

**Factors Contributing to the Failure of Women's Small Scaled Enterprises in Dodoma City Council, Tanzania**

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**ABSTRACT**

This study presents the findings on the Factors Contributing to the Failure of Female Small scale Enterprises in Dodoma City Council, Tanzania. The study adopted cross-sectional research design where structured questionnaire using open and closed ended questionnaire used to collect primary information from a sample size of 70 respondents. The researcher used mixed approaches in conducting this research, which are qualitative and quantitative. Qualitative approach used in collecting respondents' views during the interviews while quantitative approach used to collect information from respondents through questionnaires. The general finding indicated that government regulations like long license processing and unfavorable tax, scarcity of cash flow at the start-up, operating and expanding their businesses. Moreover, the results indicate that high interest rate from banks and other financial institutions affect growth of enterprises, also some male claim that women responsibility is to take-care their families instead of working to increase family income so this perception accelerates women to perform business as a part-time activity and finally lead failure. Therefore, the study recommends that women's small-scaled entrepreneur must create groups to work together in cooperatives, which can reduce tax, rent payable, interest rate from financial institutions. In addition, government should enforce laws to eradicate bureaucracy and corruption based on sex, place of origin, favoritism and infidelity from some government officers and credit officers during women asking for business tax approximation and during loan application.

*Keywords: Factors, Failure, Women Entrepreneurs, Small scaled Enterprises, Tanzania.*

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**1. Introduction**

In Tanzania, women's small enterprises is among of component in the private sector contribute in national economic development, the proportion of women owned enterprises increased, surprising the 75% of them have been collapsing within a year only, the situation lead women enterprise continue to be less active in business (URT, 2015). Nevertheless, over 99% of small enterprises have fewer than five employees and almost three-quarters have only one employee, the majority of women entrepreneurs are between the ages of 25 up to 40 years and have a low level of education. On the other side, these

women small scaled entrepreneurs are the potential motor for the economy to generate jobs and reduce poverty (ILO, 2013).

However, multiple obstacles continue to slow down their capacity to start and grow businesses in generating quality jobs, although women's have an untapped potential for entrepreneurial development but they lack the necessary skills and resources lead them to face more failures (URT, 2015). Legal impediments, cultural attitudes, less mobility that influence their businesses to remain younger and smaller than men's do in business (Berge, 2016). Most women conducting business in Tanzania are concentrated in informal, micro, small, low growth and low-profit activities including food vending, tailoring, batik making, beauty salons, decorations, local brewing, catering, pottery and food process (URT, 2015). Most of women's sell their products in the local market and only small percentages selling regionally or internationally where entry barriers are low but price competition is intense (Bouazza, 2015). The Government of Tanzania has expressed a commitment to support women entrepreneurship through several policy pronouncements as well as specific support programs; however, women entrepreneurs continue to face difficulties that contribute to stifling the growth of their enterprises (Jagero, 2015).

A study such as factors contributing to the failure of women's small-scale enterprises in Dodoma City Council, Tanzania is among of right way to find solution of problems that women's small enterprises face and making progress towards achieving their business success and the United Nations Agreed Sustainable Development Goals (UN-SDG). Which aim at ending poverty through achieves gender equality, empower all women and girls' topromote sustainable economic growth at all levels within Dodoma City Council as well as Tanzania at larger (UN, 2015).

## **2. MATERIALS AND METHODS**

### **2.1 Description of the study area**

The research was conducted at Dodoma City Council, the City located in the middle of the country, it is boarded by Chamwino District in the East and Bahi District in the West, it lies between Latitudes 6.000 - 6.300 South and Longitude 35.300 - 36.020 east.

### **2.2 Research Design**

The study employed the cross-sectional research design, the design allows data collected at one point in time, cross-sectional design allow deep investigation of a problem or issue being on multiple units and make it simple to determine relationship between different variables focused at the time of the survey.

### **2.3 Targeted population, sample size and sampling techniques**

#### **2.3.1 Targeted population**

The targeted population of this study was women who undertake small-scaled enterprises were selected from three wards found at Dodoma City Council. In addition, key informant of this study including business officers from the Dodoma City Council and Ward Executive Officers (WEO) from Majengo ward, Madukani ward and Viwandani ward.

### **2.3.2 Sample Size**

This study used a total sample of seventy(70) participants selected out of two hundred and thirty (230) women small-scale entrepreneurs from three (3) wards, includes Majengo ward, Madukani ward and Viwandani ward at Dodoma City Council.

