FACTORS AFFECTING THE GROWTH OF FAMILY-OWNED BUSINESSES IN ILALA DISTRICT, TANZANIA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________  Date: ____________________________

Melinda Ngumbullu (ID No. 621864)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________  Date: ____________________________

Prof. George K’Aol

Signed: __________________________  Date: ____________________________

Dean, Chandaria School of Business
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ABSTRACT

The main purpose of this study was to determine the factors affecting the growth of family-owned businesses in Tanzania. The study was guided by three research questions: How does access to financial capital affect the growth of family-owned businesses? How do government regulations affect the growth of family-owned businesses? How do entrepreneurial competencies affect the growth of family-owned businesses?

A descriptive survey research design was adopted by the study. The target population of the study consisted of 5,188 owner managers of family-owned businesses operating within the Ilala District, Tanzania. A sample size of 408 Family-owned Businesses was selected from the total population using a stratified sampling technique. The study used a structured questionnaire to collect primary data. The study used descriptive and inferential statistics to analyze the data. The descriptive statistical analysis included mean, standard deviation and frequency distribution while the inferential statistical techniques used were Pearson correlation, One Way Analysis of Variance (ANOVA) and linear regression analysis. The study used the Statistical Package for Social Studies (SPSS) as a data analysis tool. The findings and results were presented using tables and figures.

The findings on the effect of financial capital on the growth of family-owned businesses revealed that there was a statistically significant strong positive correlation between access to financial capital and the growth of family-owned business at \( r (320) = .78, p < .05 \). One Way ANOVA findings indicated that there was a statistically significant effect on the growth of family-owned businesses by gender at \( F(1, 318) = 7.21, p < .05 \), the nature of business \( F(2, 317) = 5.37, p < .05 \) and the years of business operation \( F(1, 318) = 6.47, p < .05 \). Linear regression analysis findings revealed that, 83.2\% of the variability in the growth of family-owned businesses was explained by access to financial capital, which significantly predicted the growth of family-owned businesses at \( R^2 = .832, F(1, 318) = 15.14, p < .05; \beta = 0.256, p < .05 \).

In relation to the effect of government regulations on the growth of family-owned businesses, findings indicated that government regulations were strongly correlated to the growth of family-owned businesses at \( r (320) = .76, p < .05 \). One way ANOVA test showed that there was a statistically significant effect on the growth of family-owned
businesses by gender at $F(1, 318) = 6.84, p < .05$ and the nature of business $F(2, 316) = 11.23, p < .05$. Linear regression analysis findings showed that, 61.4% of the variability in the growth of family-owned businesses was explained by government regulations, which significantly affected the growth of family-owned businesses at ($R^2 = .614, F(1, 318) = 7.54, p < .05; \beta = .423, p < .05$).

The findings on the effect of entrepreneurial competencies revealed that there was a statistically significant strong positive correlation between entrepreneurial competencies and the growth of family-owned businesses at $r (320) = .71, p < .05$. One Way ANOVA test results showed that there was a statistically significant effect on the growth of family-owned businesses by gender at $F(1, 318) = 13.25, p < .05$; nature of the business $F(2, 316) = 12.51, p < .05$ and years of business operation $F(1, 318) = 6.13, p < .05$. Linear regression analysis findings indicated that, 86.1% of the variability in the growth of family-owned businesses was explained by entrepreneurial competencies, which statistically significantly predicted the growth of family-owned businesses at ($R^2 = .861, F(1, 318) = 3.90, p < .05; \beta = .455, p < .05$).

In conclusion, access to financial capital greatly influenced the growth of family-owned businesses in terms of sales turnover, profit margin, and market share when operating the business. Government regulations significantly affected the growth of family-owned businesses in terms of profit margin, market share, asset value and number of employees. Entrepreneurial competencies significantly influenced the growth of family-owned businesses in terms of sales turnover, asset value, profit margins, number of employees and market share. The study recommends that family-owned businesses should provide business training on risk management and sourcing of funds in order to enhance the growth of the businesses. The study also recommends that there is a need for the government to create regulations that ease the cost of doing business in Tanzania, by reducing time required for registration and licensing processes. Organizational development programs should also be encouraged in family-owned businesses in order to advance entrepreneurial competencies and promote faster business growth. Further studies can also be conducted in different sectors of the economy to assess and compare the findings.
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First of all, my special thanks and gratitude is to God the Almighty, for the gift of life and for his grace throughout the period of this research project. Secondly to my supervisor Prof. George K’Aol, who guided me through this research project. And last but not least, to my lovely family; for the support they have given me especially in prayers.
DEDICATION

I would like to dedicate this project to my wonderful family who encouraged me throughout the process. My dear father Peter, for supporting me from day one and my lovely mother Irene, who has been the driving force behind my studies. Without forgetting my brother Wilbert and my sisters Patricia and Lorna for their love and support in prayers. I am grateful.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

According to Sharma, Chrisman, and Gersick (2012), family-owned businesses represent the predominant form of business organization in the business environment, resulting in an array of issues to be studied. The growth of family businesses has greatly affected all economies throughout the world, as it has gradually increased its significance in various disciplines of research. This growth has changed the social order on every economy bringing new challenges and opportunities (Colli & Larsson, 2014). Family-owned businesses often help form the basic principles of a stable business by contributing to the social fabric of communities within economies. Building strong economic development is greatly associated with supporting family-owned businesses, because they contribute to the long term sustainability of the economic sector (Fitzgerald & Muske, 2016).

Economic growth often occurs when existing businesses grow, new ones start, and additional businesses are brought in but in most cases those businesses are family-owned. In Europe, more than 75 percent of all businesses are family-owned, providing for close to half of all available jobs. The majority of such businesses employ less than 10 people, according to a study by the KMU Austrian Research Institute (Mandl, 2012). In the United States, family-owned businesses account for roughly half of the country’s gross domestic product. Such businesses could be a small mom-and-pop store employing no more than two people, a medium-sized enterprise, or even a Fortune 500 corporation. Family-owned businesses account for 60% of total U.S. employment, 78% of all new jobs, and 65% of all wages paid (Astrachan, 2012).

In Brazil, the family business sector is largely composed of small-sized firms; only 15% of the country’s family businesses are large, according to consulting firm DS Consultoria Empresarial e Educacional. But this is likely to change as rapid growth, despite a slowdown in 2011, has made Brazil’s economy bigger than the UK’s. Nevertheless, in the UK, family firms represent two out of every three businesses in the private sector, employing 9.2 million people and generate £1.1 trillion (€1.31 trillion) in revenues each.
year. In spite of one of the fiercest recessions experienced, the family business sector has increased its revenues by 6% since 2007 (Breton-Miller & Miller, 2017).

Family businesses in Kenya generate 60% of the country’s employment and 78% of all new job creation. According to Abdille (2013) study, statistics indicate that the number of family businesses run by 5 women has grown 37% in the past five years. In Tanzania family-owned businesses make up between 60% and 80% of all the firms, significantly aiding towards employment, government revenues as well as gross domestic product of the United Republic of Tanzania (Charles, 2014). Family-owned companies face unique challenges in competitive business environment. Managing family business comes with extra baggage. It comes with the joy and fulfillment and with risks and anxieties. In the worst-case scenario, it could destroy the very same family that the business was set up to assist, in the first place. Like other places world over, only 40% of family-owned businesses survive to the second generation, 12% to the third, and 3% to the fourth (Nahid, 2015).

Even though the family-owned business platform is recognized as a young field, it is still credited with virtuous elements that have an emotional impact on the evolution and improvement of businesses. This growth is recognized in the economic expansion as a substantial accomplishment, accredited with business driven ability, resilience, devotion and corporate liberation (Muthoni, 2015). With the current business climate where most small businesses face sustainability challenges created by globalization and technological data, the growth of family-owned businesses has shown great achievement in the economic development (Stubner, Blarr, Brands, & Wulf, 2012). According to a study by Uhlaner, Kellermanns, Eddleston, and Hoy (2012), the overall survival, growth and sustainability of family-owned businesses is considered relatively high against the global economic framework, high production costs and highly valued international competition. The study showed that family-owned businesses’ obligation to growth acted as an instrument through which to improve firm performance. Another study done by Matser (2012) reported that, many small and medium businesses tend to employ workers categorized with small scale level of activity, less capital and equipment, low access to organized markets and low level skill competencies.
The study furthermore, considered the emphasis on the positive element of SMEs growth to be a vital approach towards growing the economy and reducing poverty in developing countries, most especially in Africa. The trend seen in Tanzania appears similar to other African countries, where most businesses are operated by families, and also play a major role in the creation of employment and economic development (Satta, 2012). Tanzania however, possesses slight knowledge on how more successful businesses thrive in the unstable business environment, and how they utilize their resources and capabilities in achieving business growth. With the common economic growth and industrial development trend, the government of Tanzania is dedicating in boosting SMEs development plans that will assist the businesses to grow and develop in adversity and facing obstacles in the vigorous global business environment (Rumanyika & Mashenene, 2014).

The International Finance Corporation (IFC) (2012) identified various challenges such as: poor management training, poor education, insufficient skills and lack of access to credit faced by family businesses and MSMEs which affected their growth and profitability. These factors diminished the ability of family-owned businesses to contribute effectively to sustainable economic development (Knight, 2013). Family-owned businesses and SMEs play a significant role in contributing to the economic development throughout the world. In a study done by Smith (2012), on microfinance accessibility on the growth and development of SMEs in Tanzania, various challenges were identified. These challenges included: limited financial access, formalities in the legal and regulatory framework, poor infrastructure, and ineffective business skills. The study suggested that the value of the businesses’ survival and growth is dominant most especially in developing countries in restoring employment and income challenges resulting from lack of business growth (Isaga, Masurel, & Montfort, 2015). Therefore, while many family-owned businesses in developing countries like Tanzania face similar challenges as those in the developed nations, it is imperative to learn what affects the growth and performance of businesses along with family-owned, and how best to overcome these challenges.

As most family firms have a competitive advantage over its competitors, Yahya and Mutarubukwa (2015) emphasized on family businesses in Tanzania to take advantage of the East African Community to enhance its entrepreneurial activities. This supports the
viewpoint that family businesses are unique and require policies that encourage family entrepreneurship and provide the best possible conditions for the growth of family business activities. Despite the fact that, finance and strategic management are known as the utmost recognized study fields in emerging nations, the field of family-owned business still plays a significant part in labor services, revenue production and capital growth (Muthoni, 2015). It is therefore right to anticipate that this study of “Factors affecting the growth of family-owned businesses in Tanzania” (p. 5) will incorporate the gravity of research and knowledge, as well as further stimulate future demanding research on the dynamic forces affecting family firms in Tanzania, as well as Africa in total.

1.2 Statement of the Problem
Growth challenges associated with family-owned businesses are well diverse in all the economies of the world. According to a study by Ramsden (2013), on the role of small and medium enterprises in employment creation and economic growth, businesses develop within an environment that supports and favors business growth. The study revealed that the major growth challenges affecting SMEs were: political instability, financial constraints, taxation issues, energy problems and labor issues. The study recommended that there was a need to conduct further studies on growth factors affecting small and medium family-owned businesses namely: policies on business development, government regulations on business protection, entrepreneurial training, and access to financial credit.

C. Tundui and H. Tundui (2012), also conducted a study that examined the impact of survival and growth strategies affecting the growth and performance of women’s micro and small businesses, including family-owned businesses in Tanzania. The study revealed that strategies such as: business and family resources, business skills, business infrastructure and owner’s level of education had a significant effect on the growth of businesses. The study recommended that future studies should explore how lack of access to micro-credit programs can affect the growth of businesses. Abdallah (2017) conducted a study in Tanzania on how small family-owned businesses often face an array of challenges affecting their growth. The various challenges affecting small businesses included: low level of education, inadequate tax systems, employee inefficiency, human capital, and lack of access to key utilities and entrepreneurial competencies. The study
recommended that future studies should focus on sales and asset value growth measures and how they affect the growth of small businesses.

From the existing literature discussed, there is little research conducted in Tanzania on policies on business development, government regulations, entrepreneurial training, access to financial credit, lack of access to micro-credit programs, infrastructure development, tax policy, investment climate, and minimizing business registration and licensing paperwork and how they affect the growth of family-owned businesses (Matser, 2012). This study therefore aimed to bridge the knowledge gap existing in the family-owned businesses research sector in Tanzania with a specific focus on Ilala District.

1.3 Purpose of the Study
The purpose of the study was to investigate factors affecting the growth of family-owned businesses within the district of Ilala, in Tanzania.

