

**CONTRIBUTION OF PRIVATE EQUITY INVESTMENTS ON THE GROWTH OF  
MICRO ENTERPRISES: A CASE OF DISABILITY FUND IN ZANZIBAR**

**BY**

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**November, 2020**

**The work contained within this document has been submitted by the student  
in partial fulfillment of the requirement for Award of the Masters of Science in  
Finance and Investment**

**CERTIFICATION**

I, the undersigned certify that I have read and hereby recommend for acceptance by Institute of Accountancy the dissertation entitled: **“Contribution of Private Equity Investments on the Growth of Micro Enterprises: A Case of Disability Fund in Zanzibar”** in fulfillment of the requirements for the Master of Science in Finance and Investment offered at the Institute of Accountancy Arusha.

.....

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## **DEDICATION**

I dedicate this project to members of my husband; Mr. Abushir Said Khatib your continuous support, wise counsel and indeed investing in my education. I love you and thank you for being there for me.

## **ABBREVIATIONS**

BVCA	British Private Equity and Venture Capital Association
EBIT	Earnings before Interest and Tax
IFC	International Finance Corporation
IPO	Initial Public Offer
LBD	Longitudinal Business Database
NSE	Nairobi Stock Exchange
OECD	Organization for Economic Development
PE	Private Equity
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
SPSS	Statistical Package for Social Science
US	United States

## ABSTRACT

The main objective of this study was to examine the contribution of private equity investments on the growth of Micro Enterprises in Zanzibar. Specifically, the study examined the contribution of expertise offered by private equity investments on the growth of Micro Enterprises, assessed the contribution of financial resources offered by private equity investments on the growth of Micro enterprises and proposed measures for improving private equity investments for the growth of Micro enterprises in Zanzibar. This study employed both quantitative and qualitative approaches in the collection of relevant information. Descriptive design was useful for collecting data and techniques used in analysis. Simple random samplings were employed during the study. Data were collected by using questionnaire and document review. Validity and reliability of the data were tested showing the Cronbach's Alpha, KMO and Bartlett's Test. SPSS version 25 and excel Microsoft application were used to process data. Study findings revealed that that Result indicated that there is an  $R^2$  value of 0.897%. This value indicated that three independent variables (Expertise, Financial resource and Measures) explain 89.7% of variance in Micro-Enterprises Growth. It therefore means that 10.3% of changes in Micro-Enterprises Growth are explained by many other factors not considered in this study model. Thus the study recommends that Micro Enterprises should organize their investment portfolio of private equity so that maximum returns are reached with lower risks. The maximum profits would allow businesses to draw more investors and promote their financing processes.



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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter highlights the main reasons for the study. It also gives the background to the research problem, statement of the problem, research objectives, research questions, and significance of the study as well as the limitations of the study. The chapter ends by outlining the structure of the rest of the study.

#### **1.2 Background of the Study**

In Western countries, private equity investing is widely practiced to finance companies and is mainly in the form of debt and equity. According to Kazeem (2018), private equity has gained considerable penetration in Africa over the past decade and has since been accepted as a potential means for funding both new and existing businesses. Private equity is a fund that is usually earned by providing prospectuses for potential investors whose main interest is to provide funding to attractive acquisitions and, ultimately, return on value (Bolton, 2012). These funds are either collected in the form of debt or capital stock. The portfolio consists mainly of investors and PE funds who invest directly in private-owned companies or make purchases of publicly listed businesses otherwise. Private equity is invested primarily in unquoted securities and involves signing a contractual financing agreement between the PE funds and the company or business seeking private equity financing (Vaidya, 2019).

The BVCA defines PE as the funds for an equity stake in potentially well-performing firms offered in return. Instead of focusing on trading stocks to raise capital, corporations are seeking funding from wealthy individuals and institutional investors including pension funds, insurance firms, and endowments. These funds are used in conjunction with debt funds and their own professional and business experience to help set up and invest in companies with high potential for future growth.

According to Daily News (2014), since 2020, the private equity investment market in Zanzibar has experienced impressive growth, despite the global recession of 2008, which has had a strong

negative impact on private equity funds; PE investment has remained a credible source of corporate financing and a major driver of the economy. On the other side, Bloom, Sadun and Van Reenen (2015) found out that private equity funding is the most costly form of financing for businesses. According to Bloom (2010), this type of investment is sought by companies that, due to their high-risk nature, have no capacity to support debt, as well as lack of historical financial data that would act as a track record to attract public equity. Nonetheless, according to Demaria (2013), these businesses were troubled when it comes to capital acquisition owing to the shareholders' intense need for due diligence. Nevertheless, these problems were overcome in the private equity sector through the use of a limited partnership arrangement where such financial commitments are well handled by investing professionals such as buyout buyers and venture capitalists, known as general partners. General partners are the specialists, according to Ongore (2011), who hint, structure and manage equity investments within privately held firms.

Private Equity is a major driver and a tremendous source of funding for business growth and its use would be of great importance for Zanzibar-based companies because they are seen to be facing financial challenges, yet they have a great potential for growth. According to the 2013 IFC Report on Common Wealth Trade and Investment, "IFC supported private equity funding, noting that their previous experience was that these funds help businesses to grow and generate jobs by combining capital and commercial knowledge. In particular, IFC found that private equity funds are good at reaching and helping those rapidly growing of Micro enterprises that contribute significantly to job growth. The private equity form is Buy outs which involves buying from the current shareholders an existing company. Diller and Kaserer (2018) noted that there are a number of PE investments, but most of them invest capital through fixed-life funds, through which companies' portfolios are formed, developed and in the end exited. When such deals are closed, it will be necessary for private equity firms to provide more funds to stay in business. From an economic perspective, one of the major advantages Private Equity has in contrast to Public Equity is that Private Equity does not in the long run dilute control. This is because the term sheet for Private Equity specifies the terms of the commitment and thus the terms of the exit after which the ownership returns to the original owners. (Vaidya, 2019).

Demaria (2013) defined performance as the effectiveness with which something meets the intended outcomes as measured against the current standards. Groh, Liechtenstein, and Lieser (2011) have also defined performance measurement as a process used to quantify an action's effectiveness and effectiveness. Once, according to Venkatraman and Ramanujam (1986), the larger picture of a company's performance ranges around three clustered overlapping circles, with an organization's largest reflecting efficacy.

An organization's performance and productivity includes all facets of corporate operation. An enterprise's effective performance is what any investor will focus on to determine whether or not the enterprise is an ongoing concern. In the real business environment, when there is a good difference between average revenue and average variable costs, a corporation is seen to do economically well. On the other side, if its average income is lower than the average variable cost, a business will be seen to perform poorly. Financial analysts play a very critical role in performing financial analysis to help private equity shareholders make a clear judgment about whether or not to participate in the business.

Injecting money into companies, whether at the start-up level or at a company's continuing point, impacts the company's future results. Private equity is a source of capital which falls to new and young companies in the form of venture capital or in the form of buyouts of existing businesses. According to the IMF Economic Report (2015) PE-backed businesses usually outperform other firms as these investments are seen to exercise a lot of discipline with a lot of investment research being done until injection of such funds. Also, PE funds dictate a lot of changes in management that would work towards profitability and thus ensure favorable returns on their capital invested. Certain considerations found to determine the level of success of private equity funded companies include; whether the PE is in the type of venture capital or buyout, the duration of the PE investment and the expected exit strategy, i.e. whether all the IPO or other exit strategies.

### **1.3 Statement of the Problem**

Zanzibar remains a hotspot for private equity investment, as dealers from around the world continue to be attracted by the favorable and improved business environment, (African business central magazine, 2017). Investment in private equity in Zanzibar, however, has not received



much focus from researchers and is thus not well recognized as a source of business finance. Lack of knowledge in Zanzibar has limited many companies to obtain funds from financial institutions with some companies that have scope for market growth that do not expand beyond the rate of Micro enterprises and some that do not close because of the collateral needed by banks in Zanzibar to receive loan facilities. Most of the available researches and studies on the topic have been undertaken outside the Zanzibar land. In 2013, Deloitte investigated the West Africa private equity investment. Research by Babarinde (2012) focused on assessing risks on the return trade-off among the private equity company in Uganda. Another study was conducted by Kamau (2012) focusing on the relationship between investment strategies and organizational performance of Private Equity in Sudan. With all these researches and studies, there are still not enough researches on the nexus between the private equity funds and the growth of Micro enterprises in Zanzibar. Hence, there is a gap in the literature on the Contribution of Private Equity Investments on the Growth of Micro Enterprises particular Zanzibar Development Funds for Person with Disability. This study sought to cover this gap.

