PREVALENT TRAINING PRACTICE OF SME IN ARUSHA CITY

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ABSTRACT

The study was conducted to determine the impact of training on the performance of SMEs in Tanzania. The study had three specific objectives which include assessing the impact of marketing training on SMEs performance, to investigate the impact of credit management training on SMEs performance, and to investigate the impact of records management training on SMEs performance. This research is a case study of Arusha City was used as the primary respondent in this investigation. In order to determine the sample size, the researcher will employ both purposive and convenient sampling strategies. Using these sample approaches ensures equal involvement of different types of respondents, making the study more accurate and valid. Questionnaires will be used to obtain data. In order to analyze data, the researcher will employ a regression model. Quantitative methodologies will be used in data analysis of the study findings in each variable. The study's data testing outcomes will provide the findings on marketing, credit management, and records management trainings and their importance in promoting financial performance. Finally, the study will demonstrate the recommendation that business owners take particular training to increase their capacity in running a profitable business.

KEYWORDS: ***financial performance, training, credit management training practice, record management practice and market management training practice***

1.0 Introduction

MSEs Make lower goods and services, employ a big number of people, and hence contribute considerably to a country's development and economic prosperity (Masakure et al., 2009). According to (Kebebe, 2015), MSEs perform an almost necessary developmental role by generating revenue and employment and contributing to general society and local economies. Regardless of their functions, MSEs are concentrated in unorganized/unregistered, parallel economy, non-institutional (Shuaib, 2004). MSEs have relatively limited access to conventional financial services, particularly loans, to meet their operating and investment capital needs.

In both urban and rural regions, traditional financial institutions have failed to assist low-income individuals and their businesses (Yeboah, 2010). Commercial bank activities such as demand for conventional collateral, credit rationing, preference for high-income clients and large loans, and bureaucratic and time-consuming loan-approval procedures keep the majority of low-income earners away from the formal sector financial institutions in developing countries. Besides the commercial banks, self-financing, local money lenders, and microfinance schemes are considered alternate funding sources for MSE s. Nevertheless, self-financing is further limited by MSEs' low savings capability as a result of low earnings, and moneylenders with their high interest rates are very selective and consider MSEs without reference as having significant default risk and hence decline general lending.

However, microfinance schemes have been the sole viable option for giving loans to low-income earners who are not approved by other sources of finance. These schemes are ready to loan small sums to first-time or less creditworthy borrowers, and the majority of the time to people who do not have collateral (Ali and Ahmed, 2009). They deploy credit procedures that make advantage of effective collateral. Substitutes, quick loan processing, creative recovery techniques, and micro entrepreneur working capital loans (Hassan and Renteria-Guerrero, 1997). The approaches being used enable microfinance scheme clients of MSEs to grow by boosting incomes, hence providing jobs and bringing the poor out of poverty.

It is stipulated that credit alone cannot improve MSE performance; however, motivational elements greatly contribute to an enterprise's successful performance (Benzing and Chu, 2009). These motivational aspects can be obtained in a variety of ways, one of which is through training and education. In this aspect, training allows individuals to alter their behavior and perceptions of their activity. In Tanzania, the majority of MFIs lend to their consumers without providing them with business training. Borrowers of MFIs are MSEs whose owners have had the opportunity to participate in business training for a variety of reasons. It is critical to analyze how business training affects MSE performance when compared to MFI clients who have not received any training. As a result, this research presents a comparative effect analysis of MSE

Human motivation aspects are critical for business growth regardless of whether the company has enough finance. Training can shape these characteristics and human needs. Some motivations for growth comprise of completing difficult tasks, having total control of one's own career, increasing movement of enterprise activities, providing more chances for enterprises, gaining new skills by working in tough situations, and sometimes a desire to alleviate poverty (Singh and Belwal, 2008). In this regard, persons with a high demand for accomplishment, notably MSE owners, value specific work-task scenarios and do well in them, whereas their counterparts perform badly. Similarly, clients of MFIs with strong achievement needs for growth are likely to develop faster than those with low achievement needs for growth. It should still be noted, though, that some of these motivational attributes can be learned through training and observation of others (Roomi etal., 2009).

