SMALL-SCALE URBAN ENTERPRISES IN TANZANIA: RESULTS FROM A 1991 SURVEY

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LIST OF ABBREVIATIONS

NCPI	—	National consumer price index
SAP	—	Structural Adjustment Program
UES	—	Urban Enterprise Survey

1. INTRODUCTION

Throughout the last two decades many governments in Africa, and Tanzania is among them, concentrated their development efforts toward creating and supporting large scale "western" style enterprises, as a prerequisite to modernization. To a large extent this effort did not succeed, as the institutional structure surrounding these firms was quite unsuitable to their proper functioning. The consequences were often disastrous with huge losses which were covered with money creation, and led to nonviability of the "modern sector." Tanzania is a country where this scenario was played to extremes, with the result being an enormous crisis that led to several stabilization and structural adjustment programs starting in the mid-eighties (for details of the Tanzanian experience and adjustment efforts, see Sarris and Van den Brink 1993).

Economic liberalization since 1986 in Tanzania has led to a visually obvious increase in small-scale urban enterprise activity. Not much, however, is known about the structure and performance of small enterprises either before or after 1986. During the period before the onset of adjustment small-scale activities, albeit officially encouraged, having a parastatal devoted to their support (the Small Industries Development Organization or SIDO), operated largely outside official control and statistical observation, and within what has become known as the informal sector. Some efforts in the late seventies to obtain a comprehensive coverage of small-scale industries, such as the 1978 Industrial Census (United Republic of Tanzania [URT] 1985), led to contradictory results compared to other surveys, and in any case were concentrated on the larger ones among the "small" industries (Havnevik 1986). The purpose of this paper is to characterize the structure and constraints of the urban small-scale enterprise sector in Tanzania, as evidenced by the results of an appropriate survey.

The importance of small-scale enterprises in the Tanzanian economy is underscored by the results of the 1976 Household Budget Survey, which found that 17 percent of total rural household income and 24 percent of urban household income is from trade, enterprise or profession. Even allowing, for the fact that part of this income might be derived from profits of larger private enterprises, it appears that small enterprises contribute significantly to household income.

During the last decade some efforts have been made to measure the unreported informal economy in Tanzania, where most of the small-scale enterprises are found. It must be noted that there is no accepted definition of what is "informal" (for a discussion on the issue, see Peattie 1987), although "small-scale" is easier to define. It appears that a reasonable but still vague definition is the one used by De Soto (1989), who defines informal enterprise as the "refuge of individuals who find that the cost of abiding by existing laws in the pursuit of legitimate economic objectives exceed the benefits" (op. cit., p. xxii). In most previous attempts to measure the size of the "informal" and hence largely unrecorded economy, the definition has overlapped with that of "small-scale."

In any case, Maliyamkono and Bagachwa (1990) estimated the size of the unrecorded informal economy in Tanzania at between 20 and 30 percent of official GDP throughout the early 1980s, while Sarris and Van den Brink (1993) have given estimates as high as 60 percent of GDP. Since it is difficult to separate formal from informal, our survey considered size as the criterion which discriminated enterprises.

Important as the issue of the size of the unrecorded small-scale enterprise sector might be, the issues that will have more specific policy implications concern the structure and behavior of the small-scale enterprise sector. Some surveys of small-scale industrial enterprises have been conducted in Tanzania, but there are no such surveys of all the different types of small-scale enterprises. Bagachwa (1981, 1983) has reported the results of small-scale industrial enterprise surveys in Arusha and Dar-es-Salaam, respectively, while the World Bank (1991) reported some results from a 1989 survey of three small-scale industrial enterprise sectors.

The earlier surveys found that small-scale industrial enterprises used small amounts of labor and capital, and paid wages below the official minimum wages. Most small firms were constrained by input supply and working capital finance. They also seemed to be hampered by the cost of the lengthy administrative and other legal procedures necessary to operate. The regulatory environment and inadequate financing and infrastructure were also found to be a problem in the 1989 survey, while lack of inputs was less of a problem.

The results reported here seek to further elucidate and expand on the conclusions of these earlier surveys, and offer some first suggestions as to how the economic recovery program has affected small-scale enterprises. This first report from the 1991 survey is largely descriptive. A more analytical study using the same data is also planned, but given the need to provide policymakers with timely information, it was felt that a smaller summary report would be useful.

Section 2 below describes the survey and the data coverage. Section 3 outlines the major characteristics of enterprise owners and the firms, Section 4 exposes the business environment within which small firms operate. Section 5 illustrates employment and wage patterns, and Section 6 describes the economic structure of firms. Section 7 discusses relations with government, while Section 8 outlines the enterprise owners' perception of economic outlook and constraints to expansion. Finally Section 9 offers conclusions.

2. THE SURVEY AND DATA

The urban enterprise survey (UES) was done in five urban areas in Tanzania, considered as representative of the whole country's urban sector. These were Arusha, Mbeya, Dodoma, Mwanza, and Dar-es-Salaam. About 100-115 small enterprises per city were sampled. The sampling procedure was the following. First each city ward was inspected visually and knowledgeable locals were interviewed regarding the enterprises. Then from each city, except Dar-es-Salaam, one ward was chosen, and a complete list of all enterprises in this ward was made. If the ward had fewer than 250 enterprises, another ward was chosen. For Dar-es-Salaam eight wards were chosen, and given the very large density of firms in these wards, a street within each ward was chosen, and again a complete listing of firms was done. From these listings two streets were chosen, each with firm density larger than 250.

The complete listing also included information on the main activity of the enterprise. All firms were then classified into one of 37 sectors engaging all nonfarm activities, and based on the Tanzanian Input-Output sector classification. From the complete listing, finally, a sample of about 100-115 firms was drawn from each city by stratified random sampling, so as to include firms in all 37 sectors, and only those with fewer than 10 employees. The final sample included 546 firms whose general characteristics are exhibited in Table 1. The 37 sectors were aggregated for reporting purposes into 10 more comprehensive sectors, the correspondence being exhibited in Table A.1 in Appendix A. The larger concentration of firms is in manufacturing and services, and then commerce, while the firms are split rather evenly among cities. While the sample is not statistically representative of the country as a whole, we believe that it is one of the most representative samples of small-scale enterprises in Tanzania that has been analyzed to-date.

Table 1 — Sample Characteristics of Urban Small-Scale Enterprise Survey

Major Sector of Activity	City: Arusha Number of Firms	Arusha Percent of Group	Mbeya Number of Firms	Mbeya Percent of Group	Dodoma Number of Firms	Dodoma Percent of Group	Mwanza Number of Firms	Mwanza Percent of Group	Dar-es-Salaam Number of Firms	Dar-es-Salaam Percent of Group	Total Number of Firms	Total Percent of Group
Forestry, etc.	6	5.2	1	0.9	2	1.8	6	6.0	6	5.7	21	3.8
Food manufacturing	15	13.0	18	15.9	19	16.8	11	11.0	14	13.3	77	14.1
Other consumer good manufacturing	8	7.0	10	8.8	17	15.0	8	8.0	3	2.9	46	8.4
Intermediate and capital goods manufacturing	27	23.5	38	33.6	22	19.5	31	31.0	15	14.3	133	24.4
Household industries	14	12.2	6	5.3	7	6.2	5	5.0	11	10.5	43	7.9
Construction	2	1.7	7	6.2	4	3.5	1	1.0	5	4.8	19	3.5
Commerce	15	13.0	9	8.0	10	8.8	23	23.0	19	18.1	76	13.9
Transport and communications services	3	2.6	5	4.4	4	3.5	0	0.0	5	4.8	17	3.1
Health and education services	4	3.5	3	2.7	5	4.4	0	0.0	2	1.9	14	2.6
Other services	21	18.3	16	14.2	23	20.4	15	15.0	25	23.8	100	18.3
Total	115	100.0	113	100.0	113	100.0	100	100.0	105	100.0	546	100.0

Source: Urban Enterprise Survey (UES).

3. MAJOR CHARACTERISTICS OF SMALL ENTERPRISES AND OWNERS/MANAGERS

Of the 546 enterprises surveyed 204 (37 percent) were sole proprietorships employing no other workers, 226 (41 percent) employed 1-2 workers, 98 (18 percent) employed 3-5 workers, and only 18 (3 percent) employed 6 or more workers (see Table A.2 in Appendix A). Clearly the sample suggests that most small-scale enterprises are indeed very small.

Of the 546 enterprises, 423 or 77 percent are managed by males, and the rest by females. The concentration of female managers is large in Dar-es-Salaam where 46 out of 105 (44 percent) enterprises are managed by women, and smallest in Arusha where only 15 out of the 115 firms (13 percent) are managed by women. No distinct pattern of male-female management emerges when firms are classified by industry or number of workers. The average age of the enterprise managers is 35 years, with no significant difference observed across industry, region, or size classes.

Table 2 gives the average years of education of the small-scale enterprise managers by sector, region, and size. Sixty-two, or 11 percent, of all managers have no education at all, while 341, or 62 percent, have had only primary education (partial or total). One hundred fifteen managers (21 percent) had some secondary education (above the eight standard primary grades), and 14 (2.5 percent) had some university level education. Given that from the 1976 Household Budget Survey (HBS) it was found that 51.6 percent of household heads had no education while only 2.5 percent of household heads had some education above primary, it appears that education, and especially postprimary, makes someone in Tanzania more likely to start or manage a small business.

Table 2 suggests that managers in Dar-es-Salaam are on average much less educated than in other cities. It also suggests that managers of sole proprietorships and the smallest enterprises also tend to be less educated. Across sectors, enterprises in health and education services appear to have the most educated managers. This is to be expected, as these services are human capital intensive. Among the other sectors, only construction enterprises appear to be managed by more educated people. There also seems to be a difference in education among sexes of managers. Male managers have on average 7.5 years of schooling, compared to 6.2 for female managers.

