prosper Ngowi[14]

ABSTRACT

The paper dwells on the Tanzania's fifth phase government industrialization drive. The focus is on the roles that the agricultural sector can play in the process. It also identifies and discusses the industrialization prospects of the fifth phase government as well as challenges that are likely to be encountered. It is noted in the paper that the government aims at having three major types of industries. These are those that will produce for mass domestic consumption, those that will create mass employment and export excess products. The agricultural sector has a noble role to play if the envisaged new industrialization move is to become a success. Inter – alia, it is expected that the sector will provide raw materials for the industrial sector especially agro-processing firms. It will also provide markets for industrial goods as well as provide food for industrial labour force. Furthermore, the agricultural sector has the potential to be part of sources of funds needed for industrial development at micro and macro-levels. The sector can as well be a source of labour to the industrial sector. These potential roles notwithstanding, the agricultural sector is Tanzania is faced by a number of challenges. They include but are not limited to inadequate business/investment climate in the sector; small farm sizes; low productivity; low growth rate; inadequate access to finance; post harvest losses; low mechanization and commercialization among others. Unless these challenges are properly addressed, the sector will fail to play its rightful role in the current industrialization drive by Tanzania's fifth phase government.

Key words*: Industrialization, Agriculture*

INTRODUCTION

The current move of industrialization in Tanzania by the fifth phase government is not a new one. There have been several industrialization efforts since independence. Detailed descriptions of industrialization efforts in Tanzania have been documented widely. These include but are not limited to the works of Kim (1966)[15] and Kim, K. S (1966). According toKim (ibid), at independence in 1961, Tanzania had a very low level of industrialization. It was the least industrialized of the three East African Common Market partners. Its development strategy placed emphasis on agricultural development. Industrial production was primarily oriented towards agro-processing and light manufacturing without internal linkages to domestic raw materials. Kim (ibid) further informs that Tanzania's first, comprehensive industrialization effort began with the First Five Year Plan in 1964. While continuing with an emphasis on the agricultural sector, the Plan called for an ambitious industrialization program that was to rely on private foreign and domestic investment for expansion of local import substitution industries (ISI). Incentive schemes to induce investments included tax holidays, accelerated depreciations, tax rebates, guarantees for repatriation of capital, and tariff protection. With the adoption of the Arusha Declaration in 1967, the Government set a new course in industrialization strategy consistent with Tanzanian socialism and self-

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reliance *(Ujamaa*). The Declaration stipulated two principles that must be adopted in the future industrial plan. Firstly, the future strategy should not be significantly dependent on foreign investment; and secondly private ownership of industry must gradually be substituted by state ownership in the form of parastatal corporations. The Arusha Declaration did not stipulate any action plans.

It was in the Second Five Year Plan which began in 1969 that the strategy was spelled out in detail. While calling for continuous process of transferring the means of production to the state, the plan prescribed a restructuring of industry, placing priorities on the production of simple import-substitution manufactures, intermediate and capital goods, and agro-industry based products for export. Also emphasis was placed on the promotion of labor-intensive, small-scale firms and the decentralization of industry, where this was considered economically appropriate. The progress in industrial restructuring in subsequent years was very slow. In 197 4, the government laid down for the Third Five Year Plan more drastic measures for structural changes in the direction of self-reliance. Efforts for industrialization would be aimed at the processing of agricultural products and import substitution of basic industries. These are those that would promote Tanzania's capacity to be self-reliant in industrial production as well as those that would fulfill the basic needs of human life for the majority of Tanzanians. For the latter category, the industries would include those producing such necessities as food, shelter and clothing. Self-reliance in the context of industrial restructuring was to be interpreted as an economic independence.

Tanzanian industry depends heavily on intermediate and capital goods imports. The industries producing these goods were considered not only as the cornerstone of the country's industrial structure upon which other branches of industry could be developed, but also as exerting important linkage effects in generating economy-wide employment. The strategy thus sought development of this branch of industry through import substitution. From the late 1970s, Tanzania began to be affected by a series of economic malaises of external origins: First, the war with Uganda; the second global oil crisis, the world price of coffee, which is Tanzania's main export product, declined. Tanzania had to put on hold further implementation of its industrialization strategy, as the government sought adjustment by cutting imports and per capita expenditure by 50 percent. There were virtually no expansionary capital budget increases. The recurrent budgets had to be drastically reduced. With the rapid increase in external debt and arrears, and largely in response to increased pressures from the International Monetary Fund (IMF), the government decided to reverse the earlier strategy of overprotecting industry, and instituted new measures to support agriculture by increasing agricultural producer prices by 30-35 percent in 1983/84, at the same time giving the economy a more export-oriented structure. Export incentives included devaluations of the shilling, the scheme for export retention and, most importantly, that for own funds imports.

In the mid 1980, there was major and far-reaching reforms in the management of the economy. These included major liberalizations and privatization of the economy. Almost all sectors of the economy including the industrial sector were liberalized. Among other things the former state owned enterprises (SOEs) were privatized. Over time there have been various efforts to industrialize including statements in the Development Vision 2025 and Sustainable Industries Development Strategy (SIDP) 1996 – 2020. It is seen therefore that the current (2016) industrialization move in Tanzania is not a new one.

Fifth Phase Government Industrialization Move

Debates and plans on Tanzania’s fifth phase government economic future revolve around the axis of industrialization. This is the main economic project for the fifth phase government. This new industrialization move is packed in various documents. They range from the ruling party’s 2015 election manifesto to President Magufuli’s maiden speech in the Parliament on 20th November 2016 and the Second Five Years Development Plan that saw the light of the day in July 2016 after coming to end of its predecessor on the same date. In order to put all the debates on this grand move in the right perspectives, there is a need to unpack the whole industrialization move including but not limited to what it is all about, why it is important and which are the guiding documents that one needs to make reference to.

Unpacking Industrialization

At the core of succeeding in Tanzania's industrialization move lies understanding of what industrialization means and entails by all key stakeholders. This is because a problem known is a problem half solved. Pass et al (2000) describe the term industrialization to imply the extensive development of organized economic activity for the purpose of manufacture. It is characterized by inter alia transformation of a primarily agrarian economy into a more specialized, capital – as opposed to labour – intensive economy. It took the form of Industrial Revolution in Western Europe and North America in the 18th and 19th centuries. Elsewhere in the economic and business literature (see Bishop, 20xxxxx), industrialization is described as the process in which a country transforms itself from a basically agricultural society into one based on manufacturing of goods and services. Whereas manual labor is more often than not replaced by mechanized and automated high tech-mass production, craftsmen are replaced by assembly lines. Industrialization is associated with the growth and development of large urban centers and suburbs. Tanzania may need to adopt its own definition of industrialization but it should not miss out the key components of a true industrialized economy.

Potential Benefits of Industrialization

There are many potential advantages embedded within industrial economy. These include but are not limited to potentials for direct and indirect jobs and therefore incomes creation and improved standards of living. Industrialization also poses potentials for foreign exchange earnings through exports and foreign exchange saving through imports substitution. It can also generate government revenues from related taxes and none tax charges. It stands to develop other sectors of the economy through inter-sectoral linkages via both backward and forward linkages that can trigger development of many other sectors through providing them with markets as well as supplying these sectors with factor inputs both intermediate and finished. As a country we should not dwell on the potentials only but should make concrete moves to actualize the potentials.

Prospects of the Fifth Phase Government Industrialization Move

The fifth phase government move on industrialization has been captured in various documents. These include but are not limited to the ruling party's 2015 election manifesto; President Magufuli's maiden speech in the Parliament on 20th November 2015; in the second Five Years Development Plan (FYDP II) 2016/17 – 2021/22), annual plan 2016/17 and the 2016/17 national budget and budget for the Ministry of Industry, Trade and Investments (MITI) inter alia. The government has several prospects in its new industrialization move as partly captured in its various documents outlined in what follows.

Industrialization in CCM Manifesto

What the fifth phase government is attempting to implement in the bid to industrialize the country is derived from the ruling party's 2015 election manifesto. The word industrialization is mentioned over 70 times in the CCM manifesto. Among other things, the manifesto aims to accomplish and implement Sustainable Industrial Development Programme (SIDP) Phase Three covering the time period 2010–2020. It also aims to attain industrial sector contribution in Vision 2025. The manifesto aims at increasing industrial sector Gross Domestic Product (GDP) contribution from 9.9% in 2013 to 15% in 2020 and to have 40% of employment in the country coming from industrial sector by 2020.
These targets are tall orders. The manifesto also talks about mobilizing the private sector to invest in middle and large industries as well as protecting them against foreign industries. Whereas protectionisms may be a good argument for infant domestic industries that cannot withstand competition, it can be a raw

deal to consumers by way of reducing their consumption menu. Furthermore, protecting inefficient industries that are not likely to grow is bad economics. As if the above were not enough, protectionism in the globalized world of the World Trade Organization and possibilities of retaliations need to be re-thought.

Industrialization in President's Speech

In President Magufuli's speech in the Parliament on 20th November 2015 the word industrialization appears about 35 times covering five out of 48 pages or 10.4% of the volume of his speech. On page 20 of the speech, the President acknowledges that he deliberately dwelt on the matter in length as he states that "… *nimeamua kulisema hili kwa kirefu sana*". The speech (page 19) insisted on the type of industries that the fifth phase government is aiming at. These are mass employment-creating industries; industries for domestic mass consumption goods and industries for export goods. Each of these will be interogated separately in coming articles given the weight of each in gold.

Industrialization in the FYDP

The Second Five Years Development Plan (FYDP) that was unveiled in the Parliament in the last week of April 2016 is focusing on industrialization. Its theme is 'Nurturing Industrialization for Economic Transformation and Human Development'. The FYDP will be implemented annually through annual plans that will be funded by annual budgets. These annual budgets on the other hand will be guided by annual budget guidelines. One therefore need to understand the FYDP, the annual plans for the coming five years, annual budget guidelines and their corresponding annual budgets to unpack and analyze the extent to which the planned industrialization move will be unfolding and seeing the light of the day in the five years of the fifth phase government.

Interrogation on What It Takes to Attain the Desired Industrialization

The major debates and plans on Tanzania's economic future have recently dwelt on industrialization. Among the fifth phase government's main economic plans is to have industrial economy. This is clear given the many potential advantages embedded within industrial economy. These include but are not limited to potentials for direct and indirect jobs and therefore incomes creation, foreign exchange earning through exports and foreign exchange saving through imports substitution, government revenues from related taxes and none tax charges as well as inter-sectoral linkages both backward and forward that trigger development of many other sectors. For eventual success in the desired industrialization in Tanzania, it is important to interrogate and contribute ideas on what it takes for Tanzanian-type economies to industrialize.

Desired industrialization

Drawing from President Magufuli's speech in the Parliament on 20th November 2015, there are three main typologies of industries that the fifth phase government desires to attain. These are mass employment-creating industries; industries for domestic mass consumption goods and industries for export goods. On its part, the ruling party's 2015 election manifesto aims to accomplish and implement the third phase of Sustainable Industrial Development Plan (SIDP) 2010–2020. It also aims at attaining industrial sector contribution in Vision 2015. It desires for construction of agro-processing, middle, large and basic industries and industries that use domestic raw materials.

It also desires to strengthen existing industries and increase industrial sector GDP contribution from 9.9% in 2013 to 15% in 2020 and have 40% of Tanzania's employment coming from the industrial sector by 2020. It also desires to mobilize the private sector to invest in middle and large industries and protect

them against competition from foreign industries. It also desires to increase sub-regional, regional and global preferential markets access. Good as these desires are, there are needs for for critical and constrcuive interogations on what it takes to attain the desired industrialization above. Selected thoughts are shared in what follows.

Employment creating industries

The desire is to have 40% of employment in Tanzania coming from the industrial sector by the year 2020 although the current percent is not given in the said manifesto or President's speech. For Tanzania to attain the mass employment-creating industrialization, then it has to opt for labour intensive industrialization if it means jobs coming direct from industries. labour intensive production techniques employ more labour than capital and therefore create more jobs. However, there are several downsides of labour intensive production and by extension labour intensive industrialization. These include limited ability to enjoy economies of scale through large scale production, less speed in production, less efficiency and at times less quality and standardization of products. For this type of industrialization, employment can only be mainly created along industrial value chains nodes through backward and forward integration. It calls for strong inter-sectoral linkages and holistic approach to industrialization. All sectors related to the industrial sector need to be adequately developed.

Industries for mass consumption

The fifth phase government targets industries that will produce goods for mass domestic consumption. They include but not limited to textile, footwear, cooking/edible oil etc. There are many economic advantages embedded in consumption of domestically produced goods and services. They include saving of foreign currency that would have imported the goods, more domestic jobs creation and related individual incomes as well as government revenues through tax and none-tax charges. However, there is a need to interrogate the theory and practices of consumers behavior. Tanzania consumers as are consumers elsewhere, have their tastes and preferences for goods and services. The tastes and preferences may not be necessarily in favour of domestically produced goods. In Tanzanian context, there is emerging and complex high and middle class with by and large tastes and preferences skewed towards imported consumables. This can be attributed to higher quality and better brands of imports. For Tanzanian industries to produce goods and services for mass domestic consumption, there is a need to ensure that they meet the needs of consumers as captured in their tastes and preferences.

Export oriented industrialization

The fifth phase government desires to have industries that will export industrial goods. This is a good thing because inter alia, exports earn a country the much needed foreign currencies with the many and far-reaching advantages of this. In order to be able export industrial goods, domestic value addition and a move away from the current predominantly export of unprocessed raw materials is important. Among the key implication here is availability of and access to export markets for the 'made in Tanzania' industrial goods. Currently the main industrial goods from Tanzania include agro-processed products. In order to access the export market in a meaningful way, there is a need to meet and adhere to the demanded quality and standards. For food and beverage products for example issues of sanitary and phytosanitary conditions as well as traceability are very important. Important too, in exporting is the ability to meet and adhere to the needed quantity and supply frequencies. Performance of African countries – Tanzania included - in the AGOA market access opportunity should be able to give us lessons.

THE ROLE OF AGRICULTURAL SECTOR IN INDUSTRIALIZATION

The role of agriculture in industrialization process cannot be overemphasized. It is a well known fact that the industrial revolution and development in Europe benefitted substantially from the agricultural sector. The industrial revolution was preceded by the agricultural revolution. The agricultural sector is among the several complementary sectors for industrialization. According to URT (1996: 25)[16], industrial development will be seriously hampered if complementary sectors (such as agriculture) According to Shigehisa (1996), agriculture played transformative role in transforming the Japanese economy from a stagnant agrarian society to a modern industrial one. The agricultural sector has key roles to play in the fifth phase government's industrialization move. These roles are outlined in what follows in line with the three major kinds of industries that the fifth phase government aims to develop.

Role for employment –creating industries

The desire is to have 40% of employment in Tanzania coming from the industrial sector by the year 2020 although the current percent is not given in the said manifesto or President's speech. For Tanzania to attain the mass employment-creating industrialization, then it has to opt for labour intensive industrialization if it means jobs coming direct from industries. labour intensive production techniques employ more labour than capital and therefore create more jobs. However, there are several downsides of labour intensive production and by extension labour intensive industrialization. These include limited ability to enjoy economies of scale through large scale production, less speed in production, less efficiency and at times less quality and standardization of products. For this type of industrialization, employment can only be mainly created along industrial value chains nodes through backward and forward integration. It calls for strong inter-sectoral linkages and holistic approach to industrialization. All sectors related to the industrial sector need to be adequately developed.

A review of the industrialization goals in this new move shows among other things that the fifth phase government aims at having industries that will create mass employment for Tanzanians. This should be very well understood and a good goal partly given the unfortunate state of affairs of high unemployment especially amongst youth. Unemployment is among the key social, political and economic challenges. The new industrialization move aims at having a whole 40 percent of Tanzanian labour force employment coming from the industrial sector. This is a good goal but must be understood in the correct context and therefore strategies towards this must be correct as well.

Unpacking jobs-creating industries

That industries will create jobs, is not a contested territory. The issue is on the number of jobs to be created directly and indirectly. Implications of the wished 'mass-employment' creating industries is that there industries have to be labour intensive. There are the ones that make use of more labour and human muscles than capital. These are industries that are not automated, computerized and highly high-tech. This will be the case if by 'mass employment' creating industries one means direct jobs from industries.

Reality on the ground

In modern day industrialization, one is likely to see and embrace more capital intensive than labour intensive industrialization process. Involved here are highly mechanized, computerized and high tech driven industries. These present a more transformative industrialization than their labour intensive counter parts. They augur well with modern day industrialization in which state of the art, high tech, capital intensive; mechanization and automation are key words. These are industries for with bigger competitive edge than labour intensive ones. They are better suited for mass production and therefore enjoyment of

[16] SIDP

economies of scale by captains and titans of the industry whose bottom line is profit. These types of industries are more likely to produce higher quality and standardized goods and services and at a bigger speed than labour intensive ones.

Capital displaces labour

On employment creation however, capital intensive industries will not create as many direct industrial jobs as will their labour intensive counter parts. This is because in capital intensive production technique, capital in the shapes of machines displaces labour. What could be done by a dozen of labour is done by just one person who presses machines buttons on and off as required. Therefore capital intensive industries will not create direct mass industrial employment. There is therefore a need for all stakeholders in the new industrialization move to understand this reality on the ground correctly in order to manage expectations and avoid unnecessary surprises when the true employment colours are seen.

Potentials for indirect jobs

The uncomfortable truth that capital intensive industries will not create mass direct industrial jobs should not be the end of mass employment creation through industries goal. Ceteris paribus (all other things being equal), employment through industrialization can be created along the long and many industrial value chains nodes. Through the backward forward integration in the context of inter-sectoral linkages and the associated multiplier effects, many indirect jobs can be created. These will be jobs created by the sectors that supply factor inputs of all kinds to the industrial sector through backward integration as well as those that save as markets for the same through forward integrations. This calls for strong inter-sectoral linkages and holistic approach in the new industrialization move. All sectors touched by and touching the new industrialization move should be optimally developed to absorb and support what comes from the move. When sectors such as agriculture, fishery, livestock, infrastructure, financial services, education and much more are optimally developed to support the industrial sector then mass employment can see the light of the day. Short of that the mass jobs creation goal through industrialization will remain a wishful thinking.

ROLES FOR INDUSTRIES FOR MASS CONSUMPTION

The fifth phase government aims at having industries that will produce goods for mass consumption. They include industrial goods from agro-processing such as food and related items; textile; footwear etc. Among other things, these industries will make use of locally available raw materials. The agricultural sector therefore has the role of providing the needed quantity and quality of raw materials for agro-processing industries. These raw materials are expected to come from various agricultural subsectors as partly outlined below.

Crops sub-sector

The sub-sector is expected to provide various raw materials for agro-processing industries. The raw materials include various kinds of grains (maize, rice, wheat etc); seeds (sunflower, groundnuts, sesame, cotton, coconut etc), grass (including lemon grass, grass for pellets etc. Others include cashew nuts,

Livestock sub-sector

The livestock sub-sector of the agricultural sector plays an important role of providing raw materials to the industries that process these raw materials. The raw materials include but are not limited to milk (for example Tanga Fresh, Asas, Shambani Enterprise); hides and skin for leather industries that manufacture among others bags, footwear, belts, wallets (for example Shah Industries in Moshi, horns for key holders and decorations (ornaments like ear rings); bones and blood for animal feed etc.

Fishery sub-sector

The fishery sub-sector provides raw materials for fish processing industries. they include factories in Mwanza (Vic Fish) and Mafia Island (Tanpesca). The sub-sector also provides raw materials for leather-processing industry (including a factory at SIDO Estatein Mwanza)

Sutton and Olomi (2012) provide the following as among the leading firms in agro-processing in Tanzania.

Table 1: Selected Examples of Firms that Process Agricultural Raw Materials in Tanzania

S/n	Crops types	Major agro-processing firms	Remarks
1	Coffee and Tea	*Tanzania Instant Coffee Company Ltd,* *Afri Tea and Coffee Blenders (1963) Ltd,* *Unilever Tea Tanzania Limited,* *Tanzania Tea Packers Limited*	All these and other firms make use of raw materials from the agricultural sector
2	Oilseeds and Edible Oils	*Murzah OilMills Limited,* *MountMeruMillers Limited,* *Vegetable Oil Industries Ltd,* *BIDCO Oil and Soap Limited*	All these and other firms make use of raw materials from the agricultural sector
3	Food Processing	*Vicfish* *Tanga Fresh Limited,* *Azania Wheat Flour* *CoastMillers Ltd*	There are many micro and small food processing firms that make use of raw materials from the agricultural sector in Tanzania
4	Beverages	*Tanzania Breweries Limited* *Banana Investment Limited,*	All these and other firms make use of raw materials from the agricultural sector
5	Tobacco	*Alliance One Tobacco Tanzania Ltd* *Tanzania Cigarette Company Ltd*	All these and other firms make use of raw materials from the agricultural sector
6	Sugar	*Kilombero Sugar Company limited* , *Tanganyika Planting Company* *Kagera Sugar* *Mtibwa Sugar*	All these and other firms make use of raw materials from the agricultural sector
7	Cotton	*Badugu Ginning Company Limited* *Olam Tanzania Limited,* *Birchand OilMills Ltd*	All these and other firms make use of raw materials from the agricultural sector
	Textiles	*Tanzania–China Textile Friendship Mills*	All these and other firms

		Karibu TextileMills	make use of raw materials from the agricultural sector
	Hides, Skins and Leather	*Ace Leather Tanzania Limited*	All these and other firms make use of raw materials from the agricultural sector

Source: Modified by the author from Sutton and Olomi (2012)

ROLES FOR INDUSTRIES FOR EXPORT

As is the case with other types of industries, the agricultural sector plays the role of providing raw materials for the industries that produce for export. It also can be among sources of finance for the industrial sector as well providing food for workers.

Cross cutting roles

Apart from the above, the agricultural sector plays other vital cross-cutting roles in all types of industries. These include but are not limited to the following:

Market for industrial sector

In the context of inter-sectoral linkages (forward and backward linkages) and input – output relations, the agricultural sector is part of important market for industrial goods both intermediate and final. Agriculture provides markets for such industrial outputs as machinery and equipment as well as fertilizers, pesticides, insecticides, packaging materials etc. Therefore the agricultural sector is a potential and actual market for the industrial sector which in turn is a key factor for industrial development.

Food for those in the industrial sector

As is the case for all other sectors of the economy, the labour force in the industrial sector needs food. It is the agricultural sector that provides the food in this context. This is a very important role because industrialization is normally accompanied with rapid urbanization which in turn increases demand for food.

Revenue for industrial development

The agricultural sector both at micro and macro- level plays important role in providing revenues needed for direct and indirect development for the industrial sector. They include both direct and indirect tax and none-tax revenues for the central and local governments. The sector can also be important for providing capital for industrialization at household and individual levels. This is normally in form of surplus capital from agriculture that can be invested in various types and sizes of industries.

Support of other important sectors for industrialization

Under the input-output relations and inter-sectoral linkages and dependencies concepts, the agricultural sector is of indirect importance to industrialization through supporting other sectors that are important for industrialization along the industrial value chain and its nodes. These other sectors include education, financial/banking sector, transport, and other sectors. Agriculture provides among other things, food and revenues for these other sectors thereby supporting the industrial sector indirectly.

Labour force for industrial sector

Conceptually, at some stage of agricultural development, the sector is supposed to release some excess labour for the industrial sector. Agricultural sector therefore can play the role of becoming a source of labour force for the industrial sector.

ROLE OF AGRICULTURE IN INDUSTRIALIZATION: SELECTED CHALLENGES

The fifth phase government‘s industrialization move in general and the role of agriculture in that process in particular stands to encounter a number of challenges. Among the general challenges to industrialization include inadequate resources both financial and none-financial. Other general challenges are those related to investment/business climate. Various studies and reports have produced a wide range of issues that constitute challenging and constraining business climate in general and in specific countries, sectors and sub-sectors in particular. When the business climate issues are short of the needed level they are seen as challenging and constraining. They constitute unfriendly, none-conducive, unattractive and none-optimal business climate. They imply a deficit in the desired business environment. Such deficits need to be bridged through various interventions. They constitute issues of concern to business stakeholders.

Among the key issue of concern in the various World Bank’s Doing Business Reports include the easiness of doing business in a given country as measured quantitatively and qualitatively by various indicators. These indicators include but are not limited to starting a business. Among the variables that are scrutinized in this category include the level of decentralization of business registration, needs for various inspections such as those done by health, town and land officers as a pre-requisite for a business license and business start-up costs. Another variable of interest is that of dealing with construction permits. Issues that are scrutinized include the easiness of the process of getting construction permit and the price of obtaining a building permit.

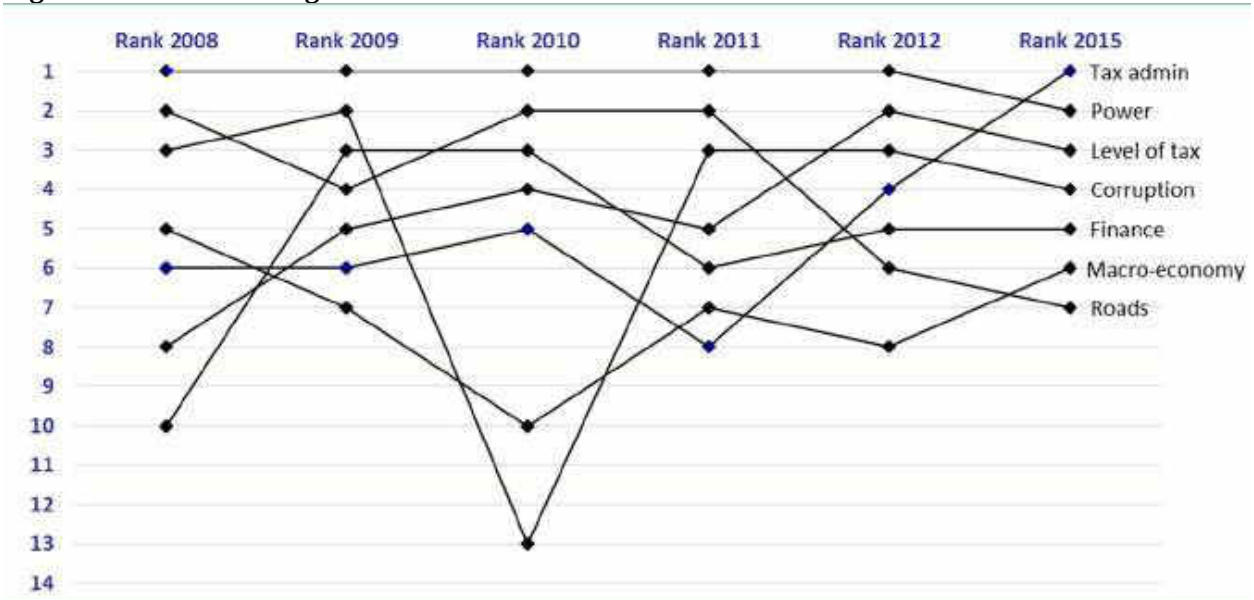
Doing Business reports also look at the easiness of getting electricity including the cost of getting hooked to this important factor of production. The reports also look at the business environment in the context of registering property. Among the measures in this variable include the time it takes for registration of a property and involved costs. Getting credit is yet another important component of business environment. It looks at the easiness of getting credit for various business purposes including starting and expanding businesses. Another important indicator of business environment is protection of investors. Variables in this indicator include disclosure index, director liability index, ease of shareholders suits index and strength of investor protection index.

Payment of various kinds of taxes to the government constitutes indicators of business environment as well. Inter alia, one looks at the number of taxes, tax rates, predictability of fiscal regime, time it takes to pay taxes as well as availability of one stop centre for tax payment purposes. The trading across borders indicator of business environment include streamlining trading in a number of ways including Pre-Arrival Declaration (PAD) system and electronic submission of customs declarations and other measures that reduce time and documentation needed to import goods and services. Other important indicators of business environment are the easiness of businesses to enforce contracts and resolving insolvency. The World Bank (2016)[17] (as is the case for other World Bank’s Doing Business Reports), address similar business environment issues as those outlined above with different ranking of different countries over time.

[17]World Bank (2016).Doing Business 2016: Measuring Regulatory Quality and Efficiency. Washington, DC: World Bank Group.

At country level with Tanzania as an example, issues constituting challenging business climate/environment have been documented in various works. The main one is arguably the Business Leaders' Perception on Doing Business in Tanzania produced by the Business Environment Strengthening for Tanzania (BEST – AC). Among the indicators for business environment in BEST - AC (2013) and TPSF (2015)[18] include easiness of doing business in the country as measured by availability of quantity and quality of a number of variables. Specific variables of consideration include telecommunication, security, skilled labour, employment law, environmental law, enforcing contracts, licensing and regulations, roads, ports and airports, ease of registering land, water, macroeconomic policy, access to finance, tax administration, level of taxation, corruption and power. Issues similar to the above have been covered in Ngowi (2015)[19]. The figure below from TPSF (2015) shows factors that make business difficult in Tanzania.

Figure 1: **Factors making business difficult in rank order**



Source: TPSF (2015). Business Leaders' Perception of the Investment Climate in Tanzania – 2015

Challenges related to agricultural sector

It has been documented above that the agricultural sector has a noble role to play in Tanzania's new move on industrialization. On top of the general challenges to industrialization outlined above, there are a number of agriculture-specific challenges that are likely to be encountered along the industrialization process. These challenges are closely related and intertwined.

The challenges include low budgetary allocation in the agricultural sector. Among other things, the Maputo Agreement of the African Union heads of states that each African country should set aside at least 10% of its annual budget for agriculture has not been implemented in Tanzania. Other challenges facing the agricultural sector in Tanzania include small farm sizes leading to inabilities to enjoy economies of scale; low productivity caused by inter alia poor farming practices; low quality and quantity of agricultural outputs needed for industrialization; inadequate steady supply agricultural outputs (for example fruits and vegetables for agro-processing) partly due to seasonality; low growth rate of the sector (less than 4% for a number of years); low mechanization; inadequate access to finance due to both supply

[18] Tanzania Business Leaders' Perceptions of the investment climate in Tanzania

[19] Ngowi, H. P. (2015). Analytical brief on private sector development and enterprise competitiveness for Tanzania

and demand-side constraints and issues; low commercialization; rain-dependence; post harvest losses; inadequate agricultural infrastructure including roads, markets, irrigation system etc.
Unless these and other challenges are properly addressed by both the public and private sector including the academia, agriculture will not be able to play its rightful noble role in Tanzania's new industrialization drive. This is because the dependence of the industrial sector on the agricultural sector. Under the concept of co-movement of sectors, if the agricultural sector fails to deliver due the outlined challenges among others, the industrial sector will fail to deliver as well.

CONCLUSIONS

Based on the discussions in this paper, it is clear that the agricultural sector is of great importance in the desired industrialization move by the fifth phase government. Among others, it has the potential to provide industrial raw materials for agro-processing industries; it provides food for the industrial and related labour force; it provides market for some industrial outputs both intermediate and final and can be among sources of finance for industrial development at micro and macro-levels. Therefore, there are very high expectations from the agricultural sector if the new industrialization move is to succeed. However, there are a number of challenges that need to be addressed to avoid the agricultural sector becoming the missing link and constrain in the industrialization move.

RECOMMENDATIONS AND WAYS FORWARD

A number of recommendations are outlined in what follows in the context of the central issues raised in this paper. For the desired industrialization to be attained, there is a need for very conducive, friendly and supportive investment and business climate across the sectors in general and in the agricultural sector in particular in the context of this work. The conducive investment/business climate variables include but are not limited to issues related to infrastructure both hard and soft and especially rural agriculture infrastructure. Others are utilities especially electricity and water; appropriate quantity and quality of skills and talents amongst the labour force; good fiscal regime including relatively low tax rates and fewer number of the same, predictability, easy tax returns, participatory taxation, re-investing tax revenue in the sector and much more.

There is a need to learn from earlier industrialization moves in Tanzania and elsewhere in general and the role played (or not played) by the agricultural sector. The key issue is to learn what works, what does not work, why and what should be done differently this time around. The Government (both local and central) has to allocate fairly large amounts of financial and none-financial resources to the agricultural sector including funds for research and development (R&D). This will contribute in inter alia reducing and ultimately ending the challenges faced by the sector. The results will be high productivity, reduced post-harvest losses and rapid growth of the sector.

Key stakeholders in the agricultural sector should address the various challenges that the sector faces that can constrain the industrialization process. There is a need for all stakeholders to recognize the role o the sector in its broad sense in industrialization. It important to note that agricultural development – as is the case with industrial development – is a cross-cutting issue that needs balanced development of many other sectors in the context of inter-sectoral linkages. Higher learning institutions should demonstrate (more) intellectual leadership in agricultural development in general and as related to industrialization in particular. This should be seen in its training, research and dissemination agenda including well articulated university – industry linkages as well as commercialization of research findings. All higher learning institutions should provide intellectual leadership by way of research, training, service to the community, interrogating and advise on industrialization in general and the role of agriculture in the industrialization process in particular. For this to happen however, both financial and none-financial

resources are needed. These have to be mobilized by the government, the institutions themselves and other stakeholder such as the private sector and development partners

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FACTORS INFLUENCING CONSUMERS' CONVENIENCE SHOPPING OF INDUSTRIAL PRODUCTS: A STUDY OF KINONDONI DISTRICT

Kezia H. Mkwizu[20]; Juliana G. Wilbard[21]; Bahati D. Mbilinyi[22] & Nelly S. Maliva[23]

ABSTRACT

The organized retail shops of Tanzania are facing intense competition. With the opening of new shops and coming in of international brands due to free market economy, this competition has further intensified. Hence it is very difficult for retailers to maintain an advantageous position only by offering good products, reasonable prices and effective promotions. In such a situation, offering convenience shopping can be profitable for retailers. It can stimulate consumers' shopping action and then can result in enhancing consumer perceived value and repeat visits in retail shops. This paper analyzes factors influencing consumers' convenience shopping of industrial products. Study area is Kinondoni district. Data was collected from 300 respondents in retail shops, and analyzed descriptively. Multiple Linear Regression analysis was used to test the hypotheses. It was found that location, salesperson, products layout and customer services are the factors that influence consumers' convenience shopping of industrial products. The study suggests that for the retail shops to be competitive in the market place, they should consider these factors. This study provides empirical evidence on factors influencing consumers' convenience shopping of industrial products in developing economies.

Keywords*: Convenience shopping, location, salesperson, products layout, customer services*

INTRODUCTION

Convenience shopping continues to be one of the concerns that a marketer has to pay most of his attention (Parasuraman et al., 1985; Reinartz et al., 2011; Clulow & Reimers, 2009). It is argued to be one of the tools that marketers can attract and retain customers especially during this era of industrial products retail shops that have become competitive due to customer preferences which are changing rapidly (Bowen & Chen, 2001; Prinsloo, 2016). Customers see industrial products retail shops as indistinguishable in there provisions. So there is a need for marketers to use different approaches to attract customers. Various authors have come up with different strategies that the marketer may use in order to create convenient environment for shoppers. However, there are scant studies that have attempted to establish the factors that influence convenience shopping especially in developing countries.

This study therefore uses the information collected from the field to quantitatively analyze the elements that makes the shopping to be convenient. It uses the Tanzania setting which is one of the African countries. The population of Africa is expected to reach 2 billion by 2050 and this will lead to demand for more goods (Hatch et al., 2011). Africa's economies have been growing since 2000s (Meagher, 2016). Consistent growth of economy, rapid urbanization rate, favourable demographics and availability of easy

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credits has boosted consumerism. There is an increase in demand for superior shopping experience, especially in the urban areas. It is a market place reality that customers do not only look for superior products and services, convenience shopping also plays a vital role in shaping the perceived value, satisfaction and loyalty towards industrial products retail shops. Convenience shopping thus becomes more important for retail shops where competition is tough and customers are attracted with many offers. To address such an issue, it becomes very essential for industrial products retail shops to provide superior shopping experience to customers. This shopping experience can be made superior by providing convenience shopping in addition to basic offerings of quality products, reasonable price and effective promotions. The term convenience shopping here consists of many factors. These factors can be divided into four major categories namely location, salesperson, products layout and customer services.

In Sub-Saharan Africa including Tanzania, consumer spending is expected to reach $ 1 trillion by 2020 (Hatch et al., 2011). Previous studies such as Sharma and Patterson (2000) and Clulow and Reimers (2009) have focused on non industrial product consumption as opposed to dynamics in industrial consumer market. However there are limited studies on consumer convenience shopping in Tanzania context. Tanzania is moving towards industrialization and therefore more knowledge is required particularly on convenience shopping among consumers in small enterprises so that there is inclusive SMEs growth. In South Africa, convenience shopping is evident in both low and middle income consumers (Prinsloo, 2016). In Tanzania, there is limited literature on convenience shopping among consumers of industrial products particularly information on convenience shopping driven by factors such as location, salesperson, products layout and customer services. To contribute to knowledge, the objective of this study aimed at analyzing factors influencing consumer's convenience shopping of industrial products.

LITERATURE REVIEW

Convenience Shopping

Convenience shopping has been referred to as the reduction or elimination of costs in order for convenience shopping to occur (Clulow & Reimers, 2009). On the other hand Prinsloo (2016) also referred convenience shopping as becoming popular and is driven by frequency of shopping. It can be noted that time and cost, are commonly mentioned as being important for convenience shopping (Clulow & Reimers, 2009). Other studies defined convenience in relation to trading hours, parking, way-finding, easy movement, access and supermarket (Anselmsson, 2006; El Adly, 2007). Therefore, for purposes of this study, convenience shopping refers to consumers buying industrial products at a shop which is convenient in terms of time, cost and variety of products. The industrial products can range from soap, toothpaste, cooking oil, stationery items to processed foods.

Location

Location has long been recognized as one of the prime determinants of retail store choice and success in retailing. The location of a store and the distance, which consumers must travel to go shopping are basic criteria in their store choice decisions. In addition, store visibility is an element often discussed in literature that does affect consumers' decision of choosing one store over another (Grewal et al., 2009). They argue that store choice decisions also depends on the total shopping costs and time which is required to access the store. Therefore, it can be argued that location makes the overall shopping experience of customers convenient thus enhancing the image of the retail store. Hence this study hypothesizes that
H_1: Location has a positive influence on consumers' convenience shopping.

Salesperson

An apparel retail store can differentiate its retail offerings by providing excellent salesperson's service and thus customer loyalty (Parasuraman et al., 1985). Overall shopping experience of customers' convenience is because of salesperson services and therefore the customers are well assured that there is someone in the store who will help in making their shopping experience easy and comfortable. Once the

shopping experience is easy and comfortable, the perceived value of the apparel store is enhanced which leads to satisfaction and ultimately customer loyalty. Customer satisfaction and loyalty are essential for sustainability and success of a retail store. Therefore this study developed the hypothesis that
H_2: Salesperson has a positive influence on consumers' convenience shopping.

Products Layout
A convenient store layout can play a vital role in enhancing the overall shopping experience of a customer at retail stores (Bloemer et al., 1999). This is indeed important in highly competitive retail sectors, like we assume the apparel sector to be, and is therefore an interesting and relevant aspect to remember. A retail store layout should be designed to facilitate easy movement of customers within the store, and allow the optimal presentation of merchandise (Sharma and Patterson, 2000). As retail stores are relatively huge compared to other stores like footwear or optical stores, proper and convenient layout becomes an essential tool in making the overall shopping experience of the customer exciting and fruitful. Price tags and graphics are important elements of store design and layout, which can help customers, locate specific products and departments within the apparel store. Hence this study developed the hypothesis that
H_3: Products Layout has a positive influence on consumers' convenience shopping.

Customer Services
Bowen and Chen (2001) clearly identify the importance of customer services elements in relation to store image. In today's competitive retail environment, the delivery of high quality customer services has long been treated as the basic of retailing strategy. High quality customer services are very much demanded by current customers who are well aware of similar offerings by retail stores worldwide. Good customer services create a positive impact about the shopping experience of an apparel store. This leads to improvement in consumer's perceived value, satisfaction and customer loyalty for apparel store. In Bowen and Chen (2001) customer services at retail stores usually include;

> Good after sales services - for building and maintaining relationship between customers for store's success.
> Easy payment options - as the times are changing customers do not prefer to carry heavy wallets. They prefer plastic money that is credit or debit cards. Hence, a lot of apparel stores can provide the facility of making payments by credit cards and thus delight the customers.
> Ample parking space - is very much required by the customers residing in metropolitan cities. The apparel stores which provide ample parking space to its customers provide better satisfaction to their customers, this leads to customer loyalty and store success.
> Availability of shopping bags - an apparel store can enhance its customer services by providing free gift wrapping bags in the store in order to build on customers' perceived value and customer satisfaction.

This study developed the hypothesis that
H_4: Customer Services has a positive influence on consumers' convenience shopping.

THEORETICAL LITERATURE REVIEW
Diffusion theory is concerned with the spread of ideas and actions within social systems (Green et al., 2014). Two sociologists namely Ryan and Gross in 1943 introduced the diffusion theory when studying rural sociology (Surry, 1997). Diffusion theory is also been associated with innovations (Rogers, 1995; Surry, 1997). Both Rogers (1995) and Surry (1997) explained diffusion theory in relation to innovation. Diffusion theory is also been used to explain tourism development process (Anderson, 2010). This study will adopt the diffusion theory in terms of convenience shopping which is an innovation designed to save time and cost for consumers and it is spreading in various parts of the world including Tanzania. Furthermore, diffusion theory actually theorizes on how ideas are spread and how these ideas are adapted or imitated (Green et al., 2014). The importance of diffusion theory in this study is that it guides the quantitative approach in analyzing factors which influence consumers' convenience shopping of industrial

products. In addition, this study borrows from Resource Based View Theory (Barney, 1991) to research which resources in terms of location, salesperson, products layout and customer services are factors influencing consumers' convenience shopping of industrial products. Studying these factors is crucial in the competitive environment of new shops and coming in of international brands due to free market economy in Tanzania. Recent scholars have used Resource Based View (RBV) theory to investigate the role of resources in the internationalization of SMEs (Ngoma et al., 2015). Another study utilized RBV theory to analyze education levels and small business financial worth (Matama, 2016). The RBV theory provides explanation on performances of firms relative to assets (Barney, 1991). This study uses RBV theory to analyze consumers' convenience shopping of industrial products in relation to location, salesperson, products layout and customer services.

EMPIRICAL LITERATURE REVIEW

Consumers of products in Africa are attracting attention from various scholars (Hattingh et al., 2012; Taruvinga & Nengovhela, 2015; Baker et al., 2016; Gido et al., 2016). Taruvinga and Nengovhela (2015) explored consumer's perception and consumption dynamics of African leafty vegetables. Recently Baker et al. (2016) looked at animal source foods and retail outlets. These studies focus on non-industrial products (Taruvinga & Nengovhela, 2015; Baker et al., 2016; Gido et al., 2016). Despite the growth of African economies, inclusive SMEs growth is vital particularly since there are dynamics in the African industrial consumer market which have received limited research. There is inadequate information on convenience shopping driven by frequency shopping. Other studies have looked at factors such as location, salesperson, products layout and customers services (Parasuraman et al., 1985; Bloemer et al., 1999; Sharma and Patterson, 2000; Clulow and Reimers, 2009; Prinsloo, 2016).

Parasuraman et al. (1985) used qualitative approach to propose a service quality model which revealed ten dimensions such as access, communication, responsiveness, competence and credibility that consumers use when forming perceptions of services. Bloemer et al. (1999) applied descriptive analysis and confirmatory factor analysis and results showed that there is a strong association between service quality and service loyalty. Furthermore, there are four dimensions to service loyalty which are word of mouth, purchase intention, price sensitivity and complaining behaviour (Bloemer et al., 1999). A similar study used both quantitative and qualitative methods with findings indicating that trust and service satisfaction vary with costs, attractiveness of alternatives and client experience (Sharma and Patterson, 2000). On the other hand, Clulow and Reimers (2009) used factor analysis and found several attributes for retail centre convenience such as one-stop shop, parking availability, proximity to home/work, retail concentration, compact size/design, shopping services, extended trading hours and pedestrian areas. In Prinsloo (2016) the trend analysis shows that longer shopping hours are crucial for convenience stores and concluded that success of convenience stores is on good location.

Synthesis of Empirical Literature Review, Theoretical Review and Hypotheses

In summary, therefore the empirical literature review shows that studies have concentrated on non industrial products and those that researched industrial products have not focused on studying consumers' convenience shopping of industrial products in relation to location, salesperson, products layout and customer services in a single study. This study used both Diffusion Theory and RBV Theory to guide the development of four hypotheses which explain factors influencing consumers' convenience shopping of industrial products in Tanzania. The four hypotheses developed in this study are:

H_1: Location has a positive influence on consumers' convenience shopping.
H_2: Salesperson has a positive influence on consumers' convenience shopping.
H_3: Products Layout has a positive influence on consumers' convenience shopping.
H_4: Customer Services has a positive influence on consumers' convenience shopping.

CONCEPTUAL FRAMEWORK

The conceptual framework of this study is guided by the Diffusion Theory and RBV Theory along with empirical literature. The dependent variable is consumers' convenience shopping while the independent variables are location, salesperson, products layout and customer services. Figure 1 represents the developed conceptual framework for this study and the hypotheses (***H1, H2, H3, H4***) to be tested.

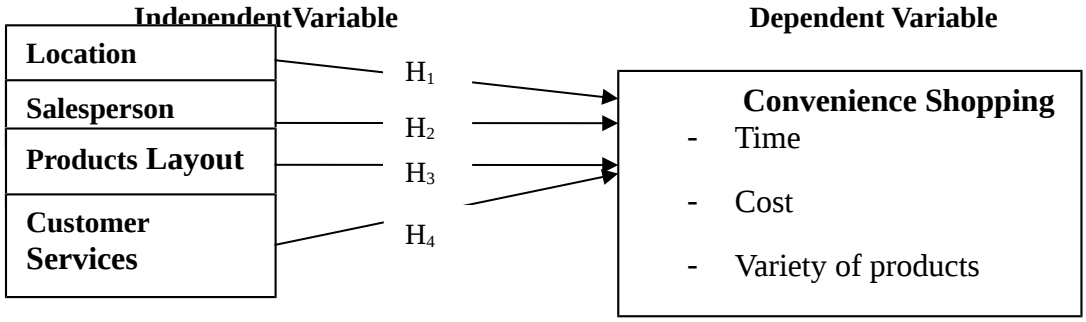


Figure 1: Conceptual Framework
Source: Compiled from Literature Review

METHODOLOGY:

Quantitative approach was used in this study with the aim of analyzing factors influencing consumers' convenience shopping of industrial products by testing four hypotheses being ***H1, H2, H3*** and ***H4***. This study is a survey design conducted in Kinondoni district located in Dar es Salaam, Tanzania. To select the sample, non-probability convenience sampling method was used. All respondents selected were above 18 years of age in order to get a mature opinion about factors that influence convenience shopping of industrial products in Tanzania. Almost 311 questionnaires were administered out of which, 11 were discarded as there were incomplete. The scale of measure type adopted in this study is 5-Point Likert with (1) strongly disagree to (5) strongly agree to obtain the responses from the respondents. The completed questionnaires were subjected to descriptive and multiple linear regression analyses assisted by SPSS Version 20. On validity, the items in the questionnaires used to obtain information for variables of location, salesperson, product layout, customer services and convenience shopping were adopted and customized from other studies (Prinsloo, 2016; Clulow and Reimers, 2009). The validity process also followed a pilot test of 20 customers to ensure clarity in instructions, questions and scale of items. For reliability purposes, the Cronbach's alpha value should be above .65 for the construct to be fit for analysis (Field, 2014). In this study the Cronbach's alpha values indicated that location (0.898), salesperson (0.881), products layout (0.758), customer services (0.843) and convenience shopping (0.862) as per Table 1 below.

Table 1: Validity and Reliability Test results

Variables	Factor	Cronbach's Alpha
Location	4	.898
Salesperson	3	.881
Products Layout	3	.758
Customer Services	3	.843
Convenience Shopping	4	.862

Source: Field data (2017)

FINDINGS

Descriptive findings on Table 2 show that majority (49%) of the respondents are aged between 36 to 45 years, females (64%) with University education (48%), and have monthly income (39%) between 500,000 to 999,999 Tanzanian shillings. For age with majority between 36 to 45 years implies that they are the working group. Gender is mostly females which implies that a large number of shoppers were women. Education wise the sample has majority being university graduates implying that they are either self employed or employed. The income group with majority between 500,000 to 999,999 Tanzanian shillings implies that a large percentage of shoppers are of the middle income group.

Table 2: Respondents Characteristics

Age : n=300	**Frequency**	**Percent**
26-35	93	31.0
36-45	148	49.0
Above 46	59	20.0
Gender: n=300		
Male	108	36.0
Female	192	64.0
Education: n=300		
Primary	6	2.0
Secondary	52	17.0
College	98	33.0
University	144	48.0
Monthly income: n=300		
Below 500,000	98	33
500,000-999,999	116	39
1,000,000-2,999,999	64	21
3,000,000 and above	22	7

Source: Field data (2017)

This study used multiple linear regression analysis to test four hypotheses. The model summary on Table 3 shows that the R square coefficient was 0.720 and this indicates that 72% of changes in consumers' convenience shopping are explained by location, products layout, salesperson and customer services. The F-test indicated that the regression model is statistically significant, since the F calculated value is (42.001) and the significance level is sig= 0.000 which is smaller than the significance level approved in the research (0.05). The Durbin-Watson is 2.001 which is greater than 1 and less than 3, therefore the value is acceptable according to Field (2014).

Table 3: Model summary

R	**R Square**	**Adjusted R Square**	**Change Statistics**			**Durbin-Watson**
			R Square change	**F change**	**Sign. F change**	
.851	.720	.710	.851	42.001	.000	2.001

Source: Field data (2017)

The regression analysis results are shown on Table 4. For hypothesis H_1 which tested the influence of location on consumers' convenience shopping has a t value of 11.264 and p=.000 which is less than the threshold of p<0.05; hypothesis H_2 which tested the influence of salesperson on consumers' convenience shopping has a t value of 5.188 and p=.011; hypothesis H_3 which tested the influence of products layout

on consumers' convenience shopping has a t value of 4.761 and p=.027; hypothesis H_4 which tested the influence of customer services on consumers' convenience shopping has a t value of 8.038 and p=.004. All four hypotheses are accepted since the results shows significant values below 0.05.

Table 4 Regression analysis results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	2.652	.577		4.715	.000
Location	.617	.066	.615	11.264	.000
Sales person	.182	.074	.249	5.188	.011
Customer service	.189	.061	.395	8.038	.004
Product layout	.345	.052	.550	4.761	.027

Source: Field data (2017)
Dependent variable: Convenience shopping
Independent variables: Location, Sales person, Customer service, Products layout

DISCUSSION OF FINDINGS

In hypothesis H_1 the results show that there is a statistically significant influence of location on consumers' convenience shopping and that this statistical significance is the highest. This is explained by consumers who find the shops to be visible, close to their homes as well as work places. This finding is consistent with Grewal et al. (2009) and Prinsloo (2016) that location is an important attribute to convenience shopping.

For hypothesis H_2 the results show that salesperson has a statistically significant influence on consumers' convenience shopping and thus suggesting that consumers find the salespersons in shops to be knowledgeable of the products on sale, helpful and friendly. These findings are similar to other studies which found that salesperson and shopping services are vital in shopping experiences (Parasuraman et al., 1985; Clulow and Reimers, 2009).

Hypothesis H_3 shows products Layout having statistically significant influence on consumers' convenience shopping. This result suggests that consumers find the products layout in shops well organized, clean and provide easy movements. The findings are similar to Sharma and Patterson (2000) where trust and service satisfaction vary with attractiveness of alternatives.

The results for hypothesis H_4 shows that customer services has statistically significant influence on consumers' convenience shopping and thereby suggesting the consumers' convenience shopping relies on easy return and exchange of items in the shops, availability of parking space as well as payment options such as m-pesa. These findings are in agreement with Clulow and Reimers (2009) which found that some of the attributes for retail centre convenience are parking availability and shopping services.

IMPLICATION OF THE STUDY

Theoretically the study results support the Diffusion Theory for convenience shopping existing in Tanzania which is significantly influenced by location, salesperson, products layout and customer services. And the existence and spread of convenience shopping for consumption of industrial products will continue as long as factors such as location, salesperson, products layout and customers services are considered. This is in line with the spread of convenience shopping in other parts of Africa and the world. Prinsloo (2016) stated that convenience shopping in South Africa continues to spread. Also the statistically significant outcome of location, salesperson, products layout and customer services in relation to consumers' convenience shopping support RBV Theory since these factors are competitive resources for retail shops in the context of Tanzania.

Practically this study suggests that these four factors (location, salesperson, products layout and customer services) are important for convenience shopping. Therefore if retail shops want to be competitive in the market, they should consider the indicators that were valid and reliable in testing the four factors in this study (location, salesperson, products layout and customer services). Satisfaction of the shop location, shop being close to home and work, and shop visibility are to be considered for location. For salesperson, it is knowledge of the products by sales staff, helpfulness and friendliness of the sales staff that should be emphasized. On the other hand, for products layout the indicators to consider are ease of finding products in the shop, well organized and cleanness of the shop as well as easy movement within the shop. On customer services the indicators are ease of return and exchange of items in the shop, availability of parking space and easy payment options such as m-pesa.

CONCLUSION

This study establishes that consumers' convenience shopping of industrial products is the function of location, salesperson, products layout and customers services. The aim of this paper was to analyze factors influencing consumers' convenience shopping of industrial products. The results revealed that location, salesperson, products layout and customer services have significant influence on consumers' convenience shopping of industrial products in Tanzania. Therefore, this study suggests that for retail shops to be competitive in the market place, they should consider these factors.

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ASSESSMENT OF THE DETERMINANTS OF INVESTMENT CHOICE IN INVESTMENT CLUBS IN NAIROBI COUNTY OF KENYA

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ABSTRACT

The general objective of this study is to assess the non-economic determinants of investment decisions among investment clubs in Nairobi County of Kenya. The specific objectives included: to assess the preference or choice of investments among investment clubs in Nairobi County of Kenya, to examine the association between gender of members and investment choice of investment clubs in Nairobi County of Kenya, to test the association between education background of members and investment choice of investment clubs in Nairobi County of Kenya and to evaluate the association between decision making method and investment choice of investment clubs in Nairobi County of Kenya. Frequency test was employed in assessing the popularity of each of the investment choices made by investment clubs in Nairobi county. The Chi square test of independence was employed to test the strength of association between the dependent variable: investment choice and each of the determinants of gender of members, education background of members, decision making method and size of membership. The findings indicated that real estate investments and business were the most popular investment vehicles employed by investment clubs in Nairobi county. The findings also indicated that all the determinants had significant association with choice of investments of the clubs. It is recommended that a regulator be formed to regulate activities of investment clubs in Kenya and also to educate members and officials of the clubs.

Key words*: investment choice, investment clubs*

INTRODUCTION

Investment performs a significant role in maintaining development of any nation (Icharia, 2014). High degrees of investment rely on high degrees of savings (Icharia, 2014). Investment clubs offer an accommodating setting where members can save money faster and study how to invest by sharing knowledge and experience (Icharia, 2014). The non-economic determinants of investment decisions among investment clubs have been studied by several scholars (Wallach, Kogan&Bem, 1964; Madaras&Bem, 1968; Shupp& Williams, 2008). According to Kindleberger (1965), non-economic determinants of investment decisions include gender of members, religion of members, culture, class, family, tradition and size of membership. A major conclusion by scholars is the positive relationship between non-economic determinants of investment decisions and the return of an investment (Kindleberger, 1965; Kreinin, 1958, 1959).

The Kenya Association of Investment Groups (2014) describes an investment club as “Any collection of individuals or legal persons in any form whatsoever including but not limited to: societies registered under the Societies Act, Partnerships and Limited Liability Companies, whose objective is the pooling together of capital or other resources with the aim of using the collated resources for investment purposes”. According to Nicholson and O’Hara (1968), investment clubs are different from other investors because the rules that govern investment clubs are unclear. To be precise, investors such as pension funds and banks are heavily regulated while investment clubs are not heavily regulated thus informal (Nicholson & O’Hara, 1968). According to the Kenya Association of Investment Groups (2014),

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members of an investment club range between 2 members and 50 members in Kenya. Decision making in an investment club can become a challenge especially in large investment clubs (Kenya Association of Investment Groups, 2014).

The Kenya Association of Investment Groups (2014) indicates that investment clubs in Kenya are primed for growth. According to Icharia (2014), Kenya has the most successful investment clubs in the East African region. One of the major investment clubs in Kenya is TransCentury Limited (Icharia, 2014). Another leading company which was originally an investment club is Centum Investments (Icharia, 2014). Investment clubs could also be experiencing great growth due to the strong progression of the middle class (Kenya Association of Investment Groups, 2014). This means that people will have more disposable income which will be used for investment purposes (Kenya Association of Investment Groups, 2014).

There are many investment decisions open to an investment club globally and regionally. The investments are separated by asset classes. First there are fixed-income investments. Examples of fixed-income securities include preferred stock, savings accounts, corporate bonds, municipal bonds, and government bonds (Fabozzi& Mann, 2005). Secondly, there are equity securities. Stocks are long-term investments with a fluctuating less foreseeable return (Kirkpatrick II &Dahlquist, 2010). Another investment prospect is derivative securities (Hull, 1997). A derivative is a financial asset whose value is derived from the value of other underlying securities. Examples include forwards, futures, options and warrants (Hull, 1997).

Investment clubs can also invest in a mutual fund. This is a corporation that possesses a collection of distinct stocks, bonds, or an amalgamation of the two (Reilly & Brown, 2009). Another investment prospect is real estate. This can be performed by investing in a real estate investment trust (REITs), buying raw land, rental property and land development (Firstenberg, Ross &Zisler, 1988). Another investment opportunity available to investment clubs is going into business (Reilly & Brown, 2009). This involves a strategic analysis of a particular industry with regards to ease of entry, strength of established players, bargaining power of suppliers and customers as well as the presence of substitutes (Reilly & Brown, 2009). Consequently, a strategy is formulated and implemented based on the findings of the strategic analysis (Reilly & Brown, 2009). Another investment choice is farming (Reilly & Brown, 2009). The types of farming available include crop farming, dairy farming, poultry farming, bee keeping, pig farming, goat and sheep farming and bull rearing (Reilly & Brown, 2009). Investment clubs can also invest in precious stones, antiques, art, coins, stamps and diamonds (Reilly & Brown, 2009).

Some researchers have identified gender of members of an investment club as a factor that influences investment decisions (Baker, et. al., 2007; Karakowsky&Elangovan, 2001). Existing literature suggests that a male presence intensifies club risk seeking. To be exact, an investment club was more probable to invest in real estate, common stocks and corporate bonds as a result of a male presence (Haynes & Helms, 1990). In addition, a female presence increases club risk aversion. To be exact, an investment club was more probable to own government bonds as a result of a female presence (Haynes & Helms, 1990). Some researchers have identified education background of members of an investment club as a factor that influences investment decisions (Baker &Haslem, 1974; Kreinin, 1958, 1959). Existing literature suggests that the existence of a member with high education level intensifies club risk pursuing (Baker &Haslem, 1974). To be precise, an investment club was more probable to invest in real estate, common stocks and corporate bonds as a result of a member with high education level (Kreinin, 1958, 1959). In addition, the existence of a member with four years or less of high school intensifies club risk aversion. To be exact, an investment club was more probable to concentrate on investments with a stable price as a result of a member with four years or less of high school (Baker &Haslem, 1974).

Some studies propose that the decision making method of an investment club is a factor that influences investment decisions (Wallach, Kogan&Bem, 1964; Stoner, 1968; Bateson, 1966). Members who take

huge risks may exercise greater effect within the group than others (Van Knippenberga, Van Knippenberg& Van Dijk, 2000). This impacts investment choice by concentrating on risky common stocks and real estate (Haynes & Helms, 1990). It has been suggested that the size of membership is a factor that influences investment decisions (Littlepage, 1991). The difficulty of organizing and coordinating operations increases as the investment club grows. Simultaneously, the addition of members to an investment club brings the value of more insight and experience to an investment club (Littlepage, 1991). Investment clubs focus on stocks and alternative investment choices as the investment club gains more insight and experience (Kreinin, 1958, 1959).

Motivation of the Study

Investment clubs have been growing in Kenya (Icharia, 2014). According to Icharia (2014), the high standards of living and insecurity of employment highlighted the need for wealth creation thus facilitating the growth of investment clubs. Investment clubs could also be experiencing great growth due to the strong progression of the middle class (Kenya Association of Investment Groups, 2014). However, the growth of investment clubs is not sustainable since the investment decisions of investment clubs are yielding returns that are significantly below the expected return of the investments (Icharia, 2014).

Failure of investment clubs is attributable to failure to examine all available investment decisions (Icharia, 2014). Past researchers have found different results on the non-economic factors that influence investment decisions. Baker et. al. (2007) found that the gender of members was a factor that influenced investment decisions. Kreinin (1958, 1959) found that education background of members was a factor that influenced investment decisions. Wallach et. al. (1964) found that decision making method of members was a factor that influenced investment decisions. Littlepage (1991) found the size of membership was a factor that influenced investment decisions. Several studies in Kenya such as Shikuku (2014), Waruingi (2011) and Mwangi (2011) have focused on the behavioral factors affecting investment decisions. Other studies in Kenya such as Ndiege (2012) and Mwaura (2015) focused on the political and economic factors affecting investment decisions. This research proposed to assess the influence of non-economic determinants on investment decisions to provide investment clubs with the necessary information to create contingency strategies and generate significantly high returns from their investment decisions.

OBJECTIVES OF THE RESEARCH

General objective

The general objective of this study is to assess the non-economic determinants of investment decisions among investment clubs in Nairobi County of Kenya.

Specific objectives

1. To assess the popularity of investment choices among investment clubs in Nairobi County of Kenya.
2. To examine the association between gender of members and investment choice of investment clubs in Nairobi County of Kenya.
3. To test the association between education background of members and investment choice of investment clubs in Nairobi County of Kenya.
4. To evaluate the association between decision making method and investment choice of investment clubs in Nairobi County of Kenya.
5. To assess the association between size of membership and investment choice of investment clubs in Nairobi County of Kenya.

THEORETICAL REVIEW

An understanding of the relationship between risk and return is vital for examining choices of investment among investment clubs. The theories that look into this relationship are the risk return trade-off theory, the portfolio theory and the liquidity theory. This section will explain these theories in greater detail.

Risk-return trade-off theory

The risk-return tradeoff is a key theory in investment scrutiny and is the basis of financial economics (Leon, Nave and Rubio 2005). The return on an investment is based on the risk of the investment (Leroi, 2009). This suggests a direct association between market risk and return since risk adverse financiers need additional return for accepting additional risk (Leroi, 2009). Markets which are observed by financiers to be high risk are related with high revenues so as to reward the risk included in participating in such markets (Leroi, 2009). Equally, lesser risk markets are described by comparatively lesser returns (Leroi, 2009). As a result it is definite that the risk-return association is a vital theory in making investment choices and that it is recognized as the basis of sensible anticipations of asset pricing models (Leroi, 2009).

The Portfolio Theory

Portfolio theory states that the optimum portfolio is a portfolio all of the risky investments (Markowitz, 1952). The advantages of diversification rely more on how the investments behave comparative to one another than on the sum of investments in a portfolio (Markowitz, 1952). The lesser the associations amongst them, the more the risk can be reduced by possessing the correct combination of risky investments (Markowitz, 1952). Elton and Gruber (2011) propose that all investors desire to participate in the successful mixture of investments. An optimal portfolio is one that provides either the maximum anticipated return for a particular degree of risk or the smallest degree of risk for a known anticipated return (Markowitz, 1952). The efficient frontier signifies that collection of portfolios that have the highest projected return for each known degree of risk (Markowitz, 1952). No portfolio on the efficient frontier is superior to another (Markowitz, 1952). Based on the financier's risk acceptance, the financier selects hypothetically one, and only one, proficient portfolio on the frontier (Markowitz, 1952).

Liquidity Theory

Liquidity defines the extent to which a security can be bought or sold in the market without affecting the asset's price (Amihud&Mendelson, 1988). The two components of liquidity are market liquidity and funding liquidity (Amihud&Mendelson, 1988). This study focused on market liquidity because market liquidity of investments influences their values and projected returns (Amihud&Mendelson, 1988). The concept proposes that financiers need greater return on investments possessing inferior market liquidity (Amihud&Mendelson, 1988). Assets with low market liquidity are exposed to high transaction costs and liquidity shocks (Amihud&Mendelson 1988). To be precise, the lower the market liquidity of an investment, the lower its value and the higher the predicted return (Amihud&Mendelson, 1988). This means that the greater the market liquidity of an asset, the greater its fee and the lesser is its predictable return (Amihud&Mendelson, 1988). This is also supported by Acharya and Pedersen (2005).

Research gap

Past researchers have found different results on the factors that influence investment decisions. Baker et. al. (2007) found that the gender of members was a factor that influenced investment decisions. Kreinin (1958, 1959) found that education background of members was a factor that influenced investment decisions. Wallach et. al. (1964) found that decision making method of an investor was a factor that influenced investment decisions. Littlepage (1991) found the size of membership was a factor that influenced investment decisions. Several studies in Kenya such as such as Shikuku (2014), Waruingi (2011) and Mwangi (2011) have focused on the behavioral factors affecting investment decisions. Other studies in Kenya such as Ndiege (2012) and Mwaura (2015) focused on the political and economic factors affecting investment decisions. This research proposed to assess the influence of non-economic

determinants on investment decisions to provide investment clubs with the necessary information to create contingency strategies and generate significantly high returns from their investment decisions.