The relevance of training as a vehicle for MSE growth has been recognized everywhere. Several studies have shown that training has a substantial impact on the growth of businesses. Edgcomb (2002), for instance, established that training had a considerable impact on participant characteristics and ultimate participant outcomes. Training improves MSE owners' abilities, changes their behavior in how they view and handle business tasks, and so improves their ability to perform better. MSE entrepreneurs with the correct talents can achieve significant advent ages even in a highly competitive environment. Enterprise owners/managers can acquire networks, transfer technology, grow commercial entities, and learn new and better management skills through training. That's because business training is primarily focused on developing the participants' entrepreneurial talents and attributes to make business better (Roomi et al, 2009).

Limited accessibility to soft productive resources (especially basic management and financial literacy) may hinder entrepreneur’s ability to participate successfully in business activities (Heino and Pagan, 2001). Furthermore, several others argue that capital and business skills are the most important and key factor inputs for MSEs (Kuzilwa, 2005). Microfinance programs were established to provide credit, which is a key source of needed capital. However, as previously stated, providing financing without business skills would not allow firms to thrive optimally. It is also likely that the demand for credit from MSEs will be lowered as the owners gain more experience and exposure. Understanding on how to best use/manage the resources they have as a result; this study will be based on the notion that the businesses getting training services perform better than individuals who do not receive training.

2.0 Literature review

2.1 Human capital theory

Gary S. Becker and Jacob Mincer proposed his theory in the 1960s. Gary, one of the theory's proponents, highlights those tangible forms of capital, including shares and assembly lines, are not the only ones that constitute the type of capital. Economists consider health, education, and training expenditures to be investments in human capital. Employees making investment decisions weigh the desirability of various future income and consumption streams, some of which offer higher future earnings in exchange for higher present training costs and deferred consumption. According to Kucharcikova (as cited in Alika & Aibieyi, 2014), human capital is the collection of an individual’s congenital and acquired skills, knowledge, and experience s. When hiring new employees, the county public service board should consider factors like education level. This may assist the organization in identifying any training needs that the employer may have in order for him to perform optimally and thus achieve organizational goals. The same with promotions based on employee cadres. This is due to the fact that employees bring varying levels of human capital to the organization. Moreover, it is also important to note that human capital is defined by factors for instance experience, tenure, education, and training.

This theory is relevant to this study because it shows how human capital can utilize training through acquired skills to gain better performance in the business. Therefore, SMEs needs to utilize training for more experience and expertise in various fields.

2.2 Economic Theory

According to Scott, (1999), business venture and financial development would occur when financial conditions had been exceptional fiscal stimuli were the primary assistants for large business operations. Assessors consolidate monetary assistance procedure, current approach asset wellsprings, and rough material structure accessibility to financial information, availability wander and advancement opportunities circumstances and progress

2.3 Empirical Literature Review

According to (Lefebvre and Schütze, 2009) SME actors across Europe see the need to develop their innovation capacity and upgrade their qualifications and skills as a significant challenge today with significant differences. Lack of skilled labor is a concern for more than one-third of all SMEs in the EU. Existing training offers and programs are typically planned and organized from the perspective of larger corporations, and they simply do not meet the organizational needs of smaller corporations. The study suggests building abilities as well as new methods and tools for dealing with organizational difficulties and duties. For example, trainings such as e-learning, open and distance learning or the assistance of external coaches have assisted many SMEs in Europe in dealing with these issues online platforms are also effective tools.

