

Impact of Networking on Performance of Small and Medium Enterprises in Tanzania

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Abstract

In this knowledge-based era, networking has been presented as an important device to overcome the inherent challenges that make SMEs vulnerable because act as ingredient in business success. Due to that fact the researcher decided to assess the impact of networking on the performance of SMEs in Tanzania as the case of Dar es Salaam City. Specifically, the study assessed the contribution of networking on productivity of SMEs, the role of networking on market accessibility of SMEs, and determined the contribution of networking on profitability of SMEs. From the study, it was found that networking through the usage of ICT was used by SMEs in their daily activities and was helpful in productivity, market accessibility and profitability of their businesses which included increase of their businesses functionality, increase in profit margin and enabled them to advertise their products and services. The study revealed that, networking through the usage of ICT usage is vital in SMEs and therefore, there is a need for SMEs support in knowledge management to achieve their business goals. The study hence recommended for ICT trainings and a well-articulated policy which will focus on ICT usage in SMEs specifically on the costs reduction of ICT related equipment. The study used survey research design and it involved 40 SMEs from Dar es Salaam City. The structured questionnaires were distributed by the researcher to these 40 respondents (SMEs) for data collection. The stratified simple random sampling technique were used to select 40 SMEs involved in this study. Data collected from survey questionnaire were analyzed by using the statistical Package for Social Science (SPSS).

Keywords: Information Communication Technology, Networking, Small and Medium Enterprise

Background of the Research Problem

Small and Medium Enterprises (SMEs) play a significant role in the development of the economy (Msabila, 2012). However, their contribution to the national economy is still relatively small (Msabila, 2012). Due to this, the government has made the development of SMEs a high priority area with a string of development agendas. SME development programs have become a priority in many economies worldwide and have seen an increasing proportion of developing countries embarking on SME policies for economic growth and poverty alleviation. Walter *et al.* (2006) define networking capability as the abilities to initiate, maintain and utilize firms' relationship with various partners for the firm's advantage. This implies that networking capability emphasizes on creating and sustaining networking relationship that allow exchange of strategic resources and capabilities for the firm's advantage. Keh, Nguyen and Ng. (2007) support this argument by emphasizing that "firms which choose to pursue networking as a strategy must be able to develop the capabilities, structures and processes to support a collaborative approach". The literature identifies four dimensions of networking capability namely relational skills, internal communication, coordination and partners' knowledge (Kale, Sing & Perlmutter, 2000) of which this study considers these dimensions to be appropriate to support meaningful collaborations. However, networks are also often defined as relationships between different actors (Ireland, Hitt, Camp, & Sexton, 2001). Actors in a social Network can be persons, groups, and collectives of organisations. Personal networking is defined as the management of relationships or alliances that the individual has with others in their society (Dubini & Aldrich, 1991).

The uses of networks in business have proved to be beneficial to number of businesses in varying industries. Social-media websites such as Facebook and LinkedIn have a permanent place in business strategy, as the focus is solely built upon the value networks can offer businesses today. According to Kale *et al.* (2000) networking capability has four dimensions namely coordination, relational skills, partner knowledge, and internal communication. SMEs are unable to achieve their goals by themselves, they need support and resources from external factors such as other firms, supporting institutions and relatives and friends. Networks are representative of the value at the company level and customers are the focal point of networks, ultimately resulting in value creation for any business. Therefore, network relationships allow entrepreneurs to identify opportunity and resources rapidly. Despite recent reports on the success of information-rich economies, many developing countries including Tanzania are still not catching up with the trend. It is therefore important to analyze the adoption of networking through the usage of information communication technology (ICT) at the SME level in developing countries. Therefore, this research paper assessed the impact of networking on performance of SMEs in Tanzania particularly in Dar es Salaam City.

The gaps observed here are that, there are no and or very little scholarly research in the Impact of

networking through the usage of ICT in SMEs performance especially in the productivity, profitability and accessing market in Tanzanian context. As can be seen from the review of various researchers above, their studies focused on the ICT determinants and adoption factors in SMEs, the relationship of ICT and SMEs, the barriers to ICT implementation in SMEs the challenges of ICT in SMEs, and the general impacts of ICT on Entrepreneurs but none of the study has investigated on the impacts that networking through the usage of ICT has brought in SMEs which call for the matter to be addressed by this paper.

