

The development of small and medium enterprises in Tanzania: The role of entrepreneurial skills

Faustine Masunga*

PhD, Lecturer

National Institute of Transport

P.O.BOX 705, Mabibo Rd., Dar es Salaam, United Republic of Tanzania

<https://orcid.org/0000-0003-1032-2823>

Abstract. Entrepreneurial skills increasingly became a critical driving force for economic growth and are widely recognised as essential for economic dynamism. This study aimed to assess the importance of the skills available for the development of small and medium enterprises in Tanzania, specifically focusing on participants who are owners of small and medium-scale businesses within the Coast Region. Specifically, the study examined three key skills: communication, business management, and creativity/innovation. A quantitative research approach was adopted, using structured questionnaires distributed to 168 respondents. Descriptive and regression analyses were employed to examine respondent characteristics and test the hypothesised relationships among variables. The results indicated that communication skills have a positive and statistically significant effect on small and medium enterprises development ($B = 0.196$, $\beta = 0.195$, $t = 3.708$, $p < 0.001$, 95% CI [0.092, 0.301]). Creativity and innovation skills exhibited a stronger and highly significant influence ($B = 0.748$, $\beta = 0.763$, $t = 17.229$, $p < 0.001$, 95% CI [0.662, 0.833]). In contrast, business management skills showed a weak and statistically insignificant effect ($B = 0.035$, $\beta = 0.032$, $t = 0.844$, $p = 0.400$, 95% CI [-0.047, 0.116]). The regression model was statistically significant and explained a substantial proportion of variance in small and medium enterprises development ($R^2 = 0.941$, Adjusted $R^2 = 0.940$, $F(3, 164) = 873.998$, $p < 0.001$), with no evidence of autocorrelation (Durbin-Watson = 1.984). The study concluded that communication, creativity, and innovation were key determinants of small and medium enterprises development, while business management skills played a limited role. These findings provide important implications for policymakers, educators, and development practitioners in designing targeted interventions to promote sustainable small and medium enterprises growth in Tanzania

Keywords: creativity; business; opportunities; formal employment; financial institutions

Introduction

Small and medium enterprises (SMEs) are often referred to as the backbone of many economies, and Tanzania is no exception. These enterprises not only provide jobs but also stimulate local economies and foster innovation. Despite their significant contributions, SMEs in Tanzania face numerous obstacles that hinder their growth and sustainability. One of the most pressing issues is the limited level of entrepreneurial skills among business owners, which can severely restrict their ability to navigate the complexities of the market. This skills gap weakens the ability of entrepreneurs to effectively manage and expand their enterprises in an increasingly competitive business environment, as underscored by I.J. Ismail (2022) and D.F. Matari (2024) that

individuals enter business out of necessity rather than opportunity, which results in inadequate preparation and limited experience. Although the Tanzanian government and development partners have introduced various support initiatives, such as access to finance, training programs, and policy reforms, their impact has been inconsistent. While these programs are relatively widespread, there remains a disconnect between training provision and the actual application of entrepreneurial skills. H.E. Inegbedion *et al.* (2024) and A. Chshelokovskiy (2025) demonstrate that the connectivity between entrepreneurial support initiatives and the actual impact raises a concern about the relevance, accessibility, and effectiveness in addressing real entrepreneurial needs.

Suggested Citation:

Masunga, F. (2026). The development of small and medium enterprises in Tanzania: The role of entrepreneurial skills. *Innovation and Sustainability*, 6(2), 23-33. doi: 10.31649/vis/2.2026.23.

*Corresponding author (masungaf@gmail.com)



Technological advancement has transformed the business landscape, creating both opportunities and challenges for SMEs. Gunartin *et al.* (2023) and E. Barkley & O. Jokonya (2024) underline that entrepreneurs are now required to adopt innovative and digital business models, which demand advanced technical and adaptive skills. Without these competencies, Tanzanian SMEs can lose competitiveness in both local and global markets. Additionally, F. Alfazzi (2023) and N. Viswarajan (2024) highlight the need to better understand how entrepreneurial skills are developed and their contribution to long-term business sustainability. Strengthening entrepreneurial skills also has broader socio-economic implications. The growth of SMEs can increase employment opportunities and reduce poverty. As emphasised by J. Amoah *et al.* (2022), as Tanzania aspires toward industrialisation, enhancing entrepreneurial skills becomes a critical component in achieving this national objective.

From a global job-creation perspective, H.E. Inegbedion *et al.* (2024) argue that SMEs are recognised as key drivers of economic growth, especially in developing countries, due to their role in job creation and income generation. However, their development is often constrained by financial limitations. Based on Tanzania SMEs' resource outlook, D.F. Matari (2024) claims that many SMEs in Tanzania remain stagnant due to limited access to resources and inadequate skills. A significant portion of SME activity occurs within the informal sector, which is dominated by vulnerable groups such as women, youth, and retirees. As stated by R. Lambin & M. Nyssola (2022), the informal sector comprises a significant portion of SMEs that face structural barriers that limit access to formal employment. Access to finance remains another critical challenge. B. Nguyen & N.P. Canh (2021) identify that many SMEs struggle to secure funding from formal institutions, but they rely on informal sources like family and friends. The financial challenges to SMEs are linked to poor entrepreneurial skills. This is articulated by I.J. Ismail (2022) that SMEs face challenges in securing formal financing, which are closely linked to weak entrepreneurial skills. Empirical studies such as D.B. Audretsch & M. Belitski (2021) and Gunartin *et al.* (2023) have emphasised the importance of diverse entrepreneurial skills, pinpointing managerial, relational, conceptual, behavioural, resilience, and effective management practices in improving SME performance. These skills are central to navigating complex business environments. Additionally, E. Barkley & O. Jokonya (2024) and Gunartin *et al.* (2023) stressed the importance of digital literacy and limited technological capabilities that hinder SME growth, highlighting the importance of IT and management skills.