Most enterprise managers are married (73 percent) have lived in the same city for several years (on average 7.6 years), and live quite close to the enterprise (average 3.5 kms.). Forty-six percent of managers are self taught as far as the enterprise skill is concerned while 30 percent have had apprenticeships mostly with other individuals. Only 7 percent of managers were enterprise managers before starting the surveyed small business; 18 percent were farmers, 21 percent were self employed in nonfarm occupations, while 32 percent

Table 2 — Average Years of Education of Enterprise Managers

Major Sector of Activity	Region					Number of Workers				
	Arusha	Mbeya	Dodoma	Mwanza	Dar-es-Salaam	Owner Only	1-2 Workers	3-5 Workers	6+ Workers	Total
Forestry, etc.	7.83	0.00	7.00	8.17	5.83	6.44	5.67	12.00	12.00	6.90
Food manufacturing	7.20	7.22	7.26	9.91	4.14	4.96	6.97	11.08	10.67	7.05
Other consumer good manufacturing	4.87	7.00	7.06	8.63	7.33	5.78	7.50	7.71	9.00	6.96
Intermediate and capital goods manufacturing	7.56	6.82	7.73	6.90	5.13	5.84	7.58	7.72	5.71	6.95
Household industries	6.64	9.67	6.86	7.00	7.90	6.65	7.05	11.80	7.00	7.45
Construction	15.00	8.50	13.75	7.00	3.20	8.00	7.25	11.00	–	8.83
Commerce	6.47	6.33	8.10	7.57	5.79	6.25	7.16	10.00	–	6.83
Transport and communications services	8.67	7.00	7.25	–	5.40	6.67	6.33	–	9.50	6.88
Health and education services	9.50	15.67	9.60	–	3.50	5.75	11.83	11.50	–	10.00
Other services	7.00	9.13	8.30	6.40	5.96	6.30	7.40	8.85	14.00	7.29
Total	7.21	7.62	7.91	7.54	5.58	6.03	7.32	9.07	8.39	7.19

Source: Urban Enterprise Survey (UES).

Note: – means that there were not firms in the relevant cell.

were public or private sector wage earners (evenly distributed). It is not clear whether the wage earners were fired or left on their own to start an enterprise.

One of the major links of the enterprises with the rest of the economy is through the financial system. Table 3 exhibits the distribution of enterprises and managers according to whether they have a bank account. The table shows that 409 enterprises, or 75 percent, do not have a bank account, while the proportion of managers that do not have a bank account is smaller (338, or 62 percent). Looking at the size distribution, it appears that the larger the enterprise, the greater the likelihood that its manager or the enterprise has a bank account.

Interestingly, while most small enterprises in Mwanza have a bank account (58 percent), only 3 percent do in Dar-es-Salaam;, a priori one would expect Dar-es-Salaam to be better serviced by banks. The regional size distribution of firms does not seem to be the explanation. As Table A.2 illustrates, in both Mwanza and Dar-es-Salaam, much as in the other cities, about 80 percent of the surveyed firms are very small (with fewer than 3 workers).

For most managers (478, or 87.5 percent) the enterprise is the major occupation as indicated in Table 4. Also managers of larger enterprises are more likely to list the enterprise as their main occupation. Nevertheless, it is interesting to notice from the table that while in Arusha, Mwanza, and Dar-es-Salaam, most managers list the enterprise as their primary occupation, in Mbeya and Dodoma a significant number list them as not their major occupation.

Those stating that the enterprise is their major occupation spend an average of 96 percent of their working time there, and obtain thereby on average 96 percent of their income. Those stating that the enterprise is not their major occupation spend about 41 percent of their working time and draw 46 percent of their income from the surveyed firm. The other major activities of those stating that the enterprise is not their major occupation are farming, other enterprise, self-employment, and public sector wage employment.

For most enterprises (503 out of 546) the current owner also started the enterprise, while in most of the remaining cases the enterprises were taken over from a relative. Table 5 exhibits the distribution of firms by the year the current owner established or took over the enterprise, city, size of enterprise, and sex of manager. It is quite clear that most enterprises were established or taken over after 1987, with most of those being established in the last three years. One hypothesis consistent with this observation is that liberalization and reforms under the structural adjustment program have created more favorable conditions for creation of small enterprises. An alternative explanation might be that the small size and individual ownership of the small-scale enterprises reduce their chances of surviving for long under a variety of external shocks in any economic regime. Either hypothesis would skew the distribution of small enterprises toward the newer enterprises.

Note from Table 5 that most of the largest enterprises (with six or more workers) started before 1984, namely, the onset of adjustment. As the size of the enterprise gets smaller, the distribution of the starting dates of firms gets

Table 3 — Number of Managers and Enterprises with Bank Account, by Region and Size

	Personal Bank Account		**Enterprise Bank Account**		**Total**
	Yes	**No**	**Yes**	**No**	
Region					
Arusha	27	88	22	93	115
Mbeya	61	52	22	91	113
Dodoma	54	59	32	81	113
Mwanza	19	81	58	42	100
Dar-es-Salaam	47	58	3	102	105
Number of workers					
Owner only	57	147	31	173	204
1-2 workers	93	133	55	171	226
3-5 workers	46	52	41	57	98
6+ workers	12	6	10	8	18
Total	208	338	137	409	546

Source: Urban Enterprise Survey.

Table 4 – Distribution of Owners According to Whether Enterprise is Their Major Occupation

	Arusha			Mbeya			Dodoma			Mwanza			Dar-es-Salaam			
	Is enterprise major occupation?			Is enterprise major occupation?			Is enterprise major occupation?			Is enterprise major occupation?			Is enterprise major occupation?			
Size	Yes	No	All	Yes	No	All	Yes	No	All	Yes	No	All	Yes	No	All	Total
Owner only	50	–	50	9	4	13	27	6	33	43	–	43	63	2	65	204
1-2 workers	47	–	48	41	12	53	46	11	57	38	4	42	23	3	26	226
3-5 workers	14	–	14	31	12	43	12	7	19	9	2	11	11	–	11	98
6+ workers	3	–	3	4	–	4	2	2	4	4	–	4	1	2	3	18

Source: Urban Enterprise Survey.

Note: – means that there were not firms in the relevant cell.

Table 5 — Distribution of Enterprises, by Year Current Owner Started or Took Over Enterprise

	Year Took Over or Started Business						
	Before 1975	**1976-1979**	**1980-1983**	**1984-1986**	**1987-1988**	**1989-1991**	**Total**
			(Number of Firms)				
Region							
Arusha	17	13	12	15	15	43	115
Mbeya	—	3	23	39	22	26	113
Dodoma	11	2	14	16	25	45	113
Mwanza	6	5	7	18	37	27	100
Dar-es-Salaam	7	1	5	11	27	54	105
Number of workers							
Owner only	13	7	17	27	48	95	207
1-2 workers	14	6	23	47	53	80	223
3-5 workers	9	8	19	20	24	18	98
6+ workers	5	3	2	5	1	2	18
Sex of respondent							
Male	39	22	50	86	98	128	423
Female	2	2	11	13	28	67	123
Total	41	24	61	99	126	195	546

Source: Urban Enterprise Survey.

Note: — means that there were not firms in the relevant cell.

more skewed toward the recent years. This is more consistent with the second of the above hypotheses, which would also be consistent with the observation that the size distribution of firms is more even, the earlier the firms started. In other words, the data is consistent with a model, whereby a very small firm has a small overall chance of survival over a long period of time, but certainly a better one if it manages to grow. Nevertheless, it is not at all clear whether, if the same survey had been done in the 1980s the size distribution of firms by starting year of operation would be similar.

Table 6 gives the size distribution of enterprises by starting year and sector. Non-food manufacturing small enterprises, as well as those in health/education, and other services seem to be much older on average than enterprises in food manufacturing and commerce. This would appear to be related to the liberalization of the staple food trade since 1986, which allowed related enterprises to proliferate. Nevertheless, it is rather surprising that 49 of the 133 enterprises in the intermediate and capital good manufacturing sector started before 1984. This cannot be explained by size, as only 7 of these enterprises have 6 or more workers, and 43 have 3 to 5 workers. However, as was seen in Table 5, a total of 46 firms that started before 1984 have more than 3 workers, and it is not likely that all of them are in one sector.

Table 7 gives a matrix of primary versus secondary motivations of entrepreneurs for going into business. The primary reason for starting enterprise is lack of wage opportunities. The secondary reason for startup is perception of profitable opportunity. It appears that Tanzanian entrepreneurs are motivated both by positive factors (profit motive) as well as negative factors (lack of more secure alternatives such as wage employment).

The majority of enterprises (417, or 76 percent) are owned by one individual, while another 69 (13 percent) are owned by members of one household and 46 (8 percent) are owned by members of different households. Only 12 of the surveyed enterprises were limited partnerships, joint stock companies, or cooperatives. The major source of finance for starting enterprises is own funds (66 percent of all funds on average), followed by loans from relatives and friends (21 percent of funds), and gifts (7 percent). Less than 2 percent of startup funds on average were obtained from formal financial institutions (banks, co-ops, government), and only 1 percent of funds were obtained through rotating savings and loans associations (ROSCAs). Only the larger among the enterprises surveyed (those with more than three employees) reported any sizeable bank loans as instrumental in starting business, and then the loans accounted for a small portion of total startup capital (7 percent).