#### **1.4 Research Objectives**

##### **1.4.1 General Objective**

To examine the contribution of private equity investments on the growth of Micro Enterprises in Zanzibar.

##### **1.4.2 Specific Objectives**

- i. To determine the contribution of expertise offered by private equity investments on the growth of Micro Enterprises in Zanzibar
- ii. To assess the contribution of financial resources offered by private equity investments on the growth of Micro enterprises in Zanzibar relevance
- iii. To propose measures for improving private equity investments for the growth of Micro enterprises in Zanzibar

## **1.5 Research Questions**

- i. Does the expertise offered by private equity investments contribute to the growth of Micro Enterprises in Zanzibar?
- ii. What is the contribution of financial resources offered by private equity investments on the growth of Micro enterprises in Zanzibar relevance?
- iii. What should be done to improve the private equity investments for the growth of micro enterprises in Zanzibar?

## **1.6 Significance of the Study**

Through this study, Micro enterprises will be aware of the impact on business results of private equity funds. The findings of the study will be expected to provide practical guidance to various government sectors, particularly the business sector, which can help ensure that small businesses grow and perform well at regional and national level. In fact, it is more likely that the government will understand the need to formulate policies that support private equity investment. The thesis would make a significant contribution to achieving the Zanzibar 2030 vision (which recognizes the dimension of improving small private businesses as the key industries in the future). The study can also be used as a reference to academicians and other student undertaking same field on matters patterning to private equity and the performance of Micro enterprises.

## **1.7 Scope of the study**

The study focused on the appraisal of the contribution of private equity investments on the growth of Micro enterprises in Zanzibar. Researcher chooses small and medium enterprises in Zanzibar because it's her area of resident and it will be easy to collect data.

## **1.8 Limitation of study**

There was restricted time to face-to-face meetings to clarify any confusion with the questionnaires provided to the participants. The researcher overcomes this restriction by offering a cover letter to ensure that participants are handled with utmost confidentiality and used for study purposes only. Also, researcher used simple language to design and manage the questionnaire.

### **1.9 Organization of the Study**

This study comprises five chapters. Chapter one unveils the problem which informs the study and its context. This contains the background to the study, statement of the problem, objectives of the study, research questions, and significance of the study and organization of the study. Chapter Two contains description of the theoretical framework and empirical literature. Chapter three describes the research methodology and procedures of data collection and analysis. Chapter four entails data presentation, analysis and discussions, while chapter five provides the summary, conclusions and recommendations of the study. References and appendices cover the last part of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Definition of Concepts**

##### **2.1.1 Private equity**

Private equity are funds that are normally raised by offering prospectus to potential investors whose main interest is to provide capital to promising investments and therefore make returns with time (Bolton, 2012).

##### **2.1.2 Private equity investment**

According to Wilson (2012), Private equity investment is a source of equity that is not quoted in a stock exchange market. It comprises of investors and PE funds that invest in private companies or otherwise engage in buy outs from public companies. Such companies normally have potential of future growth but lacks funds and enough liquidity. Private equity investments are made up of institutional investors as well as other giant investors who can dedicate and spread their funds into long term investments. Extended time of investment is normally necessary to give distressed companies enough turnaround time to create sufficient liquidity.

##### **2.1.3 Performance**

Performance refers to an ongoing process that involves managing the criteria for which an institution, agency or project can be held accountable (Thibodeau, 2001). Performance of a business refers to the ability of business to meet the required standards, increase market share, improve facilities, ensuring returns on profitability and total cost reduction and once this is achieved, a business is believed to be performing effectively (Fitzgerald, 2006). Performance as outcomes, end results and achievements (negatives and positives) arising out of organizational activities. They argued that it is essential to measure strategic practices in terms of outcomes (Curley, 2005).

#### **2.1.4 Micro enterprises**

Micro enterprises what constitutes “small” in terms of government support and tax policy varies by country and by industry. Businesses with 10 or fewer workers are called micro-enterprises. Those with 11-50 people are small enterprises and 51-100 are medium. However, the number of people may not be a good indicator especially if the industry is labor intensive. This is true for countries like India where there is labor intensive approach to industrialization policy. In some cases, it is possible for a trading organization to transact huge sums of business worth transactions and yet employ few people (Maseko, 2011).

#### **2.1.5 ZANZIBAR DEVELOPMENT FUNDS FOR PERSON WITH DISABILITY**

This is a permanent established in 2012 under Persons with Disability (RIGHTS AND PREVELEDGES) Act 2006, Zanzibar disability fund was arranging for contributing from different sources and administered by the Directors of the Department of Persons with Disability under supervision of the Zanzibar National Council for Persons with Disability. The source of fund is not limited from; -

- a) Money as may be appropriated to the council by the house of representative;
- b) From voluntary or statutory contribution;
- c) From rising activities
- d) Income generated from by investment made by the councils
- e) From loans approved by the councils
- f) Any Other grant or donation which the council may receive for the purposes of the fund
- g) Any other source approved by the council

In the same time, Zanzibar Development funds for the Persons with Disability contributing on the following areas for the interest of the persons with Disability.

- a) To the expenses, include capital expenses of the Institution that train person in the cases of PwDs.
- b) Contribute to the capital expenses of the project undertaken by the Government for the benefit of the PwDs.

- c) Provide or contribute to the cost of assistive device recurring medical expenses and devices.
- d) Pay allowance to the persons with disability of the following categories and who has no other sources of income.
  - i. Person with severe Disability and who are therefore not trainable in any skills
  - ii. Aged person with disability and make payment or contribution for such purpose as may be prescribed by the council.

Currently the was provided to the persons with Disability as grand and loans, almost 76 person with Disability are achieved as loan to improve micro enterprises in Unguja and Pemba

## **2.2 Theoretical Literature Review**

### **2.2.1 Agency Theory**

Jensen and Meckling (1976) define agency theory as a contract between the main party and the agent party by which the agent is contracted on their behalf to perform certain specific duties. Usually, the principal delegates such decision-making roles to the agent and is assured that the agent can strive to optimize their property. The agents are under this theory. The theory of the Agency agrees with the argument of Larcker (1983) that agents are interested in decisions of a short-term nature and that they try to maximize the available firm resources within a limited time frame. On the other side, investors tend to optimize their long-term gains and not in the short-term, which contributes to an agency problem. To mitigate this problem, PE fund shareholders offer performance incentives such as share options and performance reward system signing to their managers. Travlos and Waegele in (1987) indicated that businesses with a long-term compensation plan should do well than those without a compensation plan. Furthermore, Lewellen and Rosenfield (1985) state that firms with a management stock ownership plan normally have higher returns. However, it is possible to make better decisions by closely monitoring and involving the board of directors that do not lead to conflicting interests. PE Investments ' success requires that managers ' and investors ' goals are well aligned and focused on creating and maximizing wealth. The theory of the agency is therefore very applicable to this study as it attempts to align shareholders ' and managers ' interests. The involvement of

managers whose personal wealth is closely linked to the value of companies leads to a better investment decision for PE funds. To order to increase the profits for creditors to ensure better financial performance for these firms, management can be rewarded by way of performance-based incentive systems as well as close monitoring and intervention from stakeholders where appropriate. This theory therefore guided the researcher in examining the contribution of expertise and financial resources offered by private equity investments on the growth of Micro Enterprises in Zanzibar

### **2.2.2 Resource-Dependence Theory**

Resource-dependence theories were originated by Jeffrey Pfeffer and Salancik (1970). They claimed that there is a board of directors to provide the company's senior managers with resources to help them accomplish the company's objectives (Hillman, Cannella, & Paetzold, 2020; Hillman & Daziel, 2003). The theory advocates for the Board of Directors' interventions while insisting on strong financial, human, and intangible management support. For example, boards of directors who are expatriates in certain areas can use their knowledge to coach senior managers and mentors in a way that increases the organization's performance. The board of directors can also use its connections to attract the company's resources. Resource-dependence hypotheses suggest that the senior managers will make most of the high-end choices and, when appropriate, the board of directors should obtain approvals. PE funds normally use this theory where they set a precondition for the company in which they are to invest their funds to be included in the board of directors. It allows them to track and react to any judgment of the board about the investment decisions of the company. This theory is relevant to this study as it guided the researcher in assessing the contribution of financial resources offered by private equity investments on the growth of Micro Enterprises in Zanzibar.

### **2.3 Empirical Review**

Amenya (2015) took a study on how capital structure influences the organizational performance of firms listed in Nairobi stock exchange. He established a negative relationship between higher financial leverage and organisational performance of firms. The study established that higher total debts led to less return on equity and thus a reduction in the shareholder's wealth. This implies

that there is need to inject more capital rather than borrowing more funds. This implies that injecting more capital in form of private equity will lead to a positive impact on performance as compared to borrowings.