However, this study demonstrates that creativity, innovation, and communication skills collectively play a vital role in equipping entrepreneurs to transform creative ideas into practical, valuable applications. Recognising the significance of these competencies, this study aimed to examine the role of entrepreneurial skills in the development of SMEs. The study is guided by Schumpeter's Innovation

Theory (SIT) and the Competence-Based Theory of Entrepreneurship (CBTE), both of which highlight the critical importance of skills and innovation in driving business success. Drawing from the conceptual framework presented in this study, the following hypotheses are proposed: (1) communication skills have a positive effect on the development of SMEs; (2) business management skills have a positive effect on the development of SMEs; (3) innovative and creative skills have a positive effect on the development of SMEs; (4) communication, business management, and innovative/creative skills collectively have a positive influence on the development of SMEs.

Materials and Methods

This study examined the role of entrepreneurial skills in SME development by identifying key competencies necessary for business success. To strengthen its theoretical foundation, the study was guided by SIT and CBTE. SIT, introduced in 1911 and later expanded, emphasises innovation as central to entrepreneurship and business growth (Fig. 1).

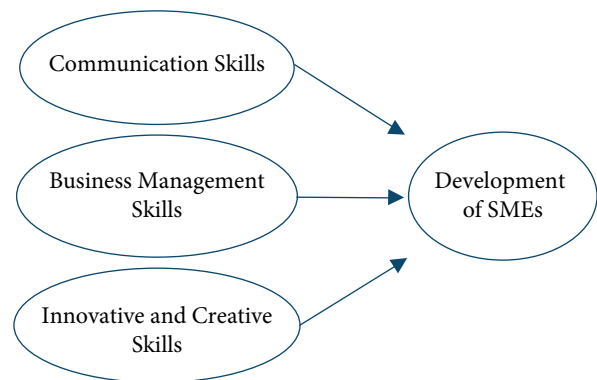


Figure 1. Conceptual model

Source: conceptualised by the author from literature and theories (Schumpeter's Innovation Theory)

This study adopted a survey research design to facilitate the systematic collection of both quantitative and qualitative data from a relatively large group of respondents. The survey approach was considered appropriate due to its scalability and its effectiveness in generating standardised information that can be used for research, professional analysis, and policy-related purposes. The design enabled the researcher to capture diverse perspectives from SMEs while maintaining consistency in data collection. The study was conducted among SMEs located in Kibaha Town Centre in the Coast Region. The target population comprised 290 SMEs operating within this area. From this population, a sample of 168 respondents was selected to participate in the study. The sample size was determined using Slovin's formula, which is suitable when the population size is known but variability within the population is not clearly established. The formula is expressed as:

$$n = N / (1 + Ne^2), \quad (1)$$

where n – sample size; N – population size; e – margin of error. Using a confidence level of 95% and a margin of error of 0.05, the calculation yielded a sample size of 168 respondents. To ensure fairness and reduce selection bias, a fishbowl random sampling technique was employed, giving each SME an equal chance of being included in the study. Ethical consideration was addressed by observing the code of ethics of research as per the guidelines, principles, and procedures, as informed consent is crucial in making voluntary participation of the respondents (Horstkötter & de Wert, 2020; ICC/ESOMAR international code..., 2025). Informed consent for this study was of great significance and was obtained by ensuring that participants were given sufficient and necessary information about the study's intention, the opportunity to fill out the questionnaire without any force, and the freedom to decide whether to take part in the study or not. To ensure privacy, anonymity, and confidentiality, consent forms were distributed and collected separately from the questionnaire; the respondents were asked to provide neither their names nor their identification. The participants were also assured of the confidentiality of their information, as the data obtained were for academic purposes.

Data were collected using a structured questionnaire designed to align with the objectives of the study. The development of a semi-structured questionnaire for this study was adopted from previous empirical studies but improved to complement the variables, objectives, and hypotheses of this study (Mashuri *et al.*, 2022). During the development of the questionnaire, the English language was used because the respondents were familiar with the language. Two methods were used to distribute the questionnaire: a physical and a mailed questionnaire. In total, four weeks (28 days) were used to collect information from the distributed questionnaires. The questionnaire consisted of closed-ended questions formulated under a deterministic philosophical approach, ensuring that responses could be quantified and analysed statistically. A five-point Likert scale was used to measure respondents' perceptions and attitudes, with equal intervals ranging from strongly disagree to strongly agree. This scaling technique enhanced the measurability of variables and facilitated quantitative analysis. In addition to primary data collection, a systematic review of empirical literature was conducted to provide a theoretical and contextual foundation for the study. This review helped in identifying knowledge gaps and refining the variables under investigation, namely: Development of SMEs (DoS),

Communication Skills (CS), Creativity and Innovation (CR and INN), Business Management Skills (BMS).

Data analysis was carried out using both descriptive and inferential statistical methods. Descriptive statistics were employed to summarise and organise the data, including the use of frequency distributions and tabular presentations. In inferential statistics, statistical methods such as Pearson correlation analysis were used to assess the strength and direction of the linear relationship between two continuous variables. Multiple linear regression was employed to model the relationship between one dependent variable and two or more independent variables. The goal was to predict the dependent variable based on the values of the independent variables. The Variance Inflation Factor (VIF) is a diagnostic tool used to detect multicollinearity. It quantifies how much the variance of a regression coefficient is inflated due to multicollinearity. In regression analysis, the presence of autocorrelation can violate the assumption that residuals are independent, leading to inefficient estimates. Therefore, for this study, the Durbin-Watson statistic was used to test for autocorrelation in the residuals of a regression model. In this study, being one of the social science studies, a 0.05 significance level was used as a threshold for determining whether a result is statistically significant. A common choice of 0.05, which implies that there is a 5% risk of concluding that a difference exists when there is no actual difference (Type I error). When conducting hypothesis tests, if the p-value obtained from the analysis is less than 0.05, researchers typically reject the null hypothesis, suggesting that the observed effect is statistically significant. Conversely, if the p-value is greater than 0.05, the null hypothesis is not rejected, indicating insufficient evidence to support the alternative hypothesis. All data analyses were performed using the Statistical Package for the Social Sciences (SPSS) software, version 31. The use of this software ensured accuracy, consistency, and efficiency in data processing. Inferential analysis was particularly important in accounting for potential sampling error and enabling generalisation of findings from the sample to the broader population.

