

# What's Next For Tanzania Economy?

*“Challenges and Opportunities Faced by Small Businesses”*

## **CHALLENGES AND OPPORTUNITIES CONFRONTING SMALL BUSINESS**

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# **ECONOMISTS TALK MAGAZINE**

## **Challenges and Opportunities Faced by Small Businesses**

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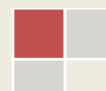
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## EXECUTIVE SUMMARY

**Challenges and Opportunities Confronting Small Businesses in Tanzania**

In this research, we examine the challenges and opportunities that small businesses in Tanzania face, outlining potential solutions to foster their growth and sustainability. The analysis encompasses a range of sectors, from agriculture and finance to technology and marketing.

**Challenges:**

Small businesses in Tanzania confront several significant challenges. A substantial proportion, approximately 83 percent, believe that businesses fail to deliver anticipated financial returns. Equally concerning is the consensus among 83 percent that sales and marketing pose considerable hurdles. Moreover, over 83 percent express doubts about managerial capacity to strategically expand and adapt resources. These challenges collectively contribute to a less-than-five-year lifespan for more than 89 percent of new businesses, highlighting the urgency for intervention.

Additional obstacles include difficulties in accessing financing, embracing new technology, and navigating government regulations. Despite acknowledging government hindrances, more than 85 percent believe existing laws and procedures inadequately support small businesses.

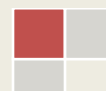
**Opportunities:**

Amidst these challenges, opportunities are evident. Over 83 percent recognize the availability of investment prospects for enterprises within the region. Notably, more than 82 percent associate small business ownership with happiness and enhanced social status.

**Solutions:**

Addressing these challenges requires a holistic approach:

1. **Financial Support:** Government-backed loan programs and microfinance initiatives can provide crucial capital to fuel growth.



2. Skills Development: Training, workshops, and incubators can enhance business management skills and innovation.
3. Regulatory Reforms: Simplifying regulations and implementing supportive policies can reduce barriers to growth.
4. Technology Adoption: Establishing technology hubs, partnerships with research institutions, and providing access to innovative resources can drive technological advancement.
5. Market Access: Trade fairs, business networks, and marketing support can help small businesses expand their reach.
6. Financial Literacy: Financial education programs and advisory services empower small business owners to make informed decisions.
7. Government-Private Sector Collaboration: Public-private partnerships and consultative forums foster collaboration, resource allocation, and sustainable solutions.

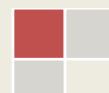
**Conclusion:**

Tanzania's small businesses play a pivotal role in economic growth and job creation. Addressing their challenges and seizing opportunities requires concerted efforts from the government, private sector, and civil society. By implementing these solutions, Tanzania can pave the way for a thriving small business ecosystem, contributing to economic stability, innovation, and social well-being.