Among those reporting that their own funds were important in setting up business, 38 percent of their own funds came from profits from previous enterprise, 29 percent came from wage employment in Tanzania, 11 percent from sale of assets, and the remaining 22 percent from other unspecified sources. Only a minuscule proportion (1 percent) came from wage employment outside Tanzania.

Table 6 — Distribution of Enterprises, by Sector and Year Current Owner Started or Took Over Enterprise

Major Sector of Activity	Before 1975	1976–1979	1980–1983	1984–1986	1987–1988	1989–1991	Total
	Year Took Over or Started Business						
	(Number of Firms)						
Forestry, etc.	2	—	2	2	5	10	21
Food manufacturing	1	1	8	12	25	30	77
Other consumer good manufacturing	6	1	3	10	13	13	46
Intermediate and capital goods manufacturing	13	12	24	29	21	34	133
Household industries	2	3	—	9	13	16	43
Construction	1	—	3	4	7	4	19
Commerce	4	1	4	9	15	43	76
Transport and communications services	2	1	—	2	4	8	17
Health and education services	2	1	5	3	—	3	14
Other services	8	4	12	19	23	34	100
Total	41	24	61	99	126	195	546

Source: Urban Enterprise Survey.

Note: — means that there were not firms in the relevant cell.

Table 7 – Primary and Secondary Motivations of Entrepreneurs for Starting Enterprise

	Secondary Motivation							
Principal motivation	**Parents/ Relatives in Business**	**Too Few Wage Opportunities**	**Put Training into Use**	**Saw Profitable Opportunities**	**Lost Previous Job**	**Other**	**No Response**	**Total**
	(Number of Respondents)							
Parents/relatives in business	1	7	5	49	–	5	–	67
Too few wage opportunities	12	1	7	119	1	19	7	166
Put training into use	2	2	–	26	1	3	2	36
Saw profitable opportunities	12	62	14	–	19	27	20	154
Lost previous job	1	6	1	64	–	–	4	76
Other	6	7	3	16	2	1	10	45
No response	–	–	–	–	–	–	2	2
Total	34	85	30	274	23	55	45	546

Source: Urban Enterprise Survey.

Note: – means that there were not firms in the relevant cell.

The availability of infrastructural amenities to enterprises is modest. Three forty-four of the 546 enterprises (63 percent) have some source of water available, 241 (44 percent) have electricity, 69 (13 percent) have telephone service, and 406 (74 percent) have toilets. As it might be expected, larger enterprises have greater access to these amenities. The majority of surveyed enterprises (491 or 90 percent) were in a fixed location, of which more than half (297 or 60 percent of those with fixed location) operated in a permanent structure.

4. BUSINESS CONDITIONS

Competition seems to be keen among small-scale enterprises. Only 2 enterprise managers stated that they had no competition for their product, while 465 (85 percent) stated that they had more than 5 competitors. Table 8 compares current perceptions of the level of competition with past perceptions. It is quite clear that competition has become much more intense over the last five years. While 203 of the 268 firms in business around 1986 report that competition was minimal then, in 1991 only 24 of the 546 firms surveyed say the same thing. On the contrary 435 (80 percent) report intense competition. Around 1988, two years after the first Structural Adjustment Program (SAP) was started, most firms reported moderate competition. These perceptions are the same irrespective of sector, region, or size of enterprise, hence they must reflect the general economic environment. Competition is mostly from firms of similar or smaller size (as reported by 67 percent of those reporting some competition), while 21 percent report competition from larger firms. Very few firms report competition by public companies (1 percent).

The customers of the firms are, first, low-income urban customers (most likely including other small firms) (46.5 percent of sales); then high-income urban customers (26.7 percent of sales); rural customers (7.4 percent of sales); traders (7.3 percent); shops (3.0 percent); and the government (3.5 percent of sales). Only a minuscule amount of sales (1.5 percent) is to foreigners (mostly construction). The small remainder goes for further processing or other sales. About 84.2 percent of all sales of enterprises is to local customers, 12 percent to customers within the same region, and 3.3 percent to customers in other regions. Only 0.4 percent of total sales is directly for export. It thus appears that the bulk of production of small-scale enterprises is for domestic consumption, final or intermediate.

Although the managers seem to perceive intense competition, a large share (35 percent) stated that demand for their product increased a lot in the year preceding the survey (late 1990 to fall 1991), and another 37 percent reported a moderate increase. The percentage of managers who responded similarly about demand changes in the year before the one preceding the survey was 18 and 51 percent, respectively, of those who responded at all (largely those in business the previous year). Ten percent of respondents stated that demand for their product declined in the year preceding the survey, compared with 8.5 percent of those in business the previous year. These responses suggest a general increase in demand in the years 1990-1991, becoming more pronounced in 1991.

These general perceptions about changes in demand appear to differ by region and size of enterprise. Table 9 shows that while in Arusha and Mwanza demand increases appear to be largely modest or nil, they appear to be quite substantial in Mbeya and Dar-es-Salaam. Similarly, while most larger enterprises seem to experience strong increases in the demand for their products, the smallest firms

Table 8 — Perceptions of Enterprise Managers About Competition

	Intensity of Competition Now (1991)			Intensity of Competition 3 Years Ago				Intensity of Competition 5 Years Ago				
	Intense	Moderate	Not Much	0	Intense	Moderate	Not Much	0	Intense	Moderate	Not Much	Total
					(Number of Enterprises)							
Major sector of activity												
Forestry, etc.	18	2	1	8	0	11	2	14	0	1	6	21
Food manufacturing	59	14	4	28	4	41	4	50	1	4	22	77
Other consumer goods manufacturing	36	9	1	10	8	25	3	23	1	5	17	46
Intermediate and capital goods manufacturing	97	28	8	28	5	88	12	47	0	16	70	133
Household industries	39	3	1	11	3	28	1	25	0	5	13	43
Construction	17	2	0	4	3	12	0	7	1	3	8	19
Commerce	69	6	0	32	1	39	4	56	0	2	18	76
Transport and comm. services	13	3	1	5	1	10	1	8	0	3	6	17
Health and education services	6	5	3	4	0	9	1	3	0	6	5	14
Other services	81	14	5	26	3	65	6	45	3	14	38	100
Total	435	87	24	156	28	328	34	278	6	59	203	546
Region												
Arusha	105	8	2	34	1	74	6	48	2	7	58	115
Mbeya	89	22	2	22	0	87	4	43	0	29	41	113
Dodoma	62	39	12	46	17	37	13	72	2	18	21	113
Mwanza	86	10	4	9	9	72	10	53	0	3	44	100
Dar-es-Salaam	93	8	4	45	1	58	1	62	2	2	39	105
Total	435	87	24	156	28	328	34	278	6	59	203	546
Number of workers												
Owner only	166	27	11	73	11	107	13	119	1	13	71	204
1-2 workers	183	34	9	64	13	135	14	117	3	27	79	226
3-5 workers	75	22	1	16	3	73	6	39	1	14	44	98
6+ workers	11	4	3	3	1	13	1	3	1	5	9	18
Total	435	87	24	156	28	328	34	278	6	59	203	546

Source: Urban Enterprise Survey.

Note: A column heading of 0 indicates that enterprise either did not exist then (hence question not applicable) or did not respond.

Table 9 — Perceptions of Managers about Demand Changes in Near Past

	Demand for Products Last Year						Demand in Year Before Last						
	0	Increased a Lot	Modest Increase	About the Same	Some Decline	Substantial Decline	0	Increased a Lot	Modest Increase	About the Same	Some Decline	Substantial Decline	Total
						(Number of Firms)							
Region													
Arusha	6	6	52	42	9	0	34	3	41	32	4	1	115
Mbeya	1	63	43	2	4	0	13	9	72	9	10	0	113
Dodoma	3	45	51	2	9	3	42	37	23	6	5	0	113
Mwanza	3	17	36	20	20	4	9	12	25	40	11	3	100
Dar-es-Salaam	11	61	22	5	4	2	36	15	48	5	0	1	105
Total	24	192	204	71	46	9	134	76	209	92	30	5	546
Number of workers													
Owner only	14	61	66	44	16	3	58	24	69	43	9	1	204
1-2 workers	6	72	107	22	16	3	60	29	84	35	15	3	226
3-5 workers	3	51	28	3	11	2	14	19	48	13	3	1	98
6+ workers	1	8	3	2	3	1	2	4	8	1	3	0	188
Total	24	192	204	71	46	9	134	76	209	92	30	5	546

Source: Urban Enterprise Survey.

Note: A column heading of 0 denotes either no response or that firm was not in business.

do not. This could be due to the greater ease of entry for smaller firms, which increase competition and effectively reduces demand. These results appear to be broadly consistent with those of Table 8.

Most enterprise managers set prices on a cost-plus basis (63 percent), while fewer managers set price according to what the market will bear (24 percent). Fewer still stated that they priced their products according to government controls (6 percent).

Given the growing competition, one would expect that profits are squeezed. Indeed, 56 percent of those responding to the question reported lower profits in 1991 than in 1990. This answer varies less by size than by region. In Mwanza, for instance, 83 percent of firms reported higher profits, while in Dar-es-Salaam 83 percent reported lower profits. In the other regions the responses were in between. Comparing the profitability of 1990 to that of 1987, only 26 percent of firms reported declines in profits, while the same comparison over the period 1985-1987 revealed that 24 percent of firms reported profit declines.