Results

Socio-demographic results outline the profiles of the study respondents in their area of specialisation. The respondents' profile includes the gender of the business owners, the age of the respondents, their education level, and the duration of conducting their businesses (Table 1).

Table 1. Social demographic results (gender, age, education level, and years in business)

Variable	Category	Frequency	Percent (%)	Valid percent (%)	Cumulative percent (%)
Gender	Male	143	85.1		85.1
	Female	25	14.9	15.5	100.0
	Total	168	100.0	100.0	
Age	18-25	26	15.5	15.5	
	26-35	109	64.9	64.9	80.4
	36-45	22	13.1	13.1	93.5
	46+	11	6.5	6.5	100.0

Continued Table 1

Variable	Category	Frequency	Percent (%)	Valid percent (%)	Cumulative percent (%)
	Total	168	100.0	100.0	
Education Level	Secondary	22	13.1	13.1	13.1
	Primary	2	1.2	1.2	14.3
	Degree	138	82.1	82.1	96.4
	Other	6	3.6	3.6	100.0
	Total	168	100.0	100.0	
Years in business	Less than 1	36	21.4	21.4	21.4
	1-3	129	76.8	76.8	98.2
	4-6	3	1.8	1.8	100.0
	Total	168	100.0	100.0	

Source: created by the author

The results in Table 1 show that the sample is predominantly dominated by males (85.1%), with females representing only 14.9%. This reflects a persistent gender gap in SME participation, often linked to structural barriers such as limited access to finance, markets, and entrepreneurial support systems for women. The underrepresentation of women reduces the inclusiveness of SME development and limits overall economic productivity, as female-led enterprises are an important source of income diversification and poverty reduction. The World Bank (2022) highlights ongoing gender disparities in entrepreneurship and access to finance. The International Labour Organization (2023) also indicates the barriers to women's participation in SMEs in developing economies.

The findings on age indicate that the majority of respondents (64.9%) fall within the 26-35 age group, followed by 15.5% aged 18-25. This indicates that SMEs are largely driven by young entrepreneurs, suggesting entrepreneurship is a key employment pathway for youth. Youth-led SMEs contribute to economic dynamism, innovation, and labour market participation, although they may face constraints such as limited experience and capital. The Global Entrepreneurship Monitor (2023) reports that high entrepreneurial activity occurs among younger age groups. OECD (2022) also highlights the role of youth entrepreneurship in economic recovery and growth. A significant majority (82.1%) of respondents possess a university degree. This suggests that SME ownership is increasingly knowledge-driven, with educated individuals entering entrepreneurship, possibly due to limited formal employment opportunities. Higher education enhances managerial capacity, innovation potential, and productivity, contributing to more competitive and sustainable enterprises. The World Bank (2021) elaborates on linking higher education to improved firm performance and innovation, and UNESCO (2022) emphasises the role of education in fostering entrepreneurial skills.

Most respondents are in early-stage businesses: 76.8% have operated for 1-3 years, and 21.4% for less than one year. This reflects a high concentration of young firms, indicating strong entrepreneurial entry but limited business maturity. While new firms stimulate economic activity and

competition, they are also more vulnerable to failure due to limited experience, financial constraints, and market uncertainties. OECD (2021) denotes that young firms are key drivers of job creation but face high failure rates, and the World Bank (2022) narrates on the challenges faced by early-stage SMEs in developing economies. Young entrepreneurs (especially 26-35 years) are typically more technologically adaptable, more willing to take risks and experiment, and responsive to changing market conditions. Technological adaptability and willingness to take risks impact on SMEs, increasing innovation and creativity, rapid adoption of digital tools and platforms, and enhancing adaptability to economic slumps. The capability of young entrepreneurs to changing environment is in support with Global Entrepreneurship Monitor (2023), which signifies that youth entrepreneurs are more innovation-oriented and opportunity-driven.

Highly Educated Entrepreneurs bring about advanced analytical and managerial skills, better financial literacy, planning ability, and greater access to networks and information. Entrepreneurs with a high level of education have a positive effect on improved efficiency and productivity. According to UNESCO (2022), education enhances innovation and entrepreneurial effectiveness. A dominance of both young and educated entrepreneurs led to innovation-driven entrepreneurs, knowledge based economic, and flexible and adaptive business models. However, limited experience of SMEs may affect long-term sustainability, and new firms may struggle with access to finance and markets. From an employment, income growth, and poverty reduction perspective, SMEs are major contributors to employment. Youth-led SMEs reduce unemployment, and new firms generate net job opportunities. The report from the World Bank (2022) states that SMEs account for the majority of jobs globally. SMEs provide income-generating opportunities and contribute to higher productivity and earnings (International Labour Organization, 2023). Overall, the findings reveal that the young, highly educated, and early-stage SME sector promotes innovation, adaptability, and economic dynamism, and supports job creation and income generation. The results in Table 2 indicate the mean, standard deviation, and the sample size of the studied population.

Table 2. Mean, standard deviation, and sample size

Variables	Mean	Std. Deviation	N
Development of SMEs	4.3869	0.86810	168
Communication skills have improved business	4.3869	0.86118	168
Creativity and innovation have increased competitive advantage	4.3690	0.88608	168
Business management skills helped in expanding business	4.2560	0.81157	168

Source: created by the author

The high mean scores for communication (4.3869), creativity/innovation (4.3690), and business management (4.2560) suggest that most SME owners/managers perceive these competencies as highly impactful. Communication skills improve coordination within teams and enhance relationships with customers and suppliers. Creativity and innovation enable SMEs to differentiate their products/services and Support adaptation to changing market demands. Because the standard deviations are relatively low (~0.81-0.88), this agreement is consistent across the sample, strengthening the argument that these are not isolated opinions but broadly shared experiences. Overall, SMEs with stronger communication and innovation capabilities are likely to operate more efficiently and position themselves better against competitors.