Kaumbuthu (2011) took a study on the effect of investment on the return on equity on the firms in the NSE under the industrial sector for the period 2004 to 2008. Debt equity ratio was used as an indicator for capital structure while return on equity was used as a had a negative effect on the financial performance. From the analysis, the study established that debt equity ratio and ROE. The study was however focused on one sector and only concentrated on the aspect of financing option.

Mwirigi (2014) carried out a research on the effect of Private equity in emerging markets. His study conducted a research on books, articles data and information on the PE industry and its activities in Kenya. He concluded that the PE has contributed significantly to the growth of firms in emerging markets, though not without challenges posed by poor legal and institutional settings.

In an earlier study, Kiprop (2013) analyzed the relationship between investment and the value of companies quoted in Nairobi stock exchange. He collected and analyzed quantitative data so as to unravel the correlation between the two variables. Based on the analysis, a conclusion was made that there was a significant positive correlation between capital structure and the value of the firms. This empirical review is significant in this study since PE fund affect the capital structure of a company and so the value of the firm.

Prince Baah-Peprah and Priscilla Serwaah (2017) analyzed the impact of private equity on the organizational performance of firms in emerging markets. A multiple-approach was utilized to collect primary and secondary data which was then analyzed using a mixed methodology. From the analysis, the study established that the companies that the financial performance of firms that were funded through private equity was relatively higher than that of publicly quoted firms. In addition, the study established that the firms higher private equity ownership stake had marginally higher growth rate and return on equity (ROE) than the firms that had lower private equity ownership stake.



Bernstein, Lerner, Sørensen, and Per Strömberg (2018) analyzed the effect of private equity on industry performance. They combined two datasets to analyze how PE investments affect industries. One dataset contained information on private equity investments and other contained industry activities and performance data across member states of the Organization for Economic Cooperation and Development (OECD) that are captured in the OECD's Structural Analysis. The study found that firms in which PE funds had invested in the previous five years had grown much faster. They also found that there were minimal significant variations between industries with high and low PE activity, implying that the findings were partially driven by spillover effects from PE-backed firms to other firms in the industry. Again, they found no support showing that economic activities in industries that had private equity support was more exposed to aggregate shocks.

A study by American Economic Review (2011) examined the performance of more than 3,000 PE-owned firms from 1980 to 2005 and documented gains in total factor productivity. The study used the U.S. Census Bureau's Longitudinal Business Database (LBD) to look at individual business establishments (a smaller unit of observation than the business as a whole). The study found that PE firms tend to close or restructure less productive establishments while growing more productive ones, essentially reallocating resources within a company to their most productive use, yielding net gains in efficiency. This implies that private equity would have a positive effect on firms' performance through increased efficiency.

Amess, Stiebale and Wright (2015) analyzed the effect of private equity on firm's innovation activities. The study utilized a propensity score matching technique (to come up with the counterfactual) and combined it with a difference-in-differences estimator so as to determine the effect of Leveraged Buyout on portfolio firms. Their findings suggested that Private equity firms do not focus on short-term cost-cutting in the place of long-term performance; rather, they facilitate investments in innovative activities that have a long-term pay-off.

Brown (2017) undertook a study on the nexus between venture capital and firm's long term performance. He carried out a study on US based firms in seven key-hi tech industries. He presented separate findings for a small sample of firms that are backed up with venture capital- and those that were not backed up, carefully matched, based on a three-digit industry and firm

size before the initial public offer(IPO). The methodology of matched sample, also used by Megginson and Weiss (2011) and Jain and Kina (2015), provided an analysis on the complete sample results and helped to make sure that the venture-capital supported firms were evaluated against a set of firms with no back up from venture CapitalLand which possible similarities. The results indicated that venture-backed firms raised considerably higher amount of funds from the IPO, and that both types of firms showed considerable increase investment spending as well as on their size as they go through the IPO. The IPO proves to be more important to the non-venture-backed firms in terms of financing capital expenditure and on R&D. After the IPO, firms that are venture-supported survive longer and have less hazard rates.

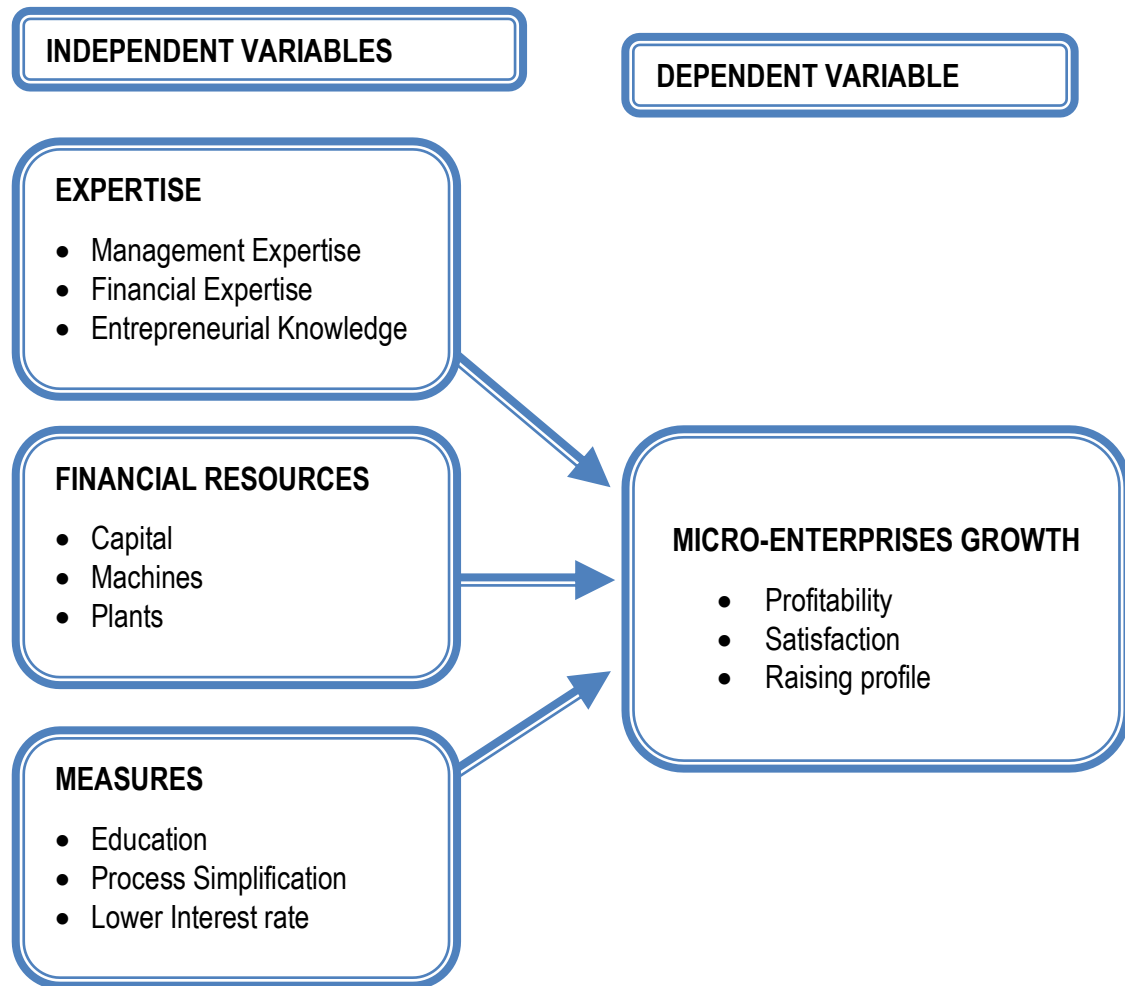
#### **2.4 Research Gap**

The literature reviewed above shows that the private equity fund has a major influence on the organizational performance of firms. Various researchers and scholars have conducted research studies to establish the relationship. Globally, there is extensive research work on the effect of private equity fund to firm's financial performance. Local studies however do not indicate any study carried out to establish any correlation between PE fund and performance of Micro enterprises. The only research available by Mwirigi (2018) focuses on the general role played by PE in emerging markets. His study however did not address the existing research gap on how Private Equity contribute on the growth of Micro-enterprises in Zanzibar. This left a research gap that the current study sought to bridge.

#### **2.6 Conceptual Framework**

Conceptual framework of this study explains relationship between independent variables and dependent variable. Independent variables in this study are expertise, financial resources and measures. Dependent variable of this study is Micro-Enterprises Growth.