RESEARCH METHODOLOGY

This research implemented a descriptive research design. According to Saunders, Lewis and Thornhill (2009), a descriptive study involves determining the what, where and how of a phenomenon. The key emphasis of this study was quantitative. Nevertheless some qualitative methodology was employed so as to get an enhanced grasp and facilitate an enhanced and more intuitive understanding of the findings from the quantitative study.

Population and sampling

The population of this study comprised of the 990 investment clubs as at 27th February 2016 in Nairobi County which are registered with the Kenya Association of Investment Groups. This study employed systematic random sampling method in formulating the sample of 100 investment clubs in the study. Borg and Gall (2003) suggest that 30% of the total population is representative. This is supported by (Mugenda&Mugenda, 1999) who suggests that 10% to 30% of the total population is representative. .Afterwards, stratified random sampling was applied by dividing the investment clubs with regards to the size of membership. Out of the 100 investment clubs, 65 investment clubs were small, 27 investment clubs were middle-sized and 8 investment clubs were large. As stated by Saunders et. al. (2009), random sampling often reduces the sampling error in the population.

Data Collection

This study collected both primary and secondary data. The study employed a questionnaire and gave it out to every member of the sample. The questionnaire contained open-ended as well as close-ended questions. The close-ended questions offered more defined answers to enable actual proposals. The closed ended questions were employed to test the score of a number of aspects and these aids in decreasing the amount of linked answers so as to get more diverse answers. Secondary data included the gathering and scrutiny of available information and material from supplementary sources for example brochures from KAIG and workshops held by KAIG.

Data Analysis

The 1st specific objective on assessment of investment choices among investment clubs was assessed using frequency tests. The 2nd, 3rd, 4th and 5th specific objectives were assessed using Chi-Square test of independence which measured the strength of association between each of the determinants and the dependent variable: choice of investment as follows (Field, 2005):

$$\chi_c^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Where:O is the observed value and E is the expected value

The Chi-square test was opted for as it could measure the strength of relationships irrespective of whether was normally distributed or not (Field, 2005).

The dependent variable investment choice and determinants of investment choice including:gender of members, education background of members, decision making method and size of membership were operationalized as indicated in Table 1.

Table 1: Operationalization of Variables

Variables	**Metrics**
Dependent variable:	
Investment choice	Fixed-income securities, Equity investment, Mutual Funds, Real Estate, Derivatives, Farming, Jewellery & Artworks and Business
Determinants:	
Gender of members	Majority of the members in the club were either male or female
Education background of members	Majority of the members in the club either had a university degree or no university degree
Decisions making method in the investment club	Investment club had democracy in its decision making or no democracy in its decision making method
Size of membership	Investment club was small, medium or large. A small investment club was between 2 to 9 members. A middle-sized club had 10 to 19 members. A large club had 20 members and above (KAIG, 2014).

RESEARCH FINDINGS

Findings on Preference / Choice of investments among Investment Clubs in Nairobi

In response to specific objective 1 in a 5 point likert scale, investment clubs mostly preferred to invest in real estate, followed by business, then common stocks, then farming and then fixed income securities. The least preferred investments were jewellery and artworks, derivatives and mutual funds perhaps due to lack of information as indicated in Table 2.

Table 2: Preference / Choice of Investments among Investment Clubs in Nairobi

	MEAN	**STD DEV**
Preference / choice of **fixed-income** investments	**2.83**	1.43
Preference / choice of **common stocks** investments	**2.96**	1.42
Preference / choice of **mutual fund** investments	2.32	1.31
Preference / choice of **real estate** investments	**4**	1.23
Preference / choice of **derivatives** investments	1.76	1.07
Preference / choice of **farming** investments	**2.88**	1.24
Preference / choice of **jewellery and art works** investments	1.68	1.08
Preference / choice of **business** investments	**3.64**	1.29

Association between Investment Choice and Determinants of Investment choice among Investment Clubs in Nairobi

In response to specific objectives 2, 3,4 and 5 there is a strong association preference / choice of investments among investment clubs in Nairobi and each of the determinants of investment choice including: gender of members, education background of members, decision making method and size of membership with p-values being less than 0.05 for each determinant as indicated in Table 3.

Table 3: Findings on Association between Determinants and Investment Choice

Chi-Square Test Results					
Test Statistics					
	Investment choice	Gender of members	Educationbackground of members	Decision method of club	Size of membership
Chi-Square	72.693[a]	183.287[a]	226.851[a]	482.693[a]	476.356[a]
df	4	4	4	4	4

p-value	**.000**	**.000**	**.000**	**.000**	**.000**
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 161.6.					

CONCLUSIONS

Real estate investments and business are the most popular investment vehicles among investment clubs in Nairobi county and all determinants of gender of members, education background of members, decision making method and size of membership are all significantly associated with the investment choice of the clubs.

POLICY IMPLICATIONS

Despite the voluntary nature of association of investment clubs there is need to have a regulator who can monitor the activities of the clubs and even educate the officials and members of the clubs so that they can diversify their investments and minimise risk and maximize returns.

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WOMEN ENTREPRENEURS' ACCESS TO TOURISM MARKETS: A COMPARISON BETWEEN TANZANIA AND SWEDEN

Nelly Maliva & Lufumbi Mwaipopo[26]

ABSTRACT

Accessing tourism markets has been a challenge for both developed and developing countries. However, there may be prevailing differences between men and women in production and consumption of tourism. This study aims at finding out the way these differences play a role in the motivation for women to start a tourism business, and if they are running such a business,the challenges that they face in accessing the tourist markets. The study applies the comparative approach, using case studies of women who are engaged in tourism as entrepreneurs from Tanzania and Sweden in order to examine their situations in terms of their background and context. From an interpretivist perspective and a post-modernist constructivism approach, the case study methodology was applied and their experiences were captured by using in-depth interviews. The results show that women are motivated to work in the industry by their need to achieve their different goals in lives. Women from both contexts are influenced by the tourism market stakeholders' perception of women's position in the industry. The main differences are that, Swedish women show that dealing with the challenges is determined mostly by the levels of their capabilities and confidence. On the contrary, women in Tanzania showthat their ability to deal with challenges is mainly influenced by the interactions and perceptions of other stakeholders and society.

Key words: *Women entrepreneurs, Tourism business, Motivation, Tourism market stakeholders*

INTRODUCTION

Women's access to tourism industry opportunities and possibilities is argued to be significantly be influenced by their gender (Apostopolopoulos and Sönmez 2001; Kinnaird, et al., 1994; Swain 1995). It is argued that tourism industry is considered to be friendlier to females compared to other industry sectors such as finance, mining, fishing, etc. (Ashley et al., 2000). Moreover, there assumption that the nature of some of the activities related to the sector (accommodation or hospitality, entertainment, to travel and tour operating agencies) would be more attractive to women.Thus it may be expected that more women would be found in this industry not only as employees but also in managerial positions and as investors. Given the fact that average female participation in the sector is 55.5% at a global level and up to 70% at a regional level in Asia and in Africa, women's engagement and participation in tourism is quiet significant compared to other sectors such as mining and political leadership. Yet still, women are found to face challenges that are caused by the gender division of labour (Veijola and Valtonen, 2007; Swain, 1995). For example it is sometimes unavoidable that engagement in the HCT sector may impose unsocial working hours on employees and can make shift patterns unpredictable, both of which are difficult to reconcile with family and care responsibilities, the bulk of which still falls to women (Baum, 2013, Thrane, 2008, Tugores, 2008). The issues generated by culturally determined gender roles are also associated to the disparities in skills development between men and women, eventually placing each gender in different situations vis-à-vis entry and participation in the sector (Pritchard and Morgan 2000).

In addition, the unequal status accorded to women and the prevailing culturally entrenched gender relations are hierarchical and unequal in nature. This is manifest in the tourism industry characterized by women subordination as a result of their exploitation and oppression in family, society and workplace (Mirchandani, 1999; Wilkinson &Pratiwi, 1995). Women are also rendered powerless and inaudible in various tourism development processes (Pritchard & Morgan, 2000). The gender impact is also

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responsible for the prevailing differences between men and women in the production and consumption of tourism products (Apostopolopoulos and Sönmez 2001; Kinnaird, et al., 1994; Swain 1995).

However, despite of the developed knowledge about the influence of gender on women's ability to produce and consume tourism, there are limited empirical studies that examines women's motivation to enter the industry despite of the prevailing challenges. At the same time, the available studies have limitedly shown women's engagement in the sector is in different areas or sub-sectors. This may imply the possibility that the challenges encountered by women entrepreneurs in tourism may be different depending on the specific subsector within the industry. For example, owning and managing camping and/or hunting safaris may entail different challenges compared to one involving accommodation. Equally so are the challenges or opportunities that women in different societies may encounter. This may be because of the different social, political and economic contexts which offer different situations for the tourism sector. Yet, studies that have explored the comparative challenges that face women entrepreneurs in accessing tourism markets in different societies are scarce. It is therefore interesting to examine how these factors have affected women entrepreneurs' access to tourism markets in their respective countries.
This article thus examines the situation of women in tourism from a comparative approach, using case studies from Tanzania and Sweden, two comparatively different countries in terms their backgrounds and contexts in order to understand how women fair. Key questions that the study explored include: what are the challenges that face women entrepreneurs in the tourism business in these two countries; are there any some similarities and/or differences? Another question examined whether their situation can be explained by the existing gender relationships and cultural characteristics of either country. The case study methodology was applied from an interpretivism perspective [and a post-modernist constructivism approach]. Five cases were selected from each of the two countries. Tourism authorities from each country were requested to provide the researchers with contacts from which interviews were requested to with the selected respondents. The individuals in these cases will are referred to by pseudonyms in order to protect their identities.

Tourism in the Study Areas

Tourism in Tanzania is a major contributor of foreign exchange, employs close to a million people and is therefore vital for its economic development (Bank of Tanzania, 2016). The country is endowed with diverse attractions that bring in tourists, ranging from game parks with unique wildlife, both flora and fauna, to natural wonders and rich cultural heritage (Kweka et al., 2003; Ministry of Natural Resources and Tourism MNRT, 2008). Tourism businesses are owned by both locals and foreigners and range from small to large enterprises, some of the latter being multinationals. Recent studies indicate that employment in the tourism sector at the operational level is lop-sided on a gender basis, for example hotels tend to have more women as room cleaning attendants compared to men (Linda, 2009; Baum 2015). But at the tourist enterprise ownership and decision-making level there are indications that many areas may be dominated by men. This implies that decisions on distribution of resources obtained through this business may favor men compared to women.

Sweden is a developed country, with one of the highest per capita GDP in the world. It is a country well known for its people-oriented social policies and its adherence to gender equality. It is endowed with many cultural attractions and tourism is a significant sector contributing to the economy. The access to which women have to the tourist markets when compared to men, especially in terms of ownership and decision-making is an issue that would serve as an important bench mark for other countries, especially developing nations like Tanzania.

Given that these two countries differ significantly in socio-cultural and economic statuses, to what extent are there differences in these aspects? Given that there are differences between these two countries with regard to access for women entrepreneurs to tourism markets, what are the main reasons for these differences, and how different are these challenges from those that men in the sector face? It may be

observed that there is a gender impact on the prevailing differences between men and women in production and consumption of tourism (Apostopolopoulos and Sönmez 2001) and this is manifest in the divisions of labor and leisure, sexuality and power between women and men" (Swain, 1995). The important question is then, how do these factors play a role in the motivation for women to start a tourism business, and if they are running such a business what challenges do they face in accessing the tourist markets? What specific types of businesses do they tend to go for within the tourist industry? How do they fare when competing with tourist businesses operated by men?

WOMEN, GENDER AND TOURISM: THEORETICAL ISSUES

The tourism market primarily emanates from opportunities that are offered by the tourism industry. The tourism industry can be defined as the range of businesses and organizations involved in delivering tourism products (Cooper, Fletcher, Fyall, Gilbert, &Wanhill, 2008). Due to the global nature of its activities, it is argued to involve complex processes, activities and outcomes arising from the relationships and interactions among tourists, tourism suppliers, host governments, host communities and the surrounding environment that are involved in attracting and hosting visitors (Goeldner& Ritchie, 2009). The complexities in the industry have argued to bring challenges that limit women's choices to work inin tourism (Henderson, 1994; Kinnaird & Hall, 1996; Kinnaird, et al., 1994; Swain, 1995). These challenges are argued to be influenced by gender relations as well as the makeup of the tourism industry business.

Gender and position of women in tourism

The position of women in tourism literatures has mostly been explained under the realms of gender theories (C. Aitchison, 2000; C. C. Aitchison, 2005; Swain, 1995; Wilkinson &Pratiwi, 1995). It is argued to be a social construct that shows relationship between men and women, (Swain, 1995; Wilkinson &Pratiwi, 1995). However, despite that scholars agree that gender is a socially constructed concept; its definitions vary following the context and the perspective that pinpoints the definition (Wilkinson &Pratiwi, 1995). Swain (1995) defines gender as "a system of cultural identities and social relationships between female and males as a significant variable in any study of human relations" (Swain: 247). Apart from showing the influence of culture in identifying and positioning individuals according to their sexes, she also implicates that gender has a significant contribution in explaining human relations.

In defining gender, Henderson (1994) showed the influence of individuals' activities in constructing cultural structures that result into gender (re)production. For her, both cultural patterns and individual agency have their roles in creating the meaning of gender, though it is the society that steers assigning of that meaning (Ibid). Due to the fact that gender construction process is dynamic, its meaning tends to change because individuals tend to behave in response to their perceptions of what is masculine and what is feminine. In this respect she defines gender as "a set of socially constructed relationships which are produced and reproduced through people's actions". However, Henderson's definition has been criticized because of its shortcomings in delivering gender within the cultural construction and social relation ideologies (Morgen, 1989; Swain, 1995). Despite this anthropological critique, Henderson's definition has been argued to have done a remarkable work by clarifying characteristics of gender namely gender as a dynamic process, signifying relationships of power, expressed in perceptions, learned behavior and expectation of what is feminine and masculine (Swain, 1995).

Additionally, Connell (1987) in his definition of gender, has added division of labor among other elements. He defined gender as "a system of culturally constructed identities expressed in the ideologies of masculinity and femininity, interacting with socially structured relationships in divisions of labor and leisure, sexuality and power between women and men" (Swain, 1995 page ….??). Division of labor within the masculinity and femininity ideology is argued to be among the main parameters in understanding gender relations in tourism (Connell, 1987; Swain, 1995). This parameter can be elaborated using two main dimensions: the association between division of labor and division of leisure, which is argued to expose the gendered use of time and distinctions between work and play (Henderson, 1994).

Social sexuality from this perspective is another dimension of gender relations (Swain, 1995). Drawing from the work of Connell (1987) social sexuality is framed to be the primary variable in understanding gender relations and also demonstrating dynamics of gender in tourism social structures that guide gender relations, which are conceptualized as division of labor, power and social sexuality (ibid.).

Kinnaird et al. (1994) have theorized gender in the context of varied and complex processes which embody relations that are hierarchical and unequal in nature (Ibid.). Gender being one of the complex elements is argued to have an impact on the prevailing differences between men and women in production and consumption of tourism (Apostopolopoulos and Sönmez 2001; Kinnaird, et al., 1994; Swain 1995). Moreover, these differences extend their impact in shaping tourism marketing, tourists' motivations and hosts actions (Kinnaird, et al., 1994; Pritchard & Morgan, 2000; Swain, 1995). Thus these differences have implication on tourism employment opportunities that are argued to be gendered, control of waged work and the 'women work' norms (Swain, 1995).

Moreover, it has been argued that all parts of these processes embody different social relations of which gender relations are one element. Women and men are thus involved differently in the construction and consumption of tourism. Gendered realities shape tourism marketing, guests' motivation and hosts' actions. Particular sets of stereotypes and hierarchies for example, shape tourism in societies where historical customs intersect with modernization and global capitalism (Kinnaird, et al., 1994). In this respect, gender is one of the major socio-cultural characteristics that has shown influence in not only shaping tourism development processes but also in positioning women in these processes and in the society (Kinnaird & Hall, 1996; Kinnaird, et al., 1994; Swain, 1995). As a result, gender theoretical foundations in tourism have been recently developed to provide the point of departure for further research in gender (Kinnaird, et al., 1994; Swain, 1995).

Kinnaird and Derek (1994) conceptualized the issues of power and control which can be articulated by gender in terms of the way gender relations are constructed within tourism, their changing behaviour over time, and the implications of wider issues of inequality and control. Their arguments are built in the connotation that tourism is a social process that is built of human relations and thus impacts and is impacted by global and local gender relations. Thus, for better comprehension of tourism development processes they provided three central issues. First, tourism processes are constructed from gendered societies ordered by gender relations. Second, gender relations over time inform and are informed by interconnected economic, political, social, cultural and environmental dimension of all societies engaged in tourism development. Third, power control and equality issues are articulated through race, class and gender relations in tourism practices (Kinnaird, et al., 1994).

Gendered power relations point of view has been dominated in tourism social researches as a key unit of analysis by which women among others are placed in the roles of tourism producers as employees and entrepreneurs in tourist industry (Apostopolopoulos&Sönmez, 2001; Kinnaird, et al., 1994; Swain, 1995). It has been emphasized that gender underlies political relations and power allocation in the household, community and societal levels; is expressed in motivations, desires, traditions and perceptions; and is therefore a factor in all tourism development and underdevelopment (Swain, 1995). Turning to tourism as the global largest business power inequality sector is very apparent and it has been labelled as the world's most gender segregated service sector and the world's most gender role stereotyped industry (C. Aitchison, 2001b; Kinnaird, et al., 1994; Wall & Norris, 2003). As a result women engagement in tourism business is argued to conform to gender role where many enterprises reflect their domestic roles (Gibson 2001).

In theorising women's position in the industry, Aitchison (2001) used the concept of 'otherness' to demonstrate the male domination in tourism business. According to this concept women are regarded as 'others' and accorded with little attention compared to men. Theoretically, 'others' construction is related

to construction of dualisms or binary opposites, therefore within this process, Cixous (1983) found out that it is possible to identify three fundamental relationships within the process. First, the construction of "other" is dependent upon a simultaneous construction of the "same", or something from which to be "other". Second, this relationship is one of power whereby that which is defined as same is accorded greater power and status than that which is defined as other. Third, that which is defined as other is attributed a gender and this gender is usually feminized: 'the concept of women as other involves the central claim that otherness is projected on to women by, and in the interest of men, such that they are constructed as inferior and abnormal' (Wilkinson and Kitzinger 1996: p 3).

All in all, the consideration of gender aspects of the tourism industry is regarded to be of paramount importance in explaining the position of women in their business undertakings. The significance of gender-power relations as an analysis dimension is acknowledged and its role in (re)creation and (re)negotiating the socio-cultural nexus of tourism business(Aitchison 2001). The need to address the cultural construction of places and people as gendered sites and sights in attempting to theorize gender and tourism is emphasized and thus tourism should not only be considered as a type of business or industry but also a powerful cultural arena and process that both shapes and is shaped by gendered representation of places, people, nations and cultures (ibid).

The Tourism Industry Business

The business perspective of the tourism industry emphasizes the unique characteristics of the tourism business including the fact that tourism processes involve local and international organizations. While sociologists characterize tourism in terms of unequal relations, exploitation and women domestication (Henderson, 1994; Kinnaird, Kothari, & Hall, 1994; Swain, 1995); the business perspective characterizes the industry in terms of competition and market access (Cooper, et al., 2008; Goeldner& Ritchie, 2009). According to this perspective tourism is characterized by complex environments embracing international and domestic organizations in which foreign multinational companies play a dominant role (Gentry, 2007). According to Cooper (2008) and his co-workers the tourism market is characterized by small business domination in which large corporations have market prominence. Entrance into the market might be tricky as it is characterized by the high ratio of fixed costs to variable costs which has considerable implications for individual financial stability. Moreover, the high level of customer contact, demands highly trained personnel in both operational aspects and customer care. Similarly, the perishable nature of the product demands continued investment in reservation and yield management system. Additionally, the prevalence of seasonal and irrational demand patterns, involving enterprises in the use of promotional and pricing strategies gives rise to unpredictable business (Cooper, et al., 2008).

Women's Access to Tourism Markets in Tanzania and Sweden

Tourism entrepreneurial and employment opportunities are argued to be highly unfavorable to women especially in a developing country like Tanzania. One of the main reasons is due to their subordination as a result of their exploitation and oppression in family, society and workplace (Mirchandani, 1999; Wilkinson &Pratiwi, 1995). There are inherently unequal power relations in the production and consumption of tourists products (Apostopolopoulos&Sönmez, 2001; Kinnaird, et al., 1994; Swain, 1995), relations that are hierarchical and unequal in nature, which renders women to be seen as powerless and inaudible in various tourism development processes (Pritchard & Morgan, 2000).

Tanzanian Women Entrepreneurs				Swedish Women Entrepreneurs		
Alias	**Marital status**	**Type of business**		**Alias**	**Marital status**	**Type of business**
Ms T1 (Najaribu)	Married	Travelling agent		Ms S1 (Ana)		Hotel
Ms T2 (Najiamini)	Married	Food processing tourism		Ms S2 (Trubaduren)		Hotel and bar

Ms T3 (Naweza)	Married	Cultural products designer (Maasai)		Ms S3 (Hönö1)		Small hotel and restaurant
Ms T4 (Makinikia)	Married	Cultural tourism resort (Southern Highlands)		Ms S4 (Fjällbacka)		Guide; Runs a local tourist office (as a private enterprise)
Ms T5 (Nimo)	Married with children	Tour and Travel Agency		Ms S5 (Akvarellen)		Running a small B&B (with support and help from her husband)
Ms S6 (Aminia)	Single mother –	Cultural products designer (Maasai)		Ms S6 ( )		Hotel and restaurants

Women in tourism in two countries

Women entrepreneurs in Tanzania and Sweden are characterized by similarities and differences. In this section we show their characteristics by explaining their motivations to establish their enterprises in tourism industry. We are showing the way their motivation to establish their business ventures, the source of the capital used as well as the social and business industry challenges that they face. By doing so, we have captured the issues that make them similar and the ones that make them different. We will also establish the gap that exists between the two countries and the reasons for each gap.

Why in this business and Capital to establish it?

One of the preliminary issues of interest was to find out why these women entrepreneurs were in this business in the first place. For the Tanzanian women entrepreneurs the dominant motive appears to be economic and accessibility/suitability of the tourism business to women, while for the Swedish cases great interest in the job from earlier aspirations and a desire to be independent seem to be the main motives.

Many of Tanzanian women who were interviewed see tourism industry as another option for their livelihood that can be additional to the traditional occupations such as agriculture. They also see that tourism opportunities can act as a shock absorber when that traditional ways cannot pay. For example Madame Naweza disclosed:

> "*The motivation was the poor returns we got from a pastoralists living (she is of the Maasai tribe) and also the need to educate my children. Besides, this business is better suited for women, that is the people making women artifacts for tourists are mainly women*"

Moreover many women see that it is possible for them to engage in the industry because they are able to provide the suitable products to the tourists. In some societies of Tanzania it is traditional to teach women since their childhood handcrafts of different kinds. This is because they are assumed to be the homemakers when they establish their homes, normally after they get married. Thus women use these skills as their unique qualification to enter into the industry. This has been evidenced by Ms Aminia who explained that

> "*I possess expertise in the manufacture of artifacts from a young age and this business helps to improve the income of the family while husband does other businesses*."

While other women thinks by working in the industry they help their husbands' role of providing to the family others were motivated by seeing that their family members can be the potential business partners. The partnership with family members, especially husbands can be in terms of the moral supports as well as financial support. Najaribu, was motivated to get into travelling agent business because her husband is financially capable. She said "*This business required a lot of money to establish it. But because I knew my husband is capable of giving me initial capital, I just went on and succeeded to make it. As you can see now my business is faring well"*. Some women were motivated to enter into business because they joined with their family members. "It is my brother who enticed me to work in the industry" Said Makinikia

There are some other women who are motivated to enter into the industry because they saw potential opportunities. A woman who is a successful travelling agent in the city, said that *"I started this after realizing that I knew that it will pay me".*Some women have been able to see the opportunities because they were employed in the organizations that deals with tourists such as hotels and tour operating companies. *"I was working as a receptionist in the hotel before establishing my own company"* said owner of a tour operating company. Some other women who were in the industry as employees, were motivates to establish their own business because they could not be able to comply with the employer's working schedules. Due to different reasons that require them to spend more time at home, such as nursing children, husbands, they decided to establish their home based enterprises. This happened to some women who are dealing with the curio and handcraft businesses.

Many Tanzania women are primarily motivated to be in business in tourism industry in order to generate income. Other added reasons such as supporting their families were just to accompany the income generating motives. However, there are few women who their primary motive was not income generation. This is shown by MadameAminia who said, "I entered into business because of I am happy to see the tourist enjoy the work of my hand". Moreover, there were other notable motives for being in the tourism business however such as interest in the specific type such as that of making artifacts (bangles, batiks, purses, etc.) being *"suitable for women."*

On the other hand, the Swedish women had major motives like great interest in the business, with reasons such as a love for fussing over people and cooking for them, while the desire to be independent is also emphasized. Take for example madam Akvallaren who says:

> "*I love to fuss over people! It sounds rather banal, perhaps, but I love baking and gardening and am thinking: what if they can be combined? Be able to bake full time, I was about to say. So of course it's fantastic. I worked at a really big banking group it's so easy to stay on, to work your way up and all that. But at the same time, it's got its downsides what with being governed from the top down, and, really, you're just a little cog in a big wheel; no, I want to be able to be my own boss*."

For the case of madamFjällbackathe reasons for being in the business are echoed the words:

> "*It is something that I enjoy, and life is too short to do something boring, so I'd rather do something I enjoy. And this is lovely. And here in Fjällbackathe we are lucky, we have history going back to Bronze Age. I want to be self-employed. (Laughter) And I think maybe the people I worked for before could see that. I was self- employable type of person. So when they wanted to sell it they offered it to me. And I jumped on it. Yes, it's definitely a sense of freedom, I'm the boss, and nobody tells me what to do. But in a way the customers tell me what to do.*"

The interviewed Swedish women sees working in tourism gives them the grounds to practice what they have chosen to do in their lives. Thus, their primary motive is the autonomy that they get by doing business in the industry.

CHALLENGES THAT WOMEN FACE IN DOING BUSINESS

Despite the general view that the tourism business is friendlier to women compared to other sectors, challenges still appear to confront those who venture into it by the mere fact that they are women. However, they seem to vary somewhat in nature and intensity when comparing the cases from the two countries. Generally, women mentioned the challenges that relates to the position in their households, other people's attitudes to women in tourism business and the wat other owners or managers perceive them as a woman.

Taking a full charge of the responsibilities in their households give women challenges that constrain their ability to perform in their businesses. In the case of madam Nimo, she explains her major challenges as a woman in the following way: "*My challenges include domestic chores where I have to prepare the children for school before coming to the business and also have to routinely attend clinic for the baby*."
This is interesting to note since there are great similarities with whatAkvalleren of Sweden had to say:

> *"… there's an insane amount to do during those four weeks in July; you have no freedom then, I was about to say. That's how it is, and that's combined with the children being at home on holiday, if we haven't managed to get them to stay with their Grandma and Grandad, so that they can ... well, it sounds like I'm making generalizations about men and women here but, although my husband is fantastic in many ways, when it comes to planning and thinking about the summer, we need to see to it that they can go camping, that they've got somewhere to live, and we need to consider Grandma and Grandad ... Oh, it'll sort itself out, Niklas says, we'll worry about that later – but that doesn't work! Once the summer comes round, there they are sitting in front of their computer games while we're charging about. I feel that I'm the one who has to try to take charge of all that*"

Women also mentioned customer attitude to them in tourism business to be another challenge that they encounter in their work in the industry. In explaining this, Greby's_Anaa Swedish said:

> *…there was a guest at the weekend who ... claimed that he'd paid me, and at the time it was myself and another girl who were working there. And we both knew that he hadn't paid. And it makes you feel ... is he doing this precisely because it is just us. People don't really take me seriously, I think because I look a bit too young, and because I'm a woman. I could believe that actually ... I agree that it can be a bit like that on occasion.There are some people who drink too much and feel they can behave just as they like. And maybe that's where I have too little authority. Of course I can put a stop to it – that's definitely not a problem – but when Sebastian is there and who is that bit older and a man too, it still feels like they take him a bit more seriously*

Some women from Tanzania also mentioned the problem that they face by serving the drunkard customers. Complaining on customer attitude, A Tanzanian woman added that *"It is sad to see some of customers see us as prostitutes. When you serve a customer, they attempt to take advantage of us"*
The presence of other counterpart in the business may serve as a strategy to deal with the difficult customers. Akvarellen explained this situation by saying:

> *…when dealing with customers and that sort of thing my husband carries a bit more weight there. He finds it easier to discuss prices and that sort of thing. I'm having to pick up, whereas at the start my approach was more: yes, it costs 1,000 kronor, and I know it's a bit pricey but ... He'll simply say: it costs 1,000 kronor. Fine, they say, then we'll take it! Make no assumptions.*

The ability of women to work in tourism industry was also mentioned to be a challenge for some of them. Many of interviewed women have not reached to the higher level of education. In the case of Tanzania, it is common to see many women who had dropped out of school compared to men. However, according to their life stories Tanzanian women take advantage of the trainings that they have been undergoing since when they were children about housekeeping. Women have been trained to cook and hand crafts and keeping house in general.

> "*We have been trained to do many things because we were expected to the good housewives. I have been assisting my mother to do chores, cooking, taking care of my siblings and mat making. As a result, I can do six things at a time...plaiting, painting henna, cooking, and doing massage. Although, I could not well performed in the school and obtain my certificate, I can do handcraft and make items that attracts tourists.*

Likewise, education background has been a bottleneck for Swedish women. As it was explained by Akvarellen

> *Again, it's what you as a woman have in the way of background and education or training and experience and all that, but there's also a lot of really technical stuff. You don't get any help with anything from anywhere. So if you don't have any back-up assistance from other people when you start up, which hopefully you do, you'll need other men – or women, of course – to help you specifically with the technical side, and therefore it's probably harder for a woman to start up her own business. If you're setting up in business as a woman, what you also need, even if it's just some tiny bakery or whatever, is to put your name about.*

Swedish women also see the way other owners or managers perceive you as a woman is a challenge. This situation is explained by Trubaduren

> *Senior women bosses have a certain tendency towards, "Hey you. Little waitress. You don't speak to me." It's difficult for them to see who owns the place, or, you see, they, you might come and serve them and they want something and kind of say, well, "Can I speak to your boss?" "Yes, you may speak to me." "No, no, I want to speak to your boss" You see, they can't imagine that I could be the boss - I'm a woman, it could feel a bit like that at times.*

However, Tanzanian women see the acceptability and other people's perception of what they are doing is a challenge. This has been explained by ……..who said:

> *When you are doing something it means you have agreed with your husband but we live with many other people in the society. Normally my husband has no problem with me working but the problem is from other relatives and friends. My husband may sometimes change and became furious, restricting me to go anywhere. Imagine this job requires me to move to different places, to receive and send products. But I came to know that it was the influence of relatives. They said, what a kind of a woman that you have married, she does not stay at home, always walking around like a prostitute, and she disrespect you. This troubled me very much at the beginning, I was about to give up. They even threatened to disown me. But this way God's way of liberating me. I also thank my fellow women who encouraged me.*

Women use different strategies to cope with challenges caused by gendered relations and tourism industry.

DISCUSSIONS AND CONCLUSION

Both Tanzanian and Swedish women's motivations are influenced by both gender relations and tourism industry complexities. From the findings of this study we found out that gender relations includes women's feeling about their position as women. Women in both countries feel that their households' responsibilities limits their ability to work in the tourism. This study has also found out that women's motivation and choice of the type of business that they do is also influenced by the way they think other people's perception of what they do. Furthermore, the dependency on second opinion from their male counterparts was noted to both Tanzanian and Swedish women. Generally the doubt about women's ability to own and perform in their business are still prevail in both countries.

The study also found out that women from both sides tend to find their own ways of encountering the tourism industry complexities. They mostly choose to do the kind of businesses that enables them to balance between their households' responsibilities. It is noted that, most of Tanzanian women deal with handcrafts and food processing while the Swedish women deals with accommodation and food supply businesses. These are businesses that are categorized to be 'suitable for women'. In both countries there are women who are dealing with tour operating and travelling agency, which is mostly regarded as 'suitable for men'. This implies that culture and traditions contribute significantly on the choices that women make. But these choices, women found convenience ways of encountering the complexities in the industry, especially in finding the markets for their businesses. It is thus, to conjecture that what can be observed in this study is part of what Kinnaird, et al.(1994) declared that gendered realities shape tourism marketing and particular sets of stereotypes shape tourism in societies. This is in relation to the choice of going into business in this particular sector and opting for specific types within the sector.

The study also found the differences between Tanzanian and Swedish women. Tanzanian women's primary motivation to work in the industry, which is income generation, reflects that they are mostly pushed by the situations rather than their own interests. This is contrary to the Swedish women who have chosen to work in the industry because they have passion to do so. As such they work in relaxed and comfortable environment. This situation also reflects the level of the exposure to the services such as education that Swedish women have. This also reflects the available services such as financial support, business planning and development skills that are available in the country. Moreover, women in Tanzania are mostly influenced by traditions and culture compared to Sweden's women. This is because they have shown to be sensitive to what other people say rather than the way they face difficulties or easy in doing their businesses.

The confidence level of women in Tanzania and Sweden also differ. This has shown in the way women find the ways of coping with both gendered and complexities of tourism industry. While women Sweden use their own confidence as a lens that enable them to encounter tourism industry complexities, Tanzanian still use other people's perception as a lens. Generally the study found out that what makes differences between women entrepreneurs in these two countries is that, Swedish women show that dealing with the challenges is determined mostly by the levels of their capabilities and confidence. On the contrary, women in Tanzania show that their ability to deal with challenges is mainly influenced by the interactions and perceptions of other stakeholders and society.

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BOARD CHARACTERISTICS AND CORPORATE ENVIRONMENTAL REPORTING IN NIGERIA

Aliyu, Usman Shehu[27]

ABSTRACT

Issue that revolves around corporate governance and corporate environmental reporting (CER) has always been an essential element deliberated upon globally. A good corporate governance mechanism instills investor's confidence and ensures a transparent process that facilitates more disclosures and quality reporting. Precisely, this study investigates the relationship between corporate governance variables namely board size, board independence, board meeting, risk management committee composition and CER in Nigeria. This study utilized data obtained from the annual reports of twenty-four (24) non-financial public listed companies in the Nigeria Stock Exchange comprising three sectors namely industrial goods, natural resources and oil & gas for the period of 2011 to 2015. The model of this study is theoretically based on agency theory. In analyzing data, this study utilized panel data analysis. Based on hausman test, random effect model was used to examine the effect of predictors on corporate environmental reporting. The result indicates a positive significant relationship between board independence and CER. Similarly, a positive significant relationship between board meeting and CER is revealed in the study. However, there is no significant relationship between other hypothesis variables and CER. Finally, the study provides suggestions for future research and several recommendations for regulators, government and accounting professional bodies.

Keywords: Accounting, Nigeria, Board members

INTRODUCTION

Historically, the primary aim of traditional corporate reporting is to communicate economic information and measurements about the resources and performance of the company's financial and non-financial indicators for informed decision making (Accounting Standards Steering Committee, 1975). There are basically two types of corporate reporting, namely mandatory and voluntary. While mandatory disclosure refers to the disclosure required by laws from regulatory organizations or accounting standards, the voluntary disclosure refers to the information that the company willingly chooses to disclose for different reasons. In recent years, economic growth and development is perceived to have adverse effect on the environment, thus it has become a matter of public concern both locally and internationally. The corporate world is increasingly being pressurized to provide more information about the effect of their operations activities on the environment (Uwalomwa, 2011). Thus, corporate environmental reporting (CER) has become an important topic of national and international discourse.

The public demand for more CER has greatly improved, as stakeholders have become more conscious. Pramanik, Shil, and Das (2008), perceived CER as a 'universal issue' with a persistent demand for harmonization of environmental costs and liabilities of accounting reporting. The corporate environmental report is established to provide environmental information such as; corporate activities in protecting and preserving the natural environment (Shearer, 2002). This report shows the organisations strides towards the environment and strategist adapted to source for alternative measures that are less harmful to the environment. The companies are expected to voluntarily establish a report of their non-financial activities that improved the well-being of human, community, workplace, market and environment. However, Rouf (2011) argues that CER more at times does not serve the need of external users because top management of the organization are more likely to pursue their personal interests when taken managerial decisions, and the resultant effect is more disclosure gap such as the variance between actual and expected disclosure.

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The choice to disclose or not to disclose more information is largely depend on several of factors like corporate and board characteristics (Sheila, Rashid, Mohammad, & Meera, 2012). Therefore, the code on corporate governance 2011 was introduced in Nigeria to facilitate quality information presented by corporate entities in Nigeria.

Universally, committee of nations, supranational organization, and government have also established their concern over the environment through initiating policies and rules such as the International Financial Reporting Standard Board (IFRSB) Global Reporting Initiative (GRI)and the Association of Chartered Certified Accountants (ACCA). For instance, the IFRSB has introduced Financial Reporting Standard (FRS) 101 - Presentation of Financial Statements which require firms to declare their environmental information on human activities that could have an effect to the environment. Conversely, GRI is an organization established not to make profit but to promote social, economic, environmental and sustainability through developing a framework of sustainability reporting that is widely used globally for all types of businesses, large or small. It has launched its latest framework in 2013 which is called the G4. This newly improved framework includes a harmonization with other vital global frameworks, including the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Companies (MNCs), the United Nation Global Compact Principles, and the United Nations Guiding Principles of Business and Hurnan Rights.

Previously, there were several studies on CER practices in Public Listed Company's (PLCs) globally with a limited number of studies conducted in Africa, especially in Nigeria. Most of the studies found that CER was done on a voluntary basis (see, Ku Ismail & Ibrahim, 2009; Joshi, Suwaidan, & Kumar, 2011; Suttipun & Stanton, 2012). CER among companies have increased such that studies have encouraged future prospect for mandatory disclosure of environmental information (Galani, Gravas & Stravropoulos, 2011; Suttipun & Stanton, 2012). Recently, some countries have made CER as one of the compulsory disclosures in the company's annual reports for instance, China, Denmark, The Netherland, and Norway.

Environmental reporting issues are considered as a vital component of corporate governance. This is in accordance with the new provision of code on corporate governance best practices.To the best of the researcher's knowledge, there is no comprehensive prior study conducted in Nigeria in the context of examining risk management committee attributes relationship with corporate environmental reporting in the three environmentally sensitive industries (Industrial goods, natural resources and Oil & gas).
Therefore, there is need to have convergence between CER and corporate governance to ensure more environmental reporting disclosures. Irrespective of the importance of corporate governance and its possible impact on organizations to disclose more CER, there are limited studies conducted in this area (Buniamin, Alrazi, Johari & Abd Rahman, 2008). Therefore, the study intends to ascertain whether there is any relationship between board of directors, risk management committee and corporate environmental reporting.

RESEARCH QUESTIONS

This study seeks to find answers to the following research questions:

(i) Does board size influence corporate environmental reporting in Nigeria?
(ii) Does board independence influence corporate environmental reporting in Nigeria?
(iii) Does board meeting influence corporate environmental reporting in Nigeria?
(iv) Does risk management committee composition influence corporate environmental reporting in Nigeria?

RESEARCH OBJECTIVES

The research objectives of this study are as follows:

(i) To examine the board size influence on corporate environmental reporting in Nigeria.
(ii) To examine the board independence influence on corporate environmental reporting in Nigeria.

(iii) To examine the board meeting influence on corporate environmental reporting in Nigeria.
(iv) To examine the risk management committee composition influence on corporate environmental reporting in Nigeria.

To achieve the research objectives, four board characteristics, namely board size, board independence, board meeting, and risk management committee composition were chosen.

THEORETICAL FRAMEWORK

According to Deegan (2002), there is need to explore into different theoretical perspective to understand the corporate environmental reporting and disclosures. Different theories are complementary rather than competing to support the hypotheses (Carpenter & Feroz, 2001). Therefore, this study used agency theory to support the development of hypotheses. Agency theory posits that where there is a separation of ownership and control of a company, agency cost exists. This is due to the conflicts of interest between principal and agent (Jensen & Meckling, 1976). According to Jensen and Meckling (1976), agency costs that are being borne by managers may motivate them to voluntarily disclose corporate environmental information to reduce the agency costs. Larger information asymmetry would also exist between managers and shareholders if managers do not reveal more information that would benefit the stakeholders (Gantyowati & Nugraheni, 2014).

The objective of the agency theory is to reduce "agency cost" by establishing internal controls systems. This is done in two ways: by forming a financial incentive scheme that aims at aligning principal's and agent's interests and governance structure where board of directors perform audits; and performance evaluations on the managers (Alange & Steiber, 2009). From the corporate governance view, adequate monitoring mechanisms need to be established to protect shareholders from management's conflict of interests which is called "agency cost" (Fama & Jensen, 1983).According to Peter and Romi (2015) agency theory also suggests that board's membership be independent to better monitor management when disclosing sustainability information especially on the environment.

Determinant Variables

This study examines board characteristics and corporate environmental reporting disclosures. The determinant variables include four board characteristics which are (1) board size and (2) board independence, (3) board meeting (4) risk management committee composition. The study used two control variables (1) Profitability and (2) Company Size. Based on past literatures, the study developed a research framework on board of directors, risk management committee and corporate environmental reporting using the board characteristics as presented in Figure 3.1.

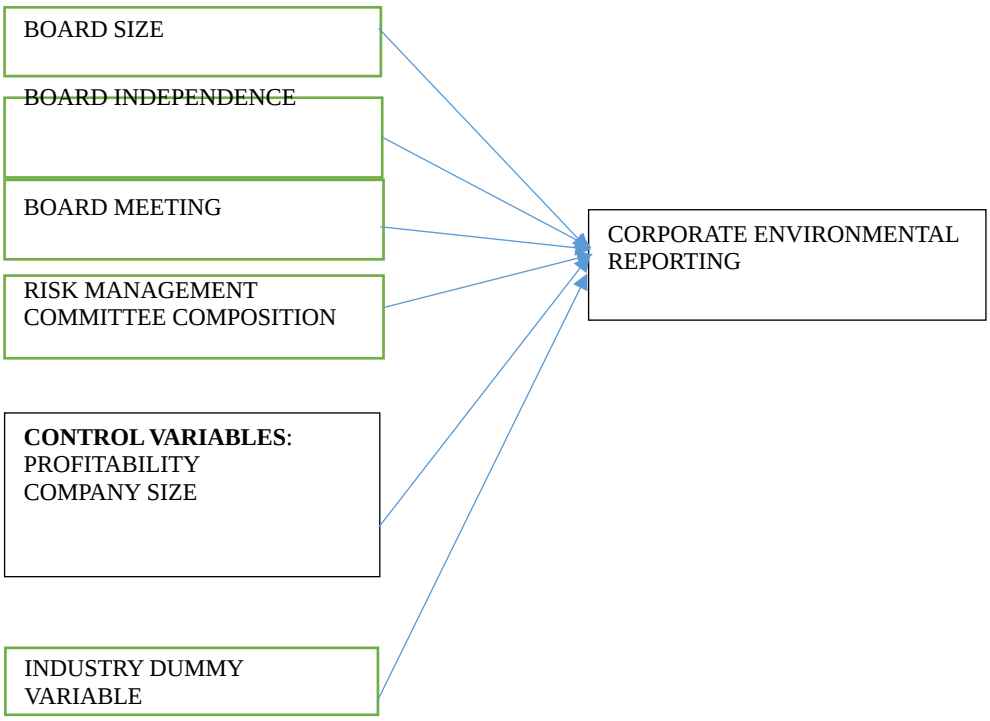


Figure 3.1 Research Framework

HYPOTHESIS DEVELOPMENT

Referring from the selected hypotheses variables in the latter section, the study develops four hypotheses to support the research objectives. The detail of each hypothesis is explained in the subsequent section.

Board Size

According to Florackis (2008) boards of directors with more than seven or eight members are unlikely to be effective. This is because a larger number of people would tend to disrupt the effectiveness of communication, coordination and decision-making. Thus, the end decision would be controlled by top management. However, it is not in tandem with recent studies by (Janggu et al., 2014; Zubaidah et al., 2009; Buniamin et al., 2011). Janggu et al. (2014) found that a positive relationship between board size and the sustainability reporting. Similarly, a study by Buniamin et al. (2011) found that board size has positive significant influence on CER disclosure.

It is argued that board size would have significant influence on CER. This is due to the findings of by Buniamin et al., (2011) and Janggu et al. (2014) as to the influence of board size on environmental reporting, this study hypothesizes that there is positive significant relationship between board size and the existence of environmental reporting. HI: Companies with more board members are more likely to have a positive influence on environmental reporting disclosures.

Board Independence

The quality of personalities who serve on the board is a pointer for effective monitoring. Board independence is perceived to be more efficient if it has more members of independent non-executive directors, they have the incentive to develop their reputation as experts (Fama & Jensen, 1983). The oversight functions performed by such members adhere more to the related approved standards, laws and

regulations. This is in tandem with the agency theory view where independent board members would be able to monitor any self-interested actions by managers and lower agency cost (Peter and Romi, 2015). Several studies (see., Htay, Ab. Rashid, Adnan & Meera, 2012 and Salehuddin & Fadzil, 2013) found that board of director's independence is very important in the determining the level of CER disclosures. Thus, it is argued that independent directors would influence other directors to voluntary disclose more information about the company to the stakeholders. As such, this study hypothesized that there is a positive relationship between board independence and the existence of environmental reporting disclosure.

H2: Companies with more independent board members are more likely to have positive influence on corporate environmental reporting.

Board Meeting

Board meeting is one of the initiatives by the board to perform its oversight function on the management (agent); this is in tandem with the agency theory in which the board members acts as the principal. Board meeting serve as a platform to share knowledge and information among experts. This is a crucial and critical resource for the organization. Prior studies suggest that; frequency of the board meetings is credited to the number of meetings held annually by board of directors. As indicated by Chen et al. (2006) board meeting recurrence reflect sound checking systems. Thus, implies that, board practices if carried out by recurrence of meetings, influences the capacity of the board to scrutinize reports to reduces agency problems and improve more quality disclosures (Xie et al., 2003 and Khanchel, 2007). Increase scrutiny and monitoring by board, decreases agency cost and information asymmetry and invariably improve quality disclosures (Chou, Chung, & Yin, 2013). According to Conger et al. (1998) Board meeting have significant relationship with CER disclosures. Thus, frequent board meetings would improve the quality of corporate disclosures.

H3: There is a positive relationship between frequency of Board meeting and corporate environmental reporting.

Risk Management Committee Composition

Section (10) of the Code on Corporate Governance 2011 in Nigeria provides that the board may establish risk management committee to assist the board in it oversight of risk profile, risk management and risk reward strategy for the organization. It is voluntary recommendation not binding on the companies. Risk is a concept used to describe future uncertainty. Risk management has now become an integral part of corporate governance and is link to the internal control systems. This awareness has resulted to improve board oversight functions which in turn can enhance the board governance structure, quality reporting disclosures and drastically reduce the scope of the audit committee work (Yatim, 2010). De Lacy (2001) recommended for a separation between audit committee and risk management committee especially for complex business industries. The complexities associated to the industries expose them to failure (Javis, 2005). The quality of the individual who are members of the risk management committee is an important indicator for effective monitoring of risk matters. The risk management committee seems to be more efficient when there is quite number of independent non-executive directors (Fama & Jensen, 1983). Successful companies frequently exhibit a reliable emphasis on risk management. One way to successful risk management is no doubt including majority of non-executive director to be part of the committee. Prevention action is the best cure, and non-executive directors perceive and acknowledge how management is taking care of risks (Barde, 2009).

The non-executive directors risk management is essentially a problem of acting expressly ahead of time to keep a risk occasion from happening or to reduce its results when it does. The shareholders' wealth increase if, non-executive directors establish good risk management system and effective business decisions. Methodology and business choices convey risk and risk-reward system. The outside directors'

role in risk management issues is reflected in the guidelines and rules in numerous districts (Hassan, 2007).

*H*4: There is a positive relationship between risk management committee composition and corporate environmental reporting.

Model of the Study

To answer the objective of the study, $CER_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BM_{it} + \beta_4 RC_{it} + \beta_5 ROA_{it} + \beta_6 TA_{it} + \beta_7 D_{it} + \varepsilon_{it}$ (7)

Where β_0 is constant for all entities over the period
CER_{it} = environmental reporting index score for the period
BS_{it} = total number of the board members
BI_{it} = the proportion of independent non-executive directors on board
BM_{it} = frequency of board meeting held in the company financial year
RC_{it} = the proportion of the independent non-executive directors on the risk management committee
ROA_{it}= net income divided by total asset for the period
$TA(log)_{it}$= log of total Asset for the period
D_{it}= industrial dummy variable coded 1 to oil & gas companies and 0 for others.
ε_{it} = Error term for all companies over the period

Table 1 Summary of measurements

Variables	Measurement	Hypothesis	Prediction
Board size	Number of Board of Directors (e.g., Buniamin, 2010)	H1	positive
Board Independence	Number of non-executive Directors divided by total Number of directors on Board (%) (Buniamin, 2010)	H2	positive
Board Meetings	Number of board meetings held annually (Conger et al., 1998)	H3	positive
Risk management committee Composition	RMC composition considers the extent of non-executives' directors on the board, measured in this study as a dichotomous variable given one (1) if there exist at least one non-executive on risk management committee otherwise zero (0) (see, Michelon &Parbonetti, 2010; Alhaji, 2011; Kurawa & Kabara, 2014).	H4	Positive
Profitability	ROA (Naira) (e.g., Smith et al., 2007; Ong et al., 20 14; Sulaiman et al., 2014)	-	Positive
Company size	log of Total Asset (see, Buniamin, 2010; Buniamin et al., 2011; Joshi et al., 2011; Salehuddin and Fadzil, 2013; Sulaiman et al., 2014)	-	Positive
Industrial dummy variable	1 is coded to oil & gas companies and 0 is coded to other companies	-	-

LINEAR REGRESSION ANALYSIS

In the current study, the analysis of linear regression is being utilized as a statistical technique to investigate the relationships that arise amongst the dependent variable and four independent variables comprising board size, board independence, board meeting, risk management committee composition and the two control variables which are Profitability and total asset for 24 listed firms in Nigerian oil & gas, natural resources and industrial goods. N Table2 reveals the analysis of result for random effects model in the study.

Table 2 Regression result of the model random effect (Dependent = CER)

Variables	**Coef.**	**Std. Err.**	**z**
BS	.0115358	0.137154	0.84
BI	.3530959	.1510829	2.34**
BM	.035602	.0203326	1.75**
RC	.0002878	.0785901	0.00
ROA	.0010162	.0014494	0.70
TA	.0712573	.036754	1.94**
D	-.0528609	.0731596	-0.72
_cons	-.4864737	.2726068	-1.78
Number of obs =			120
Number of group =			24
R-sq within =			0.5117
Wald chi^2 =			21.96
Prob > chi^2 =			0.0026

CERS= Environmental reporting index; Board size = Total number of the board members; BI = The proportion of independent non-executive directors on board; BM = Frequency of board meeting held in the company financial year; RC= The proportion of theindependent non-executive directors on the risk management committee; ROA = Net income divided by total asset to for every entities; TA (log) =log of total Asset for the period; D=Industrial dummy variable coded 1 for oil & gas companies and 0 for others.*** 0.01% level of sig. ** 0.05 level of sig.*0.1 level of sig.

DISCUSSIONS

As shown by the outcomes in Table 2, the rate of R^2 in the model is 0.5117. This implies that the model describes 51.17% of the difference in corporate environmental reporting and is considered as acceptable outcome. In additional finding, the outcomes, Table 2 displayed the three variables in the study that were discovered to be significant with corporate environmental reporting predictors (as being measured by CERS). The variables are board independence (BI) (β=0.3530959, $p<0.05$) board meeting (BM) (β=0.035602, $p<0.05$) and finally total asset (TA) (β=0.0712573, $p<0.1$). Nevertheless, other variables such as board size (BS) (β=.0115358, $p>0.1$) risk management committee composition (RC) (β=0.0002878, $p>0.1$) and profitability (ROA) (β=.0010162, $p>0.1$) failed to make a significant

contribution as CER predictor (corporate environmental reporting as being measured using ERI) thus, the significance values are higher than 0.1 were revealed to be statistically insignificantly related to CERS. This suggests that board independence does influence corporate environmental reporting based on both normal and additional analyses done on this studies. Another relationship was found between risk management committee composition and the corporate environmental reporting (CER) which found that the variable relationship is statistically negatively insignificant as evidence by the p-value of 0.528 (52.8%). This suggest that risk management committee composition does not influence corporate environmental reporting on companies in the oil & gas, natural resources and industrial goods sectors.

Table 2 , the board size on this regression has a clear positive effect on CER and the outcome is insignificant. This finding did not support the first hypothesis (H1) that there is positive significant relationship between board size and corporate environmental reporting.

As such, the first hypothesis that mentioned there is positive significant relationship between the board size and corporate environmental reporting is not supported. This result shows that an increase in board size, would not increase corporate environmental reporting. This outcome is like that found in previous study that board size found that board size has no significant association with environmental disclosures (e.g., Wan Abdullah et al., 2012 and Abdul Razak & Mustapha, 2013). This insignificant relationship agrees with most studies that find smaller board size can effectively perform better in CER (Zubaidah et al., 2009). In addition, the study found a positive significant relationship between the board independent and corporate environmental reporting (CER). The findings accept the second hypothesis (H2) which states that there is positive significant relationship between the board independence and corporate environmental reporting. Therefore, the second hypothesis (H2) which reveals that there is positive significant relationship between the board independence and corporate environmental reporting (CER) is supported. The result discloses that if there is increase in the number independent non-executive directors on board, board size, more corporate environmental reporting is reported (CER) and vice versa.

This result is like that found in a several studies (e-g., Htay, Ab. Rashid, Adnan & Meera, 2012 and Salehuddin & Fadzil, 2013) found that board of director's independence is very important in the determining the level of CER disclosures. Thus, it is argued that independent directors would influence other directors to voluntary disclose more information about the company to the stakeholders. For board meeting variable, this variable has a positive significant relationship on corporate environmental reporting. The findings support the third hypothesis (H3) which revealed that there is positive significant relationship between the board meeting and corporate environmental reporting. The positive value indicates that when there is an increase in the number of board meetings held, more corporate environmental reporting is reported and reverse is the case. The outcome is in tandem with previous studies (see, Xie et al., 2003 and Khanchel, 2007). Thus, implies that, board practices if carried out by recurrence of meetings, influences the capacity of the board to scrutinize reports to reduces agency problems and improve more quality disclosures.

Furthermore, the findings which revealed the relationship between risk management committee compositions and corporate environmental reporting is insignificant. The findings failed to support the fourth hypothesis (H4) which revealed that there is positive significant relationship between the risk management committee composition and corporate environmental reporting. The positive value indicates that when there is a decrease in the number of independent non-executive directors, more corporate environmental reporting (CER) are reported and reverse is the case. The outcome is not in tandem with previous study by (Yatim, 2010) that a well-established risk management committee improve board oversight functions which in turn can enhance the board governance structure, quality reporting disclosures and drastically reduce the scope of the audit committee work.

Also, the study adopted two control variables which are profitability and company size. The use of profitability as a control variable is being justified by the findings of companies with various distinct

characteristics. Profitability usually would be referred to as one of the indicators to measure a company's performance. Prior studies would use profitability as their control variables to examine the relationship between financial attributes against CER (Lang & Lundholm, 1993; Alarussi, 2009 and Suttipun & Stanton, 2012). Mix results were found on profitability. Lang and Lundholm, (1993) views companies with less profit would provide more disclosure on environmental information. Companies might use the condition of having lesser profit as a mechanism of defence towards its stakeholders that less profit means more expenses were made especially for the CER. The result in Table 4.9 shows a positive relationship, but statistically insignificant (β=0.0010162, $p<0.1$) between profitability (ROA) and CER. This was consistent with the study by (Makori, 2013) as mentioned earlier.

The second control variable considered was the company size. Previous studies found a positive relationship between company size and the environmental disclosure such as Deegan and Gordon, (1996) and Joshi et al., (2011). While size is known for being a representative for company visibility, it also represents the company capability in a financial manner to have social responsibility and environmental activities (Joshi et al., 2011). A recent study by Barbu et al. (2014) examine the mandatory reporting of environmental information in compliance with IASAFRS on three potential countries which are Germany, France and the UK. They found that company size is a relevant proxy for the influential factor against CER on a mandatory basis. Romlah et al (2002) Cornier, and Magnan (2003) found that large firms lean towards more disclosure of information voluntarily. (Sharifah, 2010) posits that a company that is visible in public has a better possibility to disclose more information to enhance its legitimacy and corporate image. Big companies are more expected to be worried with their corporate environmental performance since they are more visible to external interested parties who always demand for an improve environmental disclosure (Uwalomwa, 2011). As illustrated in Table 2, the result displays a positively significant relationship between the company size (TA) and CER (β=.0712573, $p<0.1$). This result is consistent with the ones found in previous studies.

Table 3 Summary of hypothesis testing result

Hypothesis	Hypothesis statement	Findings
H1	Companies with more board members are more likely to have a positive significant influence on environmental reporting disclosures.	Positive and insignificant
H2	Companies with more independent board members are more likely to have positive significant influence on CER.	Positive and significant
H3	There is a positive significant relationship between frequency of Board meetings and CER.	Positive and significant
H4	There is a positive relationship significant between RMC composition and corporate environmental reporting.	Positive and insignificant

IMPLICATIONS OF THE STUDY

This research examined the relationship between corporate governance mechanisms (board size, board independence, board meeting and risk management committee composition) and corporate environmental

reporting in Nigeria. The findings of the study would provide invaluable insight to the government, stock market, audit firms, accounting regulators and professional bodies, as to the extent which codes on corporate governance rules and resolutions are implemented by non-financial listed companies especially oil & gas, natural resources and industrial goods sectors. Furthermore, the study provides invaluable information to the government and regulators when making new policies or deliberating on issues regarding corporate governance in relation to corporate environmental reporting in Nigeria. Moreover, the importance of having a good corporate governance practice should be emphasized to achieve credibility and quality disclosures. Hence, the result of the study could improve corporate governance practices by management, and corporate environmental disclosures and reporting in organizations most especially in the oil & gas, natural resources and industrial goods sectors. Finally, the result of this study expedites the need for integrating environmental issues to the investment decision of shareholders.

LIMITATIONS OF THE STUDY

There are very few studies conducted on corporate governance mechanisms (board size, board independence, board meeting and risk management committee composition) and corporate environmental reporting in Nigeria. However, due to the differences in environment and culture between these countries and Nigeria, the results of these studies might not be too suitable to apply in the Nigerian setting. The outcome of the study might not be applicable to all listed companies due to the focus of the research on listed companies perceive to be environmentally sensitive such as the oil & gas, natural resources and industrial goods sectors.

RECOMMENDATIONS FOR FUTURE STUDIES

The limitations of this study have urged the following recommendations for future research as itemized below;

(i) To enhance the model of this study, future research ought to incorporate other corporate governance variables like risk management committee diligence and knowledge, audit committee size and accounting background, and management ownership. Furthermore, the data for this research covers only listed companies in three sectors (oil & gas, natural resources and industrial goods). Further studies can consider all non-financial listed companies on the Nigerian stock exchange market.

(ii) The data utilized for the study is originated from 24 non-financial listed companies in Nigeria with the level of their environmental disclosures. A large data set relating financial and non-financial organizations might convey a substitute model of the relationship that exist between the corporate environmental reporting and corporate governance. The introduction of new corporate governance mechanisms might also convey extra edge-worth mixtures of the internal control mechanism.

(iii) This research has added impetus to explore corporate governance with corporate environmental reporting in a broader context. Further research could explore the relationship in more specific categories for example, in nonprofit making organizations, government owned companies, and in family business. Since this study focused on three sectors. It would be beneficial to have a clearer understanding of corporate governance roles in other types of organizations. Such research could address the similarities and differences of the roles in different organizations and consider also the legal requirements for different Organizations.

(iv) Advance studies are also essential on the behavioral features of the boards. Studies in developed countries have recently started examining board processes by attending actual board meetings. However, this also needs to be expanded by studies in developing economies. There is therefore the need to go beyond the quantitative research, which yielding a mixture of results, to perhaps a more qualitative approach as to how boards work. Expanding this current research into a wider

study of board dynamics and decision making would be a start in developing a better understanding of corporate governance.

(v) Future study could also explore the perception of stakeholders on corporate social reporting, as it is evidenced that there is no standard template in Nigeria that serves as a guide for the preparation corporate social reporting. The study could have harmonized views of stakeholders on what are their expectations and areas they felt is below standard benchmark peculiar to Nigerian setting.

CONCLUSIONS

The study examined the relationship between some corporate governance variables (board size, board independence, board meeting and risk management committee composition) and corporate environmental reporting have been accomplished. Based on the outcome of the panel data analysis, two variables namely board independence and board meeting were found to have positive significant relationship with the corporate environmental reporting and the other hypothesis variables were insignificant.

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Appendix
Environmental Reporting Index (GRI)

S/N	Number of Environmental Reporting Index
1	Any mention of promoting sustainability
2	Company's Statement of corporate commitment to environmental protection
3	Environmental Policy Formulation
4	Environmental Management System (IS0 14001)
5	Efficiency of energy and water consumption
6	Trees planting or replanting programmes and initiatives
7	Protection and preservation of natural environment in areas of high biodiversity
8	Sustainable waste management
9	Reduce greenhouse gas emissions
10	Incorporate pollution prevention practices (e.g. reduce, recycle and reuse)
11	Green safe Products and Services
12	Use of environmental alternative technology in managing business production
13	Fines/lawsuits/noncompliance incidents related to environment
14	Compliance to any laws and regulations related to environment
15	Corporate fleet to use eco-friendly vehicle
16	Networking with 'green' stakeholder groups
17	Environmental budgets expenditures
18	Environmental Education for employees and community
19	Environmental Awards/Achievements

Sources: Adapted from Wiseman (1982) on the bases of Global reporting initiative (GRI: G4) (2013). Modified by Cormier and Gordon (2001), Yusoff and Darus (2014), and Sulaiman, Abdullah and Fatima (2014)

Table 3.2Disclosure Score for the Environmental Reporting Index

Score Description of Table Format
0 items that are not disclosed
1 items that are disclosed in qualitative
1 items that are disclosed in diagram or picture
2 items that are disclosed in quantitative or financial

Sources: Adapted from Sulaiman, Abdullah and Fatima (2014)

THE INFLUENCE OF PERCEIVED RISK, FACILITATING CONDITIONS AND PERCEIVED BENEFITS ON INTENTION TO ADOPT E-FILING IN TANZANIA

Joyce Sichone[28]; Rufina J. Milamo[29] & Alfred J. Kimea[30]

ABSTRACT

Most tax authorities adopt electronic filing (e-filing) to derive its benefits. Through e-filing, compliance to tax payments is enhanced and tax administration costs are reduced. Despite e-filing benefits, intention to adopt e-filing for Tanzanian taxpayers is very little. This study therefore, aimed at assessing the facilitating conditions, perceived benefits and perceived risk on intention to adopt e-filing. A survey was conducted to Coast, Dar-es-Salaam and Mwanza regions to address the study objectives. A structured questionnaire was applied on a sample size of 226 to collect data from taxpayers. Data on perceived risk (security and confidentiality of information); perceived benefits (saving costs and speed of returns) and facilitating conditions (support and access to computers) were gathered. Data were analyzed statistically using factor analysis in order to extract common factors; developed hypotheses were tested using regression analysis. The results indicate perceived risk and facilitating conditions were negatively and insignificantly related to intention to adopt e-filing; perceived benefits were positively and significantly related to intention to adopt e-filing and thus, the research recommended tax authorities to put more emphases in enhancing taxpayers' perceived benefits by providing e-filing education and creating awareness to improve taxpayers' intention to adopt e-filing. In contrast to previous studies, the results showed that facilitating conditions were not significantly important to e-filing adoption. These results may be due to the studied areas which had started to file their tax returns electronically, whereas access to computer and cost issues might be inconsequential. Hence, further studies may be conducted in other areas to confirm the influence of facilitating conditions on intention to adopt e-filing.