Innovation is not just a personal trait; it functions as a system-level economic driver. When many SMEs exhibit

high innovation capacity, new products and services enter the market. Additionally, job creation increases, and market competition improves efficiency across sectors. The results of innovation within SMEs contribute to structural economic transformation, not just firm-level success. SMEs act as engines of growth, especially in developing economies, where they make up a large share of employment. In conclusion, high innovation scores suggest that SMEs are actively contributing to broader economic dynamism, not merely improving their internal operations. The high values across all indicators strongly suggest a positive outlook for sustainability (Innovative SMEs can respond better to shocks (market changes, crises) and Strong management and communication support scaling operations and sustainability of SMEs. The relationship between variables is presented by a correlation matrix (Table 3).

Table 3. Correlation matrix (Pearson correlation coefficients)

Variables		DoS	CS	CR and INN	BMS
Pearson Correlation	DoS	1.000	0.912	0.965	0.819
	CS	0.912	1.000	0.903	0.868
	CR and INN	0.965	0.903	1.000	0.809
	BMS	0.819	0.868	0.809	1.000

Source: created by the author

The results indicate strong and positive relationships across all variables, suggesting that these factors tend to improve simultaneously within SME environments. The very high correlation between DoS, CR, and INN ($r = 0.965$) highlights the central economic role of innovation in SME development. This implies that firms engaging in creative processes, product development, and innovation-driven practices are significantly more likely to experience growth. Economically, this reflects the principle that innovation enhances productivity, efficiency, and market competitiveness, making it the most direct contributor to firm expansion and sustainability.

The strong correlation between DoS and CS ($r = 0.912$) suggests that effective communication both internally (management employees) and externally (customers, suppliers, investors) is also critical for SME growth. From an economic standpoint, communication reduces transaction costs, improves coordination, and strengthens market relationships, thereby supporting business performance. Additionally, the high correlation between CS, CR, and INN ($r = 0.903$)

indicates that communication skills facilitate innovation processes. Firms with strong communication capabilities are better positioned to share knowledge, collaborate, and implement new ideas, reinforcing the complementary relationship between these variables. Although BMS is positively correlated with DoS ($r = 0.819$) and other variables, its relatively lower coefficients suggest a less dominant direct effect. This helps explain its statistical insignificance in regression analysis, which can be justified on several grounds:

- indirect influence – business management skills often operate through other variables, such as enabling better communication or supporting innovation, rather than directly driving growth;
- multicollinearity – the relatively high correlations between BMS and other predictors (e.g., $CS = 0.868$) indicate shared explanatory power, which reduces its independent statistical contribution;
- contextual factors in SMEs – in many SME settings, especially in developing economies, practical innovation and adaptive strategies may outweigh formal management

expertise, making innovation a more immediate determinant of success.

Overall, the matrix suggests that while all factors are important, creativity and innovation emerge as the dominant drivers of SME development, supported by communication, with management skills playing a complementary role. The high correlations observed in the matrix imply the presence of multicollinearity, which is typically reflected in high VIF values. High VIF indicates that independent variables are strongly interrelated, leading to reduced reliability of individual coefficient estimates and inflated standard errors, which can render some variables (e.g., BMS) statistically insignificant despite meaningful relationships. Thus, while the model may remain useful for explaining overall trends, its internal stability is weakened, and coefficient interpretations should be treated with caution.

At the same time, the high R^2 value indicates that the model explains a large proportion of variation in SME development. This suggests strong goodness of fit, but also raises concerns about overfitting, where the model captures sample-specific patterns rather than general relationships. This situation limits the generalisability, particularly across different regions, industries, or economic conditions. Therefore, although the model is highly explanatory within the sample, its predictive performance in other contexts may be less robust.

The findings have important implications for the wider economy and align closely with the journal's thematic focus on SMEs and innovation. The dominant role of innovation supports the idea that SMEs contribute to economic growth through productivity improvements and technological

advancement. Innovative SMEs enhance efficiency and create new markets, driving overall economic expansion. SMEs are major sources of employment, and innovation-driven firms are more likely to expand operations and generate jobs. Moreover, innovation tends to increase demand for skilled labour, contributing to human capital development. Firms with strong innovation capacity are more attractive to investors due to their higher growth potential and competitive advantage. This encourages both domestic and foreign investment, strengthening the business ecosystem. The results reinforce the view that SMEs are key agents of structural transformation. Their ability to innovate, adapt, and respond to market changes positions them as central players in modern, knowledge-based economies.

The relative insignificance of management skills suggests that policymakers and development programs should prioritise innovation support systems (e.g., access to technology, R&D incentives), strengthen communication and knowledge-sharing platforms, and encourage entrepreneurial experimentation and creativity. In summary, the correlation analysis demonstrates that creativity and innovation are the most influential determinants of SME development, supported by communication skills, while business management skills play a secondary, indirect role. However, the presence of high VIF and R^2 values indicates potential multicollinearity and limits to generalisability, suggesting the need for cautious interpretation and possibly more advanced modelling techniques in future research. The estimated regression coefficients, their statistical significance, and the level of multicollinearity are presented in Table 4.

Table 4. Coefficients, t-statistics, significance, and collinearity level

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	0.11	0.090		1.224	0.223	-0.068	0.288		
CS	0.196	0.053	0.195	3.708	0.000	0.092	0.301	0.130	7.693
CR and INN	0.748	0.043	0.763	17.229	0.000	0.662	0.833	0.183	5.467
BMS	0.035	0.041	0.032	0.844	0.400	-0.047	0.116	0.242	4.125

Source: created by the author

The findings in Table 4 show that communication skills have a positive and significant effect on the development of SMEs ($B = 0.196$; $p = 0.000$; $t = 3.708$). That means for each one unit increase in communication skills improvement will influence the development of SMEs by 19.6 per cent. Additionally, creativity and innovation have a strong positive effect on the development of SMEs

($B = 0.748$; $p = 0.000$; $t = 17.229$). A unit increase in the level of creativity and innovation will almost have a total improvement in SMEs by 74.8 per cent. Business management skills have a positive effect on the development of SMEs, but this effect is not statistically significant. The overall model performance and goodness-of-fit indicators are presented in Table 5.