1.4 Research Questions
The following research questions were used to conduct the study:
1.4.1 How does access to financial capital affect the growth of family-owned businesses in Tanzania?
1.4.2 How does government regulation affect the growth of family-owned businesses in Tanzania?
1.4.3 How does entrepreneurial competency affect the growth of family-owned businesses in Tanzania?

1.5 Significance of the Study
The study is presumed to be significant to the following shareholders:

1.5.1 Family-owned Businesses in Tanzania
The final conclusions of this research will be equally valuable to the owner and the managers of family-owned businesses. The results will give them essential data to formulate the right plans for the expansion of the businesses. The study will also aid owners and managers of family-owned businesses to evaluate and explore the
predominant factors that hinder the growth of family-owned businesses, and hence instigating the necessary measures for growth and increased overall performance.

1.5.2 Government of Tanzania
The findings of this study will also give insights to the Government of Tanzania – including the Ministry of Industry and Trade (MIT), and the Tanzania Private Sector Fund (TPSF) – on the factors affecting the growth of family-owned businesses in Ilala District as well as give ways on how to properly deal with such adversities. By the use of these insights while working closely with MIT and TPSF, the Government of Tanzania will also be able to develop appropriate policies to sponsor the development and the growth of family-owned businesses in Tanzania. And furthermore, mandate the promotion of private sector development and formulate, administrate, and review the policies and strategies for industrial and commercial development.

1.5.3 Researchers and Academicians
The findings of this study will be used by future researchers who will be able to use the information provided by this study in conducting further research, and also use sources relating to the factors affecting the growth of family-owned businesses in Tanzania. Furthermore, this study will be beneficial to student researchers who can use the information for their own study.

1.6 Scope of the Study
The study focused on 5,188 family-owned businesses operating within the Ilala District of Dar es Salaam City, Tanzania. The study targeted owner managers of the family-owned businesses operating within the district of Ilala and registered in the database of the Business Registration and Licensing Agency (BRELA) of Tanzania in the manufacturing and service industries. The study was carried out in a period of five (5) months; October 2017 to February 2018.

1.7 Definition of Terms
1.7.1 Growth
Growth can be defined as a dynamic process (McKelvie & Wiklund, 2010) or an increase in size or improvement in quality as a result of a process of development (Achtenhagen,
Naldi & Melin, 2010). It is referred to a positive change in size which is often measured over a period of time. Growth is also known to either occur as a stage of development of as a process towards satisfaction i.e. growth of a business. In this study growth will be measured in terms of the profitability level of the business.

1.7.2 Capital
In relations to this study, as a factor affecting family business growth, capital is identified as money investable or invested in a business. It is sometimes identified as wealth in the form of money or assets owned by an organization or an individual for the sole purpose of starting a company or investing in a business or simply saleable assets that could be used as collateral (Econ, 2014).

1.7.3 Government Regulations
According to Janosik (1987), government regulations can be defined as a rule of order having the force of law, prescribed by a superior or competent authority relating to the actions of those under the authority’s control. It can or simply defined as a form of delegated legislation (Stewart, 2006).

1.7.4 Competency
Competency can be defined as the states of being mentally, emotionally and physically able and fit to perform a certain task. In relation to this study, competency can be defined as the total ability of the entrepreneur to perform a job role successfully and efficiently (Man, Lau & Chan, 2002).

1.7.5 Family Business
A family business can be defined as a business which is owned and or managed by a family (Intihar & Pollack, 2012). A for-profit organization in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights (Davis & Tagiuri, 1989).

1.8 Chapter Summary
This chapter has provided the background information of the research, the problem statement, and explained the study’s main purpose, research questions and the impact of
the study to the different shareholders. The scope of study is explained, as well as the definitions of terms used in the study. Chapter two of this study presents the literature review on studies carried out in the past based on the research questions relating to the factors affecting the growth of family-owned businesses. Chapter three outlines the research methodology used for the duration of the study. Chapter four explains the results and findings attained from the study. Chapter five provides the summary of the findings, discussion, conclusion and recommendations for each research question.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter provides the literature review on factors affecting the growth of family-owned businesses. This chapter has the following three sections: section one presents literature review on the effects of access to financial capital on the growth of family-owned businesses; section two presents literature review on the effects of government regulation on the growth of family-owned businesses and section three presents literature review on the effects of entrepreneurial competencies on the growth of family-owned businesses.

2.2 Effects of Access to Financial Capital on the Growth of Family-owned Businesses

This section discusses the effects of access to financial capital on the growth of family-owned businesses and analyzes what’s been done by other scholars. The components of access to financial capital discussed in this section includes: financial capital, social capital, human capital, economic development and human capital, credit information and financial capital, investment climate, and risk aversion.

2.2.1 Financial Capital

Family businesses are known to be the backbone of most economies and play a vital role in positively growing the economy. The need for small family-owned businesses to access loans and investments in order to grow is quite inevitable in the developing world and hence crucially essential (Tata & Prasad, 2015). Entrepreneurs need financial resources whether to create a new business or to expand and grow an existing one. Financial capital is both an imitable and indispensable resource that appeals as one of the main concerns in the creation of a new business. As explained by Dyer, Nenque, and Hill (2014), access to capital is one of the limiting factors in starting a business. The lack of adequate financial capital is one of the most prominent obstacles for most entrepreneurs and a critical element in starting, managing and growing a successful business (Mwangi, 2012). The lack of access to financial capital is a long term constrain for entrepreneurs in both family and non-family-owned businesses, for instance when the business does not have the growth potential to financially support a growing number of family members and the business itself (Matser, 2012). Family and business financial capital comprises of
tangibles like credit, money, assets (land and business buildings), and investments. And the availability of financial capital has had great importance in the studies of firm survival and business performances across pervious literatures in economics, development and entrepreneurship (Beck & Cull, 2014). It takes time to develop and identify a product or service and finding a promising market position. Financial resources can provide this opportunity in the market, among signaling to potential suppliers and customers of the sustainability of the firm (Nahid, 2015).

Factors creating barriers to small business growth have different impacts in different countries due to the regional differences. For example a great number of family-owned businesses in Africa tend to depend on their own source of capital (personal savings or family) because most of them are not able to meet the needs and requirements of commercial loans, which are very expensive (Gill & Biger, 2012). Smith (2012) also observed that the failure to access loans from banks and financial institutions ascended from high credit risks, inadequate information on firm’s credit worthiness, poor accounting and lack of collaterals. Similar to a study done by The World Bank (2015) in the Global Financial Development Report, lack of financial capital and entrepreneurial knowledge were identified as key barriers to business growth in developing countries, since most of these businesses lacked adequate collateral for credit (Mugure, 2017).

2.2.2 Social Capital
Social capital is a valuable resource that can facilitate both individual and collective actions, in order to serve the improvements in business growth and performance. It is the interactions among family members that facilitate action and generates values and beliefs that originate from the family business (Caspersz & Thomas, 2015). It is distinctively generated within family businesses from the businesses provision of stability, interactions and interdependency, and the unique aspect of family in a business appropriate for the advantages of social capital (Carr, Cole, Ring, & Blettner, 2011). Family businesses may often use social capital across multiple generations in gaining competitive advantage over its competitors, being directly connected to the family business performance. Social capital can be used as a potential tactic in relationships to gain access to useful information and prospective financial and non-financial resources it can assist in building good relations of trust with business suppliers and customers and increase the level of
partnership and collaboration across the value chain (Tata & Prasad, 2015). According to a study done by Dyer et al. (2014), social capital is known to give family-owned businesses the ability to develop and retain long-lasting relationships across generations, while creating unique advantages such as good reputation, good will and trust towards their stake holders. An example of the importance of family social capital is the Microsoft success story. Bill Gates, the founder of Microsoft, was able to connect his Disk Operating System (DOS) into the Internal Business Machines (IBM) through his mother’s business connections with the chief executive officer of IBM. Hence, the accessible business networks that family businesses derive through social capital have a positive substantial impact on the performance and growth of new and existing businesses (Caspersz & Thomas, 2015).

2.2.3 Human Capital
According to Charles (2014), human capital can be defined as one of the intangible resources in family-owned businesses that signifies acquired knowledge, skills and capabilities that enabled entrepreneurs to do business. Entrepreneurs who used human capital in their business ethics often gained a competitive advantage in creating new ventures, because of the generational aspect of passing down knowledge and skills (Dyer et al., 2014). With their unique atmosphere and distinctive features, family businesses value the practice of mentoring and coaching in aiding the growth of businesses by supporting the development of human capital (Utrilla & Torraleja, 2013).

Human capital comprises of formal education and specific business skills such as management skills and the experience that entrepreneurs bring to the business which then entails business growth opportunities (Miliaras & Barbarasa, 2011). Similarly as explained by Nahid (2015), in family business human capital refers to individual traits such as knowledge, education, experience and ethnicity, which brings about positive attributes like friendly and intimate relationships within and outside the business. While some family-owned businesses often tend to be more risk averse by having their eggs in one basket, human capital still exemplifies as a key asset for all entrepreneurs in conducting successful businesses (Paula, Gama, Manuel, & Galvão, 2014).
2.2.4 Economic Development
Small and medium family businesses play a major role in the process of economic development in all the economies of the world. Their contribution to the growth of economic development has attracted and gained prominence responsiveness from policy makers and researchers worldwide (Smith, 2012). The correlation between family businesses and economic growth is highly significant according to a study done by Wang (2014). And so, in order to promote the growth of micro and small businesses, governments in developing countries are inclined to assist the businesses to thrive in economic development and growth (Parinduri, 2014). According to The World Bank (2015), long-term financial development often contributes to faster growth, grander welfare and lasting stability in the economic development of every country. This is why the economic development relies greatly on the revenue generated for the establishment of proper infrastructure and social services within a country (Ndekwa, 2014).

Since the early stages of industrialization, family-owned businesses have long been considered as a driver of economic development. According to a study done by Stough, Mason, Basco, and Herdecke (2014), previous researchers suggested that family firms contributed to the decline of several economies like the United Kingdom and France, but was however contrary in several contemporary economies like German and Italy. Studies in recent years have called for research that can offer a grander understanding of the correlation between family-owned businesses and regional economic development. As supported by a study done by Abdallah (2017) in Tanzania, literature on entrepreneurship has acknowledged that owner-managers in small businesses face unstable business environments in the pursuit of acquiring scarce resources and ascertain more business opportunities. The study suggested the call for innovative plans to support the development of adequate knowledge on customer demands and technologies for new products, in order to increase the level of growth in economic development.

2.2.5 Credit Information
Financial markets in developing economies are viewed to be inadequate inhibiting financial growth, as efforts made to support long-term finance have proved to be a challenge. According to a study by Naudé and Havenga (2012), one of the major findings from research on obstacles that African entrepreneurs faced was struggling to access
finance and credit. The study reported that personal savings was the main source of funding by entrepreneurs in Africa. And that lack of external sources was due to variables such as small firm size, financial underdevelopment and lack of collateral offered by entrepreneurs. Another study by Beck and Cull (2014) argued that a growing interest of literature on data concerned with variables such as access to credit, financing constraints, legal system efficiency, and regulatory frameworks had grown immensely over the years. In Africa, credit is evidently limited in the business environment as a result of high cost which in return hinders the use of bank finances. According to a study by (Parizat, 2015), credit is often given to businesses with historical working practices which most likely are identified by banks and financial institutions as large and more established enterprises (Miliaras & Barbarasa, 2013).

A study by Parinduri (2014) on family hardship and the growth of micro and small firms explained that access to credit increases the likelihood of small and micro firms survival. Firms that lack self-sustaining resources and proper credit history, followed by insufficient collateral and loans security guarantees, are often seen as risky investments and hence reduce their chance to access finance. While most economies have managed to preserve their financial stability over the years, credit risks deteriorated across banking systems causing the macroeconomic environment to decline, followed by poor policy response in several countries (Zeufack & Chuhan-Pole, 2017). This is more evident in developing countries than in developed nations, revealing that lack of access of credit is a critical problem to the development and growth of many developing economies, as well as worldwide (Mugure, 2017).

2.2.6 Investment Climate

Investment is a key element of productivity growth and economic revolution. For example when comparing Tanzania with African countries; Kenya, Uganda, Ghana, Zambia, and three Asian countries; Bangladesh, Malaysia and Vietnam on the basis of determinants of economic transformation, it was found that on investment Tanzania had averaged around 25% of GDP. This was very low considering its development level while Malaysia for example invested over 40% of its GDP before the Asian crisis, as well as did Vietnam (Te-Velde et al., 2016). In most cases small private businesses as well as family-owned businesses are often more affected by the challenges and obstacles faced within
the investment climate. A study by The World Bank (2015) on the global financial development report explained that promoting long-term finance was already challenging over many economies. The study portrayed a view that the financial market in developing economies was quite inadequate and hence resulted in scarcity of long-term finance which in return hindered investment and growth.