Table 10 exhibits the price increases reported by firms in the last year and the year before last according to the perceived degree of competition, region, and firm size. The regional differences in average price increases are rather surprising. In Mwanza and Dar-es-Salaam, average price increases appear to be much smaller than those in the other three cities, both in 1991 and 1990, and for all degrees of competition. The largest firms do not appear to have increased their prices more than those of smaller size. However, firms operating only with the owner seem to have experienced the smallest price increases in both periods. During the last year when most firms perceived intense competition (Table 8), price increases appear to have been rather uniform. In the previous year, which appears to have been one of lower demand and less competition, price increases were larger for firms who perceived that there was not much competition. The sectoral pattern of price increases revealed that average price increases in the last year ranged from 15 to 27 percent, while in the year before last from 13 to 21 percent. In both years price increases of commercial enterprises were among the smallest reported (17 percent in 1991 and 14 percent in 1990).

Table 10 — Price Increases Reported by Enterprises, by Degree of Competition, Region, and Firm Size

	Price Increase Last Year				Price Increase in Year Before Last			
	Intensity of Competition Now				Intensity of Competition 3 Years Ago			
	Intense	Moderate	Not Much	Total	Intense	Moderate	Not Much	Total
	(Average Percentage Changes)							
Region								
Arusha	30	17	30	29	10	34	31	27
Mbeya	23	21	10	22	—	25	18	22
Dodoma	28	28	28	28	29	30	44	24
Mwanza	10	8	10	10	4	7	6	6
Dar-es-Salaam	13	14	10	13	0	9	20	5
Number of workers								
Owner only	16	19	19	16	17	17	25	14
1-2 workers	23	26	19	23	18	22	26	18
3-5 workers	26	21	25	25	37	25	28	23
6+ workers	18	9	30	18	10	17	50	16
Total	21	22	21	21	19	21	27	17

Source: Urban Enterprise Survey.

Note: — means that there were no firms in the relevant cell.

5. EMPLOYMENT AND WAGES

Apart from the manager, the surveyed enterprises employed a total of 825 other workers (an average of 1.5 workers per firm), of which 244 were close family members (spouses, children, parents, brothers, and sisters), 121 were other relatives, and 460 were nonrelatives. Of these, 664 were male (580 regular, 84 part-time) and 161 female (129 regular and 32 part-time). Table 11 shows the distribution of workers among close family and nonfamily by sector, region, size, and sex. Clearly, immediate family labor is much more important for small firms than for larger ones, while no other clear pattern across sectors, regions, or sex emerges.

The distribution of education among workers was similar to that among managers. Thirty-four workers (4 percent) had no education at all, 636 (77 percent) had some primary or had finished primary (576 of those), while 109 (13 percent) had some secondary education, and only 1 percent had some university training. Of all the workers, 566 (69 percent) required some skill to do their job; and most of these (407, or 72 percent) had acquired the skill on the job. Another 117 (21 percent) had acquired their skill through formal apprenticeship or vocational school.

Of all employed workers 54 (6.5 percent) did not get paid at all, 304 (36.8 percent) were paid only in cash, 185 (22.4 percent) were paid only in kind, while the remaining 282 workers (34.2 percent) were paid both ways. The large share of workers paid only in kind or both in cash and kind is to be noted. Most of the payments in kind apparently involved meals, as all the workers who received some in kind payment (467 workers), 428 or 92 percent received the in kind payment daily. Also a large share of those receiving cash payments (236 out of a total of 586 that received cash), received their cash payment on the basis of hours worked, while another 104 received it daily.

The average total monthly pay (cash and kind) of all regular workers was 7,328 Tsh, while that of part-time workers was 4,894 Tsh for a weighted average of 6,983 Tsh as mean monthly pay per worker. However, the average number of hours worked in the month before the date of the survey by regular workers was 266.1, while for part-time workers it was 150.1. This implied an average hourly total wage for regular workers of 27.5 Tsh versus 32.6 for part-time workers. Employers or self-employed seem to work slightly more than regular workers, 272 hours on average.

If we assume that about 30 Tsh is a reasonable hourly total remuneration, then it appears that daily total wages should be in the vicinity of 240-300 Tsh (for an 8-10 hour day). Casual discussions in Dar-es-Salaam in March 1992 suggested that daily cash wages for unskilled labor (not including in kind benefits) were in the vicinity of 100-300 Tsh, while for skilled labor (such as

Table 11 — Distribution of Workers Employed by Enterprises, by Familial Relationship, Sector, Region, Size, and Sex

	Immediate Family	Other Relative	Non-relative	Total
	(Number of Workers)			
Sector				
Forestry, etc.	9	6	15	29
Food manufacturing	33	18	61	112
Other consumer goods manufacturing	15	11	46	72
Intermediate and capital goods manufacturing	66	36	176	277
Household industries	13	13	29	55
Construction	19	10	13	42
Commerce	33	5	19	57
Transport and comm. services	3	1	17	21
Health and education services	11	2	11	24
Other services	44	19	73	136
Total	244	121	460	825
Region				
Arusha	26	21	85	132
Mbeya	92	39	156	287
Dodoma	58	32	88	178
Mwanza	37	20	73	130
Dar-es-Salaam	31	9	58	98
Size				
1-2 workers	145	53	117	315
3-5 workers	90	58	228	376
6+ workers	9	10	115	134
Sex				
Male	193	102	369	664
Female	51	19	91	161
Total	244	121	460	825

Source: Urban Enterprise Survey.

construction) they were 300-400 Tsh. These figures are broadly consistent with the findings of the survey.

Among those paid only in cash, the average monthly wage was 6,828 Tsh, while for those paid only in kind the value of all goods received was 6,503 Tsh per month, a figure not much lower. However, for those who received payment in both cash and kind, the total average monthly pay was 8,803 Tsh: 4,503 in cash and 4,300 in kind — almost an even split among the two types of payment.

Table 12 exhibits the average hourly pay in cash and kind by economic sector, while Table 13 exhibits the same information by region, size, and type of worker (regular or part-time). Table 12 shows that the lowest wage sector is commerce, while the highest wages are in construction, health, and education (which is expected as these are skill intensive sectors). There does not appear to be any systematic difference in the total hourly pay of regular versus part-time workers, but on average part-timers seem to get higher overall pay per hour. Female workers appear to get an average hourly total pay about 18 percent lower than male workers, albeit in many sectors this pattern is reversed.

Table 13 reveals that the average total hourly pay was lower in the very small firms. This is because these firms employed close relatives for much of their workforce (Table 11), many of whom worked without pay. In fact, among employees of firms with 1-2 workers, 10.2 percent worked without pay; while this was the case for only 3.5 and 6.7 percent of employees of firms with 3-5 and more than 6 workers, respectively. However, on average, total hourly pay to close family members was not significantly different from that of nonrelatives. For instance, spouses received on average 28.9 Tsh per hour, children 24.1, parents 24.6, siblings 46.6, other relatives 29.9, and nonrelatives 28.7. Wages did not appear to vary much by region.

Apart from payments in cash and kind, few workers enjoyed other benefits. For instance, only 226 workers (27 percent) had paid leave, 350 (42 percent) had medical insurance, and only 145 (18 percent) received contributions for pension.

The major differences in hourly pay were associated with skill and education levels. The average skilled worker in our sampled enterprises received 30.7 Tsh per hour, while the average unskilled worker received 21.7, or 30 percent less. Table 14 exhibits the average hourly pay by education level and sex. Clearly for male workers, more education is associated with higher hourly pay — but not for female workers. The possible exception is a university level education, but this sample is too small (only 1) to give any definite conclusions. In fact, it appears that at the lowest education levels women are paid the same or more than men, while at higher education levels the men are paid much more.

Table 15 exhibits the average hourly wages in cash and kind by region, size of firm, and sex of worker. These figures are simple averages over all workers and not weighted averages (by hours worked), as they are intended to show the actual range of wages. It can be seen that although the overall wage differentials are not wide among the variables, distinct patterns emerge in the split

Table 12 — Average Total Hourly Pay, by Economic Sector

Sector	Payment in			Total Payment for		Total Payment for	
	Cash	Kind	Total	Regular Worker	Part-Time Worker	Male Worker	Female Worker
	(Tsh/Hour Worked)						
Forestry, etc.	13.4	9.8	23.2	22.9	18.5	20.6	33.1
Food manufacturing	18.8	17.5	36.3	32.0	46.1	33.1	38.1
Other consumer good manufacturing	16.4	12.6	29.0	22.6	28.8	22.2	25.4
Intermediate and capital goods manufacturing	25.5	10.4	35.9	31.8	28.0	32.2	24.4
Household industries	14.8	12.3	27.1	24.5	28.3	30.9	17.3
Construction	21.2	18.5	39.7	34.0	64.1	36.4	29.8
Commerce	12.8	11.0	23.8	19.3	18.7	19.9	15.8
Transport and communications services	13.8	12.9	26.7	26.3	25.0	26.3	25.0
Health and education services	14.6	25.2	39.8	36.0	–	35.1	37.7
Other services	10.8	13.8	24.6	20.8	36.1	23.9	17.6
Total	18.3	13.2	31.5	27.5	32.6	28.9	23.8

Source: Urban Enterprise Survey.

Notes: Payments in cash and kind refer to averages over the year. Payments for regular, part-time, and male and female workers refer to those made the month before the survey. A dash means no data available for this cell.

Table 13 — Average Total Hourly Pay by Region, Size, and Regular or Part-time Workers

Size of Firms	**Arusha**	**Mbeya**	**Dodoma**	**Mwanza**	**Dar-es-Salaam**	**Total**
	(Tsh/Hour Worked Last Month)					
1-2 workers	19.2	30.6	24.9	22.0	17.6	24.0
3-5 workers	32.4	29.9	34.6	19.5	32.7	30.2
6+ workers	29.5	28.0	41.6	23.0	27.4	30.1
Regular workers	27.4	29.1	31.0	21.1	25.9	27.5
Part-time workers	10.0	35.1	50.3	25.6	44.7	32.6
Total	26.0	29.9	31.9	21.4	26.5	27.9

Source: Urban Enterprise Survey.