Table 5. Model summary

R Square	Adjusted R-Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
			R Square Change	F Change	df1	df2	Sig. F Change	
0.941	0.940	0.21254	0.941	873.998	3	164	0.000	1.984

Note: predictors: (constant), business management skills helped in expanding business, creativity and innovation have increased competitive advantage, communication skills have improved business; dependent variable: development of SMEs

Source: created by the author

The results in Table 5 show the model summary of the regression analysis. A coefficient of determination of $R^2 = 0.941$ indicates that approximately 94.1% of the variance in the dependent variable is explained by the predictors included in the model. On the surface, this suggests an excellent model fit. The very small gap between R^2 and adjusted R^2 (0.941 vs. 0.940) further implies that the included predictors contribute meaningfully and that the model is not excessively penalised when adjusting for the number of variables. This typically signals that the explanatory variables are relevant and not merely inflating the fit by chance. However, such a high R^2 also warrants scrutiny. One possible explanation is multicollinearity, where independent variables are highly correlated with each other. In this situation, predictors may collectively explain a large portion of the variance, thereby inflating R^2 , even though their individual contributions are not clearly distinguishable. Multicollinearity does not reduce predictive power per se, but it undermines the stability and interpretability of regression coefficients. Small changes in the data can lead to large swings in estimated parameters.

Another consideration is model overfitting. Although the Adjusted R^2 is nearly identical to R^2 , suggesting a limited penalty for model complexity, overfitting can still occur if the model is too closely tailored to the sample data. This is especially relevant if the dataset is relatively small or if the model has been iteratively refined without validation. Overfitted models tend to perform exceptionally well on training data (hence the high R^2) but may generalise poorly to new data. The F-statistic (873.998, $p < 0.001$) confirms that the model as a whole is statistically significant, meaning the predictors jointly explain a significant portion of variance in the outcome variable. The large F value aligns with the high R^2 , reinforcing the overall strength of the model. The standard error of the estimate (0.21254) indicates that the residuals (prediction errors) are relatively small, suggesting good predictive accuracy. Meanwhile, the Durbin-Watson statistic (1.984) is very close to 2, indicating no serious autocorrelation in the residuals an important assumption for regression validity. Therefore, the results point to a model that fits the observed data extremely well, but this strength should be interpreted with caution.

This study tested four hypotheses concerning the role of entrepreneurial skills (communication skills, business management skills, and creativity/innovation) on the development of SMEs. Through rigorous correlation and regression analyses, the study reveals significant insights into how these skills contribute to SME growth. The results indicate that while communication and innovative skills have a strong positive effect on SME development, business management skills show a more nuanced relationship. The collective influence of these skills is also examined, highlighting their combined importance in fostering SME success.

Hypothesis 1 (H1) posited that communication skills positively affect SME development, which was supported by a strong correlation ($r = 0.912$) and a statistically significant regression result ($B = 0.196$, $p < 0.001$). Hypothesis 2

(H2) suggested that business management skills would positively influence SME development; however, this was only partially supported as the relationship was not statistically significant ($B = 0.035$, $p = 0.400$). Hypothesis 3 (H3) claimed that creativity and innovation would have a significant positive effect on SME growth, which was strongly supported with a high correlation ($r = 0.965$) and a robust regression result ($B = 0.748$, $p < 0.001$). Finally, Hypothesis 4 (H4) examined the collective influence of these skills, which was supported by a significant overall regression model ($F = 873.998$, $p < 0.001$), indicating that these skills together substantially impact SME development.

Discussion

This study examined the influence of entrepreneurial skills, specifically communication, creative and innovative, and business management skills, on the development of SMEs. The findings reveal that communication skills have a strong and direct positive effect on SME development, underscoring their central role in driving business growth. Furthermore, the study highlights how these skills enhance decision-making, foster stakeholder relationships, and improve adaptability in competitive markets, thereby enabling SMEs to sustain performance, seize emerging opportunities, and navigate challenges effectively while contributing to broader economic development and employment creation across diverse industry contexts and supporting inclusive, sustainable growth.

The prominent role of communication skills identified in this study is consistent with prior research. P.N. Shillie & N.N. Nachang (2023) found that communication significantly enhances organisational effectiveness by improving coordination, enabling timely decision-making, and strengthening relationships with both customers and employees. Similarly, A.A.M. Medhekar *et al.* (2022) argued that clear and purposeful communication allows entrepreneurs to translate business ideas into actionable strategies, leading to improved service delivery and higher customer satisfaction. In support of this, W.K. Kong (2025), in a study of Malaysian SMEs, highlighted that communication-related competencies, including negotiation ability, trust-building, and customer engagement, positively influence competitiveness and growth. Collectively, these studies affirm that communication is not merely a supportive skill but a core entrepreneurial competency essential for SME development. Additionally, the findings show that entrepreneurs who maintain strong communication with customers are more likely to achieve business growth. This aligns with customer relationship management theories, which emphasise the importance of continuous interaction and feedback in fostering customer loyalty and responsiveness to market demands. P.N. Shillie & N.N. Nchang (2023) and M.M. Kuruchumila (2025) maintain that communication skills are especially critical, as they enable entrepreneurs to articulate ideas, build relationships, and attract investment. Strong communication fosters trust, networking, and collaboration, all of which are vital for business success. It

also enhances the integration of business operations and adaptability to changing environments, and influences performance within SMEs. While communication skills have been widely recognised as important, there is still a need to examine a broader range of entrepreneurial skills and identify specific skill gaps affecting SME growth in the context of Tanzania. It is also important to consider sector-specific skill requirements, as different industries demand different capabilities. For instance, digital businesses require technological adaptability, while manufacturing firms depend on operational efficiency and supply chain management.