Figure 2.1: Conceptual Framework



Source: Researcher 2019

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter intends to give a brief description on how the study was conducted. The chapter describe the area of study; population; research design, sampling technique, methods of data collection, and research procedure to be used and the methods of data analysis to be applied.

#### **3.2 Research Design and Technique**

Descriptive research design is used to describe the characteristics of community, population, organization or people who are participating in the study. The characteristics of a community include gender, age, education level and even marital status of respondents (Kothari 2004). The study was conducted by using descriptive research design. The purpose of choosing descriptive studies is to find inter-relationships between variables.

Descriptive design was useful for collecting data and techniques used in analysis. Moreover, this design was chosen to provide insight and comprehension concern the contribution of private equity investments on the growth of Micro enterprises in Zanzibar.

#### **3.3 Area of the Study**

This study was conducted at Zanzibar to examine the contribution of private equity investments on the growth of Micro enterprises in Zanzibar. The reason for choosing this area of the study simply is because it was very familiar to the researcher and helped to get the information needed in data collection.

#### **3.4 Research Approaches**

A research method is the plan of circumstances for the gathering and analysis of data in a way that goals to combine the significance of the study purpose with economy in process (Kothari 2002). This study employed quantitative in the collection of relevant information concerning the objective of the study.

### **3.5 Sampling design**

#### **3.5.1 Population and target population**

According to Kombo & Tromp (2006) population is a group of individuals, objects or items from which samples are taken for measurement. The population of this study consists of 134 entrepreneurs from Zanzibar development Disability Fund. The target population of this study based on the fact that entrepreneurs have knowledge and experience about their private equity investments.

#### **3.5.2 Sample Frame**

Sampling frame consists of a list of items from which the sample is to be drawn (Kothari, 2004). In this study, the sampling frame consisted of all entrepreneurs of Zanzibar development Disability Fund. This sampling frame has been considered suitable for this study because it consists of people who are aware of the contribution of private equity investments on the growth of Micro Enterprises.

#### **3.5.3 Sampling technique**

The researcher used the probability sampling techniques. Simple random sampling technique was adopted in this study. Simple random sampling technique was suitable for this study because of its advantages like minimization of bias results, improve reliability and validity of data from respondents who represents the population. This implies that all participants in the study population had an equal chance of being selected.

#### **3.5.4 Sample size**

The determination of sample size is a common task for many organizational researchers. Appropriate and adequate sample sizes influence the quality and accuracy of research. According to Krejcie and Morgan (2010) sample size is an estimation method provided a given number of populations (N) and its sample size (n). For the purpose of this study the sample size of 100 respondents was considered to be reasonable and affordable.

$$n = \frac{N}{1+N.e^2} \quad n = \frac{134}{1+134*0.05^2} = 100$$

Where n = number of samples, N = total population=134; e = standard error of sampling (5%) is tolerated. By entering each value of the variable into the formula (1) above, obtained large sample size of 100 respondents. The sample size is in line with argument of Hair *et al* (2006) who state that a research study designed to reveal factor structures should have more observations than variables, and that the minimum absolute sample size should be 50 observations

### **3.6 Data Collection Technique**

A structured survey questionnaire was administered by the researcher to the respondents who were required to complete them. A sample of the questionnaire is attached as appendix 2 of this research project. The questionnaire contains two sections. The first section contained general data of the respondent, which was useful in the analysis. The second section contained some differential belief statements, which the respondents were to tick or complete as per their level of agreement. Mugenda and Mugenda (2003) says that the questionnaire tool is the most appropriate where detailed information is required. The questionnaire was self-administered to the sample selected. The administration of the questionnaire was through drop and pick-later method.

### **3.7 Data Analysis**

After data collection, data cleaning was done to ensure completeness and to organize the data chronologically. From this part, the data was assessed with use of descriptive statistics, correlation and regression analysis to set up the relationships between the private fund and the micro-enterprise growth. The analysis was done using the Statistical Package for Social Sciences (SPSS).The dependent variable that was used in the analysis is the Micro-enterprises growth whereas the independent variables were expertise, financial resources and measures. Correlation between these variables will be assessed to determine the relationship, and hence the contribution of the private equity funds on Micro enterprisesgrowth.

### **3.8 Ethical Considerations**

Saunders, (2009) argues that ethical issues are very important to be considered in the study such as voluntary participation, no harm to the participants, ensuring anonymity and confidentiality and avoiding deception. During this study the following ethical issues were observed; the principle of voluntary participation was explained to the respondents and they were also informed that they have the right to withdraw from the study at any time; researcher asked for permission to collect the data to the Micro Enterprises in Zanzibar, considerations were applied to methods of data collection, presentation and interpretation of the findings, and citations as well as referencing.

## **CHAPTER FOUR**

### **PRESENTATION AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

This chapter presents analysis of the findings on the contribution of private equity investments on the growth of Micro Enterprises in Zanzibar. The sections of this chapter are as follows: demographic information, test of validity and reliability, findings according to objectives, correlation analysis, regression analysis, and discussion of findings.

#### **4.2 Response Rate**

Respondents of this study received 100 questionnaires, and all 100 questionnaires were returned and used for analysis. The response rate was made possible as the researcher administered the questionnaire in person and waited for them to be filled in. In few cases, respondents who were not willing to fill, a replacement was found. Orodho, (2009) pointed out that the response rate above 50% is adequate to provide helpful information.

#### **4.3 Demographic Information**

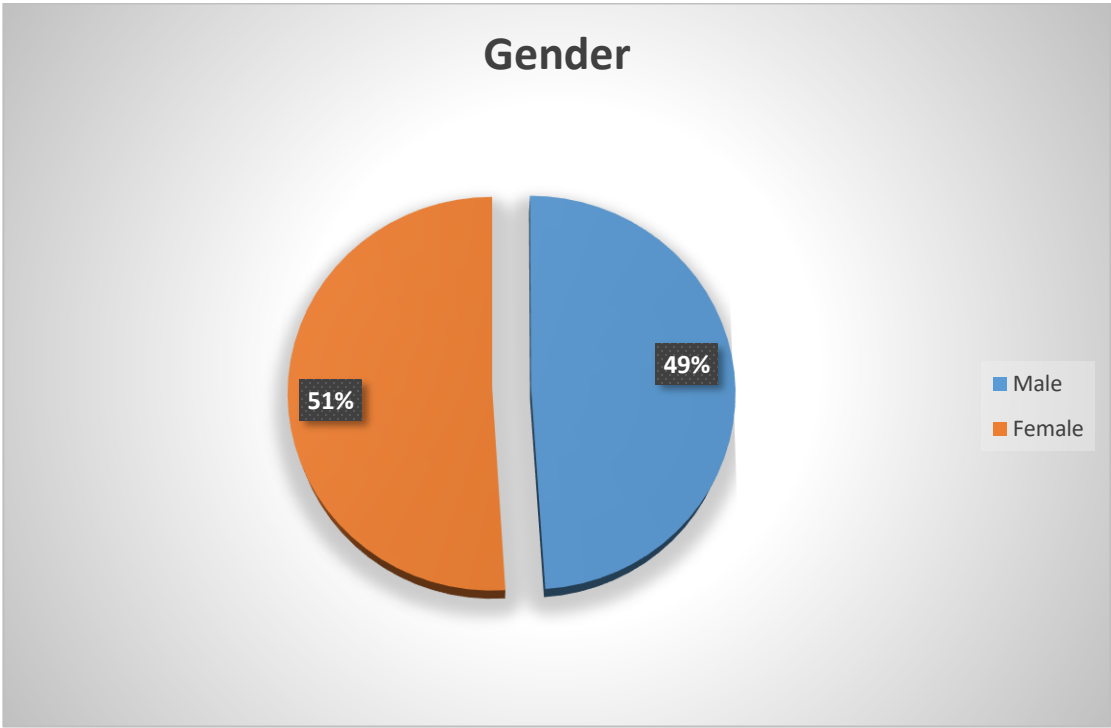
This study involved entrepreneurs from Zanzibar development Disability Fund, particularly those who were conveniently available at the study area because these are the key respondents who could provide useful and reliable information. This part presents the demographic characteristics of the 100 respondents involved;

##### **4.3.1 Gender**

Findings from the study revealed that majority of the respondents (51%) were female while the remaining (49%) were male respondents. However, the study had a slight difference between them. Therefore, the study covered respondents from both male and female respondents to have representatives from both gender. Thus the findings of this study reflect opinions from both. Results are presented in the figure below;



