



Relation between Entrepreneurship Skills and Market Performance among Micro and Small Enterprises in Arusha, Tanzania

Winfrida Justo Mbowe

ORCID: <https://orcid.org/0009-0009-7158-4908>

Department of Applied Sciences and Social Studies, Arusha Technical College, Tanzania

Email: winfrida.mbowe@atc.ac.tz

Copyright resides with the author(s) in terms of the Creative Commons Attribution CC BY-NC 4.0. The users may copy, distribute, transmit and adapt the work, but must recognize the author(s) and the East African Journal of Management and Business Studies

Abstract: This study sought to establish the relationship between entrepreneurship skills and market performance among Micro and Small Enterprises (MSEs) in Tanzania. The study was prompted by the fact that MSEs are the engine of the global economic growth constituting 90% of the economies through their contribution in the GDP, job creation, poverty reduction and per capita income. The study used the cross-sectional design with a sample of 257 MSE members, who participated through a questionnaire. Data analysis involved the Regression Analysis. Based on data analysis and obtained results, the study established the relationship between entrepreneurship skills and market performance in MSEs. Particularly, customer care, financial management and business record keeping skills are crucial factors for effective marketing performance in MSEs. Therefore, SIDO should equip MSEs entrepreneurs with essential entrepreneurship skills too enhance marketing performance.

Keywords: Entrepreneurship skills; micro and small enterprises; market performance; entrepreneurs; business service providers.

How to cite: Mbowe, W. J. (2024). Relation between Entrepreneurship Skills and Market Performance among Micro and Small Enterprises in Arusha, Tanzania. *East African Journal of Management and Business Studies* 4(4), 38-43. DOI: <https://doi.org/10.46606/eajmbs2024v04i04.0065>.

Introduction

Micro and Small Enterprises (MSEs) are the engine of the global economic growth, constituting 90% of the economies through their contribution in the GDP, job creation, poverty reduction and per capita income (Rao & Joshi, 2011). In India, MSEs contribute about 45% of the manufacturing output and 40% of the total export of the country. In addition, MSEs contributed to 6.2%, 22.3%, 67% and 70% of employment in the United State, China, Japan and European Union, respectively (Weldeslassie, 2019). In Ethiopia, MSEs contributed in creation of employment for 806,300 people (EEA, 2015). According to Government of Kenya (2015) and Kiveu and Ofafa (2013), MSEs in Kenya contribute 82.7% of the total employment and 18% in the GDP. Regardless of the contribution of MSEs to the economy, the MSEs have failed to perform well in the market and other spheres of business due to several factors, such as lack of

entrepreneurship skills (Mayuran, 2016). MSEs Market performance was low since the growth rate appeared to be 0.25 and 0.16 per year for revenue and capital investment, respectively (Mashimba, 2014).

Entrepreneurship skills are a very important intangible resource that entrepreneurs are required to have, given the fact that the business world is dynamic and changes every now and then (Gakure et al., 2013). These skills tend to complement entrepreneurs' efforts in the process of executing and exploiting business opportunities that emerge from different opportunities of the business environment (Mayuran, 2016). In addition, these skills are crucial in facilitating better market performance of the MSEs (Afolabi & Macheke, 2012).

Market performance is a crucial part in MSEs managerial decision (Mwatsika, 2015). This is

because MSEs' success depends not only on financial performance but also on market performance (Magembe, 2017). In order for MSEs to attain a competitive advantage, they are required to be capable in performing well in both local and international markets, to the extent of achieving large market share, customer satisfaction, provision of high quality products or services and growth on sales or profit (Gerhard, 2016). This is important since the MSEs' market performance provides a clear picture of how these enterprises are performing, given the dynamics that exist in the business environment (Magembe, 2016). Although there is growing literature on small enterprises in Tanzania, there is little clarity on how entrepreneurship training influence MSEs' market performance (Tambwe, 2015).

A good number of studies have been conducted internationally to explore the influence of entrepreneurship skills on MSEs' performance among youth driven initiatives (Munene, 2013). Locally, limited studies have been done in Tanzania on the influence of entrepreneurship training and the relationship between entrepreneurship skills and MSEs' market performance (Mashimba, 2014). Several other studies, such as Mwatsika (2015), Chebii (2017) and Desta (2015) used theories like transactional theory, economic development theory, entrepreneurship self-efficacy theories, training need assessment theory and knowledge based theory, which do not explain the influence of entrepreneurship skills on MSEs' market performance. Therefore, this study examined the relationship between Entrepreneurship skills and SIDO MSEs' market performance in Arusha Municipality, based on the Resource Based View Theory.