Keywords: *E-filing, Facilitating Conditions, Intention to Adopt, Perceived Risk and Perceived Benefits.*

INTRODUCTION

Electronic filing (e-filing) of tax returns is an essential application that automates tax related processes to improve efficiency in collecting and assessing tax data. In spite of the importance derived from automated processes and electronic services in taxation; taxpayers' intention to adopt e-filing has been a problem, for instance there had been resistance in using Electronic Fiscal Devices – EFD,one of the e-filing facilities(Yonazi, 2013).It is argued that the success of implementing electronic services (e-services) like e-filing depends on how users adopt after knowing the benefits of the developed electronic tax services(Bhuasiri, Zo, Lee, & Ciganek, 2016). E-filing is one of the most important government e-services which have attained an advanced level in most governments (Rajeswari & Susai, 2014).Through e-filing, taxpayers are able to send tax returns from tax software via the internet to tax authorities. Promoters of e-services in governments indicate that electronic operations help to improve efficiency, promote transparency and reduce operating charges since taxpayers are not obliged to follow tax services(Bhuasiri, Zo, Lee, & Ciganek, 2016; United Nations, 2014; Laudon & Laudon, 2006). Other e-filing benefits include efficiency in information searching, minimization of processing errors, speedy filing, fast and direct deposit of refunds, elimination of delays in tax filing and returns through postal mail (Hanefah, 2007). By use of electronic services, tax related processes such as taxpayers' assessment and payments are simplified. E-filing helps to improve tax-filing service and consequently reducing costs to both taxpayers and tax collecting organizations(Fu, Farn, & Chao, 2006). Accordingly, e-filling

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contributes in increasing tax compliance from taxpayers' point of view, and on the other hand achieving governments' objective of insuring voluntary tax compliance in many nations.

The main challenge faced by governments in implementing e-filing might be, first to overcome the inherent obstacle to human kind of negative attitude in adopting changes. Adoption of e-services involves among other things a transformation from manual to electronic documentation, of which acceptability varies corresponding to different users, thus there is a need to consider all levels in tax administrations(Blume & Bott, 2015). Different groups including academicians have concern about e-servicesincluding e-filing(Yang & Rho, 2007). Therefore the establishments of adoption factors must be communicated to all stakeholders and especially the tax practitioners who are involved in operations. Moreover, both - developed and developing countries face problems in adoption of electronic services. Further explanations are found in studies by Akkaya et al. (2013) in Germany and Bhuasiri et al. (2016) in Thailand. Several literatures point out adoption views to including facilitating conditions, trust, perceived benefits and ease of use(Moorthy, Samsuri, & Hussin, 2014; Yonazi, 2013; Venkatesh, Thong, & Xu, 2012; Chiu & Wang, 2008).

Tanzania, like other nations considered the benefits and convenience brought by the adoption of electronic activities. The government of Tanzania through Tanzania Revenue Authoritydecided to phase out manual submission of Value Added Tax (VAT) returns to e-filing since the year 2010. For implementation purposes, a person who is permitted to file tax returns electronically is provided with electronic Filing Identification Number (e-FIN)(Tax Administration (General) Regulations, 2016). E-filing implementation was introduced by the government to allow taxpayers to submit their tax returns online and is considered as an alternative way to the usual paper submission.Despite e-filing potentials, the implementation of e-filing ofVAT returns as it is for other electronic services isnot a straight forward process (Rumanyika & Mashenene, 2014).

The implementation of e-services (including e-filing) in any government is time consuming, complex and challenging(Blume & Bott, 2015; Ambali, 2009). In most cases an environment that is more electronic ready, people are generally comfortable with the new technologies and thus e-filing initiatives can be easily adopted. This background is lacking in Tanzania(Rumanyika & Mashenene, 2014). Studies by Yonazi (2013) and Sefue (2014) indicate that Tanzania face many challenges in implementing e-services. These challenges include issues of infrastructure, users' technological knowhow and the willingness to use electronic services. Since its inception in 2010, e-filing still faces such challenges. Despite numerous e-filing benefits to taxpayers and tax authorities, users' adoption has been a problem. This problem is associated with challenges faced in implementing ICT operations (Rumanyika & Mashenene, 2014; Yonazi, 2013). The reasons behind such limitationsare not clearly known. Therefore, this study addresses constructs of e-filing in Tanzania, and consequently fills the gap by analyzing facilitating conditions, users' perceived trustand perceived benefits to see their influence on intention to adopt e-filing. Hence, the study contributes to the available literatures and the resultshelp in giving valuable information to the tax practitioners and policy makers to facilitate smooth transformation and implementation of e- filing. In addition, the information gathered has important implications for promoting effective e-filing system.

THEORETICAL FRAMEWORK

Two theoretical perceptions have been used to explain the variables influencing intention to adopt e-filing. These perceptions are Theory of Planned Behavior (TPB) and The Unified Theory of Acceptance and Use of Technology (UTAUT). The theory of planned behavior was developed by Ajzen in 1991. TPB links between attitudes and behavior(Ajzen, 1991). This notion is an extension of the Theory of Reasoned Action (TRA) that was essential to address the original model's limitations in dealing with behaviors over which people have incomplete behavioral control.TPB states that attitude toward a certain behavior, subjective norms and perceived behavioral control, shape an individual's behavioral intentions(Lu,

Huang, & Lo, 2010), while behavioural intention is an indication of the individual's readiness to perform a given behaviour.

TPB indicates that intentions are major determinants of real performance. It is proposed therefore that, a taxpayer's readiness to file electronically is influenced by the attitude towards using e-filing. Although users are affected by other factors like security problems; there was a need to examine their perception (such as trust and risk involved) in relation to intention to use e-filing for adoption(Horst, Kuttschreuter, & Gutteling, 2007). Other issues on technology adoption are further explained using the unified theory of acceptance and use of technology (UTAUT).

UTAUT states that an individual's behavioral intention to use a technology is influenced by performance expectancy, effort expectancy, facilitating conditions and social influence. UTAUT was developed by Venkatesh, Morris, Davis and Davis (2003) through examining eight competing models of technology acceptance to formulate a unified model that mixes elements from the models. These models are: Theory of Reasoned Action (TRA), Technology Acceptance Model (TAM), Theory of Planned Behavior (TPB), TAM/TPB combined, motivation model, Personal Computer (PC) utilization model, innovation diffusion theory and social cognitive theory(Venkatesh, Morris, Davis, & Davis, 2003). UTAUT was developed to address problems of using multiple models and counter their limitations.

UTAUT has been used in e-government research such as e-filing to examine adoption of new technologies(AlAwadhi & Morris, 2008).Variables suggested in UTAUT are used eitherpartly or comprehensively. Schaupp and Carter (2009) adopted UTAUTand used suggested variables to test e-filing adoption in Malaysia. In this manner UTAUT best suits this study since there was a need to investigate the intention usage of technology for adoption of e-filing. Facilitating conditions and performance expectancy (perceived benefits) were examined to see how they impact e-filing adoption.

EMPIRICAL STUDIES

Empirical works on intention to adopt e-filing have been reviewed in relation to users' perceived benefits, perceived risk and facilitating conditions necessary for electronic tax operations.

Perceived Benefit

Perceived benefit is the degree to which taxpayers believe thatbyusing an e-filing system will provide benefits to them(Venkatesh, Thong, & Xu, 2012; Davis, 1989). Literatures show that e-filers can easily adopt new systems if they are beneficial(Chaouali, Yahia, Charfeddine, & Triki, 2016; Moorthy, Samsuri, & Hussin, 2014; Bhuasiri, Zo, Lee, & Ciganek, 2016; Ambali, 2009). According to the findings by Bhuasiri et al. (2016),perceived benefits (performance expectance) was the most significant factor found to influence intention to adopt e-filing in Thailand. Moorthy et al. (2014)studied e-filing behavior among academics in Perak State, Malaysia. The authors used a questionnaire instrument to collect information from three public institutions and two private institutions of higher learning. The findings indicated that perceived ease of use, perceived security, perceived usefulness, and perceived credibility influence e-filing adoption intention. Similar toMoorthy et al. (2014) study, other scholars show that perceived benefit influences behavioral intention to use electronic services like web-based training, e-commerce, online shopping, electronic banking, and e-government services including e-filing(Akkaya, Wolf, & Krcmar, 2013; Ambali, 2009). A study in Germany household byAkkaya et al. (2013) found that relative advantage had a positive influence on intention to adopt e-filing because citizens would prefer to use online services if they provide more benefits than using paper works.

Interestingly,a study by Chang et al. (2005) found that perceived benefit had no direct impact on behavior intention. However, Chang et al. (2005) results show significant relationship on attitude, accordingly influencing behavior intention to use the system. Hence, in Tanzanian context,as e-filing is considered a

new phenomenon, this study proposed that perceived benefits have influence on intention to adopt e-filing. Accordingly, the following hypothesis was developed:H_1: Perceived benefit has a positive influence on intention to adopt e-filing.

Perceived Risk

Perceived risk is defined as the taxpayer's perception of the uncertainty and adverse consequence of a desired outcome (Fu, Farn, & Chao, 2006).Perceived risk is indirectly related with trust of electronic services. For instance, increase in trust of internet used in filing tax returns, decreases perceived risk (Akkaya, Wolf, & Krcmar, 2013). Moreover, trust of government website, may provide positive and significant effect on behavioral intention to adopt electronic services (Chaouali, Yahia, Charfeddine, & Triki, 2016).A structural equation modeling conducted by Akkaya et al. (2013) using 1000 users from German household, revealed that perceived risk had a negative effect on intention to use e-filing. Likewise, Lai et al. (2004) examined the intention to use e-filing, attitudes, perceptions and tax compliance of Malaysian tax practitioners. Mail survey was administered to 600 tax practitioners. The results indicated that the respondents had strong intention to use e-filing; nevertheless, they wary of the security of e-filing system.

However, a study by Azmi et al. (2012) indicates unexpected results that perceived risk have a positive and significant relationship with intention to adopt e-filing.Bhuasiri et al. (2016) show that perceived risk is not a significant factor on intention to adopt e-filing when taxpayers choose a method of filing their tax returns. Besides, since there are two main issues of reporting and payment of taxation for taxpayers to abide (Hussein et al., 2010), users perceive less risk on reporting than online payment; the level of perceived risk can be higher resulting to less intention to use the system (Hussein et al., 2010). Fu et al. (2006) indicate that although adopters of electronic tax service have perceived higher risk than non-adopters; perceived risk may not be a significant factor that positively influences taxpayers' choice of tax e-filing method. Hung et al.(2006)show that trust is an important determinant of user acceptance of electronic tax filing and payment system. Other studies on trust include Ha and Stoel (2009); Kim and Lee (2009).As discussed above,studies indicate an indirect relationship of users' perceived risk and intention to adopt e-filing. In relation to the trend on studied literatures, this studysought to examine users' trust by assessing perceive risk in using e-filing for adoption in Tanzania. The study's assumption was that:H_2: Perceived risk has a negative influence on intention to adopt e-filing.

Facilitating Conditions

Venkatesh et al. (2012) defined Facilitating Conditions as the degree to which an individual believes that an organization and infrastructure exists to support the use of the system. Facilitating conditions are external components and objective conditions in the environment of the users which makes the behavior easy or difficult to implement (Kidwell & Jewel, 2003; Triandis, 1977). According to Taylor and Todd (1995), facilitating conditions are made up of 2 aspects, namely technological facilitating conditions and resource facilitating conditions(Taylor & Todd, 1995). This study considers facilitating conditions to encompass computer facilities and technical support on using e-filing system.

Facilitating conditions determine citizens' use of electronic government services like e-filing(Al-Shafi & Weerakkody, 2010). Chaouali et al.(2016) and Charfeddine and Nasri (2013) also consider the importance of this construct. Studies by Ambali (2009) and Bhuasiri et al. (2016) found that facilitating conditions were significantly influencing intention to adopt e-filing.Fu et al.(2006) explained that the absence of facilitating resources results in barrier to use e-services which may hinder usage. In the absence of computer facilities accompanied with low technical support, a taxpayer may be unwilling to accept e-filing. A study by Jiang et al. (2000) empirically supported that facilitating conditions influence perceived ease of use and perceived usefulness. Furthermore, Lu et al. (2005) on their study about wireless mobile

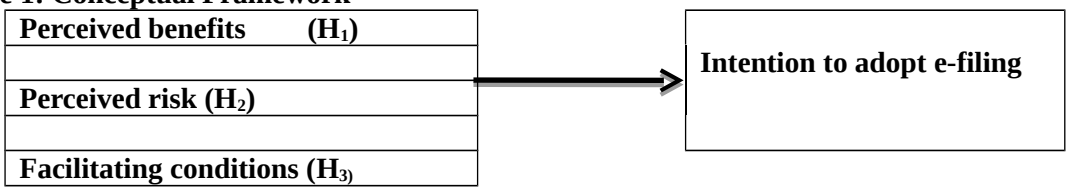
internet service adoption, found strong direct relationship between wireless trust and facilitating conditions.

Schaup and Carter (2009) suggest that when performance expectancy and effort expectancy variables are present in the model, facilitatingconditions construct appears to be a non-significant in predicting usage intention. Moreover, Venkatesh et al. (2003) assert that facilitating conditions construct has a direct effect on actual system usage and not behavioral intention. Due to different perceptions of authors and because facilitating conditions construct in relation to e-filing adoption has not been widely researched; this study saw the importance of examining it to check its effect on users' intention to adopt e-filing in Tanzania. It was predicted that:H_3: Facilitating conditions have a positive influence on intention to adopt e-filing.

CONCEPTUAL FRAMEWORK

Based on the literatures, this study developed a conceptual framework suggesting that, users' perception on benefits and facilitating conditions have a direct relationship with intention to adopt e-filing, while perceived risk has negative relationship with intention to adopt e-filing. See Figure 1 for illustration.

Figure 1: Conceptual Framework



RESEARCH METHODOLOGY

This study used quantitative research approach. Quantitative research was preferred because the study was deductive in nature which needed to test the causal effects(Gill & Johnson, 2010).Questionnaire technique was used to collect study's primary data and respondents' demographic data. Items in the questionnaire instrument were adapted from Schaupp and Carter (2009) and Ramayah et al. (2009). Developed questions on a five-point Likert type scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) were used. A measure included users' perception in terms of perceived benefits, facilitating conditions, perceived risk and intention to adopt e-filing. These variables were obtained after subjecting questionnaire items to the exploratory factor analysis.

The target population for this study is the tax practitioners. Since the population of taxpayers is multifaceted, the sample is stratified and the respondents were chosen using simple random sampling. A sample size of 226 was used, this sample was sufficient to enable the utilization of quantitative techniques. A sample included tax officials, taxpayers, and tax consultants. Field areas included Coast, Mwanza and Dar es Salaam regions representing areas which are least and most active in business activities. Before conducting analysis, data were tested for reliability and validity as suggested by Saunders et al. (2012).Analysis of data involved data cleaning, descriptive analysis and testing of the study hypotheses. The final analysis of hypotheses testing was conducted using regression analysis.

FINDINGS

Respondents' characteristics are depicted in Table 1 below. The study gathered data on respondents' sex, age, marital status, education and annual tax payments to ensure a sample represented participants from different characteristics.Descriptive statistics show that a samplewas dominated by male who represent 76.1% of the respondents. More than half of the respondents fell into 30 to 55 age group, followed by the respondents falling between 18 to 29 years. With regard to marital status, majority (over 77%) of the respondents weremarried, followed by the group of single status. The sample consisted above 63% of

respondents with tertiary education followed by secondary education. However, when the level of tax payments was tested, results indicate that over 34% of the respondents payannual tax ranging from 1to 5 million, and few respondents were in the categories of annual tax payments below 577,000 and above 5 million.Generally, respondents with different characteristic were involved.

Table 1: Respondents' Characteristics

Category	**Dimension, frequency and percentage**				
Sex	Male		Female		
	172 (76.1%)		54 (23.9)		
Age	Below 18 Years		18-29	30-55	Above 55
	1 (0.4%)		55 (24.3%)	150 (66.4%)	19 (8.4%)
Marital status	Single		Married	Others	
	40 (17.7%)		174 (77%)	8 (3.5%)	
Education	Primary		Secondary	Tertiary	
	27 (9.7%)		58 (25.7%)	143 (63.3%)	
Annual tax (000)	100 to 576	577 to 1000	1000.001-5000	5000.001-10000	> 10000
	43 (19%)	42 (18.6%)	78 (34.5%)	26 (11.5%)	25 (11.1%)

FACTOR ANALYSIS AND DATA RELIABILITY

The study performed factor analysis to test data validity. Because some items were cross loading, two items were removed; one from perceived risk variable - "I feel uneasy psychologically if I use internet tax-filing methods",and the other from perceived benefits - "e-filing will be of no benefit to me". Table 2 shows studyvariables with their respective items having factor loadings more than 0.4. Moreover, the reliability test indicates all variables are reliable on testing intention to use e-filing as theCronbach alpha measures were greater than 0.7. Furthermore, a cumulative variance was 65.6%, above the recommended standard of 50% (Tabachnick & Fidell, 2014).

Table 2: Variance, Factor Loadings and Cronbach Alpha of Independent Items

	Scale items	Dimension		
		Perceived risk	Perceived benefit	Facilitating conditions
Factors	Privacy not maintained	.849		
	Unauthorized parties could monitor	.819		
	Confidentiality not maintained	.814		
	Information may be stolen	.762		
	Logged by unauthorized parties	.759		
	It is risky	.729		
	Not safe	.696		
	More risky	.689		
	Speed the process		.835	
	More advantageous 2		.794	
	Overall advantageous		.782	
	Overall advantage 2		.766	
	Speed the return process		.730	
	More advantageous		.491	
	Easy to get support		.470	
	Inappropriate computer			.818
	Too expensive			.785

	Inadequate computers			.767
Cronbach's alpha		**0.93**	**0.856**	**0.771**
Cumulative variance 65.553				
Kaiser-Meyer-Olkin measure of sampling adequacy = 0.907				
Bartlett's test of sphericity: P= 0.000				

Validity and Reliability of the dependent variable

The questionnaire had nine questions testing the dependent variable - intention to adopt e-filling. In conducting validity test, 5 items were droppedsince they were loading into two dimensions. Consequently, one component was extracted. The component had three items with higherfactor loadings, above 0.7 (I predict to use in future, 0.813;I will do e-filing, 0.795 and I intend to use e-filing, 0.707). Intention to adopt e-filing construct had a Cronbach's alpha value of 0.657approaching 0.7 and a cumulative variance of 59.748% which isabove 50%.

HYPOTHESES TESTING

Multiple regression analysis was performed to test the study hypotheses. The results are presented in Table 4 below. The Durbin-Watson value (2.041) was around 2 indicating that the independent variables were not significantly correlated which allowed further analysis using regression tool (Field, 2009).The average scores of variables perceived risk, facilitating conditions and perceived benefits were regressed on intention to adopt e-filling. Results show that the variables relate to each other for 43.4% (R), and the independent variables contribute toward intention to adopt e-filling significantly for more than 18% (R^2). However, when the independent variables are subjected to the population may influence the intention to adopt e-filing by more than 17% (Adjusted R^2).

Generally, the results indicate that the overall model on intention to adopt e-filling was significant ($p<0.01$) with F value of 15.145. However, when the results are considered separately, only perceived benefits construct has a positive and significant contribution to the intention to adopt e-filling ($p<0.01$) with a coefficient of 0.383. Perceived risk and facilitating conditionsvariables have a negative relationship with intention to adopt e-filling, and the results are statistically insignificant at 5% significance level.Thus,H_1 is supported (perceived benefit has a positive influence on intention to adopt e-filing; H_2 is also supported (perceived risk has a negative influence on intention to adopt e-filing, but the results are not significant); and H_3 not supported (facilitating conditions have a positive influence on intention to adopt e-filing).

Table 4: Hypotheses Testing

Variables	**Unstandardized Coefficients**	**Std. Error**	**T**	**Sig.**
(Constant)	2.286	.452	5.058	.000
Average perceived risk	-.041	.073	-.567	.571
Average facilitating factors	-.087	.065	-1.329	.186
Average percieved benefit	.383	.082	4.663	.000
F value 15.145 (.000)				
Durbin-Watson = 2.041				
R=0.434 R-square (R^2) = 0.188 Adjusted R^2 = 0.176				

DISCUSSIONS AND CONCLUSIONS

This study aimed at examining perceived benefits, perceived risk and facilitating conditions used in tax electronic services and assess their influence in intention to adopt e-filing. The results indicate that perceived benefits hadpositive significant relationship with intention to adopt e-filing of tax returns. The

results imply that taxpayers can be willing to adopt e-filing if they perceive that it is helpful (such as saving cost and speed of operations). Results on perceived benefits support previous studies' findings(Chaouali, Yahia, Charfeddine, & Triki, 2016; Moorthy, Samsuri, & Hussin, 2014; Ambali, 2009). Perceived risk was found to have negative impact on intention to adopt e-filing, implying that taxpayers will be less willing to adopt if there is a possibility of high risk of using e-filing. The results were in congruence with previous studies like Akkaya et al. (2013) and Chaouali et al. (2016). Unfortunately, perceived riskwas statistically insignificant, which may be due to taxpayers little knowledge on electronic services as these operations are new in Tanzanian context. Besides, these results on perceived risk may be due to taxpayers' trust to the government authority which collects tax revenue. In contrast to previous studies, such as Bhuasiri et al. (2016) and Ambali (2009), this study found facilitating conditions on e-filing operations to be negatively related to intention to adopt e-filing of tax returns. The results may be due to the type of participants who had already started to file their tax returns electronically and thus, to them issues of computer and support services seem to be negligible.

Theoretically, this study expands the knowledge on intention toadopt e-filing of tax returns. For instance, perceived benefits were found to be significantly important for e-filing adoption, confirming previousstudies (such as Akkaya et al., 2013), and thus this relationship is being taken in broader attention. Moreover, this study proposed a theoretical model that applied variables from UTAUT and TPB, to understand well the facilitating conditions, perceived benefits and perceived risk on intention to adopt e-filing of tax returns.The studied constructs have been well evaluated in a more focused manner as compared to previous studies, example, instead of examining how taxpayers trust the government for adoption(Hung, Chang, & Yu, 2006), this study examined the perceived risk in terms of security of data and confidentiality, to understand taxpayers' perception on intention to adopt e-filing.In addition, the study found that facilitating conditions were not significant to Tanzanian taxpayers; this might be due to the level which a country has achieved as compared to developed countries, for instance a study by Bhuasiri et al. (2016) in Germany found a direct relationship between facilitating conditions and intention to adopt e-filing; this is not the case to Tanzanian taxpayers' perception as they are in infant stage just considering more on whether e-filing system can be useful to them. Other issues of having facilities and support seem to be minor. In general, this study has used scale items which are reliable, and have high factor loadings indicating that they are also valid. Other authors can apply these scale items in performing studies that resemble.

The study provides valuable information to tax practitioners and policy makers while dealing with e-filing operations. The valuable insights acquired suggest a need to pay more attention in promoting e-filing of tax returnscountrywide. A study has indicated the importance of perceived benefits on e-filing operations. Thus, governments have to create awareness on e-filing operations to enhance intention to adopt it. Taxpayers need to be trained one-filing benefits, helping them understand on how electronic operations are advantageous and speed tax operations.Nevertheless, there was an insignificant negative relationship between perceived risk and intention to adopt e-filing, still the items on privacy and security of data (as depicted by factor loadings) need more attention. For instance, if taxpayers' information is handled by honest staff, taxpayers are able to trust and continue using e-filing operations.

Although this research provides valuable contribution useful in an area of e-filing operations, it has some limitations. This study is a cross-sectional in nature, what is observed now might be different in the future as information technology changes with time. In terms of time frame, the results of this study should be interpreted with caution. Besides, surprisingly and in contrast to previous studies, the results of this study showed that facilitating conditions were not significantly related toe-filing adoption intention. These results may be due to the studied areas which had started to file their tax returns electronically, whereas access to computer and cost issues might be unimportant. Hence, further studies may be conducted in other areas of different backgrounds to confirm the influence of facilitating conditions on intention to adopt e-filing

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ASSESSING THE EFFECT OF INNOVATION ON SME PERFORMANCE

Hawa Uiso[31]

ABSTRACT

The performance implication of innovation on Small and Medium Enterprises (SME's) have attracted considerable interest among researchers although empirical studies on the relationship between the variables reveal controversial results (Rosenbusch et al., 2011). Innovation is a pre requisite for SME survival in the competitive business environment and is one of the basic characteristics of an entrepreneur. SMEs play a vital role in economic development. Innovation can take the form of product, process or market where as performance can also take different perspectives. The objective of the paper is to assess the effect of innovation on SME performance. The assumption supported in the literature is that innovation improves the performance of SMEs. This is a conceptual paper based on review of literature in innovation and SME performance. The findings are to the author's best knowledge that there is lack of consensus on the performance implication of innovation on SMEs. There is a need to conduct research in this area to find out if there is a significant relationship between innovation and SME performance

Keywords*: Innovation, SME performance*

INTRODUCTION

SMEs are the most common firms in many countries and due to their size they have strong assets for innovations including creativity, flexibility, responsiveness, risk acceptance and closeness to customers (Boldrini *et al.,* 2017). According to the study, there is a positive relationship between open innovation and firm performance. Nor *et al.,* (2016) claimed that SMEs face global competition and innovation is the solution towards better cost control, quality products, improved products or new products. Freeman (1982) cited in Martin and Namusonge (2014) claimed that to choose to be non innovative is to choose death to an organization. In view of this, SMEs are highly encouraged to invent and innovate for their survival. Entrepreneurial success is characterized by the identification of a radically innovative offering, production process and or business model (Rosenbusch *et al.,* 2011). However, this seems to be incompatible with the well known assumption that the success of an entrepreneur or small business manager is dependent on an innovative edge to compete against the bigger well established incumbents.

Studies on innovation and their effect on SME performance have concentrated on Western, Middle and Far East and very little empirical evidence is noticeable in Africa (Ndesaulwa and Kikula, 2016). The results from the reviewed literature show mixed outcomes and in addition reveal some problems in drawing conclusions. The role of SMEs in promoting economic development and poverty alleviation is recognized by many developing countries including Tanzania (ibid).

Rosenbusch *et al.,* (2011) basing on meta analysis found that innovation – performance relationship is context dependent implying that certain factor such as age of the firm, type of innovation and the cultural context have an impact on the relationship. More specifically, the results showed that the age of the firm; negatively affect the innovation-performance relationship. Although the literature noted a positive effect of innovation on SME performance it also observed that fostering an innovation orientation has more positive effect on firm performance than creating innovation process outcome in form of patents or innovative products/services. In addition resources devoted to innovation process outcome lead to an increase in SME performance relative to resources dedicated to innovation process inputs such as R & D spending. It was further observed that innovation has a stronger impact on younger firms than in more established SMEs. New firms possess unique capabilities to create and utilize value through innovations.

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Further observations revealed that internal innovation projects lead to greater firm performance and that external collaborations have no significant effect on performance. This finding contradicts with the role of networking and social capital on SME performance by considering that external innovation focused collaboration can have substantial disadvantages for SMEs. Findings revealed a negative effect of individualism on the innovation-performance relationship which contradicts with the common place assumption that countries characterized by individualism provide more fertile grounds for innovation.
Thornhill (2006) claimed that innovation had a positive relationship with firm performance as measured by revenue irrespective of the industry in which the innovative firm operates. This implies that the relationship was not moderated by industry dynamism which was operationalized by the intensity of industry R & D.

Abaho et al., (2016), using correlation analysis found a positive relationship between firm capabilities, entrepreneurial competencies and performance in Uganda. Ahn et al., (2015), in a study on Open Innovation (OI) and its impact on the performance of innovative SMEs in Korea found that not all OI modes affect performance positively. This is explained by the fact that OI adoption involves different types of changes in technology, market and organizational structure. According to the literature, the OI mode involving technology in form of joint R & D and market level changes (user involvement and open sourcing) contribute to firm performance positively. The study also found that both broad and intensive OI adoption can positively contribute to the enhancement of firm performance.

Additional findings revealed that broad and intensive engagement with partners through collaboration in OI implementation had positive effect on firm performance. This finding seems to contradict with Rosenbusch *et al.*, (2011) who claimed that external collaborations had no significant impact on performance. Similarly, the findings by Ahn *et al., (2015)* revealed that internal R & D did not have effect on performance and that too much investment on it may result to failure to allocate the limited resources elsewhere, resulting to insignificant contribution to performance improvement.

Salim and Sulaiman (2011) confirmed a positive relationship between firm innovation capability and its performance through two critical factors being technological innovation (product and process) and market innovation. Martin & Namusonge (2014) found out through descriptive statistics that technological innovation has a positive effect on firm performance. In the same study and using the same methodology product and process innovation were found to have positive effect on firm performance. These were measured in terms of business growth, increased sales, customer base and increased profits in monetary terms. Hafeez *et al.*, (2013) observed a positive significant relationship between technological innovation and performance; non technological innovation and performance; and finally between relational learning and performance. The performance indicators used include sales growth rate, market share, operating profit and return on investment. Social capital has shown positive effects on business success by improving the ability of businesses to gather resources which ultimately improves performance (Jalali *et al.*, 2013). This was achieved by enabling managers to broaden their transactions, strengthen the ability of the firm to coordinate with partners, facilitate the flow of information between departments of firms and improve the establishment of new businesses. Social capital has shown a mediating effect on firm success via innovation.

OBJECTIVES OF THE STUDY

The objective of the study is to assess the effect of innovation on SME performance

METHODOLOGY

This paper is based on literature review. A search for articles has been done in various databases including Emerald, Elsevier, Tandfonline, and Sciencedirect.com; with the key words innovation, SME performance, and firm performance alone and in combination. Many articles were found about the subject in developed countries but very few in developing countries and in particular Tanzania. The

reason for this might be that there is no empirical research on the concept or the search in the databases was not done thoroughly.

THEORETICAL LITERATURE REVIEW

Innovation is an important factor that is used to characterize entrepreneurship (Schumpeter, 1934, cited in Lumpkin and Dess, 1996). It is a process that begins with an idea, proceeds with the development of an invention and results in the development of new product, process or service, to the market place (Edward and Gordon, 1984, cited in Thornhill, 2006). The major difficulty in innovation research is that there is still a lack of consensus on a single definition of the concept (Zairi, 1994). What makes innovation challenging is the fact that it is very difficult to agree on a common definition and also to decide which firms are the most innovative and how to quantify innovation activity. The concept of innovation includes the technological innovation and innovation in organizational methods (AECA, 1995, cited in Auken, 2008). Technological innovation refers to the changes in the products and process innovation where as managerial and systems innovation is based on the changes introduced in the organizational structure of the company and the administrative process, aspects that are more related to management than with the company's main activities (Aukin, 2008). The results of this study demonstrate that product, process, and managerial/systems innovation have a positive effect on managers' rankings of performance using the human relations approach, internal process approach, open systems approach, and rational goal approach. However, despite the lower level of innovation, the low technology sector revealed a positive effect of innovation on performance, similar to the high technology sector.

European Commission (1995) described the term innovation as somewhat ambiguous as it denotes both the process and its results. In some instances, the term innovation refers to a process while at others it addresses new or improved product, equipment or service which is successful on the market and hence emphasizing on the results of the process. The ambiguity creates confusion in the dissemination of innovation whereby it is difficult to establish whether dissemination refers to the process or output. The literature distinguishes between the activities in the different stages including creativity, marketing, Research and Development, design, production and distribution. On the other hand the literature discusses the results of innovation emphasizing on new product/service where a distinction is made between radical and progressive innovation. Product innovation is important to maintain market share, process innovation is important to maintain competitive prices level, and managerial innovation is important to maintain a flexible and durable organization (Heunks, 1998, cited in Auken, 2008).

The concept of Small and Medium Enterprises (SMEs) refers to Micro, Small and Medium enterprises basing on capital employed or number of employees (URT, 2003). The number of employees in Micro enterprises does not exceed four with a maximum capital of Tshs 5 million where as Small enterprises will have between 5 and 49 employees with a capital ranging from Tshs. 5 million to 200 million. Medium enterprises employ between 50 and 99 people and a capital of between Tshs. 200 and 800 million. SME performance measures used in innovation depend on whether innovation is viewed as an output/process or even as a system of interconnected organizations/institutions (Tin, 2005). According to the literature innovation performance measures are based on a composite of metrics indices and indicators. Performance measures can be financial or non financial and a balance between the two provides a more accurate measure of the overall performance of a firm because not all aspects of organisation‘s activity can be expressed in monetary terms (Abaho, 2016). The study measured the Ugandan SMEs performance using sales growth, profitability, market share, customer acquisition and retention. Some of the indicators identified in the literature include revenue growth from new products, profit from new products, gains in market share and the number of patents filed. Zairi (1994) outlined a number of performance measures used in innovation including product flow, performance cost ratio, profitability, number of innovations, percentages of time in lounges and time to market.

This paper is based on Diffusion of Innovation Theory that considers five main factors that influence the adoption of an innovation including relative advantage, compatibility, complexity, triability and

observability (Rogers, 1983). The theory seeks to explain how, why and at what rate new ideas, and technology spread. The literature describes diffusion as the process by which an innovation is communicated over time among the participants in a social system. The spread of the new innovation is influenced by the innovation itself, communication channel, time and social system. Five different adopter categories have been put forward by the theory including innovators, early adopters, early majority, late majority and laggards.

In order for innovation to be easily adopted and hence influence performance positively it must be seen to be better than the idea, program or product it replaces. Also it must be consistent with the values, experiences and needs of the potential adopters. An innovation that is easy to understand and use is easily acceptable, widely used and hence better performance on the part of the firm. The accessibility of the target customers to test or experiment the product before a commitment to adopt is made also affect the willingness to use and hence better performance in terms of product usage and ultimately revenue to the firm. The extent to which the innovation provides tangible results will also be a critical factor in performance. The end result of the theory of Diffusion of Innovation is that people as part of the social system adapt and use the new idea, product or behavior, which ultimately lead to more sales and revenue on the part of firms dealing with the products/services.

CONCLUSIONS

Basing on the literature consulted there is a positive relationship between the various components of innovation and SME performance. However, consideration needs to be made on the effect of some moderating/mediating variables on the relationship between innovation and SME performance. These include variables such as age of the firm, type of innovation and cultural contexts.

The lack of consensus on the performance implication of innovation on SMEs has been noted in the literature consulted, necessitating future empirical studies to address it. The differing conclusions on the effect of internal and external collaborations, networking and social capital on the innovation-performance relationship need to be explained by future studies. Most of the literature consulted has been done in developed countries and few in developing countries hence more empirical studies can be conducted to see if similar conclusions will be reached.

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THE INFLUENCE OF EMPLOYEE ENGAGEMENT ON EMPLOYEES PERFORMANCE: *THE CASE OF TELECOMMUNICATION COMPANIES IN TANZANIA*

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ABSTRACT

This paper examined the relationship between employee engagement and employee performance whereby job demand and resources model together with social exchange theory guided the study. The study used primary data collected from 106 employees from telecommunication companies that are practicing proper human resources management. The data collected through questionnaires were analysed by multiple regression analysis. Also descriptive statistics were generated for description of the respondents' profile. The findings show that employee engagement, in its dimensions (vigour, dedication and absorption), has a significant relationship with employee performance measured in terms of employee productivity, innovation and turnover. In this regard, employee engagement is positively related to productivity and innovation, while it is negatively related to turnover. On the basis of the findings, it is recommended that management of public and private organisations in Tanzania should promote employees engagement in their companies as it is the base for employees' performance which in turn lead to improved organisation performance.

INTRODUCTION

The shifts in the global economy on technology, market and demography have prompted the need for organizations to find innovative ways to address new technological, demographic and marketplace realities (Leadership Insight, 2009). High technological advancement has progressively led to the high demand of experts and technical staffs in opposition to the past time where there were few professionals and technical workers (Markos, 2010). These changes in the quality of workers require an adjustment in administration style from brutal force to cautious treatment of workers through motivating them and ensuring that they are happy with their work thence giving their best to the association (Markos, 2010). The above-explained changes have caused managers to shift their attention towards employee side of the organization. Managers are currently focusing on ensuring that the company has the right talent in crucial roles at the right time, as it impacts revenue collection, innovation and organization effectiveness (Ashton & Morton, 2005). To gain competitive advantage organizations need to have the ability to attract, engage, develop and retain talent. Therefore companies are competing for talented people who have high performance and high competence in workplace (Berger & Berger, 2004).

Numerous studies have been done in different parts of the world on the importance of employee engagement on their performance (Perin, 2003 & Robinson, 2004), but in Tanzania there is little knowledge on the matter. Culture in Sub-Saharan Africa like elsewhere plays an important role in shaping management practices and employees' work attitudes and behaviour (Sanga, 2014). Looking at the background of Tanzania from post-colonial era especially after the Arusha declaration in 1967 the rate of development change increased as the socialist policy was applied (*Ujamaa* policy). During that time the government was the controller, manager and the sole employer in the country (Ngowi, 2009). This caused no competition for talents something that limited growth of human resource management skills in Tanzania. However failure of Socialism led the country to economic crisis in 1980s where every consumer good was scarce. The economic depression necessitated the government to liberalise trade and

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with the help from World Bank and International Monetary Fund they started to implement radical transformation) from 1986 (Olomi, 2009). Through Economic Restructuring Programme (ERP) Tanzania government privatized most of its companies causing private sector to become the engine of Tanzania economy today. It is through privatization that most state-owned corporations are now private while the flow of multinational corporations in the country has been on the increase. This has led to the war for talents necessitating companies to ensure employee engagement in their organizations (Ngowi, 2009). Therefore the delay in privatization has caused Tanzanian companies to lag behind in adopting proper human resources management; causing very few studies on employee's engagement in Tanzania.

Companies' have been doing their level best to find something that will distinguish them from their competitors, and that distinguishing factor has to be hardly imitated. Competitive advantage can only be through having competent human resources and can only be maintained through having engaged employees (Havard Business Review, 2013). Perrin (2003) elucidates that engaged employees have willingness and ability to help their company succeed, largely by providing discretionary effort on a sustainable basis, that is they normally do more than what is in their job description. Such kind of human resource management in the organization have been in practice in the Western countries for a long time now. Since the transfer of Human resources management (HRM) practices occurs mostly from developed nations to developing ones in Tanzania few companies have been trying to adopt employee engagement practices from western countries despite of its importance (Aycan, et al., 2007).

In Tanzania for example, colonialism created a work culture in which employees became submissive to and fearful of their superiors. Although colonialism ended about five decades ago people who grew in that period still have a colonial work mind-set and are likely to contaminate new generations with such mind-sets (Sanga 2014). Collectivistic cultural orientation is said to be one of the most outstanding feature of work values in Tanzania (Aycan, et al., 2007). Therefore, adopting HRM practices that have their origin in the Western countries in African countries like Tanzania has some challenges because of the difference in cultural and institutional environment . Notwithstanding the importance of employee engagement on the general performance of the organisation, little is known concerning the relationship between employee engagement and employee performance in Tanzania. Therefore, this study is of paramount importance as it seeks to form basis for the adoption of employee engagement practises by the companies in Tanzania. In this regard the paper examined the influence of employee engagement on employees' performance in Tanzania focusing on the following:

(i) Examine the relationship between employees' engagement and employee productivity
(ii) Examine the relationship between employees' engagements and employee turnover
(iii) Examine the relationship between employees' engagement and innovation

THEORETICAL AND EMPIRICAL PERSPECTIVES

Employee engagement is a comprehensive concept that involves almost all parts of human resources facet (Markos, 2010). Perrin's (2003) defined it as "employees' willingness and ability to help their company succeed, largely by providing discretionary effort on a sustainable basis." According to his study employee engagement is for the most part affected by both emotional and rational factors relating to work and the overall work experience. Robinson et al. (2004) define employee engagement as "a positive attitude held by the employee towards the organization and its value". Engagement is about passion and commitment, the readiness to contribute oneself and grow one's optional efforts to help the business succeed, it is past basic fulfillment with the employment arrangement or essential devotion to the business (White, 2008; Erickson, 2005; Macey and Schnieder, 2008). Therefore engagement equation is a function of maximum job satisfaction and maximum job contribution. Stephen Young, the executive director of Towers Perrin, also distinguishes between job satisfaction and engagement, he contends that, only engagement (not satisfaction) is the strongest predictor of organizational performance (Markos, 2010).

Engagement being a psychological state as described by Bakker & Demerouti (2008), in their *Job Demands and Resources Model (JD –R Model)*, comprises vigor, dedication and absorption. Vigor is when an employee has high levels of energy and mental resilience while working, and persistence in the face of difficulties. Dedication is defined as a sense of significance, eagerness, motivation, pride, and challenge. Absorption is fully concentrating and being cheerfully occupied in one's work, to such an extent that time passes rapidly and one finds it difficult to leave the work. Though there are a lot of definitions on employee engagement this paper relies on work engagement as the self-investment of personal resources in his or her work. Engagement represents a commonality among physical, emotional, and cognitive energies that individuals bring to their work role (Rich et al., 2010). Vigor, dedication and absorption are as well key indicators of engagement used in this paper.

Performance is a combination of both financial and non-financial indicators, which offer information on the degree of accomplishment of goals and results (Lebans & Euske 2006 and Kaplan & Norton, 1992). Despite the financial and non-financial indicators, in this paper employees performance is measured by productivity, innovativeness and low turnover. Employee productivity entails the ability of employees to use less resources including both time and material to produce more output. Workers' human capital is a key factor that determine employee or workers' productivity (Abowd et al., 2005). On the other hand Employee innovativeness involves the "creation and implementation of new products, services, processes, relationships, and methods of organisation", and "conceptual creativity" (Stein and Pinchot, 1998). Innovation cannot be purchased; it must be developed from within an organisation's culture that is to say the manner that the organisation treat its employees influences their innovative behaviour. Various writings have appeared promoting the benefits of utilizing high-involvement or high-commitment human resources practices. Such arrangements of human resources management are thought to upgrade representatives' levels of ability, inspiration, information, and empowerment (Kochan & Osterman, 1994; Lawler, 1992; Levine, 1995; Pfeffer, 1998). It requires careful nurturing and that consideration regarding the development of structures that are likely to promote creativity and initiative, leadership by project champions who are willing to take risks and can persuade the group and the 'cross-fertilisation' of ideas through multidisciplinary (Perry 1995).

Also, Harkins (1998) describes the concept of employee turnover as the come and go act of employees in the organisation. In his words he puts it that, "Employee turnover is the entrance of new employees into the organization and the departure of existing employees from the organization". In the very similar manner, Moble (1979) defined turnover rate as how much new recruitments were hired to replace resigned employees. Summing up from the above definitions it can simply be put that, turnover 'occurs' only when a replacement is successfully hired. A similar definition is provided by who state that turnover means voluntary cessation of membership of an organization by an employee of that organization. From this discussion it is clear that employee engagement is the most critical metric measures that reflect and drive organizational performance (customer satisfaction, innovation, profitability, productivity, loyalty and quality) are products of engaged, and committed employees (Leadership insight, 2009). Therefore engaged employees yield high performance as compared to those who are not engaged.

In order to explain theoretically the relationship between employees' engagement and their performance, Social Exchange Theory and Job Demands and Resources Model (JD –R Model) were adopted. The Social exchange theory (SET) is very important concept in understanding workplace behavior. It was found by four important figures being George Homans, John Thibaut, Harold Kelly and Peter Blau in 1958. The underlying argument of SET is that, obligation evolve among parties after day-to-day interaction among dependent parties (Cropanzano and Mitchell, 2005). SET relies on the fact that relationships evolve over time into trusting, loyal, and mutual commitments as long as the parties abide by certain "rules" of exchange (Cropanzano and Mitchell, 2005). Therefore that obligation, loyalty and mutual commitment among employee and employer leads to employee engagement. SET is in-line with engagement as a two way relationship between employer and the employee (Robinson et al.'s 2004).

Therefore if employer treats well their employees and manage to create trust, loyal and mutual commitment between employer and employee, employees' performance will increase as employees will give to the organization more than what is in their job description.

On the other hand The Job Demands and Resources Model (JD –R Model) is a culmination of a study by Bakker & Demerouti (2007). JD-R model believes that each occupation consist job demand and job resources regardless of specific stress risk factors (Bakker & Demerouti, 2007). Job demand involves the physical, psychological, and social characteristics, of a job that require continued physical, psychological effort or skills. Job demands can be associated with physiological and/or psychological costs (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). Job demands may include time pressure, job security, and unfavorable organization climate. Job resources are the physical, psychological, social, or organizational aspects of the job that can help an employee achieve work goals. Resources can also reduce job demands and the associated costs, as well as stimulate personal growth, learning, and development (Bakker & Demerouti, 2007). JD-R model depicts that wherever there is employee engagement, employees' performance increases in terms of in role performance, extra role performance, creativity, and financial turnover of the organization.

Apart from the theoretical explanations, different empirical studies have also expounded the role of employee engagement on their performance. For example, Solomon and Sandhya (2010) conducted a study on employee engagement as the key to improving performance in India. In their study they observed that, if every part of human resources is not addressed in appropriate manner, employees fail to fully engage themselves in their job in the response to such kind of mismanagement. Also they found that employee engagement is a stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee compared to the three earlier constructs: job satisfaction, employee commitment and organizational citizenship behavior. The study focused on determining a stronger factor in predicting organization performance among job satisfaction, organization commitment, and employee engagement and organization citizenship it found that employee engagement is the strongest factor which was therefore adopted to our study further the study failed to explain the relationship between employee engagement and employees performance this weakness is as well addressed in this particular paper.

Leadership insight (2009) conducted comparative study among 53 countries on employee engagement and organisation perfomance using survey through stratified sampling, participants were asked to self-report on attitudes, performance and conditions directly related to the effectiveness of their organization. Findings concluded that employees who see their company as the best performers excelled high performance in the organization as well as compared to employees who reported average organization performance. About 53% percent of employees who believe that their organizations are among the best performers were also highly engaged whereas only 8% of the engaged employees reported their organization as underperforming. However the researcher concentrated on comparing the level of engagement among countries our study focused on determining the influence of engagement on organization performance in Tanzania.

Another study conducted by Rao (2016), on innovation through employee engagement revealed that there is a direct cause and effect relationship between employee engagement and organizational innovation. The study, relying mainly on secondary data sources supplemented by interviews, identified that employee engagement leads to innovative behavior where employees collaborate with other employees, make suggestions to improve the organization and work to improve the organization's standing in the external environment. It was found that engagement and innovation reinforces each other – engaged staff are more likely to be innovative and an innovative organization is more likely to motivate and engage its employees. It is concluded that in the face of unprecedented economic, social, demographic and environmental challenges, organizations need to direct their efforts at mobilizing the creative potential of

all its human capital - employees and customers to contribute big new ideas and help organizations to drive forward. Further the study did not explain other factors resulting from employee engagement that may take organization forward therefore this study explains two more factors.

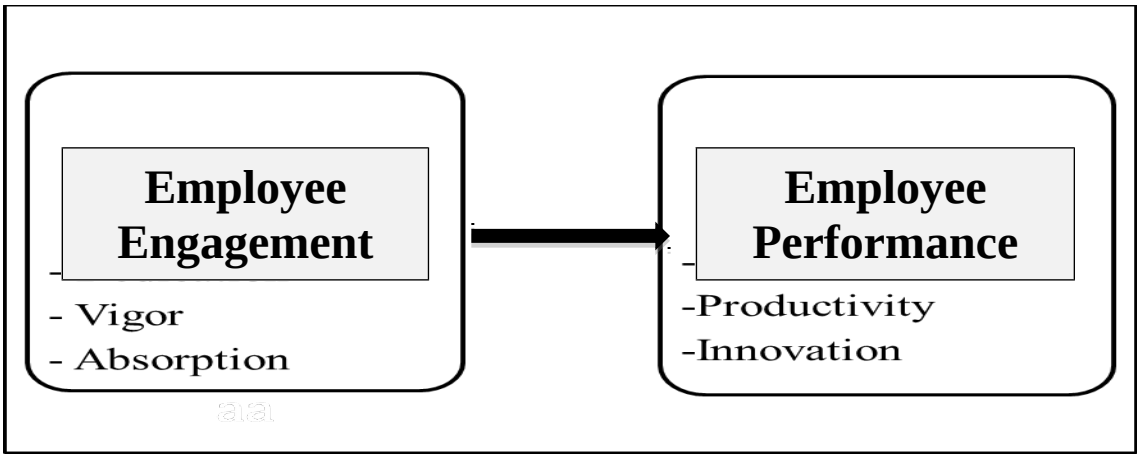
Despoina & Anord (2009) conducted a study on the impact of different day job resources and personal resources on work engagement and financial resources. Through survey of forty-two employees, it was found that, both job resources and personal resources affect work engagement. For example they found that there is an increase in employees' performance resulting from a day coaching. Therefore to attain employees work engagement there should be both job resources and personal resources. This study provide base to our study as it demonstrate antecedents of employee engagement therefore through the study the researcher managed get information on whether the surveyed employees were engaged or not so as to finally get the information on the performance of engaged employee.

Nicole (2007) on her study on tightening the link between employees' wellbeing at work and performance they found that the impact of a chosen HRM practices her greater impact on the employee wellbeing which impact employees' performance at work. She concluded that if employees are well managed they will have positive impact in the company. However the study can be criticized as HRM practices that help to maximize employee wellbeing at work are not necessarily the same as those that make up "high performance" HR practices. Moreover, the promotion of wellbeing at work is not likely to be a result of the HRM practices but can be linked to line management leadership and relationships.

CONCEPTUAL FRAMEWORK.

A conceptual framework is the general idea inferred or derived from specific instances. It is the representative of the variables of interest in the study and relationship between them (Kombo and Tromp, 2006). From the figure below we have vigor, dedication and absorption as factor of engagement while on the other side we have productivity, turnover and innovativeness as factors for employees' performance. Figure 1 represents the summary of the way engagement influence employee's performance.

Figure 1: Conceptual Framework of the study



Source: Synthesized from the literature

RESEARCH HYPOTHESIS

Hypothesis refers "to a proposition set forth as an explanation for the occurrence of some specific phenomena (Kothari 1990, P.184)." This study was guided by the following hypotheses:

H_1: There is a relationship between employees' productivity and employees' engagement.
H_2: There is a relationship between employees' turnover and employees' engagement.
H_3: There is a relationship between employees' innovativeness and employees' engagement.

METHODOLOGICAL CONSIDERATIONS

The study was conducted in Dar es Salaam city, whereby telecommunication companies constitute the population. The study purposively focused the Dar es Salaam metropolis as it is the most important commercial city in Tanzania hence home for most companies' headquarters. In order to determine that sample size, Adam et al., (2008) rules were used. In this case, the following formulae was used. n= 50+8(m) where m is the number of independent variables tested. This study involves three independent variables (m=3), thus the minimum sample size would be (n) greater or equal to 50+8(3) = 78. Also Saunders *et al*, (2009) specify 100 to 150 cases as adequate size for the quantitative study. Therefore, considering the nature of the selected companies to be studied and the resources available this study used a sample size of 106 employees. The sample unit or unit of account in this study included employees from Tigo Tanzania, Vodacom Tanzania and Airtel Tanzania. The choice of employees as respondents in this study was motivated by the fact that, employee engagement is a psychological thing therefore study findings will be more precise by having employee as a unit of analysis (Demerouti et al., 2001). The study used both probability and non-probability sampling procedure. Companies were selected by using convenient and judgmental sampling, which is non-probabilistic technique. While, simple random sampling was used in selecting respondents from the already chosen companies.

Since only primary data were required, this study used the primary data sources only. Elucidating the concept of primary data (Saunders *et al*, 2009) maintains that, they are those collected afresh for the first time and should be original in character. This type of data was collected by using questionnaires which entailed preparation of questions for soliciting the required information (Babbie, 2007) and distributing the same to the selected sample. The use of survey as research method motivated the choice of questionnaires as a tool for data collection. The collected data were analysed using multiple regression analysis. It also employed descriptive statistics to present the findings descriptively. Through descriptive statistics, data were presented in the form of frequencies and percentage for respondents' demographic characteristics. All these analyses were performed by IBM SPSS computer program.

FINDINGS AND DISCUSSIONS

Profile of Respondents

The profile of the respondents was presented by considering sex, age, marital status, education level, and employee experience at his or her current position. The findings indicate that most of the respondents were Male 54 (50.9%) while Female were 52 (49.1%) out of 106 total respondents. Having relatively same number of female and male given that our sample was randomly selected means that the surveyed companies are relatively gender balanced and therefore our study is gender representative.

Table 1: Gender Distribution

Profile		Frequency	Percent
Sex	Male	54	50.9
	Female	52	49.1
	Total	**106**	**100**
Marital Status	Single	56	52.8%
	Married	49	46.2
	Divorced	1	0.9%
	Total	**106**	**100%**
Education Level	Doctorate	1	.9
	Master	22	20.8
	Bachelor	60	56.6
	Diploma	16	15.1
	Certificate	7	6.6
	Total	**106**	**100.0**

Respondent's Marital Status

Table 2 describes marital status of each respondent surveyed from the field: Results shows that majority of the respondents surveyed were single 56 (52.8%), follows by married 49 (46.2%) and only one respondent was recorded as divorced (0.9%). This explains that large part of the workforce constitutes young generation who are mostly single.

The study found out that most of the respondents had bachelor degrees that is (56.6%), also there were a significant number of respondents with master degree (20.8%) and 15.1% possessing diplomas. This tells us that majority of the respondents involved in this study had adequate education to internalize the asked questions in the questionnaire and provide answers accordingly.

Age of the Respondents

The researcher carried out analysis of the age of the respondents and observed that the mean age of the respondents was 33.92 years implying that the majority of the respondents were young employee. On the other hand, the median value was found to be 30 years implying that 54 employees were aged less than 33 years while the remaining 54 employees were aged 54 years.

Table 2: Summarized Information on Age

Descriptively Presented Age Information	
Mean	33.92
Median	30.00
Mode	27
Variance	91.309
Range	38
Minimum	19
Maximum	57

Source: Field data (2015)

RELIABILITY AND CORRELATION ANALYSIS

Table below represents Pearson correlation coefficients obtained in the analysis of the relationship among the study variables. The study variables were engagement factors (vigour, dedication, and absorption) and employee performance factors (productivity, innovation and turnover).

Table 3: Correlations and Reliability Statistics

	2	3	3	4	5
Vigor **0.788**					
Dedication **	**0.758**				
Absorption **	.788*	**0.761**			
Productivity **	.674**	.674**	**0.879**		
Innovation **	.652**	.652**	.713**	**0.875**	
Turnover **	-.717**	-.717**	-.700**	-.798**	**0.901**

**. Correlation is significant at the 0.01 level (2-tailed). Cronbach Alpha Reliability are on the Diagonal

Source: Field data (2015)

As indicated in Table 3 above, most of inter-correlation coefficients indicated significant and strong positive relationships among the study variables with correlation coefficients (r) ranging from r = -.584 (p > 0.01) for turnover to r = 0.78 (p >0.01) for absorption. By being positive, the correlation coefficients means the variables are positively related to one another, that is, an increase in one variable will lead to an increase in the other variable. Either turnover has negative correlation with all other variables meaning that turnover decreases with the increase in other variables. Results show that the coefficients of the relationship are significant which implies that changes in one variable may lead to a significant change in the other variables.

Also measured variables were tested and revealed good reliability focusing on Cronbach's Alpha test. Variables revealed as follows; vigour 0.788, Dedication 0.758, Absorption 0.761, Productivity 0.879, Innovation 0.875 and Turnover 0.901. This implies that all measured variables were consistent.

The Relationship between Employee Engagement and Employee Productivity

A multivariate regression model was applied to determine the relationship between employee's engagement and their productivity in the company. Employee performance the dependent variable was regressed against the three dimensions of employee engagement (absorption, rigor and dedication). To control for their influence on the relationship between employee engagement and employee productivity demographic variables were also included in the model.

Table 4 below depicts that, all the engagement factors are positively related to productivity and are statistically significant in explaining the relationship between engagement and employees productivity that is vigour (β = .215, p <. 05), Dedication (β = .288, p < .05), and Absorption (β = .299, p < .05) whereby engagement is measured by vigour, dedication and absorption. Results show that all demographic factors are insignificant in explaining the relationship between employee engagement and their productivity hence the positive relationship between employee engagement and productivity is attributed by engagement factors only. Results also show that final regression model explain 50.6% of the employee productivity in the organization and the remaining 49.4% is explained by other factors. The findings support *hypothesis I*, which was expected that employee engagement factors would be positively

related to employee productivity. This finding signifies the importance of stressing on ensuring employees engagement in the organization as it plays a big role on employee's productivity.

Table 4: Relationship between Employee Engagement and Productivity

Variable	Coefficients[a]		
	Beta	**t**	**Sig.**
(Constant)		-.027	.979
Vigor	.215	2.022	.046
Dedication	.288	2.399	.018
Absorption	.299	2.690	.008
Age	-.014	-.118	.907
Gender	.005	.074	.941
Education	-.001	-.009	.993
Experience	.096	.793	.430

a. Dependent Variable: PROD

Relationship between Employee Engagement and Organization Turnover

A multivariate regression analysis was used, with the help of IBM-SPSS Version 19 computer program, to assess the influence of employee engagement on organisation turnover. Employee performance the dependent variable was regressed against the three dimensions of employee engagement (absorption, rigor and dedication). To control for their influence on the relationship between employee engagement and employee turnover demographic variables were also included in the model.

Table 5 below shows that, the relationship between employee engagement and employees turnover is statistically significant except for vigour which is (β = -.050, p >.05), while others were dedication (β = -.525, p <.05), (β = -.204, p <.05). Further employee engagement variables have negative relationship with employee turnover. Also demographic variables are insignificant in determining the relationship between employee engagement and employees turnover.

Results show that the final regression model explained 52.2% of the variance in Employee turnover (r^2 = 0.522, p < .05). These findings support to *hypothesis II* that employee turnover decrease with increase in employee engagement.

Table 5: Relationship between Employee Engagement and Organization Turnover

Variable	Coefficients[a]		
	Beta	**T**	**Sig.**
(Constant)		12.382	.000
Vigor	-.050	-.477	.635
Dedication	-.525	-4.448	.000
Absorption	-.204	-1.867	.045
Age	-.024	-.202	.841
Gender	-.062	-.886	.378
Education	-.074	-1.051	.296
Experience	-.026	-.223	.824

a. Dependent Variable: TURO
Source: Field data (2015)

Relationship between Employee Engagement and Innovation in the Organization

Hierarchical multiple regression was used, with the help of IBM-SPSS Version 19 computer program, to assess the influence of employee engagement on employee innovation. Employee performance the dependent variable was regressed against the three dimensions of employee engagement (absorption, rigor and dedication). To control for their influence on the relationship between employee engagement and employee productivity demographic variables were also included in the model.

Table 6 below depicts that, the relationship between employee engagement and employees innovative behaviour is statistically significant that is vigour (β = .204, p <.05), dedication (β = .333, p <.05), and absorption (β = .216, p <.05). All engagement variables have positive relationship with innovation meaning that increase in engagement lead to increase in innovative behaviour among employees. Also demographic variables are insignificant in determining the relationship between employee engagement and employees turnover. Further results show that the final regression model explained 48.4% of the variance in Employee turnover (r^2 = 0.484, p < .05). These findings support to *hypothesis 3* that employee innovativeness behaviour increase with the increase in employee engagement.

Table 6: Relationship between Employee Engagement and Innovation in the Organization.

Variable	**Coefficients[a]**		
	Beta	**T**	**Sig.**
(Constant)		-1.156	.251
Vigor	.204	1.877	.047
Dedication	.333	2.710	.008
Absorption	.216	1.900	.006
Age	.127	1.030	.306
Gender	.129	1.768	.080
Education	.069	.946	.347
Experience	-.071	-.573	.568

a. Dependent Variable: INNO

DISCUSSION OF RESULTS IN RELATION TO OTHER SCHOLARS

Results of this study support social exchange theory which holds that, rules of exchange usually involve reciprocity or repayment rules such that the actions of one party lead to a response or actions by the other party (Cropanzano and Mitchell, 2005). As the findings conclude, if you treat well your employees they will in turn get engaged to the work and therefore find difficulties to detach themselves from the company. Moreover, the observation of the negative relationship between employee turnover and the engagement seem to match with the findings of other previous studies (Nahrgang, et al., 2011; Harter, et al., 2009; Gonring, 2008). In those studies the authors seem to draw identical conclusions by noting the impact of employees' engagement on the employees' efficiency and the likeliness of showing up to work. In their studies they observed that, the more engaged are the employees the more interested they will be to work for the interest of the employer.

Results of engagement and turnover are also in agreement with the study done by Agoi (2015) who studied the effect of work engagement and employee turnover intention in public institution. The study findings indicated a negative significant effect of dedication and absorption on turnover intention. It is therefore important for organizations to employ individuals with a secure attachment style since they are more likely to experience at work. In addition to that, it is of paramount importance for the organization to reward dedicated employees by promoting them. The organizations should therefore design employees job schedule in such a way that they can find meaning and purpose in the work that they do. Furthermore, the findings of this study seem to match with those of Solomon and Sandhya (2010). In their study on the employee engagement as the key to improving performance in India they determined employee engagement is the stronger predictor of positive organizational performance.

On the other hand, the findings on the influence of employees' engagement on innovation seem to be in agreement with the study done by Rao on 2010. In his study he observed a direct cause and effect relationship between employee engagement and organizational innovation. It is concluded that in the face of unprecedented economic, social, demographic and environmental challenges, organizations need to direct their efforts at mobilizing the creative potential of all its human capital (employees and customers) to contribute new ideas and help organizations to move forward. Therefore the study found that employee's performance in Tanzania increases as they get more engaged into their organization. Tanzania researchers may use this research as the basis for researching good ways for engaging Tanzanians in their job.

CONCLUSION AND IMPLICATIONS

This study examined the influence of employee engagement and organisation performance in Tanzania context. Competent telecommunication companies namely Tigo Tanzania, Vodacom Tanzania, and Airtel Tanzania. The study had three objectives: (i) to determine the influence of employee engagement on employee's productivity, (ii) to determine the relationship between employee's engagement and their turnover in the organisation and (iii) to examine the relationship between employee engagement and their innovativeness in the organisation.

Through Multiple Regression analysis, the study found out that employees engagement being measured by vigour, dedication and absorption relates to organisation performance that was measured by employees' productivity, turnover and innovation. On the aspect of productivity the study found that employee engagement has strong positive relationship with employee's productivity as shown in Table 6 on the other hand, the study found that employee engagement relates inversely to their turnover table 6. Finally the study found out that employee's engagement influence their innovative behaviour at work as shown in Table 5.

This study further identified employee engagement variables that predict employee's productivity, turnover and innovation which subsequently determine employee's performance taking into consideration employees as a measure of organisation performance. (Lebans & Euske 2006). The study has established that for the employees' performance to be good organisations should attain employee's vigour, dedication and absorption. This means that after employees are engaged into the organisation their performance increases. The findings of this study have also supported the general hypothesis that employee's engagement influence employees' performance.

THEORETICAL IMPLICATION

The study was guided by two theories being job demand and resources model (JD-R), and social exchange theory (SET) conceptualized in our literature to show the relationship between employee engagement and organisation performance. Study findings are in line with the used theories. According

to SET relationships evolve over time into trusting, loyal, and mutual commitments as long as the parties abide by certain "rules" of exchange (Cropanzano and Mitchell, 2005). Rules of exchange usually involve reciprocity or repayment rules such that the actions of one party lead to a response or actions by the other party. For example, when individuals receive economic and socio emotional resources from their organization, they feel obliged to respond in kind and repay the organization (Cropanzano and Mitchell, 2005).

Furthermore the study findings support Job demand-Resources model. JD-R model states that regardless of the specific stress-risk factors each occupation involves, these factors can be categorized in two general groups: job resources and job demands (Bakker & Demerouti, 2007). However Job demand and resources model did not stipulate the relationship existing between employee engagement and their turnover in the organization. Therefore the study adds to the theory the fact that for the performance to be good there must be a minimum level of absenteeism and turnover in the organization.

MANAGERIAL IMPLICATIONS

This study has established some engagement factors that can effectively determine employee productivity, turnover and innovativeness which in turn lead to organisation performance. The factors can be used by both public and private organisations in Tanzania to ensure the problem of employee job turnover is minimized while at the same time increasing employee productivity and innovativeness.

First, the study calls for managers of organisations to be creative in formulating and innovating better ways in order to create environment that will ensure employees' engagement with their jobs thence boost organisation performance as a result of increasing employees' productivity and innovativeness with decreasing turnover. The findings of this study will help the organisations management to be able to maintain and keep the best human resource in their organization, which is best for their confidence and prosperity. Second, organisations will decrease training cost resulting from training new employees caused by high turnover rate.

Third, the findings of this study can be used by managers in Tanzania as a base of giving much freedom to its workers so as they get exposed to new ways of doing things something that will stimulate their creativity and innovativeness at work. Fourth, organisation managers should use the findings of this study as a way of improving employee involvement into decision making on matters concerning their wellbeing when performing their duties; ensure good, friendly, supportive and well understood supervisor support in their organisations by supervisors showing the willingness to listen and support employees whenever they are required to do so.

Fifth, the managements of public and private health service facilities should improve the working condition of their employees through offering good training and development opportunities to employees, providing up to date technology when performing their jobs, encouraging flexibility of work and duties, ensure availability of needed drugs and equipment, and providing the job security for their employees.

Lastly, management of organizations can add value on their effort to this by gaining insight into vigour, dedication and absorption as engagement; and understand the perspective of the employee engagement in order to create program targeting any particular issues that may influence organisation performance through proper management of its employees.

POLICY IMPLICATION

Based on the findings, a number of issues would need to be addressed in order to ensure employee performance through proper employees' management by engaging their employees.

First the government of Tanzania and private organisations needs to review their recruitment terms in order to ensure employees engagement in their jobs. These terms will accommodate Working Conditions, Pay Equity, Supervisor Support, and encouraging the innovative culture by allowing employees to come with new ways of doing things.