### **2.3.3 Sampling Techniques**

In this study, the researcher use simple random sampling and purposive (judgmental) sampling techniques

## **3. RESULTS AND DISCUSSION**

### **3.1 Business information of respondents**

#### **3.1.1 Business years of operation**

Majority 45.7% of respondent's states that business operated within 1-5 year, the second group 22.9% operating business within day one to 1-year, about 15.7% of respondents operating business within 6-10 years, 10.0% respondents operating business within 11-15 years, only 5.7% of respondents operating business over 15 years, as shown in the Table 1. This implies that most of the women small-scaled enterprises failed within five years because of poor creativity and innovation during start new businesses and the results indicate that the majority of failed businesses were operating in the retail shop due to the poor creativity and innovation lead to have same business type in the same place.

In the interview with the Business Officer of the Dodoma City Council, he verified this by saying;

Majority of entrepreneurial activities in the City is related such as retail shops and beauty salon corroborates this result. However, these retailers' shops as well as the wholesalers operated in diverse sectors, importing and selling a wide range of products and finally sustain in short period of time because of huge competition and lack of customers and this facilitated by poor creativity and innovation (Business Officer).

Singer(2015), found that most of the small businesses in Sub Saharan Africa do not offer new and innovative products and services, and most of them are in direct competition with one another, offering similar products and services, may explain the causes of the failure of service-related businesses.

#### **3.1.2 Respondents start-up business capital**

Finding in Table 1 shows that majority 38.6% of respondents interviewed reported to start business with start-up capital of less than Tshs, 5 Million. 28.6% of the respondents reported to start business with start-up capital of 5 up to 20 Million. About 22.9% start business with a capital of 21-50 Million, only 10.0% of the respondent start business with a capital of 50-200 Million. This implies that most of the women participating in income generating activities have very small start-up capital that makes the size of their economic activities to be small in size and hence small marginal profits.

Two out of three Ward Executive Officers interviewed argued that:

Women face challenges in accessing capital due to various reasons such as the gender pay gap, lack of presentation in leadership positions, and stereotypes surrounding women's financial abilities. Women owned businesses often struggle to secure funding from financial

institutions, and offered fewer opportunities for funding than their male counterparts. This lack of access to capital can make it difficult for women to start or grow a business, limiting their potential for success. To overcome these challenges, women entrepreneurs' can seek out alternative funding sources, such as grants, crowd funding, and community initiatives that support women small scaled entrepreneurs. Additionally, policies and program that promote gender equality and advocate for women's financial inclusion can help address this issue at systematic level (WEO's).

In the interview with the Business Officer of the Dodoma City Council, he verified this by saying;-

One of the problem of women small scaled entrepreneurs is unrealistic expectations of income early year and but the real profit noticeable until third year of business operation, so if starting capital is not enough to carry business like salaries, rent, tax and license this business may lead failure (Business officer).

This result supported by Chinomona&Maziriri (2015), women use their savings and borrow from family and friends to start and grow businesses, due to the lack of capital during business and lead to failure because of bad debt.

### **3.1.3 Types of business performed by respondents**

Business conducted by women small entrepreneurs in the study area divided into different types include 51.4% retail shop, wholesale shop 12.9%, foods and restaurants 17.1%, Hair and beauty/saloon 12.9%, stationary 5.7%. This implies that there are no women entrepreneurs in the manufacturing, construction and mining businesses, which all tend to be males dominated, demanding special skills and big capital that women might not have.

Moreover, in the interview with the Business Officer of the Dodoma City Council, he claimed that:-

Most of businesses failed within short period because of poor creativity of the female small-scaled enterprises to bring new product in the market, this entrepreneurs initiate one type of the business and finally face to high competition from their neighbors who have enough capital to offer needs of customers (Business Officer)

These findings supported by Cheah (2015), who report that women's businesses are concentrated in retail and services, while men focus on creativity, innovation and industrialization.

### **3.1.4 Respondents Source of capital**

Results from the study indicated that the majority 65.7% of the respondents obtained business capital from their families; the rest is 19.1% respondents obtain capital by selling properties; about 15.1% respondents obtain capital from banks and other financial agency. This implies that majority of women entrepreneurs supported by their family to start businesses, which help to improve income within family and increase employment opportunity. Moreover, during the interview with the business officer of the Dodoma City Council, he claimed that:-

Most of women entrepreneurs' capital comes from their families' parents or their husbands for the aim of support them to introduce source of income for the aim of supporting their families and improving their life". These findings supported by Coldham (2013), argues that government and stakeholder support for women's entrepreneurship through training, finance and coaching has had a positive impact on women's enterprises. However, government financial support is limited, and a significant number of women entrepreneurs have no access to it. (Business officer)