Statement of the Research Problem

SME development programs have become a priority in many economies worldwide and have seen an increasing proportion of developing countries embarking on SME policies for economic growth and poverty alleviation. Networking in a small firm context could be defined as activities in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their environment (Carson et al., 1995). A significant number of SMEs fail and one of the key challenges in regard lies in addressing the entrepreneurs' lack of understanding regarding networks and the role they play in a successful entrepreneurial process. Therefore, this research assessed the impact of networking on performance of SMEs in Tanzania as a survey of SMEs in Dar es Salaam City.

Research Objectives

The study generally assessed the impact of networking on the performance of SMEs in Tanzania as the case of Dar es Salaam City.

Significance of the Study

The study will be very significant to different stakeholders including SMEs, researchers, businessmen and other stakeholders in many ways. This study will bring benefits to the general public since it generated new knowledge and awareness on how networking impacts the performance of SMEs and will stimulate more people to employ networking with expectation to increase income in their businesses. To the practitioners and business community; the findings offered a clear picture on how SMEs can improve their performance and raise their income through the use of networking. Also the findings will assist them on identification of networking related problems which affect SMEs and suggested better ways of dealing with them. To academicians and other researchers; the findings will contribute to the existing knowledge both theoretically and empirically foundation for further similar studies. Furthermore, to the policy makers and the government, the findings are useful during review of relevant ICT policies and improve certain regulatory and administrative areas so as to support SMEs in networking.

Research methodology

In conducting this study, the researcher used a case study design so as to come up with detailed information about the impact of networking on performance of SMEs. The researcher collected and used both primary and secondary data for the study. Primary data were collected through questionnaires while secondary data will be collected through document analysis of SMEs including financial reports and sales reports.

The researcher surveyed SMEs in Dar es Salaam City; the population involved all SMEs in Dar es Salaam City. The researcher used the sample to draw out conclusion on the entire population; the sample was representative of different businesses (SMEs) which were forty in number. This study was more qualitative in nature; therefore, data were analyzed by using qualitative data analysis techniques. The researcher used SPSS software as an instrument of data analysis before giving interpretation. The researcher used tables, charts, and graphs; the use of descriptive methods for data analysis was done purposely to increase the validity and reliability of data to be collected and used in this study.

Research Findings, Interpretation, and Discussion

Sample Size and Number of Responses

The totals of forty (40) questionnaires were distributed and both forty questionnaires were returned and all of them seemed to fit to be used for the purpose of this study. No any questionnaire was having redundant information or with the gaps in more than 10%. From the analysis, the following are the findings about the sample size and number of responses as summarized in the table 6.1: -

Table 6.1: Sample Size and Number of Responses

SMEs		Sample Size	Responses
Valid	Merchandize	20 (50%)	20 (50%)
	Manufacturing	10 (25%)	10 (25%)
	Service	10 (25%)	10 (25%)
Total		40 (100%)	40 (100%)

Source: Field Data (2015)

As can be observed from the Table 6.1, forty (40) questionnaires were distributed to SMEs in Dar es Salaam City and both of them were received. This was attributed by a good administration of the questionnaires by the researcher. There are some questionnaires which were not full filled by the respondents particularly in the section of open ended questions which needed explanation. This was due to the fact that some of the respondents were busy with their businesses.

Demographic Characteristics of the SMEs

In this section information such as nature of business, when the business started, when the business started using ICT in networking, and kinds of ICT used in networking of SMEs formed the basis for the detailed analysis of the characteristics of the population (SMEs) involved in this study.

Nature of Business

The researcher reported that, this study involved SMEs dealing with various business activities in Dar es Salaam City including manufacturing, selling merchandise, and those providing services (Table). From the respondents, it was reported that 20 (50%) of the SMEs involved in this study were dealing with merchandise business, 10 (25%) of the SMEs were dealing with manufacturing business activities and also 10 (25%) of the SMEs were dealing with provision of services as indicated in the Figure 6.1.