The study recommended for governments to pursuit institutional reforms with policies that promote macroeconomic stability and sustainable investment opportunities, adopting financial infrastructures that limit information irregularities, and promoting banking systems with a legal environment that protects the rights of every creditor and borrower. Similar to a study by Irwin (2015), it is then prominent for governments to produce policy proposals to improve the business environment and the investment climate for fair economic growth while supporting entrepreneurship and employment opportunities (Te-Velde et al., 2016).

2.2.7 Risk Aversion
In previous research risk aversion is well known to limit the growth ambition of many family-owned businesses, having growth being associated with high risk tendencies (Gherhes, Williams, Vorley, & Vasconcelos, 2016). In return caused most owner managers to follow a more natural growth for their businesses as opposed to financial assistance from external sources. This often embedded in their fear to harm the survival of their businesses, and hence remained emotionally tied to the business while unable to expand or grow (Hiebl, 2015). According to a study by Patel, Pieper, and Jr (2012), financial resource restriction and risk aversion are among the variables that hindered family-owned businesses expansion. The study reported that risk aversion deteriorated the growth of many family-owned businesses especially when facing the existing credit limitations and financial market uncertainties. Another study by Mwangi (2012) also explained that many business owners often fear to associate with financial institutions when it comes to borrowing finances or any other financial assistance. The study reported financial factors such as: high interest rates and transaction costs, short periods of debt repayment, lack or inadequate collateral, and limited amount of finance that often hindered the growth of family-owned businesses.
According to The World Bank (2015) macroeconomic and political risks in developing economies in most cases led to uncertainties, which made businesses more risk averse and unwilling to invest. With this fear of operating with uncertainties, risk seems to have a more direct impact on entrepreneurial and family-owned businesses’ growth rate, profitability levels and the capability to access finance. Since most entrepreneurial businesses are often less aware on how to properly manage and measure these risks, it therefore becomes one of the main reasons why many businesses are left without financing options to run their businesses at optimum levels (Parizat, 2015). Even though financial incentives often act as business growth drivers for growth-oriented businesses, Wyk (2013) argues that many family business owners consider growth to be a social risk as well. Fearing the loss of their socio-emotional wealth, they then become more risk averse, conventional and extra careful in operating their businesses as they strive for a more manageable and gradual growth.

2.3 Effects of Government Regulations on the Growth of Family-owned Businesses
This section discusses the effects of government policies and regulations on the growth of SMEs and family-owned businesses in developing countries and analyzes what’s been done by other scholars. The components of government regulations discussed in this section include: legal environment, taxes, registration and licensing fees, gender element in the legal environment, business environment and infrastructure.

2.3.1 Legal Environment
The role of government policies and regulations on the growth of family-owned businesses has considerably improved over the last decade in research. There is a growing awareness of the diverse nature of the SMEs that require policies that tailor varied economic base (Sambajee, Zulficar, & Dhomun, 2015). Working to create a well and improved investment climate in developing economies, the International Finance Corporation (2012) identified four obstacles faced by many small and medium businesses. These included: access to finance, education and skill competencies, access to infrastructure, and the investment climate which comprises of expensive and difficult laws and regulations which often impede business growth. Businesses cannot grow when redundant laws and regulations aggravate business owners and entrepreneurs (Bilal, Khan & Akoorie, 2016). Governments and policy makers are therefore expected to implement
governed legal environment conducive to business growth and expelling all business constraints.

According to a study by Nahid (2015), business constraints are classified as legal, socio-cultural, technical and economic in nature, as they all inhibit the use of resources. In one way or another, the growth of family-owned businesses was affected by the many constrains whether internal or external. Among these constrains was the government legal environment and regulations which often affected the growth of family-owned businesses since legal constraints included laws and regulations which altered and controlled activities and behaviors in the business environment (Allinson, Braidford, Houston, & Stone, 2015). The study further explained that business laws and regulations in the legal system often differ over time and within different federal, state and local governments. And depending on their nature, laws and regulations may either inhibit or enrich the growth of a business. Therefore, for any entrepreneur to operate a successful business within the safe boundaries of law enriched with equal rights and opportunities, the legal environment needs to be bound with regulations that are effective, translucent, and easily implemented.

2.3.2 Taxes

Tax collection is essentially significant for the financing of government activities in all economies, and particularly developing economies. According to Kazimoto (2014), taxes should be guided and monitored to be as growth enabling as possible. When the collection process is administered properly, taxes fund the government to raise enough money to deliver public services and allocate resources more adequately. This is supported by Haji, Cunningham, and Morisset (2015) in their study on why Tanzanians should pay taxes.

The study explained that, many Tanzanians became averse to pay taxes because they find the high and expensive rates unfair, encumbering and lacking transparency and good governance. Additionally, most small and medium businesses are said to fail fast during the start-up stage in the first few years of doing business due to unpleasant and complex tax systems (Parizat, 2015). As one of the tested hypotheses in a study conducted in Canada, it was concluded that the regulatory issues are negatively related to the growth of
small and medium business (Gill & Biger, 2012). This was due to the extent to which business owners were perceived to pay high taxes and high licensing/registration fees in Canada.

With a focus of improving tax compliance, a study by Ndekwa (2014) reported that the willingness of the small businesses to pay for taxes was very crucial in the business environment and not to be ignored. Improving the willingness to pay taxes will help develop government revenue, improve economic development and increase the growth of the nation in general. In another study by Ciocirlan and Dam (2013) on family businesses reported some of the greatest external challenges that affected family businesses. These challenges included government regulations, cost of supplies and inventories, energy prices, healthcare costs, as well as taxes. The study recommended for the government to ease on taxes and regulations and increase transparency on government programs that affect the growth of family-owned businesses.

2.3.3 Registration and Licensing Fees

According to Mwangi (2012), the registration and trade license refer to the legal certification of owning and operating a business or a legal entity. And even though the International Finance Corporation (2012) stated that small and medium businesses in the developing economies are the known key drivers of growth and job creation, 80% of their business activities are in the informal sector. This may be due to the extreme government bureaucracy and regulations which in return may limit entrepreneurs to operate efficiently under the laws and regulations by the government.

Many businesses around the world grumble over the cost of dealing with licensing and registration paperwork. A study conducted by Irwin (2015) on business leaders’ perceptions of the investment climate in Tanzania revealed that the total cost to complete licensing paperwork and deal with government regulations was too high. To help reduce corruption practices, the study recommended for the government to reduce bureaucratic costs including registration and licensing that would reduce the cost of doing business substantially.
When comparing how the business environment was faring in Tanzania, in 2013 the government made it easy starting a new business by eliminating inspection by health procedures and town and land officers as a prerequisite for a business license. However, in 2015 the government made it more challenging to conduct a business by increasing business registration fees (World Bank, 2017). Therefore, in order for business entrepreneurs to operate swiftly within the business environment, the government ought to ease the costs linked with bureaucracy and assessment in business registration and licensing and significantly reduce the costs of doing business altogether (World Bank, 2016).

2.3.4 Gender Element in the Legal Environment

Some of the challenges faced within the legal environment have a direct link to gender. According to a study by Welsh, Memili, Kaciak, and Ochi (2014), these challenges included access to finance, property rights and legal capacity gaps that exists in the legal environment. It has long been acknowledged that women have faced legal discrimination to enter contracts in their own names, receive an equal share of assets upon divorce or inheritance, or control properties in their marriage that they can later on use as collateral when acquiring business loans (Zeufack & Chuhan-Pole, 2017). A study by The World Bank (2016) on women, business and the law, highlighted several indicators of gender equality which included: access to capital, employment, property usage, credit – extending data coverage on over 173 economies to heighten the global understanding of laws sought to affect women’s economic prospects. The study also identified several restrictions that explained the gender element in the legal environment, which focused on the most encumbered gender in the business environment that was women.

The World Bank (2016) reported these restrictions as follows: in 18 economies out of 100 studied economies, husbands could legally inhibit their wives from working, in Russia women were outlawed from working in 456 specified jobs, in Sub-Saharan Africa the law did not support equal inheritance rights to widows in nine economies including Kenya and Tanzania Bank. Furthermore, the women in India have very little land control since most of the land is owned by the men under customary law. The study concluded that irrespective of the many efforts achieved by governments to promote gender equality for women, there are still laws which highly distinguish between both genders resulting in
low economic opportunities. With a focus on the economy and the workplace, it is therefore prominent to eradicate legal restrictions on women while promoting their economic inclusion and ensuring empowerment for all (Mbaruku & Mutalemwa, 2015).

2.3.5 Business Environment

According to C. Tundui and H. Tundui (2012), in order for policy makers of any economy to improve and grow their economy’s governing business environment, it is vital for them to compare with the regulatory environment in other economies. Since the government of Tanzania has employed unfavorable regulations and policies on permits, tax increase, registration processes and fees, starting a business in Tanzania has become rather challenging. According to a study done by the World Bank (2017), economies are ranked from 1 to 190 by their ease of doing business in their respective business environments.

The study revealed that the economies were specifically studied on starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving bankruptcy. The business environment in Tanzania is rather unfriendly as Tanzania ranked at 135 out of the 190 economies globally in 2016 when it comes to ease of doing business.

According Te-Velde et al. (2016), a number of issues were affecting the business environment. These issues included: inefficient procedures, poor quality road, rail and port infrastructures, inefficient tax systems, high energy costs and unreliable electricity supply. The study recommended for Tanzania to improve the business environment climate by combating corruption, policy consistency, and clear government policies on macroeconomic management in order to attract more stakeholders in a competitive environment that will also favor high quality Trade and Foreign Direct Investment (TFDI). Furthermore, for any surviving economy to create and sustain a profitable business environment, businesses should focus on entrepreneurial management that focuses on innovation, development and growth. Most especially in this era of technological advances (Nahid, 2015). When therefore compared with the neighboring economies, Tanzania ranks in number 4 when it comes to ease of doing business.
2.3.6 Infrastructure
The environment in which all businesses operate in, greatly affect the growth and performance of those businesses. The growth and development of SMEs and family-owned businesses greatly rely on well-built physical infrastructure that embrace reliable transportation, communication networks, warehouse and port facilities (Satta, 2012). Poor infrastructure affects the ability of business entrepreneurs to grow and sustain their businesses. According to Bilal et al. (2016), poor infrastructures such as lack of transportation, electricity, telecommunication and water supply had undesirable impact and posed as barriers to business growth. These barriers often placed a burden on businesses in the developing economies, encumbering their performance and growth.

According to Shibia and Barako (2017), lack of access to infrastructure affected the businesses in the rural areas far greater than those in the urban areas. In the case of Tanzania, even when compared with its African peers – Kenya and Ghana who had a considerably higher quality – Tanzania revealed a low-quality transport infrastructure (Te-Velde et al., 2016). Even though Tanzania is said to have made improvements in the business environment in terms of starting a new business, there are still a number of hindrances relating to the business environment, including poor rail and port infrastructure as well as inefficient quality roads. Acting as a barrier to business and economic growth development, it is substantial for governments to eradicate poor infrastructure and promote industrial development in order to increase economic progress (Zeufack & Chuhan-Pole, 2017).

2.4 Effects of Entrepreneurial Competencies on the Growth of Family-owned Businesses
This section discusses the various influences of managerial and entrepreneurial competencies on the growth of family-owned businesses while considering the findings by other scholars. The components of entrepreneurial competencies discussed in this section includes: entrepreneurial competencies, interpersonal competencies, managerial competencies, training and educational competencies, opportunity competencies and strategic competencies.
2.4.1 Entrepreneurial Competencies

Entrepreneurial competencies can be defined as the ability of entrepreneurs to face conditions proficiently by triggering personal and internal resources (Capaldo, Iandoli, & Ponsiglione, 2014). They are the total sum of entrepreneurial traits like skills, capabilities, knowledge, beliefs, personality, behavioral tendencies and expertise required for sustaining entrepreneurship. Whether it can be agreed that different competencies are often necessary for venture successes at different stages in their life cycle, entrepreneurial competencies are unique and valuable resources that aid the success of a business. They have been identified as significant competencies exercised by successful entrepreneurs for the growth of new businesses (Tehseen & Ramayah, 2015). Entrepreneurial competencies vary according to the different context applied. They are grounded within components deeply embedded in a person’s background – personality traits, attitudes, self-image and social role – and components acquired through education and training in the work place – knowledge, experience and skills (Morris, Webb, Fu, & Singhal, 2013).