Table 14 — Average Hourly Total Pay, by Education Level and Sex of Workers in Month Before Survey

	Sex of Workers		
Education Level	**Male**	**Female**	**Total**
	(Tsh/Hour Worked)		
None	21.4	28.0	22.3
Some primary	25.5	24.9	25.5
Finished primary	27.4	23.3	26.6
Some secondary	31.5	26.2	29.5
Finished secondary	45.4	23.7	41.5
Some vocational	34.1	—	34.1
Finished vocational	51.6	—	51.6
Some university	—	64.1	64.1
Finished university	48.2	—	48.2
Other (adult literacy)	53.5	17.3	27.3
Total	28.9	23.8	27.9

Source: Urban Enterprise Survey.

Note: — means that there were no firms in the relevant cell.

Table 15 — Average Hourly Wage in Cash and Kind, by Region, Size of Firm, and Sex of Worker

	Average Cash Hourly Wage	Average Hourly Pay in Kind	Average Total Hourly Pay
	(Tsh/Hour Worked, Averaged Over Year)		
Region			
Arusha	22	7	29
Mbeya	11	23	34
Dodoma	20	13	33
Mwanza	17	6	23
Dar-es-Salaam	26	3	29
Workers			
1-2 workers	14	13	27
3-5 workers	18	16	34
6+ workers	23	18	31
Sex of respondent			
Male	18	12	30
Female	14	20	35
Total	17	14	31

Source: Urban Enterprise Survey.

between cash and in kind payments. In more commercialized cities like Arusha, Mwanza, and Dar-es-Salaam, the largest share of total pay is in cash, while in most remote cities, the share accounted for by in kind payments is more significant. Also, smaller firms tend to offer larger in kind payments. Interestingly a distinct pattern also emerges between sexes, with females receiving a much larger share of total pay in kind.

As far as conditions in the labor market are concerned, of the 339 firms that hired any workers, 64 (19 percent) paid workers the minimum wage, while 95 (28 percent) paid them according to market conditions. Eighty-six percent of these managers that hired any workers and responded to the question said that it was easy now (in 1991) to find unskilled labor, while only 2 percent said it was difficult, the remaining stating that it was not too difficult. The same percentages in reference to three years before the survey were 76 (easy) and 2 (difficult). Referring to five years before the survey, 71 percent of the respondents said it was easy to find unskilled labor, while 9 percent said it was difficult. As far as skilled labor is concerned only 9 percent stated that it was easy to find now, while 59 percent said it was difficult. Three years before 1991, the percentages were 8 and 61, respectively, while five years before they were 16 and 64 percent, respectively. If anything, these figures suggest an increased supply of unskilled labor in the recent years and a continuous tight supply of skilled labor.

Of the 339 firms employing labor, most (261 or 77 percent) reported using about the same amount of labor throughout the year before the survey, while 10 percent used more and 3 percent used less. However, 30 percent of firms used more labor since starting the enterprise, while 58 percent used the same amount and 7 percent used less.

The average increase in wages paid over the year before the survey was 17.1 percent, which was smaller than the 21 percent average increase in the price of the enterprise products reported in Table 10. There was again a strong geographical bias, with wages in Dar-es-Salaam and Mwanza reportedly increasing by 3.7 and 11.0 percent, respectively. Average wage increases in the other three cities were uniformly higher ranging between 20.6 and 21.7 percent. The smallest firms, those with 1-2 workers, reported average wage increases of 15.4 percent, while the larger ones increased wages by 20-21 percent.

6. ECONOMIC STRUCTURE OF ENTERPRISES

An overwhelming proportion of the working capital of enterprises (87 percent on average) was from own funds or prior profits from the enterprise. This share did not vary much by sector, region, or size of firm. The next largest source of working capital was loans from relatives (4.6 percent). Less than 1 percent of working capital of the sampled enterprises came from banks or other formal lending institutions. However, most enterprise owners (59 percent) listed the banks as their preferred source of finance, primarily because credit from banks is cheaper. It thus appears that access to bank credit is severely limited for small-scale enterprises.

An average of 26.4 percent of the total raw material inputs of firms was imported, 40.2 percent was produced locally, and 33.4 percent was produced in other parts of Tanzania. Most of those who imported inputs (76 percent) reported using more imports now than they used to three or five years ago. Only about 10 percent of enterprises reported using less imported inputs now than in earlier years. The proportion of materials that is imported does not vary much by size of firm, but it varies somewhat with region: firms in Dar-es-Salaam reported a much smaller proportion of inputs (15.2 percent) than firms in other regions (25 to 34 percent).

Table 16 shows the annual costs of wage labor, other inputs (including taxes and interest), the annual turnover of firms, and the gross operating surplus, by sector, region, and size. The first observation is that for all firms the share of inputs in total output (turnover) was quite large, averaging 59.7 percent. However, the share of wages in total revenue was quite small, an average of only 5.3 percent.

The turnover information was compiled from answers to various direct and indirect questions. The questions were designed to minimize the well-known tendency of small entrepreneurs to underreport revenues. Nonetheless, revenues were probably underreported. Hence, the turnover figures should be considered as lower bounds of true average revenues.

The last column reports estimates of the annual gross operating surplus, that is, the return to the entrepreneur by sector, region, and size of firm. These figures must be considered only as indicative since the input and output information is not always complete or accurate. In any case, it appears that on average the annual gross operating surplus of small enterprises was around 828 thousand Tsh per year, or 69,017 Tsh per month. Given that on average owners and managers worked about 272 hours per month, as mentioned earlier, the average hourly return to the owner was about 254 Tsh. This is considerably more than the average hourly pay of employed workers, which was estimated earlier at only 31.5 Tsh/hour.

Table 16 — Annual Average Cost of Labor, Inputs, and Annual Turnover of Enterprises

	Enterprises				Input Coefficients		
	Total Wage Bill (1)	Cost of Inputs (2)	Total Costs (3)	Annual Turnover (4)	Wages (1)/(4) (5)	Inputs (2)/(4) (6)	Gross Operating Surplus (4)-(3) (7)
	(000 Tsh)				(Percent)		(000 Tsh/Year)
Sector							
Forestry, etc.	94.7	2495.4	2590.0	5455.4	1.7	45.7	2865.4
Food manufacturing	143.9	1950.4	2094.3	2734.4	5.3	71.3	640.1
Other consumer good manufacturing	102.1	693.9	796.0	1240.6	8.2	55.9	444.6
Intermediate and capital goods manufacturing	192.9	1626.8	1819.7	3003.2	6.4	54.2	1183.5
Household industries	89.9	1347.2	1437.1	2243.7	4.0	60.0	806.6
Construction	233.4	4505.0	4738.4	7708.7	3.0	58.4	2970.3
Commerce	41.2	1220.0	1261.2	1610.3	2.6	75.8	349.1
Transport and comm. services	120.8	800.9	921.7	1505.1	8.0	53.2	583.4
Health and education services	178.1	367.9	546.0	786.2	22.7	46.8	240.1
Other services	97.3	673.2	770.5	1157.9	8.4	58.1	387.4
Region							
Arusha	83.8	2058.6	2142.3	4133.8	2.0	49.8	1991.5
Mbeya	231.3	429.7	661.1	1049.3	22.0	41.0	388.2
Dodoma	147.8	2281.5	2429.3	3294.2	4.5	69.3	864.9
Mwanza	82.8	1441.8	1524.6	1940.7	4.3	74.3	416.1
Dar-es-Salaam	79.8	471.6	551.3	841.8	9.5	56.0	290.5
Size							
Owner	0.0	608.0	608.0	1150.1	0.0	52.9	542.1
1-2 workers	96.5	1390.2	1486.6	2063.2	4.7	67.4	576.6
3-5 workers	356.9	1747.0	2103.9	3798.2	9.4	46.0	1694.3
6+ workers	702.1	7206.8	7908.9	12998.4	5.4	55.4	5089.4
Owner sex							
Male	131.0	1545.6	1676.6	2599.6	5.0	59.5	923.0
Female	111.5	675.1	786.6	1028.8	10.8	65.6	242.2
Total	126.6	1413.9	1540.5	2368.7	5.3	59.7	828.2

Source: Urban Enterprise Survey.

Examining the sectoral means of gross operating profits, it appears that firms in construction, livestock, forestry, and fishing (these firms are mostly engaged in charcoal production) were the most profitable. Intermediate and capital good manufacturing and household industries (home brewing and tailoring) also seemed to be quite profitable. The profits in other industries, however, were smaller, ranging from 240,000 to 640,000 Tsh per year. Regionally, profits appear to vary substantially between Arusha, where firms were quite profitable, and the other regions. The least profitable region overall was Dar-es-Salaam.

The gross operating surplus varied considerably by size of enterprise. Owner operated, and small firms (one to two workers) are the least profitable, while larger ones are considerably more profitable. Interestingly, another large difference appears between returns to male-owned and female-owned firms: male-owned firms generate more than three times profitable as the female-owned ones.

The survey asked many questions about assets. The difficulties of extracting meaningful information from answers to such questions are well-known. Nevertheless, a large effort was made to obtain some information on the asset structure of firms. Table 17 exhibits the averages (over those firms reporting), of the acquisition or establishment cost of the firms, and the current asset values as computed by adding the depreciated values of various current assets. All values are in 1991 prices. Acquisition or other values reported for earlier years were inflated by the National Consumer Price Index (NCPI) series, which is the series available over the longest time period.