Table 6.2: Nature of SMEs Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Merchandise	20	19.2	50.0	50.0
	Manufacturing	10	9.6	25.0	75.0
	Service Oriented	10	9.6	25.0	100.0
Total		40	38.5	100.0	

Source: Field Data (2015)

Figure 6.1: Nature of SMEs Business



Source: Field Data (2015)

6.4 Time When the SMEs Started

The researcher reported that the SMEs in Dar es Salaam City started from different periods and from the study it was revealed that among the SMEs involved in this study 8 (20%) started between 1 to 3 years ago, 19 (47.5%) started between 4 to 7 years ago, 7 (17.5%) started between 8 to 10 years ago, and 6 (15%) started more than 10 years ago as indicated in the Table 6.3.

Table 6.3: Time When SMEs Started

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 to 3 years	8	7.7	20.0	20.0
4 to 7 years	19	18.3	47.5	67.5
8 to 10 years	7	6.7	17.5	85.0
Above 10 years	6	5.8	15.0	100.0
Total	40	38.5	100.0	

Source: Field Data (2015)

Kinds of ICT used in Networking by SMEs

The researcher reported that SMEs in Dar es Salaam City used different ICT in networking their businesses including internet, cell phones, and computers. From the study, it was reported that 8 (20%) of the SMEs were using internet and most of them were manufacturing SMEs, 10 (25%) of the SMEs were using cell phones and most of them were merchandising and service oriented SMEs, and those which were using both internet and cell phones were 17 (42.5%) of which most of them were manufacturing and service oriented SMEs (Table 6.4).

Table 6.4: Kinds of ICT used in Networking by SMEs

	Frequency	Valid Percent	Cumulative Percent
Valid Internet	8	20.0	20.0
Cell Phones	10	25.0	45.0
Computers	5	12.5	57..5
Internet and Cell Phones	17	42.5	100
Total	40	100.0	

Source: Field Data (2015)

Time the SMEs Started Using ICT in Networking

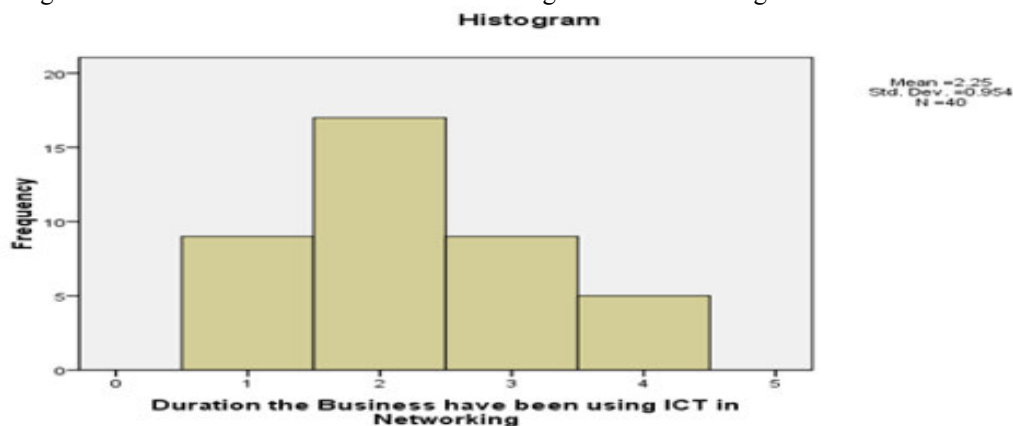
From the study it was indicated that although these SMEs in Dar es Salaam City started in different times also some of them did not start using ICT in networking immediately after being started. The researcher reported that 9 (22.5%) of the SMEs started networking in less than one year, 17 (42.5%) of the SMEs started networking between 1 to 3 years as indicated in the Table 6.5. the researcher also reported that, 9 (22.5%) between 3 to 5 years, and 5 (12.5%) were more than 5 years in use of ITC in networking as one of marketing strategy in doing business as indicated in the Figure 6.2.

Table 6.5: Duration the Business have been using ICT in Networking

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 years	9	8.7	22.5	22.5
1 to 3 years	17	16.3	42.5	65
3 to 5 years	9	8.7	22.5	87.5
More than 5 years	5	4.8	12.5	100
Total	40	100	100	

Source: Field Data (2015)

Figure 6.2: Duration the Business have been using ICT in Networking



Source: Field Data (2015)

The Contribution of Networking of Productivity of SMEs in Dar es Salaam City

The first objective of this study was to assess the contribution of networking through the usage of ICT on productivity of SMEs in Dar es Salaam City. In so doing the researcher considered operation of business, business improvement, business success, and also tested to know if networking reduced productivity and brought some hindrance to businesses. The researcher used the Likert scale of five points which included strongly agreed, agreed, neutral, disagreed, and strongly disagreed (Table 6.6). Findings from the study generally revealed that networking through the usage of ICT among SMEs in Dar es Salaam City increased their productivity (Table 6.6).