**Table 1: Women business information's (n=70)**

<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Business years of Operation</b>		
Less than 1 year	16	22.9
Between 1 and 5 years	32	45.7
Between 6 and 10 years	11	15.7
Between 11 and 15 years	7	10.0
Over 15 years	4	5.7
<b>Types of business performed by respondents</b>		
Retail shop	36	51.4
Food and restaurants	12	17.1
Wholesale shop	9	12.9
Hair and beauty/saloon	9	12.9
Stationary	4	5.7
<b>Respondents start-up business capital</b>		
0-5 Million	27	38.6
5-20 Million	20	28.6
21-50 Million	16	22.9
50 up to 200 Million	7	10.0
<b>Respondents Source of capital</b>		
Family capital	46	65.7
Sales of property	14	19.2
Credits from banks and other financial institutions	10	15.1

*Source: Field data, 2022*

### **3.2 Structural factors contribute to failure of women-small enterprises**

#### **3.2.1 Government regulations on tax collection and business registration procedures to women's small-scaled entrepreneurs**

Finding indicated that majority 37.1% of the respondents who were interviewed shows that some government regulations like long licensing procedures from city council office and unfavorable tax approximated by Tanzania revenue authority (TRA) taken as factor that affect business growth especially for those women's starting small business. This implies that some regulations like licensing process and tax collected by city council and Tanzania revenue authority it is obstacle because they do not look on what entrepreneur earn but those taxes based on approximation. Lengthily regulatory process can be particularly burdensome for women entrepreneurs who often face multiple responsibilities, such as family and household obligations. The time and effort required to navigate complex procedures can limit their ability to focus on other aspects of their business operations. Additionally, compliance costs associated with tax collection and enterprise registration can be disproportionately burdensome for women owned

small enterprises, especially those that may have limited financial resources, this additional cost can potentially reduce their capacity to invest in business growth and expansion.

One Ward Executive Officer out of three interviewed revealed that:

Women small-scaled enterprise may face obstacle in accessing relevant information and resource needed to comply with regulations, limited knowledge of tax laws, business registration procedures and availability of support system can further hinder their ability to navigate these processes effectively. Also in some cases, women entrepreneurs might encounter gender biases or discrimination during interaction with some government officials or regulatory agencies. Such biases could result in unequal treatment, making it even more challenging for women owned small enterprises to comply with regulations or secure necessary approvals (WEO).

Similar, Business Officer of Dodoma City Council he verified this by saying;

There no favorable means of tax payment especially to new entrepreneurs because revenue authority they approximate tax so sometime entrepreneur needed to pay larger amount compared to income or profit earned by women-mall entrepreneurs (Business officer).

This finding is supported by Olomi (2013), explain that numerous tax policy and legal factors can erode the capacity of small entrepreneur to create employment opportunities, foster innovation, sustain themselves and increase profit, excessive business registration can discourage or prevent them from glowing into larger and more productive firms.

### **3.3 Social factors contribute to failure of women small scales enterprises**

#### **3.3.1 Marital status**

Most (47.1%) of the respondents reported on marital status as a factor that hinder growth of business, this indicate that women are facing with gender inequalities on engaging in entrepreneurship. This implies that majority of women lack access to resources and most women in matrilineal customary system has access to farmland only through their husbands or fathers as they are only granted use rights as land title pass through the male line. Also balancing marriage and running enterprises can be challenge because marriage often involves shared responsibilities such as household chores and family commitments, which can sometimes require time and attention away from business. Furthermore, in some societies traditional gender role may place certain expectations on married women, which can potentially affect their ability to focus on their enterprises. However, societal attitudes and norms are changing and increasing support is being given to women in pursuing their entrepreneurial aspiration.

The Ward Executive Officer at viwandani said that:-

Marriage affecting the success of women entrepreneurs in one way or another because women they expected to take up roles in the home rather than in the enterprises. Some male counterparts feel threatened if women engage in business, generate money, and take up roles as breadwinners. It was established that male counterparts did not support women in their enterprises, such perception were outdated as their male counterparts needed help in generating funds for the up-keep of the family. Culturally marriage imposed attitudes regarding gender remain barriers to women in achieving higher financial rewards and status in the entrepreneurships (WEO).

Similarly, the Ward Executive Officer at Majengo Ward said that:-

Business officer from Dodoma City Council argued that women small-scaled entrepreneurship they supposed to perform home duties, such as taking care of family this lead to take entrepreneurial activity as an extra duty and finally may lead to failure of business (WEO)

This finding is supported by Odinga (2012) shows that women entrepreneurs especially those who have small children do not have enough time to concentrate on business because of family responsibilities, which of course affects the growth of their enterprises. Chinomona and Maziriri (2015), who found that the community still discriminates against women and does not support them in their business efforts

### **3.4 Economic factors contribute to failure of women small-scale enterprises**

#### **3.4.1 Insufficiency operation capital**

In the results, 40.0% of respondents interviewed mention operation capital at start-up stage as a factor that hinders women small-scale entrepreneur's growth. This implies that some women had the ambition growing their business, but could not due to a lack of operation capital. Furthermore financial service providers also faced challenges when serving women entrepreneurs due to business formality as most small-scaled enterprises are not registered, spouses' refusal to use co-owned land as collateral, inability of women small scaled entrepreneur to fill out application forms and general low financial literacy and education.