Second based on the findings policy makers should come up with policies, which will ensure the rights, desire and needs of employees are being well considered in order to create the sense of engagement.

Further both private and public organisations should improve and develop the Human Resource Management capacity in order to speed up the processes of implementing employee engagement in their organisations.

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USEFULNESS OF ELECTRONIC BANKING TO SMEs: EVIDENCE FROM SMALL FOOD VENDERSBUSINESS IN KINONDONI DISTRICT

Alice Emil Kaale & Ulingeta O. L. Mbamba[33]

ABSTRACT

The purpose of this study was to determine the usefulness of electronic banking to micro enterprises, a case of small food vendors at Kinondoni District in the United Republic of Tanzania. The specific objectives were focussing on electronic banking enhancement of job performance, electronic banking facilitating growth of business, electronic banking reducing barriers to financial access; and also assessment of the extent to which electronic banking facilitates savings. The study was exploratory in nature and applied purposive sampling of 150 small food vendorsas well as their customers who experienced small food vendor services. Questionnaire tool was used to collect primary data from the sample. Canonical Correlation Analysis technique was applied to determine influence of predictor variable (Electronic Banking usefulness) tocriterion variables (Job performance, Growth of business, Reduces barriers to financial access and facilitates savings). The study findings explained by model significance are in recommendation of adopting and adapting electronic banking in the micro enterprise (small food vendors) as it aids in Business growth, Increase Job performance, Increased Savings and reduces barriers to finance. Also embrace the technology due to other benefits.

Keywprds*: Usefulness, Electronic banking*

INTRODUCTION

Services, maybe more than products, need proper distribution to reach the final consumer. Delivering services to customers include decision on place and time of delivery, which may involve physical, electronic distribution channels or both depending on the nature of service being offered. Service providers must consider whether customers need to visit the service premises or to go to customer premises, depending on the nature of service whether high contact, medium contact or lowcontact service.

Currently, food vendors at Kinondoni District offer services at front stage and payment is offered in cash basis, this hinders financial cash flows of the traders and makes it difficult to trace standing/financial positions of their businesses. Introduction of electronic payment, such as mobile payments and mobile banking among others, is expandsin developing countries and this cuts across all business sections. Food vendorsis part of a micro, small and medium enterprise community and participate fully in electronic and mobile banking but it is of less notice to them that this can change the financial positions of their businesses.

The use of mobile phone, telephone and personal computers or internet access has been significant infulfilling a variety of banking transactions with lesscost and time. Mobile banking is now advantageous weapon in survival of bank operations, delivery and competition against others, especially when traditional ways are fading. So branchless banking to increase the use of financial services among

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individuals of all levels from low to high income earner and is becoming popular in many developing countries. Small and medium enterprises (SME) are defined in multiple benchmarks, the size of capital employed in manpower directly engaged, machinery and sales turnover (Ernst & Young, 2009). SMEs are categorised into four main groups where they are classified according to number of employees and working capital invested micro, small, medium and large enterprises. Although at some circumstances, these indicators don't exactly match, either of the two can exceed the other or be below, as for this study the researcher considered micro enterprises basing on small food vendors at Kinondoni District Tanzania.

Identifying financial position of smallfood vendors (micro enterprise) isnot an easy task as food vendorsdon't have records showing their venture position, growth and income turn over. Lack of systematically traceable records reduces their chance of financial viability as many lending and financial institutions need to trace back these records to establish the venture potential ability before issuing any form of financial assistance. Increase of mobile payment and banking system growth in least developing countries (LDCs) creates easy access to financial services such as accounts opening, mobile money, mobile lending and mobile savings. These services are being increasingly targeted at the unbanked to bring formal financial services to micro enterprises. Mobile banking has become easy, less costly, and convenient thus a secure way of transferring finance through person-to-person, person-to-business and business-to-business transactions. These services have aided micro enterprise to have traceable financial records that can be used as financial evidence and collateral for seeking financial assistance from lending and financial institutions such as banks, Sacco's among others.

STATEMENT OF THE PROBLEM

Micro enterprises in Tanzania are having difficulties to access financial services due to the viability of their business ventures. This is so as lending institutions have tight policies and procedures of accessing finances, which need SMEs to have traceable and good financial statements that show the growth, size and viability of a business venture. With these strong policies and procedures attached to financial assistance the micro-enterprise tend to shy away from financing bodies and still run their business ventures with small capital and rudimentary means.

Financial institutions and telecommunication companies are expected to positively respond to these changes and moves towards electronic banking so as to innovatively serve the customer with desired products. Furthermore, banks have entered into business partnership with telecommunications service providers to link customer banks accounts and mobile money for ease service access. Although the service is in the hands of customers, not all customers seem to be conversant with the new technology and the penetration is still low. There is a need for financial institutions and telecommunication companiesto communicate on benefits of using mobile banking to assist increasing the number of users' especially micro enterprises (smallfood vendors).

Experience obtained in large organizations can not necessarily be applied into small and micro enterprises (Lussier & Sonfield, 2015). Furthermore, despite of showing success in others areas(Mbamba, 2014; Ntemi & Mbamba, 2016), information and communication technologymay also prove to be a challenge to other areas. The sensitisation of micro enterprises on the benefits of mobile banking will reduce the gap between these firms (micro-enterprises) and lending bodies as mobile banking will facilitate electronically traceable financial statements of these businesses in form of savings accounts, cash flows and it's from this that credibility to business borrowing capacity will be reviled to the lending institutions.

OBJECTIVE AND SIGNIFICANCE OF THE STUDY

The general objective of the study is to determine the usefulness of electronic banking to Micro enterprises a case of small food vendors at Kinondoni District found in the United Republic of Tanzania.

The specific objectives of the research are

To examine the extent to which electronic banking enhance job performance;
To examine the extent to which electronic banking facilitate growth of business;
To examine the extent to which electronic banking reduce barriers to financial access; and
To examine the extent to which electronic banking facilitate savings.

The findings of the study will add to existing body of knowledge the usefulness of mobile banking to SME's and discuss the (what) extent to which mobile banking assists in promoting and improving their businesses. The findings will assist policy makers and regulatory bodies to strengthen, add, modify existing policies and new policies on mobile banking, and promote enabling environment for efficient operation of the service and add to any gap especially on laws regarding cybercrime and other online frauds and transactions.

The findings will be of help to micro enterprises (food vendors), telecom companies and financial institutions especially banks. As for the food vendors who had no insight of the existing benefits will be enlighten of the benefits after use, and will have the chance to express what they expect and desire from the service providers'. For the sake of telecom companies the findings will help them know what and where to improve to target the SME segment. Banks will get ideas on how to tailor make their products and modify according to the segment profitability.

LITERATURE REVIEW

Theoretical Framework

For this study Delone and McLean (1992; 2003) models of information systemsuccess and Technology Task Fit(TTF) are used to analyse the usefulness of mobile banking to SME's in Tanzania. Delone and Mclean developed a model with six variables of information quality, system quality, system use, user satisfaction, individual impact, and organizational impact as to analyse what determines success or failure on an information system, they further proposed that system quality and information quality are the two variables that influence system use and user satisfaction while individual impact is determined by system use and user satisfaction which further impacts an organization. Their model grabbed the attention of practitioners and researchers as it highlighted both human and technological elements of system use(DeLone & McLean, 1992). Delone and Mclean later updated the model after several research reviews, Delone and Mclean adapted the updated model to measure the challenge of electronic commerce systems which consisted of system quality, information quality, service quality, usage, user satisfaction and net benefit. The study also acknowledges others models as well (Seddon, 1997).

Both Delone and McLean (1992; 2003) models show the relationship between use (or intention to use) to net benefits (individual and organizational impact). In the context of small food vendors who aspire to grow, the net benefits could be summarized as performance, growth of business, reduction of barriers to

financial access and increased savings. Technology Task Fitmodel explains how tasks, technology and individual characteristics have effects on technology fit. According toGoodhue and Thompson(1995), the theory explains how task requirement is related to technology adopted and also how TTF assists in decision making. The importance of TTF is explained in processing information. Different degree of perception of TTF is associated with different outcomes. The model further elaborated interactions between individual characteristics and TTF whereby Individual characteristic requires different kinds of technical functionality that are associated with the functionalities of a technology. In a summary, individual characteristic is related to positive individual performance through a good fit of technology.

This model is significant to this study as itexplains how mobile banking services fit the use of micro-enterprise in a way that service provided by mobile banking such as Savings account, payment and money transfer services are useful to small food vendors' s business activities. Guand Wang (2009)explainedTTF on individual traits or characteristics on web based decision support system at Indiana University of Pennsylvania.

EMPIRICAL REVIEW

Empirical review elaborates studies done by other scholars on micro enterprises and mobile bankingfocus was on objective, methodology, findings and conclusion in relation to relevance of this study.

Information Systems Usefulness Concept

There are a number of definitions of what constitutes information systems usefulness, but the most common one was provided by Davis (1989) when he studied perceived usefulness (as a stimulus) to usage (as response). In this case usefulness was distinguished from usage. Davis (ibid) defined usefulness as benefit from use and usage as actual usage. The model construct is perceptual due to its origin from as it was derived from the theory of reasoned action model. The construct has been studied as both predictor and criterion variable (DeLone & McLean, 2003).

Branchless Banking

Rosen(2013)examined whether the use of mobile banking and agent banking can live up to the promise of lifting the welfare of low-income earners in Kenya. Potential welfare gains that were identified and these gains were later explored in a household survey. The survey explained the effects from these non-traditional channels on low-income individuals based on their ability to invest, to save, and to consume as well as the effects on their overall welfare in terms of food security and health.The researcher used both qualitative and quantitative method and data collection was conducted using house hold surveys and focus groups were formulated and questionnaires distributed to random sample of 150 respondents. The purpose of the survey was to examine the impact of mobile banking and agent banking on low income households in terms of saving, consumption and overall welfare.Finding of Rosen (2013)on the branchless banking in Kenya includedincrease in transaction that was as a result of widened availability of media to transact using mobile banking. Focus group claimed to have increased the number and amount of money transacted since they started using the services, increase in savings in urban, increase in consumption of mobile banking increased by house hold, and overall welfare improved. Rosen (2013) research is of importantto this research as it's adopted from least developed countryenvironment with typical evidence from Kenya where by the economic state, financial welfare of low-income earners are similar to Tanzanian economy as this study is streamlined to SME's at Kinondoni. This implies that that electronic banking would result to increased access of remittance, savings, credit and insurance of which these variables have direct relation to this study.These variables support this research as they fall in increased saving, growth and job performance, while the overall outcome is being brought by reduced barriers to banking services.

Although main focus of financial institutions is to expand access of their services to customers this focus now goes further on electronic banking and mostly mobile payment innovations as is believed that alternative banking channels increases service accessibility and lower cost to customers and institution as well ((Ivatury & Mas, 2008). It should be noted that mobile banking is no longer luxury but has now become a necessity and from this will improve financial reporting, savings among others of smallfood vendors as this will avail financial information when needed.

Impact of Mobile Payments on the Success and Growth of Micro-Business

Mbogo(2013)investigated the success factors attributable to the use of mobile payments by micro-business operators. Mbogo(2010)'s researchlooks at the factors that account for the mobile payments fast acceptance among the micro business operators and at the level of actual usage of the mobile payments by the micro business operators. The researcher applied the Technology Acceptance Model (TAM) to get a better understanding of the micro business entrepreneurs' behaviour of using the mobile payment technology to influence the micro business success and growth. The factors that enhance the behavioural intention to use the mobile payment technology and the actual usage of this new technology by micro businesses are highlighted. The study was based on a survey conducted through administration of questionnaires.Data analysis reveal that convenience of the money transfer technology and its support, accessibility, security and cost factors are related to behavioural intention to use and actual usage of the mobile payment services by the micro businesses to enhance their success and growth.

Micro business users of the mobile payment expect more support from both the mobile payment service provider and from the government such as increased minimum daily transaction amounts and reduction in congestion of the service lines. Actual usage of the mobile payment is however, significantly correlated with all the other constructs suggesting that the micro business operators perceive that the use of the mobile payment services is advantageous to them with regard to its convenience, support, cost, satisfaction and safety.

Mbogo (2013) considered easy accessibility of fund and point of sales, less transaction cost of mobile as compared to bank chargers, convenience associated with using electronic banking, security of having virtual money and perceived support from mobile money as variables that contribute to success and growth of business. These variables are in line with my objective as they fall in increased saving habit, the convenience of service go hand in hand with facilitating job performance and all together assist in growth of business.

Omwansa(2009)elaborated thatmoney holding security has increased as people walk with virtual money knowing in mind they can withdraw cash anywhere and anytime at minimum cost and time. The convenience portrayed by mobile money has brought many users to having access to it than those having access to banking services. The study showed the advantages that business owners get after using the electronic banking facilities, it revived that mobile banking is of essence to micro-business or enterprise as this easy cash flows, savings among other financial implications to their business and it's from this that significance to the study is derived hence justifying the importance ofMbogo (2013)'s study.

Exploring use of Mobile Banking Services

Makore(2010)studied the actual usage of the mobile banking platform by the urban low income earners, purposes and in what situations is the mobile banking facility being used, the factors that have inhibited or enhanced use of the mobile banking facility and finally the benefits, opportunities and/or challenges that mobile banking has presented for users. The study was an explorative study on the usage behaviour of mobile banking by urban low income earners in South Africa. Snowball sampling was then used to complement the purposive sampling technique as a sample of low income earners. A case study of Wizzit

Bank was used. The study observed that most of the users are not necessarily previously unbanked people but constitute the under banked group in financial inclusion. Although most of the respondents revealed that facilitating transactions via the phone were easy, some elderly women were technologically challenged. Also the study shows that the unbanked and under banked require a set of financial services that are not merely payments or merely bank accounts. This study assist in indicating the benefits users get after using mobile banking, challenges that the less literate group get when using. And users are limited by their families and economic status. Yet the study traces that convenience, flexibility, safety and affordability of mobile banking as the important variables that users expect as benefits after use. Of which these correlate with reduction of barriers to financial services as for it being convenient and affordable people of all economic levels get encouraged to save and use the service as means to assist in growth of business and job performance.

Morawczynski and Pickens(2009) focus on mobile banking users' outcome was that users of mobile banking use it to complement in formal savings system and is now being used in conjunction with informal savings systems within savings groups. Convenience, ease of use and access has encouraged the under banked and unbanked to use the service to do transactions.

Information and Communication Technology and Impact on Profitability of SMEs

Esselaar, Stork, Ndiwalana and Deen-Swarray(2008)demonstrated that informal SMEs have a higher profitability than formal ones. The article further explains that ICTs are productive input factors and their use increases labour productivity for informal as well as formal SMEs, it further argues that there is still demand for fixed-line phones among SMEs but that mobile phones have become the default tool of communication because fixed lines are either too expensive or not available. The SMEs sample was based on target lists in the capital of each country and two other, economically significant, urban locations. The businesses were selected based on their profiles, no random sampling procedure was used. Business activity qualitative questions were asked and the response to it used to classify SMEs in terms of International Standard Industrial Classification. The traditional focus on formal businesses particularly in terms of financial support undermines the informal sector role in the economy. Its impact does not diminish despite the fact that it is difficult to measure. Although informal businesses are more profitable than formal ones raises the issue that some businesses might prefer not to use the formal environment. Esselaarand others (2008)identified that mobile phones have overtaken computers as tools in supporting the running of SMEs, given their prevalence and accessibility which provide SME with a low cost base and at the same time the flexibility to communicate with suppliers and customers easily, these attributes get in line with my research focus on the benefits users get when using mobile banking specifically SMEs.

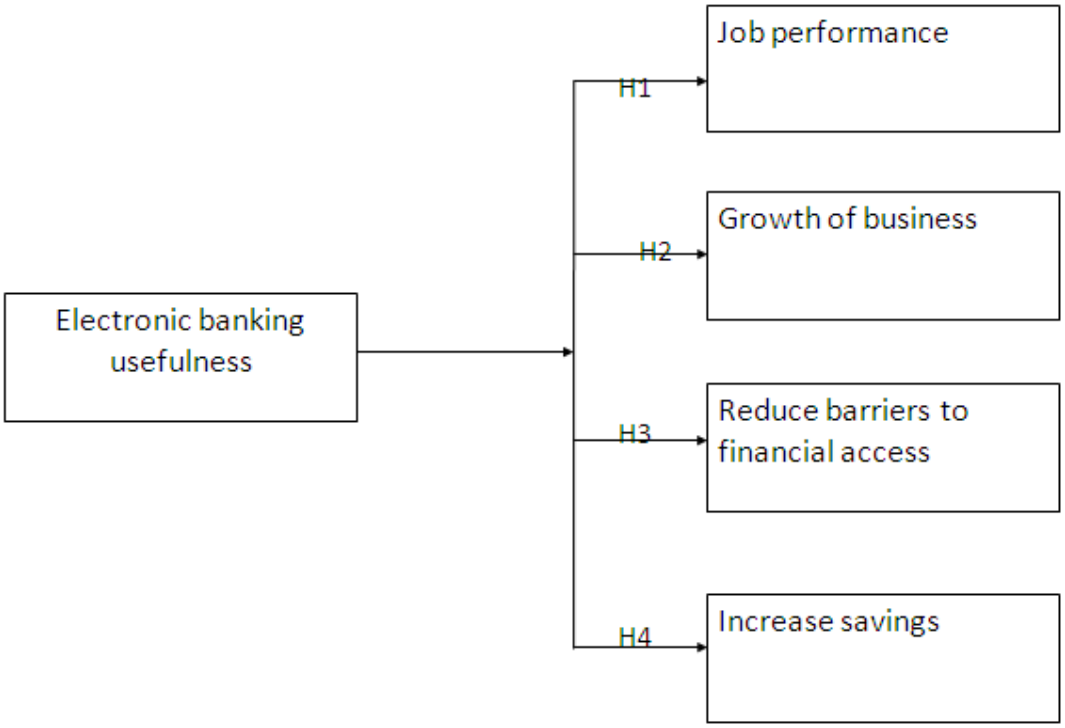
LikewiseBångens and Söderberg(2008) found that users are not necessarily prosperous as most are informally employed, some are formally employed with low paying jobs and others observed in this study are under banked pensioners. The formal banking sector is not meeting the needs of these underserved clients and therefore they seek alternatives like mobile banking that meet their needs.

CONCEPTUAL FRAMEWORK

The proposed conceptual frame work in this research study is based on the underlying assumption that introduction of electronic banking in Tanzania has played a vital role in the SMEs business enhancement

as suggested by the dependent variables that are; job performance, increased savings, reduction of financial barriers which are triggered by the independent variable (Electronic Banking Usefulness)

Figure 1: Conceptual Framework Model



Source: Literature Review

HYPOTHESES
H1: Electronic banking usefulness has influence on job performance.
H2: Electronic banking usefulness has influence on growth of business.
H3: Electronic banking usefulness has influence on reducing barriers to financial access.
H4: Electronic banking usefulness has influence on increasing savings.

METHODOLOGY

The researcher in this study based on positivist philosophy. Though there are others which are interpretivist, pragmatist and realist. Positivism is the view of reality using some established formulae, knowledge, by rules and principles. The results obtained were not influenced by the researcher. The researcher's role is to test laws while being detached from what is being studied(Saunders, Lewis, & Thornhill, 2007). The researcher used both primary and secondary data. Primary data was gathered through questionnaires and secondary data from books, reports and journals. Exploration research design was used as usefulness subjective, and depends on opinions of individuals. The researcher used a finite universe of which the number of respondents is certain. The researcher used simple random sampling technique where by a sample of 150food vendors was obtained from Kinondoni District who represented the entire food vendors'population. Simple random sampling is employed because the research is non experimental form of research.

Data Collection Methods

Questionnaires are important instruments in data collection as they are easily managed. The questionnaire comprised closed-ended whereby closed-ended questions give the researcher the responses desired while open-ended questions are subjective according to respondent view.

Data Quality

In this research study, data quality is in relation to data validity and reliability. To ensure reliability Saunders, Lewis andThornhill(2007)explained test measure which include test re-test, internal consistency and alternative form. For this study the researcher usedCronbach's alpha to measure validity and reliability. Validity is concerned with the extent to which a test measures what it claims to measure. A test need be valid so that the results can be accurately applied and interpreted.

Data processing and Analysis

The researcher adapted canonical correlation as the method explores the relationships between two multivariate sets of variables (vectors), all measured on the same individual. The method is used to identify and measure the associations among two sets of variables and is appropriate in the same situations where multiple regression would be, and where are there are multiple intercorrelated outcome variables. Canonical correlation analysis determines a set of canonical variants, orthogonal linear combinations of the variables within each set that explain best the variability both within and between sets.

Operationalization of Concepts

All the key variables were operationalised using five point Likert scale of five using Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

Electronic Banking Usefulness

Electronic Banking is defined as use of computers to carry out banking transactions like withdrawals through cash dispensers, transfer of mobile funds or transfer of funds at point of safe. Davis, Bagozzi, and Warshaw(1989)defined usefulness as the prospective user's subjective probability that using a specific application system will increase his or her Job Performance within an organizational context, therefore electronic banking usefulness in the perception users have that when they use mobile banking technology their job performance is increased.

For this study the term electronic banking usefulness is adopted from Technology acceptance model where use of mobile banking or electronic banking increases job performance, enhance business growth, reduced barriers to financial access and encourage saving habit of smallfood vendorsbusiness at Kinondoni district in different aspects as indicated in section F of the questionnaire. Specifically, the below listed questions appeared in the Likert scale: Reduce transaction cost, Increase money holding security(virtual money), Increases accessibility (withdraw, sending and receiving), Reduce proximity barrier, Facilitates credibility

Job Performance

Sonnentag, Volmer and Spychala(2010) state that the concept and definition of job performance has received considerable scholarly research attention over the past 15 years, further stated that performance has to be considered as a multi-dimensional concept that is behavioral aspect (process aspect) refers to what people do while at work, the action itself thus it encompasses specific behavior such as sales conversations with customers, teaching etc. And outcome aspect is referred to as the results of individuals' behavior.

This study is adopting job performance from Sonnentag, Volmer and Spychala(2010) to analysis the relationship between electronic banking and job performance of food vendors at Kinondoni, the variable of job performance as Increase job efficiency, Increase job effectiveness, Increase job deliverance rate, Reduce time to do transactions, Increase job performance.

Business growth

Gupta, Guha and Krishnaswami(2013)state that literature on small and medium enterprises (SMEs) suggests that all SMEs go through different stages of growth, also commonly called as life cycles. Though the terms used by different authors may vary, the events through which each enterprise passes remain more or less the same. Therefore for this study, business growth is defined as evolution of a firm from initiation stage, maturity to decline stage. Gupta and others (ibid) further stated that business faces various challenges and crises that contribute to enterprise's success.

This study suggests that electronic banking is one of the factors that contribute to organization challenges, as elaborated in section C the questionnaire the variables of sales volumes, market base among others are due to use of mobile banking to ensure business growth. Therefore this study adopts business growth from various literatures especially Gupta, Guha and Krishnaswami(2013) as to elaborate the relationship between mobile banking and business growth at food vendors in Kinondoni district. The study used Increase Sales volumes, Increase market base, Widen customer payment modules, Increases credibility, Facilitate business growth as the study variables.

Financial barriers

Claessens(2006)study on barrier to financial access is dominated by the New Institutional economics and focuses on market failures and transactions costs. The theory suggests that barriers associated with physical distance, documentation requirements and so on will lead to transaction cost and market failures. Branchless banking has made financial products more accessible for people in remote areas through mobile banking and agent banking. This increased accessibility reduced the proximity barrier as access of service is obtained without having actual branch. This study suggests that electronic banking has reduced barriers to access financial services, like proximity, information, documentation, high cost barriers. From this then barrier to financial access is adopted from other literatures to give the relationship between it and using electronic banking: Increase Access to Loans, Increase electronic Savings, Reduce documentation procedures, Helps in electronic Cash flow monitoring and Increase access to transaction services.

Saving

Kunt, Beck and Honohan(2008)in their study demonstrated that ability of individuals to save and get interest on their saved money normally smoothens consumption overtime to fit their consumption behaviour. Savings protect individuals as it acts like buffer so this builds security and assurance at times of unexpected situations. Apart from financial institutions, electronic banking and specifically mobile money has helped to pool savings. The research used the following questions to measure savings: Easy access to saving accounts, Provide flexible savings time, Facilitate convenient savings (no Physical place), Act as buffer to financial uncertainties, and Facilitate saving habits.

Other Variables

This study considered the Sex of sample population among the small food vendors community in Kinondoni, thus the ratio of adoption of mobile banking between male and female was analysed. Also analysis of level of education amongst small food vendors' population as to determine what level can easily adopt mobile banking to enhance their small food vendors business. Furthermore age variable was taken into consideration as to analyse the average age of small food vendors' population that engage their business with mobile banking.

Data Presentation, Analysis and Discussion

Respondents' Profiles

The study involved 150 respondents from SME'S categories of Small food vendors at Kinondoni district with the following profile. The summary of various ample characteristics are presented in Table 1.

Table 1: Sample Characteristics

Sex	Frequency	Percent
Male	51	34
Female	99	66
Total	150	100
Age Bracket	Frequency	Percent
16-25	32	21. 3
26-40	76	50. 7
41-55	42	28
Total	150	100
Education Level	Frequency	Percent
Elementary	74	49. 3
Secondary	62	41. 3
College	14	9. 3
Total	150	100
Business Duration	Frequency	Percent
Less Than 1 year	39	26
Between 1 and 5 Years	60	40
Above 5 Years	51	34

Total	150	100
Number of Employees	Frequency	Percent
1-5	103	68. 7
6-10	47	31. 3
Total	150	100

The above explains that nearly 40 % of the respondents where male who either are small food vendors or have experienced small food vendors services while 60 % of the respondents were female who might have had similar experience. The researcher wanted to investigate the gender impact on the business and the on usage of mobile banking of which turned it majority of food vendors business in Kinondoni District are female.

Majority of the respondents were at the age bracket of 26-40 whose percentage was around 50%, meaning that national average working population is between 26-50 thus was able to provide credible findings on their mobile banking usage in relation to Small food vendors service, also this illustrates that nearly 20% of the respondents were between 16-25 age bracket, meaning that this is a slightly active population in the nation however their findings were also credible for this study and finally age bracket 41-55 we around 30% thus having credible findings for this research.

This category was considered so as to find individuals of what level of education fall into the business and still use electronic banking facilities. From the table majority of respondents have elementary education which is around 50% indicating that their illiterate level is the basis one. And around 40% of respondents have secondary education and nearly 10% obtained college education. The findings indicate that the majority business participants have low education level followed by medium and very few of college level

This was captured to find the impact of mobile banking on length of business. 40 percent where in existence for 1 year to 5 years, 26 percent of the business where in existence in period of less than 1 year while 34 percent were in existence for more than 5 years. This implies that mobile banking supports the growth of this business and the business development lifecycle is at 5 years where the business later declines. The data presented seems to present the population of small scale food venders.

Model Summary (Canonical Correlation Analysis)

The study used canonical correlation analysis for findings, data presentation, and interpretation. The canonical correlation analysis was conducted using four predictor variables of the criterion available to evaluate the multivariate shared relationship between the two sets of variables. Furthermore, the aim of the study was to test the hypothesis as the specific objectives of the research questions and also to determine the level of significance of the conceptual model.

In the process of conducting canonical correlation analysis, first all variables were condensed in five items that is, electronic banking, job performance, growth of business, reduce barriers to financial access and facilitate savings. The dependent variables are job performance, growth of business, reduce barriers to financial access and facilitate savings and independent variable is electronic banking usefulness. The arithmetic means were calculated for each variable to be in position of conducting canonical correlation Analysis by using multivariate analysis of variance.

The syntax created an overwhelmingly large output. The output started with a sample description and then showed the general fit of the model reporting Pillais's, Hotelling's, Wilks's and Roy's multivariate criteria. The commonly used test is Wilks's lambda (λ), but found that all of these tests are significant with p<. 05.

Table 2:Effect within cells regression

Name	Value	Approx.F	Hypoth.DF	Error DF	Sig.of F
Pillais's	0.30645	16.018	4.00	145.00	.000
Hotelling's	0.44187	16.018	4.00	145.00	.000
Wilks's	0.69355	16.018	4.00	145.00	.000
Roy's	0.30645		4.00	145.00	.000

Source: Data analysis 2015

Table 2 shows the full model across all functions was statistically significant by taking into account into four methods using F statistics, now by using the Wilks'sλ= 0.69355 criterion, F (DF, Error DF) =F (145.00) = 16.01763, the sig of F is 0.000 which less than p value (0.000 <.05). Wilks'sλ represents the variance unexplained by the model, then, 1–λ that is 0.30645 yields the full model effect size in an r2 metric. Thus, for the canonical function in the model, the r2 type effect size was 0.30645, which indicates that the full model is explained by only a minor portion, about 30.65%, of the variance shared between the variable sets.

From the conceptual model in relation to the general aim of the study, it can be stated that the model is significant in that there is association between the independent variable in supporting the dependent variables.

The Canonical Correlation for the Function

The Canonical Correlation Analysis for the function was used to find out amount contributed in the function by considering the value square of correlation and the Eigen value which also contribute in general linear model.

Table 3: Eigen values and Canonical Correlations of dependent

Root No.	Eigen value	Pct.	Cum.Pct	Canon Cor	Sq.Cor
1	.44187	100.00000	100.00000	0.55358	0.30645

Table 3 shows the results of the independent variable (electronic banking usefulness) on dependents (job performance, growth of business, reduction barriers to financial access and facilitation of savings), that is the value that the shared variance of a full model is explained by only 30.645% and a canonical correlation of 0.5535 and Eigen value of the canonical root 0.44187.

Association between Independent and Dependent Variables

To test for association between the two sets of variables, regression analysis was used. The regression analysis was used to estimate mobile banking usefulness as predictor variable for all four dependent variables; job performance, growth of business, reduction barriers to financial access and facilitations on. For all, adjusted r-squared is around 20% (statistical test for significance of the variables). All models are significant at 0.00. This indicates a moderate degree of goodness of fit of the regression models used which shows that there is existence of other factors.

Table 4: Statistical F testing the dependent variables

Dependent Variables	Sq. Mul. R	Adj. R-sq	Hypoth. MS	Error MS	F	Sig. of F
Job performance	0.222	0.217	1.701	0.040	42.246	0.000
Growth of business	0.175	0.170	1.620	0.051	31.491	0.000
Reduces barriers to financial access	0.206	0.200	1.824	0.048	38.361	0.000
facilitates savings	0.257	0.252	2.305	0.045	51.089	0.000

Table 5: Statistical Testingof Dependent variables

Dependent Variable	B	Beta	Std. Err.	t-Value	Sig. of t	Lower-95%	CL-Upper
Job performance	0.584	0.471	0.090	6.500	0.000	0.406	0.761
Growth of business	0.570	0.419	0.102	5.612	0.000	0.369	0.770
Reduces barriers to financial access	0.605	0.454	0.098	6.194	0.000	0.412	0.798
Facilitates savings	0.680	0.507	0.095	7.148	0.000	0.492	0.868

Hypothesis Testing

Hypothesis One: The Relationship between Electronic Banking Usefulness and Job Performance

The first hypothesis state thatthe existence of an influence ofelectronic banking usefulness for Small and medium enterprisesinfluence Job performance, this drew the specific null H0 and alternative H1 hypothesis as';

H0: Electronic Banking usefulness has no influence on job performance.

H1: Electronic Banking usefulness has influence on job performance.

This hypothesis was tested by using two tests that is F test and t test, above tables show the statistically significant test of the null hypothesis, in determining whether the null hypothesis is accepted or rejected. Table 4 shows that, F-value is 0.000 which <p=0.05 so (accepted)reject the null hypothesis and the values of t-value (Table 5) is 0.000 which also 0.000<0.05 which also reject the null hypothesis and accepts the alternative which drew the conclusion that electronic banking usefulness has positive influence on job

performance. The F- and t value tests were 42.246 and 6.5 respectively all significant at 0.000. These drew the conclusion that a significant influenced electronic banking to job performance. Thus meaning electronic banking has positive influence onjob performance of smallfood vendorsat Kinondoni.

From the analysis it is evident that electronic banking is significant in influencing job performance within small food vendors' community, thus meaning that Small food vendors should exercise the use of mobile banking as a tool to boost up job performance.

Hypothesis Two: The Relationship between Electronic Banking Usefulness and Business Growth

Hypothesis two stated the existence of an influence of Electronic Banking usefulness on growth of business, this drawn the specific null H0 and alternative H1 hypothesis are:

H0: Electronic banking usefulness has no influence on growth of business.

H1: Electronic banking usefulness has influence on growth of business.

The results in the last and the second last column of the Tables above show that, growth of business following is significantly positively that is influenced by electronic banking. The F- and t tests were 31.491 and 5.612 respectively all significant at 0.000. These have drawn the conclusion that electronic banking usefulness significantly influencesgrowth of business.

For business growth, the research wanted to know if electronic banking is significant in enhancing the growth of small and medium business as per use of associated technology, in conclusion the research revealed a positive association between electronic banking usefulness and business growth.

The research also showed that 5% of the total respondents had a different view of this association, they had negative thoughts that electronic banking is not significant for business growth especially small and medium scale enterprises (small food vendors). In conclusion, it is right to state that electronic banking usefulness is significant for business growth as system evidenced in Kinondoni small food vendors whose business.

Hypothesis Three: The Relationship between Electronic Banking Usefulness and Financial Access

The third hypothesis state that the existence ofinfluence of theelectronic banking usefulness on SMEs influenceon reducing barriers to financial access, this drawn the specific null H0 and alternative H1 hypothesis are

H0: Electronic banking usefulness has no influence on reducing barriers to financial access.

H1: Electronic banking usefulness has influence on reducing barriers to financial access.

The results in the last column of the tables above show that reduction of barriers to financial access is significantly positive that is influenced by electronic banking. The F- and t-tests were38.361 and 6.194 respectively all significant at 0.000. These have drawn the conclusion that electronic banking usefulness significantly influences reduction of barriers to financial access. It is evident that electronic banking is significant in reducing barriers to financial access within Small food vendors' community, thus meaning that Small food vendors should exercise the use of mobile banking as a tool to facilitate penetration to financial aids.

Hypothesis Four: The Relationship between Electronic Banking Usefulness and Increased Savings

The fourth hypothesis stated the existence of an influence of Electronic Banking usefulness for Small and medium enterprises on increasing financial savings, this drawn the specific null H0 and alternative H1 hypothesis are:

H0: Electronic banking usefulness has no influence on increasing savings.

H1: Electronic banking usefulness hasinfluence on increasing savings.

The results in the last column of the Tables above show that, financial savings is significantly positive that is influenced by electronic banking. The F- and t tests were 51.089 and 7.148 respectively all significant at 0.000. These drawn the conclusion that there is significant influence of electronic banking on financial savings. For business growth, the research wanted to know if electronic banking is significant in increasing savings of small and medium business as per use of associated technology, in conclusion the research revealed a positive association between electronic banking and increased savings.

CONCLUSION AND RECOMMENDATION

The study research problem was undertaking the significance of electronic banking to Micro enterprises a case of Small food vendors at Kinondoni District found in the United Republic of Tanzania, in conclusion micro enterprises are in a trend of adopting electronic banking as a way to secure their business growth through increased job performance, reduced barriers to finance through electronic lending schemes among others and also through increased savings as electronic banking is providing an alternative saving platforms for these kind of business structures. Besides the benefits associated with electronic banking, the study also explores more factors that cause business growth with the micro enterprises some of which include; government financial incentives, physical local of the business premises and others. Following the findings and analysis in this study, it's revealed that for electronic banking plays an effective role in aiding the growth of micro enterprise in Tanzania but the enterprises should also consider other factors.

IMPLICATIONS FOR THEORY

The study contributes knowledge to information technology theories:

DeLone and Mclean Information System Success Model: the study used this model to measure the usefulness of electronic banking to micro enterprises (small food vendors) as system quality measures essential elements which are availability of the system, reliability of the system, response time. Therefore for addition of knowledge, it's evident that the study respondents where fully informed of the information quality, benefits and risks associated and lastly service offered by electronic banking in support for micro enterprise business growth.

Technology Task Fit

For this study, researcher applied this theory to explain how Individual characteristics affect tasks done by technology and how it mediates between personal characteristics and decision-making for micro enterprises (small food vendors). For addition of knowledge, the researcher was able to impact knowledge in terms of establishing human behaviour in relation to job performance, the survey among the respondents showed that they were in agreement that human job performance would increase if they applied more electronic banking especially for the micro enterprises.

Implications for policy and practice

The research revealed that small and medium scale enterprisesshould undertaking electronic banking for business growth, job performance among others as the business will prosper if only the business guarantees maximum usage of the technology for all business transactions. The survey revealed the following implications to owners of micro enterprises in Kinondoni: Job Performance:There is a need for SMEs to use electronic banking as it improves their way of operating the business and make service delivery effective and efficient. Business Growth:Electronic banking has revealed its impact to Small food vendors' business survival as it facilitates business expansion.

Barrier to financial Access:It is evident that electronic banking provides' access to finance with less paper work, whereby financial access to micro enterprise is limited to only owning a valid and registered simcard therefore this implies that small food vendors should enrol for this services as it reduces barriers to micro finance used for business operation.

Savings:Electronic banking has aided the electronic saving platform for micro and macro business by providing electronic wallets that can save up to 5 million, therefore implying that Small food vendors can save their revenues at their convenience as this is a digital platform.

The survey revealed the following implications to public sector analyst; Service Providers:shouldenhance the relationship with micro enterprises as to provide better and vast electronic banking service as the technology is widely adopted and accepted within the micro and macro businesses.

Micro Enterprise Customer:it hasbeen noted in the survey that electronic banking provides non cash based transaction at customer's convenience for a better service thus customer of Small food vendors should widely adopt electronic payment whenever getting Small food vendors service.

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ACCOUNT RECEIVABLES MANAGEMENT PRACTICES BY SMES IN TANZANIA: A QUALITATIVE APPROACH

Evelyn M. Richard & Benedicto Kabala[34]

ABSTRACT

This paper focused on establishing the Tanzanians' SMEs' practices of managing debtors from the credit risk management perspective. The study used an exploratory approach and was informed by an asymmetric information theory. A point of saturation was reached at a fifteenth case.Content analysis was used in data analysis. Findings show that SMEs are aware of the importance of managing debtors. They use different means to screen prospective debtors. They further follow debtors so that they get paid on time. SMEs do not have completely different practices for monitoring and controlling debtors.That, the same methods used for monitoring are used for controlling bad debts.Informal networking, calling debtors and visit/following them to where they reside or work are mostly used in reducing asymmetric information problems. The paper contributes to the asymmetric information theory by stressing the importance of searching for relevant information concerning debtors while managing them. The results depict the formal credit risk management process used by SMEs and contribute to the literature on the actual methods used by SMEs in managing debtors. The results suggest however, that less costly methods of monitoring debtors should be sought and used.

Keywords: *Debtors; Credit risk management; SME*

INTRODUCTION

The importance of Small and medium Enterprises (SMEs) in any economy cannot be overemphasized. Literature indicates clearly that in developed economies, SMEs generate at least 60% of the Gross Domestic Product (GDP) in the United States of America (USA) (Ovia, 2001); create about one third of industrial jobs in the USA and the United Kingdom (Smit and Watkins, 2012;Yazdanfar and Öhman, 2014). In developing countries, they have greater economic benefits than large firms as they not only significantly generate employment to a large population but also utilize more of what respective country possesses and less of what it lacks (Mbura, 2014). In Tanzania, SMEs play more critical role in the economy through income generation (more than 20 percent of the GDP originates from SMEs), equitable distribution of income and thereby contributing to poverty alleviation (Mori, 2014; MIT, 2012; Hamisi, 2011; Ubabuko, Kavuwo, Adjei and Shahihuzzaman, 2010; SME Policy, 2003). Despite their importance, SMEs in Tanzania still face several challenges. Among them are; bad debts, insufficient working capital, lack of access to credit at a reasonable cost, high taxes, high cost of inputs, lack of trustworthy workers, lack of proper workplaces, harassment from the authorities and lack of access to utilities like electricity and water, to mention a few (MIT, 2012). Literature further, indicates that several SMEs survive for a short time since they started. Most of them fail due to poor working capital management (debtors, cash, account payable/creditors and inventory/stock) (Kahinde, 2011; Padachi and Howorth, 2013). Kahinde (2011) observed that most SMEs focus on cash receipts and what their bank account position is and ignore the other components of working capital which in most cases become their downfall. Working capital management is vital for all organizations as they are not only estimated to account for more than 80 percent of daily businesses (Peel, Wilson &Horowth, 2012) but also is the most important aspect of the overall financial management practices of any organization as they directly link with cash flows.

Kahinde (2011) explains that one of the biggest components of cash flows management is debtors' management. Debtors are among the major components of current assets (Madishetti and Kibona, 2013) and account for 30% to 35% of total assets. Peel et al., (2012) observed that 43.1% of manufacturing SMEs complain that bad debts pose a very important problem to their businesses. Also, 59.5% of them

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complain that late payment by debtors do create a significant problem to their businesses. CIMA (2009) showed that 20% of failed firms in the UK were caused by poor debtors' management. Management of debtors is therefore crucial to avoid cash flows difficulties. Empirical studies also indicate that SMEs are less liquid and experience more volatile cash flows and profits than large firms. Further, SMEs are more prone to be credit rationed by FIs because of among other things, be unable to be evaluated their risks, thus making them more cash constraints. There are evidences that firms fail because of insufficient liquidity though they experience sales growth (Ben, 2012).

Good debtors' management is therefore pivotal to the health of SMEs. Effective management of debtors assists firms to have adequate liquidity to meet not only short term obligations when falling due, but also conduct normal day to day operations. Eventually, creating value to shareholders (Raheman& Nasr, 2007) A good number of studies indicate the importance of debtors' management to businesses performance (Gill, Biger&Mathur (2010); Deloof, (2003); Ben (2012); Kahinde, (2011), Rafuse (1996); Jindrichovska, 2013; Peel et al., (2012); Gamze, Ahmet&Emin (2012) and Al-Mwala (2012)). Little is known however, about how SMEs manage their debtors in terms of screening and monitoring. This study fills this gap by establishing the debtors' management practices from the risk management perspective. Specifically, the paper asks: i) How MSMEs screen prospective debtors, ii) How MSMEs monitor debtors, and iii) How MSMEs control their debtors.

Klaras, (2014) explained that businesses that do not have a risk management system in place have a tougher time recovering debts than those where the business owners have taken steps to manage risk prudently. Managing credit risk arising from debtors cannot therefore be underestimated because customers are important for generating cash for businesses. The study is informed by the asymmetrical information theory which explains that giving trade credit provides solutions to informational asymmetries problems between buyers and sellers. The credit period permits buyers to reduce uncertainty concerning product quality prior to payment, while the seller can reduce uncertainty concerning buyer payment's intentions by prescribing payment beforedelivery or other mechanisms. The act by the seller can be looked at as a component of credit risk management.

The paper proceeds as follows. Section 2 presents the literature review followed by section 3, which presents the methodology. Section 4 presents the results and discussion, while section 5 concludes the paper.

THEORETICAL & EMPIRICAL LITERATURE REVIEW

Theory

Information asymmetry theory is based on the basic argument that in many markets buyer and sellers do not hold the same information at the same time (Akerlof, 1970). Buyers on one side use some market statistics in order to measure the value of a certain products. In this respect the buyer observes the average of the whole market. The seller on the other hand, has more intimate knowledge of a specific item or product on the market that he/she intends to sell. The information asymmetrical problem normally creates adverse selection and moral hazard problems (ibid).

Adverse selection problem is created by the ex-ante asymmetric information where by the seller may select a default buyer/debtor as a result of insufficient information concern the debtor. Moral hazardwhich is created by the ex-post asymmetric information refers to the situation where by the debtor takes actions not to repay the seller on time and instead use the money to meet his/her other own interests.

Literature explains that good firms sell on credit as a result of asymmetric information. That buyer is allowed to verify the quality of products before they make payments. Selling on credit mostly by SMEs on one side is one of the strategic tools in attracting new customers, building supplier-customer

relationship, signaling product quality and reputation (Peel, et al. 2012). On the other hand however, selling on credit cause cash flows or financing difficulties. Organizations therefore are compelled to finance their receivables through among others, short term borrowing. This is costly to organizations (Gill et al., 2010).

The theory suggests that it is difficult for the seller to detect and punish the opportunistic behavior of the buyer. The theory however, stresses the importance of screening, monitoring and controlling debtors, which is the main objective of this study. We thus argue that understanding how MSMEs manage their debtors is critical in finding appropriate solutions for overcoming the adverse and moral hazards problems.

Debtors Risk Management

A debtor is a person or entity that owes money. In other words, the debtor has a debt or legal obligation to pay an amount to another person or entity. The debtor is given a chance to pay for the debt at a later date according to the agreement. Debtor management is a strategy that involves the process of designing and monitoring the policies that govern how a company extends credit to its customer base. The idea behind the debtor management is to minimize the amount of bad debt that the company will eventually incur due to customers failing to honor their commitments to repay the total amount (Harris, 2014). A common goal of debtors management is to ensure debts are collected within specified credit terms (Pike and Cheng, 2001 cited in Leitch and Lamminmaki, 2009), and also to identify delinquent accounts and reduce the total trade credit which is written off as a bad debt (Jackling*et al*., 2004: 384; Peacock *et al*., 2003 cited in Leitch and Lamminmaki, 2009).

The process of debtors' management begins with evaluating potential customers in terms of credit worthiness, identifying a credit limit that carries a level of risk that the company is willing to assume, and then monitoring how well the customer makes use of that available credit, including making regular payments within the terms and provisions associated with the credit account (Harris, 2014). This process is well elaborated in risk management literature.

A formal risk management process involves risk identification, assessment, monitoring and control. Gao, Sung & Zhang,(2013) and Poba-Nzaou, Raymond &Fabi(2014)on one hand suggest that risk management practices in SMEs may be very informal, which, in turn, inhibit their being shared. Brustbauer (2014) on the other hand, found a number of examples of SMEs which take proactive approach to risk management. Peel & Wilson (1996) observed that 16% of SMEs with debtors in the UK do not keep debtors' records. Studies further indicate almost similar results in other developed (EU) countries (Widbong, 1997).Ben (2012) using a sample of 800 cross-sectoral SMEs from Ghana identified that 80% of the studied SMEs sell their products on credits; 47% set up credit policy to customers and 10% sell on credit to anyone who want to buy. The study found out further that majority of SMEs review their debtors' level on quarterly basis and 67% of them experience bad debts. Only 10% of SMEs however, employed credit officers.

Falkner &Hiebl (2015) used a systematic literature review method as used also by Transfield, Denyer& Smart, (2003) with the focus of identifying ambiguities, gaps and contradictions in the SMEs risk management literature. 27 papers were analyzed and among the issues identified were that, risk management by SMEs in the context of developing economies has not been studied seriously. In their search, they managed to get only 2 papers by Acar&Goc (2011) and Gao el, al., (2013) conducted in Turkey and China respectively. They identified that SMEs use informal personal networks to manage any risk situation; they create and maintain close relationship with both suppliers and buyers to be able to gain more repeated businesses. Further, networking is used as frequently as risk mitigation strategy in SMEs and more so for coping with technology, financial and market risks. The researchers identified several gaps in risk management by SMEs and one among them was lack of empirical evidence on the control of

risk management.The paper thus recommended among other things, that research into risk management in SMEs in developing economies is critical given its effect to increase SMEs ability to survive, which in turn may also influence the economy. It has been observed further that many organizations focus more on collection rather than the front-end activities of negotiating, risk screening, using credit information and establishing clear credit policies. Empirical evidence indicates that debtors' age has a negative relationship with gross operating income (Deloof (2003); Raheman& Nasr, (2007); Garcia-Teruel& Martinez-Solano (2007); Falope&Ajilore (2009) &Mathuva (2009). Also, slow collection of debtors is correlated with low profitability (Gill at al., 2010)

Peel et al (2012) results indicate that most SMEs in the UK, concentrate more on stocks and creditors and less on debtors (as measured by their review frequency). Orobia et al (2013) conducted a qualitative study where by 10 business organizations were involved and owner-managers interviewed. They observed that owner-managers grant credits on the basis of their relationships with customers and debtors and are intuitively selected. They observed further that SMEs conduct mutual oral agreement on the payment terms. They also call their debtors to remind them the due dates. They concluded that, bundling SMEs and large corporations when it comes to the issue of working capital management is not right given the differences in the task environment.

It is clear therefore, that understanding debtors' management practices by SMEs is important given different results observed in different studies reviewed.Wilson et al (1995) identified that poor credit management practices is one among the underlying causes of late payment. Also, ad-hoc credit management behavior by many organizations contributed to late payments. Alrill, (2006) quoted in Ben (2012) asserts that SMEs often lack resources to manage their debtors effectively. That both expertise and information required to make sound decisions may be missing. Further, SMEs lack proper debt collection procedures like sending out regular statements, prompt invoicing and alike, the practices that tend to increase the risk of late payment of defaulting debtors.Literature argues that majority of overdue debtors can be reduced by improved credit management (IOD, 1993). Rafuse (1996) observed that a very close supplier – customer partnership has been identified to be one among the successful strategies in managing debtors. The author argued however, that proper non-repayment preventive measures need to be established.

Reviewed literature indicates diverse experiences in managing debtors' credit risk by SMEs and the influence of debtors' management on business performance. There arehowever, limited empirical researches that have focused on what constitute effective debtors management practices as well as how SMEs manage their debtors in practice.We argue that, understanding the practices is a crucial starting point to assess their respective effectiveness or efficiency. Thus, the current study focused on filling in that gap.

Definition of SMEs in Tanzania

According to the Small and Medium Enterprise Development Policy of the Government of Tanzania (2003), the SMEs nomenclature is used to mean Micro, Small and Medium Enterprises (MSMEs). The size categories of small businesses are defined through the number of employees and capital investment. If an enterprise falls under more than one category (for instance, one employee and capital investment is greater than TZS. 5 million), the level of capital investment becomes the deciding factor in determining the size category (URT, 2003). Moreover, Olomi (2006) defined "micro enterprises as those engaging up to 4 people or employing capital of up to US$ 5,000; small enterprises as those with employees between 5 and 49or capital between US$ 5,000 to US$ 200,000; medium enterprises as those with employ between 50 and 99 people or use capital investment from US$ 200,000 to US$ 800,000". For the purpose of this

study, Micro and SME[35] is defined according to Small and Medium Enterprise Development Policy of the Government of Tanzania (2003) and is summarized in Table 1

Table 1: Categories of MSMEs in Tanzania

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

Source: *Small and Medium Enterprise Development Policy of the URT, (2003)*

METHODOLOGY

This research was exploratory and used MSMEs conducting their businesses in Dar es Salaam, Tanzania. Qualitative research is considered as more appropriate approach in studying and understanding the "how" questions (Veal, 2005 cited in Kusumawardhani 2013). It provides rich description of the subject being investigated (Miles and Huberman, 1994). Dar es Salaam region was selected due to the fact that it is the major commercial city in Tanzania, and it has been found to be among the highest business densities with 45% of MSMEs (National Base line Survey report, 2012). According to the National Base line Survey report (2012), the general business density (percentage of households with a small business) were found in Mbeya (46%) and Dar es Salaam (45%), and the lowest in Kagera (14%) and Manyara (17%). The difference in percentages between Mbeya and Dar es Salaam is not significant.

The study involved fifteen MSMEs. Researchers picked a case and kept on adding cases until, in analysis, nothing new came from the data i.e. when a point of 'saturation' was reached.MSMEs cases were purposive selected to include a mix of those from different business sectors which are; manufacturing firms (three), commerce and trading (nine), and services enterprises (three). Respondents were chosen based on the prior question asked to them which was cross-checking whether they sell on credit or not. Only those sold on credit were included.

Information collected was MSMEs owners/owners-managers' knowledge, views, opinions, and practices toward debtors' credit risk management within their working context. The researcher interviewed, recorded, described, interpreted and appraised settings as they were (Eisner, 1991). An unstructured interview guide with open-ended questions was used to collect intended data. This gave participants the freedom to give more information on the subject matter. The interview guiding questions were divided into three parts. Part A covered general information about particular MSME business; part B covered the questions on the profile of respondents (owners/owners-managers); and part C involved questions on debtors' credit risk management, particularly on screening prospective debtors, monitoring, and controlling.The interview questions were prepared in English and translated in Swahili to enable those MSMEs' owners/owners-managers who were not conversant in English to respond in Swahili. Most of MSMEs in Tanzania use Swahili as a medium of communication.

Content analysis technique was used in data analysis where by reading and re-reading transcripts, looking for similarities and differences so as to develop themes and categories was done. Researchers marked the text containing coding paragraphs, arranged the data, cut transcripts and put them in the Microsoft word format. Furthermore, the information was organized, reduced through summarization and categorization, and patterns and themes were identified and linked using a pattern match as predicted by the respective literature reviewed (Patton, 1987). All interviews were transcribed. The process of transcribing allows the researchers to become acquainted with the data. This is very important as in qualitative studies data

[35] Also referred to as MSMEs – Micro, Small & Medium Enterprises

collection and analysis must be done simultaneously (Marshall and Rossman, 1989) cited in Maldonado, 2011). The data was then presented in the form of tables, bar chart and pie charts.To ensure high reliability and validity of the information, multiple sources of information were used. Further, all transcribed materials from the interviews were shared with interviewees and this reduced the possibility of researchers to use their solely interpretation of the data.

RESULTS AND DISCUSSION

General information about MSMEs and their products

Fifteen MSMEs were studied, of which eleven (11) were sole proprietors and four (4) were limited companies, implying that many SMEs are not limited companies. Of the fifteen MSMEs, eight (8) had operated for less than five (5) years and seven (7) had been in operation for more than five (5) years. In additional, Seven (7) MSMEs were Small enterprises with investment of TZS. between5mil and 200mil while eight (8) MSMEs were Micro enterprises with investment of less than TZS. 5mil. ILO (2015) shows similar results. Majority of studied MSMEs employ more than three (3) employees. Table 2 provide a summary information of studied MSMEs

Table 2: General information about MSMEs

Nature of Business	Ownership	Years in Operation	Capital Invested	Number of Staffs	# of respondents
Manufacturing	Sole proprietor A	0-5 years	>5mil-200mil	6-8 employees	1
	Limited Company A	0-5 years	>5mil-200mil	6-8 employees	1
	Limited Company B	>20 years	>5mil-200mil	9-10 employees	1
Commerce and Trading	Sole proprietor B	10-15years	<5mil	3-5 employees	1
	Sole proprietor C	5-10 years	<5mil	1-2 employees	1
	Sole proprietor D	0-5 years	<5mil	1-2 employees	1
	Sole proprietor E	0-5 years	<5mil	1-2 employees	1
	Sole proprietor F	0-5 years	<5mil	1-2 employees	1
	Sole proprietor G	0-5 years	<5mil	3-5 employees	1
	Sole proprietor H	5-10 years	<5mil	1-2 employees	1
	Sole proprietor I	0-5 years	<5mil	1-2 employees	1
	Limited Company C	5-10 years	>5mil-200mil	3-5 employees	1
Services	Sole proprietor J	0-5 years	>5mil-200mil	9-10 employees	1
	Sole proprietor K	>20 years	>5 mil-200mil	6-8 employees	1

	Limited Company D	9-12 years	>5mil-200mil	>10 employees	1

Source: Field Data, (2015).

Majority of businesses were in commerce and trading (nine) and very few in manufacturing of soap implying that most SMEs in the country fall under commerce and trading. This has also been reflected in their contribution to the economy (trade = 54% as opposed to services = 34%). Table 3 provides information on type of businesses as well as products

Table 3: Type of Business and Products

Ownership	Type of business & product
Sole proprietor A	Manufacturing (soap)
Limited Company A	Manufacturing (soap)
Sole Proprietor B	Commerce and trading (Tomatoes, potatoes, onions)
Limited Company B	Manufacturing (Soya product)
Sole proprietor C	Commerce and trading (African fabric-"Vitenge")
Limited Company C	Commerce and Trading (Machine for bakery)
Sole proprietor D	Commerce and trading (home appliances)
Limited Company D	Services (Catering services)
Sole Proprietor E	Commerce and trading (second-hand clothes vender)
Sole proprietor F	Commerce and trading (Tomatoes, potatoes, onions)
Sole Proprietor G	Commerce and trading (second-hand clothes vender)
Sole proprietor H	Commerce and trading (African fabric-"Vitenge")
Sole Proprietor I	Commerce and trading (home appliances)
Sole proprietor J	Services (Motor Repairs and garage)
Sole proprietor K	Services (Catering services)

Source: Field Data, (2015).

Respondents' Profile

Eight (8) of the interviewees were owners while seven (7) were owner-managers. Of these, nine (9) were female while six (6) were male. These results indicate that most female do engage into SMEs than men. These results are in line with those conducted by IMED (2010) and ILO (2015). Their education qualification ranges from certificate to master's degree, implying that SMEs owners are educated. This is supported by existing literature that majority of new entrants into the job market in Tanzania are absorbed by SMEs. Majority of respondents had experience of selling on credit for more than three (3) years. This is a good indication of having relevant experience to share on the subject matter. Table 4 provides a summary of respondents' profiles

Table 4: Profile of the respondents

Nature of Business	Gender	Business position	TWIB	EL	NR
Manufacturing	Male	Owner	>12 years	Master	1
	Female	Owner-manager	0-3 years	Degree	1
	Male	Owner-manager	3-6 years	Diploma	1
Commerce and Trading	Male	Owner	0-3 years	Others	1
	Female	Owner-manager	9-12 years	Certificate	1

	Female	Owner	3- 6 years	Degree	1
	Female	Owner	0-3 years	Degree	2
	Male	Owner	6-9 years	Diploma	2
	Female	Owner-manager	9-12 years	Master	1
	Female	Owner	3-6 years	Master	1
Services	Male	Owner	0-3 years	Degree	1
	Female	Owner	3-6 years	Diploma	1
	Female	Owner-manager	9-12 years	Certificate	1

KEY: *TWIB=Time Worked in business, EL= Education Level, NR= Number of Respondents*
Source: Field Data, (2015)

DEBTORS' CREDIT RISK MANAGEMENT

Screening Prospective Debtors

Respondents were asked on how they make decisions on which customers to be offered goods or services on credit. Majority of the respondents said they ask and used customer's salary or wage level; customers who are well known to them, those with permanent residence andthose who purchased on cash before buying goods or services on credit. Few of them (29%) make decision based on customers' self-expression and others (16%) consider whether the customer is a tenant or landlord. For the case of tenants, the rent amount is used for assessment.Table 5 provides a summary of responses on screening prospective debtors

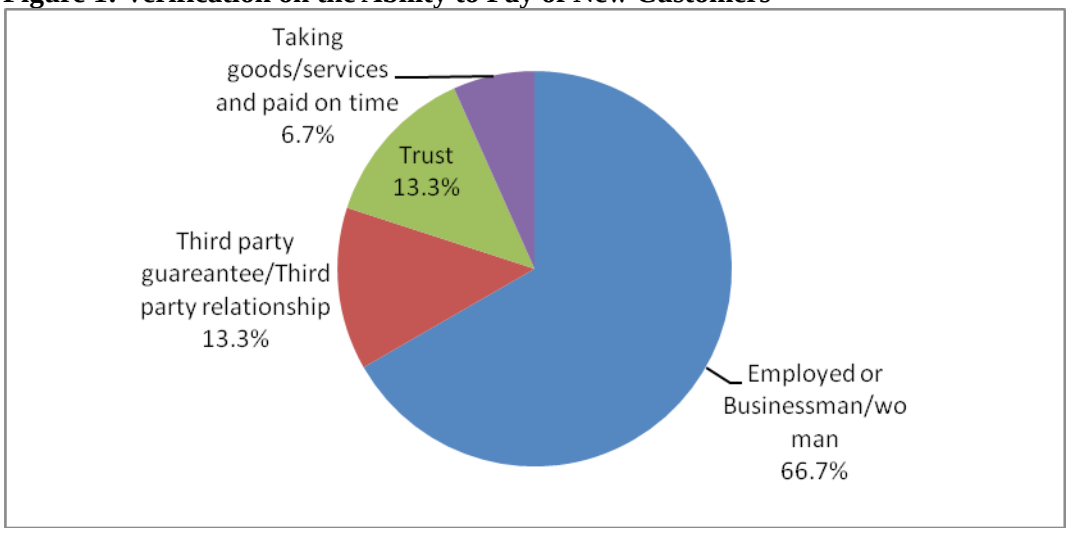
Table 5: Decision Criteria for Offering Goods or Services on credit

Decision criteria from respondents	NR	%
Looking at the fact how the customers know the business.	2	6.5%
Customer's self-expression	9	29.0%
Customer's salary or wage, well known to the owner, Customer having permanent residence, Paying for cash first before offer credit, and third part guarantee.	15	48.4%
Consider whether the customer is tenant or landlord, looking at the assets and liabilities of the customer, how particular customer takes precautions on his or her business, any kind of security a customer can offer to secure the goods, the kind of precautions taken by the customer in his or her business and the kind of risks a customer may foresee that may affect his or her business.	5	16.1%

These results imply that SMEs understand the importance of gathering relevant information before selling on credit and mostly the information concerning the ability to pay. Harris (2014) explained that debtors' management should begin with among other things, evaluating potential customers in terms of credit worthiness.

Respondents were asked to explain further on how they verify the ability to pay of new customers before they offer them goods/services on credit. Findings reveal that majority establish whether the customer is employed or is a businessman/woman. Few of respondents verify either through the use of a third partylike a respective relative, friend, co-worker or neighbors, or just rely on trust. Figure 1 depicts the findings from respondents. Gao et al., (2013) observed that SMEs use informal networks to manage risks. Orobia et al, (2013) observed also that most SMEs grant credits to customers known to them.

Figure 1: Verification on the Ability to Pay of New Customers

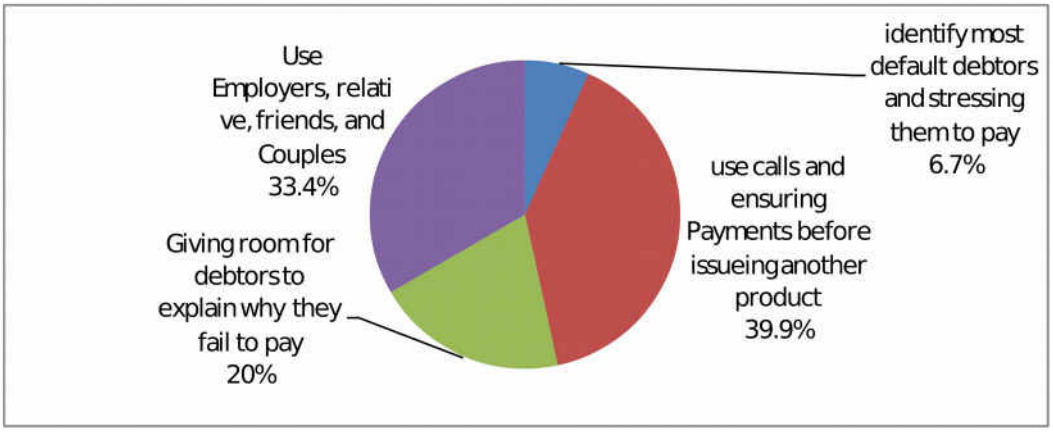


***Source**: Field Data, (2015)*

MONITORING OF DEBTORS

Respondents were probed on how they monitor their debtors. Findings reveal that majority of respondents either call their debtors or use relatives, friends and/or employers to remind debtors of their dues. Figure 2 shows a summary of ways that are used in monitoring debtors.