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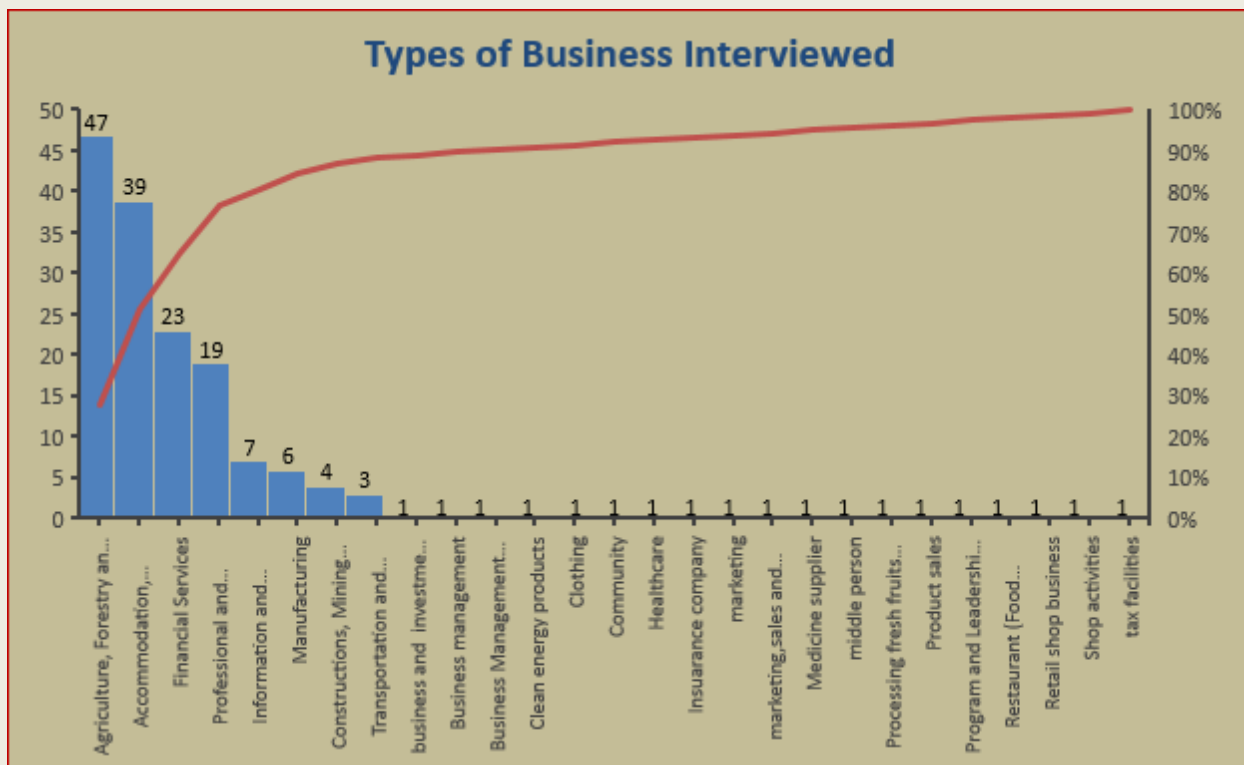
*How do Tanzanian entrepreneurs  
perceive the benefits of owning and  
operating small businesses in terms of  
contentment and elevated social status?*

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INTRODUCTION

A comprehensive survey encompassed 167 enterprises spanning diverse sectors, including agriculture, forestry, fishing, accommodation, retail, food services, financial services, and professional and technical fields. Among them, 47 were in agriculture, forestry, and fishing; 39 in accommodation, retail, and food services; 23 in financial services; and 19 in professional and technical fields.



Identified factors contributing to potential business demise encompass a range of issues. A significant 83 percent of respondents expressed dissatisfaction with financial returns, an equal percentage highlighted marketing and sales challenges, and a matching 83 percent lacked confidence in managerial capabilities for strategic expansion and resource diversification.



Promising opportunities also surfaced. An impressive 83 percent acknowledged viable investment prospects in the region for enterprises, while over 82 percent viewed owning and operating small businesses as sources of contentment and elevated social status.

Despite acknowledging the challenge of new technology adoption (83 percent), respondents also concurred (at a similar rate) that government regulations posed obstacles. Interestingly, more than 85 percent perceived the regulatory framework for supporting and financing small businesses as inadequate.

The survey unveiled key sources of external guidance for Tanzanian small businesses. Notably, 81 percent sought insights from business and management consultants, followed by 49 percent relying on personal networks. Additionally, over 36 percent tapped into professional networks, and 28 percent each consulted technology consultants and financial advisers.

The harsh reality emerged that over 89 percent of new businesses falter within the initial five years, leaving a mere 11 percent to endure beyond six years. Among established businesses, 22 percent close within the first year, 32 percent falter between the first and second years, and 24 percent stumble between years three to five.

The predominant factors leading to potential business failure within this five-year span were reiterated: More than 83 percent underscored unsatisfactory financial returns, the same percentage emphasized sales and marketing challenges, and over 83 percent questioned managerial ability to enhance resources strategically.



**Given the persistent challenges, the effects could be significant on both social and economic fronts:**

**Social Effects:**

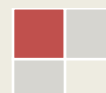
1. **Unemployment and Livelihood Impact:** Small businesses are major sources of employment. If they struggle, unemployment rates could rise, impacting livelihoods and quality of life.
2. **Skill Drain and Workforce Dissatisfaction:** Lack of growth could lead skilled individuals to seek jobs elsewhere, draining local talent and diversity.
3. **Social Disparities:** Business closures could worsen inequalities, affecting access to goods and services.