The findings in this study indicate that training has a significant impact on business success in Nigeria. This study demonstrates the impact of training on business success while also assisting SMEs in dealing with the most recent management concepts, accounting systems, manufacturing techniques, and information technology. However other factors, including relevant education and experience, are identified as necessary to cope with work and environmental change in addition to training. Training seemed to be overlooked in the past. This study suggests that business owners should invest in training in order for themselves and their employees to acquire or gain knowledge, skills, experience, and new technology that will be used to achieve high business success for their companies. It has been observed that enterprises that engage themselves in training achieve more efficient results than those that do not engage themselves in training and thus cannot compete. This study encourages business owners to invest in their own and their employees' training, as well as to establish a research and development (R&D) department in their companies to oversee management and workforce training, which will lead to or add value to their company's success (Abdulahi, 2015)

According to (Kessy and Temu,2010) demonstrated that training is critical in aiding the growth of businesses. It was also established that firms owned by individuals who had received business-related training grew faster than enterprises owned by individuals who had received no business-related training. Particularly for business owners who have benefited from microfinance services, specific training is required to develop their capacity in running a profitable business. On the contrary, suppliers of microfinance services must recognize the importance of business skills training for their consumers and take appropriate action, such as linking them to training providers or changing the way their products are delivered. Training assists small business owners, managers, and aspiring entrepreneurs in meeting the demands of today's business environment, managing an ever-changing world, and planning for their company's future. This is doable because it is claimed that in order to employ growth strategies effectively, an entrepreneur needs business and marketing skills to improve management and marketing efficiencies.

3.0 Methodology

This study implemented a case study design. Entrepreneurs from Arusha City made up the study population specifically the large enterprises. Quantitative approach was used in both data collection and analysis. This study was conducted in Arusha City. The study used the population of 135 respondents of large enterprise. A sample size of 100 participants with confidence level of 90% and therefore standard error is 5% the sample size was calculated as follows;

n = N/ (1+Ne^2)

$$\frac{135}{(1+135*0.05^2)} = 100$$

The respondents of the chosen sample size provided the primary data for this study, which was conducted. By distributing questionnaires and gathering quantitative data, data was obtained. Frequencies and percentages were displayed using descriptive statistics to show results.

4.0 Findings

105 questionnaires were distributed to study participants, and 100 of them—or 95% of the total—were returned and analyzed. Tables and figures were used to present the study's main conclusions. According to Kumar (2019), a response rate of more than 50% is required to produce useful data. The success rate was credited to the researcher's usage self-administered questionnaires, which involved notifying the targeted respondents ahead of the day of data collection and agreeing on the actual date for data questionnaire administration.

4.1Credit management practice

4.1.1 **Financial stability in the business due to credit management training**

8.5% of the respondent strongly disagreed that credit management training promoted financial stability in their business. 5.3% of the respondent disagreed that credit management training promoted financial stability in their business.4.8% were neutral to credit management training promoting financial stability in their business. 20.7% of the respondent agreed that credit management training promoted financial stability in their business. 19.1% of the respondent strongly agreed that credit management training promoted financial stability in their business

Table 1:

Financial stability in the business due to credit management training

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**6**	**3.2**	**6.0**	**6.0**
Disagree	**10**	**5.3**	**10.0**	**16.0**
Neutral	**9**	**4.8**	**9.0**	**25.0**
Agree	**39**	**20.7**	**39.0**	**64.0**
Strongly Agree	**36**	**19.1**	**36.0**	**100.0**
Total	**100**	**53.2**	**100.0**	

Source: constructed by author field data (2022)

4.1.2 Influence of reduction in additional cost of credit to the financial performance of SME in credit management training

Table: 2

8.5% of the respondents strongly disagreed that credit management training practice reduce additional cost of credit. 5.3.2% of the respondents disagreed that credit management training practice reduce additional cost of credit. 3.2% of the respondents were neutral to whether of credit management training practice reduce additional cost of credit. 30.9% of the respondents strongly agreed that credit management training practice reduce additional cost of credit while 10.6% of the respondents strongly agreed that credit management training practice reduce additional cost of credit.

4.1.3 Reduction in additional cost of credit in credit management training practice

Table 2:

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**6**	**3.2**	**6.0**	**6.0**
Disagree	**10**	**5.3**	**10.0**	**16.0**
Neutral	**6**	**3.2**	**6.0**	**22.0**
Agree	**58**	**30.9**	**58.0**	**80.0**
Strongly Agree	**20**	**10.6**	**20.0**	**100.0**

Total	100	53.2	100.0	

Source: constructed by author field data (2022)

4.1.4 Efficiency with credit management to boost financial performance

9.6% of the respondents strongly disagreed that promoted efficiency in the business credit management training practice. 8.5% of the respondents disagreed that promoted efficiency in the business credit management training practice. 6.4% of the respondents were neutral on promoted efficiency in the business credit management training practice. 17% of the respondents agreed that promoted efficiency in the business credit management training practice while 20.2% of the respondents strongly agreed that credit management training practice promoted efficiency in the business.