A study by Mitchelmore and Rowley (2013) acknowledged that, the growth and success of any small and medium business was greatly reliant on the entrepreneur’s skill competencies. Understanding these competencies practiced by entrepreneurs can be utilized to aid the development of those competencies in building business growth. With great significance to the success of entrepreneurs, entrepreneurial competencies are linked to the entire process of initial start-up, survival and growth of the entire business. Therefore, applying skill competencies in an entrepreneurial context adequately exemplify a standard for attaining business growth and sustainability (Morris et al., 2013).

2.4.2 Interpersonal Competencies

According to a study by Mugure (2017), interpersonal competencies relate to person-to-person interactions, communication skills, and individual-to-group interactions. The interpersonal competency of an entrepreneur has a significant impact over the success and development of his business (Ng, Kee, & Ramayah, 2016). And as the business environment grows more dynamic, effective entrepreneurial competence is gradually acknowledged as a competitive advantage to the success of the business (Bamiatzi, Jones, Mitchelmore, & Nikolopoulos, 2015). Including a mix of captivating communication
growth skills, interpersonal competencies use personal traits such as being proactive, self-motivation and the desire to succeed which are associated with entrepreneurial motivating forces (Mitchelmore, Rowley, & Shiu, 2014). Showing both direct and indirect influence on small and medium business growth, interpersonal competencies represent the capability to respond to criticism, maintain a positive attitude, motivate self for optimum level of performance, identify strength and weaknesses and work on their improvements (Tehseen & Ramayah, 2015). It’s important for owner managers to portray networking skills through relationships that will benefit the business in the future. And thus, the business owner’s personal strength and the utilization of his skills is measured as one of the business resources which is significant to the success of the business.

2.4.3 Managerial Competencies
To have better responses when it comes to competitive needs, many companies tend to grasp for employees who possess efficient participation to run an organization successfully (Bamiatzi et al., 2015). This participation often suggested improved working conditions, training and development with a new organizational mindset. In order to succeed in today’s dynamic business environment, every business is required to attain managers who are effective enough when it comes to business operations. Managerial competency is very basic in the sense that it applies for all managers or managerial context relating to a range of tasks such as planning, business operations, managing finances, budgeting, strategy formulation and implementation, and opportunity exploration (Morris et al., 2013). Managers ought to know that businesses require to be effectively managed while attaining external support such as the government, in improving managerial competency through education and training programs (Price, Stoica, & Boncella, 2013).

According to Mitchelmore et al. (2014), businesses with higher turnover growth were managed by entrepreneurs who followed four important competencies. They were: being proactive, formulating and implementing strategies for new opportunities, ability to acquire finance, and willingness to take risks. The study suggested a strong relationship between the business owner’s skill competencies and the growth of the business. Management performance was more related to the managers themselves, and their performance was more related to the experience acquired and competencies brought to
the success and growth of the business (Bhardwaj & Punia, 2013). For a business to thrive and maintain business performance and growth, it is fundamental for the valuation and effective implementation of entrepreneurial and managerial competencies to be at the core.

2.4.4 Training and Educational Competencies

Educational and training programs in family businesses are of great significance to the success and effective future growth of the business (Bhardwaj & Punia, 2013). In order to overcome key challenges in the business environment, every family business requires a set of management, ownership and family practices that can best help arbitrate the relationship between the family and the business itself. Since competencies are behavioral and can be learned, such practices can be attained through educational and training programs (Morris et al., 2013). Leading, managing, growing, and governing family-owned businesses for economic growth are responsibilities that require the right set of skills, abilities, and practices to serve the sustainability of the firm. Entrepreneurship education is very substantial to the development of skill competency, attitudes, and behaviors in the mindset of many entrepreneurs, and hence crucial to the growth of all family-owned businesses (Mwangi, 2012).

As training narrows the entrepreneurial knowledge and skill gap, entrepreneurs and business owners are required to attain training to update their knowledge and skills for growing their business. A study by Tarling, Jones, and Murphy (2016) revealed that for any business to thrive with effective performance, educational training is one of the key ingredients in attaining accelerating growth. It is considered critical and necessary and should be modified to the needs of specific groups accordingly, since training is indicated to enhance individual’s ability to negotiate with greater confidence. This highly supports the conclusion stated in a study by Tehseen and Ramayah (2015) that there has been substantial growth for both entrepreneurial curriculum associated with practice and impact. Therefore, it’s important for business entrepreneurs to acquire the learning competency in the modern times to help them generate the necessary knowledge and training to increase their personal management skills towards the growth of the business.
2.4.5 Opportunity Competencies

According to a study by Tehseen and Ramayah (2015), opportunity competencies referred to the capacity to which the owner manager was able to distinguish various opportunities in the market where others could not. The study further explained that the distinctive skill was operated by assessing various conducts such as availing the best opportunities, recognizing valuable products and services required by the customers, and identifying customer’s unmet needs.

Another study by McClelland (2014) stated that owner managers have a significant obligation to identify sustainable opportunities in the business environment and pursue them for the growth of the business and its investors. It is very important for the owner manager to first recognize these opportunities and then take the next step which is to evaluate and assess the opportunity to favor the success of the business (Chandler & Jansen, 2013). In doing so, the business will be able to seek market opportunities and take advantage over the prospects towards the growth of the business as well as the development in performance which in return will benefit all parties involved (Mugure, 2017).

2.4.6 Strategic Competencies

Strategic competence gives the owner manager the ability to create a vision, build a mission, and set strategic goals that align with the operations of his business (Mugure, 2017). Strategic competency is often associated with creating, assessing and implementing strategies for the business’s development. Tehseen and Ramayah (2015) explained that strategic competencies measure the following seven behaviors in a firm: acknowledging the direction and impact of change expected on a firm’s performance, focusing on urgent work that aligns with the main goals of the firm, reforming the firm to best achieve its goals, connecting current business activities with the strategic goals, using the firm’s strategic goals to vision progress, evaluating outcomes against the firm’s strategic goals, and finally evaluating cost and benefits to create strategic actions. Since all owner managers have the responsibility to set the right direction for the business, the study suggested dealing with change as a factor of strategic competence associated with the success of the firm (McClelland, 2014).
2.5 Chapter Summary

This chapter provided the literature review on the factors affecting the growth of family-owned businesses. The first section discussed how access to financial capital affects the growth of family-owned businesses including financial capital, social and human capital, economic development, credit information, investment climate and risk aversion. The second section discussed how government regulation affects the growth of family-owned businesses which entailed legal environment, taxes, registration and licensing fees, gender element, business environment and infrastructure. The third section discussed how entrepreneurial competencies affect the growth of family-owned businesses including entrepreneurial competencies, interpersonal competencies, managerial competencies, training and educational competencies, opportunity competencies and strategic competencies. The following chapter describes the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology that was used to carry out the research. The chapter provides the research design, target population and sampling design, data collection process, research procedures and data analysis methods.

3.2 Research Design

According to Cooper and Schindler (2014), research design is the roadmap or blueprint a researcher uses as a guide for conducting a study. It is often used as a way to properly allocate limited study resources. This study used a descriptive research design with the main purpose of describing the affairs as they exist, with respect to the variables and conditions in the specific situation (Creswell, 2015). Descriptive research design is comprised of four types of research design: correlation research design which explains the relationships between the variables of the study, survey research design which attempts to establish the range of characteristics and discover how they relate to certain behavior patterns of a large population by surveying a sample of that population, evaluative research design which uses social research methods for evaluative purposes, and meta-analysis research design which combines results from multiple scientific studies that tend to have conflicting results (Collins & Hussey, 2014).

A descriptive survey research design was used in this study to guide the process. A descriptive survey research design can be defined as a research method that is designed to represent an accurate profile of participants or events (Saunders, Lewis, & Thornhill, 2016). The research design aims to create a range of social characteristics – such as education, location, or occupation – and how they relate to certain behaviors patterns. For this study, the descriptive survey research design obtained reflective information from a sample size of 408 family-owned businesses on the factors affecting the growth of family-owned businesses in Ilala District, Tanzania. The research design was considered suitable by the researcher because of the need to identify and define the factors affecting the growth of family-owned businesses to a bigger population and gain an understanding of the correlation between the independent and dependent variables that were being studied. The independent variables of the study were: access to financial capital,
government regulations and entrepreneurial competencies, which affected the dependent variable of the study which was the growth of family-owned businesses in Ilala District.

3.3 Population and Sampling Design
Population and sampling design comprised of the population and the sampling design which consists of: the sampling frame, sampling technique, and the sample size.

3.3.1 Population
A study population can be referred to as the element that a researcher wishes to make inference from or a total collection of elements that a researcher would like to make the inference from (Cooper & Schindler, 2014). It is that part of the population the researcher studied, analyzed and drew conclusions with regards to the entire population (Borg, Gall, & Gall, 2013). The target population in this study consisted of owner managers of family-owned businesses in Ilala District. According to the records from the Business Registration and Licensing Agency (BRELA) of Tanzania, there were 5,188 registered family-owned businesses in Ilala District. The target population consisted of family-owned businesses from the manufacturing sector and the service sector. The population distribution is presented in Table 3.1.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Population</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>1,999</td>
<td>1,999/5,188 x 100 = 39%</td>
</tr>
<tr>
<td>Service</td>
<td>3,189</td>
<td>3,189/5,188 x 100 = 61%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,188</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>


3.3.2 Sampling Design
Sampling design is a framework or outline that contains all aspects on how to group elements on the sampling frame, use the sampling technique to determine the sample size, allocate the sample to its various classifications and lastly select the sample.

3.3.2.1 Sampling Frame
Sampling frame is a list of all the elements in the population from which the sample is drawn (Saunders et al., 2016). The sampling frame in this study consisted of a list of
5,188 family-owned businesses, obtained from the Business Registration and Licensing Agency (BRELA) of Tanzania.

3.3.2.2 Sampling Technique

According to Cooper and Schindler (2014) sampling techniques can be described as the methods in which the sample was selected. There are various types of sampling techniques that exist to be used in research studies, this includes the probability and non-probability techniques (Sekaran & Bougie, 2015). Quantitative studies like descriptive studies are best studied through a probability sampling technique which ensures that all respondents have an equal chance and probability of being selected. Probability sampling techniques consists of four types within which subjects of the sample are chosen based on known probabilities. The first being simple random technique which randomly selects individuals from the sampling frame giving every candidate an equal chance of being selected. The second being systematic technique which involves selecting individuals directly from the sampling frame by choosing every k<sup>th</sup> individual i.e. every 10<sup>th</sup> individual after selecting 1 individual from the first group. The third being stratified technique which identifies sub-groups within a population to be represented in the same fraction that they exist in the population. The forth being cluster technique where groups that share similar characteristics (not individuals) are randomly selected.

The study adopted a stratified sampling technique. This technique takes into account the different subgroups of individuals in the population to assure that the population on specific characteristics is fairly represented by the sample (Saunders et al., 2016). Using the database obtained from the Business Registration and Licensing Agency, 5,188 family-owned businesses were used to form the sampling frame of the study. The study then divided this population into two strata with common characteristics; 3,189 service companies and 1,999 manufacturing businesses. The basis of using a stratified sampling technique was to ensure that the selected family-owned businesses were evenly spread out within the district. The study then drew a sample of 408 owner managers (249 from service companies and 159 from manufacturing businesses) from the family-owned businesses by using simple random sampling within each stratum. Computer generated table of random numbers was used to determine the sample size in each strata.
3.3.2.3 Sample Size
A sample size is defined as the segment of a unit, or element representing the entire population (Cooper & Schindler, 2014). The study used the Yamane (1973) statistical formula to determine the sample size of family-owned business because the population was finite and the population size was known. The following formula was used to determine the sample size of family-owned businesses within the Ilala District:

\[
 n = \frac{N}{1 + N(e^2)}
\]

Where:
\( n \) = sample size
\( N \) = the population size
\( 1 \) = a constant
\( e^2 \) = is the alpha level, estimated standard error = 0.05 at 95% confidence interval

\[
 n = \frac{5,188}{1 + 5,188(0.05^2)} = 371
\]

The sample size was 371 + 10% for non-respondents. The sample size for this study was 408 (=371+37) owner managers of family-owned businesses in Ilala District. This was presented in Table 3.2.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Population</th>
<th>% Sample Size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>1,999</td>
<td>1,999/5,188 x 100 = 39%</td>
<td>0.39 x 408 = 159</td>
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<td>Service</td>
<td>3,189</td>
<td>3,189/5,188 x 100 = 61%</td>
<td>0.61 x 408 = 249</td>
</tr>
<tr>
<td>Total</td>
<td>5,188</td>
<td>100%</td>
<td>408</td>
</tr>
</tbody>
</table>


3.4 Data Collection Methods
According to Cooper and Schindler (2014), data collection method is the gathering of data for purposes of analyzing so as to make inferences from the data.
According to Cooper and Schindler (2014), data collection method is the process a researcher uses to collect data for purposes of analyzing so as to draw conclusions from
the data. The study adopted a structured questionnaire as an instrument to collect primary data. As stated by Saunders et al. (2016), a questionnaire is generally a good tool for collecting data or information. The questionnaires were based on close ended questions which embedded a five point Likert scale. The questionnaire was developed by the researcher and divide into four sections. The first section contained the respondent’s demographic information like gender, age group, number of years the business was operational, education level and the nature of the business. The second sectioned contained questions relating to the first research question based on the effects of access to financial capital on the growth of family-owned businesses. The third section contained questions relating to the second research question based on the effects of government regulations on the growth of family-owned businesses. The fourth and last section contained questions relating to the third research question based on the effects of entrepreneurial competencies on the growth of family-owned businesses.