Literature Review

Entrepreneurship skills play an important role in the performance of MSEs (Tambwe, 2015). They are crucial in helping the entrepreneurs operating their MSEs (Sajilan & Tehseen, 2016). Business record keeping, financial management, customer care and marketing skills are important entrepreneurship skills for MSEs Market Performance (Msoka, 2013). The skills help MSEs to properly record their business transactions, treat and serve customers well as well as identifying business opportunities and exploiting them effectively (Karanja, 2014). In addition, coaching, sponsorship, exposure and business advice under entrepreneurship mentoring program are important toward the MSEs' market

performance. These skills facilitate the provision of necessary knowledge and experiences that equip them with competencies necessary in enhancing their market performance (Bengesi, 2014).

A good number of studies have been conducted internationally to explore the influence of entrepreneurship skills on MSEs' performance among youth driven initiatives (Munene, 2013). There are limited similar studies in Tanzania (Mashimba, 2014). Several related studies such as Mwatsika (2015), Chebii (2017) and Desta (2015) used theories like transactional theory, economic development theory, entrepreneurship self-efficacy theories, training need assessment theory and knowledge based theory which do not explain the influence of entrepreneurship skills on the MSEs' market performance.

Theoretical Framework

This study was anchored on the theory of Resource Based View (RBV) developed by Wernerfelt (1984). The theory argues that market performance of a firm is a result of the firm's specific and unique resources and capabilities, such as financial, social and human resources. For these resources and capabilities to be considered as important elements toward firm's competitive advantage and market performance they need to be valuable and have the ability to increase efficiency and effectiveness. In this case, accesses to such kind of resources foster the entrepreneurs' ability to identify and discover business opportunities. The theory suggest that social capital is an important resource since when MSEs are embedded in a larger social network structure it constitutes significant proportion of their business opportunity structure. In addition, human capital, which constitutes knowledge and experience, is considered an important element in enhancing competitive advantage and firm's market performance. The theory postulates that, the individual with more or higher human capitals achieve higher performance when executing tasks. The theory maintains that knowledge provides individuals with increase in their cognitive abilities, leading to being efficient and more productive in their operations.

This theory was preferred in this study because it describes the role and impact of social and human capital resources in helping MSEs achieve expected performance in the market. As applied to this study, the theory holds that social and human resources and capabilities influence customer satisfaction,

quality, market effectiveness (Sales/profit) and market share. This is true considering the fact that the theory describes how important the intangible resources comprised of skills, knowledge and experiences are important for the performance of MSEs' markets. Based on the theoretical discussion, the study hypothesizes: H_{01} : There is no significant relationship between Entrepreneurship Skills provided by SIDO and market performance of micro and small enterprises in Arusha municipality.

Conceptual Framework

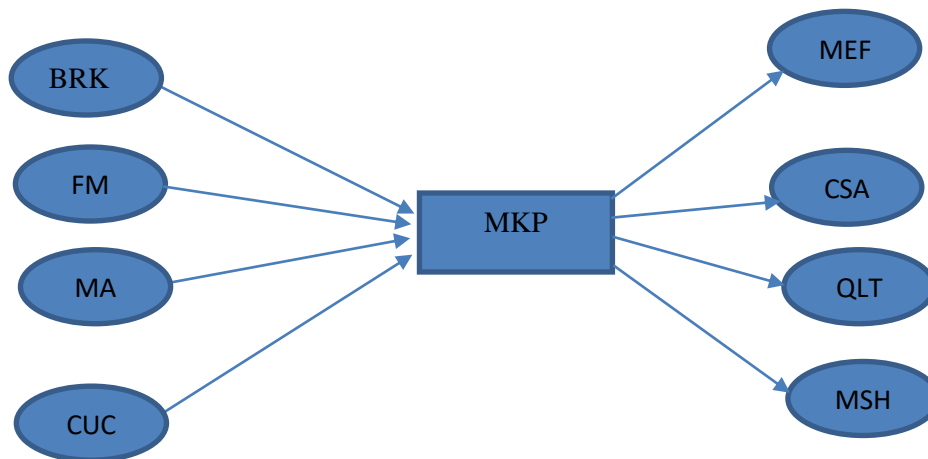


Figure 1: Conceptual Framework

Table 1 : Stratification of Sampled MSEs

Kind of business	Frequency	Percent (%)
Batiki and carpet Making	41	16
Food processing	92	35.8
Bee and Honey processing	48	18.7
Soap making	76	29.5
Total	257	100

Methodology

This section provides the research methodology employed in the study.

Design

The study used the cross-sectional research design because it allows the collection of data from many different respondents at a single point in time.