One Ward Executive Officer interviewed said,

Insufficient capital leaves women entrepreneurs vulnerable to unforeseen expenses, such as equipment breakdowns, repairs, or emergencies. Without adequate funds, they may have to rely on personal savings or take on high-interest loans, both of which can be detrimental to the financial health of the enterprise (WEO)

Similarly, to one Business Officer interviewed said that:-

Without sufficient operation capital, women entrepreneurs may find it difficult to expand their businesses. This can limit their ability to invest in new equipment, hire additional staff, or explore new markets, which are crucial for growth and sustainability. Insufficient capital can make it challenging for women entrepreneurs to access financing options such as loans or grants. Financial institutions may hesitate to lend to businesses with limited capital, making it harder for women to secure the necessary funds to operate and grow their enterprises. Furthermore insufficient operation capital can hinder women entrepreneurs from staying competitive in their enterprises. They may struggle to purchase raw materials or inventory, resulting in product shortages or delays. This can lead to dissatisfied customers and potential loss of business to competitors (Business Officer).

A similar study conducted by Holt (2013) found that insufficiency capital during business operation is one of the major factors that contribute to small enterprises failure. Barringer & Ireland (2010) explain that shortage of capital at the start-up and operation stage experienced due to the high initial cash outlay for purchase of fixed assets, staff training, creating brand awareness and a negative cash flow. They further state that shortage of money for business operations at the start-up stage is absolutely one of the key factors that cause new businesses to fail. Therefore, the researcher believes it is the responsibility to

small business owner to have enough funds in reserve to cover the first months of operations, so that shortage of operation capital avoided.

## **4. CONCLUSION AND RECOMMENDATION**

### **4.1 CONCLUSION**

This study targeted on assessment of contributing factors lead to failure of women's small-scaled enterprises in Dodoma city Council. This study showed that women small-scaled entrepreneurs face many obstacles in operating their enterprises but all these obstacles have solutions.

Firstly, it was observed that structural factors hinder development of women small-scaled entrepreneurs due to government regulations like long license processing and unfavorable taxes is obstacle because sometimes small entrepreneurs they face challenge during business operation and lead business to remain static and capital to decrease due to huge and unfair competition or diversification of economy. Secondly, it was observe that some social factors contributing factor, hindering the growth of women small entrepreneurs because the male claim that women responsibility is to take care their families instead of working to increase family income so this perception accelerates women to conduct business as a part-time activity and finally lead failure. Furthermore, women small entrepreneurs are generally facing competitiveness in terms of knowledge, prudent investment, business operation, and good management, which is important factors, required to elevate the quality level. Thirdly, it observed that female small-scaled entrepreneurs facing economic challenges that hinder development of their enterprises such as high-interest rate demanded by the financial institution like banks and some micro-finance lead to high risk due to small portfolios of these businesses. Furthermore, high transaction cost that banks go through in performing credit appraisal on them before granting credit to small scale entrepreneurs since finance is the major constraints to enterprises development and growth, various sources ought to be explored by small enterprises to run their businesses. Inadequate access to finance forces women entrepreneurs to start businesses using their savings, or by borrowing from friends or family, lack of collateral, and lenders' negative perception of women's as high-risk borrowers influences them to refuse loans to women's.

### **4.2 RECOMMENDATIONS**

Based on the above conclusion, the following recommendation are made which might be usefully to the communities, women's undertaking enterprises and government authorities for improving entrepreneurship activities for women's' small scales in Dodoma City Council and the rest part of the country.

Government should enforce laws to eradicate bureaucracy and corruption based on sex, place of origin, favoritism and infidelity from some government officers and credit officers during women asking for business tax approximation and during loan application. Community should go against on gender-based barriers to create enabling environment during starting and growing their businesses including oppress

and deny women access to economic resources, discriminatory property, cultural practices, limited mobility and an unequal share of family and household responsibilities. Furthermore, Women's small-scaled entrepreneur must create groups to work together in cooperatives that can reduce tax, rent payable, interest rate from banks or other financial institutions. Lastly Women small-scaled entrepreneurs should initiate creativity during business operation for the aim of reducing producing and distributing same products in the market.

## **ETHICAL APPROVAL AND CONSENT**

Respondents were full informed that the study is solely for academic purposes and all information obtained were treated with utmost confidentiality, respondents were cautioned against revealing their identity on the data collection instruments, respondents were also be notified of the voluntary nature of their participation to prevent bias and researcher observed protocols which include clearance letter from City Council Authorities and other relevance authority as well the University of Iringa.

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