3.5 Research Procedures

The researcher first developed a draft questionnaire based on the three research questions: effects of financial capital, effects of government regulations and effects of entrepreneurial competencies on the growth of family-owned businesses in Ilala District, Tanzania. An introductory letter was then obtained from the United States International University indicating that the researcher was a student at the university and that the findings of the study would be used for academic purposes only. The researcher obtained permission from the Business Registration and Licensing Agency (BRELA) of Tanzania to collect data from the agency’s database in August 2017.

A pilot study with a sample of 30 respondents, 15 respondents per sector was done to determine the instrument’s reliability and validity prior data collection. The sample comprised of owner managers of family-owned businesses drawn from the manufacturing businesses and service companies. This was done to determine the reliability and validity of the instrument to be used for data collection. To ensure efficiency, the researcher then adjusted the questionnaire based on the pilot study results. This was done using Cronbach’s alpha where a Cronbach’s alpha of above 0.7 was deemed acceptable (Sekaran & Bougie, 2015).
The researcher then administered the final instrument to the owner managers of family-owned businesses by visiting their businesses, with a proper clarification on the purpose of the study using the introductory letter and the structure of the questionnaires. The respondents were made aware that their participation in the study was voluntary and that they had the right to withdraw from the study at any time. The respondents were given about twenty minutes to complete the questionnaires. Follow-up on the progress was done through email and telephone in order to increase the response rate. The data collection process took place within one week from January 26th to February 2nd, 2018.

3.6 Data Analysis Methods
Data analysis method comprised of data preparation process, descriptive statistical analysis and inferential statistical techniques.

3.6.1 Data Preparation
Upon the respondent’s completion, the questionnaires were then collected, revised and checked for accuracy. Every item and response in the questionnaires was assigned a numerical number and code, and after the coding the data was entered in the Statistical Package for Social Sciences (SPSS) tool for proper analysis.

3.6.2 Descriptive Analysis
The data was analyzed using descriptive statistical techniques to determine the mean, standard deviation, frequencies and percentage distributions. Descriptive analysis was used to analyze demographic data such as gender, age group and level of education.

3.6.3 Inferential Analysis
Data was analyzed using inferential statistical techniques such as correlation, ANOVA and regression analysis. Pearson correlation was used to determine the relationship between the effects of financial capital, government regulations and entrepreneurial competencies on the growth of family-owned businesses. One-way Analysis of Variance (ANOVA) was used to determine the major differences between the mean scores of gender, level of education, nature of the business and business operational years. Linear regression analysis was used to predict the relationship between the independent variables
(access to financial capital, government regulations and entrepreneurial competencies) and the dependent variables (the growth of family-owned businesses).

3.7 Chapter Summary
This chapter has highlighted the methodology and procedures adopted in carrying out the study. The chapter presented the research design, population and sampling design adopted by the study. The chapter explained the data collection techniques, research processes and the data analysis methods used by the study. Chapter four outlines the study’s results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

In this chapter the study’s results and findings are explained based on the research questions. The first section outlines the descriptive analysis of the demographic information. The second section presents findings on the effect of access to financial capital on the growth of family-owned businesses. The third section presents findings on the effect of government regulations and policies on the growth of family-owned businesses. The fourth section presents the findings on effect of entrepreneurial competencies on the growth of family-owned businesses.

A total of 408 questionnaires were administered to the owner managers of family-owned businesses in Ilala District. Out of the total 408 questionnaires, 320 were filled and returned. This represents an effective rate of 78% as shown in Figure 4.1.

![Figure 4.1: Response Rate](image)

4.2 Demographic Information

In this section, results of the demographic information obtained from the respondents are indicated. The demographic information incorporated gender of the respondents, age
distribution and level of education, nature of their businesses and years of business operation.

4.2.1 Respondents Gender
The respondents were asked to indicate their gender. The findings showed that 65% of the respondents were male while 35% were female, as presented in Figure 4.2.

![Figure 4.2: Respondents Gender](image)

4.2.2 Classification of Respondents by Age
The findings revealed that the respondents with age bracket 36-40 years accounted 45%, followed by 25% at age 31-35 years and 18% were 26-30 years old; as presented in Figure 4.3.
4.2.3 Classification of Respondents by Level of Education

The results showed that 44% of the respondents had bachelor’s degree while diploma holders accounted for 23%. The respondents with master’s degree accounted for 2% only. Results are presented in Figure 4.4.

Figure 4.3: Respondents Age

Figure 4.4: Respondents Level of Education
4.2.4 Classification of Respondents by Nature of Business

Findings in Figure 4.5 showed that 64% of the respondents businesses were in service while 36% were in the manufacturing sector.

![Figure 4.5: Respondent’s Nature of Business](image)

4.2.5 Respondent’s Years of Business Operation

The respondents were asked to indicate the duration that they had been working in the family-owned businesses. Figure 4.6 shows that thirty nine percent (39%) of the respondents had worked in the family-owned businesses for a period of 11 to 15 years, followed by thirty one percent (31%) who had worked for 16 to 20 years, and eighteen percent (18%) who had worked for 6 to 10 years and 12% had worked for less than 5 years.

![Figure 4.6: Respondent’s Years of Business Operation](image)
4.3 Effects of Financial Capital on the Growth of Family-owned Business

In this section, the study sought to determine the relationship between access to financial capital and the growth of family-owned businesses. Access to financial capital was measured by five items namely: collateral for long term credit for business expansion, flexible and affordable credit, cost of loan or funding and financial market information. The respondents were asked to point out how the growth of their businesses was affected by access to financial capital in relations to market share, asset value, profit margin and sales turnover. The respondents were asked to indicate their opinion on given statements by using a 4-point Likert scale of 1-4, where: 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Agree (A), and 4 = Strongly Agree (SA). The frequencies and percentages were computed and the mean scores were ranked. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$). The results in Table 4.1 indicates that 38% of the respondents strongly agreed that lack of adequate collateral for long term credit for business expansion had affected the growth of asset value in their businesses, whereas 17% of the respondents strongly disagreed. The respondents who strongly disagreed that limited access to financial market information had affected the growth of market share in their businesses accounted for 35%, while 15% strongly agreed with the statement.

Table 4.1: Descriptive Statistics for the Effects of Access to Financial Capital on the Growth of Family-owned Business

<table>
<thead>
<tr>
<th>Effect of Access to Financial Capital on the Growth of Family-owned</th>
<th>%f</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Total</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of adequate collateral for long term credit for business expansion has affected the growth of asset value in our business</td>
<td>%</td>
<td>17%</td>
<td>20%</td>
<td>25%</td>
<td>38%</td>
<td>100%</td>
<td>3.92</td>
<td>.242</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>53</td>
<td>65</td>
<td>80</td>
<td>122</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited access to flexible and affordable credit by financial institutions has affected the growth of sales turnover in our business</td>
<td>%</td>
<td>19%</td>
<td>30%</td>
<td>24%</td>
<td>27%</td>
<td>100%</td>
<td>3.84</td>
<td>.283</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>62</td>
<td>95</td>
<td>78</td>
<td>85</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High cost of loan or funding by financial institutions has affected the growth of profit margin in our business</td>
<td>%</td>
<td>25%</td>
<td>16%</td>
<td>32%</td>
<td>26%</td>
<td>100%</td>
<td>3.78</td>
<td>.234</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>83</td>
<td>53</td>
<td>102</td>
<td>82</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited access to financial market information has affected the growth of market share in our business</td>
<td>%</td>
<td>35%</td>
<td>27%</td>
<td>22%</td>
<td>15%</td>
<td>100%</td>
<td>3.54</td>
<td>.211</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>115</td>
<td>87</td>
<td>71</td>
<td>47</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of adequate collateral for long term credit for business expansion has affected the growth of number of employees in our business</td>
<td>%</td>
<td>10%</td>
<td>20%</td>
<td>47%</td>
<td>23%</td>
<td>100%</td>
<td>3.61</td>
<td>.233</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>3</td>
<td>6</td>
<td>14</td>
<td>7</td>
<td>320</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.3.2 Correlation between Access to Financial Capital and the Growth of Family-owned Business

Pearson correlation test was conducted to determine the relationship between access to financial capital and the growth of family-owned businesses. Findings in Table 4.2 indicates that there was a statistically significant strong positive correlation between access to financial capital and the growth of family-owned business, $r (320) = .784, p < .05$.

**Table 4.2: Correlation between Access to Financial Capital and the Growth of Family-owned Business**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Access to Financial Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Growth of Family Owned Business</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>2 Access to Financial Capital</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

*Correlation is significant at $p < 0.05$ level (2-tailed)

4.3.3 A One way Analysis of Variance (ANOVA) between Effects of Access to Financial Capital and the Growth of Family-owned Businesses on Demographic Profile

One Way Analysis of Variance (ANOVA) test was carried out to establish if there were significant difference between means in respondents’ perception on the effect of access to financial capital on the growth of family-owned business by gender, nature of the business and years of business operation. The ANOVA findings presented in Table 4.3 indicates that there was a statistically significant effect by gender $F (1, 318) = 7.21, p < .05$ and the nature of business $F (2, 317) = 5.37, p < .05$. There was also a statistically significant difference by the years of business operation $F (1, 318) = 6.47, p < .05$.
4.3.4 Regression Analysis between Access to Financial Capital and the Growth of Family-owned Businesses

A simple linear regression analysis was conducted to establish the extent to which access to financial capital predicted the growth of family-owned businesses. The regression analysis findings presented in the model summary Table 4.4 indicates that access to financial capital explained about 83.2% of the variability in the growth of family-owned businesses ($R^2 = .832$).

The linear regression F- statistics results presented in the ANOVA Table 4.5 indicates that access to financial capital statistically significantly predicted the growth of family-owned businesses $F(1, 318) = 15.14, p < .05$. 

---

Table 4.4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.804a</td>
<td>0.832</td>
<td>0.062</td>
<td>1.73381</td>
</tr>
</tbody>
</table>

* $p < .05$

---

Table 4.3: ANOVA between Effects of Access to Financial Capital and the Growth of Family-owned Businesses on Demographic Profile

<table>
<thead>
<tr>
<th>Effect of Access to Financial Capital</th>
<th>Sumof Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>3.557</td>
<td>1</td>
<td>3.867</td>
<td>7.212</td>
<td>.013*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>141.645</td>
<td>318</td>
<td>.533</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>145.202</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>5.834</td>
<td>2</td>
<td>3.252</td>
<td>5.371</td>
<td>.030*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>162.448</td>
<td>317</td>
<td>.583</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>168.282</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of business operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>4.778</td>
<td>1</td>
<td>4.678</td>
<td>6.470</td>
<td>.022*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>175.142</td>
<td>318</td>
<td>.658</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>179.920</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.5: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.341</td>
<td>1</td>
<td>18.341</td>
<td>15.142</td>
<td>0.015*</td>
</tr>
<tr>
<td>Residual</td>
<td>281.983</td>
<td>318</td>
<td>1.142</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>300.324</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Family-owned Businesses
b. Predictors: (Constant), Access to Financial Capital

*p < .05

The regression coefficient results presented in Table 4.6, indicate that access to financial capital significantly predicted the growth of family-owned businesses ($\beta = .256$, $p < .05$). This means that one unit of increase in access to financial capital would lead to an increase in the growth of family-owned businesses by a unit of 0.256. Findings are presented in Table 4.6

Table 4.6: Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.534</td>
<td>1.241</td>
<td>1.268</td>
<td>.000</td>
</tr>
<tr>
<td>Access to Financial Capital</td>
<td>.256</td>
<td>.078</td>
<td>.251</td>
<td>3.705</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Family-owned Businesses

*p < .05

4.4 Effects of Government Regulations on the Growth of Family-owned Businesses

In this section, the study sought to determine the relationship between government regulations and the growth of family-owned businesses. Government regulations was measured by the following five items: interest rates and collateral requirements, business registration, permits and licensing trade, investment and tax incentives, on import and export trade, labor and minimum wages. The respondents were requested to show how the growth of their businesses was affected by government regulations in terms of number of employees, market share, asset value, profit margin and sales turnover.