Figure 2: Means of Monitoring Debtors



Part of these findings concurred with those of Orobia et al., (2013). Respondents were asked further, to indicate who is responsible for monitoring debtors. Table 6 indicates clearly that majority of MSMEs owners/owner managers monitor the debtors. This is surprising given the observation that most of studied MSMEs had a minimum of three employees. Possible explanation could be the level of education of owners make them confortable performing the assignment by themselves

Table 6: Responsible personnel of Monitoring Debtors

Person responsible for monitoring	Number of Respondents	Percent (%)
Owner/owners-managers	11	73.3%
Other employees apart from accountant	1	6.7%
Accountant	1	6.7%
Both owners and Employees	2	13.3%

Respondents were further required to indicate how frequent do they review their debtors' ability to pay and which methods do they use. They were asked to explain the number of times they review the debtors. Figure 3 on provides a summary of the responses which reveals that majority of respondents do the review of debtors after a week or a month. Figure 4 shows the methods applied in reviewing the debtors

Figure 3: Review of the Debtors' Ability to Pay

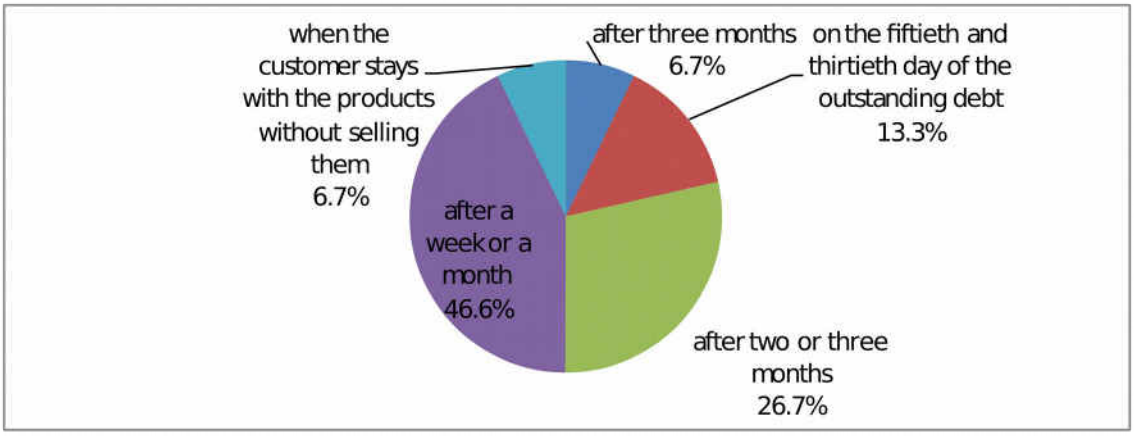
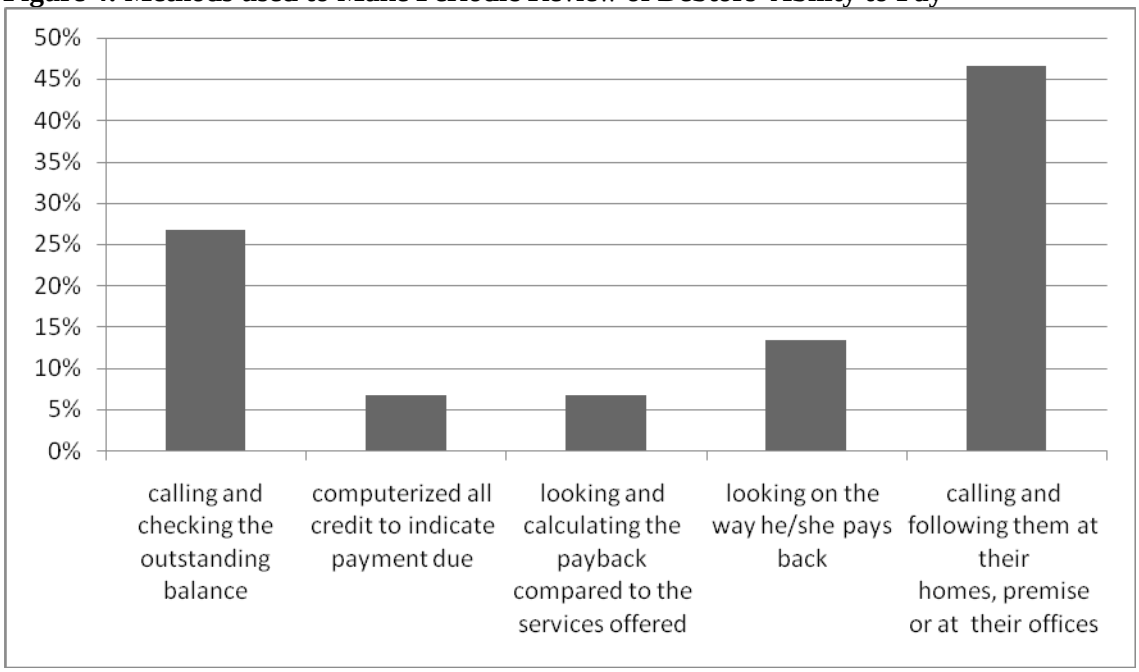


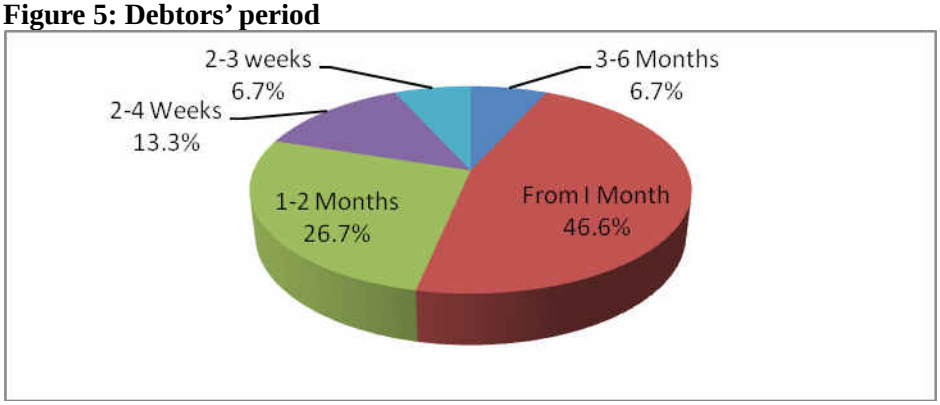
Figure 4: Methods used to Make Periodic Review of Debtors' Ability to Pay



Majority of respondents either call their debtors or go to their premises/offices. The act of following them to their premises or offices can be costly to most SMEs. Some track their outstanding balances in their records. This implies that few SMEs keep proper formal records of their debtors the results which are also supported by Orobia et al., (2013).

Respondents were asked to indicate the average duration taken by debtors to pay for goods and services which they bought on credit. Majority indicated a period of one and two months as shown in figure 5.

Figure 5: Debtors' period

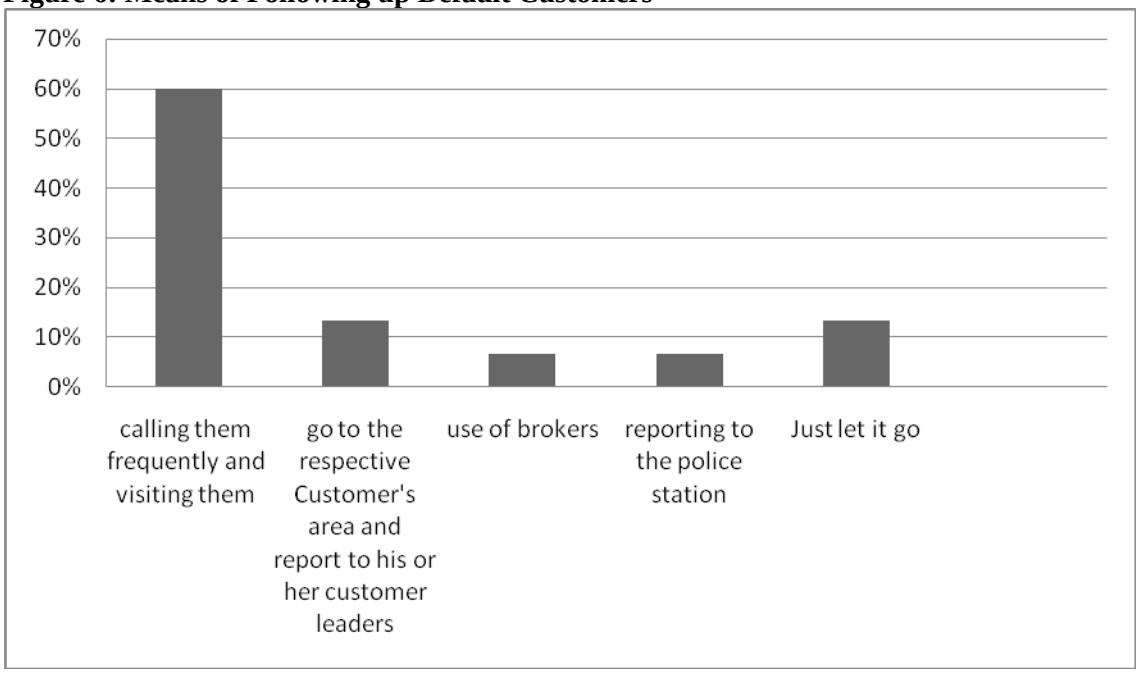


These results indicate that SMEs in developing economy experience higher debtors' period that those in developed economy. FSB (2012) report shows that 69% of SMEs in the UK give credit for a period of up to one month and very few give credits for more than a month. It may therefore not be surprising for SMEs operating in Tanzania to experience cash flows difficulties.

Controlling of Debtors

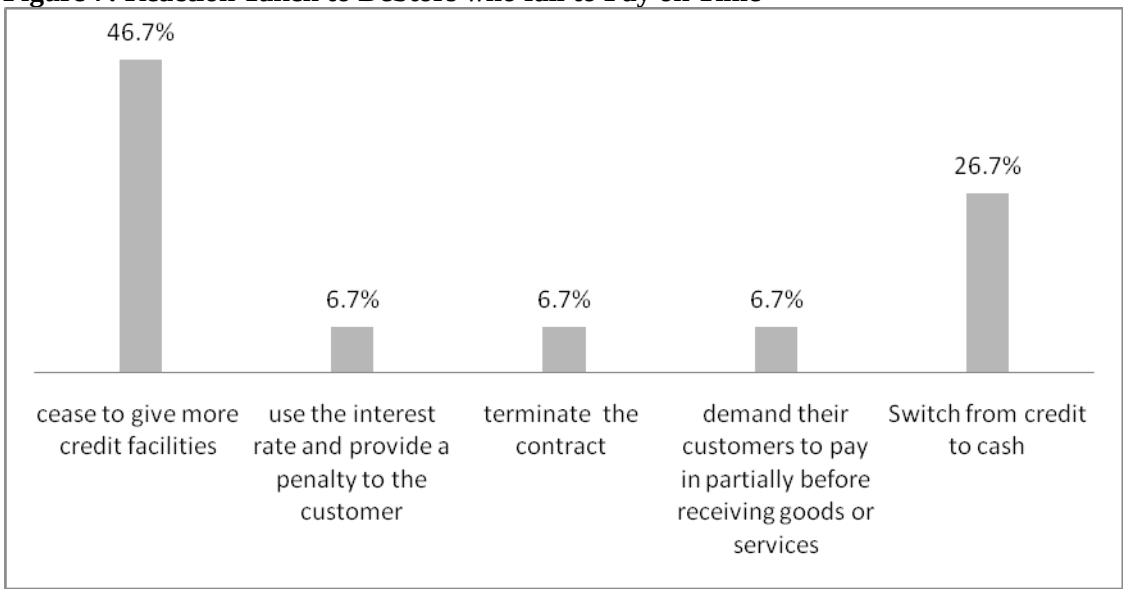
Respondents were asked to indicate how do they follow up default customers and what do they do to debtors who do not pay on time or do not pay at all. Figure 6 and 7 indicate their responses respectively. Majority said they call default customers frequently and also pay them a visit. Eventually, they stop selling to default customers.

Figure 6: Means of Following up Default Customers



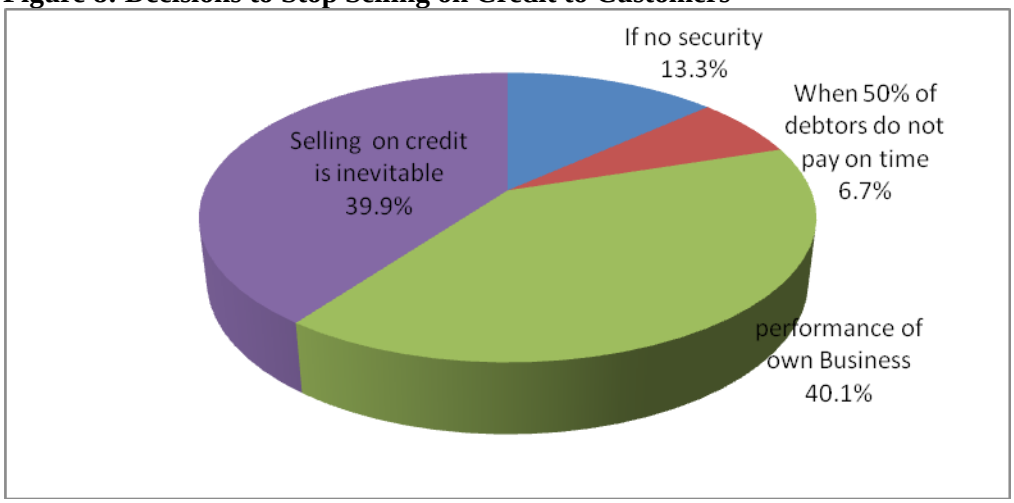
Calling debtors and visit them have been applied for both monitoring and controlling debtors.

Figure 7: Reaction Taken to Debtors who fail to Pay on Time



Credit sales have been observed to be positively correlated with level of sales but also negatively correlated with cash flows (Ben, 2012). Respondents were alsoasked to indicate when do they decide to stop offering credits to customers in order to avoid losing their money. Majority said that they use performance assessment of their own businesses. That if their businesses perform well, they keep on giving credits otherwise they stop selling on credit. Figure 8 summarizes their responses

Figure 8: Decisions to Stop Selling on Credit to Customers



These results indicate further the asymmetrical information problem. That it is not easy for sellers to assess buyers

CONCLUSION AND IMPLICATIONS

Conclusion

Findings of this study show that SMEs are aware of the importance of managing debtors. They use different means to screen prospective debtors in order to deal with asymmetrical information problems and ensure that they satisfy themselves before selling on credit. They further follow debtors so that they get paid on time. Informal networking, calling debtors and visit/following them to where they reside or work are mostly used in reducing asymmetric information problems and thus managing debtors. The same methods that are used for monitoring are used for controlling bad debts. It can be concluded therefore that, SMEs do not have completely different practices when monitoring and controlling their debtors.

Implications

This study has theoretical as well as practical implications. It contributes to the asymmetrical information theory by stressing the importance of searching for relevant information concerning debtors while managing them. The results also depicted the formal risk management process used by SMEs. Further, the study contributes to the literature on the actual methods used in practice by SMEs while managing debtors. The results suggest however, that less costly methods of monitoring debtors should be sought and used. Our study has also a methodological contribution as it was conducted qualitatively. This enabled more detailed investigation on how SMEs in Tanzania actually manage their debtors.

Further studies to establish the extent of influence of the identified practices to the level of debtors' risk need to be done. The study used fifteen SMEs therefore generalization of the findings is restricted.

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MOBILE MONEY SERVICES AND MICRO BUSINESS FINANCIAL PERFORMANCE IN TANZANIA: ENTREPRENEURIAL ORIENTATION AS A MEDIATOR

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ABSTRACT

The business use of mobile money services has significantly increased in Tanzania. Despite such increase, majority of micro businesses do not perform well financially because of various business environmental challenges they are facing. However, few of them perform well financially which may either be contributed by the use of mobile money services. With this fact this study investigated the influence of mobile money services on micro business financial performance in Tanzania considering the mediating effect of entrepreneurial orientation. Using the Resource-Based View, the findings revealed that the use of B2B and C2B mobile money services significantly improved micro business financial performance. B2B and C2B mobile money services were found to have significant positive influence on business sales and significant negative influence on business costs. However, B2B mobile money services had relatively larger influence on business sales and costs than C2B mobile money services due to their influence on the purchase costs. In relation to Contingency theory, the findings further revealed that entrepreneurial orientation partially mediated the relationship between B2B mobile money services and micro business financial performance. On the other hand, entrepreneurial orientation fully mediated the influence of C2B mobile money services on micro business financial performance. Specifically, entrepreneurial orientation enabled micro businesses to identify cheap sources of business inputs, new market opportunities, and market characteristics and demands. With this fact the usefulness of entrepreneurial orientation on micro business financial performance was determined by the way it fitted to the prevailing business environment. Hence among others, this study recommends that there must be supportive environment that may potentially promote the business use of mobile money services by micro businesses. Furthermore, micro business owners/operators should be entrepreneurially oriented in order to fully exploit the benefits of mobile money services on business financial performance.

Keywords*: finance, entrepreneurship, mobile services,*

INTRODUCTION

The business structure in Africa is dominated by micro business secotr that is expected to be an engine of economic development (Benzing & Chu, 2012; Diyamett, 2012; Liedholm, 2002). Scarborough and Zimmerer, (2008) argue that micro business sector is one of the key sectors in terms of job creation, economic growth, poverty alleviation and industrial development in the developing countries. Tanzania's economy is still one of the poorest countries in the world (CIA, 2012 in Mashimba & Kühl, 2014). It is of great interest to researchers on identifying the economic interventions that Tanzania can use to reduce poverty to the majority of its people. One of the suggested economic interventions is to promote the development of micro businesses. This is supported by Liedholm (2002) that there is strong association between better performance of micro businesses and the national economic performance. In order for Tanzania to take significant step in its economic development, the development of micro business is inevitable. This is because micro businesses promote an equitable distribution of income and reduce income poverty to the majority of Tanzanians (Nkya, 2003).

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Micro businesses' economic benefits can be largely grouped into two major categories, namely employment provision and poverty reduction. For instance, Diyamett (2012) argues that micro business sector is one of the leading employers, next to agriculture, in Tanzania. However, the performance of micro businesses in Tanzania is not promising (Mashimba & Kühl, 2014). According to Olomi (2009), the business sector is dominated by informal micro businesses with an extremely low incidence of graduation to formal small and medium businesses. The enterprises, trade, service and manufacturing enterprises, remain marginal players creating and sustaining low quality jobs and unable to contribute in the economy (Olomi, 2005). This means that micro businesses in Tanzania have insignificant contribution in the gross domestic product (GDP) of the country. Its characteristic of being informal also raises a doubt on its contribution to the government revenues through tax payments.

The insignificant contribution of micro businesses in the economy may be contributed by the failure to perform well financially. For instance, Kirui and Onyuma (2015) argue that financial performance of a micro business is an important managerial aspect because revenues generated by micro businesses determine the micro business sustainability. Micro businesses face significant financing challenges resulted from applied business practices and environment (Marwa, 2014). This is because they face a number of challenges including low sales and high costs of doing business that significantly hamper their financial performance. Different authors mentioned several factors that influence micro business performance. These factors include availability of capital, support from family and friends, hard work (Neshamba, 2000; Pratt, 2001) and, linkage between micro businesses and large firms (Soderbom, Teal & Harding, 2006). Other factors include regulations, corruption and capital constraints (Agboli & Ukaegbu, 2006; Kiggunda, 2002; Inegbenebor, 2006; Macculloch, 2001; Pope 2001), Lack of access to financial capital (Mbogo, 2010; Umoh, 2006) and, business training (Kessy & Temu, 2010).

Furthermore, other studies (e.g. Mnemwa & Maliti, 2009; FSDT, 2012) also mention factors that influence micro business performance. Mfaume and Leonard (2004) argue that legal requirements in force, security and safety reliability in the business area, customer's attitude towards the merchandise and environment, pricing and capitalization structure and management competence of the business owner are the factors which influence business performance. Mnemwa and Maliti (2009) identified several factors that influence business performance such as tax incentives, loans, grants, market information regulatory framework, financial services apart from mobile money services, marketing services and, technical and management training services.

Even though several challenges facing micro businesses in Tanzania have been mentioned, there are other micro businesses that perform well (Olomi, 2009). This may be contributed by the use of mobile money services and entrepreneurial orientation of the micro business owner or operator. For instance, Wanyoni and Bwisa (2013) argue that mobile money services reduce purchase costs and, improve business sales and debt collection. Otiso, Simiyu and Othiambo (2013) argue that mobile money services contribute to cost reduction and increase in sales.

Chale and Mbamba (2014) argue that mobile money services improve the volume of sales, efficiency in purchasing stock, increased revenue and profitability of the business. In addition, Ngaruiya, Basire and Kamau (2014) argue that mobile money services improve business sales. The mentioned studies, except the study by Ngaruiya, Basire and Kamau (2014), did not focus on an influence of mobile money services on micro business financial performance. However, they used financial indicators to examine the influence of mobile money services on business performance.

The mobile money services are grouped into four major forms namely: - Person-to-Person (P2P), Business-to-Business (B2B), Customer-to-Business (C2B) and Business-to-Customer (B2C) (Mbogo, 2010; Wanyoni & Bwisa, 2013) and mobile banking (Okiro & Ndungu, 2013). The study focuses on two forms of mobile money services, namely B2B and C2B since they are directly involved in business

transactions. The study does not involve P2P mobile money services, B2C mobile money services and mobile banking. Wanyoni & Bwisa (2013) argue that, B2C occurs when microfinance institutions disburses fund to customers. Hence, B2C was not part of this article since it did not involve microfinance institutions.

P2P mobile money services mainly focus on mobile transfer of money to relatives, friends and family members (Wanyoni & Bwisa, 2013). In this case P2P mobile money services are not part of this study since the study includes only business mobile transactions. The mobile banking is explained as the mobile transfer and payments of money by a business [or a person] through mobile telecommunication devices (Okiro & Ndungu, 2013).The mobile banking is the least to be used by micro enterprises (Bångens & Söderberg, 2011).

In Tanzania, the adoption of mobile money services for business use is high (Bångens & Söderberg, 2011), and the mobile money services are continuously expanding. Mobile money services were introduced in 2007 whereby the M-pesa was the first to be introduced and followed by Tigo Pesa, Easy Pesa and Airtel Money. During the introduction stage, mobile money services focused on facilitating P2P transactions and later C2B, and B2B were also included (Bank of Tanzania-BOT, 2012). Despite the increased business use of mobile money services in Tanzania, micro businesses financial performance is continuing to worsen (Mashimba & Kühl, 2014) and few of them perform well (Olomi, 2009).

This is when the C2B and B2B mobile money services were started to be used in facilitating mobile money payments. Despite such development of mobile money services in Tanzania, Bångens & Söderberg (2011) argue that micro businesses should mature and develop first before they adopt the mobile money technology and benefit fully from its services. This may imply that mobile money services may not have significant contribution on the financial performance of micro businesses that are at the introduction stage. However, authors mainly focus on the adoption of mobile technology and not its influence on business financial performance.

In addition, entrepreneurial orientation has relatively greater influence on business performance (Lumpkin & Dess, 2001; Wiklund & Shepherd, 2004). Businesses that have entrepreneurial orientation perform better than others (Semrau, Ambos & Kraus, 2016). More important, entrepreneurial orientation may enable micro businesses to address the environmental challenges that influence business financial performance. This is supported by the prior studies (Lumpkin & Dess, 2001; Redipere, 2014; Wales, Gupta & Mousa, 2013) that regardless of unfavorable business conditions, the entrepreneurially oriented business performs well. This may not be surprising in Tanzania that despite the mentioned business challenges, there are few businesses that perform well which might also be contributed by entrepreneurial orientation.

The mentioned prior studies (e.g. Mahmood & Hanafi, 2013; Syed, Muzaffar & Minaa, 2017) consider entrepreneurial orientation as the resource and assessed its influence on business performance basing on the Resource-Based View (RBV). The influence of entrepreneurial orientation on business performance however may be determined with the fit between entrepreneurial orientation and the environment in which the business is operating (Lumpkin & Dess, 2001).

With this fact, the influence of entrepreneurial orientations on the relationship between mobile money services and micro business financial performance may depend on the way entrepreneurial orientation matches with the micro business environment. Prior studies (e.g. Kraus et al. 2012; Lumpkin & Dess, 2001; Ndubis & Iftikhar, 2012) examined the influence of entrepreneurial orientation on business financial performance basing on the contingency perspective. However, these studies were conducted in the developed countries where the context can be different from that of developing countries.

The reviewed studies on mobile money services (such as Chale & Mbamba, 2014, Ngaruiya, Basire & Kamau, 2014, Otiso et al. 2013, Wanyoni & Bwisa, 2014) however have not included the influence of entrepreneurial orientation on micro business performance. Literature (such as Lumpkin & Dess, 2001; Ndubis & Iftikhar, 2012) has shown that entrepreneurial orientation plays a significant role in improving micro business financial performance. It is expected that micro businesses which are managed by business owners/operators who have an entrepreneurial orientation perform higher than the ones which are managed by business owners/operators with no entrepreneurial orientation.

In this case, it is likely that an increase in micro business sales and cost reduction is also influenced by entrepreneurial orientation of the business owner/operator and not only a single factor i.e. mobile money services. This is justified by studies (like Ahmad & Ghan, 2010; Carton & Hofer, 2006; Madrid-Guijarro et al. 2007) which argue that business performance is the multidimensional factor which cannot be influenced by a single factor. It is likely that mobile money services may not have the same influence on the financial performance indicators. C2B and B2B mobile money services for example may not have the same influence on business sales and costs. B2B mobile money services may have larger influence on business costs than business sales or vice versa. This may be the same case on C2B mobile money services that they may have larger influence on business sales and not business costs or vice versa. This was not captured by the mentioned studies on mobile money services and business performance.

Considering the aforementioned limitations of existing studies and wider acceptance of mobile money services, it is important to investigate the influence of mobile money services on micro business financial performance. Mobile money services may be one of the strategic information technology resources in Tanzania. The article hypothesised that mobile money services influence micro business financial performance. In addition,

The article applied two theories, namely the Resource Based View (RBV) and Contingency theory. RBV was used to examine the influence of mobile money services on micro business financial performance. The Contingency theory was used to examine the mediating effect of entrepreneurial orientation. The article hypothesised that mobile money services significantly influence micro business financial performance. In addition, the article hypothesised that the relationship between mobile money services and micro business financial performance is mediated by the entrepreneurial orientation.

RESEARCH METHODS

The article applied the explanatory sequential research design whereby it began with quantitative research methods and followed by qualitative research methods. The quantitative information were used to statistically generalize the results while qualitative information were used to provide in-depth understanding of the quantitative findings. Both deductive and inductive approaches were applied while data were collected from four (4) regions, namely Dar es Salaam, Mbeya, Morogoro and Manyara. Dar es Salaam and Mbeya Regions have relatively high micro business densities while Manyara has relatively low micro business density (FSDT, 2012). Morogoro has a moderate micro business density however its business structure is dominated by micro businesses (Adahl, 2007).

The quantitative part of the article involved 388 micro businesses while the qualitative part involved only 15 informants. The units of inquiry were micro business owners/operators. Stratified sampling technique was used in the quantitative part of this article while purposive sampling and snowball sampling techniques were used in the qualitative part of this article. Questionnaire and semi structured interviews were used to collect quantitative and qualitative data respectively. Furthermore, structural equation model (SEM) and thematic data analysis techniques were used to analyse quantitative data and qualitative data respectively.

Operationalisation of Variables

In the context of micro businesses, subjective evaluation of financial performance is recommended because micro businesses do not have appropriate financial records (Kim, 2006; FSDT, 2012). The subjective evaluation of micro business performance is recommended in order to reveal the trend of micro business financial performance (Zulkiffli & Parera, 2011) and micro business owners/operators are able to remember the financial performance of their businesses (FSDT, 2012). This is supported by the propounder of episodic memory known as Tulving. Tulving (1972) defines episodic memory as the memory of a certain event in which a person can retrieve information from a specific place and time, and able to disseminate such information when required to do so. Tulving (2002) argues that episodic memory, which demonstrates the uniqueness of humans; enables people to go backward mentally to the previous events or information through remembering an event that happened in a particular time. With this fact, this article used the subjective evaluation of financial performance measures to assess the micro business financial performance. Table 1 presents the operationalisation of research variables:-

Table 1: Operationalisation of Research variables

S/N	Category	Research Variable	Measurement	Reference
1	Independent variable	Mobile Money Services	C2B and B2B Mobile Money Services	Wanyoni and Bwisa (2013)
2	Mediating variable	Entrepreneurial Orientation	Proactiveness and Risk Taking	Ahlin et al. (2012); Gray & Wert-Gray (2012); Haynie & Godesiabos (2007); Lumpkin & Dess (1996); Semrau et al. (2016); Syed et al. (2017); Wiklund & Shepherd (2004).
3	Dependent variable	Business Financial Performance	Business Sales	Chale & Mbamba (2014); FSDT, 2012; Kirui & Onyuma (2015); Ngaruiya et al. (2013); Otiso et al. (2013).
			Business Costs	Otiso et al. (2013); FSDT (2012); Kirui & Onyuma, 2015

RESEARCH RESULTS

Four assumptions were tested in order to justify the use of SEM. These assumptions were the normal distribution of data, multicollinearity, homoscedasticity and identification of outliers. Using the P-P Plot of regression standardized residuals, data in all research variables were normally distributes. In addition, no multicollinearity problem was found because the Tolerance Value (TV) and value inflated factor in all research variables were greater than 0.1 and less than 10 respectively as it is recommended by Williams (2015).

The data screening process also revealed that there was no problem of heteroscedasticity because the scatter plot showed that the residuals were evenly distributed around the axis. In the case of outliers, the outlier labeling method was used. The outliers were found in the entrepreneurial orientation and business

sales. The trimming method was used and 56 questionnaires (14.4%) were eliminated. The trimming of questionnaire did not negatively affect the findings because it was not above the recommended cut off point of 15% as it is recommended by Othman, et al (2004)

Initial Development of Models

Five initial models relating to B2B and C2B mobile money services, entrepreneurial orientations, business sales and business operating costs were examined. In assessing the initial models, the goodness of fit indices, standardized regression weights and squared multiple correlations were examined. According to Wolfinberger and Gilly (2003), the loading of the standardized regression weight should be at least 0.5 and squared multiple regression weights should be at least 0.4. The probability values (P-Values) of all initial models were more than 0.05 which indicated that the default initial models were not different from the saturated initial models. All the accepted initial models were accepted because the goodness of fit indices were above the cut-off points indicated by the Table 2.

Table 2: Goodness of fit indices for B2B Mobile Money Services Model

Goodness of Fit Measure	Index* B2B	Index* C2B	Index* Sales	Index* Costs	Index* EO	Cut off point	Author
CMIN/df	1.812	2.920	0.810	2.920	4.055	<5	Bollen (1989); Ullman (1996)
GFI	0.977	0.964	0.989	0.964	0.972	$\geq$ 0.90	Byrne (2010)
AGFI	0.959	0.935	0.981	0.935	0.927	$\geq$ 0.80	Chau and Hu (2001)
CFI	0.988	0.982	0.931	0.982	0.966	$\geq$ 0.90	Hair et al. (2010)
RMSEA	0.046	0.070	0.057	0.070	0.080	< 0.08	Browne and Cudeck 1993; Hoe (2008); Steiger (2007) cited by Hooper, Coughlan & Mullen (2008); Loiacono, Goodhue & Chen, 2002

Note: EO stands for entrepreneurial orientation

In addition, the confirmatory factor analysis (CFA) for mobile money services, micro business financial performance and entrepreneurial orientation were conducted. The goodness of fit indices of the accepted models were in accordance with the recommended benchmarks.

Confirmatory Factor Analysis Results

CFA Results for Mobile Money Service Model

The mobile money service model had two major variables, namely B2B and C2B mobile money services. Each of the variables had eight (8) items that were selected after developing individual models of each variable. Figure 1 shows the mobile money service model which includes standardized regression weights and squared multiple correlations:-

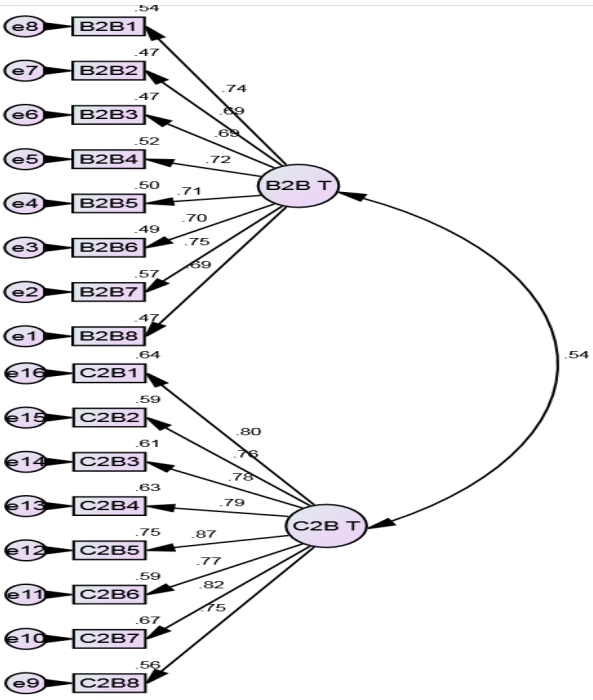


Figure 1: The Developed Mobile Money Service Model

The model produced fit indices that were adequate to conclude that it fits the data well. The indices included chi-square, CMIN/df, GFI, AGFI, CFI and RMSEA. All indices met the acceptance level that was required to conclude that the model fits the data well. The Chi-square was 202.109 at P-value of 0.062 while the degree of freedom was 103. The Chi-square value was insignificant which indicated that there was no statistically significant difference between the default model and saturated model.

The Development of Business Financial Performance Model

The business financial performance included two (2) major variables, namely sales and costs. The model was developed in order to examine if the model fits well the data of the study. Figure 2 shows the developed model that was subjected to the goodness of fit tests. The path analysis results showed that the goodness of fit indices were adequate to conclude that the model fits well the data of the study. Figure 2 shows the developed model for business financial performance:-

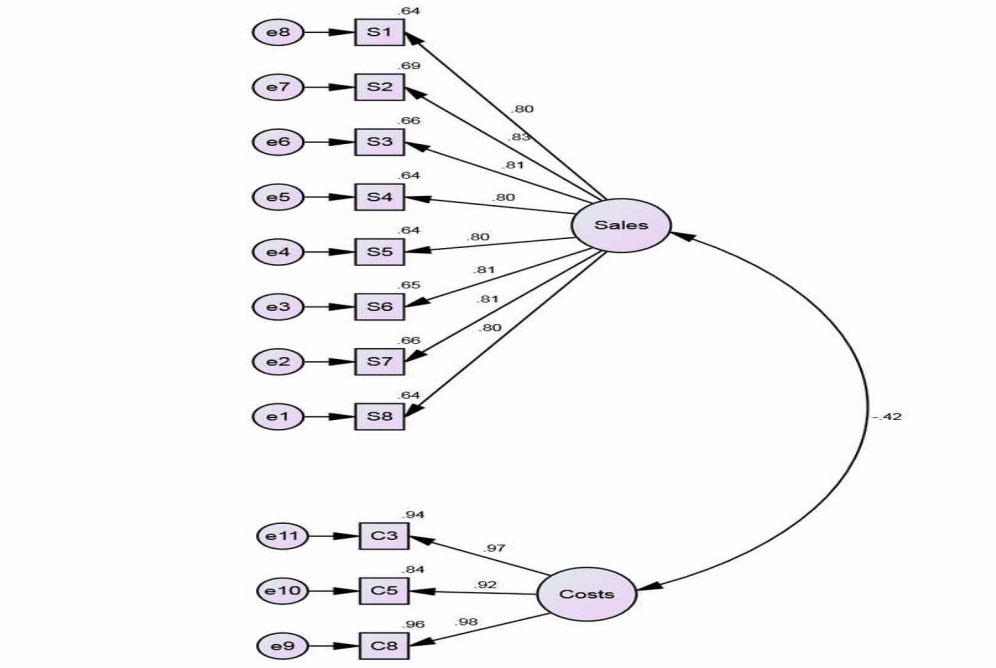


Figure 3.2: The Developed Model for Micro Business Financial Performance

All model fit indices, namely absolute fit indices, incremental fit indices and parsimony fit indices were all sufficient to justify that the model fits the data. The Chi-square was 40.018 at the P-value of 0.064 and the degree of freedom was 43. The Chi-square value was insignificant which indicated that there was no statistically significant difference between the default model and saturated model.

Entrepreneurial Orientation

Entrepreneurial orientation included seven (7) items that were coded as PRO1, PRO2, PRO3, PRO4, RK1, RK2, and RK3. PRO stands for proactiveness and RK stands for risk taking. The initial model produced the modification indices which showed that the model does not fit the data well. The chi-square=110.93; df=14; P-value=0.041; CMIN/df =7.924; GFI=0.922; AGFI=0.844; CFI=0.923; RMSEA=0.134. The model was then modified in order to fit the data well. RK_2 was dropped because it resulted to the significant change in modified indices.

The standardized regression weights and squared multiple correlations were also assessed to select items that would fit for further analysis. The standardized regression weights ranged from 0.64 to 0.77 while the squared multiple correlations ranged from 0.46 to 0.57. The standardized regression weights were above the cut-off-point of 0.50 and squared multiple correlations were also above the cut-off-point of 0.4 as suggested by Wolfinberger and Gilly (2003). The revised initial model produced the cut-off point of 0.08. There are various studies (e.g. Hoe, 2008; Steiger, 2007) which argue that RMSEA should be less than 0.08. However, it is argued that RMSEA value of 0.08 indicates the reasonable error of approximation hence it is an indicative of fair fit (Browne and Cudeck 1993; Loiacono, et al. 2002). Figure 3 is the revised initial model for entrepreneurial orientation.

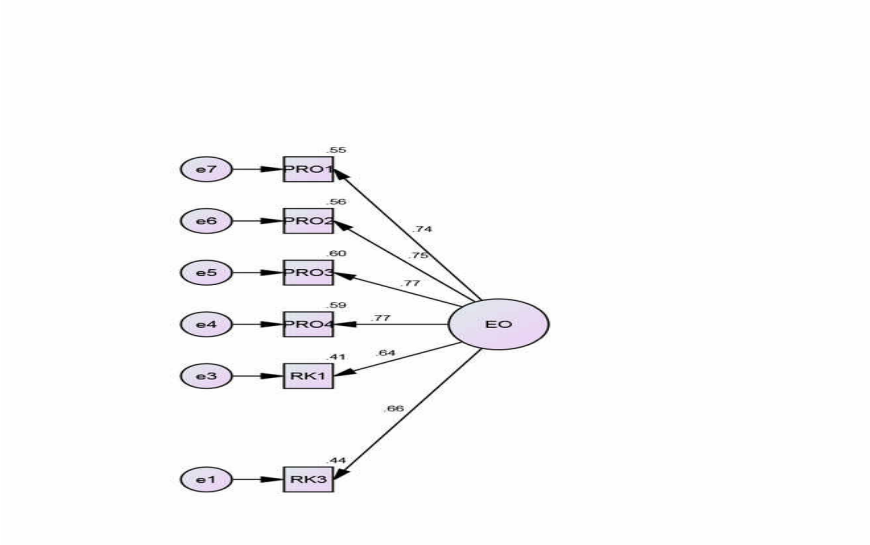


Figure 3: Initial model for entrepreneurial orientation

Reliability and Validity of a Construct

The construct reliability (CR) and validity were assessed in order to examine the constructs included in the study. The construct validity included convergent validity and discriminant validity. CR was assessed by calculating the CR coefficient and the convergent validity was assessed by using AVE. The recommended CR coefficient and AVE coefficient are at least 0.7 (Baggozzi & Yi, 1988) and 0.5 (Fornell & Lacker, 1981) respectively. The discriminant validity is attained when the inter-factor correlations are less than the square root value of AVE (Fornell & Lacker, 1981).

The value of CR in Table 3 shows that the construct reliability was attained in each factor. This was because the construct reliability coefficients were higher than 0.7, the recommended value for construct reliability coefficient. The AVE coefficients were all above 0.5 which indicated that the convergent validity in each construct had been attained. In the case of discriminant validity, the square root values of AVE were higher than inter-factor correlations as shown in the Table:-

Table 3: Reliability and Validity Tests

S/N	Variable	CR	AVE	B2B	C2B	Entrepreneurial Orientation(EO)	Sales	Costs
1	B2B	0.890	0.504	0.7099				
2	C2B	0.931	0.628	.506**	0.792			
3	EO	0.857	0.524	.621**	.502**	0.724		
4	Sales	0.938	0.654	.599**	.451**	.653**	0.809	
5	Costs	0.967	0.914	-.395**	-.261**	-.343**	-.410**	0.956

Note: The shaded figures are the square root values of AVE
** means it is significant at 0.01

Table 3 includes the CR, AVE, square root values of AVE and inter-factor correlations that were used to assess the CR, convergent validity and discriminant validity. CR coefficients in Table 3 were between 0.857 and 0.967 which were higher than the cut-off point of 0.7. AVE values were in between 0.504 and 0.914 that were higher than the cut-off point of 0.5 which indicated that there was convergent validity. Furthermore, the square root values of AVE in all constructs were higher than the inter-factor correlations which indicated that there was discriminant validity.

Hypotheses Testing

The study investigated the influence of mobile money services on micro business financial performance. The mobile money services included B2B and C2B Mobile money services. On the other hand, the financial performance included sales and costs. Therefore, the study had four (4) hypotheses that were tested using SEM. However, each hypothesis was further divided into two sub hypothesis, namely a and b. Table 4 shows the broad hypotheses which are bolded and sub hypotheses that were tested. The 'arrow' indicates the direction of influence:-

Table 4: The Tested Hypotheses

S/N	Direct Relationship	S/N	Indirect Relationship
H_1	**B2B→ Micro Business Financial Performance**	**H_3**	**Mobile Money Services →EO → Business Sales**
H_1a	B2B→ Sales	$H3_a$	B2B→ EO →Sales
H_1b	B2B→ Costs	$H3_b$	C2B→ EO →Sales
		H_4	
H_2	**C2B→ Micro Business Financial Performance**		**Mobile Money Services →EO ◄ Business Costs**
H_2a	C2B→ Sales	$H4_a$	
H_2b	C2B→ Costs	$H4_b$	B2B→ EO→ Costs
			C2B→ EO →Costs

Direct Relationship between Mobile Money Services and Financial Performance

Under this section, there were two major hypotheses, namely H_1 and H_2. H_1 states that B2B mobile money services influence micro business financial performance. H_1 was therefore divided into two hypotheses, namely H_1a and H_{1b}. H_{1a} states that B2B mobile money services positively influence business sales. H_{1b} hypothesized that there is a negative relationship between B2B mobile money service and business costs.

On the other hand, H_2 states that C2B mobile money services influence the micro business financial performance. H_2 states that C2B mobile money services influence the micro business financial performance. The second hypothesis (H_2) was further divided into two hypotheses, namely H_{2a} and H_{2b}. H_{2a} states that C2B mobile money services positively influence business sales while H_{2b} states that C2B mobile money service negatively influences the business costs.

The path analysis results showed that there was significant relationship between B2B mobile money services and business sales ($\beta = 0.457$, $P<0.05$). Furthermore, the results showed that there was significant negative relationship between B2B mobile money service and business costs ($\beta = -0.539$, $P<0.05$). Therefore, each hypothesis i.e. H_{1a} and H_{1b} were supported hence H_1 was fully supported. The results indicated that the use of B2B mobile money services increased business sales and reduced business costs. For instance, B2B mobile money services enabled micro businesses to incur less transport costs in terms of ordering and paying for goods or services from the supplier. One the informants argued:-

*"After making the decision to use B2B mobile money service two years ago, my business has managed to save almost 40% of the travelling costs that were initially incurred. Now the business pays transportation cost for the purchased items only" (*Male informant, 35 years of age*).*

The path analysis results also showed that there was significant positive relationship between C2B mobile money service and business sales (β = 0.144, P<0.05). Furthermore, the results showed that C2B mobile money services had significant negative influence on the business costs (β =-0.099, P<0.05). Therefore, each hypothesis i.e. H_{2a} and H_{2b} was supported hence H_2 was fully supported. It was also revealed that B2B mobile money services had comparatively high influence on both business sales (β = 0.457, P<0.05) and costs (β =-0.539, P<0.05) than C2B mobile money services i.e. β = 0.144, P<0.05 for business sales and β = -0.099, P<0.05 for business costs. Table 5 presents the regression weights and the significance level:-

Table 5: The Regression Weights for the Direct Relationship

Path			Estimate	S.E.	C.R.	P	Label
Costs	<---	B2BT	-.539	.082	-6.549	***	par_1
Sales	<---	B2BT	.457	.042	10.796	***	par_2
Sales	<---	C2BT	.144	.034	4.302	***	par_3
Costs	<---	C2BT	-.099	.065	-1.524	***	par_4

*** means it is significant at 0.001

This indicated that the use of C2B mobile money services helped micro businesses to increase sales. C2B mobile money services helped micro businesses to transact with distant customers and receive payments from them. Informants argued that C2B mobile money services enabled micro businesses to increase sales because it eliminated the distance barriers between the business and customers. One of the informants argued:-

> *"Initially the business sales were generated from customers who were just nearby the business premise. After being registered to use C2B mobile money services, the business sales are now generated from customers in Ilala Municipality who want either to pay cash instantly or pay after receiving a product"* (Male Informant, 46 years of age).

The developed model indicated as figure 4 shows the direct relationship between mobile money services and micro business financial performance. The model demonstrates the relationship between B2B mobile money services with business sales and costs. Furthermore, the model shows the relationship between C2B mobile money services and, business sales and costs. Figure 3.4 presents the model on the direct relationship between mobile money services and micro business financial performance:-

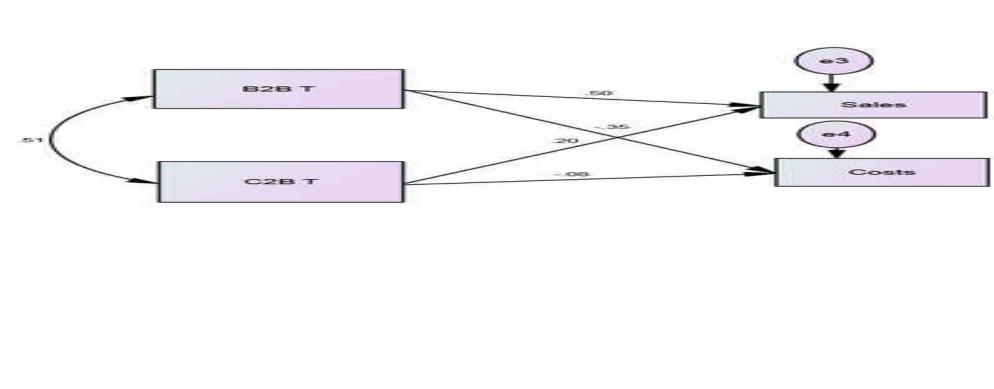


Figure 4: The Developed Structural Equation Model for the Direct Relationship

The model shows that the unit increase in the standard deviation of B2B mobile money services resulted to the 0.50 increase in standard deviation of business sales. Furthermore, it shows that the unit increase in standard deviation of B2B mobile money services resulted to the 0.35 decrease in business costs. On the other hand, the additional unit in the standard deviation of C2B mobile money services resulted to the

0.20 increase in business sales. Basing on business costs, the additional unit in C2B mobile money services resulted to the 0.08 decrease in business costs. This indicated that B2B and C2B mobile money services had different contribution in micro business financial performance.

The model was assessed if it fits the data well by examining the model fit indices. The model fit indices included CMIN/df, GFI, AGFI, CFI and RMSEA. The indices indicated that the model fits well the data since they were all above the cut-off point. The chi-square was 40.253, p-value of 0.069 while the degree of freedom was 20. The Chi-square value was insignificant which indicated that there was no statistically significant difference between the default model and saturated model. Table 6 presents the model fit indices with the cut-off points:-

Table 6: Goodness of Fit Indices for the Direct Model

Goodness of Fit Measure	Calculated Index*	Cut-off point	Author
CMIN/df	2.013	<5	Bollen (1989); Ullman (1996)
GFI	0.974	≥ 0.90	Byrne (2010)
AGFI	0.954	≥ 0.80	Chau and Hu (2001)
CFI	0.948	≥ 0.90	Hair et al. (2010)
RMSEA	0.051	< 0.08	Hoe (2008); Steiger (2007) cited by Hooper, Coughlan & Mullen (2008)

Generally, it was revealed that B2B and C2B mobile money services had significant positive influence on micro business financial performance. B2B mobile money services largely reduced the transport costs, purchase costs and opportunity costs. Purchase costs were perceived to form the larger part of business costs which was associated with the changes in product prices. Hence, the decrease in purchase costs was perceived to reduce the product prices and ultimately increased the inventory turnover. C2B mobile money services had also significant positive influence on micro business financial performance. C2B mobile money services largely influenced the follow-up costs and transaction costs. They also enabled micro businesses to efficiently transact with distant customers which increased the business sales.

The Mediating Effect of Entrepreneurial Orientation

The study examined the mediating effect of entrepreneurial orientation on the relationship between mobile money services and micro business financial performance. In this case, there were two major hypotheses, namely H_3 and H_4. H_3 states that entrepreneurial orientation mediates the relationship between mobile money services and business sales. It was further divided into two sub hypotheses which were H_{3a} and H_{3b}. H_{3a} states that entrepreneurial orientation mediates the relationship between B2B mobile money services and business sales. H_{3b} states that entrepreneurial orientation mediates the relationship between C2B mobile money services and business sales.

H_4 was divided into two sub hypotheses, namely H_{4a}, and H_{4b}. H_{4a} states that entrepreneurial orientation mediates the relationship between B2B mobile money services and business costs. H_{4b} states that entrepreneurial orientation mediates the relationship between C2B mobile money services and business costs.

There are several conditions that must be met in order to test the mediating effect. Baron and Kenny (1986) state three conditions that should be fulfilled in order to examine the mediation effect of a given variable. The first condition states that there must be a significant relationship between independent variables and dependent variables. The second condition explains that there must a significant correlation between independent variables and mediating variable. Finally there must be a significant relationship between the mediating variable and dependent variable.

The direct relationship between B2B mobile money services and business sales in the direct model was significant (β = 0.0.457, P<0.05) likewise in the business costs (β =-0.539, P<0.05). Furthermore, the relationship between C2B mobile money services on business sales was also significant (β = 0.144, P<0.05) as well as in business costs (β =-0.099, P<0.05). Then, the first condition on the significant relationship between independent variable and dependent variable was fulfilled.

Furthermore, Table 6 shows a significant relationship between B2B mobile money services and entrepreneurial orientation (i.e. β = 0.472, P<0.05) as well as in the relationship between C2B mobile money services and entrepreneurial orientation (β = 0.191, P<0.05). With this fact the second condition on the significant relationship between independent variable and mediating variable was met. The results also revealed both a significant relationship between entrepreneurial orientation and business sales (β =-0.649, P<0.05) and between entrepreneurial orientation and business costs (β =-0.230, P<0.05). Hence, the third condition on the significant relationship between mediating variable and dependent variable was also fulfilled.

The variable has the mediating effect when the path coefficient on direct relationship among independent and dependent variables is reduced (Baron & Kenny, 1986, Hair, et al, 2005, 2010). The mediation effect can be full or partial depending on the significance level of the path coefficients. If the direct influence of independent variables on dependent variable changed from being significant to insignificant, then the full mediation occurs. But when the relationship between independent and dependent variables is reduced but it is still significant, when the mediating variable is introduced, then the partial mediation occurs.

The path analysis results showed that entrepreneurial orientation partially mediated the relationship between B2B mobile money services and business sales (H_{3a}). The direct path coefficient was reduced from β = 0.457 to β = 0.151. However, the direct relationship between B2B mobile money service and business sales remained significant at 0.001 (i.e. P<0.05). Hence, H_{3a} was partially supported since the path coefficient was reduced and however it remained significant.

The path analysis results showed that entrepreneurial orientation fully mediated the relationship between C2B mobile money service and business sales (H_{3b}). The direct path coefficient was reduced from β = 0.144 to β = 0.020, and became insignificant at 0.439 (i.e. P>0.05) when the entrepreneurial orientation was introduced in the model. Therefore, hypothesis H_{3b} was fully supported because the path coefficient was reduced and became insignificant.

Furthermore, the path analysis results showed that entrepreneurial orientation partially mediated the relationship between B2B mobile money services and business costs (H_{4a}). The direct path coefficient was reduced from β = -0.539 to β = -0.430. However, the relationship remained significant at 0.001 (i.e. P<0.05) when the entrepreneurial orientation was introduced in the model. Hence, it indicated that hypothesis H_{4a} was partially supported because the path coefficient was reduced and remained significant. In addition, the results also showed that entrepreneurial orientation fully mediated the relationship between C2B mobile money services and business costs (H_{4b}). The direct path coefficient was reduced from β = -0.099 to β = -0.055 and became insignificant when the entrepreneurial orientation was introduced in the model. Therefore, H_{4b} was fully supported because the path coefficient was reduced and became insignificant. Table 6 presents the summarised information on the aforementioned explanations:-

Table 6: Regression Weights for Direct and Indirect Models

Path	Direct Model					Indirect Model				
	Estimate	S.E.	C.R.	P	Remarks	Estimate	S.E.	C.R.	P	Remarks
EOT<---B2BT	N/A	N/A	N/A	N/A	N/A	.472	.042	11.120	***	Significant
EOT<---C2BT	N/A	N/A	N/A	N/A	N/A	.191	.034	5.670	***	Significant
Sales <---EOT	N/A	N/A	N/A	N/A	N/A	.649	.038	16.866	***	Significant
Costs <---EOT	N/A	N/A	N/A	N/A	N/A	-.230	.098	-2.353	.019	Significant
Sales<---B2BT	.457	.042	10.796	***	Significant	.151	.037	4.080	***	Significant
Costs<---B2BT	-.539	.082	-6.549	***	Significant	-.430	.094	-4.584	***	Significant
Sales<---C2BT	.144	.034	4.302	***	Significant	.020	.026	.774	.439	Insignificant
Costs<---C2BT	-.099	.065	-1.524	***	Significant	-.055	.067	-.824	.410	Insignificant

*** Means significant at 0.001; N/A means Not Applicable

Figure 5 is the model that was developed to demonstrate the relationship between mobile money services, entrepreneurial orientation and micro business financial performance. Goodness-of-fit indices were also examined in order to explain an ability of the model to fit the data well.

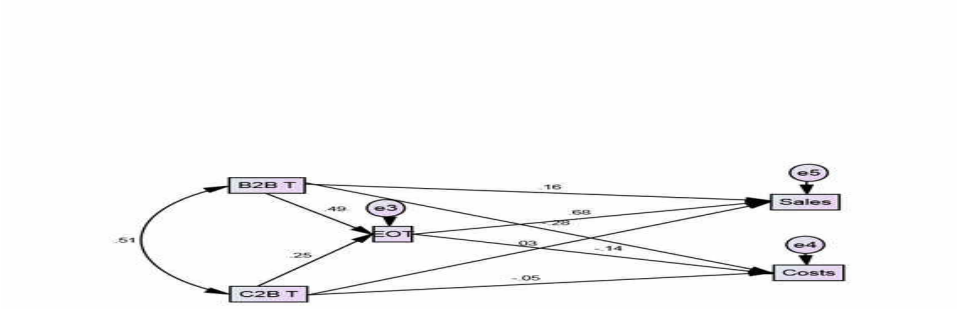


Figure 5: The Developed Structural Equation Model for the Indirect Relationship

Figure 5 shows the indirect effect of mobile money services on micro business financial performance. The direct path coefficients should decrease in order to indicate the mediating effect of a third variable. Figure 5 shows the decrease in the direct path coefficient between B2B mobile money services and business sales decreased from 0.50 (refer figure 4) to 0.16. In addition, the direct path coefficient between B2B mobile money services and business costs decreased from -0.35 (refer figure 4) to -0.28.

On the other hand, the direct path coefficient between C2B mobile money services and business sales decreased from 0.20 (refer figure 4) to 0.03 as indicated by figure 5. In the case of business costs, the direct path coefficient between C2B mobile money services and business cost decreased from -0.08 (refer figure 4) to -0.05 as indicated by figure 5. The decrease in direct path coefficients as shown in figure 5

demonstrated the mediation effect of entrepreneurial orientation on the influence of mobile money services on micro business financial performance.

The model fit indices were calculated in order to examine the goodness of fit of the model in the study data. The indices included CMIN/df, GFI, AGFI, CFI and RMSEA. The indices demonstrated that the model fits well the data of the study because they were all above the cut-off point. The Chi-square was 161.704 while P-value was 0.063. The Chi-square value was insignificant which indicated that there was no statistically significant difference between the default model and saturated model. Table 7 presents the model fit indices:-

Table 7: Goodness of Fit Indices for Business Cost Model

Goodness of Fit Measure	Calculated Index*	Cut off point	Author
CMIN/df	1.570	<5	Bollen (1989); Ullman (1996)
GFI	0.952	≥ 0.90	Byrne (2010)
AGFI	0.936	≥ 0.80	Chau and Hu (2001)
CFI	0.951	≥ 0.90	Hair et al. (2010)
RMSEA	0.038	< 0.08	Hoe (2008); Steiger (2007) cited by Hooper, Coughlan & Mullen (2008)

Specifically, it was revealed that entrepreneurial orientations enabled micro businesses to proactively collect suppliers' information and identify the relatively cheap sources of business inputs. Furthermore, it was revealed that B2B mobile money services had largely influenced micro business financial performance when the micro business owners/operators were willing to accept the moderate risks associated with the business transactions with suppliers regardless the distance. For instance, one of the informants argued:-

"I recognise the risk that some of distant suppliers may not honour business agreements when they receive money in their mobile money accounts. However, the business cost reduction when using mobile money services to purchase goods from suppliers is higher than the associated risk. Hence, I am willing to bear the risk and minimize it by collecting all necessary information about the supplier." (Male Informant, 49 years of age)

In addition, the entrepreneurial orientations enabled micro businesses to look for the new and emerging market opportunities and, examining market characteristics and demands. Ability to identify new marketing opportunities, for instance, largely influenced the micro business sales. The micro businesses used C2B mobile money services to entrepreneurially exploit the identified new market opportunities or demand regardless of the distance.

DISCUSSION OF FINDINGS

The findings revealed that B2B and C2B mobile money services had positive significant influence on micro business financial performance. It was revealed that B2B and C2B mobile money services had significant positive influence on business sales and significant negative influence on business costs. The findings are in line with the prior studies such as Chale and Mbamba (2014); Otiso et al. (2013) and, Wanyoni and Bwisa (2013). Wanyoni and Bwisa (2013) argue that B2B mobile money services increase business sales and reduce purchase costs. Chale and Mbamba (2014) argue that mobile money services promote efficiency in the purchase of stock. Otiso et al. (2013) argue that the use of mobile money services to purchase goods from suppliers reduce business costs because it provides more time to micro business owners/operators to run and monitor their businesses. However it was revealed that B2B mobile

money services did not have the same influence on business sales and costs with C2B mobile money services.

The findings also revealed that mobile money services (as the information technological resources) significantly influenced micro business financial performance. It is in line with the Resource-Based View which argues that a resource has an influence on the business performance. It is argued that the information technological resource has an influence on business performance (Lal & Sachdev, 2015; Pham & Jordan, 2009, Ting Peng, et al. 2010). However, it was revealed that B2B and C2B mobile money services did not have the same influence on micro business financial performance.

Entrepreneurial orientation was found to have partial mediation effect on the relationship between B2B mobile money services and micro business financial performance. Entrepreneurial orientation as the contingent variable had full mediating effect on the relationship between C2B mobile money services and micro business financial performance. However, entrepreneurial orientations were found to be highly applied in addressing different business challenges in order to influence micro business financial performance. It implied that entrepreneurial orientation influences micro business financial performance which was in line with the contingency approach (Kraus et al. 2012; Lumpkin & Dess, 2001). The mediating effect of entrepreneurial orientation largely depends on the fit between entrepreneurial orientations with the micro business operating environment. However, this article revealed that entrepreneurial orientation did not have the same mediating effect across the relationship between different forms of mobile money services (i.e. B2B and C2B) and micro business financial performance.

CONCLUSION

The article investigated the influence of mobile money services on micro business financial performance considering the mediating effect of entrepreneurial orientation. The article concludes that B2B and C2B mobile money services significantly influence micro business financial performance. Comparatively, B2B mobile money services had higher influence on business costs and sales than C2B mobile money services. B2B mobile money services was found to have influence on the purchase costs, transport costs of the business owner/operator to the suppliers' premises and opportunity costs resulted from the closure of business. In addition, B2B mobile money services influenced business sales which were associated to the decrease in product prices as a result of the decrease in product costs. C2B mobile money services have significant positive influence on micro business financial performance. C2B mobile money services largely influence the transaction costs, and follow-up costs. It is cheaper to transact with customers through C2B mobile money services because it does not require the physical follow-up to the customer in order to receive the payments. Entrepreneurial orientation partially mediated the relationship between B2B mobile money services and micro business financial performance. This was contributed by the fact that both entrepreneurial orientation and mobile money services largely influenced the purchase costs which significantly influenced the micro business financial performance. Furthermore, entrepreneurial orientation fully mediated the relationship between C2B mobile money services and micro business financial performance. Entrepreneurial orientation enabled micro businesses to identify and exploit new and emerging market opportunities. In addition entrepreneurial orientation enabled micro businesses to examine the market characteristics which enhanced ability of micro businesses to determine the purchasing behaviour of the target market.

RECOMMENDATIONS

The results revealed that mobile money services significantly influenced micro business financial performance. Specifically it was found that mobile money services had significant positive influence on micro business sales and significant negative influence on micro business costs. With this fact, if a

country wants to enhance the financial performance of micro businesses, it has to create conducive legal, fiscal and monetary environment that will encourage the use of mobile money services.

Entrepreneurial orientation was found to have a mediation effect on the relationship between mobile money services and micro business financial performance. It was revealed that mobile money services largely influence micro business financial performance when a micro business owner/operator is entrepreneurially oriented. In addition, entrepreneurial orientation was found to have significant influence on micro business financial performance. This implies that businesses that are led by business owners/operators who are entrepreneurially oriented perform better financially. With this fact, it is important to promote the development of entrepreneurial orientations among micro business owners/operators in order to improve micro business financial performance.

The use of C2B mobile money services significantly influenced micro business financial performance. It was found that C2B mobile money services had significant positive influence on micro business sales and significant negative influence on business costs. It implies that a micro business that will use C2B mobile money services will significantly improve its micro business financial performance. In this line, micro businesses can use C2B mobile money services to reduce the costs of sales particularly the transaction costs and physical follow-up costs. Micro businesses can also use C2B mobile money services to expand their business operations and increase the business sales volume.

The use of B2B mobile money services was found to have significant positive influence on business costs particularly purchase costs, transport costs of the purchaser and improve business sales. With this fact, micro businesses owners/operators should encourage the use of B2B mobile money services in order to reduce the costs of business inputs and hence enhance the business competitiveness in the market. The results also revealed that entrepreneurial orientation had partial mediation effect on the influence of B2B mobile money services on micro business financial performance. Despite the fact that entrepreneurial orientation had the partial mediation effect, it still plays an important role in enhancing micro business financial performance. Micro business owners/operators should entrepreneurially orient themselves in order to proactively identify and exploit relatively cheap sources of business inputs including inventories. In this fact, entrepreneurial orientations will improve business efficiency and ability to compete in the market.

In addition, micro businesses can develop a business strategy that promotes efficiency in serving the target market when a business owner/operator demonstrates the proactive behaviour. Micro businesses should therefore develop their entrepreneurial capability in order to enjoy fully the benefits of using C2B mobile money services on business financial performance

LIMITATIONS OF THE STUDY

Mobile money services may not have the same influence on business financial performance across micro business sectors. In Tanzania, micro businesses have been categorised into three groups. There are micro businesses that are dealing with trade, services and manufacturing (FSDT, 2012). The mentioned micro business sectors differ in terms of business characteristics which may result to a different influence of mobile money services on micro business financial performance. This study did not consider the influence of mobile money services on micro business financial performance across their sectors. However, it does not dispute the fact that mobile money services influence micro business financial performance. Focusing on micro business sectors, the findings would explain whether mobile money services have different influence on micro business financial performance across their sectors.

The article also used the subjective evaluation measures of business financial performance. It did not use the objective evaluation measures of business financial performance because micro businesses cannot provide reliable financial data. However, the use of subjective evaluation measures of business financial performance did not reduce the reliability of the presented findings. This article collected data from micro business owners/operators who were able to provide information that represented the true picture of micro businesses financial performance. They were highly involved in the strategy formulation and decision making processes which enhance their knowledge on micro business operations and environments in which the business operates.

AREAS OF FURTHER RESEARCH

Another study may focus on the influence of mobile money services on business financial performance across micro business sectors. The study may examine whether the influence of mobile money services on business financial performance differ across micro business sectors, namely trade, services and manufacturing. This may potentially contribute to the existing body of knowledge particularly contribution to RBV. Mobile money services may not have the same influence on business financial performance across micro businesses sectors. For instance, the business operations of service-oriented micro businesses may not be similar to those of manufacturing micro businesses.

It is also important to conduct the similar study in small and medium enterprises (SMEs) to validate the study findings. Micro businesses and SMEs differ in terms of their definitions basing on the number of employees that limit comparison between the two categories of businesses. In Tanzania, SMEs are the ones that employ people from 5 to 99 while micro business employs from 1 to 4 (URT, 2003). Differences in the definitions limit generalization of the study findings to SMEs. With this fact, similar study can be conducted to SMEs in order to validate the findings of this study with consideration of the socio-economic importance of SMEs in the developing economies.

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EXTERNAL EQUITY FINANCING: ASSESSING THE INTERESTOF CONSTRUCTION COMPANIESTO LIST AT DAR ES SALAAM STOCK EXCHANGE

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ABSTRACT

This study examines construction companies' interest to external equity through listing to Dar es Salaam Stock Exchange. This follows various reasons among others the fact that the sector is capital intensive and its contribution to the Gross Domestic Product. Another reason was the fact that data indicates tenders in construction industry are offered to foreign firms due to the lack of capital investment by the local companies. Despite all these, there is low motivation and interest of companies to use the capital market to acquire equity despite of it being the cheapest source of fund. Given the magnitude of construction industry business in Tanzania, there is no single company listed to the bourse to date. This study was thus done to assess the readiness, awareness, influence of profitability and internal framework of the company's financial needs on the interest to list. A simple random sampling technique in selecting respondents and informants were selected purposively for data generated through questionnaire administered to them. Findings of the study indicates that majority of contractors prefer to use internal generated funds to finance their activities, and if external finance is necessary they prefer debt financing through lending from commercial banks and other debt financing sources so they take external equity financing as a last resort –and this follows pecking order theory. The results show that there is low interest of listing because of perceived stringent listing requirements and high costs associated with listing.