Several distinct patterns emerge from the table. First, the acquisition and current asset values of older firms are higher than those of younger ones. This implies, for instance, that the acquisition or startup cost at current prices of the average firm established before 1975 is more than 20 times the cost for a firm established in the most recent period, 1989-1991. This might be partly explained by the larger size (as noted earlier) of older firms, and hence, the greater expense. Indeed, the figures in the bottom part of the table support this. The average acquisition cost of a typical firm of the largest surveyed size is 15 times the cost for a typical owner operated enterprise.

The most costly firms to establish by far are in construction, followed by those in livestock, forestry, and fishing. The cheapest ones to establish are the household industries (home brewing and tailoring). Similarly, firms in Arusha seem to be more asset rich than those in other cities.

For most classifications, the current asset value is not too different from current establishment or acquisition value. It is not clear if this is because firms do not invest much in expansion, or because of problems with the data. Also, it is interesting to note that while the average acquisition cost does not vary much between male and female owned enterprises, the current asset values of male owned firms are substantially larger. As was seen in Table 16, these are also the sectors where firms generate the highest profits.

Table 17 — Average Acquisition Cost, Current Value, and Current Sales Value of Enterprises, by Sector, Region, Year of Establishment, and Size

	Acquisition or Startup Cost	**Current Asset Value**
	(000 1991 Tsh)	
Year current owner started business		
1976-1979	4324.0	2264.5
1980-1983	1463.8	817.6
1984-1986	1325.8	1220.5
1987-1988	423.2	539.0
1989-1991	308.6	335.0
	208.9	276.0
Sector		
Forestry, etc.	1352.1	514.4
Food manufacturing	638.9	456.8
Other consumer good manufacturing	235.2	64.8
Intermediate and capital goods manufacturing	904.5	523.7
Household industries	70.8	673.6
Construction	3131.7	2860.8
Commerce	440.6	196.5
Transport and communications services	522.5	1322.4
Health and education services	838.6	730.6
Other services	1218.5	826.2
Region		
Arusha	1424.3	967.3
Mbeya	1188.7	773.8
Dodoma	543.7	859.7
Mwanza	198.0	240.1
Dar-es-Salaam	10.8[a]	162.4
Size		
Owner only	139.5	144.4
1-2 workers	752.0	566.5
3-5 workers	1723.4	1541.5
6+ workers	2117.9	1390.9
Owner's sex		
Male	816.9	730.7
Female	697.0	208.2
Total	795.9	611.6

Source: Urban Enterprise Survey.

[a] This is based on answers from only 2 of the 105 firms in Dar-es-Salaam.

7. RELATIONS WITH GOVERNMENT

About half of the firm owners (47 percent) are aware of government programs that could benefit them, while the rest are not aware of any such programs. However, of the former, the vast majority (83 percent) reported that they did not benefit from them.

Table 18 exhibits the major reasons given for not benefiting from the programs. Enterprises in Dodoma appear to have been served much better from programs than enterprises elsewhere. Also, larger enterprises (those with six or more workers) have benefited proportionately more. About half of those who stated that they were aware of the programs but did not benefit (105 out of 218, or 48 percent) cited bureaucracy as the major reason, while another 24 percent said the enterprise was too small. Interestingly, most entrepreneurs stated that the second most important reason is the need for money to take advantage of program. If we interpret the answer "too bureaucratic" as requiring too much time or money to qualify for government programs, then it seems that programs aimed at small enterprise development do not appear to have been implemented in a fashion easy to be accepted by small enterprise owners.

Table 19 exhibits the type of formality that firms stated they needed to establish. One hundred forty-one firm managers (31 percent of those responding) mostly owner operators and very small (1-2 workers) enterprise managers, said they did not need any formality to set up the enterprise. Among those stating that they needed some type of formality (320 respondents), most needed a registration, a license, and a site permit to operate. It appears that several reasonable formalities were needed to set up a small business.

There are, however, other aspects of the formalities issues. Table 20 exhibits the time needed to complete the formalities by those that said they needed some to set up the enterprise. The weighted mean time it took to set up was about 2.4 months (if the midpoint of the relevant time interval is taken as average), which does not seem excessive. About half of the responding entrepreneurs said they needed less than one month, while another 129 (40 percent) needed between 1 and 6 months. There is a regional dimension to the problem, with almost all who stated they needed more than seven months to set up being in Dodoma and Dar-es-Salaam.

Of those needing formalities to set up, 20 percent said that the cost of the formalities included some "non-normal" costs. On average they said that these non-normal costs were 29 percent of the total costs of the formalities. It is not clear, nor was it asked, what these non-normal costs were, but they most likely involved side payments.

Table 18 – Reasons for Not Benefiting from Government Programs

			Most Important Reason for Not Benefiting						Second Most Important Reason for Not Benefiting					
	Not Aware of Program	Aware of Program and Has Benefited	Too Bureau-cratic	Need Money to Take Advantage	Enter-prise Too Small	Do Not Have Connec-tions	Do Not Want to Deal	Other	Too Bureau-cratic	Need Money to Take Advantage	Enter-prise Too Small	Do Not Have Connec-tions	Do Not Want to Deal	Other
	(Number of Respondents)													
Region														
Arusha	99	2	5	7	2	–	–	–	5	2	2	4	–	–
Mbeya	52	0	22	10	17	7	4	1	12	24	9	10	5	–
Dodoma	42	31	25	3	10	1	1	–	12	9	11	6	–	1
Mwanza	48	3	19	–	11	8	1	10	8	4	12	24	1	–
Dar-es-Salaam	50	1	34	2	13	5	–	–	7	20	19	5	1	–
Size														
Owner only	123	7	37	3	19	9	1	8	9	21	24	19	1	–
1-2 workers	121	8	37	9	25	8	2	3	23	22	19	15	4	1
3-5 workers	36	9	27	10	9	4	3	–	12	14	9	14	2	–
6+ workers	11	3	4	–	–	–	–	–	–	2	1	1	–	–
Size of respondent														
Male	231	31	82	20	32	16	6	5	33	48	34	36	5	1
Female	60	6	23	2	21	5	–	6	11	11	19	13	2	–
Total	291	37	105	22	53	21	6	11	44	59	53	49	7	1

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

Table 19 — Types of Formality for Small Enterprise Establishment, by Region, Size, and Sex of Respondent

		Did you Need any Formality to Set Up? (Yes)									
		Registration		License		Site Permit		Other Formality			
	No Response	Yes	No	Yes	No	Yes	No	Yes	No	Did Not Need Formality to Set Up?	Total Number of Respondents
					(Number of Respondents)						
Region											
Arusha	1	76	1	75	2	57	20	48	29	37	77
Mbeya	3	102	–	102	–	50	52	7	95	8	102
Dodoma	6	38	24	55	7	55	7	34	28	45	62
Mwanza	75	23	2	25	–	23	2	–	25	–	25
Dar-es-Salaam	–	9	45	43	11	4	50	–	54	51	54
Workers											
Owner only	43	52	28	73	7	33	47	21	59	84	80
1-2 workers	35	116	29	138	7	94	51	45	100	43	145
3-5 workers	4	69	11	76	4	55	25	21	59	14	80
6+ workers	3	11	4	13	2	7	8	2	13	–	15
Sex of respondent											
Male	62	211	48	249	10	164	95	80	179	102	259
Female	23	37	24	51	10	25	36	9	52	39	61
Total	85	248	72	300	20	189	131	89	231	141	320

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

Table 20 – Time to Complete Formalities for Set Up of Enterprise

	Did you Need Formalities to Set Up? (Yes)						
	Time for Formalities						
	No Response	**Less Than 1 Month**	**1-3 Months**	**4-6 Months**	**7-12 Months**	**More Than a Year**	Total
			(Number of Respondents)				
Region							
Arusha	–	31	42	3	1	–	77
Mbeya	–	98	3	1	–	–	102
Dodoma	4	19	14	12	6	7	62
Mwanza	1	1	10	11	2	–	25
Dar-es-Salaam	6	6	15	18	8	1	54
Workers							
Owner only	6	33	22	15	2	2	80
1-2 workers	4	75	37	17	10	2	145
3-5 workers	1	42	18	11	5	3	80
6+ workers	–	5	7	2	–	1	15
Sex of respondent							
Male	7	123	68	39	15	7	259
Female	4	32	16	6	2	1	61
Total	11	155	84	45	17	8	320

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

8. OUTLOOK AND CONSTRAINTS

Most respondents (373, or 68 percent) said that prospects for 1992 (the year after the survey) were good or very good, 46 or 8 percent said prospects were bad or very bad, and 80 or 15 percent said prospects were stagnant. For the next three years a similar majority (64 percent) listed the prospects as good or very good, while 12 percent said they were bad or very bad. There was no clear sectoral, regional, or size pattern to those who were optimistic or pessimistic.

Table 21 lists responses to the question whether the enterprise can currently sell all its production. In all sectors and most regions (except Mwanza) and size classes, most respondents (374 or 68 percent in total) said that they could sell everything they produced and more. Eighty firm owners (20 percent) said they could not sell everything they produced, while 58 (11 percent) said they could sell what they currently produced but not more. It appears clearly that most enterprises would want to expand production since they could sell more.

The survey tried to obtain an idea of the constraints to enterprise expansion. Tables 22 and 23 list the most important constraints to expansion perceived by firms by sector, region, size, and sex of respondent. Fifty-one firm managers (9 percent) perceived no constraint to expansion. Most of those were very small firms (owners only or 1-2 workers) in Mbeya. The overwhelming majority of those who reported constraints (246 out of 491, or 50 percent) listed the lack of credit for working capital as the most serious constraint. This factor was the most crucial in almost all sectors and regions. Interestingly, in Dodoma, alone among cities, the major perceived constraints involved unavailability of machinery and heavy taxes, rather than credit. Other constraints perceived as major were lack of credit for new capital, and inability to obtain local raw materials (possibly for lack of production). Infrastructural problems such as electricity and transport did not appear to be major constraints, neither were heavy taxes or bureaucratic problems.