Figure 4:1 Gender

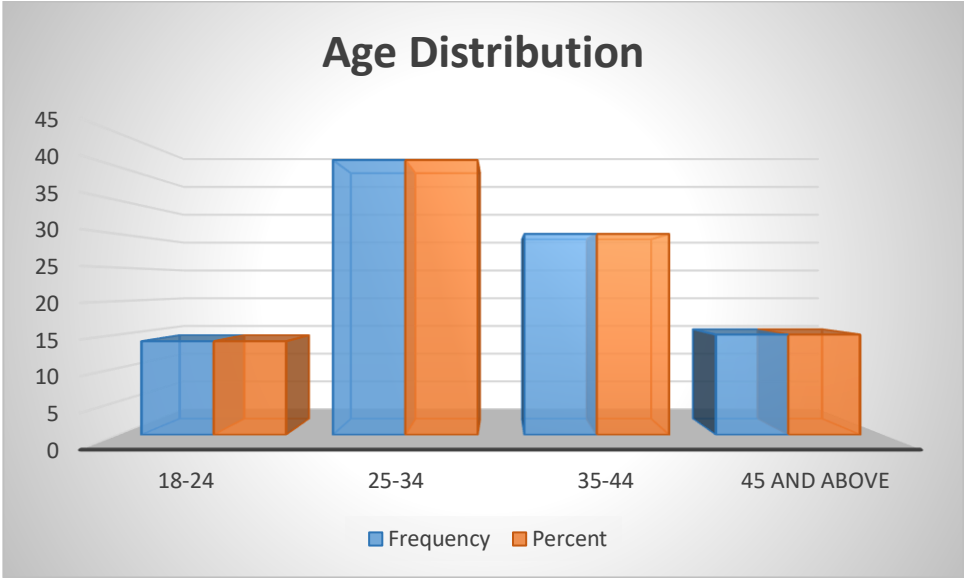


Source: Field data 2020

**4.3.2 Age Distribution**

Table 4.1 shows the age distribution of the respondents. Majority of the entrepreneurs were between the age of 25 to 34 years which took 41% of the entire respondents. This is because, at this age majority of the people in Tanzania engage themselves in entrepreneurship activities.

Figure 4:2 Age Distribution

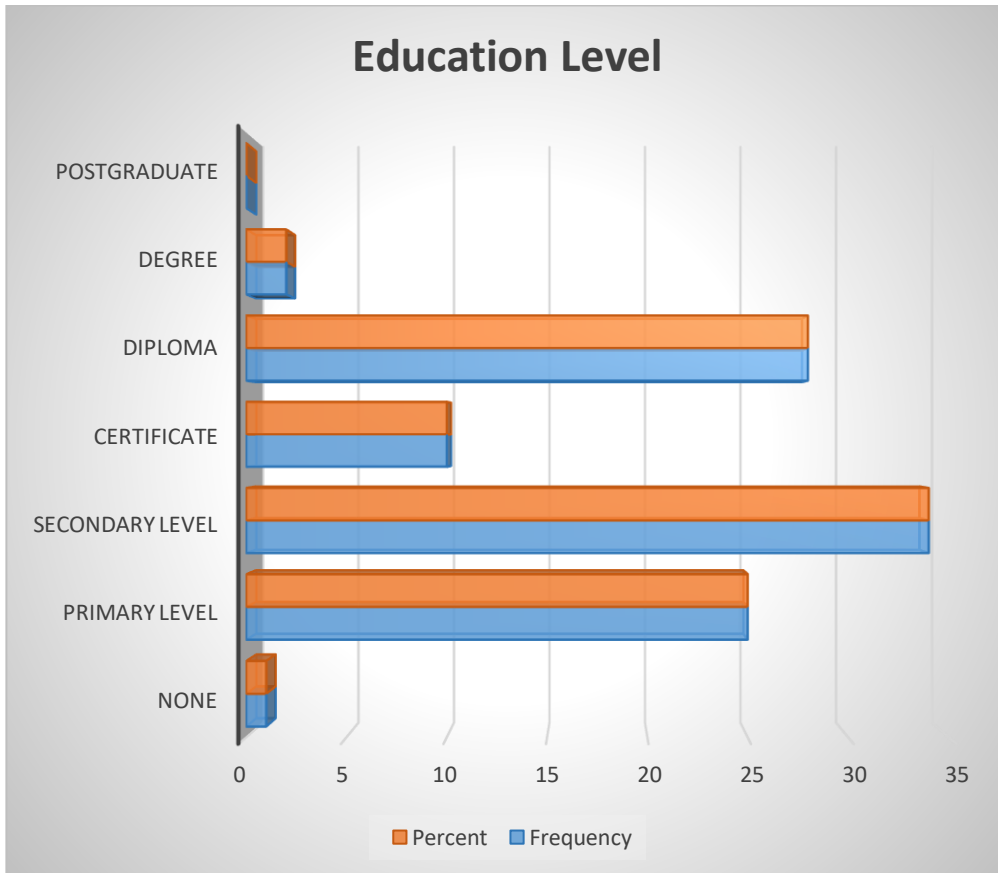


Source: Field data 2020

### 4.3.3 Education Level

Findings show that there are more respondents of secondary level of education which is 34% followed by diploma level by 28%. Therefore, this implies that those who failed to continue high level of education are engaged in entrepreneurship.

Figure 4:3 Education Level

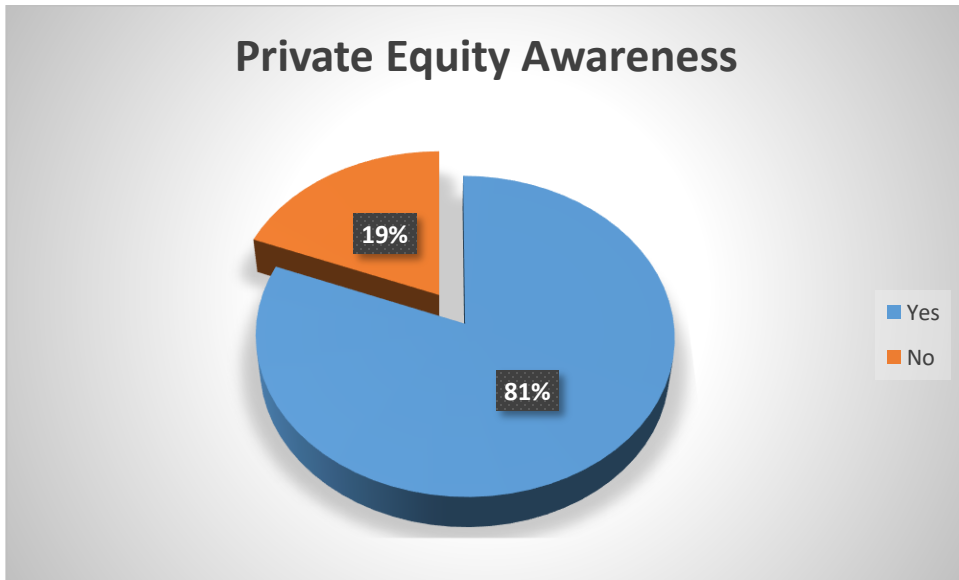


Source: Field data 2020

#### 4.3.4 Private Equity Awareness

The researcher wanted to know if the respondents were aware of the private equity investment. The results revealed that 81% of the respondents were aware of the private equity investment. This suggests that most respondents had adequate knowledge to make reasonable comments about questions in the study.

Figure 4:4 Awareness

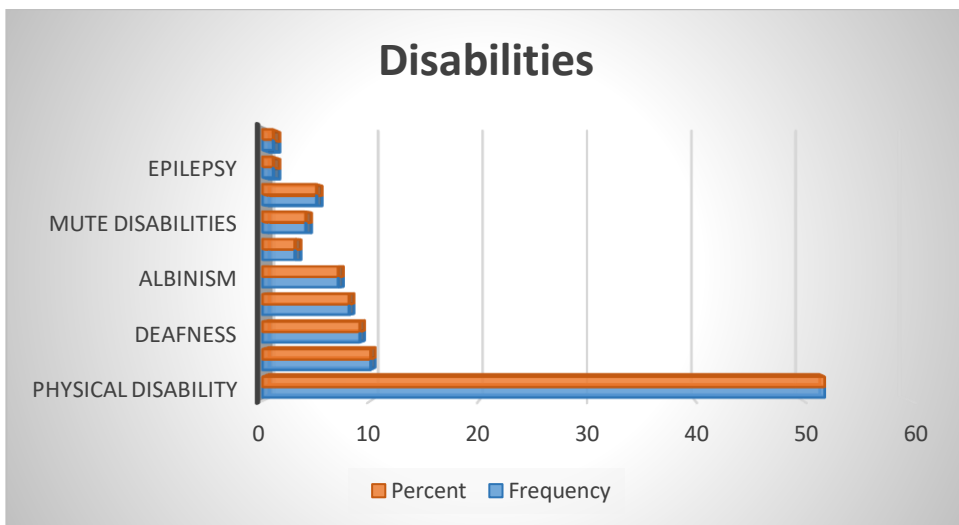


Source: Field data 2020

#### 4.3.5 Respondents Disabilities

The researcher wanted to know the type of disabilities which respondents had. The results revealed that 52% of the respondents had physical disabilities.