Population and Sampling

According to SIDO (2019) the target population of this study is 725 people dealing with MSEs and who are beneficiaries of SIDO receiving entrepreneurship training in Arusha municipality. Out of the population, a sample of 257 MSEs' members was selected. The study used stratified random sampling

The conceptual framework in this study provides an understanding of which variables predict others. Entrepreneurship Skills with its associated indicators (business record keeping, Financial Management, Customer Care and Marketing Skills) were independent or predictor variables while Market Performance with its associated indicators (sales/profit, market share, customer satisfaction and quality of product) were dependent variables. The conceptual framework in Figure 1 shows the direct relationship or association between the variables.

and simple random sampling to select the participants as seen in Table 1.

Instruments

The study used a questionnaire as source of data from the field. The study used this tool because it helps to collect large amount of data from a large number of people in a short period. Data analysis involved Regression Analysis.

Validity and Reliability

The study tested the content validity by evaluating the content of the questionnaire if it addresses the problem under investigation. The pilot study helped the researchers to check the accuracy of the instruments. The study established the reliability

through Cronbach's Alpha coefficient, which was above 0.7.

Ethical considerations

The researcher informed the respondents on the purpose of the study and asked them to fill the consent form. The researcher treated the information from the field with confidentiality.

Results and Discussion

This section presents the results of the study, guided by the following research question: To what extent do Entrepreneurial Skills, Marketing Skills, Record Keeping and Customer Care Skills affect the MSEs' market performance?

This research question called for testing of the null hypothesis: Entrepreneurial Skills, Marketing Skills, Record Keeping and Customer Care Skills do not affect the MSEs' market performance. This hypothesis was tested through regression analysis technique as observed in Table 4, 5 and 6.

As seen in Table 4, entrepreneurial skills variable was excluded while Marketing Skills, Record Keeping and Customer Care Skills appear as factors that influence the MSEs' market performance. Therefore, Marketing Skills, Record Keeping and Customer Care Skills appear contribute to the market performance. The multiple correlation coefficient is .967, which is a high correlation. On the other hand, the coefficient of multiple determination is .934, which implies that 93.4% of the variance in the marketing performance is accounted for by the three independent variables (Marketing Skills, Record Keeping Skills and Customer Care Skills). Therefore, the remaining 6.6% is accounted for by other factors not included in this study.

Particularly, marketing performance accounts for 89.1% while record keeping accounts for 2.9% and customer care skills account for 1.4%. Therefore, marketing is the most significant factor in determining the MSEs' marketing performance.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.944 ^a	.891	.891	.23269
2	.960 ^b	.921	.920	.19901
3	.967 ^c	.935	.934	.18076

a. Predictors: (Constant), Marketing Skills

b. Predictors: (Constant), Marketing Skills, Record Keeping

c. Predictors: (Constant), Marketing Skills, Record Keeping, Customer Care Skills

Table 5: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.297	1	101.297	1870.915	.000 ^b
	Residual	12.345	228	.054		
	Total	113.642	229			
2	Regression	104.651	2	52.326	1321.138	.000 ^c
	Residual	8.991	227	.040		
	Total	113.642	229			
3	Regression	106.257	3	35.419	1084.019	.000 ^d
	Residual	7.384	226	.033		
	Total	113.642	229			

a. Dependent Variable: Marketing Performance

b. Predictors: (Constant), Marketing Skills

c. Predictors: (Constant), Marketing Skills, Record Keeping

d. Predictors: (Constant), Marketing Skills, Record Keeping, Customer Care

In Table 5, the p-value of 0.00, which is lesser than the Critical value (0.05), leads to rejection of the null hypothesis, with an implication that the model is a significant predictor of the MSEs' marketing performance with Marketing Skills, Record Keeping and Customer Care Skills as particular predicting factors. The findings concur with previous studies about the power of entrepreneurship skills. For

instance, Sikei (2013) revealed that acquisition of financial management skills enhances performance. The findings further concur with those by Denson (2018) that financial management, customer care and marketing skills contribute toward effective business performance. On the other hand, the study of Khadim (2024) affirmed that proper business record keeping enhances performance.

Conclusions and Recommendations

The study unveils the existing statistical evidence that support the relationship between entrepreneurship skills and market performance in Small and Medium entrepreneurs. Customer care, financial management and business record keeping skills are crucial factors in maintaining effective marketing performance in MSEs. Based on the conclusions, the study recommends that, SIDO should keep equipping MSEs entrepreneurs with entrepreneurship skills that are necessary in enhancing marketing performance.