The most often cited second major constraint to expansion was again credit for working or new capital. In other words, most of those who did not cite credit as their major expansion constraint listed credit as their second major constraint. Interestingly, the high cost of credit did not appear often either as a major or second major constraint to expansion. Frequently cited second major constraints were inability to obtain machinery and local raw materials, heavy taxes, and high transport costs.

Tables 24-26 exhibit the perceptions of firms concerning their most serious overall problems now, three years ago, and five years ago, by year of establishment and size of firm. Again, it is clear that for firms of all sizes and ages, availability of working capital was the major problem. Notice, however, that in 1991 the intensity of competition (too many firms) and the lack of customers'

Table 21 — Summary Information on Perceptions of Current Market Conditions

	Can you Sell Maximum Production?				
	No Response	Yes and Could Sell More	Yes but Could Not Sell More	No	Total
	(Number of Respondent)				
Major sector of activity					
Forestry, etc.	–	11	6	4	21
Food manufacturing	1	60	8	8	77
Other consumer good manufacturing	–	33	3	10	46
Intermediate and capital goods manufacturing	–	95	10	28	133
Household industries	1	34	6	2	43
Construction	–	17	1	1	19
Commerce	–	37	12	27	76
Transport and communications services	1	12	2	2	17
Health and education services	–	12	–	2	14
Other services	3	63	10	24	100
Region					
Arusha	–	99	5	11	105
Mbeya	2	100	4	7	113
Dodoma	4	93	3	13	113
Mwanza	–	15	29	56	100
Dar-es-Salaam	–	67	17	21	105
Size					
Owner only	1	127	27	49	204
1-2 workers	4	153	26	43	226
3-5 workers	1	79	4	14	98
6+ workers	–	15	1	2	18
Sex of respondent					
Male	6	287	39	91	423
Female	–	87	19	17	123
Total	6	374	58	108	546

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

Table 22 — Most Important Constraints to Expansion Perceived by Enterprise Managers, by Sector of Activity

	Major Sector of Activity										
	Forestry, etc.	Food Manufacturing	Other Consumer Goods	Intermediate & Capital Goods Manufacturing	Household Industries Manufacturing	Construction	Commerce	Transport and Communications Services	Health and Education Services	Other Services	Total
	(Number of Respondents)										
No response	–	–	–	1	2	–	–	–	–	1	4
Yes											
Most important constraint											
Cannot obtain local raw materials	3	7	3	7	1	2	5	1	2	10	41
Cannot obtain imported raw materials	–	1	2	4	–	–	–	–	–	–	7
Lack of credit for working capital	6	33	22	59	20	6	43	5	5	47	246
Lack of credit for new capital	4	9	5	15	3	–	3	6	–	2	47
Can obtain credit but cost is too high	1	1	–	–	–	–	–	–	1	–	3
Cannot obtain machinery or equipment	–	2	4	9	5	1	–	2	–	6	29
Lack of skilled labor	–	–	1	1	–	2	1	–	1	2	8
Wages of labor too high	–	–	–	–	1	–	–	–	–	–	1
Electricity problems	–	1	–	2	–	–	–	–	–	1	4
Transport costs too high	3	–	1	2	1	–	3	–	–	1	11
Heavy taxes	–	2	–	1	2	1	2	–	–	9	17
Heavy bureaucracy	–	1	–	–	1	1	1	–	2	1	7
Regulations change too often	–	6	3	2	2	–	3	2	–	1	19
No foreign exchange	–	–	–	1	–	–	–	–	–	–	1
Other	3	7	1	13	3	3	10	–	1	9	50
Total	20	70	42	116	39	16	71	16	12	89	491
No constraint perceived	1	7	4	16	2	3	5	1	2	10	51
Total	21	77	46	133	43	19	76	17	14	100	546

Source: Urban Enterprise Survey.

Note: — means that there were no firms in the relevant cell.

Table 23 — Most Important Constraints to Expansion Perceived by Enterprise Managers, by Region, Size of Enterprise, and Sex of Respondent

	Region					Size				Sex of Respondent	
Are There Constraints to Expansion?	**Arusha**	**Mbeya**	**Dodoma**	**Mwanza**	**Dar-es-Salaam**	**Owner Only**	**1-2 Workers**	**3-5 Workers**	**6+ Workers**	**Male**	**Female**
						(Number of Respondents)					
No response	–	–	3	–	1	2	1	1	–	2	2
Yes											
Most important constraint											
Cannot obtain local raw materials	3	1	8	9	20	17	16	7	1	29	12
Cannot obtain imported raw materials	1	–	3	1	2	2	2	1	2	4	3
Lack of credit for working capital	97	44	6	60	39	103	96	41	6	187	59
Lack of credit for new capital	–	25	8	9	5	10	20	16	1	38	9
Can obtain credit but cost is too high	–	1	1	1	–	–	1	1	1	3	–
Cannot obtain machinery or equipment	1	1	21	4	2	8	14	6	1	26	3
Lack of skilled labor	–	4	2	–	2	1	6	1	–	7	1
Wages of labor too high	–	–	–	–	1	–	1	–	–	–	1
Electricity problems	2	1	1	–	–	1	1	2	–	4	–
Transport costs too high	–	–	6	2	3	2	5	3	1	10	1
Heavy taxes	4	–	12	1	–	1	11	4	1	17	–
Heavy bureaucracy	–	1	4	–	2	4	2	1	–	3	4
Regulations change too often	–	–	17	–	2	10	7	1	1	16	3
No foreign exchange	–	–	–	–	1	1	–	–	–	1	–
Other	–	–	13	13	24	29	14	5	2	36	14
Total	108	78	102	100	103	189	196	89	17	381	110
No constraint perceived	7	35	8	–	1	16	26	8	1	40	11
Total	115	113	113	100	105	204	226	98	18	423	123

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

Table 24 — Respondents' Perceptions of Most Serious Overall Problems in 1991

Most Serious Problem Now	Date Firm Started			Size of Firm (Number of Workers)			Total
	Pre-1979	1980-1986	1987-1991	Owner Only	1-2 Worker Firm	More than Two Workers	
	(Number of Respondents)						
No answer	1	1	1	1	–	2	3
Customers have no money	6	16	57	41	31	7	79
Too many other firms	11	50	78	35	66	38	139
Too many imports	–	–	8	3	4	1	8
Not enough raw materials	8	8	23	20	11	8	39
Price of local raw materials high	2	2	18	7	13	2	22
No bank credit for working capital	21	46	77	63	51	30	144
No bank credit for new capital	–	5	3	2	4	2	8
No skilled labor	–	1	3	1	3	–	4
Electricity problems	3	4	3	2	3	5	10
Transport costs	1	1	5	4	2	1	7
Heavy taxes	2	3	4	1	3	5	9
Bureaucracy	–	–	3	2	1	–	3
Rules change	–	–	3	–	3	–	3
Economic uncertainty	2	–	3	1	3	1	5
Other	5	15	20	13	19	8	40
Total	65	160	321	207	223	116	546

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

Table 25 — Respondents' Perceptions of Most Serious Overall Problems in 1988

	Date Firm Started			Size of Firm (Number of Workers)			
Most Serious Problem 3 Years Ago	**Pre-1979**	**1980-1986**	**1987-1991**	**Owner Only**	**1-2 Worker Firm**	**More than Two Workers**	**Total**
	(Number of Respondents)						
No answer	5	6	164	85	67	23	175
Customers have no money	7	17	19	12	19	12	43
Too many other firms	3	18	13	11	14	9	34
Too many imports	–	1	2	2	1	–	3
Not enough raw materials	11	11	8	9	11	10	30
Price of local raw materials high	1	4	7	3	7	2	12
No bank credit for working capital	24	49	43	45	48	23	116
No bank credit for new capital	–	4	17	9	8	4	21
No skilled labor	–	5	3	2	4	2	8
Electricity problems	3	7	6	1	8	7	16
Transport costs	1	3	4	2	4	2	8
Heavy taxes	3	3	5	1	4	6	11
Bureaucracy	–	2	2	1	1	2	4
Rules change	–	2	7	3	6	–	9
Economic uncertainty	3	4	8	7	6	2	15
Other	1	17	10	8	12	8	28
Total	65	160	321	207	223	116	546

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

Table 26 — Respondents' Perceptions of Most Serious Overall Problems in 1986

Most Serious Problem 5 Years Ago	Date Firm Started: Pre-1979	Date Firm Started: 1980-1986	Date Firm Started: 1987-1991	Size of Firm (Number of Workers): Owner Only	Size of Firm (Number of Workers): 1-2 Worker Firm	Size of Firm (Number of Workers): More than Two Workers	Total
	(Number of Respondents)						
No answer	6	23	296	146	132	47	325
Customers have no money	6	19	5	6	17	7	30
Too many other firms	3	7	1	3	5	3	11
Not enough raw materials	9	7	3	9	4	6	19
Price of local raw materials high	1	4	1	–	2	4	6
Not enough imported raw materials	1	5	1	2	2	3	7
Price of imported raw materials high	–	–	1	1	–	–	1
No bank credit for working capital	23	45	8	24	34	18	76
No bank credit for new capital	4	13	1	6	5	7	18
No skilled labor	1	8	–	–	5	4	9
Wages too high	–	1	–	–	–	1	1
Electricity problems	2	7	–	1	2	6	9
Transport costs	–	1	1	1	1	–	2
Heavy taxes	3	2	1	1	3	2	6
Bureaucracy	–	2	1	–	1	2	3
Rules change	–	4	–	1	1	2	4
Economic uncertainty	5	2	–	2	3	2	7
Other	1	10	–	4	5	2	11
Total	65	160	321	207	223	116	546

Source: Urban Enterprise Survey.