Figure 4:5 Disabilities



Source: Field data 2020

## 4.4 Test of Reliability and Validity

### 4.3.1 Reliability

Reliability of questionnaire was tested using Cronbach's alpha. According to Hair et al., (2003) when Cronbach' alpha is greater than 0.9 (>0.9) it means that the internal consistency reliability is excellent. When it is greater than 0.8 (>0.8) the reliability is good; while greater than 0.7 is acceptable and greater than 0.6 is still acceptable. When it is 0.5 to 0.59 is poor and when it is less than 0.5, internal consistency is unacceptable. The results in table 4.1 below show that the reliability of data instruments was acceptable since Cronbach alpha was above 0.6 for all items

Table 4.1 Reliability Statistics

Reliability Statistics		
Variables	Cronbach Alpha	Internal Consistency
Expertise	0.707	Acceptable
Financial Resources	0.641	Acceptable
Measures	0.806	Good

Source: Field data 2020

### 4.3.2 Validity

The validity test was used by the KMO and Bartlett. The test result showed that KMO had a value of 0.816 that is appropriate as reported by Cerny (1977) that if the measure is 0.0 to 0.45, the inner adequacy is unacceptable. Whether 0.50 to 0.59 is poor; 0.60 to 0.79 is acceptable; 0.8 to 0.89 is great and 0.9 to 0.99 is good. On the other side, the Bartlett test in this experiment produces p-value= 0.00, which implies that the factors are adequately similar to provide a reasonable basis for factor evaluation as indicated by (Hooper, 2012) that the Bartlett test value should be less than 0.05 as mentioned below in KMO and Bartlett table 4.2.

Table 4.2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.816
Bartlett's Test of Sphericity	Approx. Chi-Square	157.637
	df	6
	Sig.	.000

Source: Field data 2020

## 4.5 Finding in relation to Objectives

This study had three specific objectives and the aim of the findings is to show if the objectives were met. Based on the mean values, the five-point scale ranges are as follows: mean scores of less than 1.5 represents no extent; mean scores of 1.5 but less than 2.5 represents little extent; mean scores of 2.5 but less than 3.5 represents moderate extent; mean scores of 3.5 but less than 4.5 represents large extent; mean scores of 4.5 to 5 represents very large extent.

### 4.5.2 Contribution of Expertise

The objective was to examine the contribution of expertise offered by private equity investment on the growth of Micro Enterprises in Zanzibar. Findings were presented in the table below;

*Table 4.3: Expertise*

Descriptive Statistics			
	N	Mean	Std. Deviation
Management Expertise obtained from private equity investment leads to the growth of Micro Enterprises	100	3.8900	.68009
Financial Expertise obtained from private equity investment leads to the growth of Micro Enterprises	100	3.4400	.99818
Entrepreneurial Knowledge obtained from private equity investment leads to the growth of Micro Enterprises	100	4.1200	.75585
Analytical and Problem solving obtained from private equity investment leads to the growth of Micro Enterprises	100	2.8400	.89578
Marketing expertise obtained from private equity investment leads to the growth of Micro Enterprises	100	3.1800	1.30562
Production expertise obtained from private equity investment leads to the growth of Micro Enterprises	100	3.7400	1.21954
Valid N (listwise)	100		

Source: Field data 2020

Table above, showed that majority of the respondents asserted that Management Expertise obtained from private equity investment leads to the growth of Micro Enterprises (Mean = 3.8 and Standard deviation 0.68). To the moderate extent Financial Expertise obtained from private equity investment leads to the growth of Micro Enterprises. This was indicated by the mean of 3.44 and

Standard Deviation of 0.99. The table above, revealed that, Entrepreneurial Knowledge obtained from private equity investment leads to the growth of Micro Enterprises (Mean= 4.1, Standard Deviation =0.76). To the little extent, majority of the respondents proclaimed that Analytical and Problem solving obtained from private equity investment leads to the growth of Micro Enterprises (Mean = 2.88,Standard Deviation = 0.89). To the moderate extent, majority of the respondents stated that Marketing expertise obtained from private equity investment leads to the growth of Micro Enterprises (Mean = 3.18,Standard Deviation = 1.31). Also, the majority of the respondents indicated that that, to the large extent Production expertise obtained from private equity investment leads to the growth of Micro Enterprises (Mean = 3.74, Standard Deviation = 1.22).

#### 4.5.3 Contribution of Financial Resources

The objective was to assess the contribution of Financial Resources offered by private equity investments on the growth of Micro enterprises in Zanzibar relevance. Findings were presented in the table below;

*Table 4.4: Financial Resources*

Descriptive Statistics			
	N	Mean	Std. Deviation
Capital availability offered lead into growth of Micro enterprises	100	3.0800	1.32330
Lines of credit accessibility lead into growth of Micro enterprises	100	3.6500	1.20918
Production machinery handiness leads to the growth of Micro enterprises	100	2.5900	1.09263
Plants acquired on private equity investments leads to the growth of Micro enterprises	100	2.4700	1.25090
Materials obtained from private equity investments leads to the growth of Micro enterprises	100	3.6000	1.28708
Valid N (listwise)	100		

Source: Field data 2020

Table 4.4 above, showed thatCapital availability offered lead into growth of Micro enterprises (Mean = 3.08 and Standard deviation 1.32). To the large extent(Mean of 3.6 and standard deviation of 1.21) Lines of credit accessibility lead into growth of Micro enterprises. Majority of the

respondents decreed that, Production machinery handiness leads to the growth of Micro enterprises (Mean= 2.59, Standard Deviation =1.092). To the little extent, majority of the respondents asserted thatPlants acquired on private equity investments leads to the growth of Micro enterprises. This was shown by the Mean of2.47,Standard Deviation = 1.25). Correspondingly, the majority of the respondents designated that that, to the large extent Materials obtained from private equity investments leads to the growth of Micro enterprises (Mean = 3.60, Standard Deviation = 1.29).

#### 4.5.4 Measures

The objective was to propose measures for improving private equity investments for the growth of Micro enterprises in Zanzibar. Findings were presented in the table below;

*Table 4.5: Measures*

Descriptive Statistics			
	N	Mean	Std. Deviation
Create awareness through social media, education seminars and workshops	100	3.5500	1.26631
Lower interest rates for loans offered	100	3.8000	1.28456
Widen investment opportunities	100	3.5100	1.36548
Providing education to Micro Enterprises concerning private equity investments benefits	100	3.9000	.70353
Simplifying engagement and distribution processes	100	3.9500	.79614
Valid N (listwise)	100		

Source: Field data 2020

Table 4.5 above, showed that creating awareness through social media, education seminars and workshops improves growth of Micro enterprises in Zanzibar (Mean = 3.55 and Standard deviation 1.26). To the large extent(Mean of 3.8 and standard deviation of 1.28) respondents indicated that lowering interest rates for loans offered improves growth of Micro enterprises in Zanzibar while to the large extent widen investment opportunity improves growth of Micro enterprises. Majority of



the respondents decreed that, providing education to Micro Enterprises concerning private equity investments benefits opportunity improves growth of Micro enterprises.(Mean=3.9, Standard Deviation =0.70). Similarly, the majority of the respondents designated that that, to the large extent Simplifying engagement and distribution processes improves growth of Micro enterprises(Mean = 3.95, Standard Deviation = 0.79).

#### **4.6 Correlation and Regression Analysis**

Correlation and Regression Analysis were conducted to measure the relationship between variables. The findings were presented below;

##### **4.6.1 Correlation Analysis**

The study sought to examine the relationship between private equity investments and the growth of Micro Enterprises in Zanzibar. To check how dependent and independent variable were related, Pearson correlation analysis was used. Correlation analysis is used to establish if there exists a relation between two variables which lies between (-) strong negative correlation and (+) perfect positive correlation. Results are presented in the table below;

Table 4.6: Correlations

		Correlations			
		Expertise	FinancialRes ources	Measures	Micro- EnterprisesGrowth
Expertise	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	100			
FinancialReso urces	Pearson Correlation	.600**	1		
	Sig. (2-tailed)	.000			
	N	100	100		
Measures	Pearson Correlation	.651**	.595**	1	
	Sig. (2-tailed)	.000	.000		
	N	100	100	100	
Micro- EnterprisesGr owth	Pearson Correlation	<b>.637**</b>	<b>.774**</b>	<b>.611**</b>	<b>1</b>
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Field data 2020

Table 4.6 presents the correlation results for the study variables. It is found that expertise is significantly correlated with Micro-enterprise growth at 0.637 Pearson correlations. Findings unveiled that financial resources is significantly correlated with Micro-enterprise growth at 0.774 Pearson correlation while proposed measure were is significantly correlated with Micro-enterprise growth at 0.611 value of Pearson correlation.