Networking has Made It Easy for Operating the Business than Before

An efficient networking system simplifies the operations of the business. When asked whether this was practical in their business, 5 (12.5%) respondents strongly agreed, 10 (25%) respondents agreed whereas 25 (62.5%) respondents were neutral (Table 6.6). Only 37.5% of the respondents agreed that networking through the usage of ICT eased their business operations. Although a big percent was neutral still there were no respondents who disagreed. The findings show that networking has increased business productivity since 12.5% strongly agreed, 25% agreed. The findings coincide with the literature findings by Beckinsale and Ram (2006), that, the perceived benefits of networking through ICT adoption often include focus on improving business efficiency; operational effectiveness and the need to reach out for new markets and opportunities. The literature and the findings show that, networking improves business productivity. According to the study by Matambalya and Wolf (2001) in Kenya and Tanzania showed that, enterprises that use different forms of ICT in networking rate their effects mostly positive. It is clear that one of the advantages of networking through the usage of ICT in the business operations is that it increases quality of the production and simplifies business operations of which lead to effectiveness and efficiency.

Satisfaction of Networking Usage on Business Improvement

Respondents also showed their level of satisfaction by the networking through ICT usage in their daily business operations. Table 6.6 shows that, 5 (12.5%) of the respondents strongly agreed, 10 (25%) respondents agreed whereas 25 (62.5%) respondents were neutral. Again, only 37.5% of the respondents acknowledged that networking has improved operation of their business. The findings show that, a moderate number of SMEs supports that, networking has satisfied them in improving businesses. The literature findings by Karrberg et al. (2009) supports this by the argument that, networking through ICT continue to make businesses more efficient in the conduct of key tasks as well as more productive overall.

Networking Contribution in Business Success

Another important aspect was to assess if respondents were realized any benefit due to networking through the usage of ICT in their business. Findings revealed that, 5 (12.5%) of the respondents strongly agreed, 10 (25%) respondents agreed whereas 25 (62.5%) of the respondents were neutral. Again, only 37.5% acknowledged that networking has contribution in the success of their business. Moreover, the literature shows that, networking through the usage of ICT has reduced the coordination costs of the firm because of lower procurement and inventory costs and closer coordination with suppliers (OECD, 2005), further add that, communication based on ICT and the Internet can also improve external communication, reducing the inefficiencies resulting from lack of co-ordination between firms, and increasing the speed and reliability of information processing and transfer.

Therefore, both primary and secondary findings show that, networking has led to the improvement of business operations.

Networking through ICT Usage has Brought Many Hindrance and Challenges

This study also assessed the perception of the respondents to whether networking through the usage of ICT brought challenges and unnecessary cost to their business. Findings showed that, 6 (15%) respondents strongly disagreed, 31 (77.5%) respondents disagreed, and only 3 (7.5%) respondents were neutral as indicated in the Table 6.6. Thus, over 82% of the respondents did not see networking as a source of unnecessary additional cost to their SMEs. Like many other technologies, ICT might have its challenges which might negatively impact the production of the business. The negative impacts of ICT in the production can take many forms such as jamming of software, communication breakdown, and unnecessary queuing of information. During this study however, no evidence of these and other impacts were found. The study correlates with Msabila (2012), in her research on impacts of ICT to entrepreneurs focused on the challenges it brought them and the study revealed that, entrepreneurs were having obstacles which hinder them not to utilize ICT fully which was lack of resources and skills to do so. Furthermore, Arendt (2008) presented the results of the research into barriers to ICT adoption to entrepreneurs, by arguing that, the major issue was not the access to ICT but rather lack of appropriate education, knowledge and skills on the part of managers and employees. It is evident that SMEs suffer from the problem of a lack of human resources needed for using ICT. Therefore, this indicates that entrepreneurs lack enough resource to assist them to use ICT in their businesses.

