

**Factors Influencing Small and Medium Enterprises Product Innovation  
A Case of Handcrafts in Moshi Municipality**

**By**

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Despite having many SMEs in Tanzania, the majorities of SMEs face a lot of challenges including unfavorable innovative and unworkable innovative ideas. Existing studies identified that product innovation to the firm contribute more on firm growth. The aim of this study was to assess the product innovation of the handcraft SMEs in Moshi Municipality. Specifically, it was guided by three objectives which were; to identify the characteristics of small and medium handcraft enterprises; to examine business factor affecting handcraft enterprises and to examine business operator's factors influencing product innovation among small and medium enterprises. Population sample size was composed of 232 respondents who were owners of handcraft SMEs in Moshi. Both primary and secondary data were included and were collected through questionnaire, interviews and documentary review. Findings indicated that, the characteristics of the SMEs in Moshi Municipality was characterized with limited number of employees (1 to 19), capital invested (1 million to above 200 million), low technology used, low quality products and low labors used. Types of innovations adopted included; application of modern technology, networking, branding of products, advertisement and promotions and targeting markets. Moreover, in order to be effective and efficient in product innovations, the SMEs have tried to innovate packaging, access to information, communications strategy and discount sales and promotions. Additionally, economic factors, competition factor, nature of customers, type of product, level of education, age of the entrepreneurs and year of SMEs operations.