Note: – means that there were no firms in the relevant cell.

purchasing power are also quite prominent problems, while in earlier years the availability and prices of raw materials were also quite important. Bureaucracy, taxes, and changing rules do not figure prominently as major problems. Similarly, infrastructural problems do not appear to be the entrepreneurs' most serious problem.

Table 27 gives the areas where the enterprise profits of the previous year (1990) were spent. The proportions were similar for 1989 and did not differ much by sector, so these are not shown. Most enterprise profits (40.1 percent) were reinvested in the same enterprise, while the second major share (33.5 percent) were for consumption. Interestingly, the third highest share (8.7 percent) went to educate household members (including the respondent). Only 5.1 percent was put in the bank, and only 3.2 percent was kept as cash.

These proportions varied somewhat by region, but more with size. Owners of the smallest firm invested a smaller share of profits and consumed a larger share than large firm owners. Similarly, large firm owners put a much larger share of their profits in banks. However, they invested much less in education of family members. Also it is interesting to note that female owners seem to reinvest a larger share and consume a smaller share of enterprise profits.

Table 27 – Use of Last Year's Profits, by Enterprise Owner

	Invested in Enter-prise	Invested in Other Enter-prise	Spent on Educa-tion	Used to Buy or Improve House	Used to Buy Durables	Put in Bank	Used to Buy Forex	Put in Credit Associa-tion	Kept in Cash	Lent to Others	Spent on Consump-tion	Used to Buy Live-stock	Used to Buy Land	Used for Other Purpose
						(Percent Spent on Average)								
Region														
Arusha	49.9	0.0	6.6	0.0	0.3	3.9	0.0	0.0	0.4	0.0	36.8	0.0	1.1	0.3
Mbeya	47.1	0.2	10.6	0.9	1.6	7.7	0.2	0.2	2.7	0.4	27.8	0.1	0.1	0.2
Dodoma	27.0	2.4	11.3	2.5	11.8	3.3	0.2	0.3	2.7	0.1	36.4	0.3	1.8	0.0
Mwanza	17.3	1.4	6.4	2.5	4.7	7.3	0.1	1.8	7.0	1.1	45.5	0.5	0.3	3.4
Dar-es-Salaam	59.0	0.3	8.2	0.3	1.5	3.5	0.0	1.5	3.7	0.0	20.7	0.0	0.3	0.3
Workers														
Owner only	39.0	0.5	7.5	0.4	3.7	2.9	0.2	1.3	3.9	0.2	38.7	0.2	1.0	0.4
1-2 workers	37.2	1.0	10.2	2.1	4.6	5.2	0.1	0.5	2.8	0.4	33.7	0.2	0.5	1.0
3-5 workers	47.2	1.2	8.6	1.1	3.0	8.4	0.0	0.1	2.4	0.4	25.1	0.0	0.5	1.1
6+ workers	51.7	0.8	3.3	2.2	5.0	12.8	0.0	0.0	3.9	0.0	16.9	0.6	2.5	1.4
Sex of respondent														
Male	38.2	1.0	8.9	1.4	4.2	5.1	0.1	0.3	2.9	0.4	34.9	0.2	1.0	0.9
Female	47.1	0.3	7.9	0.8	3.1	5.3	0.0	2.1	4.2	0.0	28.4	0.1	0.0	0.4
Total	40.1	0.8	8.7	1.2	4.0	5.1	0.1	0.7	3.2	0.3	33.5	0.2	0.8	0.8

Source: Urban Enterprise Survey.

9. CONCLUSIONS

The statistics exhibited in the paper suggest several conclusions concerning the behavior of small-scale enterprises. It is quite obvious that most small-scale enterprises are individually or family owned and quite small, employing no more than two workers. The unskilled workers are paid very little, and appear to be in ample supply, but skilled workers are in tight supply. On the contrary, the gross operating surplus of entrepreneurs appears to be much higher than the average wage paid. In fact, it appears to be of the same magnitude as the value of the average acquisition cost, or current value of assets. This would imply a very high return to investment in small-scale enterprises. Furthermore, if we subtract the average owner's wage from the gross operating surplus and divide it by acquisition cost, or value of current assets, we obtain returns to capital close to 100 percent (gross of depreciation). This would suggest that small-scale enterprises are quite profitable.

Most entrepreneurs appear to hold this view also, judging from their stated desire to expand. However, they face several constraints, the major among these being associated with credit and working capital availability. The same constraint also appears to be the general major operational problem of entrepreneurs.

Interestingly, the bureaucracy and the government do not appear to cause major problems for the entrepreneurs, although they appear to be the major reason for not benefiting from various programs. It is not clear whether the lack of many formal ties with the rest of the economy, for instance with banks, is also associated with the major problem with finance. This is a subject for further investigation.

Generally speaking, the small-scale enterprise sector in Tanzania seems dynamic, adaptable, and eager to expand. Better recognition of its problems and potential could help encourage programs and institutions to enhance their performance. It is hoped that the results of the survey presented here have provided further information toward that end.

Appendix Table A.1 — Assignment of Sampled Firms to Aggregated Sectors

First Major Activity Reported by Firm	Aggregate Sector: Forestry, etc.	Food Manufac-turing	Other Consumer Goods	Intermediate & Cap. Goods Manuf.	Household Industries Manuf.	Con-struction	Com-merce	Trans. & Comm. Services	Health & Educ. Services	Other Services	Total
	(Number of Firms										
Forestry, logging, fishing	21	–	–	–	–	–	–	–	–	–	21
Mining or quarrying	–	–	–	3	–	1	–	1	–	–	5
Confectionery or sugar processing	–	3	–	–	–	–	–	–	–	–	3
Bakery	–	21	–	–	–	–	–	–	–	–	21
Processed meat or dairy	–	22	–	–	–	–	–	–	–	–	22
Oils & fats processing or manufacturing	–	2	–	–	–	–	–	–	–	–	2
Grain milling	–	13	–	–	–	–	–	–	–	–	13
Other food processing or manufacturing	–	16	–	–	–	–	–	–	–	–	16
Beverage manufacturing	–	–	–	–	17	–	–	–	–	–	17
Tailoring	–	–	–	–	26	–	–	–	–	–	26
Tobacco processing	–	–	2	–	–	–	–	–	–	–	2
Weaving and other textile manufacturing	–	–	6	–	–	–	–	–	–	–	6
Rope, twine, cordage,etc. manufacturing	–	–	–	–	–	–	–	–	–	–	2
Garment and leather prod. manufacturing	–	–	10	–	–	–	–	–	–	–	10
Footwear manufacturing	–	–	27	1	–	–	–	–	–	–	28
Furniture or wood product manufacturing	–	–	–	40	–	–	–	–	–	–	40
Paper, printing, publishing	–	–	–	6	–	–	1	–	–	–	7
Chemicals, pharmeceuticals	–	–	–	13	–	–	–	–	–	–	13
Petroleum products manufacturing	–	–	–	3	–	–	–	–	–	–	3
Rubber and plastic prod. manufacturing	–	–	–	2	–	–	–	–	–	–	3
Cement and products manufacturing	–	–	–	3	–	–	–	–	–	–	3
Iron and metal products manufacturing	–	–	–	36	–	–	–	–	–	–	36
Machinery and equipment manufacturing	–	–	–	1	–	–	–	–	–	1	2
Transport equipment and repair	–	–	–	20	–	–	–	–	–	–	20
Other manufacturing	–	–	–	2	–	–	–	–	–	–	2
Construction	–	–	–	–	–	18	–	–	–	–	18
Commerce, food products	–	–	–	–	–	–	34	–	1	–	35
Commerce, nonfood products	–	–	–	–	–	–	41	–	–	–	41
Transport services	–	–	–	–	–	–	–	15	–	–	15
Hotels and restaurants	–	–	–	–	–	–	–	–	–	37	37
Education services	–	–	–	–	–	–	–	–	2	–	2
Health services	–	–	–	–	–	–	–	–	11	–	11
Services to other enterprises	–	–	–	1	–	–	–	–	–	15	16
Other services	–	–	–	–	–	–	–	1	–	47	48
Total	21	77	46	133	43	19	76	17	14	100	546

Source: Urban Enterprise Survey.

Note: Firms reported the percent of sales in each of the 37 industries. The assignment to the 10 aggregated sectors was done on the basis of the major firm activity (largest percent of sales). This did not always coincide with the first activity listed by the firm, and this is why some rows have entires in more than one column.

Appendix Table A.2 — Regional Size Distribution of Small Enterprises

	Number of Workers									
	Owner Only		1-2 Workers		3-5 Workers		6+ Workers		Total	
	Number of Firms	Percent of Group	Number of Firms	Percent of Group	Number of Firms	Percent of Group	Number of Firms	Percent of Group	Number of Firms	Percent of Group
Region										
Arusha	50	24.5	48	21.2	14	14.3	3	16.7	115	21.1
Mbeya	13	6.4	53	23.5	43	43.9	4	22.2	113	20.7
Dodoma	33	16.2	57	25.2	19	19.4	4	22.2	113	20.7
Mwanza	43	21.1	42	18.6	11	11.2	4	22.2	100	18.3
Dar-es-Salaam	65	31.9	26	11.5	11	11.2	3	16.7	105	19.2
Total	204	100.0	226	100.0	98	100.0	18	100.0	546	100.0

Source: Urban Enterprise Survey.

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