The respondents were asked to indicate their opinion on given statements by using a 4-point Likert scale of 1-4, where: 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Agree (A), and 4 = Strongly Agree (SA). The frequencies and percentages were computed and
the mean scores were ranked. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$). The results in Table 4.7 indicate that 37% of the respondents agreed that the lack of regulations and policies on interest rates and collateral requirements had affected the growth of asset value in their business whereas 14% of the respondents disagreed. The respondents who strongly disagreed that lack of administrative regulations on investment and tax incentives had affected the growth of profit margin in their businesses accounted for 33%.

<table>
<thead>
<tr>
<th>Influence of Government Regulations on the Growth of Family-owned Businesses</th>
<th>%</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Total</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of regulations and policies on interest rates and collateral requirements has affected the growth of asset value in our business</td>
<td>%</td>
<td>21%</td>
<td>14%</td>
<td>37%</td>
<td>28%</td>
<td>100%</td>
<td>3.54</td>
<td>0.03</td>
</tr>
<tr>
<td>f</td>
<td>68</td>
<td>44</td>
<td>117</td>
<td>91</td>
<td>320</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of regulations and policies on business registration, permits and licensing trade has affected the growth of sales turnover in our business</td>
<td>%</td>
<td>26%</td>
<td>24%</td>
<td>28%</td>
<td>22%</td>
<td>100%</td>
<td>3.81</td>
<td>0.25</td>
</tr>
<tr>
<td>f</td>
<td>86</td>
<td>77</td>
<td>88</td>
<td>69</td>
<td>320</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of administrative regulations on investment and tax incentives has affected the growth of profit margin in our business</td>
<td>%</td>
<td>33%</td>
<td>17%</td>
<td>19%</td>
<td>27%</td>
<td>100%</td>
<td>4.16</td>
<td>0.96</td>
</tr>
<tr>
<td>f</td>
<td>105</td>
<td>54</td>
<td>61</td>
<td>85</td>
<td>320</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of regulations and policies on import and export trade has affected the growth of market share in our business</td>
<td>%</td>
<td>25%</td>
<td>16%</td>
<td>23%</td>
<td>36%</td>
<td>100%</td>
<td>3.98</td>
<td>0.91</td>
</tr>
<tr>
<td>f</td>
<td>79</td>
<td>52</td>
<td>73</td>
<td>116</td>
<td>320</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of social regulations and policies on labor and minimum wages has affected the growth of number of employees in our business</td>
<td>%</td>
<td>28%</td>
<td>19%</td>
<td>30%</td>
<td>22%</td>
<td>100%</td>
<td>4.06</td>
<td>0.91</td>
</tr>
<tr>
<td>f</td>
<td>90</td>
<td>63</td>
<td>97</td>
<td>70</td>
<td>320</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Correlation between Government Regulations and the Growth of Family-owned Businesses

Pearson correlation test was conducted to determine the relationship between government regulations and the growth of family-owned businesses. The results in Table 4.8 indicate
that there was a statistically significant strong positive correlation between government regulations and the growth of family-owned business, $r(320) = .76, p < .05$.

Table 4.8: Correlation between Government Regulations and the Growth of Family-owned Businesses

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Growth of Family</td>
<td></td>
<td>.761*</td>
<td>.000</td>
</tr>
<tr>
<td>Owned Businesses</td>
<td></td>
<td></td>
<td>320</td>
</tr>
<tr>
<td>2  Government Regulations</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>3  Pearson Correlation</td>
<td></td>
<td></td>
<td>320</td>
</tr>
</tbody>
</table>

*.Correlation is significant at the $p < 0.05$ level (2-tailed)

4.4.3 A One Way Analysis of Variance (ANOVA) between the Effects of Government Regulations and the Growth of Family-owned Businesses on Demographic Profile

One Way Analysis of Variance (ANOVA) test was carried out to establish if there were significant differences between means in respondents’ perception on the influence of government regulations on the growth of family-owned businesses by gender, nature of the business and years of business operation. The ANOVA results in Table 4.9 indicate that there was a statistically significant effect by gender $F(1, 318) = 6.84, p< .05$ and the nature of business $F(2, 316) = 11.23, p< .05$. However, there was no statistically significant difference by the years of business operation $F(1, 317) = 0.23, p< .05$. 

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4.4.4 Regression Analysis between Government Regulations and the Growth of Family-owned Businesses

A simple linear regression analysis was conducted to establish the extent to which government regulations predicted the growth of family-owned businesses. The regression analysis results presented in model summary Table 4.10 show that, 61.4% of the variability in the growth of family-owned businesses ($R^2$ = .614) was explained by government regulations.

Table 4.10: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.706a</td>
<td>0.614</td>
<td>0.032</td>
<td>1.24513</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Government Regulations

$p < .05$

The linear regression F statistics results presented in Table 4.11 show that, government regulations statistically significantly affected the growth of family-owned businesses $F(1, 318) = 7.54, p < .05.$

Table 4.9: ANOVA between the Effects of Government Regulations and the Growth of Family-owned Businesses on Demographic Profile

<table>
<thead>
<tr>
<th>Influence of Government Regulations</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>4.598</td>
<td>1</td>
<td>4.598</td>
<td>6.842</td>
<td>.001*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>163.181</td>
<td>318</td>
<td>.640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>167.779</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>12.204</td>
<td>2</td>
<td>6.112</td>
<td>11.231</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>133.361</td>
<td>316</td>
<td>.503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>145.565</td>
<td>318</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of business operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>1.115</td>
<td>1</td>
<td>1.115</td>
<td>0.231</td>
<td>.211*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>181.265</td>
<td>317</td>
<td>.691</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>182.38</td>
<td>318</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05
Table 4.11: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.509</td>
<td>1</td>
<td>3.509</td>
<td>7.544</td>
<td>0.044*</td>
</tr>
<tr>
<td>Residual</td>
<td>112.452</td>
<td>318</td>
<td>0.321</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>101.234</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Family-owned Businesses
b. Predictors: (Constant), Government Regulations

*p < .05

The regressions coefficient results presented in Table 4.12 indicate that, government regulations predicted the growth of family-owned businesses ($\beta = .423, p < .05$). This means that one unit of increase in government regulations would lead to an increase in the growth of family-owned businesses by a unit of 0.423.

Table 4.12: Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Government Regulations</td>
<td>.423</td>
<td>.085</td>
<td>.367</td>
<td>4.218</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Family-owned Businesses

*p < .05

4.5 Effects of Entrepreneurial Competencies on the Growth of Family-owned Businesses

In this section, the study sought to determine the relationship between entrepreneurial competencies and the growth of family-owned businesses. Entrepreneurial competencies was measured by the following five items: financial management competencies, customer relationship competencies, marketing competencies, conceptual and innovative competencies and interpersonal competencies. Respondents were asked to indicate how the growth of their businesses was affected by entrepreneurial competencies in terms of number of employees, market share, asset value, profit margin and sales turnover.

The respondents were asked to indicate their opinion on given statements by using a 4-point Likert scale of 1-4, where: 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Agree
(A), and 4 = Strongly Agree (SA). The frequencies and percentages were computed and the mean scores were ranked. Effectiveness was denoted by mean scores of 3.5 and above ($M > 3.5$). The results in Table 4.13 indicate that 40% of the respondents strongly agreed that lack of financial management competencies had affected the growth of asset value in their business whereas 18% of the respondents disagreed. The respondents who strongly disagreed that lack of customer relationship management competencies had affected the growth of sales turnover in their business accounted for 12% while 27% disagreed with the statement.

### Table 4.13: Descriptive Statistics for the Effects of Entrepreneurial Competencies on the Growth of Family-owned Businesses

<table>
<thead>
<tr>
<th>Effect of Entrepreneurial Competencies on the Growth of Family-owned Businesses</th>
<th>%</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Total</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of financial management competencies has affected the growth of asset value in our business</td>
<td>%</td>
<td>20%</td>
<td>18%</td>
<td>22%</td>
<td>40%</td>
<td>100%</td>
<td>4.26</td>
<td>0.75</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>64</td>
<td>56</td>
<td>71</td>
<td>129</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of customer relationship management competencies has affected the growth of sales turnover in our business</td>
<td>%</td>
<td>12%</td>
<td>27%</td>
<td>29%</td>
<td>32%</td>
<td>100%</td>
<td>4.18</td>
<td>0.88</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>39</td>
<td>85</td>
<td>93</td>
<td>103</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of marketing competencies has affected the growth of profit margin in our business</td>
<td>%</td>
<td>29%</td>
<td>13%</td>
<td>20%</td>
<td>36%</td>
<td>100%</td>
<td>3.97</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>94</td>
<td>43</td>
<td>65</td>
<td>118</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of conceptual and innovative competencies has affected the growth of market share in our business</td>
<td>%</td>
<td>19%</td>
<td>19%</td>
<td>28%</td>
<td>33%</td>
<td>100%</td>
<td>3.84</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>61</td>
<td>63</td>
<td>91</td>
<td>105</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of interpersonal competencies has affected the growth of number of employees in our business</td>
<td>%</td>
<td>17%</td>
<td>18%</td>
<td>41%</td>
<td>24%</td>
<td>100%</td>
<td>4.44</td>
<td>0.76</td>
</tr>
<tr>
<td></td>
<td>f</td>
<td>56</td>
<td>57</td>
<td>131</td>
<td>76</td>
<td>320</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5.2 Correlation between Entrepreneurial Competencies and the Growth of Family-owned Businesses

Pearson Correlation test was conducted to determine the relationship between entrepreneurial competencies and the growth of family-owned businesses. The results presented in Table 4.14 show that, there was a statistically significant strong positive correlation between entrepreneurial competencies and the growth of family-owned business at $r(320) = .71, p < .05$. 

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Table 4.14: Correlation between Entrepreneurial Competencies and the Growth of Family-owned Businesses

<table>
<thead>
<tr>
<th>Variables</th>
<th>Entrepreneurial Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Growth of Family Owned Businesses</td>
<td>Pearson Correlation .711*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed) .000</td>
</tr>
<tr>
<td></td>
<td>N 320</td>
</tr>
<tr>
<td>2 Entrepreneurial Competencies</td>
<td>Pearson Correlation 1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N 320</td>
</tr>
</tbody>
</table>

*.Correlation is significant at the 0.05 level (2-tailed).

4.5.3 A One Way Analysis of Variance (ANOVA) between the Effects of Entrepreneurial Competencies and the Growth of Family-owned Businesses on Demographic Profile

One Way Analysis of Variance (ANOVA) test was carried out to establish if there were significant differences between means in respondents’ perception on the effects of entrepreneurial competencies on the growth of family-owned businesses by gender, nature of the business and years of business operation. The ANOVA findings presented in Table 4.15 indicate that, there was a statistically significant effect by gender $F(1, 318) = 13.25, p < .05$ and the nature of business $F(2, 316) = 12.51, p < .05$. There was also a statistically significant difference by the years of business operation $F(1, 318) = 6.13, p < .05$.

Table 4.15: ANOVA between the Effects of Entrepreneurial Competencies and the Growth of Family-owned Businesses on Demographic Profile

<table>
<thead>
<tr>
<th>Effect of Entrepreneurial Competencies</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>8.346</td>
<td>1</td>
<td>8.346</td>
<td>13.252</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>142.961</td>
<td>318</td>
<td>.544</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>151.307</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>17.933</td>
<td>2</td>
<td>8.967</td>
<td>12.513</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>165.245</td>
<td>316</td>
<td>.641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>183.178</td>
<td>318</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of business operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>3.212</td>
<td>1</td>
<td>3.212</td>
<td>6.133</td>
<td>.000*</td>
</tr>
<tr>
<td>Within Groups</td>
<td>160.341</td>
<td>318</td>
<td>.579</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>163.553</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05
4.5.4 Regression between Entrepreneurial Competencies and the Growth of Family-owned Businesses

A simple linear regression analysis was conducted to establish the extent to which entrepreneurial competencies predicted the growth of family-owned businesses. The linear regression analysis results presented in the model summary Table 4.16 indicate that, 86.1% of the variability in the growth of family-owned businesses ($R^2 = .861$) was affected by entrepreneurial competencies.