**Economic Effects:**

1. **Reduced Economic Growth:** Small businesses drive growth. If they falter, economic activity and job creation could slow.
2. **Limited Innovation:** Challenges in tech adoption hinder innovation, reducing competitiveness.
3. **Diminished Government Revenue:** Business closures mean less tax revenue, affecting public services.
4. **Supply Chain Disruption:** Small businesses anchor supply chains; their closure affects larger businesses.
5. **Investment Deterrence:** Challenges discourage new ventures and investments, hampering dynamism.
6. **Widening Trade Gap:** Reduced export contribution could disrupt trade balance.

**Addressing these challenges requires a comprehensive approach:**

1. **Financial Support:** Government loans and microfinance can provide capital.
2. **Skill Development:** Training, incubators, and accelerators enhance management skills.
3. **Regulatory Reforms:** Simplify rules, offer incentives, and reduce bureaucracy.
4. **Tech Adoption:** Hubs and partnerships can aid tech integration.
5. **Market Access:** Trade fairs, networks, and collaborations expand reach.
6. **Marketing Support:** Digital training and branding assistance boost visibility.
7. **Financial Literacy:** Programs and advisors aid financial management.
8. **Government-Private Collaboration:** Joint efforts can address challenges more effectively.





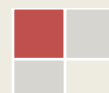
By implementing these solutions, Tanzania can create a supportive environment for small businesses, fostering economic growth and social well-being.



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*How do professional networks, technology consultants, and financial advisers contribute to the external guidance sought by Tanzanian small businesses, according to the study?*

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**CHALLENGES AND OPPORTUNITIES FACED BY SMALL  
BUSINESSES IN TANZANIA**

A comprehensive survey was conducted, involving 167 enterprises across diverse sectors. This included 47 businesses in agriculture, forestry, and fishing, 39 in accommodation, retail, and food services, 23 in financial services, and 19 in professional and technical fields.

In conjunction with the factors outlined below, the issues and prospects contributing to the potential demise of these businesses are as follows: 83 percent of respondents believe that businesses fail to yield the expected financial returns; the same percentage identify marketing and sales challenges as a primary concern; additionally, 83 percent lack confidence in managerial capabilities to strategically expand and adapt the business's resource foundation.

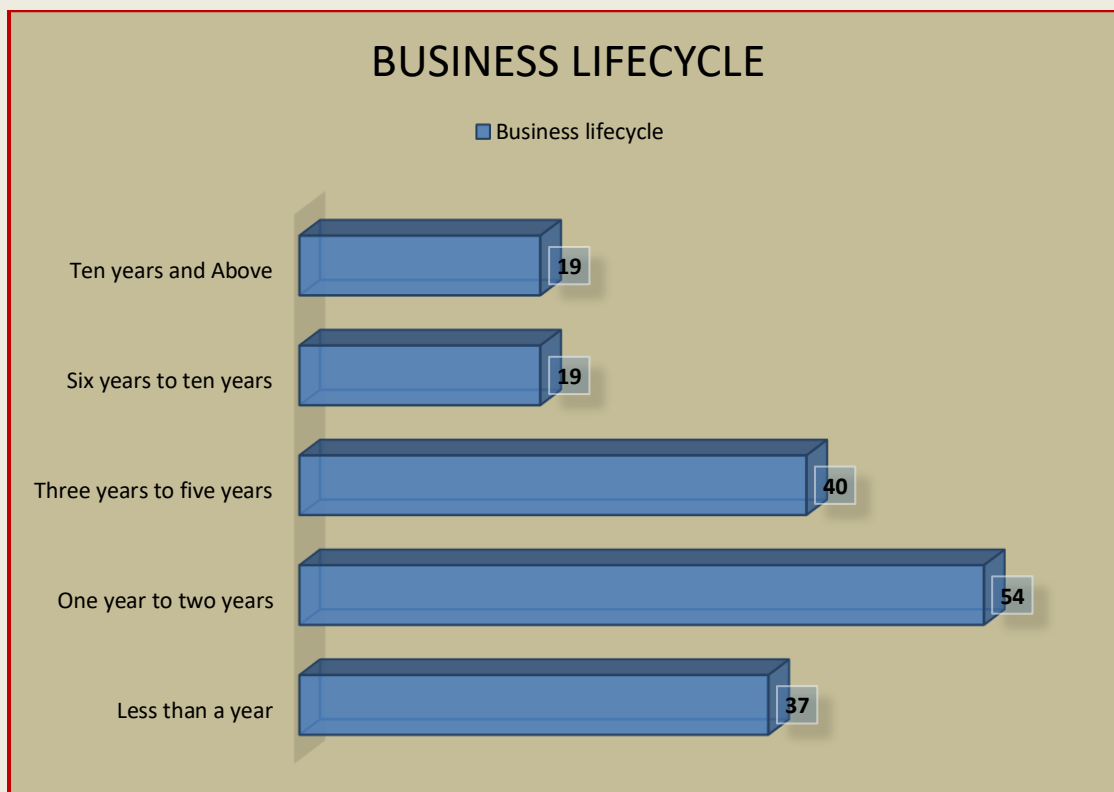
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***What percentage of new businesses in Tanzania typically falter within the initial five years, and what factors contribute to the varying rates of business closures within this timeframe?***