Networking has Lowered the Productivity of SMEs

The last part in this category assessed to whether in some aspects networking has lowered the productivity of the SMEs. As summarized in Table 6.6, 2 (5%) respondents were neutral, 33 (82.5%) respondents disagreed, and 5 (12.5%) respondents strongly disagreed. Thus, while 5% were neutral, 95% of the respondents supported that networking through the usage of ICT did not lowered the productivity of their businesses. This was supported by the study done by Beckinsale and Ram (2006), which showed that, networking improves productivity. Therefore, networking improves productivity and it doesn't lower productivity level of the firm.

Table 4.6: The Contribution of Networking o Productivity of SMEs

Contribution of Networking on Productivity	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Easier operation	5(12.5%)	10(25%)	25(62.5%)	-	-
Improved business	5(12.5%)	10(25%)	25(62.5%)	-	-
Business success.	5(12.5%)	10(25%)	25(62.5%)	-	-
Challenges and costs	-	-	3(7.5%)	31(77.5%)	6(15%)
Lowered the productivity	-	-	2(5%)	33(82.5%)	5(12.5%)

Source: Field Data (2015)

The Role of Networking on Market Accessibility of SMEs in Dar es Salaam City

The second objective of this study was to the role of networking on market accessibility of SMEs in Dar es Salaam City. Networking through the usage of ICT offers many marketing related advantages; however, due to time hindrance this study the researcher considered accessibility on new markets, safe financial accessibility and payment mode, wide marketing coverage, improved and up to date marketing strategies, and reduced adverts costs as basis for analysis. The researcher used the Likert scale of five points which included strongly agreed, agree, neutral, disagree, and strongly disagree (Table 6.7). Findings from the study generally revealed that networking through the usage of ICT among SMEs in Dar es Salaam City facilitated market accessibility of SMEs as indicated in the Table 6.7.

Networking Lead to Accessibility on New Markets

Another important aspect that could be easily impacted by a properly programmed networking system is market accessibility. Networking through ICT is one of the major marketing uses for accessibility of market information and opportunities. This includes internet advertised tenders, requests, supplies and demands. From the study, it was reported that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 10 (25%) respondents were neutral, 4 (10.0%) respondents were dissatisfied and 1 (2.5%) respondent was highly dissatisfied (Table 6.7). This showed that, networking improves market accessibility and these findings coincide with Ofafa and Kiveu (2013) in their empirical evidence from Kenya that asserts that, networking through the usage of ICT improves market accessibility. Moreover, Beckinsale and Ram (2006), assert that, networking improves market efficiency. Therefore, both the literature and the findings from this study support that, networking improves marketing activity.

Safe Financial Accessibility and Payment Mode

The second issue was to assess if networking through the usage of ICT help to access o access finance and quick payment mode by the SMEs. Findings revealed that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 6 (15%) respondents were neutral, 4 (10%) respondents were dissatisfied and 5 (12.5%) respondents were highly dissatisfied. Thus 62.5% supported that networking helps to access fund and act as good means of payment. The findings coincide with the findings by Klapper et al. (2011) which indicated that, networking through ICT in financial services through mobile money transfer and other electronic machines have simplified the means of payment.

Wide Marketing Coverage

Another aspect was to assess whether networking increased the marketing coverage. A properly designed networking system easily increases the marketing coverage by opening the business to many customers and suppliers. For example, by having its product advertised on yahoo, the firm meets with all yahoo users globally. Findings from the study revealed that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 10 (25%) respondents were neutral, 2 (5%) respondents were dissatisfied, and 3 (7.5%) respondents were highly dissatisfied (Table 6.7). Thus, over 60% of the respondents supported that networking widen up their marketing coverage as indicated in the Table 6.7. The findings correlate with the literature study by USAID (2013), that, networking through ICT increases the market coverage for business people, hence wide coverage.

