

ROLE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN TANZANIA

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Small and medium-sized enterprises (SMEs; sometimes also small and medium enterprises) are enterprises whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO).

There is no official operational definition for the SME sector in Tanzania which caters for all stakeholders. However, promoters have their own working definitions that suit their purposes for day to day operations.

The Small Industries Development Organization (SIDO), classifies small scale industries as those establishments which employ people not exceeding 50 while micro enterprises are those projects which employ 10 people or less. Informal sector projects also are small units but not officially registered. In addition, these have no working premises and are not in official records.

Financial institutions have their working definitions. The National Bank of Commerce is defining a small scale enterprise as a project with capital investment not exceeding US\$ 250,000.

The SME sub-sector's contribution to the national and socio-economic development can be seen as follows:-

- It generates income and employment;
- Is a major supplier of goods and services to the people;
- It contributes about 50% of industrial products' GDP (Gross Domestic Product);
- It is a main creator of new products, new services, and new entrepreneurs.

In actual fact, the SME sub-sector is contributing most to job creation especially currently where formal employment is no longer in the position to absorb the job-seekers. For example, the retrenchments in the civil service have eroded the capacity of the public sector as a predominant employer. This led to many retrenches resorting to other income generating opportunities in the SME sub-sector.

In 2013, for instance, it was estimated that about 12% of the rural labour force was self-employed in the SME sector, while in urban areas it was estimated to be 34%.

The average number of school leavers who join the labour market is estimated at 700,000 annually whereas the formal economy creates about 22,000 of new positions annually. Based on this prevailing economic situation there is no doubt that small and micro businesses as representatives of private sector are providing an alternative solution.

The government has recognized its role in creating an enabling environment for the emergence of the private sector and its participation in economic activities. It has committed itself to reduce its direct involvement in productive activities. Instead, the private sector is encouraged to invest into these areas.

The main Government role with respect to SME development includes:

- To provide necessary infrastructure for SME development;
- To set up institutions which support SME activities and to strengthen the existing ones, e.g. SIDO, CARMATEC, TEMDO, through the national budget;
- To ensure equal access to employment for women, youth, and the disabled.

The private sector in Tanzania is viewed as an engine of growth, opposite to the former view in which it was regarded as an enemy to socialism. Despite of this, however, organizations of the private sector remain unorganized, weak and hesitant to play their roles effectively. They tend to react rather than taking an initiating role in the process of policy formulation. They are centrally operating from head offices in Dar Es Salaam without having strong branches at regional or zonal levels.

Private membership organizations include:

- Tanzania Chambers (CTI and TCCIA);
- Tanzania Exporters Association (TANEXA);
- Tanzania Co-operative Union (CUT).

In general the private sector in Tanzania has so far been too modest and disorganized to articulate its interests in the policy making process.

SMEs are considered to be one of the principal driving forces in economic development. They stimulate private ownership and entrepreneurial skills they are flexible and can adapt quickly to changing market demand and supply situations they generate employment, help diversify economic activity and make a significant contribution to exports and trade.

To better understand the role of SMEs in the market economy and to help countries in transition to set up appropriate SME policy and support institutions, one of the goals of TCCIA is aimed at giving advice to government institutions and agencies on how to develop national SME promotion policies and how to create an appropriate mix of promotion instruments and proactive approaches.