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Performance of Micro and Small Scale Enterprises in Tanzania: Growth Hazards and Architecture of Fruits and Vegetables Processing Vendors

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Abstract

Processing of agricultural products is becoming important for food insecurity and economic development in Tanzania. Unfortunately, smallholder food processing enterprises do not access opportunities created by market, thus their growth is less likely. Therefore, this study analysed growth performance of micro and small scale enterprises (MSEs) involved in fruits and vegetables processing activities in Tanzania. In a field study, cross-sectional and three panels data were collected from 140 MSEs in Dar es Salaam, Morogoro, Coast and Tanga regions of Tanzania. The sampled enterprises operated independently, meaning without alliance under individual competitive mode "unilaterally".

Returns on investment (ROI) analyses were done to study the enterprise investment returns. Results showed that their average ROI under unilateral mode is lower as compared to collective investments in each of the study regions. The 14 years forecasted ROI results showed that if the enterprises in each study location invest their last profit as a group their ROI increases significantly over time.

Furthermore, Cox Proportional Hazard model was used to recognize sampled MSE's, manager-owner's, and geographical proximity characteristics associated with their growth. It included estimation of time transpires until such enterprises achieve European Commission (EC) and Tanzanian growth levels. The following characteristics were identified as main growth drivers of sampled MSEs: their operational capital; number of owners; staff-size; profit; annual production of products; access to basic market information; linkage to supportive bodies; government business improvement services; distance to main inputs sources and marketplace of processed products; manager-owner's age and business experience.

This study identified a low growth rate of the sampled MSEs, *i.e.* 0.24% and 0.15% per year for revenue and capital investment, respectively. These results suggest that if they continue to operate individually under the same conditions and growth rate, it will take centuries to realise large scale standard growth levels. Therefore, it is proposed to merge MSEs and form cooperatives as appropriate operational mode for a better performance. Finally, logit regression results demonstrated that the willingness to cooperate of the manager-owners is around 62%.

Keywords: Fruits and vegetable processing, MSEs, organisation