Key words: *Stock Exchange, Equity, Construction*

INTRODUCTION

Background Information

Interest on the firms to use alternative sources of finance has been in the literature of finance for long time. Also, the objective of the firms which is maximization of shareholders value and acquires resources to be competitive has been an established stylized fact in business. One of the scarce resources in business firm is access to finance, and costs which are associated with raising such finance (Begenau and Salomao,2014). Various forms of financing are available for business firm which includes internally generated funds and external financing sources (bank loan and external equity sources). Costs and benefits of each source depends on the sector requirements and industry dynamics as well as competitive nature of the industry.

The decision to raise external equity depends much on the capital structure of the firm. Many companies finance their business using internally generated funds because they believe that the cost of internal equity is generally lower than the relative cost of external equity financing (Belo, Lin and Yang, 2014).However, for a capital-intensive industry such as construction industry, depending on the internal sources will make the firm less competitive. Equity sources are more likely to be preferred in semi-capital intensive and quite competitive industries such as construction industry. To raise external equity the company may use different sources such as equity from venture capitalists, equity from friends and family members, or the company may decide to go public by listing in the stock market. According to Pastusiak, Bolek, Malaczewski and Kacprzyk (2016), listing and trading of shares at the stock exchange is very crucial for the companies' development. It is a cheap means of obtaining additional capital for new investments.

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Construction Industry and its Contribution to Tanzanian Economy

Construction industry transforms various resources into constructed physical economic and social infrastructure necessary for socio-economic development (MoW, 2003).Tanzania construction industry is still quite young and there is still huge construction projects planned, necessary to support the country's development agenda. The industry comprises firms and individuals working as consultants, main contractors and sub-contractors, material and component producers, plant and equipment suppliers, builders and merchants (UNESCO, 2010).

Construction industry holds a very special place in Tanzania's economy as it cuts across all other sectors and stimulates their growth (CRB, 2015). The industry contributes hugely to the Gross Domestic Product. In the year 2015 the sector contributed 13.2% of all the wealth that was generated in the country, and created more than 9% of the employment opportunities (BoT, 2015). Because of importance of construction industry for social and economic benefits, the government has continued to be more committed to placing emphasis on construction industry by allocating 10.8% f 2015/2016 development budget to infrastructure (URT, 2015).

The construction industry in Tanzania is highly competitive. The There are 7,380 contractors registered by CRB, where 243 or 3.2% in class I and among those 243 companies 109 or 44.8% of 243 are local companies, 134 or 55.1% of 243 are foreign companies. 71 companies or 0.9% of 7,380 in class II. Normally class I companies are the most competitive for the big ticket projects.

Dar es Salaam Stock Exchange.

Dar es Salaam stock exchange (DSE)provide opportunities for companies to raise capital by listing their securities (debt and equity securities) to be accessible to the public. The bourse was incorporated in 1996, as a non-profit company limited by guarantee, until it was demutualized in June 2015.As of December 2016, DSE has 23 listed companies of which 16 are local companies and 7 are cross about TZS. 21,728.57 billionmarket capitalization. Of the listed companies none is from the construction sector. Compared to Egyptian Stock Exchange (EGX) which is the leading capital market in Africa with large number of listing exceeding 833 listed companies there are only thirteen (13) construction companies listed in the capital market (EGX, 2015). In Johannesburg Stock Exchange (JSE) which is the second largest stock exchange in Africa with more than 483 listings in 2015, but there are only 10 construction companies listed in this capital market (JSE, 2015). Nairobi Stock Exchange (NSE) is the sixth stock exchange in Africa and first in the East African region with more than 66 listed companies but there are only five construction companies listed in this capital market (NSE, 2016). It can be noted that there is generally low trend of interest for construction companies to list their shares, however; with more than 15 years of existence of DSE, no interest whatever has aroused from the Tanzania construction firms.

PROBLEM STATEMENT AND OBJECTIVES OF THE STUDY

Statement of the Problem

Financial resource is key to the business undertaking. Lack of capital resources especially finance sources to acquire relevant capital goods may make a firm less competitive especially in the capital intensive industry such as contraction. Lack of capital is a result of poor capital structure decision and it is one of the determinants of firm's failure (Baharuddin, Khamis, Mahmood and Dollah, 2011). Participation of construction companies in available big ticket construction jobs opportunities is very low, and the main reason cited is lack of capital for the local firms (CRB, 2015). CRB indicated that for the year 2015 construction companies won a total of 3,172 projects worth TZS 4.23 Trillion, mostly worn by foreign construction firms. Low participation and failure to win construction tenders by local companies is a result of stiff competition arose from lack capacity of local companies. Inadequate capacity of construction companies is a result of many factors, inadequate capital being the greatest of all (MoW, 2003).

Construction companies in Tanzania finance their investments through new equity and internal sources including retained earnings MoW (2003). Other companies obtain their capital through acquiring loans from banks and other sources which is not sustainable (associated with high risk) as compared to equity that could be raised from stock market. Kibodya (2008)observed that a number of contractors seeking financial accommodation from banks find themselves disqualified due to lack of or inadequate collateral. Banks has stringent procedures of acquiring loans sometimes the contractors may access the loan very late making them vulnerable to penalties or missing the particular project. To control this, CRB has established a guarantee fund for contractors. But this has not been a cure to the whole problem.

Stock market is a source of cheap capital for all companies. The decision to go public by construction companies could be the best choice if they want to obtain less expensive and a more sustainable source of finance to expand the companies and enjoy the opportunities available in the market. There are other various opportunities arise from the listing at the stock market including publicity and tax cuts. Others include improved corporate governance and well organized leadership (Mohamadi, 2012). For a public company diversification is very easy because of the cheap access to capital which may fund all potential investments that the company needs to take. Despite of the market opportunities for the construction companies' available, listing benefits and huge capital demand by the companies to be competitive to the opportunities, there is a still unresolved issues why construction companies are not motivated to list.This study investigated reasons which hold back construction companies to list in DSE.

Objectives of the Study

The study has thus developed four objectives.

i) To assess the influence of internal framework of a specific company's financial needs in the decision to go public.
ii) To assess the effects of profitability of a company on the decision to go public.
iii) To assess whether construction companies are aware of opportunities offered by DSE.
iv) To assess the readiness of construction companies to take listing initiatives.

LITERATURE REVIEW

There are various theoretical perspectives in explaining the motivation and relationship of various decisions to adopt various forms of financing, including the decision to list and its associated implications. Studies have been conducted previously and various theories have been applied to trace the behavior of companies in the decision to go public.

Theoretical Literature

The Agency Cost theory

This theory was developed by Jensen and Mecking (1976) focusing on the costs which can be created due to the conflict of interest that exist between managers, shareholders and the investing public. According to Copeland and Shastri (2014) agency problem arises basically because contracts between managers and owners cannot be written and enforced at no cost. Agency costs include: (i) Cost of structuring a set of contracts (ii) Cost of monitoring and controlling the behavior of agents by principal, (iii) Cost of bonding to guarantee that the agent will make optimal decisions or principal will be compensated for the consequence of sub-optimal decisions and (iv) The residual loss that is the welfare loss experienced by principals arising from divergence between agents decision and decision to maximize principal's welfare. This residual loss can arise because the costs of full enforcement of contract exceed the benefits.

For the business firm, agency conflicts between managers and shareholders may be particularly severe. When shareholders are the same as managers, inviting other players in the company may not be welcomed. Companies which are not listed are likely to have more concentrated ownership and generally the shareholders often run the firm which decreases the conflict of interest between shareholders and

managers, therefore no or few agency problem will exist (Copeland and Shastri, 2014). According to McMahon, Forsaith, and Richard (2001) agency problems increase cost of external financing such as monitoring and bonding costs which are necessarily incurred. Therefore this theory implies that companies will not choose the decision to go public to avoid costs associated with conflict of interests that may arise due to the dispersed ownership.

Pecking order theory

Pecking order theory basically states that the cost of financing increases with asymmetric information. Financing comes from internal funds, debt, and new equity. As such, when seeking funds, a firm prefers internal equity to external debt, short-term debt to long-term debt, and external debt to external equity if external financing is needed. Therefore raising equity, in this sense, can be viewed as a last resort (Cassar and Holmes, 2003). Pecking order theory was popularized by Myers and Majluf (1984) they argued that equity is a less preferred means to raise capital because managers who are assumed to know better about true conditions of the company than investors are the ones who issues new equity. Investors believe that managers overestimate their companies and are taking advantage of this overestimation therefore they reduce value to the new equity issuance. With this regard information asymmetries suggest that external finance is more expensive than internal finance as financiers add a risk margin to cover their information disadvantage. Pecking order theory maintains that businesses stick on a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required. Consistent with this theory Gregory, Rutherford, Oswald, and Gardiner (2005) argue that older firms should be less reliant on external financing sources than younger firms. They attribute this to the fact that because older firms have more opportunities to accumulate retained earnings than younger firms, more internal funds are available to finance their operations. Copeland and Shastri (2014) explain pecking order theory as a dynamic story which means that the observed capital structure or financing choices of each firm depends on its history. For instance an unusually profitable firm in an industry with relatively slow growth (few investment opportunities) end up with an unusually low debt-to-equity ratio, this has no incentive to issue debt and retire equity. On the other hand unprofitable firm in the same industry end up with a high debt ratio. Age and profitability of a firm has been seen as important issues in this theory, that's why this study has assessed the influence of age and profitability of construction companies in the decision to go public.

Trade-off theory

According to Hovakimian, Hovakimian, and Tehranian (2004)trade-off theory is built around the concept of target capital structure that balances various costs and benefit of debt and equity. Often it is assumed that an interior solution is obtained so that marginal costs and marginal benefits of debt and equity are balanced.The original version of trade-off theory grew out of the debate over the Modigliani-Miller theorem. These include the tax benefits of debt and the cost of financial distress and various agency costs of debt and equity financing (Modigliani, 1963). According to trade-off theory managers do not attempt to maintain a particular capital structure, instead financing choices are driven by the costs of adverse selection that may arise as a result of information asymmetry between better informed managers and less informed investors. These costs are incurred only when firm issues securities and are lower for debt than for equity. Therefore firms prefer internal financing and prefer debt to equity when external funds have to be raised (Hovakimian et al., 2004). Since construction firms depends on the projects, and since financing for such projects mostly are not predictable especially in developing countries such as Tanzania, where majority of construction is financed by the government, financing through listing and costs associated may be costly to the companies as the future is always uncertain.

Empirical Literature

Frank and Goyal (2007) tested the pecking order theory by studying a sample of 768 publicly held US firms with at least 19 years of data. The theory predicts that external financing should be only a small portion of the total capital formation and that external equity should be a small fraction of external finance. Surprisingly Frank and Goyal found that external finance is large that net equity issues commonly exceed net debt issues. The net equity issues track the firms financing deficit much more closely than do debt issues. They also found that the financing deficit does not challenge the rate of conversional leverage factors (Example sales revenue, profitability, fixed to total assets, etc.) that the proxies for equilibrium factor that explain capital structure. Finally since the pecking order theory is motivated by adverse selection cost caused by asymmetric information, it should work best in small high-growth firms, Frank and Goyal find quite the opposite, it works the best in large firms that has existed for many years. But this study suggests that it should work best in both small and large firms because all of them are faced with a risk of adverse selection costs.

McMahon, Forsaith, and Richard (2001) conducted a research on equity financing patterns amongst Australian manufacturing SMEs. They found that less than 10% of SMEs ever undertake new equity financing, meaning that only few of them are listed in their respective stoke exchange suggesting that this is not a popular alternative. Debt financing appears to dominate the balance sheets of most firms. According to Ngugi and Njiru (2005) the situation like this implies that firms are not aware of the opportunities offered by stock markets therefore it is important to enhance creation of public awareness and education as to the existence and usefulness of the capital market to the public and the economy at large. A Ghanaian study by Abor and Biekpe (2005) determined how firms establishes their capital structure in their dynamic setting. Results revealed that Ghana stock market is an important source of long-term financing for listed firms. Kiboi (2012)studied development of the stock market in Kenya and identified legal and regulatory framework as a factor hindering its development.Stringent and numerous entry requirements were identified as main obstacles for private companies not to seek listing at the NSE. The other relatively more influential factors identified were the political environment, company's capital structure, public scrutiny, dilution of ownership and a lack of necessity to raise long term funds. The influence of the factors identified was included in this study as Tanzania and Kenya have a lot in common.

METHODOLOGY

To develop a clear understanding of reasons which hold back construction companies to list at DSE, it is pertinent that multiple-methodological approaches were applied. This study used primary and secondary data. Unit of analysis was construction firms. A sample size of 96 contractors were selected based on the Saunders, Lewis, and Thornhill, (2009) formula for calculating minimum sample size. Total population was all the contractors as provided by the Contractors Registration Board (CRB). To reach such sample, 105 respondents were identified and a questionnaire was self-administered to the companies. However, the total respondents were only 71 companies making 68% of the respondents and 74% of the targeted sample of 96 firms. Purposefully the selection of the respondents was based on those based in Dar es Salaam. Most of the business transactions including means of 0financing businesses through equity or debt finance are done in Dar es Salaam where headquarters of most financial institutions are located. The study included respondents from four field namely mechanical contractors, electrical contractors, civil contractors and building contractors and from class I to class VII in each field. A simple random sampling was applied in selecting respondents from each class and in each of the four fields in order to provide equal chances for them to be selected as representative.

Data was collected using questionnaire. The questionnaire consist three sections. Section I inquired information about the company, Section II on the company financing options and the Section III was based on the assessment on the willingness of the company to list its shares at the Sa res Salaam Stock

Exchange Sections II and III responses were given options based on the four main issues of the study measured in a Likert scale. Respondents of the questionnaire were top management of construction companies. Most of the data was collected during the 2016 CRB Annual Consultative meeting where by more than 1,000 construction firms were represented. Descriptive approach was used to analyze the data given the nature of the study. Based on the respondents, 64 (92%) were private companies while 7 (8%) were public companies. Distribution of the questionnaire and collection based on the specialization of the contractors

Table 1: Status of Questionnaires Administered based on Contractors Specialization

Category	Number of questionnaires		Percentage (%) of collected questionnaires
	Distributed	Collected	
Building Contractors	32	26	81
Civil Contractors	27	18	67
Electrical Contractors	22	13	59
Mechanical Contractors	24	14	58
Total	105	71	68

Based on the contractors' classifications, 16 respondent were from class I and III which is equivalent to 21.9% each, of the respondents. Class VI had 11 (15.1%), Class II and V had 9 (12.3%), Class IV had 6 (9.2 %.) while Class VII had 4 (7.5%) of the respondents. Data was collected from all classes of contractors to eliminate biasness and increase reasonableness and reliability of information. Based on the variables studied, a confirmatory factor analysis was considered necessary. The results are as presented in Table 2

Table 2: Pattern matrix for the Factors used in the Study

Items grouped	Correlations	Factors/Components
Returns from financial Assets	0.769	Profitability
Profit from operating activities	0.892	
Net profit margins	0.937	
Financial needs to acquire financial Assets	0.783	Internal framework of a company's financial needs
Need for money to run all operations of the company	0.726	
Size of the company	0.711	
High costs of listing	0.809	Readiness
Influence of listing requirements	0.808	
Influence of retained earnings	0.61	
The role of DSE on the process of acquiring equity	0.833	Awareness
The operations of DSE	0.876	
The existence of DSE	0.732	

Factors were grouped according to the order of importance starting with the most important factor to the list important factor. All factors have positive influence on the decision to go public though they differ in the order of importance.

RESULTS AND DISCUSIONS

This section presents findings and explanation of what have been observed from data analysis. Each variable is discussed to give answers to research questions and explain what have been observed from the field.

Descriptive Analysis of the Data

Based on the definition of Small and Medium Enterprises, a consideration for the number of employees was considered. More than 90% of the respondents were Micro, Small and Medium Enterprises.

Table 3: Number of Employees and Classification of the Respondents

Number of Employees	Frequency	Percent (%)
Below 10 (Micro)	24	32.9
11-50 (Small)	28	38.4
51-100 (Medium)	14	19.2
100 and above (Large)	5	9.5
Total	71	100

The data collected indicated that most of the companies (57%) were having more than three years of operations. All the companies have at least won a tender as a main contractor or subcontractors to construction projects. Table 3 indicates age and number of tenders 72% of the 804 construction jobs worn by the respondents in class I to III.

Table 4: Age of the Firm Vs Number of Tenders won by the Firm

Age of the company in years	Frequency	Percentage (%)	Number of tenders won by the company
Below 3	24	32.9	109
4-10	24	32.9	267
11-20	18	24.7	312
21 – and above	5	9.5	116
Total	71	100	804

The results indicate that companies which have stayed for many years in the industry are more likely to win tenders because of the trust from the public and experience they have in the industry. These results comply with arguments made by Gregory, Rutherford, Oswald, and Gardiner (2005) that older firms should be less reliant on external financing sources than younger firms because older firms have more opportunities to accumulate retained earnings than younger firms then more funds will be available for investments. Also capital intensive companies i.e. class I to III are more likely to win tenders than less capital intensive companies.

Financing options of Contractors

For internal sources of funds it has been observed that contractors use different sources of internal sources of fund. The most preferred internal source of fund is retained earnings where more than 51.6% of respondents revealed that they are using retained earnings for further investments, bootstrapping is the second internal source of fund which has been observed to be the best option for contractor where 25% of respondents revealed that they are using this option, re-investment by current shareholders is also another option which is common to contractors where they use funds from shareholders to finance their new investments 19% of respondents revealed that they are using this option, the last internal source of fund which have been observed to be important to contractors is leasing of equipment in exchange for fund or professionals.

For external sources of funds more than 74.7% of respondents use commercial bank as the source of fund for their investments. Therefore debt financing is their first option if they seek financial support from outside the organization. Only 15.5% of respondents claim to go for public offering if they seek financial support from outside. 62% of respondents use retained earnings or re-investment by current shareholders to finance their projects, but they will go for debt financing if retained earnings are not enough.

Results Based on the Objectives of the Study

The Influence of Internal Framework of a Company's Financial Needs in the Decision to Go Public

The results show that most of companies requires huge amount of money to run their operations. 67.3% of respondents agreed to the inquiry that "the company needed large amount of money for its operations during the last three to five years".82.2% of respondents agreed to our inquiry that "the company needed large amount of money to acquire and maintain its financial assets". Financing construction assets is very expensive and to possess enough assets to run all activities and be competitive, companies in this industry requires large amount of money. Findings from the field suggest that companies fail to win tenders because they do not have the required facilities to qualify for the tender. Large and medium sized companies have more financial needs compared to small companies. Large companies include those class I, II and III.

Construction companies require huge funds to acquire assets though they accumulate huge retained earnings they still need additional capital from outside the company. 60.1% of respondents agree to the idea that size of the company has much influence in the decision to list, the result also shows that time that the company has operated in the business has much influence in the decision to go public. Companies which are new in the industry (those companies which has operated for years less than 10) believe that they need to stay a little longer in the business before they list, therefore size and age of the company has a greater influence on the decision of a company to list. Generally if internal framework of a specific company's financial needs is high the firm will be forced to seek financial support from outside.

Influence of profitability of a company on the decision to go public.

Results in this part are summarized to give explanation on return on assets of a company, operating profit of a company, profit margin and retained earnings of a company.

ROA – Return on asset

In the assessment of influence of profitability in the decision to list, the study examined return on asset of each company and measures their listing perception in relation to ROA. 55.2% of respondents agreed the notion that "financial assets owned by the company produced enough return so there is no need for listing". This shows that companies depend much on profits made from their financial assets as a source of fund for further investments.

OP – Operating profit

57.8% of respondents indicates that operating activities produce enough profits which cover all financial needs so there is no need of listing. This suggests that companies will not seek financial aids from outside sources because their operating activities produce enough funds for further investments and if it happens that external sources are needed companies will choose debt financing and they prefer lending from commercial banks as the alternative source of fund, listing is a last resort for them. PM- Profit margin is the major determinant of the company's prosperity, if the company is making enough profit it is certainly that opportunities of expanding are increasing. According to results from the field more than 77.6% of firms have been observed to find ways to avoid the need for external financing through creativity, ingenuity, cost-cutting and other means so that the profit generated will be enough for reinvestments. The

results suggest that companies with high profits are more likely to remain private because earnings are retained for further investments. Therefore all financial needs will be covered by retained earnings.

Readiness of Contractors to go Public

This variable is measured by assessing costs associated with listing, assessing perception of stakeholders on listing requirements, influence of size of the company, influence of age of the company and time that the company has spent in the industry. Most of companies do not pay dividends or they pay little dividends and retain some earnings for further investments. Thus why 60.2% of respondents disagreed to the notion that "the company needed large amount of money to pay dividends". Meaning that they pay little or no dividends instead earnings are retained for further investments. Based on findings costs associated with listing have been observed to be the problem which hinders construction companies to list in DSE. The result shows that 87.4% of respondents agree with the idea that costs of listing are high. Listing requirements are also stringent, 82.5% of respondents believe that listing requirements are very stringent and difficult to fulfill. It has been observed that these requirements tend to favor large foreign companies which are always not interested in listing on DSE because most of them are already listed in their home countries.

These results represent majority of respondents who reveal that costs of listing and listing requirements are among the reasons which hold back most construction companies to list in DSE. According to DSE (2011) costs of listing involves initial costs that the company will incur such as costs of furnishing annual reports and preparation of financial statements, initial costs to prepare a firms legal affairs, costs of maintaining a strong board of directors of which most of companies declares that they do not have board of directors, other costs involve annual membership fee which the company must pay to the stock market in order to maintain its membership. These results comply with those of the study done by Messah (2011) about reasons for low listing by agricultural companies in Kenya, the result indicated that most of respondents were complaining about high registration fees and costs associated with listing.

Awareness of Contractors on the existence of DSE

Findings revealed that only 52.7% are aware of the role played by the stock market in equity financing. 82.2% of respondents are aware of the existence of DSE. This suggests that contractors are quite aware about DSE and its roles, implying that awareness is not the reason why they do not list. The results of this study are inconsistent with results of the study done by Massele, Darroux, Jonathan, and Fengju, (2013) on the challenges faced by DSE. In their study, they found that despite the efforts done by DSE to publicize and provide market information via television and radio programs, seminars, fair exhibitions and regional integrationthere are number of Tanzanians who are still unaware of the existence and the role of stock market in acquiring external equity.

According to findings of this study there are many other reasons which hold back construction companies from listing in DSE as observed from the open question which asked respondents to give other reasons which make them hesitate to list in the stock market. One of their reason was dilution of ownership where respondents believes that by listing in DSE their state of ownership in the company will be diluted by selling of stocks to other shareholders making the company to have many owners and therefore reducing the power to make decision by the original owners. This was also observed in the study done by Yartey (2005) on Ghana stock exchange revealed that 33% of companies surveyed were unwilling to list on the stock marketfor fear of losing control. Another reason which was postulated was fear for information asymmetry, most of managers are afraid of the well informed market and they believe the market may have information which the company does not have so shareholders may use that advantage to make sure they are gaining more than the original owner. Other respondents said that one of the reason which hold the back is fear for fluctuation in exchange rates and uncertainty of inflation.

Secondary data was obtained from different publications of the stock market and data from other publications. According to DSE (2011) reasons which hold back companies from listing on DSE include the following; there is no specific policy set by the government which will influence compliance by all companies, therefore companies find it not necessary to take initiatives of listing in DSE. Bureaucracy is also one of the factors which lead companies become less motivated to take initiatives of listing. Other companies do not want to list because they are afraid of being exposed, due to the fact that they will be forced to expose all business dealings and increased transparence to all transactions therefore forced to comply with tax requirements. On the other hand companies do not want to list because of political reasons DSE (2016) reveals that other companies have no interest of listing because of uncertainty in political instability, changes in policies and lack of emphasis from the government.
Linear regressions of the factors were subjected to a test and the results are as shown in Table 5.

Table 5: Coefficients of Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.372	.755		-1.818	.074
	Awareness	.096	.096	.233	2.106	.039
	Readiness	.203	.035	.293	2.764	.008
	Profitability	.533	.091	.292	2.750	.003
	Internal framework of a company's financial needs	.250	.175	.343	3.039	.007

According to Table 5 profitability of the company is the most significant factor which may contribute to the decision of a company to go public with a significant level of 0.003, then internal framework of a company's financial needs follows with a significant level of 0.007, readiness and awareness follows with significant level of 0.008 and 0.039 respectively. All factors have significant level less than 5% significant level, suggesting that they have strong influence in the decision of a company to go public.

CONCLUSION

The main objective of this study was to establish factors which hold back construction companies to go public by listing in DSE. Furthermore the study aimed at determining which financing options are best taken by construction companies. The results reveal that companies comply with the pecking order theory where internal source of finance is the best source of fund. But when external source is necessary companies will go for debt financing by borrowing from bank and equity financing being the last option.
The study has established that most of companies use retained earnings as a source of fund for further investments so this shows that internal source of fund is the first option that companies will take before thinking of other sources, but if external sources are needed companies are more likely to go for debt financing by lending from commercial banks. According to findings more than 74.7% of respondents indicated that lending from commercial bank is an important source of financing for their business, they also see public offerings or selling stocks to the public as their last resort when seeking additional funds. These findings comply with arguments done by Gregory et al., (2005) they argued that older firms should be less reliant on external financing sources than younger firms because older firms have more opportunities to accumulate retained earnings than younger firms, more internal funds are available to finance their operations. The study revealed that older firms has more abilities to finance its operations using internal sources of fund compared to younger firms though there are sometimes when they need external financing sources. Lack of construction works, high competition and lack of proper governance structure may also inhibit the construction firms not to list their shares in public.

Managerial Implications and Recommendations

This study contributes to the process of increasing the number of listing in DSE and shades light on the problem of low listing interest by construction companies. The study recommends that the construction companies should take initiatives of listing to obtain a less expensive equity and increase their liquidity, also increase their capital based to compete in local and international markets. The stock market should improve listing requirements and reduce unnecessary obstacles, so as to persuade companies to take initiatives of making good use of the stock market. DSE also has a duty of educating their audience to clearly articulate the incentives for listing. Construction companies should seek expertise from various sources including the DSE on their listing requirements. Furthermore the government should formulate a strong policy which will emphasize on listing by companies. Contribution of DSE in the economy of Tanzania is great and development of this stock market depends on the number of listings, and for this case, formulation of policies which reduce listing bureaucracy, and motivate companies to list is important.

Areas for further studies

This study was only limited to finding reasons which hold back construction companies to list in DSE but the number of listings in the bourse is very low therefore there is a need of studying other sectors to discover what lead to low number of listings in the bourse. The study was also focused on contractors located in Dar es Salaam city only, because of time and budget constraints, but `the study may be carried out in the whole country to persuade companies in other regions to participate in stock exchange activities.

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DEMOGRAPHIC CHARACTERISTICS OF CREDIT OFFICERS AND RISK MANAGEMENT IN MFIs IN TANZANIA

Neema Mori; Evelyn Richard[40] & Martha Swai[41]

ABSTRACT

This article examines the effect of demographic features of credit officers on risk management in MFIs. The paper utilizes a dataset of 200 credit officers drawn from 20 Microfinance institutions in Tanzania. Descriptive analysis and econometric models are used to test the developed hypotheses. Working experience, age and education level of credit officers influence credit risk management as measured by portfolio at risk. Based on information asymmetry theory the study observed that gender and marital status of credit officers as well as location of MFIs do not influence credit risk management. This study is limited as it examined selected demographic factors of credit officers in selected Microfinance Institutions in Tanzania. It is therefore recommended that in order for the MFIs to reduce risk on loan repayment defaults it should consider the demographic profile of its credit officers such as their educational level and experiences by employing skilled and experienced personnel responsible for screening and monitoring the use of the loan. Our study contributes to the theory by showing that experience and education taken together matters for the organizations ability to reduce information asymmetric problems which in turn helps in risk management. In the absence of peer-information, credit officers help to reduce the probability of delinquency and default they can ensure high-quality service provision

Key words: *Credit Officers, Risk Management, Portfolio at Risk*

INTRODUCTION

How do credit officers contribute to risk management of Microfinance Institutions? Microfinance institutions (MFIs) offer financial services to businesses and individuals. These organizations operate in an environment where by the risk associated with moral hazards and adverse selection is high (Mori and Charles 2016). This makes the justification for MFIs to employ and work with good credit officers. Good credit officers are inevitable as they are the one who play important roles in disseminating information and credits to their clients. Credit officers are responsible for generating new clients, analysing loan applications, monitoring and following up on the active loans in order to generate information and statistics (Holtmann & Grammling, 2005). All these actions generate chances to build up soft information that can be used to advance loan performance. The level at which MFIs properly analyze and approve loan has an important impact on the loan settlement rate, which in turn brings back money to facilitate loan disbursement to other clients (Crabb & Keller, 2004). Credit officers are key actors in achieving lower portfolio at risks and hence higher loan repayment rates. The feat of microfinance greatly depends on the achievement and failures of credit officers. Because of the importance of credit officers in microfinance operations, there is a need to assess the characteristics so as to understand which profile has influence in risk management of microfinance loans. Credit officers' background is essential since it allows them to effectively and proficiently screen borrowers through a better consideration of, for example, a failing borrower's business. As an outcome, the better monitoring abilities allow the credit officer to understand special benefits, which decreases the credit risk of the loan portfolio.

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Literature reports on the impact of credit officer's profile such as; gender, education level, age, career, experience in performance of micro loans. Beck et al., (2012) for example pointed out that, credit officers ´ gender impacts microfinance institution performance. He found that loans screened and monitored by female credit officers explain a statistically and economically significant small possibility to turn problematical than loans handled by male loan officers. Similar findings were reported by Agier & Szafarz (2010). Furthermore, a study by Sarma & Borbora (2014) pointed that, the demographic nature of a member of staff has a big contribution in the credit organization of loans and advance in understanding the credit policy and procedures as well as exercising and improving it when demanded. Studies further evidence that the experience of credit officers have no statistical significance in loan recovery (Sarma & Borbora (2014). This therefore means that experience is not associated with repayment performance. However Mirach (2010) argued that credit officers having high experience and qualification are desired to manage loans as they are aware of the accountability and responsibility for sensible credit management and reducing credit risks to the required level. Level of education of credit officer has also brought attention where by (Mirach, 2010) for example, pointed out that educational level is an essential factor to be measured with regards to creation of business decisions. Education improves the ability, capability, communication and way into development activities. This enables the microfinance to grow and be competitive at both national and international levels.

Credit officers work as conciliators between MFIs and clients. They are front line workers and as they use most of the times with clients, their direct contact allows them to see, hear or even understand the needs of the clients (Gray 2013). In the microfinance situation, credit officers play a major task in selecting potential customers. They also play a key role in the decision procedure of allowing the credit and are accountable for the follow up of the loans. Regardless the fact that there are studies which have been done, most of them focused on loan repayment as their dependent variable. To our knowledge, there are no studies that have focused on how credit officers contribute in managing portfolio risk which is a key factor in risk management of MFIs. In addition, previous studies may not suffice an emerging market environment whereby MFIs are exposed to different regulations, economic level and risk. Moreover, women in Tanzania live in a culture which does not allow them to make significant decisions in the society and participate in some activities and this has implications in way they make decisions especially when they are involved as credit officers.

This study is ought to fill these gaps by examining the influence that credit officers have in reducing portfolio at risk (PAR) for the MFIs. It focuses on credit officer's working experience, level of education and gender as key demographic features. Based on information asymmetry theories, the study tested developed hypotheses on a sample of 200 credit officers working in 20 MFIs. Descriptive and ordinary least square regression were the analytical tools used. Results shows that working experience and education level of credit officers have positive influence on reduce risk through low PAR. Based on information asymmetry theory the study observed that gender of credit officer does not reduce PAR. The study contributes to theory by showing which type of credit officers are essential dealing with information asymmetry. Experience is important in reducing information asymmetry problem since it assists the credit officers to interpret fast the information received from the client. Credit officers' level of education also matters in reducing information asymmetry problem due to the fact that credit officers are involved in important roles such as, screening and monitoring of the use of loan. Graduate credit officers can do better screening than non-graduate ones as well as monitoring how clients use loans due to knowledge and skills they have. In the absence of peer-information, more experienced and high educated credit officers help to reduce the probability of delinquency and default and they can ensure high-quality service provision. The rest of the paper is organized as follows. Section 2 discuss theory, literature and develop hypotheses. This is followed by section 3 describing the context and methodology. Results and discussion are presented in section 4, followed by conclusion and implications in section 5.

LITERATURE

Theory

The theory of asymmetric information emerged in the 1960s, when economists started to declare that due to high information and enforcement costs, several markets will not survive and others will survive but not become competitive. Information constraints generate imperfections in credit markets. Information gap occurs when there is short of information regarding the use to which a loan will be set. Problems in credit market which arise due to asymmetric information consist of adverse selection and moral hazard. Akerlof (1970) argues that in certain markets, doing business is not easy due to the adverse selection problem. The adverse selection problem takes position once borrowers have confidential information about their personal deeds and/or the project they would like to invest in before the credit association begins. Whereas the lender can have a good thought about the standard characteristics of the pool of potential borrowers, he may not have enough information on the characteristics of every borrower and the riskiness of his project.

Moral hazard on the other hand arises when customers behavior changes after they have received the loans and they attempt to run away with the institutions funds (Armendáriz & Morduch, 2010). In the deficiency of security, the lender and borrower do not have similar objectives since the borrower does not fully internalize the cost of venture failure. These behaviors diminish the efficiency of the transfer of funds from surplus to deficit units which results in poor repayment performance in MFIs. Kariuki & Ngahu (2016) explain that, microfinance institutions can conquer these problems by providing commitment to long-lasting relationships with customers, information distribution and also through delegate monitoring of borrowers.

Credit officers and Information Asymmetry

Credit officers are key players in dealing with information asymmetry (Agier & Szafarz, 2010). They are accountable for gathering information concerning the possible solvency of credit candidate and presenting it to credit committee for approval, check the ex- post state of nature and enforce the contract in case of payment delay. Furthermore, credit officer's attributes and their actions are vital in producing soft information concerning borrowers (Uchida, Udell & Yamuri, 2006). Soft information is information that is not easy to document and transmit. In microfinance situation, credit officers participate in main function of viewing potential customers, make decision of allowing the credit and are accountable for the chase up of the loans. Some of the responsibilities of credit officers can be described in four categories: generating new business, analysing the loans applications, monitoring and making follow-up on the loans and also generating information and statistics (Holtmann & Grammling, 2005). All these activities bring an opportunity for credit officers to gather information that can be used to manage risk and improve loan repayment performance.

Credit officers and Risk Management

Credit risk is the most critical aspect of MFIs and is the risk to capital due to borrowers' late and non-payment of loan obligations. It includes both the loss of income resulting from inability to collect the expected interest income and the loss of principle resulting from loan defaults (GTZ, 2000). Both transaction and portfolio risks are part of credit risks (Ashta and Khan, 2012). Transaction risk is related to the individual client with whom the MFI is transacting. A client may not be trustworthy and capable of repaying loan which will result in loss of loan. This risk is of greater significance because MFIs deal with large number of clients with limited literacy. Further, MFIs provide unsecured loans that they do not have collateral, so if the client defaults, the organization remain with no asset to meet its loss, which makes the credit even riskier (Abhay, 2010). To reduce this risk, MFIs have to make sure that they employ borrower screening techniques, underwriting criteria and quality procedures for loan disbursement, monitoring, and collection. This is where the credit officer becomes a crucial person. Portfolio risk on the other hand, refers to the risk inherent in the composition of the overall loan portfolio (GTZ, 2000). MFIs with support

of the credit officers prepare policies on diversification showing matters such as avoiding concentration in a particular sector or area, maximum loan size, types of loans, and loan structures to lessen this risk.
Credit officers play crucial roles in mitigating these risks. The officers are trained to collect and make judgments about information on applicant's personality, analyze the risk of potential borrowers and decide to approve or reject the applicant. This typically involves some face-to-face meetings with each applicant where the credit officer - intentionally or unintentionally - forms judgments about applicant creditworthiness after interviewing him or her (Ibtissem and Bouri, 2013).
In addition, the credit officers consider information about business conditions such as forecasts about market, economic growth, and additional macro-economic factors. Those indications are essential in order to get a feeling about the borrower's ability to handle changes in the environment and hence reduce the portfolio risks for the MFI (Ibtissem and Bouri, 2013).

Empirical Evidence

Various studies have examined the contribution of credit officers on performance of MFIs. Beck et al., (2012) made a study to assess the impact of gender of credit officers on default rates. When conducting the study, they used secondary data with over 43,000 applicants, and 31,000 loans were offered by the lender from January 1996 to December 2006. Their study covered 203 credit officers from 5 branches in the Albanian capital Tirana. They analyzed the data using descriptive analysis and multivariate regression analysis. The results showed that loans offered to clients by female credit officers had significantly lower default rates as compared to those handled by male credit officers while controlling for variation of borrower, kind of loans, and specific characteristics of credit officers. Similarly Agier & Szafarz (2010) examined influence of Brazilian credit officers on loan repayment using a sample of about 32000 actual contracts. The sample comprises all the relevant dimensions of credit contract including client, credit officer, guarantor and business characteristics in Vivacred during the period of 1997 to 2007 from six branches. The results showed that age and gender of credit officer does not influence loan repayment.

Angaine & Waari (2014) analyzed the factors that contribute to repayment in MFIs in Kenya. The study employed descriptive survey with 39 credit officers and 5280 clients from registered MFIs. In their study, they found that the number of years that a credit officer has worked for the MFIs did not matter in performance of microfinance loan. Similarly Afonso (2013), made a study on the relationship between credit officers on avoiding over indebtedness of Banco ADOPEM MFIs. The study examined whether credit officer personal's demographic factors or characteristics had influence on their performances in terms of portfolio quality. Using OLS method of estimation, they included credit officer personal characteristics as independent variables. In addition, they controlled for information on the stability of the loan portfolio, characteristics of managers, environmental factors as well as branches. They found that personal attributes of credit officers had significant influence on credit repayment or performance.

SUMMARY AND RESEARCH GAPS

The theoretical and empirical findings revised indicate that demographic profile of credit officers has a vital role in the performance of MFIs loans. Most studies conclude that credit officers are responsible for screening key clients, reviewing loan applications, continuous monitoring of loans and producing required reports. Credit officers also take a foremost role in selecting clients who are qualified to be financed. In this respect, the performance of microfinance institutions is dependent on the ability and capacity of their loan officers/expertise. If credit officers have less capacity and skills on judgmental screening and monitoring, then the MFIs' performances is negatively affected in terms of loan repayment. As argued by the Information Asymmetry Theory, credit officer's profile is vital for achieving a good credit risk management. Empirical findings show that credit officer's profile is fundamental and has both positive and negative consequences. Studies reviewed looked at the influence of credit officer's profile in terms of the gender, experience and age of credit officers. They leave out educational level and type

which are also key in MFI performance. Moreover, MFIs aspects examined in the previous studies were repayment and default rates while this study focuses on credit risk management as measured by portfolio at risk (PAR) which is vital to MFI performance. Our study further examines Tanzanian MFIs, where there are different providers, (formal, semi-formal and informal) with different governance structures and risk which may influence recruitment criteria of credit officers. It is therefore more appealing to examine the influence of credit officer's demographic profile on Tanzania MFIs performance to bridge the gap between the known and unknown.

HYPOTHESES

Work experience

The level of experience of credit officer is important in reducing information asymmetry problem as they can be able to obtain the information from the borrower easily as compared to inexperienced credit officers (Mirach, 2010). For example, the credit officer with five to ten years working experience in the field of banking or microfinance is more competent to gather the information and all the data about the borrower to make sure that the loan taken is on the good line for repayment. They have higher chances of recognizing adverse selection problems compared to inexperienced officers. However, there are studies which argue that, experience has no statistical significance in loan recovery (Sarma & Borbora, 2014). This means experience is not associated with repayment performance, while others such as Mirach (2010), argued that experience and highly qualified credit officers are needed to work in the credit/loan section due to the fact that they have to understand the responsibility as well as accountability which ensures prudent credit management and lower credit risks. Experience creates certainty as it helps the credit officers to be much more familiar with customer as he had dealt with them for a long time compared to the one with less experience.

We therefore hypothesize that:

> *Hypothesis I: There is positive association between experiences of credit officers and MFIs` credit risk management*.

Level of Education

Education is one of the key factors for enhancing people's skills in any sector. Education advances knowledge, skills, capacity, communication and likelihood to have access to development venture. Empirical studies point out that, educational level of credit officers is a key factor to be taken into account with regards to business decision making of any MFI (Mirach, 2010). Graduate credit officers can do better screening and monitoring than non-graduate due to knowledge, judgement capacity and skills they have. In the absence of peer-information, credit officers help to reduce the probability of delinquency and default which can ensure high-quality service provision

Agier & Szafarz (2010) however, evidenced level of education not to matter in performance of MFIs. However, we argue that education matters in credit risk management as the higher educated officers have the capacity to assess risk and reduce adverse selection problems of the expected customers. Therefore:

> *Hypothesis II*: *The highly educated credit officers are better at managing credit risk than those with less education.*

Gender

Male and female credit officers are found to differ in risk aversion, workload, over confidence which affect financial decision making and performance. A number of studies have shown that women appear to be more risk averse than men (Agnew et al., 2003). Moreover, others studies argue that men are extra overconfident than women which helps them in getting clients (Barber & Odean, 2001 and Niederle & Vesterlund, 2007). Female credit officers on the other hand, are evidenced to be better in screening hence getting a superior pool of clients. Sources of better screening may be based on clear and unobservable candidate character, while female credit officers might simply be more restrictive due to their risk averse behavior (Agnew et al., 2003).

In addition, Beck et al., (2009), argue that women in developing economies are more traditional and therefore are afraid of social sanctions. This proliferate pressure on female credit officers to perform better than their male counterpart. Similarly Armendáriz & Morduch (2010) argues that, female borrowers in developing countries are naturally better clients than their male counterparts. There are different studies which found positive correlation between gender of credit officer and the loan performance in MFIs. Beck et al., (2009), found that loans handled by female credit officers had considerably less default rates as compared to those loans handled by male credit officers. This is because, they argued, that female officers are better in screening and monitoring the quality of loans than their male counterparts. Due to the above literature, we expect that gender of credit officers to have a positive relationship with the credit risk management hence:

Hypotheses III: female credit officers are better at credit risk management compared to male officers.

METHODOLOGY

The financial sector in Tanzania

Over the last three decades, Tanzania has undergone an economic transition aimed at promoting a market-driven economy. One of the sectors that have undergone substantial reforms is the financial sector. The financial sector in Tanzania includes the banking industry and other financial institutions. The banking sector is made up of commercial banks, non-bank financial institutions, community banks and microfinance companies (MFCs). The Bank of Tanzania (BoT) is a regulatory authority for the banking sector. As of December 31, 2016 the banking sector comprised 57 banks (Charles and Mori, 2016). The "other financial institutions" category includes other providers that are not regulated by the BoT. These include the semi-formal and informal financial institutions (FSDT, 2009). Semi-formal providers obtain licenses from other organizations, which permit them to offer selected financial services. They include savings and credit societies, non-government organizations, MFIs, limited liability finance companies and government/donor programs. Informal service providers are neither legally constituted nor regulated by any institution. These providers deliver savings, credit and micro-insurance services. Most are member-owned and controlled. There are approximately 800 MFIs (including NGOs, Microfinance banks and finance companies) microfinance institutions providing financial services to low-income clients in Tanzania. Most of these are in urban and semi urban areas. These serve approximately 5.4 million people (Finscope, 2013), which is about a 9% of the Tanzanian population.

Data and Variables

This study interviewed credit officers from 20 MFIs in two largest commercial cities of Tanzania, i.e. Dar es Salaam and Arusha. The sample constitutes 200 respondents (credit officers). In each of the MFIs surveyed, between 5 and 11 credit officers responded to the questionnaire. To verify the portfolio data, senior officials of MFIs visited were requested to give out information regarding each credit officers' portfolio quality. A total of 101 (50.5%) and 99 (49.5%) credit officers were interviewed in Dar es Salaam and Arusha respectively. Data was collected using self-administered questionnaire. The questionnaire had open ended questions and some structured responses. This method was suitable since it assisted in covering four basic purposes with regards to collecting the appropriate data, making data comparable and agreeable to analysis, reducing bias in formulating and asking question as well as making questions appealing and varied. The questionnaire covered demographic characteristics and information regarding the portfolio that each credit officer was handling. Table 1 defines all variables which are used in this study. The independent variables are working experience; level of education and gender. The dependent variable, credit risk management is measured by portfolio at risk in more than 30 days (PAR 30). We expect the relationship between the dependent variable and independent variables to be negative to imply that good demographic features of credit officers are associated with low PAR 30, meaning low credit risk for the MFI. The study also includes control variables associated with the credit

officer and with the institution in which the officer work with. These are age, tribe, marital status, institutional type and location. The unit of analysis of this study is the credit officer.

Table 1: Definition of Variables

Variables	Measurement
Dependent Variable	
Par30	Par30 in % =Portfolio at risk (30 days) / Gross Loan Portfolio
Independent Variables	
Experience	Number of years since credit officer started working in MFIs
Education1	1-if credit officer has a diploma and 0-otherwise
Education2	1-if credit officer has a bachelor's or above and 0-otherwise
Gender	1-if credit officer is female and 0 if male.
Control Variables	
Tribe	1-if from Chagga and 0-otherwise
Age	Number of years since birth
Marital status	1 if married and 0 otherwise
Institutional type	1-if owned by commercial bank and 0-Otherwise
Location	1-if from Dar es salaam and 0-from Arusha

ANALYSIS TECHNIQUES

Data collected from field were analyzed using descriptive statistics and regression analysis. Cross tabulation was used to compare relationships between various factors and performance such as education level attained and PAR 30. Secondly, correlation method was used to detect whether or not there are associations among and between variable used in the regression model. Then to test for hypotheses, ordinary least square (OLS) regression was estimated to establish the quantitative association between dependent and independent variables.

RESULTS AND DISCUSSION

Summary **Statistics**

Table 2 shows the summary statistics of variables used in the regression model. The statistics show that on average, the par30 was 8% while the maximum percent was 50% and a minimum of 0%. The average year of experience for credit officers is 3 years while there are few who have 13 years of experience. Experience can also be related with age of the credit officers where by the average is 30 years and the oldest is 43 years. These results show that most of credit officers are young and energetic, something required for the nature of their tasks. The study further evidenced only 10% of officers to be diploma holders while 80% have bachelor degrees. This implies that MFIs try to employ high educated credit officers in order for them to efficiently judging their clients and avoid adverse selection problems. Female credit officers are 26% of all credit officers implying that most (74%) are men. We also included a variable on tribe whereby we evidence 32% of the credit officers to be chagga. This is a large percentage given the fact that there are over 120 tribes in Tanzania (Sebastian, 2012). Half of the officers are married implying that they are settled with families which could mean that they are likely to stay with their current work positions for some time before shifting. 34% of MFIs in our dataset are owned/part of a large commercial bank while 51% are from Dar es Salaam and 49% from Arusha.

Table 2: Summary Statistics of Variables

Variable	Mean	Min	Max
Par30 (%)	8.18	0.00	50.00
Experience (years)	3.67	1.00	13.00
Education 1 (%)	0.10	0.00	1.00
Education 2 (%)	0.80	0.00	1.00
Gender – Female (%)	0.24	0.00	1.00
Tribe - (%)	0.32	0.00	1.00
Age - (years)	30.0	23.00	43.00
Marital Status -(%)	0.50	0.00	1.00
Formal MFIs – (%)	0.34	0.00	1.00
Location – (%)	0.51	0.00	1.00

PAR Differences with Demographics of Credit officers

Figure 1 shows levels of Par30 with different levels of education. The results show that credit officers who possess masters' education have an average of 2% par30 while those with certificates, a low education level, have an average of 15%. This clearly shows that education matters when it comes to portfolio quality and risk management. However, and surprisingly, the study found that credit officers with diploma outperform those with bachelor degree. This gives mixed interpretation. It may be possible that despite the fact that literature suggest high education level to positively correlate with good performance, credit officers with diploma know that their education level is not a high as the ones with bachelor degrees, and also they know that their chances of getting other jobs is limited, they work harder to keep their portfolio quality and perform well. On the other bachelor degree holders have a tendency of feeling superior and they believe they can easily get other jobs. And as seen on table 2, most officers have limited experience, it may be possible that they are fresh from universities and are not yet well settled.

With regards to experience, figure 2 shows different level of experiences versus par30. Here results reveal that, those with less experience (0 to 2 years) do not perform well as compared to other years of experience. But those with at least 9 years and above of experience have less par30 in average (approximately 5%). This implies that experiences have contribution on influencing the level of performances of the credit officers in terms of their portfolio at risk measures.

Figure 1: Educational level and Performances of credit officer

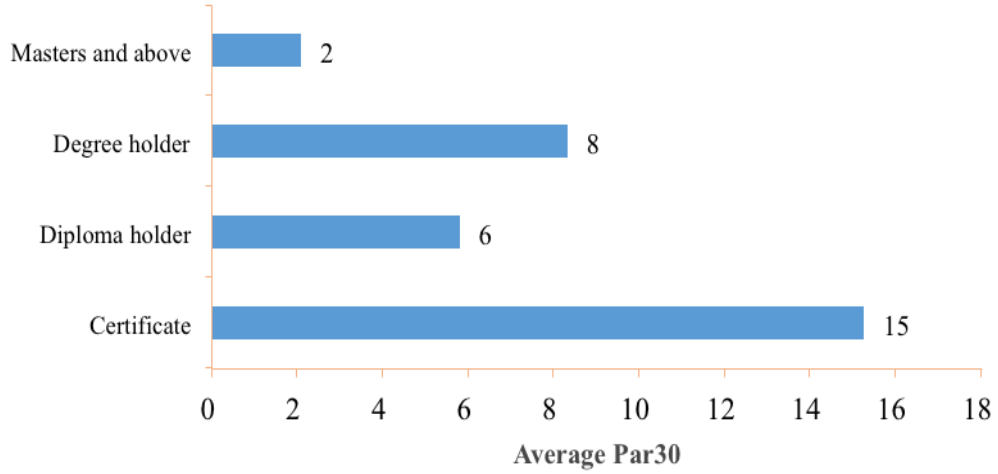
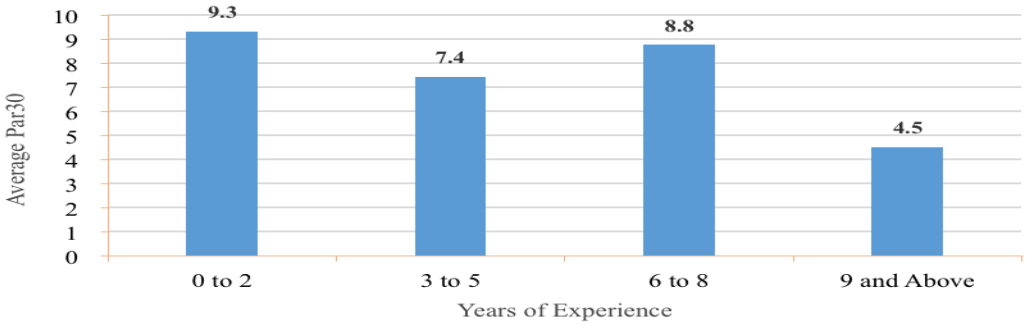


Figure 2: Experiences and Performances of Credit Officer



Correlation Analysis **and Multicollinearity Test.**

Pearson correlation was done in order to test the association among variables. Table 3 present results of the correlation analysis. Correlation among independent variables is not very significant. The highest is education variables which has a coefficient of 0.67 followed by the one between marriage and age with a coefficient of 0.53. Gujarati (2003), show that multicollinearity occurs when some variables are highly correlated among each other. The rule of thumb suggested by Gujarati (2003) is that if the pair-wise or zero-order correlation coefficient between two independent variables is high, say, in excess of 0.8, then multicollinearity is a serious problem. Table 3 shows that none of pair wise correlation of variables exceeds 0.8, so multicollinearity is not a serious problem in this model. A correlation analysis however, may not be conclusive to test for multicollinearity problem, thus Variance Inflation Factor (VIF) was also applied. This technique indicates how the variance of an estimator exaggerated by the presence of multicollinearity or linear dependence between independent variables. According to Gujarati (2003), if the VIF of a variable is above 10, that variable is said to be highly collinear as rule of thumb. Again table 3 shows the VIF is less than critical value of 10 this again indicates that, there is no problem of multicollinearity among independent variables to be used in the model.

Table 3: Pearson Correlations for Variables in the Regression Model

	Par30	Exp	Educ	Educ	Gende	Age	Tri	Marri	Loc	Instt	VIF

			1	2	r		be	ed		ype	
Par30	1.00										
Exp	-0.12	1.00									1.89
Educ 1	0.03	-0.26	1.00								3.13
Educ 2	-0.09	-0.14	0.67*	1.00							3.12
Gender	0.03	0.06	0.12	-0.19	1.00						1.28
Age	-0.06	0.72*	-0.07	-0.22	0.29*	1.00					2.19
Tribe	0.05	0.17	-0.06	-0.12	0.01	0.24	1.00				1.13
Married	-0.11	0.46*	-0.15	0.03	0.00	0.53*	0.25	1.00			1.54
Loc	-0.04	-0.05	0.03	0.00	0.03	-0.07	-0.17	-0.11	1.00		1.12
Inst_type	-0.14	0.10	0.09	-0.10	0.01	0.16	0.11	0.14	-0.27	1.00	1.11

Note: * Means significant at 5%

ECONOMETRICS RESULTS AND DISCUSSION

This section details the results of the OLS model. The model was used to estimate the influence of demographic characteristics of credit officers on risk management (*as measured by portfolio at risk-par30*) in MFIs. The demographic factors analyzed include years working experience, educational level and gender of the respondents (credit officers) while controlling for age, location effects, nature of the institutions, tribe and marital status. The result from regression analysis is shown on table 4.

Table 6: OLS Results of the Model

	Coefficient	Std. Err.	T	P>t
Independent Variables				
Experience	-0.98***	0.33	-2.93	0.00
Education 1	-5.55**	2.62	-2.12	0.04
Education 2	-4.09*	2.20	-1.86	0.06
Gender	-0.40	1.14	-0.35	0.73
Control variables				
Age	0.38*	0.21	1.75	0.08
Tribe	-0.60	1.09	-0.55	0.58
Marital Status	-1.17	1.15	-1.01	0.31
Location	-1.27	0.98	-1.30	0.20
Institution Type	-3.09***	1.06	-2.92	0.00
Constant	5.95	5.76	0.97	0.34
R-squared	0.13			
Adj R-squared	0.09			
Observations	174			

Note: *, ** and *** means significant at 10%, 5% and 1%

Table 4 shows that demographic factors such as age, level of education, years of working experience

are highly and significantly associated with loan repayment.

Hypothesis 1: Working Experience
Results on table 4 show experience have a negative and significant effect on MFIs' credit risk management at 1% level of significance. The study rejects hypothesis 1 which states a *positive association between working experiences of credit officers and* credit risk management *in microfinance institutions in Tanzania*. This implies that as credit officers become more experienced, they tend to have lower par30. In other words, credit officers with less years or experiences in the MFI perform much poorer as compared to experienced officers. This result is consistent with other studies (Mirach, 2010) which propose that working experiences is important as it reduces information asymmetry problem, since the experienced credit officer can be able to obtain the information from the borrower easily compared to less experience one.

Hypothesis 2: Education
Results with regards to this hypothesis which stated that *highly educated credit officers have better* credit risk management *than those credit officers with less education* show that, the two dummy variables of level of education attainment; that are Education 1 and Education 2 have negative and significant coefficient at 5% and 10% significant level respectively. This implies that educated officers (those with Diploma and above) have lower portfolio at risk as compared to those with low educational level such as certificates. The results indicate that those with bachelor degree and diploma have relatively lower portfolio at risk on average by 2.1 and 1.9 respectively as compared to other educational category. This supports the argument that education level of credit officers is important for risk management due to the fact that screening and monitoring borrowers require skills and knowledge (Mirach, 2010). In this case, graduate credit officers do better screening and monitoring than non-graduate and hence, monitor the use of loans well.

Hypothesis 3: Gender
With regards to the third hypothesis stating that *female credit officers are better at managing credit risk than male credit officers, the results are not significant.* The result provides an implication that the female are not better off, contrary to some microfinance literature (Mori, et al., 2015) However the results are in line with (Agier & Szafarz, 2010) who suggests that credit officers gender does not matter when it comes to loan management.

Results with respect to control variables are also interesting. ***Age of Respondents*** has a positive and significant coefficient in the model. The results imply that age of credit officers matters a great deal in credit risk management. The results show that the older the credit officer, the poorer the performance in such a way that they have high portfolio at risk as compared to young credit officers.
Institutional Type - The dummy variables indicating the institutional ownership have negative and significant coefficient. This implies that credit officers in MFIs owned by Commercial Banks tend to perform much better than those in non-commercial bank owned MFIs. The reason here might be that the MFIs that are owned by commercial banks may have better management, policies and procedures for loan management. Clients may also have positive image towards the institution since they know that they are part of a large banks.
Marital status has a negative and insignificant coefficient implying that marital status of credit officers does not matter. **Location** was introduced in the model to capture the location effects of the microfinance institutions on credit officers' ability to manage credit risk. This is due to the fact that MFIs located in urban areas have different challenges and benefits than those located in semi or rural areas. It might be easier for the loan officer to work with clients in urban areas due to less transportation challenges, compared to those in the rural areas. The insignificant results show that location does not matter. Probably this is because Arusha and Dar es Salaam are not very much different in terms of infrastructural challenges and opportunities. ***Tribe***: Tribe dummy variable has negative and insignificant

coefficient which implies that tribe of credit officers does not matter.
In summary, the study found that marital status, gender, location and tribe do not matter with regards to credit risk management. We however evidenced that Level of education, age and experiences matter a lot when it comes to credit officers' performance in managing credit risk. It is from these findings that we can now claim to have contributed in extending frontiers of knowledge including the literature on contribution of key demographic factors on the risk management of MFIs.

CONCLUSION AND IMPLICATIONS

This study set out to examine the influence of demographic characteristics of credit officers on credit risk management in MFIs. The study focused on the portfolio at risk (computed as the ratio of portfolio at risk and gross loan portfolio) as measures of performances of credit officers in MFIs. In this case lower par30 indicated better performances as compared to those with high par30.
Information Asymmetry theory informed the study. This theory has been used widely on examining the problems of information asymmetric in financial institutions and microfinance institutions in particular. Information asymmetric problems commonly suggest that the difference in holding and accessing information between credit officers and clients to the higher extent results into several credit defaults. Credit officers are the key players to deal with information asymmetry (Agier & Szafarz, 2010). Our study contributes to the theory by showing that demographic factors such as experience, education and age of credit officers reduce information asymmetric problems which in turn bring higher risk management. Experience of credit officers is important in reducing information asymmetry problem as the experienced credit officers can easily be able to obtain the information from the borrower compared to inexperienced credit officers. Credit officers' level of education also matters in reducing information asymmetry problem in MFIs due to the fact that credit officers are involved in important roles such as, screening and monitoring of the credits. Graduate credit officers can do better in screening than non-graduate credit officers. He/she can also monitor how clients use credits due to the knowledge and skills they have. In the absence of peer-information, credit officers help to reduce the probability of delinquency and default thus ensure high-quality service provision (Mirach, 2010).

Practically, these findings generate important feedback and implication that can be considered in enhancing credit risk management of Microfinance Institutions especially when considering the demographic compositions of officers or its expertise in loan/credit sections. Some of the key implications include: first, to enhance credit risk and loan management of MFIs, one should take into account education compositions of its experts (credit officers) on screening and monitoring activities. As financial markets are prone to information asymmetry, there should be well educated and skilled personnel to screen and monitor the use of loan to promote growth and sustainability of microfinance institutions in Tanzania. Though mostly interviewed credit officers reveal that there are several reasons for default payment, there are significant number of credit officers who believe poor analysis done by credit officers and miss-allocation of funds also contribute to default payment which can be circumvented by employing well skilled and trained staff.

Secondly, credit officers are the key players to deal with Information Asymmetry issues. Hence by considering credit officers' demographic profile, the probability of un-success (adverse selection problem) and probability of misreporting (moral hazard problem) can be eliminated. In addition, policy makers in making winning credit policies and programs that will once assist in allocating financial resources efficiently must also have to consider credit officers demographic profile which impact credit risk management. For instance, employment criteria for employing credit officers in MFIs have to consider level of education, experience and age of credit officers. The study has some limitations, the first and foremost limitation is that, the study focused on only MFIs located in Dar es Salaam and Arusha. This has limitations on location effects especially with those located in other regions which are less developed. The

Micro Financial Institutions located in these two business cities deals with almost same kind of clients with relatively similar activities hence repayment of loans/credit.

The study also focused only on demographic factors of credit officers and didn't take into account the quality, nature of clients and social-economic factors of clients who are offered the loans. Also, the study didn't take into account demographic factors such as age, education, skills and economic activities of client which tend to be highly associated with the likelihood of default in repaying the loan. Also, the nature and composition of client portfolio were not taken into account. Further studies should be done to focus on both demographic factors of credit officers as well as economic activities of clients with respect to loan repayment ability. Further studies may be extended also to include other regions as well. This will help to have more robust conclusion with regards to the factors associated with risk management of MFIs.

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THE ROLE OF NGOs' SUPPORT ON SOCIO-ECONOMIC WELFARE OF WOMEN ENTREPRENEURS IN TANZANIA*: A Case study of CARE International Tanzania*

Mbura, O.K & Mgimwa[42],

ABSTRACT

This paper sets out to assess the role of NGOs' support on socio-economic welfare of women entrepreneurs in Tanzania using CARE international Tanzania. The paper was based on women entrepreneurs located in Dar es Salaam at Bunju ward in Kinondoni district. The paper examined the extent to which entrepreneurship training, financial support and business network influenced socio-economic welfare of women entrepreneurs. Data were collected from 74 randomly selected respondents. To achieve the three objectives, both quantitative and qualitative methods were used to analyze data. Frequencies, percentage, Mean and standard deviations were computed for quantitative analysis whereas in-depth interview from key informants was used for qualitative data. The paper established that training and business network constructs had significant contribution on the socio economic welfare of the women entrepreneurs. Nevertheless, availability of meager financial support from the NGOs was found to be a setback to entrepreneurial activities of women entrepreneurs and thus its influence was found to be weak. The paper recommends that specific training programmes, especially on areas of managerial, production and marketing skills are very important for improvement of socio-economic welfare. Moreover much more strong networks need to be nurtured and developed for betterment of socio economic welfare of women entrepreneurs in Tanzania

Keywords:

INTRODUCTION

Entrepreneurship is becoming an increasingly important source of employment for women across many countries (Langowitz and Minniti, 2007). Women perform 66 percent of the world's work, produce 50 percent of food, but earn 10 percent of the income and own 1 percent of property (World Bank, 2011). Moreover, globally, women represent 49.6 percent of the total population, but only 40.8 percent of the total workforce in the formal sector (Singh, 2012). Economic growth and poverty reduction are significantly contributed by women entrepreneurs. Women have been named as new engines for growth and emerging stars of the economies in developing countries to bring prosperity and welfare. Push and pull factors cause as well as encourage women to engage in business and to have an independent occupation so as stand on their own legs. The motivation factor behind such desire is in a sense towards independent decision-making on their life and career (Singh, 2014). Due to influence on these aspects, women entrepreneurs choose a profession as a challenge and as an urge to do a new thing. Such a scenario is described among pull factors whereas push factors involve women entrepreneurs in business activities due to family pressure and duties thrust upon them (Singh, 2014).

Women entrepreneurship literature evidently specifies that women entrepreneurs need special attention to develop entrepreneurial potentials and make them prosperous. The requirement can be encountered by providing finance assistance, skills training near to their residents, training on handmade items, and improvement of managerial skills, continuous support, marketing skills, business networking, business safe environment and encouragement from family as well as society.

According to Nikkhan *et al* (2011), many agencies such as government agencies, local NGOs, international NGOs and World Bank can assist women to improve their lives and empower them. They are playing an important role in the enablement of disadvantaged women entrepreneurs, by assisting them stand on their own through social economic programmes and job-related skills (Sheela, 2013). NGOs are private, voluntary, non-profit organizations independent of any government and they are funded through

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individual as well as corporate donations, levies imposed on members together with grants from international agencies and governments (Nikkhan *et al*, 2011).

Hassan and Forhad (2013) argue that Non-governmental organizations have been supporting the government on various issues of women entrepreneurs. In some cases, they are considered highly effective to get attached with grass-root-level developmental initiatives. The basic and essential functions of NGOs are to mobilize people, create awareness, inspire them and transform them to become knowledgeable with development requirements. Busiinge (2010) states that despite donor-funded projects being associated with providing positive impact on beneficiaries' lives, such expectations are not met because some projects fail to achieve what they intended to accomplish. Mathew (2011) argues that many NGOs are actively accountable to their donors and forget communities they serve. During project development, they seem to be accountable to communities but the pattern changes almost immediately as they receive funds for project implementation. There are thousands of NGOs in Tanzania aiming to develop communities but there are less positive impacts to targeted communities than expected. Several NGOs claim to be contributing to poverty reduction, but countries are still ranked among the poorest countries (Mathew, 2011). This paper addresses the role of NGOs support on socio-economic welfare of women entrepreneurs in Tanzania using CARE international in Dar es Salaam as a case study.

