

Ikandilo Kushoka

Encouraging entrepreneurship in Tanzania. Start-ups and growth barriers

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**ENCOURAGING ENTREPRENEURSHIP IN TANZANIA: START-UPS AND GROWTH
BARRIERS**

A STUDY SUBMITTED TO THE INSTITUTE OF ACCOUNTANCY ARUSHA

April, 2008

List of Abbreviations

AD-1967	Arusha Declaration of 1967
ADAT	Artisan Development Agency of Tanzania
ALP	Agricultural and Livestock Policy
AMKA	Awareness
AWEZA	Association of Women Entrepreneurs of Zanzibar
BDS	Business Development Services
BEST	Business Environment Strengthening for Tanzania
BET	Board of External Trade
BOT	Bank of Tanzania
CAMARTEC	Center for Agricultural Mechanization and Rural Technology
CDP	Cooperative Development Policy
CDTIF	Community Development Trust Fund
EDC	Entrepreneurship Development Centre
FEWATA	Federation of Association of Women Entrepreneurs in Tanzania
GWDP	Gender and Women Development Policy
IFC	International Finance Corporation
MEDA	Mennonite Development Association
MPoT	Minerals Policy of Tanzania

MU	Mzumbe University
NBIA	National Business Incubation Association
NEDF	National Entrepreneurship Development Fund
NEP	National Employment Policy
NEP	National Environmental Policy
NGO	Non-Governmental Organization
NMB	National Micro Finance Bank
NMFP	National Micro Finance Policy
NTP	National Trade Policy
PRIDE	Promotion of Rural Initiative and Development of Enterprises
PTF	Presidential Trust Fund
ROSCA	Rotating Savings and Credit Association
SACCOs	Savings and Credit Cooperatives
SCF	Small and Medium Enterprise Competitive Facility
SELF	Small Entrepreneurs Loan Facility
SIDO	Small Industries Development Organization
SIDP	Sustainable Industrial Development Policy
SME	Small and Medium Enterprises
SMEDP	Small and Medium Enterprise Development Policy
SME-EGS	Small and Medium Enterprise Credit Guarantee Scheme

SUA	Sokoine University of Agriculture
TAFOPA	Tanzania Food Processors Association
TBS	Tanzania Bureau of Standards
TEMDO	Tanzania Engineering and Manufacturing Design Organization
TGT	Tanzania Gatsby Trust
TIC	Tanzania Investment Centre
TIRDO	Tanzania Industrial Research Development Organization
TTC	Technology Transfer Centre
UDSM	University of Dar Es Salaam
URT	United Republic of Tanzania
VETA	Vocational Education Training Authority
WDF	Women Development Fund
WM	World Bank
YDF	Youth Development Fund

Abstract

This research study evolved in response to my desire to find out more about the issues of young entrepreneurs. In particular, it discusses what triggers them to form business ideas, how they enter into business, the barriers they face and ways to overcome these barriers. The researcher used descriptive design, a sample of 385 respondents was used to select respondents; the researcher also used simple random sampling techniques to select the respondents with the help of questionnaires which were used to collect the primary data. The data collected was analyzed using content analysis, descriptive statistics, cross tabulation and hypothesis testing. Content analysis was used to analyse the in depth interviews. For the survey questionnaires, descriptive statistics and cross-tabulation were used to analyse the responses given by the prospective entrepreneurs. The data from the questionnaires was captured coded and exported to statistical programme for social science (SPSS) which was used for analysis.

Based on study findings and an insight gained from theory, the study proposes some strategies for dealing with the barriers identified in the research. Since it has been found that young people in start-up or growth modes who require start-up financing or financing beyond their current capital are seriously restricted by their inability to obtain loans from financial institutions because they are unable to meet the loan conditions pertaining to security, the study proposes that private sectors dealing with entrepreneurship development and entrepreneurs' associations establish viable SACCOs.

According to literature review, study objectives and study findings the researcher, recommended that the Business Council of Tanzania should lobby the policy makers to:- Formulate an immigration policy which favors the entry of entrepreneurs who would create jobs. A policy allowing Tanzanian entrepreneurs who emigrated and obtained citizenship in other countries to retain dual citizenship would be very attractive here because they now automatically forfeit their Tanzanian citizenship. It also recommends that the Business Council of Tanzania discuss with the University of Dar es Salaam Centre for Entrepreneurship Development (CED) the establishment of a program in retailing, which the council would be

asked to sponsor. That would help to develop a retailing class of entrepreneurs. More so to establish Export Processing Zones (EPZ) development areas that multinational corporations would find attractive to use for light manufacturing and Provide tax incentives to enterprises that employ trainees in jobs in which they can learn essential infrastructure skills like plumbing, electrical work, auto mechanics, machining, welding, and woodwork.

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