However, this finding differs somewhat from D. Bashulula (2025), who emphasised the dominant role of strategic management, accounting, sales, and marketing skills in driving small business growth. This variation suggests that SME development is multidimensional, requiring a combination of skills that may vary in importance depending on context. In this regard, communication skills can be viewed as integrative, enhancing the effectiveness of other competencies such as marketing and strategic planning. Beyond communication, the study also found that creative and innovative skills significantly contribute to SME development. This is strongly supported by existing literature, which consistently identifies innovation as a key driver of firm growth and competitiveness. A.A. Nwankwo & C.V. Ezeibe (2021) argued that creativity enhances entrepreneurs' capacity to identify opportunities, solve problems, and adapt to changing business environments. Similarly, M.S. Alosani & H.S. Al-Dhaafri (2021) found that innovation-oriented capabilities improve organisational performance by promoting adaptability and continuous improvement. S. Darwish *et al.* (2024) further reinforced that innovation and creativity are essential for sustaining SME growth, particularly in dynamic and competitive markets. These findings are also aligned with SIT, which views innovation as the engine of economic development and entrepreneurial success. According to this perspective, entrepreneurs who introduce new products, processes, or business models can gain competitive advantages that drive firm growth.

However, an important finding of this study is that business management skills were not perceived as a primary determinant of SME development in the Tanzanian context. This contrasts with R. Mugambi & P. Katobu (2024), who argued that managerial competencies, technological adoption, and innovation significantly enhance SME performance. Similarly, M. Rubio-Andrés *et al.* (2025) emphasised the importance of talent management and organisational learning in transforming human capital into improved business outcomes. The discrepancy may be explained by contextual factors such as the dominance of informal business practices, limited access to formal training, and a stronger reliance on practical and relational skills among Tanzanian entrepreneurs.

Furthermore, R. Cahyaningati *et al.* (2026) highlighted that innovation serves as a strategic link between knowledge resources and corporate social responsibility,

ultimately improving business sustainability. Their findings suggest that SMEs should adopt innovation-driven strategies supported by both intellectual and social capital. This complements the present study by indicating that innovation is part of a broader system of capabilities necessary for sustained SME success. However, international studies present some divergence, with scholars in highly industrialised contexts arguing that innovation alone is insufficient without strong institutional support and access to finance, thereby revealing tensions in how innovation translates into performance across different environments.

Therefore, as contended by E. Hosseini *et al.* (2021), entrepreneurial skills encompass a blend of technical, managerial, and personal abilities necessary for establishing and growing businesses. These skills are essential for identifying opportunities, managing risks, fostering innovation, and enhancing performance. Nonetheless, debates persist regarding which skill sets are most critical, with some studies prioritising digital competencies while others emphasise soft skills such as adaptability and networking.

Importantly, this study contributes to the existing body of knowledge by providing empirical evidence from Tanzania, a context that has been relatively underexplored in prior research. Much of the literature has focused on emerging economies, often emphasising leadership, technological advancement, and organisational learning. In contrast, this study demonstrates that entrepreneurial skills, particularly communication and creativity, play a more immediate and visible role in influencing SME development, thereby challenging dominant narratives that privilege technology-centric growth models. Overall, the findings indicate that SME growth depends on a combination of entrepreneurial skills. Therefore, promoting a holistic approach to entrepreneurial skill development, integrating communication, innovation, and management competencies, is essential for achieving sustainable SME growth, while also reconciling ongoing scholarly disagreements that have been provided on context-specific drivers of success.

Conclusions

The regression results indicate that the model has very strong explanatory power. With an R-Square of 0.941 and an adjusted R-Square of 0.940, this suggests that the model is not overfitted and that the explanatory variables are largely relevant. Furthermore, the overall model is statistically significant, as indicated by a high F-statistic ($F = 873.998$, $p < 0.001$), confirming that the predictors jointly have a meaningful effect on the dependent variable. The Durbin-Watson statistic of 1.984 is very close to 2, indicating no serious autocorrelation in the residuals, and thus supporting the reliability of the regression estimates.

An examination of the individual regression coefficients reveals that CR and INN are the most influential predictors in the model. It has a large positive coefficient ($B = 0.748$) and a very high standardised beta ($\beta = 0.763$), with a statistically significant p-value ($p < 0.001$). This implies that CR and INN contribute the most to changes in

the dependent variable and are the primary drivers of the model's explanatory power. Similarly, CS also shows a positive and statistically significant relationship with the dependent variable ($B = 0.196$, $\beta = 0.195$, $p < 0.001$), although its effect size is notably smaller compared to CR and INN. In contrast, BMS has a very small coefficient ($B = 0.035$) and is not statistically significant ($p = 0.400$), indicating that it does not have a meaningful impact on the dependent variable within this model. Finally, the collinearity diagnostics indicate the presence of moderate multicollinearity among the independent variables. VIF values 7.693 for CS, 5.467 for both CR and INN, and 4.125 for BMS exceed commonly accepted thresholds, particularly for CS, suggesting that some predictors are correlated. Although this does not invalidate the model, it may affect the stability and interpretation of the estimated coefficients.

Overall, the model demonstrates strong explanatory power with respect to the dependent variable, with CR and INN emerging as the most influential predictors, CS contributing moderately, and BMS showing no significant

effect. Nevertheless, these findings should be interpreted with caution due to the observed multicollinearity. The results suggest that entrepreneurial skills (communication skills, innovation, creativity, and business management skills) are crucial for the growth of SMEs. In conclusion, given the increasing importance of self-employment, this study highlights the need for future research to identify and validate the key factors required for the initiation of SMEs, as well as to assess their relevance in fostering the growth of entrepreneurial ventures.

Acknowledgements

The author expresses his gratitude to the respondents who were able to provide their data.

Funding

None.

Conflict of Interest

None.