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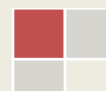
***Remarkably, 83 percent of Tanzanian entrepreneurs found happiness and investment prospects in small business ownership. Vital external advice sources comprised business consultants, personal networks, professional affiliations, technology experts, and financial advisors, collectively offering indispensable assistance to Tanzania's small enterprises.***





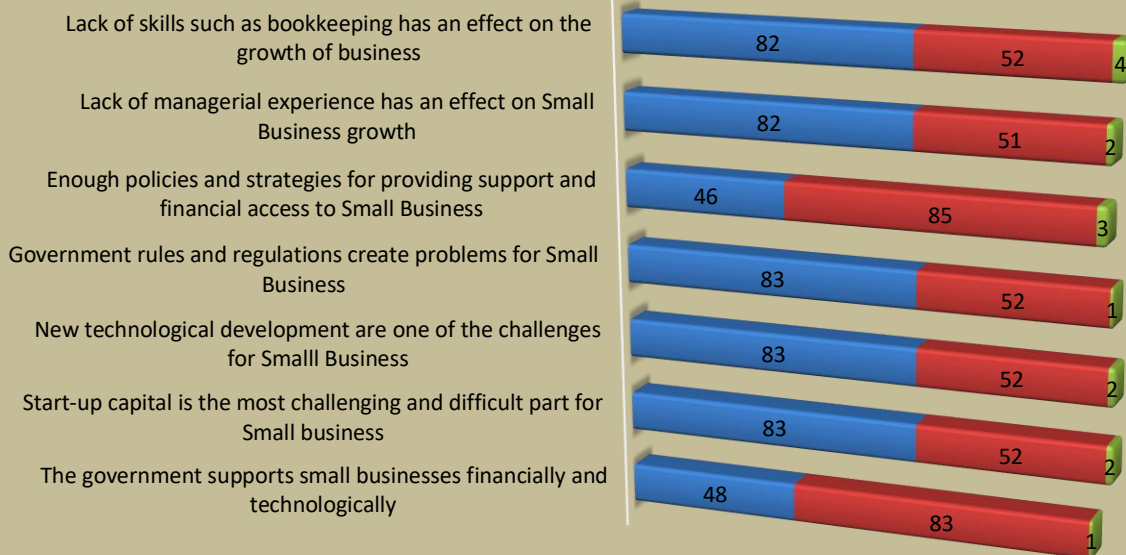
Positive opportunities are also evident, 83 percent concur that viable investment options exist within the region for enterprises, while over 82 percent express contentment and elevated social status as benefits of owning and operating small businesses.

While 83 percent acknowledge the impediment posed by the development of new technology, a similar percentage agrees that government regulations pose challenges to small businesses. Curiously, more than 85 percent contend that the regulatory framework for supporting and financing small businesses remains inadequate.



### Challenges and opportunities

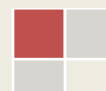
■ Agree 
 ■ Disagree 
 ■ Not Sure




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*What percentage of small businesses  
 skepticism about the government's support  
 for small enterprises and find the  
 regulatory framework inadequate for  
 supporting and financing small businesses?*

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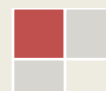