Table 4.16: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.686\textsuperscript{a}</td>
<td>0.861</td>
<td>0.033</td>
<td>1.01258</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Predictors: (Constant), Regulation

\text{*}p < .05

The linear regression F-statistics results presented in the ANOVA Table 4.17 indicate that, entrepreneurial competencies statistically significantly predicted the growth of family-owned businesses $F(1, 318) = 3.90, p < .05$.

Table 4.17: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regression</td>
<td>1</td>
<td>3.611</td>
<td>3.902</td>
<td>0.042\textsuperscript{b*}</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>318</td>
<td>1.822</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>258.947</td>
<td>319</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{a} Dependent Variable: Growth of Family-owned Businesses

\textsuperscript{b} Predictors: (Constant), Entrepreneurial Competencies

\text{*}p < .05

The regressions coefficient results presented in Table 4.18 show that entrepreneurial competencies predicted the growth of family-owned businesses ($B = .455, p < .05$). This means that one unit of increase in entrepreneurial competencies would lead to an increase in the growth of family-owned businesses by a unit of 0.455.
Table 4.18: Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.613</td>
<td>1.244</td>
<td>1.228</td>
<td>.000</td>
</tr>
<tr>
<td>Entrepreneurial Competencies</td>
<td>.455</td>
<td>.102</td>
<td>.265</td>
<td>4.672</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Family-owned Businesses

*p < .05

4.6 Chapter Summary

This section outlines the summary of the major findings for each research question. In terms of the effect of access to financial capital on the growth of family-owned businesses, the Pearson Correlation results indicated that there was a statistically significant positive correlation between access to financial capital and the growth of family-owned businesses; $r(320) = .78$, $p < .05$. Findings from One Way ANOVA test indicated that there was a statistically significant difference by gender $F(1, 318) = 7.21$, $p < .05$, the nature of business $F(2, 317) = 5.37$, $p < .05$ and the years of business operation $F(1, 318) = 6.47$, $p < .05$. Linear regression results revealed that access to financial capital significantly affected the growth of family-owned businesses, ($R^2 = .832$, $F(1, 318) = 15.14$, $p < .05$; $\beta = 0.256$, $p < .05$).

Concerning the influence of government regulations and policies on the growth of family-owned businesses, Pearson Correlation test results showed that government regulations was strongly correlated to the growth of family-owned businesses; $r(320) = .76$, $p < .05$. The results from One Way ANOVA test showed that there was a statistically significant difference by gender $F(1, 318) = 6.84$, $p < .05$ and the nature of business $F(2, 316) = 11.23$, $p < .05$. The linear regression analysis showed that, 61.4% of the variability in the growth of family-owned businesses was explained by government regulations, and also significantly affected the growth of family-owned businesses, ($R^2 = .614$, $F(1, 318) = 7.54$, $p < .05$; $\beta = .423$, $p < .05$).

With respect to entrepreneurial competencies and its effect on the growth of family-owned businesses, Pearson Correlation test indicated that entrepreneurial competencies
was significantly correlated to the growth of family-owned businesses; \( r(320) = .71, p < .05 \). The results from One Way ANOVA test indicated that there was a statistically significant difference by gender \( F(1, 318) = 13.25, p < .05 \); nature of the business \( F(2, 316) = 12.51, p < .05 \) and years of business operation \( F(1, 318) = 6.13, p < .05 \). The linear regression analysis results showed that 86.1% of the variability in the growth of family-owned businesses was explained by entrepreneurial competencies, and significantly affected the growth of family-owned businesses, \( (R^2 = .861, F(1, 318) = 3.90, p < .05; \beta = .455, p < .05) \). The following chapter outlines the summary, discussion, conclusions and recommendations of the study.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter outlines the summary of the study, discussion of the findings, conclusions and recommendations of the study. The recommendations for the study include recommendations for improvement and recommendations for further studies.

5.2 Summary
The purpose of the study was to determine the factors affecting the growth of family-owned businesses within the district of Ilala, in Tanzania. The study was guided by the following research questions: How does access to financial capital affect the growth of family-owned businesses in Tanzania? How does government regulations and policies affect the growth of family-owned businesses in Tanzania? How does entrepreneurial competencies affect the growth of family-owned businesses in Tanzania?

The study used a descriptive survey research design. The population for the study comprised of five thousand one hundred and eighty eight (5,188) family-owned businesses from manufacturing and service industry operating within Ilala District. A stratified random sampling method was used to select a sample size of four hundred and eight (408) family-owned businesses from the total population. Primary data was collected using a structured questionnaire. The descriptive statistical analysis used by the study included mean, standard deviation, frequency and percentage distributions. Inferential statistical analysis included Pearson correlation, One Way Analysis of Variance (ANOVA) and Regression analysis. Statistical Package for Social Sciences (SPSS) was used as a tool for data analysis and the results were presented in figures and tables.

The findings revealed that there was a statistically significant strong positive correlation between access to financial capital and the growth of family-owned business (r (320) = .78, p < .05). One Way ANOVA results indicated that there was a statistically significant effect on the growth of family-owned businesses by gender at F(1, 318) = 7.21, p< .05, the nature of business F(2, 317) = 5.37, p< .05 and the years of business operation F(1, 318) = 6.47, p< .05. Linear regression analysis indicated that access to financial capital
explained about 83.2% of the variability in the growth of family-owned businesses and significantly predicted the growth of family-owned businesses at \( R^2 = .832, F(1, 318) = 15.14, p < .05; \beta = 0.256, p < .05 \).

The findings revealed that government regulations were strongly correlated to the growth of family-owned businesses \( r(320) = .76, p < .05 \). One way ANOVA test showed that there was a statistically significant effect on the growth of family-owned businesses by gender \( F(1, 318) = 6.84, p < .05 \) and the nature of business \( F(2, 316) = 11.23, p < .05 \). The Linear Regression analysis showed that government regulations explained 61.4% of the variability in the growth of family-owned businesses and significantly predicted the growth of family-owned businesses at \( R^2 = .614, F(1, 318) = 7.54, p < .05; \beta = .423, p < .05 \).

The findings revealed that there was a statistically significant strong positive correlation between entrepreneurial competencies and the growth of family-owned business \( r (320) = .71, p < .05 \). One Way ANOVA test results showed that there was a statistically significant effect on the growth of family-owned businesses by gender \( F(1, 318) = 13.25, p < .05 \); nature of the business \( F(2, 316) = 12.51, p < .05 \), and years of business operation \( F(1, 318) = 6.13, p < .05 \). The linear regression analysis indicated that entrepreneurial competencies explained about 86.1% of the variability in the growth of family-owned businesses \( R^2 = .861 \) and statistically significantly predicted the growth of family-owned businesses at \( R^2 = .861, F(1, 318) = 3.90, p < .05; \beta = .455, p < .05 \).

5.3 Discussion

This section discusses the results of the study based on the three research questions. The key findings for each research question are discussed in relation to the literature review.

5.3.1 Access to Financial Capital and Growth of the Family-owned Businesses

The results revealed that 38% of the respondents strongly agreed that access to financial capital had extremely influenced the growth of family-owned businesses; whereas 17% of the respondents strongly disagreed. Smith (2012) acknowledged that failure to access loans from banks and financial institutions resulted from high credit risks, inadequate information on firm’s credit worthiness, poor accounting and lack of collaterals. The
study showed that to a great extent the lack of adequate collateral on long term credit for business expansion had affected the growth of asset value in many family-owned businesses. Many business owner managers have realized the value of having various access to financial capital for the growth of their businesses.

The findings revealed that there was a statistically significant positive correlation between access to financial capital and the growth of family-owned business $r(320) = .78, p < .05$. This finding relates to Miliaras and Barbarasa (2011) study that showed limited access to financial market information has affected the growth of market share in family-owned businesses. This also corresponds with Wang (2014) argument that the lack of asymmetric information between the financial institutions (as lenders) and family businesses (as borrowers) with the high transactional costs associated with it, are among the leading constrains aggravating the availability of finances for the growth of family businesses. Hence, Miliaras and Barbarasa (2011) suggests that building a strong track record of effective repayment records by the use of credit bureaus is among the traits that enhances the ability of family-owned business to access loans.

The study established that there was a statistically significant effect on the growth of family-owned businesses by gender $F(1, 318) = 7.21, p< .05$; nature of business $F(2, 317) = 5.37, p< .05$, and the years of business operation $F(1, 318) = 6.47, p< .05$. This finding concur with Gill and Biger (2012) that is, a great number of family-owned businesses in Africa are owned by the male member of the family. And that they tend to depend on their own source of capital (personal savings or family) because most of them are not able to meet the needs and requirements of commercial loans, which are very expensive. On the other hand the findings differ with Miliaras and Barbarasa (2013) who stated that, to best help SMEs become more bankable, repay loans faster and improve their overall practices and business growth, there is a need for banks to serve their SME clients with not only financial products, but non-financial tools and services as well.

The study revealed that access to financial capital explained about 83.2% of the variability in the growth of family-owned businesses, $R^2 = .832$ and significantly predicted the growth of family-owned businesses $F(1, 318) = 15.14, p < .05$. This finding is similar to a study by Beck and Cull (2014) which suggested that the availability of financial
capital has had great importance in the studies of firm survival and business performances across previous literatures in economics, development and entrepreneurship. The results are also in line with a study by Mwangi (2012) who indicated that the lack of adequate finance is one of the most prominent obstacles for most entrepreneurs and a critical element in starting, managing and growing a successful business. And hence, ensuring that family-owned businesses have the opportunity to access these finances will ensure the future of the businesses in terms of growth and performance.

5.3.2 Government Regulations and the Growth of Family-owned Businesses
The findings revealed that 37% of the respondents agreed that government regulations had affected the growth family-owned businesses whereas 14% of the respondents disagreed. The findings are similar to a study by Kitching, Hart, and Wilson (2015) who revealed that small to medium sized businesses are the most adversely affected by government policies and regulations. The findings also relate to Allinson et al. (2015) study which revealed that government regulations affect the growth of many family-owned businesses. Legal constrains included laws and regulations proposed to control and alter certain behaviors and activities in the business environment. The laws either limited or improved business growth depending on their nature and amount of taxes dictated with variations among federal, state and local government units.

The findings revealed that government regulations were strongly correlated to the growth of family-owned businesses ($r(320) = .76, p < .05$). This finding is supported by Muriuki (2011) who revealed that most SMEs fail fast during the start-up stage and during the crucial period in the first few years due to the unpleasant and complex tax systems. However, Ndekwa (2014) argues that tax problems were not the issue but compliance. The study suggests that SME owners should be trained on reducing tax compliance problems. The willingness of SMEs to pay for taxes was very crucial and the government of Tanzania should positively enforce tax education and rewarding systems that will influence and improve the SMEs understanding willingness to pay tax.

The findings revealed that that there was a statistically significant effect by gender $F(1, 318) = 6.84, p < .05$ and the nature of business $F(2, 316) = 11.23, p < .05$ on the growth of family-owned businesses. This finding is supported by C. Tundui and H. Tundui (2012)
study that suggested Tanzanian government has employed unfavorable regulations and policies on permits, tax increase, registration processes and fees, starting a business in Tanzania has become rather challenging among female owned family businesses. Furthermore the business environment in Tanzania is rather unfriendly as Tanzania ranked at 135 out of the 190 economies globally in 2016 when it comes to ease of doing business. Welsh et al. (2014) adds that in many different countries women face greater obstacles to enter contracts in their own names, receive an equal share of assets upon divorce or inheritance, or control properties in their marriage that they can later on use as collateral when acquiring a business loan. The World Bank (2016) highlighted several indicators on gender equality; access to capital, employment, property usage, credit – extending data coverage on over 173 economies to heighten the global understanding of laws sought to affect women’s economic prospects. With a focus on the economy and the workplace, it is therefore important to eradicate legal restrictions on women while promoting their economic inclusion and ensuring empowerment for all.

The findings also revealed that the government regulations explained 61.4% of the variability in the growth of family-owned businesses at $R^2 = .614$ and significantly predicted the growth of family-owned businesses $F(1, 318) = 7.54, p < .05$. The World Bank (2016) study has stated that irrespective of the many efforts achieved by governments to promote gender equality for women, there are still laws which highly distinguish between both genders resulting in low economic opportunities. Similar results have been highlighted by Te-Velde et al. (2016) who suggested that Tanzania needs to improve the business environment climate by combating corruption, policy consistency, and clear government policies on macroeconomic management in order to attract more stakeholders in a competitive environment that will also favor high quality Trade and Foreign Direct Investment (TFDI). The findings also indicated that lack of regulations and policies on interest rates and collateral requirements has affected the growth of asset value in family-owned business. The findings are also similar to Smith (2012) study that observed failure to access loans from banks and financial institutions arises from high credit risks, high interest rates, inadequate information on firm’s credit worthiness, poor accounting and lack of collaterals.
5.3.3 Entrepreneurial Competencies and Growth of Family-owned Businesses.