#### 4.6.2 Regression Analysis

Table 4.7: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.773 <sup>a</sup>	.897	.396	1.69854
a. Predictors: (Constant), Measures, Financial Resources, Expertise				

Source: Field data 2020

Table 4.7 indicates that there is an R<sup>2</sup> value of 0.897%. This value indicates that three independent variables (Expertise, Financial resource and Measures) explain 89.7% of variance in Micro-Enterprises Growth. It therefore means that 10.3% of changes in Micro-Enterprises Growth are explained by many other factors not considered in this study model.

Table 4.8: ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.672	37	8.557	32.966	.000 <sup>b</sup>
	Residual	17.310	61	2.885		
	Total	42.982	98			
a. Dependent Variable: Micro-EnterprisesGrowth						
b. Predictors: (Constant), Measures, Financial Resources, Expertise						

Source: Field data 2020

Given 5% level of significance, the numerator df =37 and denominator df =98, table 4.8 shows computed F value as 32.966. The P value from the model summary is 0.000 which is less than 0.05. This confirms that overall multiple regression model is statistically significant, in that it is a suitable prediction model for explaining how the selected independent variables affects the Micro-Enterprises Growth.

Table 4.8: Coefficients

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12..020	1.455		6.139	.000
	Expertise	.161	.161	.102	.998	.021
	FinancialResources	.583	.100	.584	5.821	.000
	Measures	.130	.111	.104	1.178	.042

a. Dependent Variable: Micro-Enterprises Growth

Source: Field data 2020

The regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \alpha$ ) was;

$$Y = 12.020 + 0.161X_1 + 0.583X_2 + 0.130X_3 + \alpha$$

Where by Y =Micro-Enterprises Growth

X<sub>1</sub>= Expertise

X<sub>2</sub> =Financial resources

X<sub>3</sub>= Measures

According to the regression equation established, taking all factors into account with constant at zero, outcomes will be 12.020. Taking all other independent variables at zero, Expertise increase Micro-Enterprises Growth by 0.161. While financial resources will result in 0.583 increases in Micro-Enterprises Growth and Services will result in a 0.130 increase in Micro-Enterprises Growth. Using a significance level of 5%, any independent variable having a significant value greater than 5% is considered not statistically significant. Therefore, table 4.8 above indicated that there is a significant relationship between Expertise and Micro-Enterprises Growths it shows value is 0.021. The study findings from table 4.8 above, showed that there was a significant relationship between financial resources and Micro-Enterprises Growths it shows value is 0.000. This implies that the null hypothesis two is rejected. Moreover, the study findings depicted that there was a significant relationship between proposed measures and Micro-Enterprises Growths it shows

value is 0.042 which is between  $P \leq 0.00-0.05$  as suggested by the assumption of regression analysis.

#### **4.7 Discussion of Findings**

Study findings unveiled that management expertise and financial expertise obtained from private equity investment leads to the growth of Micro Enterprises. As a collection of abilities, management expertise include ability to carry business planning, decision-making, problem-solving, communication, delegation, and time management while financial expertise are important to uphold financial practices and maintain financial stability within a business. Likewise, (Malisa, 2016) found that management expertise and financial expertise play an important role in launching and running a business. The knowledge in business management helps create a multi-task capability, assigns responsibility to subordinates and determines the safety and productivity of the company. Effective entrepreneur can also involve taking on leadership positions and operating as a team (Dromie, 2018).

Solvi (2014) indicated that entrepreneurship makes the marketplace more competitive so that outdated thinking is challenged and doesn't restrain society from growing and developing. With entrepreneurial knowledge, individuals can introduce new ideas that solve problems in better ways hence enhance the growth of Micro Enterprises. Study findings have shown that entrepreneurial knowledge, analytical and problem solving obtained from private equity investment leads to the growth of Micro Enterprises. With analytical and problem-solving expertise, entrepreneurs can analyze information, identifying key issues, making proposals or dealing with a business problem.

Findings of this study revealed that marketing expertise obtained from private equity investment leads to the growth of Micro Enterprises. These findings are in line with findings of Josephne (2017) that marketing knowledge provided by financial institutions contribute highly to Micro and Macro business success because they allow for insight into customer behavior and marketing campaign hence make them more aware of industry developments and predictions.

Also, the findings indicated that that, to the large extent production expertise obtained from private equity investment leads to the growth of Micro. This finding is in line with On Africa Report (2015) which shows that production skills are the most important for the successful performance of Small and Medium Enterprises.

Findings with regard to, financial resources showed that capital availability, lines of credit accessibility and production machinery handiness obtained from private equity investments leads to the growth of Micro enterprises. These findings are in consistent with findings of Lyimo (2018) that through entrepreneurial networks private equity investments resources such as capital, expertise, land and labors are highly attained hence leads small businesses success. The study findings revealed that plants and materials acquired on private equity investments leads to the growth of Micro enterprises. This corresponds with Manula (2015) who posited that PE groups have deep pockets and can provide the small business resources to fuel growth.

Results of this study showed that creating awareness through social media, education seminars and workshops improves growth of Micro enterprises in Zanzibar. to maximize the opportunities for growth of Micro enterprises. There should be additional efforts to create awareness among entrepreneurs in Zanzibar. Social media and education seminars as indicated by Masaino (2018) they are so essential in incentivizing entrepreneurs on risk-taking and business growth potentials.

Urio (2020) asserted that interest rate is the major constraint to small business owners which has to be rectified accordingly so to improves growth of their businesses. His findings are supports findings of this study where by researcher indicated that lowering interest rates for loans offered improves growth of Micro enterprises in Zanzibar while to the large extent widen investment opportunity improves growth of Micro enterprises. When small business entrepreneurs pay less in interest, it them more money to spend, which can create a ripple effect of increased spending throughout their business. Widen investment opportunities for the micro enterprises entrepreneurs will not only promote inclusive and sustainable economic growth but also provide opportunity for full and productive employment and decent work which will ultimately end poverty in all its forms.

Majority of the respondents decreed that, providing education to Micro Enterprises concerning private equity investments benefits opportunity improves growth of Micro enterprises. Lack of

education on the benefits driven from private equity investments made entrepreneurs missed lot opportunities. Providing education to them will mend this situation. Also, the findings unveiled that simplifying engagement and distribution processes improves growth of Micro enterprises. These findings correlate with findings of (Muikara, 2019) that simplification of formal process and procedures for entrepreneurs will enhance growth of their businesses.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents conclusion and critical evaluation of the study of this study. The chapter also elucidates the policy recommendations that policy makers can implement to improve micro-enterprises growth. Lastly the chapter presents suggestions for further research which can be useful to future researchers.

#### 5.2 Summary of Findings

Results indicated that there is an  $R^2$  value of 0.897%. This value indicates that three independent variables (Expertise, Financial resource and Measures) explain 89.7% of variance in Micro-Enterprises Growth. It therefore means that 10.3% of changes in Micro-Enterprises Growth are explained by many other factors not considered in this study model. Given 5% level of significance, the numerator df =37 and denominator df =98, table 4.8 shows computed F value as 32.966. The P value from the model summary is 0.000 which is less than 0.05. This confirms that overall multiple regression model is statistically significant, in that it is a suitable prediction model for explaining how the selected independent variables affects the Micro-Enterprises Growth. The regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \alpha$ ) was;  $Y = 12.020 + 0.161X_1 + 0.583X_2 + 0.130X_3 + \alpha$  Where by Y = Micro-Enterprises Growth;  $X_1$  = Expertise;  $X_2$  = Financial resources;  $X_3$  = Measures. Using a significance level of 5%, any independent variable having a significant value greater than 5% is considered not statistically significant. Therefore, table 4.8 above indicated that there is a significant relationship between Expertise and Micro-Enterprises Growths it shows value is 0.021. The study findings from table 4.8 above, showed that there was a significant relationship between financial resources and Micro-Enterprises Growths it shows value is 0.000. This implies that the null hypothesis two is rejected. Moreover, the study findings depicted that there was a significant relationship between proposed measures and Micro-Enterprises Growths it shows value is 0.042 which is between  $P \leq 0.00 - 0.05$  as suggested by the assumption of regression analysis.