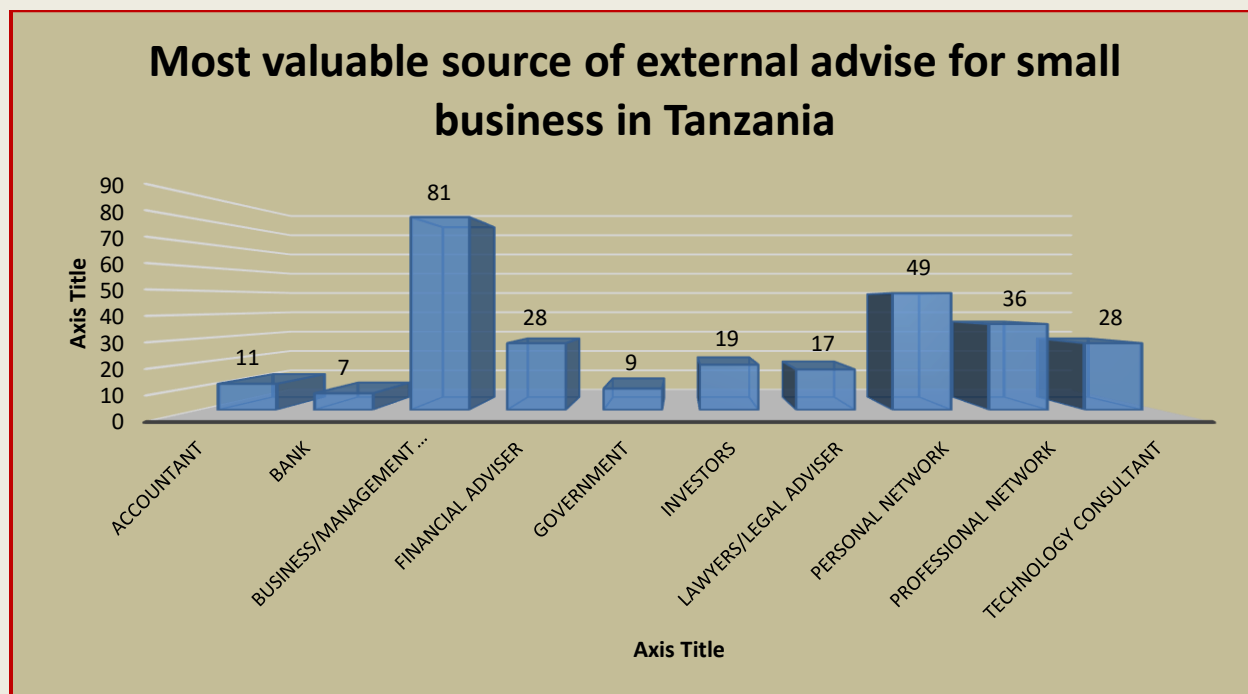
### Challenges and opportunities

■ Agree 
 ■ Disagree 
 ■ Not Sure



Valuable external guidance sources for Tanzanian small businesses were unveiled through the study. A significant 81 percent seek insights from business and management consultants, followed by 49 percent who rely on personal networks. Moreover, over 36 percent tap into professional networks, 28 percent turn to technology consultants, and another 28 percent consult financial advisers.

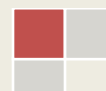




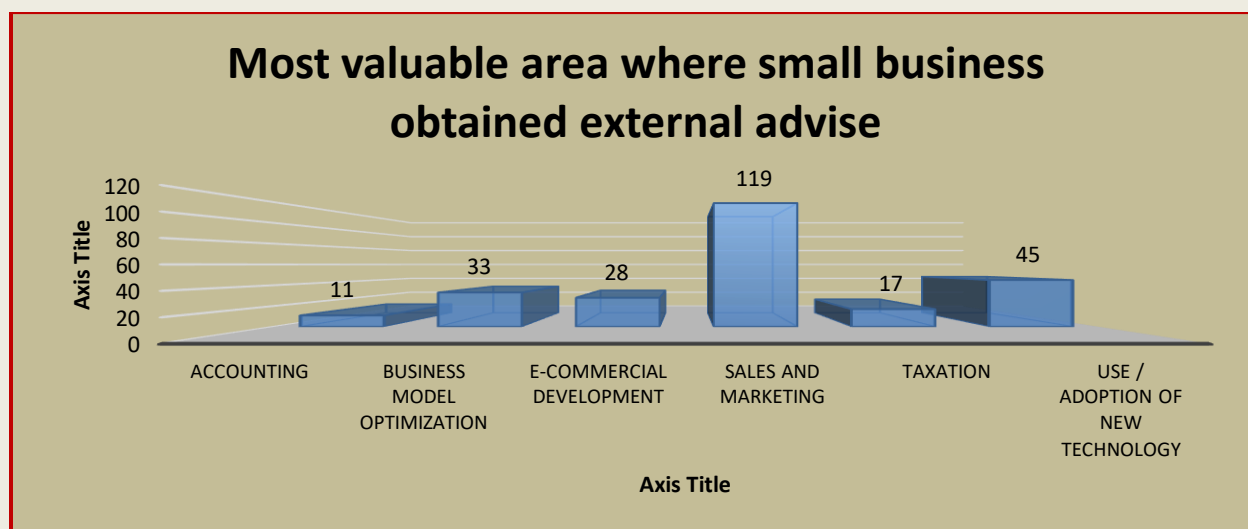
The stark reality is that over 89 percent of new businesses falter within the initial five years, leaving a mere 11 percent to endure beyond six years. Among established businesses, 22 percent close shop after one year, 32 percent succumb between the first and second years, and 24 percent falter between years three to five.