Women Entrepreneurial Motivation

Entrepreneurship is different to women as compared to men entrepreneurs. This is due to nature of activities, challenges, opportunities and skills. This also shows that the social cultural concern becomes more significant than business related matters for women entrepreneurs (Wube, 2010). A person's choice to jump into business is significantly contributed by various socio-economic factors such as age, occupation, level of education, level of income and social connections. Socio-economic and cultural structures of the society are critical in the creation of women entrepreneurship. According to Kumari (2012), various direct and indirect motivational factors are forced by different socio-economic circumstances, family background, educational, financial issues, training, personal traits, employment scenario, economic condition, intervention programmes and support system.

There are several studies, which analyze the specific motivational factors behind women entrepreneurship. Okafor and Amalu, (2010) express socio-demographic variables as factors that can influence women entrepreneurs namely education, age, work history, relative experience, childhood family environment such as birth order and occupations of parents. According to Fatoki (2014), there are four key drivers of entrepreneurial motivation. These are desire for independence, monetary motivation, motivation related to work such as unemployment, redundancy, a lack of job or career prospect and family related motivations. Ali and Ali **(2013)** argue that *"despite challenges factors that drive women entrepreneurs include developing their country through business creation, to become economically free as well as ability to start business and to show their strengths. Some women are needed at home to care for their children and husbands. At the same time are needed at work to attend the customers". This* scenario is one of the major fears women entrepreneurs encounter**.**

Kibas (2005) on the other hand argues that market competition and information related factors, are said to be key challenges for women entrepreneurs. Product or service competition is seen in the form of market share. Markets are not increasing and competitors such as local super markets with varieties of products for those who were engaged in selling domestic products are emerging. Limited Information on the new market segments and the increasing demands by clients for varieties of products cause challenges to the rural entrepreneur. This is due to lack of low level of knowledge on business management, inadequate resources and poor support mechanisms from spouses.

While barriers in the investment climate are a burden for all businesses, evidence indicates that certain barriers pose disproportionate obstacles for women. According to 2006 Finscope survey, 19% of

Tanzanian women report land ownership or customary rights to land as a serious problem. This figure is much higher than in neighboring Kenya where women's land ownership is between 1% and 6%. Nonetheless, in a collateral-based banking system, only 5% of women reported having access to bank finance leaving them with fewer resources to invest into their businesses. (IFC, 2007)

Role of CARE International Tanzania

CARE is a leading charitable organization combating worldwide poverty. It has special focus on working together with deprived women because equipped with appropriate resources; women have the power to support whole clans and entire societies so as to escape from poverty. In the course of the fiscal year 2014, CARE International operated in 90 countries around the world, supporting 880 humanitarian aid projects fighting against poverty in order to reach at least 72 million people (Aboutus, 2015). CARE International commenced its operations in Tanzania in April 1994. Over subsequent years, CARE Tanzania established innovative training, health, microfinance, and environmental programs in many regions in Tanzania. By working with women collectively, CARE Tanzania has commenced implementing its new 10-year strategic plan (CARE, 2015). CARE Tanzania launched Wezesha strategy 2015- 2020 that aims at improving women. Under that new approach, CARE Tanzania ensures that women are empowered to realize their social, political and economic rights including realizing that natural resources are sustainably managed (CARE, 2015).

The thrust of the paper

As alluded earlier empowering women to participate fully in economic life across all sectors is essential to building stronger economies, achieve internationally agreed goals for development and sustainability as well as improve the quality of life for women, men, families and communities (UN Women, 2010). Low level of formal knowledge and skills is one of the challenges frequently declared in developing countries in research on women entrepreneurs (Vossenbergl, 2013). Moreover, absence of career supervision largely seems to limit access to various support measures offered by private and public entities including services for business development as well as information on how to make business grow.

Regardless of NGO efforts over the past three decades to improve lives of millions of women across developing countries, empowerment of women through economic improvement of their communities does not necessarily lead to their autonomy (Srivastava & Austin, 2012). It is still unclear how the social impact of microcredit program for economic empowerment translates into improving the social status of women. The state of poverty to majority of women entrepreneurs has not adequately diminished despite the increase in donor support to NGOs and government (Busiinge, 2010). Donor-funded programs continue to be condemned for being less efficient and effective than could be the case. However, various NGO projects and programs are implemented as well as funded to improve socio-economic welfare, mostly for rural women entrepreneurs. The study conducted by Tubey (2012) revealed that NGOs provide support initiatives to small enterprises so as to improve their performance and growth. The interventions include training, counseling of women entrepreneurs and credit provisions. However, the loan provided is insignificant and only reaches few women entrepreneurs. These results imply that some women get financial support but it is very minimal and cannot make any significant changes to their business.

Despite the fact that there is an increasing obligation among NGOs to incorporate women into all aspects of development progression, it is challenging to detect evidence about the nature of success and failure (Srivastava, 2012). There is so far very little knowledge on success and problems that NGOs have encountered in empowering women entrepreneurs. Assessment of various interventions undertaken by NGOs on impact and outcome still need attention. Thus, this paper examines the role of NGOs such as CARE International in bringing socio-economic development among women entrepreneurs in Tanzania using Care International as a case study.

Objectives of the paper

More specifically the paper examines the extent to which entrepreneurship training support, adequacy of financial support and network created through NGOs relate to socio-economic welfare of women entrepreneurs.

LITERATURE REVIEW

Women and development (WAD) theory

Women and Development (WAD) is a practical and theoretical approach to development. In the second half of the 1970s, WAD theory was introduced into gender studies. The theory proposed that development was only achieved by involvement of women (Gender and development, 2015). Women ought to be actively incorporated in development projects instead of being simply passive recipients of development aid .WAD paradigm stresses association between women and work they perform in their societies as economic agents in both domestic and public spheres. The theory also gives emphasis to distinctive nature on roles women play in preservation and development of their societies in areas such as women entrepreneurship. According to Filion (2008) an entrepreneur is an imaginative actor who recognizes entrepreneurial opportunities, makes moderately risky decisions with a view to innovate and takes action by using resources to implement a differentiated vision that contributes to an added value. Translating this to women entrepreneurs would Mean drawing attention to a need to empower them so as to improve their risk taking propensity.

Women in development (WID) theory

Women in development (WID) are an approach to development projects that emerged in the 1970s (Collins, 2013). The central aspect of thinking within WID sought to connect women's issues with development and issues acted as obstacles to economic growth (Gender and Development, 2015). The WID approach ensures integration of women into the workforce and increases their productivity level in order to improve their lives (Collins, 2013). The WID approach, with its determination to integrate women into development, became a concern of many governments and donor agencies. It is important to acknowledge that the WID perspective has enhanced understanding of women's development needs, particularly the need to improve statistical measures of women's work and to provide women with more opportunities for education as well as employment (Connelly *et. al*., 2000). The WID perspective has provided a checklist for ensuring women's status in societies, a checklist that is both helpful and accessible to development of women entrepreneurs. Sinha (2015) considers a woman entrepreneur as a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life. Implicitly it is through the entrepreneurship training support, adequacy of financial support and effective network that women can be empowered to be able to actively participate in the said entrepreneurial activities which culminate into improved socio-economic welfare of women entrepreneurs.

Empirical studies

The study conducted by UNIDO (2010) in Vienna, Austria highlighted the role and challenges faced by multilateral and bilateral agencies in delivering on international commitments to women's empowerment. The study discovered challenges encountered in tracking resources for women's empowerment activities to include lack of accurate data as well as integrated and multi-sectoral nature of projects. It was recommended that that capacity development should be a priority. Nikkhan *et al* (2011) sought to determine the impact of NGOs approaches on empowerment of women in Shiraz, Iran. The study revealed that the NGOs contributed to empowerment of women. Where they used approaches such as bottom-up and top-down partnership, the NGOs played an important role to enhanced community knowledge, decision-making ability, skills and self-confidence to be full partners in the developmental progression. Another study by Vossenberg (2013) was conducted on Women Entrepreneurship Promotion in Developing Countries with the aim of identifying the gender gap in entrepreneurship and how to close

it. Findings indicated that in most developing countries, not much is well-known about how women operate their businesses. It was suggested a further study had to be carried out to examine the boundary between work and family. It was recommended that studies should be done in areas of institutional support, advance and encouragement of women entrepreneurship in developing countries. Furthermore, Bradshaw (2013) study investigated on women's role in economic development in Ghana revealed that the key for economic growth is promotion of women's economic rights, education, mobility and ownership. In Tanzania Stevenson and St-Onge (2005) conducted a study on Support for Growth-oriented Women Entrepreneurs in Tanzania. The study mapped out and reviewed key areas that allow growth of women entrepreneurs using the Stevenson and St-Onge framework. It was found out that there were no records on women business entry, survival and growth rates; and that women entrepreneurs in Tanzania had low awareness on available training opportunities.

Kumari (2012) carried out a study on the role of NGOs in Promoting Women Entrepreneurship in India. The study revealed that the NGOs played a major role in encouraging women entrepreneurship. It was recommended to improve coordination among NGOs and governmental entities in order to solve frustration on the financial issues among women entrepreneurs. Another study that was conducted by Cairo platform for action for development of women entrepreneurship in Africa (2009) sought to recommend implementation of effective policies and strategies to boost women's entrepreneurship development and generate decent employment as well as sustainable incomes. The study found that in Africa, the role of women as drivers of socio-economic development must be emphasized because there is an emergence of a new generation of women entrepreneurs who own competitive medium and large enterprises despite confronted many gender-based constraints for initiation and development of sustainable enterprises. Another study was by Srivastava *et al* (2012) on Women and NGO's in Developing Countries. It focused on pattern of oppression experienced by women in developing countries and the different types of interventions undertaken by NGOs to empower women over past three decades. The findings revealed that it was still unclear how the social impact of microcredit program for economic empowerment translated into improving the social status of women. A study by Bajpai (2014) revealed that women entrepreneurs in Kenya, Nigeria, South Africa and Ethiopia face several challenges including delays in raw material, bureaucratic business licenses acquisition, as well as lack of technical skills, unfavorable market and lack of capital. Unfortunately, monetary institutions are generally skeptical about the entrepreneurial solemnity and abilities of women entrepreneurs. Women are not considered competent enough to handle responsibilities efficiently in self-owned business enterprises.

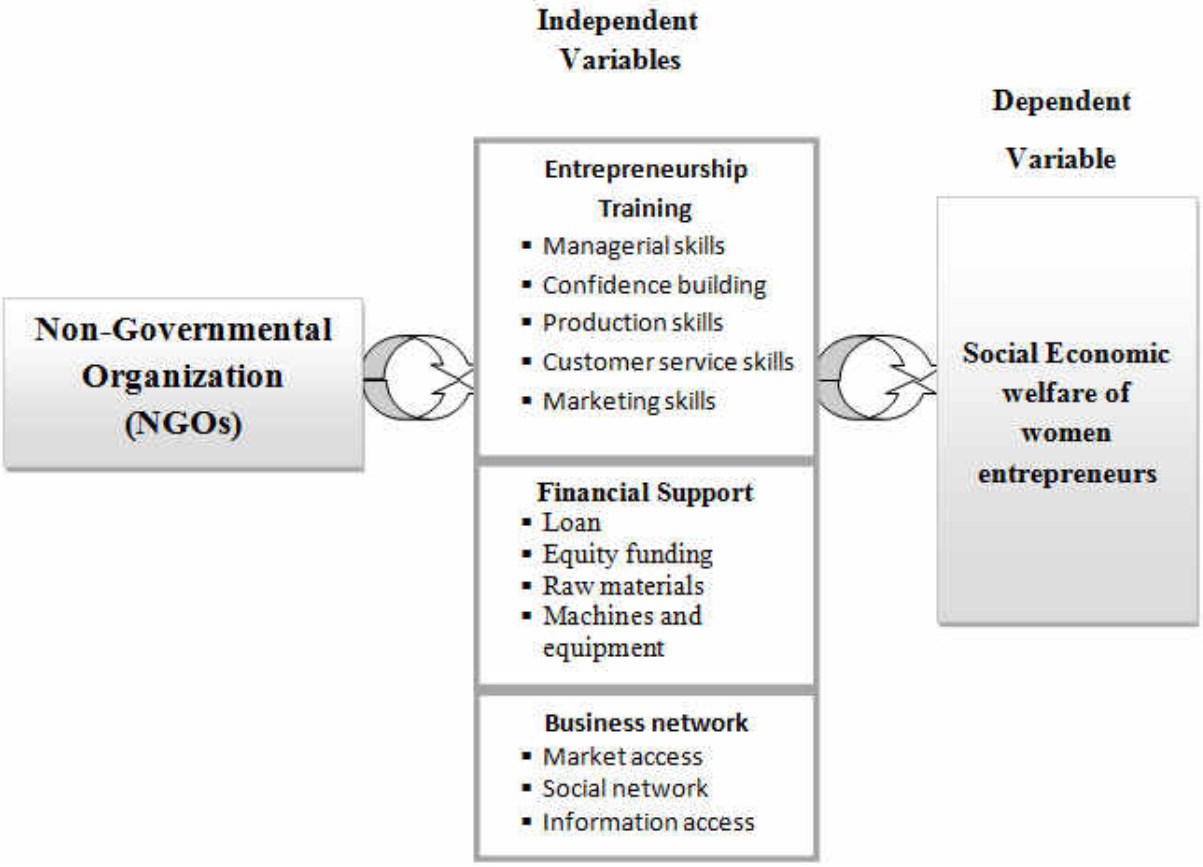
According to Gendernet (2012), evidence suggests that donors and multilaterals are struggling with aspects of women's economic empowerment and tend to move towards approaches such as microcredit schemes. It was suggested that expanding partnerships with the private sector and the NGOs community can be effective ways of leveraging support for initiatives that contribute to women's economic empowerment. Moreover, it was recommended that innovative approaches and partnerships were needed to scale up women's economic empowerment. Another study was by ILO (2003) about Tanzanian Women Entrepreneurs: Going for Growth. The target was to understand procedures and critical factors for women involved in formalizing their enterprises and developing small enterprises. The study found that some women did not have connections of business opportunities due to lack of information or lack of awareness and their actual and perceived economic position in community. It was recommended that, associations can be very helpful, and can act as vehicle by which economically strong business women can help to capitalize on opportunities provided by the association and assist poor members

Conclusively, in light of the theories and scholarly views highlighted it is possible to argue that the promotion of entrepreneurship training, availability of financial support and business network play an important role in the social economic well-being of women entrepreneurs. However, the dilemma exists in terms of their relative influence of the economic welfare of women entrepreneurs.

Conceptual framework

The paper is guided by the following conceptual framework as depicted in figure 1

Figure 1: Conceptual framework



Source: From the literature

Figure 2.1 above identifies three main independent variables (entrepreneurship training, financial support and network) as they influence a dependent variable namely the socio-economic welfare of women entrepreneurs. Therefore, it is envisaged that improvement in socio-economic welfare among women entrepreneurs depends on the three independent variables namely training, financial support and business network.

METHODOLOGY

The study was carried out in Kinondoni district of Dar es Salaam city in Tanzania which is the location of the head office of CARE international. This is one of three districts in the Tanzania largest business city of Dar es Salaam. The choice of the area of study was triggered by the fact that majority of women entrepreneurs who access support from CARE International conduct their businesses in this district.

This study which is primarily descriptive adopted both quantitative and qualitative research approaches. A total sample of 74 randomly selected women entrepreneurs' from a population of 150 who get support from CARE International were chosen for data collection. Sample size was determined by using the formula: N = 50 + 8M; 50 + (8X3) = 74.

Where: N=Sample size; M=Number of Independent variables (Mbura, 2007, p.120).

Moreover, five group leaders working closely with the NGO were interviewed as key informants for qualitative data analysis. Quantitative data were collected using a self-administered structured

questionnaire with 5 point Likert scale where 5 stood for strongly agreed while 1 was for strongly disagreed opinion. Interview guide on the other hand was used for in-depth interview from key informants.

Reliability and validity test were conducted in order to reduce the possibility of getting the answer wrong (Saunders *et al*, 2000). As propounded by Andale (2016) reliability measures the extent to which a test consistently measures what it is supposed to measure. Cronbach's alpha which measures internal consistency was used in conducting reliability test (Indre, 2016). According to Goforth, (2015) Cronbach's alpha *(α)* coefficient between 0.6 and 0.8 is acceptable in a study. This Means that the scores of the questionnaire are stable and consistent such that they remained the same when the questionnaire was administered repeatedly at different times and remained consistent. Validity refers to correctness and reasonableness of data. Validity is concerned with whether or not findings are really about what they appear to be about (Saunders *et. al.*, 2000). To ensure validity, a pilot study was done to test the questionnaires to 10 respondents. The questionnaire was also subjected to an expert for improvement before it was fully administered to the sampled respondents

Table 1: Cronbach's alpha results

Independent Variables	Cronbach's alpha	No. of Items
Entrepreneurship training	0.811	6
Financial support	0.614	6
Business network	0.704	5

Data analysis

The collected quantitative data were processed with the help of Statistical Package for Social Sciences (SPSS Version 20). Mean, standard deviation and indpeth interview were used for data analysis (Statistics solution, 2016). The current study has three independent variables namely:

Entrepreneurship Training, Financial support and Business network as they influence a dependent variable namely socio economic welfare of women entrepreneurs. Qualitative data were gathered through in depth interview to complement data that were analyzed quantitatively.

RESULTS AND DISCUSSIONS

Social demographic factors of respondents

All respondents who filled the questionnaires and interview were females since these were the targeted respondents.

Age of the respondents

The age of the respondents, who filled the questionnaires and interview are indicated in Table 2

Table 2: Age of respondents

	Frequency	**Percent**
20-29 years	16	21.8
30-39 years	27	36.4
40-49 years	26	34.5
50+ years	5	7.3
Total	**74**	**100**

Source: Field data (2016)

Table 2 above shows that 16 (21.8%) women entrepreneurs were aged between 20 and 29 years, while from 30 to 39 years there were 27 (36.4%) respondents. Those between 40 and 49 years were 26 (34.5%) respondents and 5 (7.3%) respondents were 50 years and above. The results imply that majority of women entrepreneurs who get support from CARE International are between 30 and 39 years who also depict age

of maturity. Akafor and Amalu (2010) express socio-demographic variables as factors that can influence women entrepreneurs: education, age, work history, relative experience, childhood family environment such as birth order and occupations of parents. Sajilan *et al* (2015) argue that the person's age has been considered as a key demographic characteristic in understanding his or her entrepreneurial behaviors and intentions. Entrepreneurs get more opportunities with increasing their age, but their willingness to become an entrepreneur decreases as they become old (Sajilan *et al*, 2015). Reynolds *et al* (2000) as cited in Sajilan *et. al.*, (2015) found that most entrepreneurial active people were of 25 and 44 age groups.

Respondents' Educational background

Respondents were asked to provide their education background. Table 3 provides the findings.

Table 3: Educational background of the respondents

	Frequency	**Percent**
Primary level	31	41.8
Secondary level	34	45.5
Diploma	9	12.7
Total	**74**	**100**

Source: Field data (2016)

Table 3 above shows that 31 (41.8%) respondents had primary school education, 34 (45.5%) had secondary school education, 9 (12.7%) had diploma and there were no respondents who attained a Bachelor degree or PhD. The results demonstrate that women entrepreneurs who get support from the NGO attained lower education (Primary and secondary school) levels. Only 9 respondents were diploma holders in this study. This matches with other literatures that suggest that one challenge facing developing countries' women entrepreneurs is that they have low levels of education and skill (Vossenbergl, 2013). Low education level forces some people to involve in agriculture and business because they could not be employed in white colour jobs (Twaha, 2013).

Respondents' Marital Status

Respondents were asked to indicate their marital status. Table 4 above provides the findings.

Table 4: Marital status of respondents

	Frequency	**Percent**
Married	54	72.7
Widow	3	3.6
Otherwise	17	23.6
Total	**74**	**100**

Source: Field data (2016)

Table 4 indicates that 54 (72.7%) of women entrepreneurs are married, 3 (3.6%) are widows, while 17 (23.6%) are single. Dominance of married women entrepreneurs in this research contradicts with Ali and Ali (2013) who argue that majority of women entrepreneurs worry about occupation and household responsibilities. At home, they are needed to care for children as well as husband and at work to serve the customers. Yet, women receive little help from the male family members.

FINDINGS AND DISCUSSION AS PER STUDIED CONSTRUCTS

Recall the three objectives that were stated in the background section of this paper. Findings, analysis and discussion are presented in the next section. The findings are presented in the context of Mean and regression and correlation analyses.

Entrepreneurship trainings and social economic welfare

The first objective of this research was to examine the extent to which entrepreneurship training support by NGOs relate to social and economic welfare of women entrepreneurs. Mean and standard deviation

were computed to ascertain the level of influence of each of the respective attributes to women entrepreneurs' welfare.

Mean and Standard deviation

Mean and standard deviation were computed for the attributes related to training in terms of its influence on social economic welfare of women. The following table 5 summarizes the findings

Table 1: Mean Scores: Training and social economic welfare

	Mean	Std. Deviation	N
Customer care skills acquired through NGO training have improved my social economic welfare	4.72	.454	74
Managerial skills acquired through NGO training have improved my social economic welfare	4.58	.497	74
Production skills acquired through NGO training have improved my social economic welfare	4.35	.607	74
Marketing skills acquired through NGO training have improved my social economic welfare	3.81	.612	74
Business confidence acquired through NGO training has improved my social economic welfare	4.20	.619	74
Entrepreneurship training has improved my social economic welfare	4.19	.566	74

Table 5 above shows that five (5) factors namely, customer care skills, managerial skills, production skills, business confidence and entrepreneurship training respectively had significant positive influence on improvement of socio-economic welfare of women entrepreneurs. Marketing skills had a comparably lower but slightly above a moderate influence (Mean=3.81, SD=0.612). Thus business confidence, customer care, managerial and production skills account for a large proportion on improvement of entrepreneurial activities; hence contributing in improve the socio-economic welfare of women entrepreneurs. All the standard deviations are less than three (>3) suggesting that there is minimum disparity of opinion amongst the respondents (Mbura, 2007). According to Posner, (2000), the smaller the standard deviation, the more narrow the range between the lowest and the highest scores or more generally, that the scores cluster closely to the average score.

Islam (2009) asserts that entrepreneurship for women, if properly applied, could enable semi-literate women to acquire training in business techniques and market development as well as on the importance of marketing their produce thereby improve their living. The findings are in line with those from the study by Stangle *et al* (2015) who stated that business and social skills that are learned in the training appear to be enabling women to improve management of their businesses, engage with their customers and invest in growing their businesses. Nevertheless, this view contradicts one by Bharthvajan (2014) who pointed out that because of their lesser propensity of previous business experience, women entrepreneurs lacked managerial skills, to a larger extent, than small businesses, in general. Language barrier amongst women caused problems for their clients or members in communication. This implies that in order to have good business administrators, managerial skills should be offered to women effectively. Shah (2015) argues that production technologies that save time and ease workloads may have the counter-productive impact of displacing rural women. For example, technological attempts to improve productivity in poultry have effectively removed women from poultry businesses in many countries as men were advanced in making profit from the innovation. This Means that care must be taken in innovating with production technologies so that improved techniques really Mean improved benefits for women. One respondent group leader had this to say,

"*You can easily distinguish between an entrepreneur woman with managerial skills and another woman without skills. The training programmes we got have shaped our entrepreneurship understanding. We know how to manage our subordinates, how to monitor our activities and how to make good decisions that can ensure our business sustainability*."

This clearly signifies the significance of managerial training for women is important as it sharpens skills and improves efficiency. In some cases relatively soft training would be appreciated. During the interviews, one group secretary said that,

"Before I joined this group, I was not serious about doing business. I could wake up at 10 am while others woke up at 5 am. I used to get very low profit or nothing at all. But the training has helped me a lot. I am now serious with my business and I enjoy super profit."

The importance of training was also observed through the consequential customer retention
Another group leader said that,

"Before I joined this group, I didn't know how to handle a customer. I was getting customers but they were not staying for a long time. Therefore, every now and then I had to seek for new ones. Life was not easy. Since I joined this NGO, I have changed. I have become a happy vendor. I know how to get new customers and I know how to handle my existing clients. Thus, thanks to training."

It seems from this observation that group closeness can contribute to effective training as people tend to learn from each other possibly through role modeling. In some cases training support took place in different geographical context where supposedly exposure would add value to much more focused training
One interviewee who is a leader from Bunju area said:

"The NGO supported me to attend training in Pemba Island where I got new marketing skills such as how to differentiate one type of market to another and how to add value to my products. This has helped me to know my market very well and I can assure you that my life has improved since then."

These results support those from the study by Shah (2015) who declared that rigorous market exposure should be provided to women by interacting with marketing experts, and should learn to conduct test marketing. In due regard, they will demonstrate high sensitivity to market changes and will be quick in adjusting to new demands.
As for the Business confidence acquired through NGO table 5 above indicates a Mean score of 4.20 suggesting that majority of the respondents are of the view that business confidence acquired through NGO training improved their socio-economic welfare. As argued by Bharthvajan (2014) that problems and constraints experienced by women entrepreneurs have been attributed by the fact that women have a subordinate status; they lack confidence of their own competences. Even at home; family members do not have much faith in women owning abilities of decision-making. Therefore, in order to have more confident women entrepreneurs, entrepreneurship training should be provided every now and then.

Adequacy of financial support by NGOs and social economic welfare
The second objective of this study was to examine the contribution of financial support by NGOs to socio-economic welfare of women entrepreneurs. Mean and standard deviations were computed as depicted in table 6:

Table 6: Mean Score: Financial support and Socio-Economic welfare

	Mean	Std. Deviation	N
The amount of loan provided by the NGO is sufficient for my business development thus improve my social economic welfare	1.18	.479	74
The amount of equity funding provided by NGO for my entrepreneurship startup is adequate to do business and thus improve my social economic welfare	1.68	.878	74
The quality of raw material provided by the NGO can produce quality and competitive products thus improve my social economic welfare	3.23	.693	74
The NGO provides me with machines and equipment for my production processes thus improve my social economic welfare	3.36	.732	74
I am satisfied with the level of financial support i get from the NGO thus improve my social economic welfare	1.59	.494	74

Source: Field data (2016)

Table 6 shows that out of five factors, two (2) factors, namely, quality of raw material and machines and equipment (Mean =3.23 and 3.36, SD=0.693; 0.732) respectively had moderate influence on socio-economic welfare. Other three factors (Mean=1.18 and 2.43, SD=0.479; 0.994), namely, loan, financial support and equity had no positive influence on improvement of socio-economic welfare. This implies that majority of the respondents are dissatisfied with the level of financial support they receive from the NGOs.

The difficulty to get financial support was reiterated by Aterido *et al* (2011) who argued that financial institutions require higher collateral from female entrepreneurs. Some banks may also require women to have a male co-signer in order to open accounts. According to the results, it can be said that aspect of financial support to women entrepreneurs should be given a necessary attention in order to improve the socio-economic welfare of women entrepreneurs. Corollary to this Wube (2010) and Bharthvajan (2014) point out that women entrepreneurs do not enjoy the right over the assets of any form even getting finances from financial institution becomes extremely difficult. There is also negative perceptions of women entrepreneurs by credit officers.

In fact, one group leader said that,

> "It's not easy at all, because when I need a loan as a woman entrepreneur, I am required to avail big things like title deeds which I don't have."

According to Pajpai (2014), there is an unfavorable market and limited capital for women entrepreneurs. Financial institutions are generally skeptical about seriousness and abilities of women entrepreneurs. As a result, they suffer from inadequate financial resources and working capital. Results from this study are in line with Kumari's (2012) findings who said that there is a need to recognize how to expand coordination amidst the NGOs, governmental agencies and the participants in order to solve the displeasure on fund issues among women entrepreneurs. Thus, this sector needs more attention from researchers in near future.

Business Networks through NGOs and Social Economic Welfare

This was the third objective of the study whereby the respondents were asked the extent network created through NGOs related to socio-economic welfare of women entrepreneurs.

Mean Score: Business network and Socio-Economic Welfare

Mean and standard deviation were computed for the following four variables as depicted in table 7 as related to Business Networks and Socio economic welfare of women entrepreneurs

Table 7: Mean and Standard Deviation: Business network and socio-economic welfare

	Mean	Std. Deviation	N
The NGO supports me with access to sustainable market for my products thus improve my social economic welfare.	4.19	.459	74
The NGO supports me with a wide social network for my business activities hence improve my social economic welfare.	3.76	.637	74
The NGO provides me with adequate information access for the improvement of my entrepreneurial activities as a result improves my social economic welfare.	2.80	.682	74
The level of business networking provided by the NGO is sufficient for my business activities.	2.46	.666	74

Source: Field data (2016)

Table 7 above shows that out of four factors, one (1) factor (Mean=4.19, SD=0.459), namely, access to sustainable market had a significant influence on socio-economic welfare. Other one factor namely, social network (Mean=3.76; SD=0.637), had a moderate influence, while two (2) other factors (Mean=2.46 and 2.80; SD=0.666-0.682), namely, the level of business networking and information access had weak influence on socio-economic welfare of women entrepreneurs. Results suggest that majority are not satisfied with the level of business network provided by the NGO.

These results support Singh *et al* (2014) study who argued that promoting entrepreneurship among women would be a great tool to empower them. Among the entrepreneurial requirement, market linkage has been an important factor for its success. It has helped entrepreneurs to remain in the business. Thus women entrepreneurs need to know how to get and to maintain sustainable market for their products.

During interviews, one of the interviewee from the group of leaders said that,

> "Normally, the NGO prepares women entrepreneurs' meetings almost for every month. Such meetings gather women from different wards. During the meetings, we are allowed to exhibit our various products. We use such kinds of gatherings as our potential market place. There we get chances to trade and exchange skills, and we also get to know what other women are doing."

ILO (2010) argues that since women often operates home-based micro enterprises, they lack access to transportation, and may be barred from accessing the same networks like men by societal norms and attitudes. Thus, their networks and contacts may remain weak while they are critical to connect entrepreneurs to growth opportunities.

Nevertheless, the importance of networks tends to be appreciated in some other instances.

During interviews, one leader said that,

> "We get support from the NGO and we are provided with opportunities to mingle with other women and hence, expand our social network. We are free to move from one region to another to train our fellow women and market our products. This has helped us to get money and improve our socio-economic welfare."

According to ILO (2010), women entrepreneurs, in rural areas, often experience difficulties in accessing relevant financial products and services due to a lack of appropriate products, information and collateral. Wube (2010) believed that since most women entrepreneurs operate on a small scale, and they are generally not members of professional organizations or part of other networks, they often find it difficult to access information for their entrepreneurship activities. This implies that access to entrepreneurship information is still needed for improvement of business activities. During the interviews, it was revealed that they were not given information to improve their activities.

One leader said that,

> "We really need information that can help to improve our business like entrepreneurship books, brochures, journals, video and other information.

The study conducted by ILO (2010) disclosed that there is need to emphasize on employers' organizations to reach out to women entrepreneurs and provide them with affordable training, coaching, networking and mentoring services that will develop their growth potential entrepreneurial skills. Mbura (2014) argues that a network is a cost effective way of improving marketing information acquisition. This implies that there is a need to encourage business networking in order to expand the market.

. **OVERALL MEAN SCORE**

The Mean score for the construct in the objective were computed in order to examine the influence of each of the three main constructs on the welfare of women entrepreneurs. The following table 8 summarizes the findings

Table 8: Mean and Standard Deviation:

Variable	**Mean Score**	**Standard deviation**
Training	4.31	0.322
Adequacy of financial support by NGOs	2.47	1.01
Business network	3.30	0.808

Table 8 above shows that the most influencing factor to the welfare of women employees is Training (M=4.31; SD=0.322). This is followed by Business networks (M=3.30; SD =0.808) which has modest but positive influence on women entrepreneurs welfare. The Adequacy of financial support was found to have less influence on the welfare of women entrepreneurs.

In line with these study findings Vossenbergl (2013) asserts that one challenge often facing business women in developing countries is that they have a quite low level of education and skills. This is combined with absence of career guidance, which seems to limit their entrance to various privately and publically offered support services such as development services and information on business progression. In general, results imply that entrepreneurship training is essential to women improved

welfare. Nevertheless it ought to be proper training. A study by Ingwu and Okey (2013) had shown that majority of the women who are participating in the adult basic education program in Cross River State in Nigeria were not satisfied with the learning experiences that were being provided. Exposing them to acquire mainly literacy, numeracy, social and citizenship skills at the expense of entrepreneurial skills has not improved their status and that of their family; the learners (women) should be involved in identifying their learning needs that would at the end of the program empower them to improve on livelihood. Islam (2009) asserts that entrepreneurship for women, if properly applied, could enable semi-literate women to acquire training in business techniques and market development thereby improve their living. Therefore, entrepreneurship training for women is important because it sharpens skills and improves efficiency. However, training should be based on Training needs established from the affected.

Findings in table 8 above indicate that business networks were also found to be having modest influence on the women entrepreneurs. According to Lindberg (2010) the importance of social networks has since long been emphasized in entrepreneurship research. There are indications that women often have smaller networks consisting of closer relations, and that it may be problematic in an economy where large-scale networking is important for possibilities of perceiving opportunities and collaborating with knowledgeable actors. Mbura (2014) argues for the inter-firm and social networks as having different potential influence in network information accessibility. ILO (2010) contends that women entrepreneurs, especially in rural areas, often experience difficulties in accessing relevant financial products and services due to a lack of appropriate products, information and collateral. Wube (2010) believed that since most women entrepreneurs operate on a small scale, and they are generally not members of professional organizations or part of other networks, they often find it difficult to access information for their entrepreneurship activities. This implies that access to entrepreneurship information is still needed for improvement of business activities.

During interviews, a group secretary said that,
"In general, business network that is provided by the NGO has a positive impact on my entrepreneurship activities. But the network provided is not sufficient and we would like to ask the NGO to expand it."

CONCLUSIONS AND RECOMMENDATIONS

The objectives of this study were to examine the extent to which entrepreneurship trainings support, adequacy of financial support by NGOs and network created through NGOs relate to social economic welfare of women entrepreneurs. Findings indicate that Entrepreneurship Training was most contributory factor to improved women welfare. This is followed by networks that were created by NGO. The financial support provided by NGOs was found to have weak influence on the welfare of women entrepreneurs.

In light of the findings it is recommended that training should be stretched through appropriate strategies so as to benefit as many as all women entrepreneurs. Nevertheless appropriate training should be based on the Training needs establishment from the ensued beneficiaries Much more focused training areas of managerial, production and marketing skills need particular attention. Moreover much wider networks need to be established through the conduits of NGO'S and the government.

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CONVERGENCE OF LEAN WASTE MANAGEMENT AND REGULATION ON OPERATIONAL PERFORMANCE OF THIRD PARTY PORT-CENTRIC LOGISTICS FIRMS IN KENYA

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ABSTRACT

This research paper explored waste management as a lean practice and operational performance of third-party port-centric logistics firms in Kenya by exploring the concept from original proponents (Toyota production system) to the current applications in services. The study tested conceptual model of the relationship between the two variables. This was guided by the specific objective of the study which was to determine the relationship betweenwaste management and operational performance of third-party port-centric logistic firms in Kenya. The null hypothesis (H_0) was tested and the results indicated that there is no significant difference in the relationship between waste management and operational performance of Third-Party Port-Centric Logistics firms in Kenya and that the moderation through regulation significantly affects this relationship. Third party logistics service providers are critical for any country because they are the interface between international trade partners across countries (exporters, shippers, revenues bodies, importers and others). The study is necessary in finding out the link between the variables and sufficiently highlight the actual practice towards this end. A survey based on stratified sampling with a disproportionate approach consisting of 164 firms (15% of the population) was used in data collection using the 164 questionnaires targeting 164 third party port-centric logistics firms. Response rate for this study after field work was 75.6% (124 firms). Data analysis was carried out using moderated multiple regression (MMR) analysis where relationship between the variables was computed. Using the data the relationship determined using multiple regression analysis, tests of reliability, normality conducted and the hypothesis tested. The study found out that waste management was statistically and significantly related to the operational performance, contributing to the strength of the overall model (with adjusted R^2 of 46.9%) with a beta coefficient of .202. This was considered good enough with an appreciationthat operational performance as well influenced by other organizational and management factors outside the model that may be internal or external to the organization. Consequently, this study immensely provides information and knowledge that will play a role in research agenda in this area of lean management and specifically waste management practice in services, in operations performance and third party logistics firms (3PL firms). The study proposes policy formulation that will support measures to boost and 3PL firms to reinforce practices that help in waste reduction. This will help in creating 3PL firms that are efficient and with superior operational performance, first to the benefit of the customers (importers and exporters), and to the entire industry not only in Kenya but in East Africa and Africa at large.

Keywords: Lean, Regulation, Waste Management, Third party logistics service providers, Operational performance

Introduction

Ohno (1988) at the Toyota Motor Company developed the lean strategy in 1950s. It is a business model that focuses on systematic identification and elimination of waste from a process and involves changing and improving processes (Motwani, 2003) while delivering quality products to the manufacturer and consumer at the lowest cost. Krafcik (1998) describes lean as an approach to a manufacturing that uses less of everything; half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time. Lean also requires keeping far less than half the needed inventory on site, results in many fewer defects, and produces a greater and ever growing variety of products (Papadopoulou&Özbayrak, 2005).

This study was anchored on theoretical standpoints; Resource Based View (RBV) whose proponents argue that superior firm performance is the ability of firms to accumulate resources and capabilities that are rare, valuable and difficult to imitate (Barney, 2000); institutional theory which whose inquiry is on how organizations social structures are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse (Scott, 2004) and finally customer value theory which maintains a firm's view that a market-oriented organization will carefully apply its resources and competencies to create superior innovative value propositions for its customers. The independent variable of this study was waste management as a lean practice and how it influences operational performance under a regulatory framework.

Methodology

The research design for this study was a survey design coupled with cross-sectional approach. Therefore this was largely quantitative research that enabled identification of characteristics of a particular group, to measure attitudes and to describe behavioral patterns (Zikmund, Babin, Carr, & Griffin, 2012). In order to realize the objective of this study, positivism research paradigm was used which involves objective testing of empirical hypothesis that are formulated on the predictions of objected phenomena and which allowed operationalisation of the hypothesis and generalization of the results.

The population of study was all 1064 registered third party port-centric logistics firms in Kenya (KRA, 2016). The sampling frame listing the firms was obtained from Kenya Revenue Authority (KRA), the body with the legal authority to license third party port-centric logistics firms in Kenya. The choice of a sample size was largely determined by the confidence one needs to have in the data, the margin of error tolerable, the types of analysis going to be undertaken and the size of total population from which the sample will be drawn (Saunders, Lewis & Thornhill, 2009). By considering these scholarly viewpoint, this study used a representative sample size of 164 third party port-centric logistics firms representing about 15% of the population (1064 firms).Table 1 indicates sample size determination.

Table 1 Sample Size Determination

Stratum (Location of 3PL Firms)	Pop. Proportion (3PL Firms)	3PL Firms in the Sample	% Stratum Proportion
Nairobi (Capital)	566	84	14.8%
Mombasa (Seaport)	491	73	14.9%
Nakuru	2	2	100%
Eldoret	3	3	100%
Kisumu	2	2	100%
Total	1064	164	

In the actual execution of the study, most of these firms were found to have an operations or logistics office in the seaport city. This study used a questionnaire as the data collection instrument. Saunders, Lewis and Thornhill (2009) asserts that a questionnaire is one of the most widely used data collection technique within the survey strategy and provides the most efficient way to collect responses from a large sample prior to quantitative analysis. Five-point likert technique was predominantly used for closed ended type of questions in this study. In order to analyse the data collected, a regression model was used for analysis of the relationship between waste management and operational performance.

$Y = \beta_{01} + \beta_1 X_1 + \xi_1$

Where

Y = Dependent variable which represents the operational performance of fort centric third-party logistics firms in Kenya in the model

β_{01} = A constant factor which is also the value of the dependent variable when all the independent variables X_i assume any value, such as when $X_i = 0$

$\beta_1 X_1$ = Regression coefficient β_1 and the associated Waste Management (X_1) variable, a lean practice andthe independent variable in this study.

Analysis of the Study Variables

The targeted respondents in the study were the third-party port-centric logistics firms in Kenya. A total of 164 questionnaires were administered, out of which 124 questionnaires were filled and returned. This represents a response rate of 75.6%. Waste management practice had 4 factors. To measure reliability of data collection instruments, an internal consistency technique using Cronbach's alpha was used in this study. Reliability and correlations of data was done on the pilot data to ensure the instruments were good to go before data collection and after data collection to confirm that the instruments remained as good with the actual field data.The overall test of reliability for all the variables produced Cronbach's Alpha value of 0.947 based on standardized values. This was way above the threshold value of 0.75 (alpha>=0.75). This finding meant that the variables were very reliable and that the data collected and analysed for this study produces results that can be relied on and good enough for replication and generalization.

Table 2 Cronbach's Alpha for Final Analysis

Cronbach's Alpha	Cronbach's Alpha - Standardized Items	N of Items	N
.947	.949	5	124

On the correlations of paired variables in the final data analysis, the generated results indicated that the variables had positive correlations and strong correlations (>0.5).

Test of Normality

Normality test ascertain whether the data variables have a normal distribution (Paul & Zhang, 2010). Some of the common ways to test normality via box plot, Q-Q Plot, and Skewness and Kurtosis which were all used in normality testing. Kurtosis is an indicator of a degree flattening of a distribution while Skewness is as a sign of asymmetry and deviation from a normal distribution. Skewness and kurtosis values that range from +/-3 (SE) are generally considered normal (Onwuegbuzie& Daniel, 2002).

Table 3 Normality Test Using Skewness and Kurtosis

Variables	N	Mean	Std. Dev	Variance	Skewness	Kurtosis
Waste Mgt	124	1.8730	.29734	.088	.753	3.976
OpsPerf	124	2.3572	.27619	.076	.080	1.676
Valid N	124					

The results are presented in table 3. The skewness value are within the +/-3 range for all factors. We conclude that the data followed a normal distribution. Kurtosis and skweness was employed to test normality by Rocha, Farazi, Khouri and Pearce (2011) in their study on the status of bank lending to SMEs in the Middle East and North Africa. To reinforce the two methods (skewness and kurtosis) Q-Q plots were also used as a graphical analytical tool and the results showed data distribution exhibiting normal characteristics in the normal Q-Q plot (figures 1), suggesting normal distribution (Hair, Tatham, Anderson & Black, 2006). In q-q plot, or the normal probability plot, the observed value for each score is plotted against the expected value from the normal distribution, where, a sensibly straight line suggests a normal distribution (Pallant, 2007). By and large, if the points in a q-q plot depart from a straight line, then the assumed distribution is called into question (Aas&Haff, 2006).

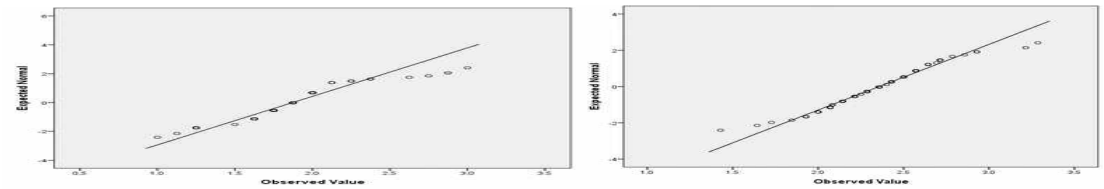


Figure 1 Q-Q Plot of Waste Management and Operational Performance

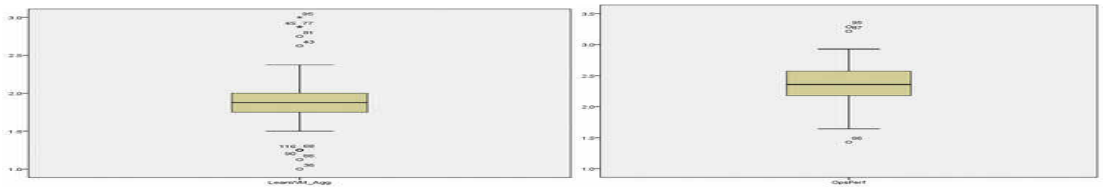


Figure 2 Box Plot of Waste Management and Operational Performance

Test of assumptions of the Study

Chi-Square Test of Independence was used in this study to compare categorical variables. It was used to assess associations between categorical variables, although it provides no inferences about causation. The null hypothesis (H_0) and alternative hypothesis (H_1) of the Chi-Square Test of Independence/association was expressed as follows:

H_0: Variable Xi (independent) is independent of variable Y (dependent)
H_1: Variable Xi (independent) is not independent of variable Y (dependent)

Evidence of Heteroscedasticity is confirmed when the value of Prob> the computed value of the Chi-square is less than 0.05 (Park, 2008). Table 4 shows that the constant variance (Chi2 values are) are significant (P = 0.000). Since all the Chi2 (908.974, 421.873, 471.178 and 302.188) are greater than the corresponding probability values (.000, .014, .000 and .000), we reject the null hypothesis and conclude that there is a significant association between the independent variable waste management and the operational performance.

Table 4 Test of Heteroscedasticity

	Value of Pearson Chi-Square	df	Asymp. Sig. (2-sided)
OpsPerf_Agg * LeanWM_Agg	421.873[a]	360	.014

Variance Inflation Factor (VIF) test and the associated tolerance were used to determine correlations among the variables in this study. VIF values captures the variance of variable coefficients and how they are increased because of collinearity and a VIF value greater than five implies presence of multicollinearity, further indicating the inappropriateness of the variables (Cohen, Cohen, West & Aiken 2013). Tolerance measures the impact of collinearity among the variables in a regression model and is computes using the expression $(1 - R^2)$. The VIF value for waste management had a value of 2.023 and therefore it can be said that the presence of multicollinearity amongst the two variables largely lacked evidence. Chang, Liao, Yu, and Ni (2010) tested multicollinearity using the VIF and tolerance approach.

Table 5 Multicollinearity Test

Variables	VIF (1/1-R2)	Tolerance (1-R2)
LeanWasteMgt	2.023	.494

Kaiser-Meyer-Olkin and Bartlett's Test

In order to test sampling adequacy or suitability of data used in the study, Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity were used. KMO value gives index which explains the degree of variances in the study variables that eminates from the underlying factors. KMO value approaching 1 (<=1) implies that factor analysis would work for the data, a good indicator that the factors used in the study are good enough (Pallant, 2010). For Bartlett's Test of Sphericity tests is an indicator of whether variables used in the study related/unrelated positing suitability of structure detection. The results of this test for this study indicates a strong result of sampling adequacy where KMO value is 0.805, a value close to 1. The Bartlett's Test of Sphericity Test, with $p < 0.05$ is an indication of suitability of data for structure detection. These tests therefore confirm that the data set used in this are suitable for the analyses in this study.

Table 6 KMO and Bartlett's Test

KMO Test of Sampling Adequacy	Bartlett's Test of Sphericity
.805	Approx. Chi-Square - 885.059; df. 15 Sig. 0.000

4 Effect of waste Management on Operational Performance

In order to realize the objective of this study which was to determine the Convergence of Waste Management and Regulation on Operational Performance of Third Party Port-Centric Logistics Firms in Kenya, regression analysis was carried out using the model:

$$\mathbf{Y=\beta_{01}+\beta_1 X_1 +\xi}$$

Where Y is the dependent variable representing the operational performance of third- party port-centric logistics firms in Kenya in the model, β_{01} is a constant factor which is also the value of the dependent variable before any of the independent variable X_i assumes any value, such as when $X_1=0$, $\beta_1 X_1$ is the regression coefficient (β_1) and the associated waste management (X_1) variable, the independent variable of this study.ξ is the stochastic or random disturbance term which addresses the random error or all other minor inconsequential effects on the model and which have not been captured. Using the data that was

collected for this study, regression analysis was conducted and a regression matrix was obtained as shown in table 7. It indicates that there was 46.9 % positive variations in operational performance index due to changes in independent variables and 53.1% variation of the dependent variable due to other factors not in the model. This meant that the model less than convincingly suitable for (less than the requisite threshold of about 60%-100% for a good fit) explaining waste management practice entirely affecting the organizational performance of the third-party port-centric logistics firms in Kenya.

The correlation coefficient R represents the strength of the relationship between the variables. The study found out that the correlation coefficient was 0.697 thus there was strong positive correlation between waste management and operational performance. A study on the effect of relationship banking and entrepreneurial orientation on financial performance of manufacturing firms in Kenya produce the adjusted value of R^2 of 0.212 indicating that the model only explained 21.2% of the variations in the dependent variable (Rotich, 2016) and considered good enough due to many other factors outside the model that affected the relationship. In another study by Rahman, Laosirihongthong and Sohal, (2010) on the impact of lean strategy on operational performance done amongst Thai manufacturing companies, the adjusted value of R2 for SMEs was found to be 0.371 (37.1%) and 0.222 for Large Enterprises. The findings were considered good enough since there are a myriad of other factors outside lean strategy that affect operational performance. The findings of these studies resonates well with the findings of the study at hand and indeed are comparable.

Table 7 Model Summary for Relating Waste Management and operational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697[a]	.486	.469	.20126

a. Predictors: (Constant): Lean Waste Management

The Significance F in table 7 demonstrates the usefulness of the overall regression model at a 5% level of significance. Since the p-value of the F test is less than alpha ($0 < 0.05$), it was concluded that there was a significant relationship between the dependent and independent variables used in the study. The findings in table 8 also clearly indicate that the relationship only accounts for a less than dominant number of variations in operational performance of third party port-centric logistics firms, that is 4.562 (45.6 %) out of 9.382, the rest of the variations being accounted for by other factors external to the model (Residual) as indicated by the sum of the squares (Rahman, Laosirihongthong and Sohal, 2010). Residual (or error) represents unexplained (or residual) variation after fitting a regression model. It is the difference (or left over) between the observed value of the variable and the value suggested by the regression model.

Table 8 Analysis of Variance for Waste Management and operational Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.562	4	1.141	28.157	.000[b]
	Residual	4.820	119	.041		
	Total	9.382	123			

a. Dependent Variable: Operational performance

b. Predictors: (Constant), Lean Waste Management

Table 8 depicts the numerical relationship between the independent variable and the predictor (independent) variables in the following resultant equation:

$$\text{Operational Performance} = 0.911 + 0.202X_{12}$$

This model equation implies that when waste management practice increases by one unit, operational performance increases by 0.202 units. The findings of this study are comparable to the results of the study by Chavez et al (2013) on internal lean practices and operational performance with a perspective of industry clock speed. In this study all the variables had positive correlations and fostered a positive effect on the relationship between independent and dependent variables. However, the study found out that when analyzing lean practices, some of the variables (quality, flexibility and cost) indicated that the industry type where these firms operated had a negative beta coefficients of -0.039, -0.07 and -0.058 respectively. Similar studies where the variables were positively correlated and produced positive beta coefficients are studies by Rotich (2016) and Rahman, Laosirihongthong and Sohal (2010). Table 9 shows the correlation of waste management operational performance. From this data, there is a positive significant relationships between waste management (QM), the study found out that operational performance was positively correlated to waste Management with a correlation value of 0.627.

Table9 Coefficients of the Model in Relating Waste Management and operational Performance

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.911	.139		6.568	.000
Waste Management	.202	.087	.217	2.326	.022

a. Dependent Variable: Operational performance

Moderation Effect of Regulation on the Relationship between Waste Management andOperational Performance

In order to assess whether regulation affect the relationship between waste management and operational performance, a moderated multiple regression was done. Table 10 shows the moderating effect of regulation on the relationship between waste management and operational performance. The model 1 in table 4.24 shows that R = .606, R^2 = .367 and [F (2, 121) = 35.148, p = .0001]. The value of R^2 indicates that 36.7% of the variance in the third-party port-centric logistics firms' performance can be accounted by waste management and regulation. Model 2 in table 4.24, shows the results after the interaction term (waste management * regulation) was added into the model.

Table 10 MMR Model Summary for Waste Management

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.606[a]	.367	.357	.22147	.367	35.148	2	121	.000
2	.606[b]	.368	.352	.22238	.000	.010	1	120	.920

a. Predictors: (Constant), Regulation, Waste Management

b. Predictors: (Constant), Regulation, Waste Management, Regulation * Waste Management

The results indicate that the inclusion of the interaction term resulted into an R^2 change of .0001, [F (1, 120) = 0.0001, p < 1], showing presence of significant moderating effect. To put it differently, the moderating effect of regulation gained 0.01% variance in the operational performance, above and beyond the variance by waste management and operational performance. Thus regulation significantly moderates the relationship between waste management and operational performance.

The question one would ask is, how and why does regulation affect the relationship between waste management and operational performance? Actually, firms measure operational performance against standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as cycle time, productivity, waste reduction, and regulatory compliance (Narasimhan& Das, 2001). True and rational productivity must be measured against regulatory compliance amongst other measures. The waste (mudas) identified by TPS include overproduction, waiting, conveyance, over processing, excess inventory, movement, defects and unused employee (Monden, 1998; Liker, 2004).
In table 11, Model 1 indicates that Waste Management was statistically significant ($p < 0.001$; Beta value = 0.556); Regulation was also statistically significant ($p < 0.10$). The equation below shows that for a 1-unit increase in Waste Management, Operational Performance is predicted to have a difference by 0.351, given that the Regulation is held constant. The regression coefficient associated with Regulation means that the difference in Operational Performance between third-party port-centric logistics firms with high regulation and third-party port-centric logistics firms with low regulation is 0.22, given that waste management is held constant. Therefore:

Operational Performance = 1.275 + 0.351(Waste Management) + 0.22(Regulation)

Model 2 reveals the details of the inclusion of the interactive term in the model. Waste Management was found to be significant ($p>0.10$, Beta value=0.355). Regulation was found to be significant ($p=0.321 > 0.10$, Beta value=0.26), and Waste Management*Regulation was also found to be significant ($p=0.920 < 1$, Beta value=0.045). Therefore substituting the coefficients we obtain:

Operational Performance =1.315 + 0.329(Waste Management) + 0.201(Regulation) + 0.01(Waste Management * Regulation)

The result for Table 11 indicates that for a 1-point increase in the Waste Management, the Operational Performance is predicted to have a difference by 0.329, given that Regulation are held constant. The interpretation of the regression coefficients for the interaction term is that there was a 0.01 difference between the slope of Operational Performance on Waste Management between third-party port-centric logistics firms with low regulation and those with high regulation. Results based on equation above led to the conclusion that there was a significant moderating effect of regulation.

Considering the forms of wastes (Monden, 1998; Liker, 2004), third party port-centric logistics firms in Kenya are faced with the challenge of achieving efficiency in logistics services within the framework of regulation, which won't go. For instance, reduction in waiting time to pick and drop cargo from/to the port, conveyance and handling from/to the port and other places as well as the movement of cargo within the logistics yards and along the transportation corridors happens under the watchful eyes of the regulators. This this is the reason why the study findings indicate that regulation significantly moderates the relationship between waste management and operational performance. This notwithstanding, third party port-centric logistics firms have been working around and managing these challenges in order to achieve operational performance.

Table 11 MMR Model Coefficients for Waste Management

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.275	.131		9.712	.000
	WasteMgt	.351	.090	.378	3.909	.000
	REGS	.220	.075	.285	2.942	.004

2	(Constant)	1.315	.421		3.126	.002
	WasteMgt	.329	.238	.355	1.384	.169
	Regulatiob	.201	.202	.260	.996	.321
	iWasteMgtRegs	.010	.102	.045	.100	.920

a. Dependent Variable: Operational Performance

Summary of the Study Findings

This study reconnoitered and anchored on both theoretical and empirical studies on lean practices from which the conceptual model that helped in realizing this study was developed. Further, the hypothesized relationships based on the relationship of independent and dependent variables were tested and conclusions made thereof.

In order to conduct successful empirical test, several assumptions of the study variables were tested and which were positive thereby supporting the credibility, applicability and generalizability of this study. The study found out that there was a significant relationship between waste management and operational performance of third party port-centric logistics firms in Kenya. Therefore the hypothesis (H_0) that there is no significant difference in the relationship between waste management and operational performance of third party port-centric logistic firms in Kenya was rejected. When these firms' efforts are towards waste elimination such as in transportation; motion; waiting; over-processing and defects, the performance (operational performance) of these firms improve as well. The avoidance of wastages in a logistics firms also help in the preservation of these resources and which can be mobilized and channeled for more useful applications thereby impacting performance even more. It is therefore a reality that doing nothing about wastage in a firm is the greatest evidence of poor performance whose consequence is in the offing. Third party logistics firms must deal with waste tendencies and must strive to ensure top notch cargo logistics, eliminate non value-adding activities and ensure well thought out scheduling of maintenance and repair of equipment as well as logistics personnel. All these help in the reduction of scheduling, cycle and set up time in order to eliminate bottle necks in logistics operations and achieve efficient sand continuous workflow of equipment, materials and personnel.

On whether this particular finding is supported by literature, several studies vindicates the results of this study in regards to the relationship between waste management and operational performance. Waste reduction is an effective way to increase a firm performance and lean requires keeping far less than half the needed inventory leading to fewer defects, and produces a greater variety of products and performance (Papadopoulou&Özbayrak, 2005). Lean must also produce top quality products and services and be both efficient and economical while optimising productivity by eliminating waste in all areas of operations (Bhasin, 2011; Fullerton &Wempe, 2009). The study findings are in sync with findings in these past research studies.

On the moderating effect of regulation on the relationship between waste management and operational performance of third party port-centric logistics firms in Kenya, the findings of this study revealed that there was a significant difference in operational performance of third-party port-centric logistics firms with high regulation and third-party port-centric logistics firms with low regulation. This further indicating that there is a critical role of regulation in this relationship. Practically it is important to note that these firms operate largely in a regulated environment by bodies such as Kenya Revenue Authority (KRA), Kenya Ports Authority (KPA), KIFWA and others and as much as they may want to be efficient by avoiding waste they must operate within the regulatory framework. For instance, transit cargo cannot be moved from a storage facility without physical verification of a customs officer from KRA.

Conclusions of the Study

Waste management in its relationship with operational performance was also found to be statistically significant. This implies that when third party port-centric logistics firms take care of wastage in their logistics businesses, they affect the operational performance in a positive way. This is in synch with the Resource Based View (RBV) which underpins the need for organisations to accumulate resources and capabilities that are rare and valuable. These firms should then use these resources to achieve competitive advantage. Dealing with wastage at every corner of operations can release more resources which that can be strategically used to achieve superior customer service by investing in modern equipment and machines, training consequently building even more competitive advantages for the future.

Recommendations

At the core of lean management and eventually supply chain management is the elimination of waste, a concept introduced by Toyota Production System (TPS). Logistics services providers must seek to cumulate the effect of wastage and see how it affects her efficiency and productivity as a starting point. Such wastage as; idle capacity in terms of labor, equipment and machines and space; wastage in movement due to poor facility layout as well as wastage in handling and movement of goods placed in wrong areas, negatively affect operational performance directly, regardless of the level of regulation. Wastage in production processes through the use of sub-optimal processes is another critical wastage. Through the findings of this study, it is obligatory that the effort to manage wastage by third party port-centric logistics firms in Kenya. It is important and requisite that 3PL firms and indeed firms in other industries continue engaging in increased waste reduction undertakings in order to continuously step up operational performance and organizational profitability in future. Finally, it is important to note that, third party logistics providers business is also largely dependent on other critical players such as regulators, port operators, providers of financial services, amongst others. An industry wide study can be conducted on all these firms and bring in more moderators and test the relations and the impact of all these on logistics services operational performance.

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INFLUENCE OF LEAN QUALITY MANAGEMENT ON OPERATIONAL PERFORMANCE OF THIRD PARTY PORT-CENTRIC LOGISTICS FIRMS IN KENYA

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ABSTRACT

This research paper largely explored lean quality as proposed by luminaries of lean concept. The study aim was to propose and test conceptual model of the relationship between lean quality and operational performance of third-party port-centric logistics (3PL) firms in Kenya. The objective was to determine the relationship betweenquality management and operational performance of third-party port-centric logistic firms in Kenya and test the hypothesis (H_0) that there is no significant difference in the relationship between quality management and operational performance of Third-Party Port-Centric Logistics firms in Kenya. Most studies in the area were done outside the African continent and dwelt largely on manufacturing firms. Port-centric logistics as logistics services providers are critical to any country since they are the interface between exporter and importer and the study put a lot of emphasis on finding out the relationship between quality management as a lean practice and operational performance of these firms. This is the gap this research sought to address. A survey based on stratified sampling with a disproportionate approach consisting of 164 firms (15% of the population) was used in data collection using 164 questionnaires targeting 164 third party port-centric logistics firms. The response rate for this study was 75.6% (124 firms). Data analysis was carried out using moderated multiple regression (MMR) analysis where relationship between the two variables was determined. The relationship was was determined and the tests of reliability using Cronbach alpha, normality using Q-Q plots and test of hypothesis conducted. The study found out that quality management variable is statistically and significantly related to the operational performance, contributing to the strength of the overall model (with adjusted R^2 of 46.9%) with a beta coefficient of .167. This was considered good enough link with an appreciation that operational performance is also affected by other organizational and management factors outside the model that may be internal or external to the organization. Consequently, this study immensely provides information and knowledge that will play a role in research agenda in this area of lean management in services, in operations performance and 3PL firms. The study proposes policy formulation that would support measures that will boost and graft-in both quality and best practices that will eventually poster excellency in operational performance by third party port-centric logistics providers not only in Kenya but in east Africa and Africa at large.

Keywords: Lean, Quality Management, logistics services providers, Operational performance

Introduction

Ohno (1988) at the Toyota Motor Company developed the lean strategy in 1950s. It is a business model that focuses on systematic identification and elimination of waste from a process and involves changing and improving processes (Motwani, 2003) while delivering quality products to the manufacturer and consumer at the lowest cost. Krafcik (1998) describes lean as an approach to a manufacturing that uses less of everything; half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time. Lean also requires keeping far less than half the needed inventory on site, results in many fewer defects, and produces a greater and ever growing variety of products (Papadopoulou&Özbayrak, 2005).

This study was anchored on theoretical standpoints; Resource Based View (RBV) whose proponents argue that superior firm performance is the ability of firms to accumulate resources and capabilities that are rare, valuable and difficult to imitate (Barney, 2000); institutional theory which whose inquiry is on how organizations social structures are created, diffused, adopted, and adapted over space and time; and

how they fall into decline and disuse (Scott, 2004) and finally customer value theory which maintains a firm's view that a market-oriented organization will carefully apply its resources and competencies to create superior innovative value propositions for its customers.The independent variable of this study was lean quality management and how it influences operational performance.

Quality is acknowledged as being critical to the value-adding process of product creation and delivery and in fact orders requiring rework have been estimated to cost in excess of eight times the cost of properly produced and delivered customer requirement (Bowersox et al., 1985). In logistics, quality translates into strategies aiming at making order cycle times shorter and more predictable, as well as maintaining certain levels of in-stock availability and certain fill rates on customer orders. It has only recently been recognized that an essential ingredient of successful supply chain management is high quality logistics throughout supply networks (Choi &Rungtusanatham, 1999).

Evidence exist to suggest that improving the quality of all logistics operations and supply chain stages results in reduced costs, improved resource utilization, and improved system efficiency (Beamon & Ware, 1998). Further, quality practices are related to organizational performance and that companies should continue promoting quality management practices throughout their supply chains (Forker et al., 1997). As well, a significant relationship exists between level of quality practices and logistics outcomes, especially in the context of logistics operational performance and customer service (Jerman and Crum, 1998).On-time delivery, and order cycle are frequently cited in literature as critical measures of logistics performance (Rahman, 2006; Gunasekaran, Patel &Mcgaughey, 2003).A number of studies on quality management including studies by Rahman (2006) and Gunasekaran et al. (2003) show a great deal of support for the assertion that quality management as a lean practice play a major role in influencing operational performance, hence the the objective of the study which was: To determine the relationship betweenquality management and operational performance of third-party port-centric logistic firms in Kenya. This was guided by the null hypothesis of the study, which was:

H_0 There is no significant difference in the relationship between quality management and operational performance of Third-Party Port-Centric Logistics firms in Kenya.

Methodology

The research design for this study was a survey design coupled with cross-sectional approach. Therefore this was largely quantitative research that enabled identification of characteristics of a particular group, to measure attitudes and to describe behavioral patterns (Zikmund, Babin, Carr, & Griffin, 2012). In order to realize the objective of this study, positivism research paradigm was used which involves objective testing of empirical hypothesis that are formulated on the predictions of objected phenomena and which allowed operationalisation of the hypothesis and generalization of the results.

The population of study was all 1064 registered third party port-centric logistics firms in Kenya (KRA, 2016). The sampling frame listing was obtained from Kenya Revenue Authority (KRA). KRA is the sole entity that authorizes all third party port-centric logistics firms in Kenya. The choice of a sample size is always largely determined by the confidence one needs to have in the data, the margin of error tolerable, the types of analysis going to be undertaken and the size of total population from which the sample will be drawn (Saunders, Lewis & Thornhill, 2009). By considering these scholarly viewpoints, this study used a representative sample size of 164 third party port-centric logistics firms representing about 15% of the population (1064 firms).Table 1 indicates sample size determination.