References

- [1] Alfazzi, F. (2023). The analysis of challenges and prospects faced by entrepreneurs to ensure the sustainable growth of small and medium enterprises. *Academic Review*, 58(1), 175-186. doi: 10.32342/2074-5354-2023-1-58-13.
- [2] Alosani, M.S., & Al-Dhaafri, H.S. (2021). An empirical examination of the relationship between benchmarking, innovation culture, and organisational performance using structural equation modelling. *The TQM Journal*, 33(4), 930-964. doi: 10.1108/TQM-02-2020-0034.
- [3] Amoah, J., Belas, J., Dziwornu, R., & Khan, K.A. (2022). Enhancing SME contribution to economic development: A perspective from an emerging economy. *Journal of International Studies*, 15(2), 63-76. doi: 10.14254/2071-8330.2022/15-2/5.
- [4] Audretsch, D.B., & Belitski, M. (2021). Knowledge complexity and firm performance: Evidence from the European SMEs. *Journal of Knowledge Management*, 25(4), 693-713. doi: 10.1108/JKM-03-2020-0178.
- [5] Barkley, E., & Jokonya, O. (2024). Factors affecting SMEs' emerging technologies adoption in developing countries: A literature review. *Procedia Computer Science*, 239, 1966-1973. doi: 10.1016/j.procs.2024.06.381.
- [6] Bashulula, D. (2025). *Factors impacting small business growth in the Ilala district in Dar Es Salaam, Tanzania*. (Doctoral dissertation, The Open University of Tanzania, Dar es Salaam, Tanzania).
- [7] Cahyaningati, R., Chandrarin, G., Cahyaningsih, D.S., & Duta, M.R.R. (2026). Sustaining MSME competitiveness through innovation: The mediating effect of innovation on intellectual capital and corporate social responsibility. *Architecture Image Studies*, 7(1), 1513-1532. doi: 10.62754/ais.v7i1.1057.
- [8] Chshelokovskiy, A. (2025). The role of entrepreneurial strategies in overcoming economic challenges in regional markets. *Scientific Journal of Bielsko-Biala School of Finance and Law*, 29(1), 27-37. doi: 10.19192/wsfig.sjl.2025.4.
- [9] Darwish, S., Nadoo, V., & Ahmed, U. (2024). Innovation and creativity are important ingredients in the future growth and sustainability of SMEs. In *Artificial intelligence-augmented digital twins: Transforming industrial operations for innovation and sustainability* (pp. 341-358). Cham: Springer. doi: 10.1007/978-3-031-43490-7_26.
- [10] Global Entrepreneurship Monitor. (2023). *Global entrepreneurship monitor 2022/2023 Global report: Adapting to a "new normal"*. London: GEM.
- [11] Gunartin, Pratikto, H., Winarno, A., & Restuningdiah, N. (2023). The role of entrepreneurial competencies: Successful key SMEs, a literature review. *International Journal of Professional Business Review*, 8(7), article number e01955. doi: 10.26668/businessreview/2023.v8i7.1955.
- [12] Horstkötter, D., & de Wert, G. (2020). Ethical considerations. In Y. Temel, A.F.G. Leentjens, R.M.A. de Bie, S. Chabardes & A. Fasano (Eds.), *Fundamentals and clinics of deep brain stimulation* (pp. 145-159). Cham: Springer. doi: 10.1007/978-3-030-36346-8_10.
- [13] Hosseini, E., Tajpour, M., Salamzadeh, A., Demiryurek, K., & Kawamorita, H. (2021). *Resilience and knowledge-based firms' performance: The mediating role of entrepreneurial thinking*. *Journal of Entrepreneurship and Business Resilience*, 4(2), 7-29.
- [14] ICC/ESOMAR international code on market, opinion and social research and data analytics. (2025). Retrieved from <https://clipr.cc/Gj1KD>.