### **5.3 Conclusion**

Based on researcher's findings, it can be seen that contribution of private equity investments on the growth of Micro Enterprises is exceptional. Among all, private equity investments highly contribute management expertise, financial expertise, entrepreneurial knowledge, business capital, credits, machinery and materials to Micro enterprises businesses. In view of the research findings, the following conclusions can be drawn: Study respondents provided information on contribution of private equity investments on the growth of Micro Enterprises located in Zanzibar. Thus, information should be taken to mend the situation. It can be concluded that social media, education seminars and workshops should be used to improve private equity investments for the growth of Micro enterprises. There are multitudes of measures that can be employed by the business sector in Tanzania specifically Zanzibar and small business stakeholders to enhance motivation among private equity investors. However, commitment is needed to make sure that these measures are realized.

### **5.4 Critical Evaluation of the Study**

This study has managed to unveil the contribution of private equity investments on the growth of Micro Enterprises in Zanzibar as it was primary goal for the researcher. Despite of the challenges I encountered in this study, I would like to conduct a study on 60% of changes in Micro-Enterprises Growth factors which were not considered in this study model if I had to do the same project.

### **5.5 Recommendations**

From the analysis, the following recommendations were made;

- i. The study recommends that private equity funds be adopted by SMEs as they improve their financial performance. Companies are also urged to follow this approach to boost their financial efficiency.
- ii. The study suggests that Micro Enterprises organize their investment portfolio of private equity so that maximum returns are reached with lower risks. The maximum profits would allow businesses to draw more investors and promote their financing processes.

- iii. The study suggests that entrepreneurs, small business owners and authorities should stay together and discuss on how to curb different challenges that hampers private equity investments.
- iv. Also, this study suggests that government, private investors and stakeholders should work cooperatively so as to have common interest and goal on different aspects of the growth of Micro Enterprises in Tanzania.

### **5.6 Areas for Future Research**

The study suggests the following areas for further research studies;

- i. The current study only examined the contribution of private equity investments on the growth of Micro Enterprises. Further studies should therefore be conducted to compare the performance of the Micro Enterprises before and after adopting private equity funds strategies.
- ii. To gain more understanding into this subject, studies that are more comprehensive could be conducted in different growing towns and cities in Tanzania to see the situation in small businesses performance.

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## **APPENDIX I: DATA COLLECTION LETTER**

Dear Respondent,

I'm SALMA ALI, a student from Institute of Accountancy Arusha (IAA). I am doing research on the contribution of private equity investments on the growth of Micro Enterprises in Zanzibar and therefore the purpose of this questionnaire is to capture information that will reflect the study topic in particular as a study area. I kindly ask you to assist me in my study by answering the following questions. I assure you that your information will be kept confidential.

Thank you for your cooperation.

**APPENDIX I**

**QUESTIONNAIRE FOR MICRO ENTERPRISES**

Name.....

Occupation.....

Form of the venture: tick; Sole ( )

Partnership ( ) cooperative ( ) corporation ( ) Experience in the business ( ) years. Q.1 What was the source of your start-up capital? Equity ( )00 Loan from the micro enterprises( )01 Other financial

institutions ( )02 Other sources ( )03 If the source of the business capital was

the loan, what is the period required securing the loan? One month..... six months ( )

010 Seven months .....one year ( )011 More than one year .....two years ( )012 More than two years t.....five years ( )013 Six years and above..... ( )014 Q.2 Was there any collateral

required to acquire that loan ( ) Q.3 Any interest rate for each .....  
.....

Q.4 On your opinions what do you think are factors hinder the access of capital of Micro enterprises? (020) collateral (021) High interest rate (022) Short period of repayment (023) Any other reasons (explain).....

Q.5 Do you think the access of capital enhances the performance of the Micro enterprises? Yes ( ) Somehow( ) Never ( ) Q.6 If the answer is (yes) explain how

.....

If the answer is (somehow) please explain how.....

.....

.....

If the answer is (never) what do you think are the factors which hinder the availability of fund to Micro enterprises?

.....

Q.7 In your opinion what do you think should be done to improve the performance of Zanzibar Micro enterprises.

.....

## APPENDIX II

List of things to be observed and interviewing the Loan Beneficiaries Micro Enterprises

Name.....

Occupation.....

Nature of the institution (030) NGO ( ) (031) SACCOSS ( ) (034)

INTERNATIONAL ( ) (035)ANY OTHER ( ) Nature of goods

produced: [ ] [ ] Type of fund received: Loan [ ]

Credit [ ] Aids fund [ ]

Source of Loan:

Government [ ] Loan from bank[ ] International aids[ ] Lists of  
the performance indicators the business has achieved:

1.....

2.....

3.....

4.....

5.....

APPENDIX III

QUESTIONNAIRES FOR MICRO ENTERPRISES LOAN OFFICERS FROM PRIVATE FINANCIAL INSTITUTIONS Name

(.....)

Position (.....)

Name of the institution (.....)

Type; Micro enterprises(), NGO ( ), SACCOSS ( ) Company(

)Other ( ) Q.4 For how long have you required the loan to be paid?  tick

One month [ ] . Six months [ ] Seven months

[ ] One year [ ] More than one year [ ]

Two years [ ] (059) More than two years [ ] Five years

[ ] (061) Six years and above [ ] Q.5 Any interest rate per each

[.....]%s/year, [ ]%/year [ ]%/month, [

]month.

Q.6 Is there any collateral required to acquire that loan? Yes [ ] No [ ] If

yes what is the percentage value [ ]% Q.7 If yes please explain what kind of

collateral are allowed? .....

On your opinion what do you think are factors that hinder the accessibility of

capital of Micro enterprises?

(i).....(ii).....

(iii)..... (iv).....

(v)..... (vi).....

Do you think the access of capital enhances the performance of the Micro

enterprises? Yes [ ] No [ ] If yes Please explain how

If no what do you think are the factors which hinder the performance of Micro enterprises?

**APPENDIX IV**

**QUESTIONNAIRES FOR LOAN OFFICERS FROM GOVERNMENT FUNDS**

Name.....

Position .....

Institution .....

Q.1 Nature of services do you provide a) Loan [ ] b) Credit [ ]

c) Aids fund [ ] Q.2 What is the source your institution's fund? a)

Government [ ] b) International aids [ ]

Q.3If nature of service is loan/credit have provided any grace period before the loan to be paid? Yes [ ] No [ ] If yes indicate below: One month to six months [ ] Seven months to one year [ ] More than one year to two years [ ] More than two years to five years [ ] Six years and above [ ]

Q.4Is there any interest rate for each? From.....(shs) to.....(shs) [.....]% per [ .....]months.

From.....(shs) to.....(shs) [.....]% per [ .....]months

From.....(shs) to.....(shs) [.....]% per [ .....]months

From.....(shs) to.....(shs) [.....]% per [ .....]months

Q.5 Is there any collateral required to acquire that loan? Yes ( ) No ( ) Q.6

If yes please list down what kind of collateral are allowed? .....

.....

Please mentioned its percentage value [     ]% Q.7 On your opinions what do you think are factors hindering the access of capital to Micro enterprises?

- (i).....(ii) .....
- (iii)..... (iv).....
- (v)..... (vi).....

Q.8 Do you think the access of capital enhances the performance of the Micro enterprises? Yes (     )     No (     ) If yes /No please explain how

.....  
.....

If no what do you think are the factors which hinder the performance of Micro enterprises?

.....

**APPENDIX V**

**LIST QUESTIONS FOR INTERVIEWING OFFICERS FROM DIFFERENT  
MICRO ENTERPRISES DEVELOPMENT INSTITUTIONS**

Name.....

Position.....

Institution .....

Q.1 On your opinions what do you think are factors hinder the access of capital of Micro enterprises? (i)..... (ii) .....  
(iii)..... (iv).....  
(v)..... (vi).....

Q.2 Do you think the access of capital enhances the performance of the Micro enterprises? Yes ( ) No ( )

Q.3 If yes please explain how.....  
.....

Q.4 If no what do you think are the factors which hinder the performance of Micro enterprises?  
.....

Q5 On your opinion what do you think should be done to improve the access of financial capital to Zanzibar Micro enterprises.



Q.6 what things should be done to improve the Micro enterprises performance in Zanzibar? .....

**THANK YOU VERY MUCH FOR YOUR PARTICIPATION**