Improved and up to Date Marketing Strategies

The study also assessed if networking was perceived as improved and up to date marketing strategies. Networking through ICT also provide enterprises with newly up dated marketing strategies. This includes commercial websites, social networks and other official websites of the enterprises. During this study 62.5% of the respondents supported that networking bring up to date marketing strategies while 12.5% of the respondents did not. Findings further revealed that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 8 (25%) respondents were neutral, 2 (5%) respondents were dissatisfied, and 5 (12.5%) respondents were highly dissatisfied (Table 6.7). The empirical evidence by the researcher was in line with the reviewed literature which states that, networking by ICT has revolutionized the marketing strategies and people can even lay down better marketing strategies which are very simple to execute, (USAID, 2013). Furthermore, Beckinsale and Ram (2006), assert that, networking through ICT improves market efficiency and strategies. Therefore, both the literature and the findings from the study support that, networking improved and up to date the marketing strategies which increases marketing efficiency of firms

Reduced Adverts Costs

Another important marketing based issue studied was whether networking reduces adverts costs. In regards to this, findings showed that, 5 (12.5%) respondents were highly satisfied, 20 (50%) respondents were reasonably satisfied, 5 (12.5%) respondents were neutral, 5 (12.5%) respondents were dissatisfied and 5 (12.5%) respondents were highly dissatisfied. Thus, 62.5% of the respondents were satisfied. This means the findings suggested that, networking reduces the advert costs. The findings correlate with the literature reviewed from Mwakaje (2010) which asserts that, networking through ICT helps to decrease cost of the price for products due to decrease in operational costs, increases sales volume, and wide market access. It is clear that with the immergence of networking through ICT as a marketing zone definitely additional cost might be incurred. If these cost increase they may in turn become marketing burdens. During this study it was found that respondents do not see ICT as adding excessively costs. Nevertheless, those SMEs with ICT working properly believe that ICT offers more marketing advantages than disadvantages.

Table 6.7: The Role of Networking on Market Accessibility of SMEs

Role of ICT on Market accessibility	Highly satisfied	Reasonably satisfied	Neutral	Dissatisfied	Highly dissatisfied
Information accessibility on new markets	10(25%)	15(37.5%)	10(25%)	4(10%)	1(2.5%)
Safe financial accessibility and payment mode	10(25%)	15(37.5%)	6(15%)	4(10%)	5(12.5%)
Wide marketing coverage	10(25%)	15(37.5%)	10(25%)	2(5%)	3(7.5%)
Improved marketing strategies	10(25%)	15(37.5%)	8(20%)	2(5%)	5(12.5%)
Reduced adverts costs	5(12.5%)	20(50%)	5(12.5%)	5(12.5%)	5(12.5%)

Source: Field Data (2015)

The Contribution of Networking on Profitability of SMEs in Dar es Salaam City

The third objective of this study was to the role of networking on market accessibility of SMEs in Dar es Salaam City. In so doing the researcher considered increase in volume of sales, extending customer base, increase in income from large sales, decrease in profit due to costs of ICT implementation, and reduced costs. The researcher used the Likert scale of five points which included strongly agreed, agree, neutral, disagree, and strongly disagree (Table 6.8). Findings from the study generally revealed that networking through the usage of ICT among SMEs in Dar es Salaam City contributed positively to the profitability of SMEs as indicated in the Table 6.8.

Increased Volume of Sales

The researcher assessed whether networking has contribution on the profitability of the businesses particularly in the increase in volume of sales. A properly designed and implemented networking system through ICT may increase production and attract customers; hence increases the volume of sales. Findings indicated that, 5 (12.5%) respondents strongly agreed, 20 (50.0%) respondents agreed, 5 (12.5%) of the respondents were neutral, 5 (12.5%) respondents disagreed whereas 5 (12.5%) respondents strongly disagreed (Table 6.8). This means that majority of the respondents agreed that networking helps to increase volume of sales. The findings correlate with the literature reviewed from Mwakaje (2010) which asserts that, networking through ICT increases sales volume due to wide market access and decreases costs of operations which in turn raises the profit margin.

Extending Customer Base

The study also investigated whether networking extends customer base. A well planned and implemented ICT marketing campaign attracts more customers and eventually increases the sales due to an extended customer base. Findings showed that, 4 (10%) respondents strongly agreed, 20 (50%) respondents agreed, 7 (17.5%) respondents were neutral, 4 (10%) of the respondents disagreed whereas 5 (12.5%) of the respondents strongly disagreed. Hence the findings suggested that, networking extends customer base and the findings were supported by the findings of Hallberg (2000) in his paper concerning ICT market-oriented strategy for SMEs which argued that, when a new technology, product or service emerges, individuals evaluate both its economic profitability and other variables - degree of risk, decrease in discomfort, savings in time and effort and immediacy of rewards and go for it.