References

- Afolabi, B. and Macheke, R. (2012). An analysis if entrepreneurial and business skills and training needs in MSEs in plastic manufacturing industry in Eastern Cape Province, South Africa. *International Review of Social Sciences and Humanities*, 3 (2), 236-247.
- Bengesi, K.K. (2014). The influence of Networking Capability in Small and Medium Enterprise performance. *International Journal of Business and Social Science*, 1(1), 1-33.
- Chebii, P.A (2017). Entrepreneurial mentoring and its outcomes among Small and Medium enterprises Eldoret, Uasin Gishu country, Kenya. Dissertation for Award of degree of Doctor of philosophy in Entrepreneurship in the Jomo Kenyatta University of Agriculture and Technology: Kenya.
- Denson, M. (2018). Influence of Marketing and Financial Management Training on Performance of MSEs in Nairobi County, Kenya. *International Journal of Social Sciences and Information Technology*, 4 (10), 313-322.
- Desta, N. (2015). Networking as a growth Initiative for Small and Medium Enterprises. Dissertation for award of Masters of Development studies in University of the Free State: South Africa.
- EEA. (2015). Small and Micro Enterprises (SMEs) Development in Ethiopia: Policies and Performances. *Global Business and Economics Research Journal*, 2(9), 20-46.
- Gakure, R. W., Ngugi, P., Waititi, A. G. and Keraro, V. N. (2013). Effects of entrepreneurial skills on sustainability of small and medium family Enterprises after the exit of the founders. *International Journal of Management and Business Studies*, 3 (2), 11-24.
- Gerhard, B. C. (2016). An investigation of the marketing performance measurement practices in Hatfield Volkswagen group. *African Journal of Business Management*, 1 (1), 1-9.
- Government of Kenya (2015). Economic Survey Report. Nairobi. Government Printers.
- Karanja, N.B. (2014). Influence of entrepreneurial training on performance of youth enterprises in nyeri county, Kenya. A thesis of award of master degree of arts in project planning and management of the University of Nairobi: Kenya.
- Khadim, H. (2024). Influence of Record Keeping on the Performance of Micro and Small Enterprises in the context of their area of operation: an empirical study. *International Journal of Professional Business Review*, 5 (9), 1-15
- Kiveu, M. and Ofafa, G. (2013). Enhancing market access in Kenyan SMEs using ICT. *Global Business and Economics Research Journal*, 2(9), 29-47.
- Magembe, Y. (2017). Credit access by small and medium enterprises in Tanzania. *A journal of Economics and Management Sciences*.
- Magembe, Y. K. (2016). Growth of SMEs in Dar es Salaam: Factors influencing their growth and challenges they face in the course. *Global Journal of Human Social Science*, 19(1), 1-13.
- Mashimba, S.H. (2014). Performance of Micro and Small-Scale Enterprises (MSEs) in Tanzania: Growth Hazards of Fruit and Vegetables Processing Vendors in Tanzania. *Journal of Applied Economics and Business Research*, 4(2), 120-133.
- Mayuran, L. (2016). Impact of Entrepreneurship Training on Performance of Small Enterprises in Jaffna District in Sri Lanka. *Global Institute for Research and Education*, 5 (2), 1-6.
- Msoka, M.E. (2013). Influence of Entrepreneurship skills on the performance of Micro and Small Enterprises owned by women in the urban area of Tanzania. *International Journal of Business, Humanities and Technology*, 3(1), 23-45.
- Munene, B.G (2013). Influence of Entrepreneurial Training on Business growth of Micro and Small enterprises among youth driven initiatives. Dissertation for award of Masters of Business Administration (Entrepreneurship Option) at Kenyatta University of Nairobi: Kenya.

- Mwatsika, C. (2015). Impact of Entrepreneurship skills provision to women in Micro and Small Entrepreneurship Performance in Ilemela and Nyamagana Districts. *African Journal of Business Management*, 9(9), 425-436.
- Rao, V. and Joshi, H.G.(2011). Entrepreneurship Training in Apparel and Fashion Design Sector through distance Mode: A strategy for facing the Challenge of growing Unemployment in India. *International Journal of Small Business and Entrepreneurship Research*, 3(5), 14-22.
- Sajilan, S and Tehseen, S. (2016). A Conceptual framework of the impact of entrepreneurial competencies on Micro and Small enterprises business performance in the Malaysian hospitality and tourism industry. *Review of Integrative Business and Economics Research*.5 (2), 47-61.
- Sikei, J. (2013). An Assessment of the role of financial literacy on Performance of Small and Micro Enterprises: Case of Equity Group Foundation Training Program on SMES in Njoro district, Kenya. *World academic journal of business and Applied Sciences*. 1(1), 1- 12.
- Tambwe, M. (2015). Impacts of Entrepreneurship Training on growth of Small and Medium Enterprise. Dar es Salaam. *Business education journal*, 4(1), 1-18.
- Weldeslassie, H.A (2019). Contribution of Micro, Small and Medium Enterprises (MSMEs) to Income Generation, Employment and GDP. Ethiopia. *Journal of Sustainable Development*. 3(1), 46-81.
- Wernerfelt, B. (1984).Resource Based view of a firm. *Strategic Management Journal*, 5(2), 171-180.