Table 3

Efficiency in the business through credit management training practice

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.1	2.0	2.0
Disagree	16	8.5	16.0	18.0
Neutral	12	6.4	12.0	30.0
Agree	32	17.0	32.0	62.0
Strongly Agree	38	20.2	38.0	100.0
Total	100	53.2	100.0	

4.2 Market management practice

4.2.1 Increase in customers from marketing products through market management practice

12.8% of the respondent strongly disagreed to have gained more customers from marketing their products, 8% of the respondents disagreed to have gained more customers from marketing their products. 6% of the respondents were neutral to whether they gained more customers for marketing their products or not. 17% of the respondents agreed to have gained more customers from marketing their products, 20.2 strongly greed to have gained more customers from marketing their products**.**

Table 4

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**9**	**4.8**	**9.0**	**9.0**
Disagree	**15**	**8.0**	**15.0**	**24.0**
Neutral	**6**	**3.2**	**6.0**	**30.0**
Agree	**32**	**17.0**	**32.0**	**62.0**
Strongly Agree	**38**	**20.2**	**38.0**	**100.0**
Total	**100**	**53.2**	**100.0**	

Source: constructed by author field data (2022)

4.2.2 Increase in awareness on the needs of customers through market management training practice

9.6% of the respondents strongly disagreed to have increased awareness on the needs of your customers from marketing. 8.5% disagreed to have increased awareness on the needs of your customers from marketing. 6.4 were neutral to whether or not have increased awareness on the needs of your customers from marketing. 20.2% of the respondents agreed to have increased awareness on the needs of your customers from marketing while 53.2% strongly agreed to have increased awareness on the needs of your customers from marketing.

Table 5:

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**2**	**1.1**	**2.0**	**2.0**
Disagree	**16**	**8.5**	**16.0**	**18.0**
Neutral	**12**	**6.4**	**12.0**	**30.0**
Agree	**32**	**17.0**	**32.0**	**62.0**
Strongly Agree	**38**	**20.2**	**38.0**	**100.0**
Total	**100**	**53.2**	**100.0**	

Source: constructed by author field data (2022)

4.3. Record management training practice

4.3.1 Proper tracking of financial transactions

9% of the respondents strongly disagreed record management training practice helped them track their financial transactions, 5.3% disagreed that record management training practice helped them track their financial transactions. 2.1% are neutral on whether record management training practice helped them track their financial transactions. 25.5% strongly agree on record management training practice helped them track their financial transactions, while 16.5% strongly agree that record management training practice helped them track their financial transactions.

Table 6

Proper tracking of financial transactions

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**7**	**3.7**	**7.0**	**7.0**
Disagree	**10**	**5.3**	**10.0**	**17.0**
Neutral	**4**	**2.1**	**4.0**	**21.0**
Agree	**48**	**25.5**	**48.0**	**69.0**
Strongly Agee	**31**	**16.5**	**31.0**	**100.0**
Total	**100**	**53.2**	**100.0**	

Source: constructed by author field data (2022)

4.3.2 Access to loan from financial institutions

19.7% of the respondent strongly disagree that record management training practice helped them obtain loan from financial institution. 14.4% disagreed that record management training practice helped them obtain loan from financial institution. 14.4% of the respondents strongly agreed that record management training practice helped them obtain loan from financial institution while 19.1 strongly agreed that record management training practice helped them obtain loan from financial institution**.**

Table 7

Access to loan from financial institutions

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**10**	**5.3**	**10.0**	**10.0**

Disagree	**27**	**14.4**	**27.0**	**37.0**
Agree	**27**	**14.4**	**27.0**	**64.0**
Strongly Agree	**36**	**19.1**	**36.0**	**100.0**
Total	**100**	**53.2**	**100.0**	

Source: constructed by author field data (2022)

4.3.3 Effective retrieval of records in the business through record management

8% of the respondent strongly disagreed that record management training practice promoted effective retrieval of records in their business.5.3% disagreed that record management training practice promoted effective retrieval of records in their business. 2.1% were neutral on whether record management training practice promoted effective retrieval of records in their business. 16.5% of the respondents agreed that record management training practice promoted effective retrieval of records in their business while 31% of the respondents agreed that record management training practice promoted effective retrieval of records in their business.