Table 1 Sample Size Determination

Stratum (Location of	Pop. Proportion	3PL Firms in the	% Stratum

3PL Firms)	(3PL Firms)	Sample	Proportion
Nairobi (Capital)	566	84	14.8%
Mombasa (Seaport)	491	73	14.9%
Nakuru	2	2	100%
Eldoret	3	3	100%
Kisumu	2	2	100%
Total	1064	164	

In the actual execution of the study, most of these firms were found to have an operations or logistics office in the seaport city.This study used a questionnaire as the data collection instrument. Saunders, Lewis and Thornhill (2009) asserts that a questionnaire is one of the most widely used data collection technique within the survey strategy and provides the most efficient way to collect responses from a large sample prior to quantitative analysis. Five-point likert technique was predominantly used for closed ended type of questions in this study. In order to analyse the data collected, a regression model was used for analysis of the relationship between lean quality and operational performance.

$Y = \beta_{01} + \beta_1 X_1 + \xi_1$

Where

Y = Dependent variable which represents the operational performance of fort centric third-party logistics firms in Kenya in the model

β_{01} = A constant factor which is also the value of the dependent variable when all the independent variables X_i assume any value, such as when $X_i = 0$

$\beta_1 X_1$ = Regression coefficient β_1 and the associated Quality Management (X_1) variable, a lean practice, the independent variable.

Analysis of the Study Variables

The targeted respondents in the study were the third-party port-centric logistics firms in Kenya. A total of 164 questionnaires were administered, out of which 124 questionnaires were filled and returned. This represents a response rate of 75.6%. Quality management practice had 5 factors.To measure reliability of data collection instruments, an internal consistency technique using Cronbach's alpha was used in this study. Reliability and correlations of data was done on the pilot data to ensure the instruments were good to go before data collection and after data collection to confirm that the instruments remainedas good with the actual field data.The overall test of reliability for all the variables produced Cronbach's Alpha value of 0.947 based on standardized values. This was way above the threshold value of 0.75 (alpha>=0.75). This finding meant that the variables are very reliable and that the data collected and analysed for this study produces results that can be relied on and god enough for replication and generalization.

Table 2 Cronbach's Alpha for Final Analysis

Cronbach's Alpha	Cronbach's Alpha - Standardized Items	N of Items	N
.947	.949	5	124

On the correlations of paired variables in the final data analysis, the generated results indicated that the variables had positive correlations and with strong correlations (>0.5). The weakest paired correlation was between waste management and customer orientation (0.628) whereas the strongest paired correlation was between quality management and cost management (0.939).

Test of Normality

Normality test ascertain whether the data variables have a normal distribution (Paul & Zhang, 2010). There are different approaches to test for normality using SPSS. Some of the common ways to do this is via box plot, Q-Q Plot, and Skewness and Kurtosis. In this study normality test were done using Q-Q Plots, kurtosis and Skewness. Kurtosis is an indicator of a degree flattening of a distribution while Skewness is as a sign of asymmetry and deviation from a normal distribution. Skewness and kurtosis values that range from +/-3 (SE) are generally considered normal (Onwuegbuzie& Daniel, 2002).

Table 3 Normality Test Using Skewness and Kurtosis

Variables	N	Mean	Std. Dev	Variance	Skewness	Kurtosis
Quality Mgt	124	2.0740	.32766	.107	.046	.408
OpsPerf	124	2.3572	.27619	.076	.080	1.676
Valid N	124					

The results are presented in table 3. The skewness value are within the+/-3 range for all factors. We conclude that the data followed a normal distribution. Kurtosis and skweness was employed to test normality by Rocha, Farazi, Khouri and Pearce (2011) in their study on the status of bank lending to SMEs in the Middle East and North Africa.

To reinforce the two methods (skewness and kurtosis) Q-Q plots were also used as a graphical analytical tool and the results showed data distribution exhibiting normal characteristics in the normal Q-Q plot (figures 1), suggesting normal distribution (Hair, Tatham, Anderson & Black, 2006). In q-q plot, or the normal probability plot, the observed value for each score is plotted against the expected value from the normal distribution, where, a sensibly straight line suggests a normal distribution (Pallant, 2007). By and large, if the points in a q-q plot depart from a straight line, then the assumed distribution is called into question (Aas&Haff, 2006).

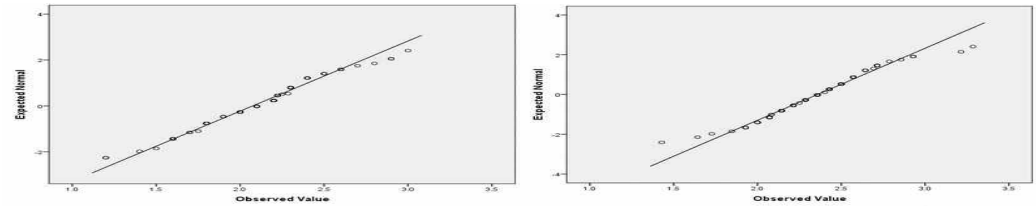


Figure 1 Q-Q Plot of Quality Management and Operational Performance

Test of assumptions of the Study

Chi-Square Test of Independence was used in this study to compare categorical variables. It was used to assess associations between categorical variables, although it provides no inferences about causation. The null hypothesis (H_0) and alternative hypothesis (H_1) of the Chi-Square Test of Independence/association was expressed as follows:

H_0: Variable Xi (independent) is independent of variable Y (dependent)
H_1: Variable Xi (independent) is not independent of variable Y (dependent)

Evidence of Heteroscedasticity is confirmed when the value of Prob> the computed value of the Chi-square is less than 0.05 (Park, 2008). Table 4 shows that the constant variance (Chi2 values are) are significant (P = 0.000). Since all the Chi2 (908.974, 421.873, 471.178 and 302.188) are greater than the corresponding probability values (.000, .014, .000 and .000), we reject the null hypothesis and conclude

that there is a significant association between the independent variable quality management and the operational performance.

Table4Test of Heteroscedasticity

	Value of Pearson Chi-Square	df	Asymp. Sig. (2-sided)
OpsPerf_Agg * Quality Mgt	908.974[a]	504	.000

Variance Inflation Factor (VIF) test and the associated tolerance were used to determine correlations among the variables in this study. VIF values captures the variance of variable coefficients and how they are increased because of collinearity and a VIF value greater than five implies presence of multicollinearity, further indicating the inappropriateness of the variables (Cohen, Cohen, West & Aiken 2013). Tolerance measures the impact of collinearity among the variables in a regression model and is computes using the expression $(1 - R^2)$. The VIF values for this study had a value of 4.556 and therefore it can be said that the presence of multicollinearity amongst the two variables largely lacked evidence. Chang, Liao, Yu, and Ni (2010) tested multicollinearity using the VIF and tolerance approach.

Table 5Multicollinearity Test

Variables	VIF (1/1-R2)	Tolerance (1-R2)
Quality Mgt	4.556	.216

Kaiser-Meyer-Olkin and Bartlett's Test

In order to test sampling adequacy or suitability of data used in the study, Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity were used. KMO value gives index which explains the degree of variances in the study variables that eminates from the underlying factors. KMO value approaching 1 (<=1) implies that factor analysis would work for the data, a good indicator that the factors used in the study are good enough (Pallant, 2010). For Bartlett's Test of Sphericity tests is an indicator of whether variables used in the study related/unrelated positing suitability of structure detection. The results of this test for this study indicates a strong result of sampling adequacy where KMO value is 0.805, a value close to 1. The Bartlett's Test of Sphericity Test, with $p < 0.05$ is an indication of suitability of data for structure detection. These tests therefore confirm that the data set used in this are suitable for the analyses in this study.

Table6 KMO and Bartlett's Test

KMO Test of Sampling Adequacy	Bartlett's Test of Sphericity
.805	Approx. Chi-Square - 885.059; df. 15 Sig. 0.000

Influence of Lean QualityonOperational Performance

In order to realize objectives I-IV, which were to determine the effect of quality management, waste management, and customer orientation and cost management respectively as lean practices on operational performance of third-party port-centric logistic firms in Kenya, regression analysis was carried out using the model:

$$\mathbf{Y=\beta_{01}+\beta_1 X_1+\xi}$$

Where Y is the dependent variable representing the operational performance of third- party port-centric logistics firms in Kenya in the model, β_{01} is a constant factor which is also the value of the dependent

variable before any of the independent variable X_i assumes any value, such as when $X_i = 0$, $\beta_1 X_1$ is the regression coefficient (β_1) and the associated Quality Management (X_1) variable, which is one of the lean practices being studied in this research. ξ is the stochastic or random disturbance term which addresses the random error or all other minor inconsequential effects on the model and which have not been captured.Using the data that was collected for this study, regression analysis was conducted and a regression matrix was obtained as shown in table 7. It indicates that there was 46.9 % positive variations in operational performance index due to changes in independent variables and 53.1% variation of the dependent variable due to other factors not in the model. This meant that the model less than convincingly suitable for (less than the requisite threshold of about 60%-100% for a good fit) explaining quality management practice entirely affecting the organizational performance of the third-party port-centric logistics firms in Kenya.

The correlation coefficient R represents the strength of the relationship between the variables. The study found out that the correlation coefficient was 0.697 thus there was strong positive correlation between qualityand operational performance. A study on the effect of relationship banking and entrepreneurial orientation on financial performance of manufacturing firms in Kenya produce the adjusted value of R^2 of 0.212 indicating that the model only explained 21.2% of the variations in the dependent variable (Rotich, 2016) and considered good enough due to many other factors outside the model that affected the relationship. In another study by Rahman, Laosirihongthong and Sohal, (2010) on the impact of lean strategy on operational performance done amongst Thai manufacturing companies, the adjusted value of R2 for SMEs was found to be 0.371 (37.1%) and 0.222 for Large Enterprises. The findings were considered good enough since there are a myriad of other factors outside lean strategy that affect operational performance. The findings of these studies resonates well with the findings of the study at hand and indeed are comparable.

Table 7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697[a]	.486	.469	.20126

a. Predictors: (Constant), Lean Cost Management, Lean Waste Management, Lean Customer Orientation Management, Lean Quality Management

The Significance F in table 7 demonstrates the usefulness of the overall regression model at a 5% level of significance. Since the p-value of the F test is less than alpha ($0 < 0.05$), it was concluded that there was a significant relationship between the dependent and independent variables used in the study.The findings in table 8 also clearly indicate that the relationship only accounts for a less than dominant number of variations in operational performance of third party port-centric logistics firms, that is 4.562 (45.6 %) out of 9.382, the rest of the variations being accounted for by other factors external to the model (Residual) as indicated by the sum of the squares (Rahman, Laosirihongthong and Sohal, 2010). Residual (or error) represents unexplained (or residual) variation after fitting a regression model. It is the difference (or left over) between the observed value of the variable and the value suggested by the regression model.

Table 8 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.562	4	1.141	28.157	.000[b]
	Residual	4.820	119	.041		
	Total	9.382	123			

a. Dependent Variable: Operational performance
b. Predictors: (Constant), Lean Cost Management, Lean Waste Management, Lean Customer Orientation Management, Lean Quality Management

Table 8 depicts the numerical relationship between the independent variable and the predictor (independent) variables in the following resultant equation:

$$\text{Operational Performance} = 0.911 + 0.167X_{li}$$

This model equation implies that when quality management practice increases by one unit, operational performance increases by 0.167 units.The findings of this study are comparable to the results of the study by Chavez et al (2013) on internal lean practices and operational performance with a perspective of industry clockspeed. In this study all the variables had positive correlations and fostered a positive effect on the relationship between independent and dependent variables. However, the study found out that when analyzing lean practices, some of the variables (quality, flexibility and cost) indicated that the industry type where these firms operated had a negative beta coefficients of -0.039, -0.07 and -0.058 respectively. Similar studies where the variables were positively correlated and produced positive beta coefficients are studies by Rotich (2016) and Rahman, Laosirihongthong and Sohal (2010). Table 9 shows the correlation of quality management operational performance. From this data, there is a positive significant relationships between quality management (QM), the study found out that operational performance was positively correlated to Quality Management with a correlation value of 0.627.

Table9 Coefficients of the Model

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.911	.139		6.568	.000
Quality Management	.167	.171	.198	.977	.330

a. Dependent Variable: Operational performance

Summary of Findings

This study reconnoitered and anchored on both theoretical and empirical studies on lean practices, lean management and therefore on this standpoint, a conceptual model that helped in realizing this study was developed. Further, the hypothesized relationships based on the relationship of independent and dependent variables were tested and conclusions made thereof.

In order to conduct successful empirical test, several assumptions of the study variables were tested and which were positive thereby supporting the credibility, applicability and generalizability of this study. These tests were; normality tests, multicollinearity, heteroscedasticity test, linearity, outliers, and sampling adequacy test. With a response rate of 75.6%, and with many firms stating they were in third party port-centric logistics business the study was largely successful.

This study found out that there was a strong positive relationship between quality management as a lean practice with operational performance. This implies that when third party port-centric logistics firms that implemented lean quality, then end result is improved performance. This led to the rejection of the hypothesis (H_{01}) that there is no significant difference in the relationship between quality management

and operational performance of third party port-centric logistic firms in Kenya. One of the most critical journey a firm that is operations oriented can make and which considerably tilts performance positively, is the quality journey.

When logistics firms ensure all issues touching on operations are sensitively taken care of by ensuring that, equipment breakdowns does not escalate to the point of affecting performance, that policies such as 'no excess handling' and 'no wrong placements', then superior performance is bound to happen. Third party port-centric logistics firms that embraced formal quality approaches impacted on operational performance in a greater way than those that did not.

The findings of this study are in consistency with the findings of a study done by Bowersox et al (1985) on materials logistics management that found that orders requiring reworking before quality implementation were estimated to cost in excess of eight times the cost of properly produced items after adhering to quality standards. There is evidence to suggest that improving the quality of all logistics operations and supply chain stages results in reduced costs, improved resource utilization, and improved system efficiency, this is according to a in process quality model for the analysis, improvement and control of supply chain systems (Beamon & Ware, 1998).

Rahman (2006) in a study on quality management in logistics, examined industry practices and observed that managers described quality in logistics, and the respondents ranked on-time delivery, which is one of the quality issues in this study at 82.7 per cent, total support of customer needs at 53.8 per cent, and consistency of order cycle 40.4 per cent as the most important quality factors which positively supports the findings of this study. On-time delivery, and order cycle are frequently cited in literature as critical measures of logistics performance (Gunasekaran et al., 2001).

On the effect of regulations on the relationship between quality and operational performance of third party port-centric logistics firms in Kenya, it was found that regulations significantly moderates this relationship. Whether there was high or low intervention of the regulation agency the performance was in decline or increase. In the context of this study, all third party port-centric logistics firms for instance must operate within the law. Being the link between the exporter and importers, these firms play a critical role in the economic performance of the country and therefore on the side of the government would be a great risk. However, the regulations by these agencies largely affects the performance of these logistics firms.

Conclusions of the Study

The analysis of the data collected and analysed on third party port-centric logistics firms in Kenya revealed that quality management the relationship between quality management and operational performance was statistically significant. The firms that implement quality measures as a lean practice have better operational performance evidenced by its effect on operational performance. Any logistics service provider must institutionalize quality practice as informed by the institutional theory of management so that through organizational mechanisms the firm can create a common set of quality values, norms and rules to support the practice and boost performance.

The study was generally successful and relationship between quality management as a lean practice was demonstrated to be associated with operational performance. The model seemed weak but actually based on other studies it was a strong one owing to the fact that operational performance is affected a myriad of many other factors. For instance, a study by Rahman et al (2010) on the extent of lean practice on operational performance explained by lean strategy variables to between 21% and 29.3%.The results, scope and deliberations of this study also opens a new axis through which lean practices, lean thinking or

even lean philosophy can be interrogated in any context at large, and in a specific way in services particularly in logistics services.

Recommendations

Supply chain management success in any organization depends on the effectiveness and excellence through which all the chain activities, whether primary activities or support activities are carried out. Amongst the primary activities are inbound logistics, in the upstream supply chain and outbound logistics in the downstream supply chain. The main objective of any supply chain is to deliver value to the customers in the most economical and efficient way.

Quality is one of this value package or proposition promised and must be delivered through the supply chain from the initial trigger activity upstream through logistics (inbound) to production and through physical distribution (outbound) of the finished product to the ultimate customer and consumer at the end of the chain. This study found out that quality management critically influences operational performance, whether these firms are regulated or not. Third party port-centric logistics services providers in Kenya therefore must not only continue embracing quality management systems but also formalize quality systems and integrate it into the organizational culture. This will not only foster and improve operational performance but as well boost the overall firm performance effectively expanding the fundamentals of these firms.

Further Research

The study concentrated on only four variables; quality management, waste management, customer orientation and cost management. In future, there is need to replicate this study in other service industries with expanded variables and compare the results with other studies. Third party logistics providers business is also largely dependent on other critical players such as regulators, port operations, providers of financial services, amongst others. An industry wide study can be conducted on all these firms and bring in more moderators and test the relations and the impact of all these on logistics services operational performance.

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THE ROLE OF TRAINING RESOURCES IN IMPLEMENTATION OF ENTREPRENEURSHIP EDUCATION PROGRAMME IN TECHNICAL TRAINING INSTITUTIONS IN KENYA

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ABSTRACT

All over the world, entrepreneurship education has been recognised as an inevitable strategy for inculcating an entrepreneurial culture, which establishes a context for entrepreneurship practice. Entrepreneurship practice improves individual incomes, and ultimately enhances national economic development. These outcomes are achievable through the empowering effect of entrepreneurship education programmes (EEPs). In Kenya, EEP implementation has been on-going in technical training institutions (TTIs) since the 1990s. However, the difficulty of TTI graduates to tackle incessant unemployment has raised concerns about how the programme is implemented. This study set out to examine the effect of training resources on EEP implementation in TTIs in Kenya. It adopted a descriptive approach and a cross-sectional survey design. Using a self-administered questionnaire, data were collected from EEP tutors in all TTIs in Nairobi County, and analyzed using descriptive and inferential statistics. The findings showed that although availability of training resources has a positive effect on EEP implementation, TTIs do not avail enough of them, thus curtailing the success of EEP implementation and leaving the unemployment problem unsolved. TTIs are duty-bound to devise workable strategies to ensure adequate programme resourcing for successful EEP implementation. This study highlights the practical challenges that undermine initiatives to inculcate entrepreneurship competencies in TTI trainees in Kenya.

Key Words: *Entrepreneurship education programme, training resources, small business centres (SBCs), practicing entrepreneurs*

INTRODUCTION

The success of any capacity development programme such as EEP is dependent on the various practices that constitute programme implementation strategies. One of the components of implementation strategies is availing the unique resources that pertain to EEP. Thus, implementing EEP implies training resource imperatives. The programme is much enhanced if it is institutionalized by creating an adequately resourced autonomous entrepreneurship education department. The department serves as a repository for learners, staff and the surrounding community, because it enables them to access educational programmes, networking opportunities, equipment and other training resources for entrepreneurship development, both within the institution and in the local community (Nelson & Johnson, 1997; Mansor & Othman, 2011).

If a teaching strategy modelled on the entrepreneurial process itself has to be developed (Jones and English 2004), adequate provision of training resources is a necessity. Training resource provision can facilitate the establishment of small business centres (SBCs) in TTIs. An SBC is an organizational entity that provides information, guidance and professional advice on starting and running a successful business. In a learning institution, an SBC is centrally located to provide access to requirements that facilitate the

development of small enterprises. When EEP was introduced in Kenya in the 1990s, TTIs were advised to establish SBCs (Nelson & Johnson, 1997). SBCs are important in implementing EEP because they provide opportunities for students to learn practically how entrepreneurship is applied in a natural economic setting (Tranchet & Rienstra, 2009). Thus, TTIs are taxed with the responsibility to establish SBCs to facilitate EEP implementation.

Unfortunately, TTIs are grossly underfunded and as a result have inadequate facilities (Kung'u, Njui & Kimani, 2014). Government allocation to TTIs has always been insufficient; for example, in the 2015/16 national budget the more than 50 TTIs were altogether allocated KSh 3.0 billion, but which was reduced to KSh 2.5 billion in the 2016/17 budget (Rotich, 2015, 2016). On average, this allocation translates to less than KSh 60 million annually for each TTI, which is hardly enough to finance their recurrent and developmental expenditures (Simiyu, 2009). TTIs have therefore to look for innovative ways to supplement government allocation in order to finance their operations sustainably.

Also, modelling a teaching strategy on the entrepreneurial process requires an input of practicing local business people. Practising entrepreneurs in the local community constitute a resource pool of role models who can positively influence students for career entrepreneurship. However, engaging them involves a cost element. The capitalization challenges that belabour EEP make it difficult to engage local entrepreneurs (Tranchet & Rienstra, 2009; Parsley & Weerasinghe, 2010). Inadequate government allocation to TTIs implies that total dependence on government funds is untenable. TTIs have to devise strategies for financial resource mobilization to supplement the allocation (ROK, 2000; Bilen *et al*, 2005). Inadequate training resources translate into ineffective teaching, which fails to boost entrepreneurship graduates' self-efficacy.

LITERATURE REVIEW

A proper implementation of EEP requires it to be institutionalized by creating an autonomous entrepreneurship education department, adequately staffed with suitably qualified teachers, and its own sub-administration to address issues unique to the teaching of entrepreneurship education across individual TTIs (Nelson & Johnson, 1997). Embedding the programme in an already existing department has often been relied on as a stop-gap measure when the subject of entrepreneurship is first introduced in an institution (Nkirina, 2009); however, quick subsequent institutionalization efforts should be made to ensure that an operational department dedicated to entrepreneurship education is in place. The department will serve as a repository that provides entrepreneurs with access to educational programs, networking opportunities, equipment and resources to cater for the needs of entrepreneurship development of both the institution and the local community (Mansor & Othman, 2011).

As entrepreneurship education requires unique teaching methodologies, there is a necessity of significant institutional matching training resources, which may be different from those required in teaching other disciplines (Nkirina, 2009). For example, an entrepreneurial-directed approach may require a smaller class size and place greater demands on the physical facilities than the more traditional approaches (Parsley & Weerasinghe, 2010). Financial and infrastructural training resources are also required to realign systems and processes that are involved in delivering entrepreneurship education, in order to harmonize them with the unique requirements of entrepreneurship education pedagogy. Thus, TTIs require sufficient human and physical resources, and appropriate training materials to expedite implementation of the programme (Isaacs *et al*, 2007; Gatchalian, 2010).

Jones and English (2004) emphasized the importance of training resources for developing a teaching strategy that is modelled on the entrepreneurial process itself. When entrepreneurship education was introduced in TTIs, a critical recommendation for each department in charge of entrepreneurship education was the establishment of an SBC (small business centre) (Nelson & Johnson, 1997). As a central location that provides access to educational programmes, networking opportunities, equipment

and training resources either on campus or within the community, the mission of an SBC is to promote an entrepreneurial culture within the institution and the local community to facilitate the development of small enterprises (Nelson & Johnson, 1997; Farstad, 2002). SBCs are able to create an in-house link between theory and practice, and thus assist in the transfer of learning by entrepreneurship students.

Entrepreneurship education should be very closely linked with entrepreneurship practice (Tranchet & Rienstra, 2009). The local business community is an important educational resource which entrepreneurship educators should not fail to tap. They should reach out and integrate the business community into their students' learning process (Tranchet & Rienstra, 2009; Parsley & Weerasinghe, 2010). Local business people can serve as invited speakers who are also role models for students considering an entrepreneurial career path. This is an important part of creating an entrepreneurial drive.

Personal engagement with practicing entrepreneurs enhances the interest of entrepreneurship students as they interact with those in the real world of entrepreneurship practice. This implies that institutions should maintain a strategic functional contact with operators of business ventures in their neighbourhoods, with a view to taking advantage of these contacts for purposes of training. This is in recognition of the fact that developing entrepreneurial mindsets among students is not entirely a theoretical exercise. The design of EEP should afford a forum where the successes and failures of practicing entrepreneurs may be shared broadly. Interaction with practical entrepreneurship is believed to positively influence the desire of a person to become an entrepreneur, by demystifying the process and making the entrepreneurship career option more feasible (Garavan & O'Cinneide, 1994; Maritz & Brown, 2011).

It is understandable that engaging practitioners to motivate trainees involves a cost element. This is a further justification why a sustained provision of financial training resources is an imperative for EEP (Alarape, 2008; Bilen *et al*, 2005). A long known traditional financier of TTIs is the government, which usually carries the bigger responsibility of financing education at all levels of the education pyramid. There is a constant expectation that it will promptly disburse its periodic financial allocation to TTIs so that the human and non-human training resource requirements for the programme can be provided. However, as with other educational programmes, entrepreneurship education is fraught with challenges of capitalization (Farstad, 2002; Tranchet & Rienstra, 2009), and inadequate physical and financial training resources still belabour TTIs. It is argued that this financial constraint translates into inadequate entrepreneurship teaching, which affects the self-efficacy of their graduates. As a result, they are reluctant to start their own business ventures when they do not get paid employment (Ngosiane, 2010; Maina, 2006).

To alleviate the scarcity of funds, the government of Kenya urged educational institutions to adopt innovative strategies for resource mobilization (ROK, 2006). Individual TTIs therefore have a responsibility to devise workable strategies for financial resource mobilization to top up government allocation and alleviate the insufficiency. One practical strategy worth considering is income generating activities. Another area they could consider is establishing contact with their alumni, who can be sympathetic to their appeal for financial support. There needs to be inculcated a stronger culture of "giving back", which requires that TTIs track and engage their alumni. Engagement of the private sector also should be further encouraged to supplement the financial training resources for implementing EEP in TTIs in Kenya.

Network theory is important in explaining the relationship between training resources and implementation of EEP in TTIs. The theory, shown in Fig.1, depicts the market as a system of social and industrial relationships among customers, suppliers, competitors, family and friends (Groen, 2005; Tesfom 2006). The relationships between the different players determine the competitive strategy adopted by individual players. To establish its own niche in the market, a firm entrenches itself in a favourable position relative to counterparts in the network (Nickels, McHugh, & McHugh, 2012). The model consists of three

interacting components at an international level – actors, activities and resources. The main actors or players in the process of internationalization are all the organizations and entrepreneurs who interact to facilitate exchange. Activities are the various business exchange transactions among the actors, and these may be direct (directly affecting the transactions) or indirect (such as those that are conducted by governments and corporate entities.)

With respect to resources, network theory assumes that resources in the network are shared by the different network players. Players must entrench themselves in the network and secure a strategic foothold by transacting in order to access these resources. The network relationship is very useful to the different players because they have to be very intelligent and perceptive, and learn to correctly predict the consequences of strategic actions of other players in the network, and how these consequences will affect their own network standing (Tolstoy, 2010; Foster & Karin, 2012). This will inform their strategic positioning efforts in the competitive international business world.

The significance of this theory concerns the resources required for training entrepreneurs in TTIs. The administration of the TTI provides an operational environment akin to the global business context in which there are many actors sharing commonly accessible resources. The resource pool is located in the TTI universe, and each subject discipline jostles for its share. Therefore, as one of the subject disciplines taught in the TTIs, entrepreneurship education competes for the same resources. The resource mobilization wing of entrepreneurship education must argue its case for recognition as an autonomous discipline, which should be allocated sufficient training resources to enable it meet its objectives of developing entrepreneurs, who are critical players in the architecture of the national economy (Timmons & Spinelli, 2004). A proper operation and management of the internal institutional politics is necessary for the discipline of entrepreneurship education to entrench itself within TTIs, and curve its own strategic niche that will greatly enhance its chances of securing requisite training resources (Isaacs *et al*, 2007; Nkirina, 2009).

A sufficient provision of training resources from the common resource pool enables entrepreneurship educators to access other training resources within the social environment surrounding the TTIs. These include entrepreneurship practitioners, the business regulatory regime, and other stakeholders. Educators can ensure that the available local educational resources are tapped for the benefit of the students' learning. In this way, access to institutional training resources enhances the implementation of entrepreneurship education programme, because it facilitates an interaction between entrepreneurship trainees and the entrepreneurship habitat, thus building the motivation which nascent entrepreneurs draw on to actualize their dreams. Given that the programme has been implemented for some time, the difficulty of TTI graduates to create their own jobs instead of waiting to secure scarce paid jobs puts to question the supposed positive effect of availability of training resources on implementation of EEP.

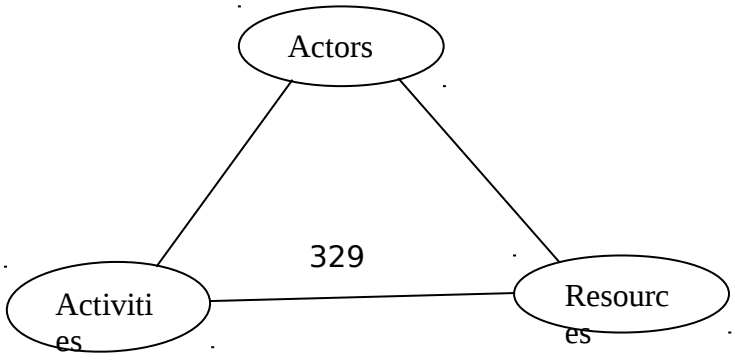


Fig. 1 A Network Model
(Source: Foster&Karin, http//www.kehittaminen.turkuamk.fi/ofosu/publications/IMP.pdf, retrieved on 15/09/2013).

A f dependent variable is shown in Fig. 2.

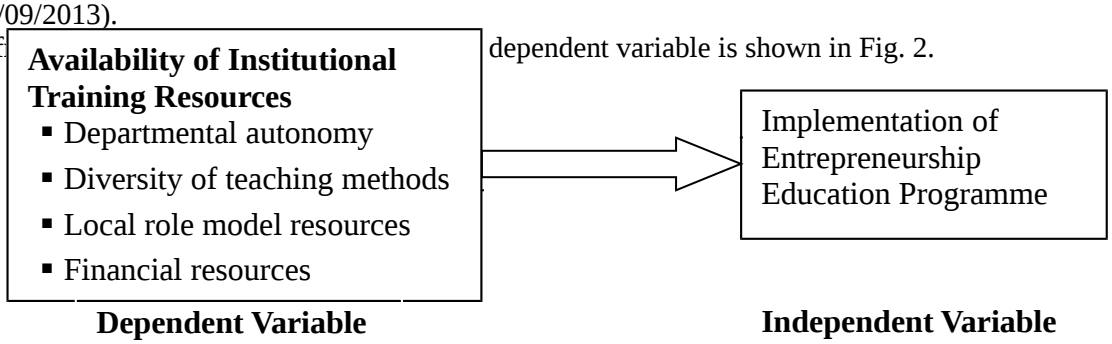


Fig. 2 Conceptual Framework

METHODOLOGY

The study was conducted using a survey research design. The sampling frame was the list of accredited TTIs in Nairobi County, compiled by The Ministry of Higher Education, Science and Technology (ROK, 2013). Institutions included in the study were those that offer the technical education curriculum examined by Kenya National Examination Council (KNEC), as this is the body authorized to examine the technical education curriculum in TTIs in the country. The data collection instrument was a self-administered structured questionnaire, which was refined after a pilot study. Experts evaluated the instrument to ensure its conformity with the research objectives, and examined the design to weed out ambiguities (O'Leary, 2010). A content validity index (CVI) of the instrument was computed using the following formula proposed by Gay and Aurasian (in Luyima, 2010):
CVI = (No. of questions declared valid) / (Total No. of questions).

The instrument yielded a content validity index of 0.83; this was judged to be acceptable, as it is more than the 0.70 value recommended minimum (Wynd *et al*, 2003). Instrument reliability is indicated using Cronbach's alpha, a statistical coefficient whose value ranges from 0 to 1, and which is used to describe the reliability of factors extracted from dichotomous or multi-point questionnaires or scales. The index was 0.726, which is greater than the recommended 0.7 (Amin in Luyima, 2010; Santos, 1999). The instrument was therefore deemed to have a sufficient reliability and could be used for the study. A census was carried out of all teachers of entrepreneurship education in the 17 TTIs in Nairobi County, yielding a population of 58 teachers. The study used descriptive statistics, factor analysis and simple linear regression to show the relationship between the dependent and the independent variables.

RESULTS

Out of the 58 questionnaires distributed 54 were filled and returned, constituting a 93.1% response rate, which was deemed very good (Fraenkel & Wallen, 2000). The high response rate could be attributed to the personal efforts the researchers made to distribute and collect the questionnaires in person. The study involved teachers of entrepreneurship education in 17 TTIs in Nairobi, run under different administrations. Majority 26(48.1%) of the respondents were in MOHEST-administered TTIs, 21(38.9%) were in parastatal-administered TTIs, and 7(13.0%) were in TTIs run by private individuals. Majority (64.8%, n=35) of the respondents were male, while (35.2%, n=19) were female. Most of the respondents (68.5%, n=37) did not have any administrative position, while 17(32.1%) of them did. Specifically, 22.6%

(12) were heads of department (HODs), 3.8% (2) were deputy HODs, and 5.7% (3) held other administrative positions. “Administrative position” included HODs, examination officers, etc.

Regarding the teaching workload, 15 (27.8%) of the respondents had a weekly teaching load of 9-12 hours per week, and a similar number 15 (27.8%) had a weekly teaching load of 13-16 hours per week. Another 13 (24.1%) had a weekly teaching load of over 16 hours, 8 (14.8%) had a weekly teaching load of 5-8 hours, and 3 (5.6%) had a weekly teaching load of 4 or less hours per week.
Table 1 shows the respondents’ teaching experience. Overall teaching experience is the time in years that respondents had been in the teaching profession. Teaching experience in TTIs is the time, in years, that respondents had taught in TTIs, while teaching experience in current TTI is the time respondents had taught at the TTIs where they were stationed at the time of the survey.

Table 1 Respondents’ Teaching Experience

	0 – 5 years	6 – 10 years	11 – 15 years	16 – 20 years	Over 20 years
Overall teaching experience	13 (24.1%)	5 (9.3%)	12 (22.2%)	9 (16.7%)	15 (27.8%)
Teaching experience in TTIs	25 (46.3%)	9 (16.7%)	13 (24.1%)	5 (9.3%)	1 (1.9%)
Teaching experience in current TTI	28 (51.9%)	15 (27.8%)	11 (20.4%)	-	-

A five-point Likert scale was used to assess the influence of availability of training resources on implementation of EEP. The scale responses ranged from 1 (Strongly Disagree) to 5 (Strongly Agree). These are tabulated in Table 2. They show that majority 46(85.1%) of respondents agreed or strongly agreed with the statement that entrepreneurship education requires unique teaching resources, 5(9.3%) were neutral, 3(5.7%) disagreed or strongly disagreed. With the statement that entrepreneurship education needs an autonomous department of its own, majority 45(83%) agreed or strongly agreed, 5(9.4%) were neutral, and 4(7.6%) disagreed or strongly disagreed.

With respect to the statement that entrepreneurship education needs sufficient human resources, a majority 51(94.4%) agreed or strongly agreed, 2(3.8%) were neutral, while 1(1.9%) strongly disagreed. Concerning the statement that the local business community is an important educational resource, most 52(96.3%) respondents agreed or strongly agreed, and 2(3.8%) entered a neutral response.

Table 2 Influence of Resource Availability on Implementation of EEP

Statement	**SD**	**D**	**N**	**A**	**SA**
Entrepreneurship education requires unique teaching resources	1.9	3.7	9.3	44.4	40.7
Entrepreneurship education needs an autonomous department	1.9	5.7	9.4	26.4	56.6
Entrepreneurship education needs sufficient human resources	1.9	0	3.8	32.1	62.3
The local business community is an educational resource	0	0	3.8	34.0	62.3

Legend: SD Strongly Disagree; D Disagree; N Neutral; A Agree; SA Strongly Agree

Respondents were also asked to state and explain their opinion on whether the availability of training resources influences programme implementation. Their responses, shown in Table 3, were classified according to four thematic areas, which all hinged on effectiveness of teaching entrepreneurship. A majority 49(96.2%) of the respondents agreed that the availability of training resources influences the implementation of entrepreneurship education programme, while 2(3.8%) disagreed. Of those who agreed, majority 36(70.6%) explained that resource availability affects effectiveness of teaching entrepreneurship, followed by 9(17.6%) who explained that resource availability affects the pace of teaching entrepreneurship, while 3(5.9%) explained that resource availability influences learners' performance in entrepreneurship; lastly 1(2.0%) explained that resource availability affects the diversity of teaching methods that teachers can use.

Table 3 How Resource Availability Influences Implementation of EEP

Opinion	Explanation	Frequency	Percent
Yes (96.2%)	Training resource availability affects diversity of teaching methods	1	2.0
	Training resource availability affects the pace of teaching entrepreneurship	9	17.6
	Training resource availability affects effectiveness of teaching entrepreneurship	36	70.6
	Training resource availability influences learners performance	3	5.9
No (3.8%)	Not applicable	2	3.8
	Total	**51**	**100**

Table 4 shows suggestions of respondents for training resource mobilization. The responses constellated around four recognizable themes. Majority 21(38.9%) suggested encouraging the use of locally available resources and materials, moderate17 (31.4%) suggested the establishment and strengthening of SBCs, while 7(13.0%) advocated involving the private sector to fund entrepreneurship education. A further 5(9.3%) suggested approaching donors to solicit funds. Responses allied to the themes "establish/strengthen SBCs in TTIs" and "encourage use of locally available resources and materials" received the greatest support of a combined 70.2%.

Table 4 Suggestions for Training Resource Mobilization

Suggested Action	Frequency	Percent
Establish/strengthen SBCs in TTIs	17	31.4
Encourage use of locally available training resources and materials	21	38.9
Involve private sector to fund entrepreneurship education	7	13.0
Solicit funds from donors	5	9.3
No response	4	7.4
Total	**54**	**100**

A factor analysis was run to discover which of the four factors shown in Table 2 had the greatest role in determining the influence of resource availability on implementation of EEP in TTIs. Table 5 shows the one component extracted using principal components analysis. This was "TTIs requires sufficient resources for teaching entrepreneurship", and the single component explained 57.2% of the variance.

Table 5 Factor Analysis for Influence of Availability of Training Resource on Implementation of EEP

Factor	Factor Loading	Eigen Value	% of Variance	Cumulative %

TTIs requires sufficient training resources for teaching entrepreneurship	.887	2.288	57.198	57.198

REGRESSION MODEL

The model summary and coefficients used to build the regression model are shown in Tables 6a and 6b.

Table 6a Model Summary of Implementation of EEP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.143[a]	.021	.001	.192

Predictors: (Constant), Availability of Institutional Training Resources
Dependent Variable: Implementation of EEP [b]

Table 6b **Coefficients**[a]

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std error	Beta		
1 Constant	1.171	.203		5.766	.000
Availability of Institutional Training Resources	.046	.044	.143	1.035	.035

a. Dependent Variable: Implementation of EEP

Y= 1.171+0.143RA
Where Y = Implementation of EEP
RA = Resource Availability
The model was significant at 5%. It showed that for every single unit increase of entrepreneurship education effort, implementation of the programme increases by 0.143 units.

DISCUSSION AND CONCLUSION

These findings show a very strong agreement among the respondents that entrepreneurship education requires unique teaching resources that are different from those needed for other disciplines. Implementation of the programme requires an autonomous department, unique non-human teaching resources, and sufficient human resources, which include teachers and the local business community. These findings are in resonance with Isaacs *et al* (2007), who also observed that some of the set-backs which hinder effective implementation of the entrepreneurship education programme are inadequate and low quality human and physical resources.

Parsley and Weerasinghe (2010) described some unique resources for entrepreneurship education. These include outreach links with the business community, entrepreneurship centres, technology transfer centres, a budgetary allocation dedicated to entrepreneurship education, and established financial commitments towards entrepreneurship eduction. Short-term resource support means a limited commitment to long-term development of entrepreneurship education. Therefore there is a need for an effective communication channel between policy implementers and policy designers, to ensure that requisite resources for entrepreneurship teaching are obtained.
The findings also show availability of training resources affects through the pace and effectiveness of teaching entrepreneurship, and also determines the diversity of teaching methods that educators may use, and these factors ultimately determine how well the learner performs when placed in an economic environment. This is in agreement with Sathorar (2009) who observed that a limited resource availability greatly compromises the ability of teachers to teach entrepreneurship education properly, their enthusiasm notwithstanding.

The findings also concure with Luyima (2010), who further argued that free access to sufficient resources accelerates learning, because it influences presented content, methodology and retained content. Teaching starts with access to the appropriate instructional materials by the teacher. Thus, resource availability has a direct impact on the implementation of entrepreneurship education programme. This implies that efforts must be deliberately expended to provide adequate teaching resources, with a view to expediting the envisioned entrepreneurship culture and orientation. Teaching is significantly hampered by inadequate or delayed resource provision.

To enssure availability of resources, respondents suggested establishing or strengthening SBCs, utilization of local resources, and involving the private sector and donors to fund the entrepreneurship education programme. These suggestions for resource mobilization seem to allocate the responsbility of resource sourcing to the TTI adiminitrations at the institution level. TTIs have to take the initiative to ensure that the programme is adequately resourced. Several studies have turned out similar findings (Sathorar, 2009; Isaacs et al, 2007; Parsley & Weerasinghe, 2010; Nkirina, 2009; Niyonkuru, 2005; Lashgarara, Azizian and Mehdizadeh, 2011). As a result of similar findings, Sathorar (2009) belaboured the necessity of resources as one of the main elements of entrepreneurship education. She stressed that it becomes a unique problem when entrepreneurship has to compete with other teaching subjects for limited resources. Lack or inadequacy of requisite resources hampers implementation of entrepreneurship education and the development of entrepreneurial skills.

Isaacs *et al* (2007) urged for the deployment of resources to offer an improved entrepreneurship education which can make a significant contribution to employment creation and poverty alleviation. Parsley & Weerasinghe (2010) advocated expeditious allocation of financial and non-financial resources to entrench sustained motivation in programme implementation. Nkirina (2009) advised that a comprehensive entrepreneurship education training programme needs to be invested with adequate resources at the design stage. Embedding an entrepreneurship education programme in another already existing programme greatly compromises any chances of its success, as it naturally takes on the character of the foster-parent programme, and is treated in all respects as the accommodating programme. The uniqueness of entrepreneurship education and training under such circumstances fizzles out, and its intended impact can hardly ever be realized.

These findings suggest that adequate resources dedicated to entrepreneurship education facilitate the actualization of entrepreneurship development process and the subsequent realization of entrepreneurship culture formation and orientation. A considerate budgetary allocation, trained staff, infrastructural endowment and supportive administration, are an inevitable millieu of inseparable ingredients for a successful outcome of a strategic invesment in entrepreneurship development. This mllieu underpins proven efforts to combat the threat of spiralling unemployment and economic degradation. The deployment of resources to offer an improved entrepreneurship education is necessary in order to realise employment creation and poverty alleviation.

These findings emphasize the need for policy interventions to guarantee adequate and timely provision of human and non-human resources, for successful implementation of an entrepreneurship programme that is relied upon to change the economic fortunes of learners and, by extension, the nation. Because the government repeatedly expresses concern about the national economy, and undertakes flagship projects that have potential for producing income generation ventures, and also pledges support for efforts which promise returns in terms of economic development, it cannot ignore the need to intervene and correct the anomaly of constrained resource provision in implementation of entrepreneurship education programme. Investment in entrepreneurship education is a foundational imperative for success of subsequent economic initiatives.

CONCLUSION

Implementation of entrepreneurship education programme requires resources that are uniquely different from other training disciplines. It requires a supportive administration, an autonomous department, trained staff, infrastructural endowment, outreach links with the business community, entrepreneurship centres, technology transfer centres, a budgetary allocation dedicated to entrepreneurship education, and established financial commitments towards entrepreneurship education. Short-term resource support means a limited commitment to long-term development of entrepreneurship education.

Resource availability affects the pace and effectiveness of teaching the programme, and also determines the diversity of teaching methods that educators may use, thus ultimately determining how well the learner performs when placed in an economic environment. TTI adiminitrations at the institutional level should enact interventions for resource mobilization to ensure that EEP is adequately resourced, because this will result in competent graduates who are entrepreneurially empowered to start up and grow small business.

FURTHER RESEARCH

Properly implemented, EEP is a significant cost centre of a TTI, and the perception of teaching staff in other programmes should be studied to discover how their attitudes towards its demand for unique resources may affect its success. In addition, a research should be conducted into the influence of TTI management on success of EEP implementation.

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THE INFLUENCE OF ADMINISTRATIVE ASPECTS AND USERS' ATTRIBUTES ON SUCCESSFUL E-GOVERNMENT IMPLEMENTATION IN TANZANIA: USERS' PERSPECTIVES

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ABSTRACT

Electronic government (e-government) has been a policy issue for several nations since 1990s. E-government is vital due to its importance through enhancing efficiency in public sectors' services. In spite e-government importance, its implementation is challenging. This study therefore, aimed at examining users' attributes and administrative aspects relevant for e-government implementation (technological aspects' outlooks). Data were collected by use of structured questionnaire to Customs staff and tax practitioners in Dar-es-Salaam region. The study gathered data pertaining to technological aspects (ICT infrastructure and support); user's attributes such as education levels; and administrative aspects in ICT regulations. Data were analyzed quantitatively using factor analysis and descriptive statistics. Finally, the study hypotheses were tested using structural equation modeling. The results show that the developed model was supportive. Users' attributes and administrative aspects were significantly related to technological aspects in e-government implementation. Consequently, governments need to consider comprehensively issues of ICTs' policies, regulations and people related matters such as ICT knowledge for the technological success relevant for e-government implementation. The study suggests identified factors be assessed in other developed areas as the research addressed concerns of Tanzanian context, one of the developing countries.

Key words: *e-government, administrative aspects, users' attributes, technological aspects*

BACKGROUND

Governments around the world administer e-government projects to improve public services to their citizens. However, the success of implementing e-government is not straight forward. E-government implementation encounters many challenges (Mkude & Wimmer, 2015). There are various factors that need to be considered for successful implementation of e-government projects (Al-Shboul, Rababah, Al-Shboul, & Ghnemat, 2014). South Korea, US, Canada and UK are among the succeeded countries in e-government implementation (Al-Wazir & Zheng, 2014). Other countries, mostly in developing countries like Tanzania are relatively slower in implementing e-government(Ifinedo & Singh, 2011).

According to the World Bank (2015),e-government is the use by government agencies of information and communication technologies (ICT) like the internet and mobile services to transform relationships with citizens, business, and other government organs for the purpose of improving delivery of services(World Bank, 2015). E-government has transformed traditional functioning of public organizations and added innovative dimensions on government activities to enhance efficiency (Imran & Gregor, 2010). Effectiveness and quality of government services are boosted through e-government and thus administrative burdens reduced(Mkude & Wimmer, 2015). E-government has a potential to provide competitive advantage to the nation and citizens because it builds capabilities that are hard to reproduce.

E-government success can be explained by the success of technological aspects(Alrashed, Persaud, & Kindra, 2015).Al-Rabbi et al. (2012) applied technological aspects to evaluate e-government implementation success in Oman.Technological aspectsconsider both, the internal and external technologies relevant to the organization, including information technology (IT) standard, trust and security of data, technical expertise, compatibility and ICT infrastructure(Bwalya & Mutula, 2015; Bwalya, DuPlessis, & Rensleigh, 2014; Wu, 2014; Al-Shboul, Rababah, Al-Shboul, & Ghnemat, 2014; Rokhman, 2011).Makau et al. (2015) in Kenya revealed that system integration, usage and process; and standard of the technology explain well technological aspects relevant for e-government success.

Relevant factors for e-government implementation success have been studied.Mofikoe (2015) and Al-Naimat et al. (2013) in their studiesargue that people considerations in accepting information systems; and users' attributes (such as age, gender, experience and knowledge) seem to be important but not sufficient for e-government implementation. Oseni, Dingley and Hart (2015) assert the relevance of both administration (through leaders who institute laws, strategies and provide e-government support); and users (people) who applye-government systems.

E-government Implementation in Tanzania

Like other governments' move to investment in electronic services, Tanzania recognized e-government benefits and established e-government basing on the National ICT Policy (2003) which has been revised through the National ICT Policy-2016 in place (Ministry of Works, Transport and Communication, 2016)**.**In 2009, the national e-government strategy was developed with the aim of increasing trust, confidence and willingness to invest and adopt e-government. The government established further e-government agencyto promote, coordinate and oversee e-government initiatives. The 2013 – 2018 e-government strategy was formulated concurrently with the agency after having done a survey and situational analysis of e-government activities. Through these initiatives, Tanzania has made some notable e-government achievements including operationalization of universal communications service access; development of citizens' national identity (ID) system; establishment of government and recruitment portals; and revenue collection systems (Sefue, 2014)**.**

Despite the achievements on Tanzania e-government services, Yonazi (2013) show that e-government implementation encounters many hindrances. Most citizens are not able to access broadband services as indicated inICT Policy of 2016; also there is lack of ICT standardization policy and a data center framework of the nation(Ministry of Works, Transport and Communication, 2016). The exercise experiences poor harmonization of initiatives, unnecessary duplication of efforts and improper utilization of scarce resources (Sefue, 2014). Yonazi (2013)shows howadoption of electronic services as an obstacle to e-government implementation. Indepth evaluation was needed to provide informed suggestions to the practitioners, academicians and policy makers for their activities. Moreover factors studied can be used to ensure establishment of appropriate technology that can be accepted by users for continuos usage and thus avoiding duplication of efforts by different actors.

Conversely, it is argued that factors for successful e-government implementation are specific to a given nation in accordance with the attained development level , socially andeconomically (AL-Naimat, Abdullah, & Ahmad, 2013). Besides, the area of e-government implementationin Tanzania has been inadequately addressed (check for example a study by Sefue, 2014).Hence, this study sought to discoursethe established gap and evaluate comprehensively the success factors (administrativeaspects and users' attributes) for e-government implementation success (technological aspects success). Explicitly,the study assessed the established factorsto accommodate country specific requirements, and consequently Tanzania e-government.As depicted earlier, the results of this study are essential to various stakeholders who would acquire informed suggestion on the examined factors relevant for e-government. The rest of the paper is organized by presenting the theoretical and empirical frameworks, followed by the research methodology,study findings and finally discussions and conclusion.

THEORETICAL FRAMEWORK

This study applied the Unified Theory of Acceptance and Use of Technology (UTAUT). To understand well the UTAUT, this study has presented some exploration on Technology Acceptance Model (TAM). TAM is one of the most widely used models that explain individual's acceptance of information systems including systems in e-government projects. TAM, developed by Davis(1989) is an adaptation of the theory of reasoned action established by Ajzen and Fishbein (1975)on individual attitude measures. TAM

postulates more on two technology acceptance measures by individuals: perceived usefulness and perceived ease of use. Perceived usefulness is the degree to which a person believes that using a system would improve his or her job performance while perceived ease of use is the degree to which a person believes that using a developed system would be free of effort (Davis, 1989). The two measures are possible if other users' attributes in terms of ICT knowledge, education and experience are considered.

TAM has been studied, upgraded and proven to be useful; there is TAM2 and UTAUT (Venkatesh, Morris, Davis, & Davis, 2003; Lule, Omwansa, & Waema, 2012). UTAUT considers four variables; performance expectancy, effort expectancy, social influence, and facilitating conditions which influence an individual's behavioral intention to use a technology. UTAUT provides further that there are four attributes of age, gender experience and voluntariness on technology use which moderate the identified relationship.

Venkatesh, Thong and Xu (2012) proposed an extended unified theory of acceptance and use of technology model (UTAUT2) in consumer behavior matters. Researchers use UTAUT in their studies by employing few constructsand yet reducing moderators or ignoring them completely(Lopez, 2013).Modificationsare needed as theories are applied depending on studies' settings. This study considered successful implementation from initial stages of using technology basing on individuals' knowledge and their experience that can predict usefulness in government projects(Al-Shafi & Weerakkody, 2010).Thus, the study hassles on both usersand organizational factors (like administration) as major contributors to e-government success.

UTAUT is a useful guide in recognizing key variables influencing e-government success. This study presumed further that facilitating conditions(as explained in administrative aspects where the management supports e-government projects through policies and guidelines); are given preference to technological aspects success for e-government in Tanzania. More so,users' attributes of knowledge and experience map keyissues for users to applyIT in e-government projects. Users' attributes were assumed to have a direct impact on e-government implementation.

EMPIRICAL WORKS

There is a rich empirical work on e-government implementation especially for developed countries. Additional studies are needed because e-government projects do not succeed(Ramadhan, Sensuse, Muladno, & Arymurthy, 2013) .Studies indicate people related factors, administration of IT and funding play an important role in influencing successful implementation of e-government(Sarrayrih & Sriram, 2015; Al-Shboul, Rababah, Al-Shboul, & Ghnemat, 2014). Since e-government implementation in Tanzaniahas not been adequately addressed,insight on ICT administration and users' characteristics on usage have been addressed in this paper.

Users' Attributes

Users' attributes such as experience and competence determine successful e-government implementation(Hussain & Imran, 2016; AL-Naimat, Abdullah, & Ahmad, 2013; Mofikoe, 2015). Users' education can help reduce resistance to change on identified ICTs in government agencies(Ahmad, Markkula, & Oivo, 2013). Moreover, it is asserted that individuals having education qualifications can attain better job positions and are more likely to use new modernizations (Ifinedo & Singh, 2011). However, it is debated that some governments may have IT staffs; yet, most of their training may not prepare them to program the required online applications(Ebrahim & Iran, 2005).Iliaset al. (2009) in their study in Malaysiashow that education background and experience have important role in inspiring the attitude to use e-government. Other authors, such as Chopra and Rajan (2016) use age, education and

experience as moderating variables. Yet, Al-Shafi and Weerakkody (2010) point out that, adopters of e-government differ significantly in terms of all traits of gender, age and education levels.

Different authors argue differently on the users'attributes, thus it was crucial to examine further their attributes of experience and knowledge (relevant to government agencies)to identify existing relationship with e-government implementation in Tanzania.Consequently this study postulated that:
H_1: Users' attributes have a direct relationship with e-government implementation (technological aspects success area).

Administrative Aspects
Proper administration is needed on e-government projects for successful implementation (Al-Rahbi, Al-Harrasi, & Al-Wahaibi, 2012; Mofikoe, 2015; Wirtz, Mory, Piehler, & Daiser, 2014). Lupilya and Jung (2015) suggest appropriate plans and allowing sound ICT environment, otherwise e-government projects remain stagnant and do not yield the desired outcome. Existence of ICT policies, laws and suitable procedures shows commitment in management of e-government activities. Berger (2015) views policies in broad perspectives covering data protection, storage of information for a long period (archiving), support and other information system regulatory frameworks. Wu (2014); and Bwalya, Plessis and Rensleigh (2014) argue that security of data should be taken as an important policy issue for users to trust and use e-government. On the other hand, it is suggested to consider citizens and employees on top of management issues (Müller & Skau, 2015). A study by Rahman et al. (2014) which was conducted in Bangladesh indicates that organizational and access related factors are important for addressing technological matters for the success of e-government implementation. Nations with low organizational commitment should highly consider regulatory and legal related factors for e-government success (Rahman, Rashid, Yadlapalli, & Yiqun, 2014). However, a mere existence of regulatory frameworks is not sufficient to give evidence that there is proper administration of e-government. Thus this study wanted to verify the administrative aspects relevant for the success of e-government implementation (technological aspects point of view), and it was hypothesized that:
H_2: Administrative aspects have a direct relationship with e-government implementation (technological aspects success).

METHODOLOGY

This study employed a deductive approach to deduce the critical success factors for e-government success. The population under the study was the public sector. The study was performed in Customs and Excise Department in three districts of Kinondoni, Temeke and Ilala in Dar es Salaam region to accommodate tax practitioners as units of analysis. The department and the region were selected because these areas have remarkable record in ICT initiatives (Sefue, 2014).Data were collected by use of structured questionnaire developed through literatures. Prior to the field work the questionnaire was reviewed by e-governmentexperts for their validity. In consideration of the proportion of the number of workers per segment, the sample included 15 tax consultants, 15Customs clearing agents and 270 staff from Customs and Excise Department. 246 out of 300 questionnaires from almost all the mentioned segmentswere responded and used for analysis.The obtained responses were sufficient due to usage of structural equation modeling which requires a minimum sample size of 200 in order to reduce biases to an acceptable level (Boomsma & Hoogland, 2001).

All data were coded to minimize errors (Saunders, Lewis, & Thornhill, 2012). This was followed by manual editing to ensure completeness. Data were then processed through SPSS and AMOS software version 20. Before further analysis, data were subjected to reliability measure to ensure consistency of the results. Descriptive analyses were employed to describe patterns of e-government factors in Tanzania. Factor analyses were performed, where exploratory factor analysis explored common factors that were

runinto confirmatory factor analysis to determine model fit. Finally, the hypotheses were tested using structural equation modeling.

Operationalization of Concepts

From the conceptual framework, the explanatory variables are administrative aspects and users' attributes. Administrative aspects are measured in terms of proper ICT laws, policies and procedures. Users' attributes include education levels, experience and ICT knowledge. The successful e-government, a dependent variable is explained by the technological aspects' success. Technological aspects in this study have been measured by appropriate technological systems, ICT infrastructure, data security and support services.

STUDY FINDINGS

Sample Characteristics and Perception on E-government

The study used 246 questionnaires which were returned by respondents. Descriptive analysis indicated that majority (58.9%) of the respondents were male. Nearly half (45.1%) of the respondents were aged below 35 years. In accordance to their job positions, majority (50.8%) were normal and assistant officers who perform daily routine works while16.7% were principal and senior officers who assist the management and 9.3% were holding managerial positions. About two thirds (69.9%) of the respondents were having finance and tax operations background. Most (85.8%) of the respondents who participated in the survey attained higher education (first degree and post graduate studies). Very few (2.8%) respondents had secondary education. In assessing respondents' work experience, the results indicate that more than half (64.6%) of the respondents had worked with their organizations for 15 years or less, and just few (0.8%) of them had work experience of above 36 years. In general, the sample portrayed well characteristics of the tax practitioners in every category.

The study gatheredrespondents' perceptions on administrative and users aspects. The results on perception of administrative aspectsshow that 84.6% of the respondents indicated the importance of laws governing ICTs in government sectors while 84.5% on ICTs policies. In the same vein, 71.1% of the respondents indicated that processes need to fit instituted technology. Perceptions on users attributes indicate that majority (96.8%) of the respondents view highly that ICT knowledge stimulates users to do activities electronically, 96.3% of the respondents rated greatly that users' higher education levels improve their attitude in using online services and 93.5% of the respondents indicated that experienced users on e-government contribute to implementation success.

Similarly, majority (87.8%) of the respondents indicated the requirement of receiving assistance from ICTs' specialists to be importantand 78.1% of the respondents perceived highly on the need for identifying right technology. 83.3% of the respondents indicated that the systems need to be protected against unauthorized users and 79.3% of the respondents indicated the importance of ICT infrastructure to support e-government activities. Overall, respondents agreed on the need for appropriate administrative and users aspects in e-government projects. These results on users' perception on e-government paved a way for further analysis in factor analysis.

Factor Analysis

The independent variables (users' attributes and administrative aspects) and dependent variable explaining e-government success (technological aspects) were run for factor analysis to determine their validity. Using principal component factor analysis, the number of questionnaire items could be reduced to meaningful, interpretable, and manageable set of factors. 12 items in three proposed constructs were retained. All factor loadings for the retained itemsexceeded 0.4 which is recommended for interpretative purposes. Thus convergent validity measure was attained. Sample was adequate as per measures shown in Table 1, Kaiser-Meyer-Olkin – KMO measure of sampling adequacy value which exceeded recommended

value of 0.5. Moreover, the results show an acceptable total variance explained for the extracted factors. The value of the total variance explained is suggested to be above 50% (Tabachnick & Fidell, 2014).

Table 1: Factor Loadings, Variance and Cronbach Alpha for the Items

Description of the Item	Technological aspects	Users' attributes	Administrative aspects
Appropriate technology	.752		
Review to comply with ICTs' changes	.729		
Systems protected	.655		
ICTs infrastructure support	.614		
Support from ICT specialists	.588		
ICT knowledge		.759	
Education levels		.757	
Experience		.683	
Age		.644	
ICTs laws			.783
ICTs policies			.777
ICTs processes			.685
Percentage variance	26.933	13.990	10.021
Cronbach alpha	.732	.701	.765

KMO measure of sampling adequacy = 0.753
Bartlett's Test of Sphericity P = 0.000, Chi-Square = 886.356

Reliability of the Data

Reliability measures how consistent the instrument is, in providing same results if subjected in different time for the same subject. To measure reliability, the study used Cronbach's alpha measure of 0.7 and above. Besides, Cronbach's alpha measure provides a sound under-estimate (conservative or safe estimate) of the reliability of a set of test results (Saundrers et al., 2012).When the Cronbach's value shows high reliability, it implies that constructs are consistent internally, thus measuring the same content on the construct. As shown in Table 1 above, all constructs hadCronbach's alpha value above 0.70, and therefore they are highly reliable. The results permitted further analysis so as to confirm the model fit.

Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) was performed to check the model fit.To attain acceptable fit indices, two items were omitted, one from technological aspects (review to comply with ICTs' changes) and the other from users' attributes (age relevance).After removal of two items, the results of CFA show that chi-square per degree of freedom CMIN/DF = 1.847 (cutoff value less than 3); Comparative fit index – CFI = 0.954 (cutoff value greater than 0.90); Root mean square error of approximation – RMSEA = 0.059 (cutoff value less than 0.08) and adjusted goodness of fit index – AGFA = 0.923 (cutoff value of greater than 0.90), (Awang, 2012). All fit indices were on acceptable levels, to allowstructural equation modeling.

Hypotheses Testing

Study hypotheses were tested using structural equation modeling (SEM). SEM is a statistical technique used to test and estimate causal relationships by applying various statistical data.Measures on users' attributes and administrative aspects were subjected to the analysis to see their relationships with the dependent variable measuring e-government success (technological aspects). Appendix Iprovides a structural model of the study. Results on the tested model show acceptable fit indices as follows:CMIN/DF = 1.847; CFI = 0.954;RMSEA = 0.059and AGFA = 0.923.

Results for Hypotheses Testing

Findings from SPSS -AMOS 20 output as shown in Table 2indicatethat both hypotheses were supported (Probability - P valuesless than 0.05 and Critical Ratio - CR greater than 1.96).

Table 2: Results for the Hypotheses Testing

				C.R.	P
Technology	<--	Administration	H_1: There is a direct relationship between users' attributes and Technological aspects' success for e-government	4.598	***
Technology	<--	Attribute	H_2: There is a direct relationship between administrative aspects and technological aspects' success for e-government implementation	2.596	.009

C.R. = critical ratio; and p = probability value

DISCUSSION AND CONCLUSIONS

The study investigated the influence of administrative aspects and users attributes on e-government implementation (technological aspects point of view). The results indicate that users' attributes and administrative aspects had adirect significant relationship with e-government implementation. Thus users' attributes (education, ICT skills and experience) andadministrative aspects (ICT laws, policies and procedures) are important to government electronic services. These results conform to the previous studies (Chopra & Rajan, 2016; Oseni, Dingley, & Hart, 2015; Sarrayrih & Sriram, 2015; Hussain & Imran, 2016; Wirtz, Mory, Piehler, & Daiser, 2014) .

The study has a theoretical contribution as it adds knowledge to previous researches like Venkatesh et al. (2012) and Ifinedo and Singh (2011). The study supports UTAUT as the variables (administrative aspects from facilitating conditions and users attributes such as experience) were derived from the theory and have shown a direct relationship with e-government implementation success. Thus the relationship found is being confirmed in broader perspectives especially for users of electronic services in public organizations. Some studies (like a study by Chopra and Rajan, 2016) apply users' attributes on UTAUT as moderating variables and show that the proposed variables are having moderating effects. This study included users' education levels and ICT knowledge for a direct assessment with e-government implementation, making a further modification to suit public sectors' electronic services in Tanzania.Consequently, as compared to previous studies, this research was intensive and the relationship was found to be positive and significant.Furthermore, the scale items of this study are valid and reliable suggesting that they can be used in other similar researches.

The results of this study have practical implications. As it was observed that administrative aspects and users attributes are important in e-government projects, practitioners in public sectors need to ensure proper policies, laws and procedures are adhered for e-government projects. Moreover, there is a need to position staff with relevant education who can handle wellICT technological issues (such as ICT infrastructure, technical support and data security). Users need to possess ICT skills and experience which also calls for capacity building. Moreover, policy makers should emphasize appropriately the ICT policies by making regular reviews, example, on the current 2016 ICT policy and the 2013-2018 strategy. Besides, academicians and researchers can use these informed suggestions on e-government implementation.

This study has made an investigation on the administrative and users issues on e-government. There are several factors on government electronic services (such as cultural and users' perception on effort expectancy) which can be studied. Moreover, the users' attributes were assessed for a direct relationship

with e-government in terms of technological aspects; other studies can look at the existing relationship by extendingto other sectors like private entities. Besides, the research addressed concerns of Tanzanian context, one of the developing countries; probably the results cannot be generalized, one has to be cautioned in making interpretations. In this regard, the study suggests the identified factors be assessed in other developed areas.

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Appendix I: Administrative Aspects and Users' Attributes Versus Technologic Aspects(E-government Success)

Atr = Users' attribute; Adm = administrative aspect;Tec = technological aspect