The prevailing factors contributing to potential business failure within a five-year span are reiterated: Over 83 percent point to unsatisfactory financial returns, while the same percentage highlight sales and marketing hurdles, and more than 83 percent lack faith in managerial ability to strategically enhance and diversify resources.

Interestingly, 83 percent express skepticism about government support for small enterprises. Additionally, the challenge of procuring financing emerges as the most formidable aspect of initiating a small business. While more than 83 percent recognize the hindrance of adopting new technology, over 85 percent concur that insufficient regulations and procedures hinder government-backed support and financing.



Despite 119 firms emphasizing the importance of sales and marketing, 45 businesses underscore the significance of embracing new technology, and 28 enterprises highlight e-commerce development as a pivotal area requiring guidance.



Remarkably, 83 percent of Tanzanian entrepreneurs find happiness and investment prospects in small business ownership. Vital external advice sources comprise business consultants, personal networks, professional affiliations, technology experts, and financial advisors, collectively offering indispensable assistance to Tanzania's small enterprises.

The research emphasizes that the most valuable sources of external guidance for Tanzanian small businesses are as follows: Business and management consultants account for 81 percent, personal networks for 49 percent, professional networks for over 36 percent, technology consultants for more than 28 percent, and financial advisers for 28 percent.



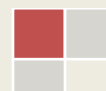
## SOCIAL AND ECONOMIC EFFECTS FOR SMALL BUSINESS IN TANZANIA

There could be significant social and economic effects if the challenges continue to persist for small businesses in Tanzania:

### Social Effects:

1. **Unemployment and Livelihood Impact:** Small businesses are often major sources of employment in communities. If these businesses continue to face challenges and fail to thrive, it could lead to increased unemployment rates. This, in turn, could negatively impact the livelihoods of individuals and families, leading to financial strain and reduced quality of life.
2. **Skill Drain and Workforce Dissatisfaction:** The inability of small businesses to provide expected financial returns and opportunities for growth might lead to skilled individuals seeking employment in other sectors or even outside the country. This could lead to a drain of skills and talents from the local community, resulting in a lack of workforce diversification.
3. **Social Disparities:** The closure of small businesses could contribute to social disparities, as those who relied on these businesses for employment or as customers might face greater challenges in accessing goods and services. This could exacerbate existing inequalities within the society.

*Interestingly, 119 firms highlighted the importance of sales and marketing, 45 businesses emphasized embracing new technology, and 28 enterprises focused on e-commerce development as pivotal areas requiring guidance.*

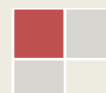




**Economic Effects:**

1. **Reduced Economic Growth:** Small businesses play a crucial role in driving economic growth, especially in developing economies. If these businesses face persistent challenges and fail to grow, it could slow down overall economic growth, as they contribute to job creation, innovation, and increased economic activity.
2. **Limited Innovation and Technological Advancement:** The challenges related to adopting new technology and innovation could hinder the development of new products, services, and processes. This stagnation in innovation could lead to a lack of competitiveness on a broader scale, impacting the country's economic development.
3. **Diminished Government Revenue:** If small businesses struggle and eventually close down, it could lead to reduced tax revenue for the government. Small businesses contribute to various taxes, and their decline would mean fewer funds available for public services and development projects.
4. **Disruption of Supply Chains:** Small businesses often form the backbone of local supply chains. Their failure could disrupt these supply chains, affecting larger businesses and industries that rely on them for raw materials, components, or services.
5. **Investment and Entrepreneurship Deterrence:** If the challenges persist, potential entrepreneurs and investors might become discouraged from starting new small businesses or investing in existing ones. This could lead to a lack of new ventures and reduced overall economic dynamism.
6. **Widening Trade Gap:** Small businesses can contribute to exports and help balance the trade gap. If they struggle to compete and contribute to exports, it could lead to a trade imbalance and reliance on imports, affecting the country's economic stability.