Increased Income from Large Sales

Another issue studied was whether networking increases income due to large sales. With the use of ICT an entrepreneur can accesses to information that will lead to getting low cost source of capital. This includes loans with low interest rates and timely issued loans. In addition to borrowing cost ICT made payment easy and reliable. Thus, an entrepreneur can conveniently transfer money online within a short time. Findings showed that, 6 (15%) respondents strongly agreed, 20 (50%) respondents agreed, 5 (12.5%) respondents were neutral, 4 (10%) respondents disagreed whereas 5 (12.5%) respondents strongly disagreed (Table 6.8). These findings suggest that, networking increases income from the large sales made and they were supported by the findings from the study conducted by Solow (1987), on impact of networking on businesses of which the impacts of networking on profitability was found. Networking through ICTs are significant input factors for both formal and informal SMEs and contribute positively to revenue generation.

Decrease in Profit due to Costs of ICT Implementation

Another aspect of profitability was whether networking has a negative impact. At first respondents were asked if profit decreases due increased costs of ICT implementation. Regards to this, findings showed that, 3 (7.5%) respondents agreed, 9 (22.5%) respondents were neutral, 17 (42.5%) respondents disagreed whereas 11 (27.5%) respondents strongly disagreed. This means that, networking through ICT does not decrease profit of SMEs. The findings correlate with the literature reviewed from Mwakaje (2010) which asserts that, networking increases sales volume due to wide market access and decreases costs of operations which in turn raises the profit margin.

Reduced Costs

Another usefulness of networking in regards to profitability is reduction of cost. The profits of business firms may increase because of reduced costs. ICT helps reduce cost in marketing, transaction and communication in general. Findings showed that, 4 (10.0%) respondents strongly agree, 25 (62.5%) respondents agreed, 4 (10%) respondents were neutral, 5 (12.5%) respondents disagreed whereas 2 (5.0%) respondents strongly disagreed (Table 6.8). The findings show that 62.5% of the respondents agreed on the costs reduction due to networking through ICT usage. Findings correlated with the literature reviewed from Mwakaje (2010) which asserts that, networking helps to decrease cost of the price for products due to decrease operational costs, and increases sales

volume, and wide market access

Table 6.8: The Contribution of Networking on Profitability of SMEs

Contribution of Networking on Profitability	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Increases volume of sales	5(12.5%)	20(50%)	5(12.5%)	5(12.5%)	5(12.5%)
Extended customer base	4(10%)	20(50%)	7(17.5%)	4(10%)	5(12.5%)
Increases income	6(15%)	20(50%)	5(12.5%)	4(10%)	5(12.5%)
Decreases profit	-	3(7.5%)	9(22.5%)	17(42.5%)	11(27.5%)
Reduces costs	4(10%)	25(62.5%)	4(10%)	5(12.5%)	2(5%)

Source: Field Data (2015)

Conclusion and recommendations

Therefore, the findings from this study indicated the need for SMEs support in knowledge management to achieve the ICT goals. This support could be in terms of education and training, developing new tools and methods for acquiring and managing knowledge of ICT in SMEs and reduction of costs of ICT related equipment's. Hence, to make ICT meaningful for SMEs in Arusha and Tanzania at large. These challenges need to be dealt upon vigorously to ensure all identified challenges are under control.

8.1 Recommendations

Recommendations form an important part of this study. From different findings of the study, the following are the recommendations: -

- To the Government: There should be reduction of the cost of ICT related equipment's; this study found that only few SMEs were able to acquire ICT system for networking purposes due to high cost. The main reason why many SMEs were not using ICT was that the acquisition cost was relatively high mainly due to VAT. The author therefore, recommends that there should be reduction of VAT on items such as computers, scanners, fax machine and printers to encourage entrepreneurs to implement ICT in their entrepreneurial activities.
- To Policy Makers: ICT trainings and a well-articulated policy which will focus on ICT usage in SMEs specifically on the costs reduction of ICT related equipment's.
- To SMEs and Community: To educate themselves on the use of the ICT related equipment's; this study found that many entrepreneurs did not use ICT due to the fact that they did not know well how to use the related equipment's such as computers, scanners and fax machines. Therefore, the author recommends that entrepreneurs and community as a whole should take initiatives to educate themselves on how to administer ICT in order to avoid missing full ICT utilization opportunities in their business and or reduce experts hiring charges.

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