Table 8

effective retrieval of records in the business through record management

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	**7**	**3.7**	**7.0**	**7.0**
Disagree	**10**	**5.3**	**10.0**	**17.0**
Neutral	**4**	**2.1**	**4.0**	**21.0**
Agree	**48**	**25.5**	**48.0**	**69.0**
Strongly Agree	**31**	**16.5**	**31.0**	**100.0**
Total	**100**	**53.2**	**100.0**	

4.3 Discussion of Findings

The study findings show that SMEs have been receiving market training more frequently. The finding of the study shows that there is a need to promote training practice in businesses so as to increase financial performance. Market management training is critical to the performance of the business. Market management training correlate positively with significant relationship to the performance of SMEs. The findings of the study show that there is a need for SMEs to increase number of their customers, create awareness of their products in the market so as to boost their sales and increase their profit which can be achieved through good marketing strategies. The study findings were similar to (Mwakaliakamo, 2020) Entrepreneurs receive a variety of marketing trainings, including competition techniques, branding techniques, sales promotion techniques, and pricing techniques.

The study shows that there I a positive association between record management training and financial performance. In this study, successful financial management represents the same concept as successful SME. A good financial management system will ensure that SMEs fully utilize their resources, gain profit, and limit their liabilities, losses in order to achieve a good financial performance. The study shows there is a need to provide record management training to SME so as to save unnecessary costs by monitor transactions to realize profit. According to Osotimehin et al. (2013), record keeping is critical to the integrity of the business. The prevalent corrupt tendency has permeated the fabric of society, including Nigerian entrepreneurs. Most small and medium-sized business owners were unable to keep adequate records. Many business owners avoid paying taxes to the appropriate authorities. In Malaysia, it may not involve bribery or other forms of corruption, but rather a lack of awareness.

The study shows a significant positive relationship between credit management training practice and financial performance. It was discovered that the various types of credit management directed to entrepreneurs in the study were primarily focused on loan management and financial management. It was also discovered that most of the time, financial institutions, offered various types of loan management techniques before lending the money to them. It was also discovered that, while such trainings have helped to make loan repayment easier, there are still a few restrictions on making effective loan repayment, such as economic volatility in the country training has an impact on the performance of SMEs the study shows that, the inability of some small-scale enterprises to pay outstanding facilities on time may not be due to mismanagement of funds, a lack of proper books of account being kept, or even the frequent method of transacting business based on cash payment. The effectiveness with which financial institutions manage credit extended to small businesses determines their performance. The assessment process, which involves effectively identification o SME small that require credit and making sure that the funds are used for the same purpose (Adedeji,2018).

5.0 Conclusion and Recommendation

Small business owners, managers, and aspiring entrepreneurs can better manage the world's constant change and prepare for the future of their companies through training. This would be possible because it is asserted that an entrepreneur needs business and marketing skills to boost management and marketing efficiencies in order to employ growth strategies effectively.

Additionally, the abilities acquired during training turn into a benefit that can aid in removing uncertainty from decision-making and creating new opportunities. This claim was established from this argument by various authors, as well as by the findings of this study. a strong financial performance is significantly impacted by training.

The findings of the study demand that the issue of entrepreneurship training be given special consideration. Business owners, in particular, should receive specialized training in credit management, to improve their ability to run their enterprises with growth prospects.

The government and other relevant organizations should consider offering entrepreneurship training to entrepreneurs as being among the strategies for them to thrive and also have a competitive advantage in eliminating poverty and enhancing economic growth in light of the study's findings that there is a positive association between credit management training and financial performance.

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