- [15] Inegbedion, H.E., Thikan, P.R., David, J.O., Ajani, J.O., & Peter, F.O. (2024). Small and medium enterprise (SME) competitiveness and employment creation: The mediating role of SME growth. *Humanities and Social Sciences Communications*, 11, article number 11. doi: [10.1057/s41599-023-02434-y](https://doi.org/10.1057/s41599-023-02434-y).
- [16] International Labour Organization. (2023). *World employment and social outlook: Trends 2023*. Geneva: International Labour Office. doi: [10.54394/SNCP1637](https://doi.org/10.54394/SNCP1637).
- [17] Ismail, I.J. (2022). Entrepreneurs' competencies and sustainability of small and medium enterprises in Tanzania. A mediating effect of entrepreneurial innovations. *Cogent Business and Management*, 9(1), article number 2111036. doi: [10.1080/23311975.2022.2111036](https://doi.org/10.1080/23311975.2022.2111036).
- [18] Kong, W.K. (2025). *Entrepreneurial networking framework for Malaysian small and medium enterprises (SMEs)*. (Doctoral dissertation, University of Wales Trinity Saint David, Lampeter, United Kingdom). doi: [10.82227/repository.uwtsd.ac.uk.00003661](https://doi.org/10.82227/repository.uwtsd.ac.uk.00003661).
- [19] Kuruchumila, M.M. (2025). The effect of business communication skills on business performance among SMEs in Tanzania: A case of Songea municipality. *International Journal of Engineering, Business and Management (IJEBM)*, 9(3), 116-125. doi: [10.22161/ijebm.9.3.8](https://doi.org/10.22161/ijebm.9.3.8).
- [20] Lambin, R., & Nyyssölä, M. (2022). *Employment policy in Mainland Tanzania: What's in it for women?* Helsinki: UNU-WIDER. doi: [10.35188/UNU-WIDER/2022/198-3](https://doi.org/10.35188/UNU-WIDER/2022/198-3).
- [21] Mashuri, S., Sarib, M., Rasak, A., Alhabsyi, F., & Syam, H. (2022). Semi-structured interview: A methodological reflection on the development of a qualitative research instrument in educational studies. *Journal of Research and Method in Education*, 12(1), 22-29. doi: [10.9790/7388-1201052229](https://doi.org/10.9790/7388-1201052229).
- [22] Matari, D.F. (2024). The factors hindering the effective development of SME businesses in Tanzania: A review study. *International Journal of Innovative Science and Research Technology*, 9(4), 1936-1944. doi: [10.38124/ijisrt/IJISRT24APR812](https://doi.org/10.38124/ijisrt/IJISRT24APR812).
- [23] Medhekar, A.A.M., Deshmukh, A.A., & Rahul, S. (2022). [Customer relationship-building through a relationship-marketing philosophy](https://doi.org/10.1007/s11187-020-00361-9). *International Journal of Humanities, Law and Social Sciences*, 9(2(3)), 140-154.
- [24] Mugambi, R., & Gatobu, P. (2024). [Entrepreneurial skills and growth of organic micro and small agribusiness enterprises in Kiambu County, Kenya](https://doi.org/10.1007/s11187-020-00361-9). *International Journal of Social Sciences Management and Entrepreneurship*, 8(3), 304-313.
- [25] Nguyen, B., & Canh, N.P. (2021). Formal and informal financing decisions of small businesses. *Small Business Economics*, 57, 1545-1567. doi: [10.1007/s11187-020-00361-9](https://doi.org/10.1007/s11187-020-00361-9).
- [26] Nwankwo, A.A., & Ezeibe, C.V. (2021). [Influence of innovation on the financial performance of small and medium-scale enterprises in Onitsha](https://doi.org/10.1007/s11187-020-00361-9). *International Journal of Business & Law Research*, 9(2), 172-180.
- [27] OECD. (2021). *OECD SME and entrepreneurship outlook 2021*. Paris: OECD Publishing. doi: [10.1787/97a5bbfe-en](https://doi.org/10.1787/97a5bbfe-en).
- [28] OECD. (2022). *Financing SMEs and entrepreneurs 2022: An OECD scoreboard*. Paris: OECD Publishing. doi: [10.1787/e9073a0f-en](https://doi.org/10.1787/e9073a0f-en).
- [29] Rubio-Andrés, M., Langreo, J.L., Gutiérrez-Broncano, S., & Sastre-Castillo, M.Á. (2025). From talent management to competitive performance: The need to foster innovation in SMEs. *Sustainable Technology and Entrepreneurship*, 5(1), article number 100126. doi: [10.1016/j.stae.2025.100126](https://doi.org/10.1016/j.stae.2025.100126).
- [30] Shillie, P.N., & Nchang, N.N. (2023). Influence of employee soft skills on job performance: Evidence from SMEs in Cameroon. *Business Perspective Review*, 5(1). doi: [10.38157/bpr.v5i1.530](https://doi.org/10.38157/bpr.v5i1.530).
- [31] UNESCO. (2022). *Reimagining our futures together: A new social contract for education*. UNESCO Publishing. doi: [10.54675/ASRB4722](https://doi.org/10.54675/ASRB4722).
- [32] Viswarajan, N. (2025). [Influence of government policy on fostering entrepreneurial mindset at the time of economic crisis: Comparing Ireland and India](https://doi.org/10.1016/j.stae.2025.100126). (Doctoral dissertation, National College of Ireland, Dublin, Ireland).
- [33] World Bank. (2021). *World development report 2021: Data for better lives*. Washington: World Bank. doi: [10.1596/978-1-4648-1600-0](https://doi.org/10.1596/978-1-4648-1600-0).
- [34] World Bank. (2022). *Small and medium enterprises (SMEs) finance: Improving access to finance for SMEs*. Retrieved from <https://documents1.worldbank.org/curated/en/09983510202222487/pdf/Disclosable0Ve07000Sequence0No00008.pdf>.

Розвиток малих та середніх підприємств у Танзанії: роль підприємницьких навичок

Фаустін Масунга

Доктор філософії, викладач

Національний інститут транспорту

P.O.BOX 705, Mabibo Rd., м. Дар-ес-Салам, Об'єднана Республіка Танзанія

<https://orcid.org/0000-0003-1032-2823>

Анотація. Підприємницькі навички дедалі більше стають критично важливою рушійною силою економічного зростання та широко визнаються необхідними для економічного динамізму. Метою цього дослідження було оцінити значення наявних навичок для розвитку малих та середніх підприємств у Танзанії, з особливим акцентом на учасниках, які є власниками малого та середнього бізнесу в Прибережному регіоні. Зокрема, у дослідженні розглянуто три ключові навички: комунікацію, управління бізнесом і креативність/інноваційність. Було застосовано кількісний дослідницький підхід із використанням структурованих анкет, розповсюджених серед 168 респондентів. Для аналізу характеристик респондентів і перевірки гіпотетичних взаємозв'язків між змінними було використано описовий і регресійний аналіз. Результати показали, що комунікаційні навички мають позитивний і статистично значущий вплив на розвиток малих та середніх підприємств ($B = 0,196$, $\beta = 0,195$, $t = 3,708$, $p < 0,001$, 95 % ДІ [0,092, 0,301]). Навички креативності та інноваційності продемонстрували сильніший і високозначущий вплив ($B = 0,748$, $\beta = 0,763$, $t = 17,229$, $p < 0,001$, 95 % ДІ [0,662, 0,833]). Натомість навички управління бізнесом показали слабкий і статистично незначущий вплив ($B = 0,035$, $\beta = 0,032$, $t = 0,844$, $p = 0,400$, 95 % ДІ [-0,047, 0,116]). Регресійна модель була статистично значущою та пояснювала значну частку дисперсії розвитку малих та середніх підприємств ($R^2 = 0,941$, скоригований $R^2 = 0,940$, $F(3,164) = 873,998$, $p < 0,001$), без ознак автокореляції (Durbin-Watson = 1,984). У дослідженні зроблено висновок, що комунікація, креативність та інноваційність є ключовими детермінантами розвитку малих та середніх підприємств, тоді як навички управління бізнесом відіграють обмежену роль. Ці результати мають важливе значення для політиків, освітян і фахівців у сфері розвитку під час розроблення цільових заходів, спрямованих на сприяння сталому зростанню малих та середніх підприємств у Танзанії

Ключові слова: креативність; бізнес; можливості; офіційна зайнятість; фінансові установи