The continuation of the challenges faced by small businesses in Tanzania could result in adverse social effects such as unemployment, reduced skills, and social disparities, as well as economic effects such as slowed economic growth, diminished innovation, and disruptions in supply chains. Addressing these challenges would be crucial for fostering a healthy business environment and ensuring positive social and economic outcomes.



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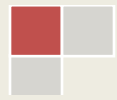
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## POTENTIAL SOLUTIONS TO THE CHALLENGES FACING SMALL BUSINESS IN TANZANIA

Addressing the challenges facing small businesses in Tanzania requires a multifaceted approach involving government intervention, private sector collaboration, and supportive policies:

### 1. Financial Support and Access to Capital:

- **Government-Backed Loan Programs:** The government can establish loan programs with favorable terms specifically targeted at small businesses. These loans could be provided through financial institutions or government agencies.
- **Microfinance and Credit Facilities:** Expanding microfinance initiatives and credit facilities tailored for small businesses can help them access the necessary capital for growth and operations.

### 2. Business Skills Development:

- **Training and Workshops:** Organizations, both public and private, can organize training sessions and workshops to enhance business management skills, marketing strategies, financial literacy, and innovation.
- **Incubators and Accelerators:** Establishing business incubators and accelerators can provide small businesses with mentorship, resources, and

*Curiously, 83 percent expressed skepticism regarding government support for small enterprises. Furthermore, obtaining financing emerged as the most formidable hurdle when initiating a small business. While more than 83 percent recognized the impediment of adopting new technology, over 85 percent concurred that insufficient regulations hindered government-backed support and financing.*



guidance to develop their ideas and overcome challenges.

### 3. Regulatory Reforms and Government Support:

- **Simplifying Regulations:** The government can work to streamline bureaucratic processes, reduce red tape, and simplify business registration and compliance procedures.
- **Supportive Policies:** Implement policies that encourage small business growth, such as tax incentives, reduced regulatory burdens, and preferential procurement opportunities for local businesses.

### 4. Access to Technology and Innovation:

- **Technology Hubs:** Establish technology hubs or centers where small businesses can access information, tools, and resources related to technological advancements and digital transformation.
- **Partnerships with Universities and Research Institutions:** Foster collaborations between small businesses and academic institutions to promote research, innovation, and technology adoption.

### 5. Market Access and Networking:

- **Trade Fairs and Exhibitions:** Organize trade fairs and exhibitions to provide small businesses with opportunities to showcase their products and services to a larger audience.
- **Business Networks:** Encourage the formation of business associations and networks that facilitate collaboration, knowledge sharing, and joint marketing efforts among small businesses.

### 6. Marketing and Branding Support:

- **Digital Marketing Training:** Provide training on digital marketing strategies and online platforms to help small businesses reach a broader customer base.
- **Branding Assistance:** Offer guidance on creating effective branding strategies to differentiate products and services in the market.

### 7. Financial Literacy and Management:



- Financial Education Programs: Offer workshops and resources to enhance the financial literacy of small business owners, helping them make informed decisions about managing finances, cash flow, and investments.
- Business Advisory Services: Develop platforms or agencies that offer business advisory services to guide small businesses in making sound financial decisions.

### **8. Government-Private Sector Collaboration:**

- Public-Private Partnerships (PPPs): Foster collaboration between the government and private sector to jointly address challenges, allocate resources, and develop comprehensive solutions.
- Consultative Forums: Establish regular forums where small business owners can engage with government officials and policymakers to discuss concerns, suggest solutions, and provide feedback.

Implementing these solutions requires commitment, coordination, and ongoing monitoring to ensure their effectiveness in fostering a supportive environment for small businesses in Tanzania. By addressing these challenges holistically, Tanzania can empower its small business sector and contribute to sustainable economic growth and social development.



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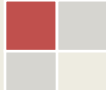
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