The results revealed that 40% of the respondents strongly agreed that lack of financial management competencies had affected the growth of asset value in their business whereas 18% of the respondents disagreed. The respondents who strongly disagreed that lack of customer relationship management competencies had affected the growth of sales turnover in their business accounted for 12% while 27% disagreed with the statement. These findings concur with Bhardwaj and Punia (2013) study who opposed to the argument that the managers’ performance is more related to the experience acquired and competencies brought to the success and growth of family-owned businesses. The results are similar to Miliaras and Barbarasa (2011) argument that extending credit requires an assessment of risk and return, which is what most financial institutions look at when considering business potential clients. Weak creditor’s rights and lack of proper credit information can be of a disadvantage to the family business with poor control over assets or little collateral.

The findings revealed that there was a statistically significant strong positive correlation between entrepreneurial competencies and the growth of family-owned business; \( r(320) = .71, \ p < .05 \). This finding is supported by a study by Mitchelmore et al. (2014) who stated that, the businesses with the high turnover rate were acknowledged to value a range of distinctive competencies focusing on business and management competencies, accommodating risks and being proactive. The study further stated that family enterprises, like other business concerns, pose leadership, management and succession challenges that normally require a unique approach to their solution. It order to survive, there is always a pertinent need for leadership, good management skills, human resource management and succession strategy that envisions the exits of founders or others, who at one time or another, reached the helm of the business leadership and authority. As entrepreneurship competencies involves noticing new business ideas that nobody has noticed before, entrepreneurs should take advantage of new business opportunities and its competitiveness in the business market (Meng & Liang, 2014).

The findings revealed that there was a statistically significant effect by gender \( F(1, 318) = 13.25, \ p < .05 \); nature of business \( F(2, 316) = 12.51, \ p < .05 \) and years of business operation \( F(1, 318) = 6.13, \ p < .05 \). Tehseen and Ramayah (2015) suggested that personal
and relationship competencies has been lined up with successful business entrepreneurs representing the ability to self-motivate for optimal level of performance, identifying strengths and weaknesses equivalent to the posing threats and opportunities while maintaining a positive attitude, and working on refining acknowledged failings. The study further promotes improvement on services in business operations and therefore growing the business in profitability, sales turnover and asset value.

The findings also suggested that entrepreneurial competencies explained about 86.1% of the variability in the growth of family-owned businesses $R^2 = .861$ and statistically significantly predicted the growth of family-owned businesses $F(1, 318) = 3.90, p < .05$. The findings are similar to Henry, Foss, Fayolle, Walker, and Duffy (2015) emphasis on the creation of networks among businesses to build confidence in doing business which aids in nurturing business growth. The success of family-owned businesses depends highly on opportunity competencies that seek market opportunities. According to Chandler and Jansen (2013), family business owners with opportunity competencies often increase the business’s sales turnover and ultimately business growth.

5.4 Conclusions
The following conclusions were made in relation to the main conclusions of the study.

5.4.1 Access to Financial Capital and Growth of Family-owned Businesses
There was a statistically significant positive relationship between access to financial capital and the growth of family-owned businesses. As the financial institutions demand for businesses to provide collateral to obtain bank financing, family businesses need to equip themselves with adequate credit information that will help them gain access to finances. Based on these findings, the study concluded that family-owned businesses should look for financial capital beyond their own personal funds, such as financial institutions and government sources in order to compete effectively in the competitive market.

5.4.2 Government Regulations and Growth of Family-owned Businesses
There was a statistically significant positive relationship between government regulations and the growth of family-owned businesses. The lack of administrative regulations on
investment and tax incentives has affected the growth of profit margin, lack of regulations and policies on import and export trade has affected the growth of market share, lack of government policies on interest rates and collateral requirements has affected the growth of asset value and lack of proper government regulations has influenced the profitability of family-owned businesses in Tanzania. Based on these findings, the study concluded that sound and supportive policies and regulations should be put in place to foster the growth of family-owned businesses in Tanzania.

5.4.3 Entrepreneurial Competencies and Growth of Family-owned Businesses
There was a statistically significant positive relationship between entrepreneurial competencies and the growth of family-owned businesses. The lack of customer relationship management competencies affected the growth of sales turnover in family-owned business; the lack of financial management competencies and poor marketing competencies affected the growth of profit margin; and the lack of interpersonal competencies affected the growth of number of employees in family-owned business as well as low conceptual and innovative competencies. Based on these findings, the study concluded that entrepreneurial competencies is key on the growth of family-owned businesses in Tanzania in terms of: sales turnover, profit margins, market share, number of employees and asset value.

5.5 Recommendations
The following recommendations for improvement and further studies are provided based on the findings and conclusions of the study.

5.5.1 Recommendations for Improvement
5.5.1.1 Access to Capital on the Growth of Family-owned Businesses
The study recommends that members of family-owned businesses should be trained on risk management and the benefits of using other sources of funds to finance the business. Training should focus on financial management, proper book keeping and accounting records so that financial institutions would find it easy to evaluate their credit worthiness. Also, financial institutions should partner with family-owned businesses. This will enhance good working relationship and promote know your customer (KYC) concept which is important when advancing the credit line.
5.5.1.2 Government Regulations on the Growth of Family-owned Businesses

The study recommends that government agencies should create a better business environment by reducing registration and licensing paperwork which will significantly ease the cost of doing business and lessened opportunities for corruption. The government should also liaise with family-owned businesses through awareness creation so that members understand how the regulations and policies affect their business. Through ministry of trade, the government should sensitize family-owned businesses on the opportunities available to them locally and abroad so as to engage in export and import trade.

5.5.1.3 Entrepreneurial Competencies on the Growth of Family-owned Businesses

The study recommends that family business owners should gain proper financial management skills through financial courses or programs suitable for their businesses. The use of organizational capabilities should be optimized to positively enhance the firm performance. The business owners should focus more on partaking organizational development programs that will advance their skill competencies in the growth of the business. This will enable them to demonstrate great competence in order to execute difficult roles effectively and hence contribute greatly to the growth of the business in terms of profits and sales turnover.

5.5.2 Recommendations for Further Studies

The study considered only family-owned businesses in the manufacturing and service sectors in Tanzania, future researchers could consider carrying out similar study in different sectors of the economy to assess any variation in responses. The results from other sectors should be compared to the study’s results so as to allow for the generalization of the findings.
REFERENCES


Gherhes, C., Williams, N., Vorley, T., & Vasconcelos, A. C. (2016). Distinguishing


Business Enterprises in Nairobi County. United States International University-Africa.


Price, D. P., Stoica, M., & Boncella, R. J. (2013). The Relationship Between Innovation,


APPENDITIES

APPENDIX I: COVER LETTER

Melinda Peter Ngumbullu
United States International University-Africa
P.O. Box 14634-00800
Nairobi, Kenya

Dear Respondent,

RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY

I am pleased to inform you that I am a student at United States International University pursuing a degree of Masters in Business Administration (MBA). As partial fulfillment for my degree, I am conducting a research on the “Factors Affecting the Growth of Family-owned Businesses in Ilala District, Tanzania” and you have been identified as one of the respondents to fill in the questionnaire because of the expertise you have in growing family-owned businesses.

In this respect, I kindly request that you complete the attached questionnaire to the best of your ability. Please note that all the information provided by you will used for academic research purposes alone. Your responses will be treated with a high level confidentiality. Your opinion is of great importance, as the findings of this study will be substantially important to other researchers, students, current and future family-owned businesses, and policy developers.

Your assistance will be highly appreciated. For any other concerns, kindly feel free to reach me via contacts below. Thank you

Yours sincerely,

Melinda Peter Ngumbullu

Phone: +254 704 611481
Email: ngumbullumelinda@gmail.com
APPENDIX II: QUESTIONNAIRE

SECTION 1: DEMOGRAPHIC INFORMATION

Kindly answer the following questions by providing a brief answer in spaces provided or ticking (√) in the boxes.

1. Please indicate your gender

   Male [ ]   Female [ ]

2. Kindly indicate your age group

   20-25 Years [ ]   26-30 Years [ ]
   31-35 Years [ ]   36-40 Years [ ]
   41-45 Years [ ]   46-50 Years [ ]

3. How long have you been working in this family-owned business?

   1-5 Years [ ]   6-10 Years [ ]
   11-15 Years [ ]   16-20 Years [ ]
   21-25 Years [ ]

4. What is your highest level of formal education?

   Primary School [ ]   Secondary School [ ]
   Certificate level [ ]   Diploma level [ ]
   Bachelor’s Degree [ ]   Master’s Degree [ ]

5. What is the nature of your business?

   Manufacturing [ ]   Service [ ]
SECTION 2: EFFECTS OF ACCESS TO FINANCIAL CAPITAL ON THE GROWTH OF THE FAMILY-OWNED BUSINESS

Please indicate by ticking (✓) where appropriate, the extent to which you agree or disagree with each of the following statements regarding the effects of access to financial capital on the growth of family-owned business. Use a scale of 1 to 4, where; 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Agree (A), and 4 = Strongly Agree (SA).

<table>
<thead>
<tr>
<th>Effects of Access to Financial Capital on the Growth of Family-owned Businesses (Growth Indicators: Sales Turnover, Profit Margin, Asset Value, Market Share, Number of Employees)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Lack of adequate collateral for long term credit for business expansion has affected the growth of asset value in our business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Limited access to flexible and affordable credit by financial institutions has affected the growth of sales turnover in our business</td>
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</tr>
<tr>
<td>8 High cost of loan or funding by financial institutions has affected the growth of profit margin in our business</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>9 Limited access to financial market information has affected the growth of market share in our business</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Lack of adequate collateral for long term credit for business expansion has affected the growth of number of employees in our business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION 3: EFFECTS OF GOVERNMENT REGULATIONS ON THE GROWTH OF FAMILY-OWNED BUSINESSES

Please indicate by a ticking (✓) where appropriate, the extent to which you agree or disagree with each of the following statements regarding the influence of government regulations and policies on the growth of family-owned business. Use a scale of 1 to 4, where; 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Agree (A), and 4 = Strongly Agree (SA). Please tick (✓) where appropriate.

<table>
<thead>
<tr>
<th>Effect of Government Regulations on the Growth of Family-owned Businesses (Growth Indicators: Sales Turnover, Profit Margin, Asset Value, Market Share, Number of Employees)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Lack of regulations and policies on interest rates and collateral requirements has affected the growth of asset value in our business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Lack of regulations and policies on business registration, permits and licensing trade has affected the growth of sales turnover in our business</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>13 Lack of administrative regulations on investment and tax incentives has affected the growth of profit margin in our business</td>
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<td></td>
</tr>
<tr>
<td>14 Lack of regulations and policies on import and export trade has affected the growth of market share in our business</td>
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<tr>
<td>15 Lack of social regulations and policies on labor and minimum wages has affected the growth of number of employees in our business</td>
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</tr>
</tbody>
</table>
SECTION 4: EFFECTS OF ENTREPRENEURIAL COMPETENCIES ON THE GROWTH OF FAMILY-OWNED BUSINESSES

Please indicate by a ticking (√) where appropriate, the extent to which you agree or disagree with each of the following statements regarding the effect of *entrepreneurial competencies* on the growth of family-owned business. Use a scale of 1 to 4, where 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Agree (A), and 4 = Strongly Agree (SA). Please tick (√) where appropriate.

<table>
<thead>
<tr>
<th>Effects of Entrepreneurial Competencies on the Growth of Family-owned Businesses (Growth Indicators: Sales Turnover, Profit Margin, Asset Value, Market Share, Number of Employees)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>16</td>
<td>Lack of financial management competencies has affected the growth of asset value in our business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Lack of customer relationship management competencies has affected the growth of sales turnover in our business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Lack of marketing competencies has affected the growth of profit margin in our business</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>19</td>
<td>Lack of conceptual and innovative competencies has affected the growth of market share in our business</td>
<td></td>
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<td></td>
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<tr>
<td>20</td>
<td>Lack of interpersonal competencies has affected the growth of number of employees in our business</td>
<td></td>
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</tbody>
</table>

“THANK YOU”