BUSINESS NETWORKING AND PERFORMANCE OF TANZANIAN HANDICRAFTS EXPORTING MICRO AND SMALL ENTERPRISES: THE MODERATING EFFECT OF HOME MARKET EXPORT INCENTIVES

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Abstract

This study sought to determine the moderating effect of export incentives on the relationship between business networking and performance of handicrafts exporting Micro and Small Enterprises (MSEs) in Tanzania. The study is anchored on positivism approach. Descriptive and correlational research designs were adopted, and data were collected using 171 questionnaire copies and interviews with sampled owner-managers of handicrafts exporting MSEs in Dar es Salaam. Data were analysed by using descriptive and inferential statistical analysis. The moderating effect was tested by comparing the Ordinary Least Squares (OLS) and Moderated Multiple Regression (MMR) models. Findings indicated that the moderating effect of home market export incentives on business networking-performance relationship was found to be significant. Overall, the study concluded that with the inclusion of home market export incentives, business networking have strong impact on performance of handicrafts exporting MSEs. The study recommendations and policy implications include: initiation of campaigns to sensitize MSEs on the relevance and accessibility of export incentives, designing of new tax policies and programmes which will come up with a reduction in taxes related to export trade to enhance the performance of exporting MSEs in Tanzania. Findings of this study are of key interest to entrepreneurs in the handicrafts industry, regulatory agencies, specialized government agencies offering network support at all levels, policy makers, researchers and scholars with interests in international business and entrepreneurship development.

Key words: Networking, performance, handicrafts, exporting MSEs, export incentives and moderator

1. INTRODUCTION

Business networking is important phenomenon for Micro Small and Medium Enterprises (MSMEs), as it creates chances and opportunities for internationalization process and facilitates their process of entering into foreign markets (Hilmersson & Jansson, 2011). Business networks allows micro and small enterprises to access resources that may not be easily accessible to them. Such networks also support the development of a firm's credibility, expand the customer base and supplier contacts, access to resources and funding, promote innovation and help develop strategic partnerships among firms. Furthermore, business networks enhance firm's access to markets, sales growth and a chance to survive in dynamic environments (Watson, 2007). They also foster firm's innovation (Lavie, 2007), new product development (Gronum, Verreynne & Kastelle, 2012), and international performance (Kenny & Fahy, 2011). Networks are therefore essential to micro and small businesses as they assist in gaining access to information, opportunities, resources and legitimacy. Thus, firms operating closer to the centre of business networks are more likely to perform well (Ayako, Matous & Yasuyuki, 2014).

Home market export incentives are benefits that are claimed and passed onto the export units without any deduction, or else they are offered by the government agencies and give the option for units to claim the benefits themselves. Export incentives play a very significant role in achieving goals of the company and help them to overcome trade barriers (Gilaninia, Taleghani, & Koohestani, 2013). These incentives are essential for exporters as they provide them with sufficient knowledge, fair trade practices, insurance, research, and export (Theingi, 2011) which are critical for international competitiveness and performance.

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The tendency of giving export incentives is nearly the same all over the world, and Tanzania is no exclusion. However, the magnitude, practice and types of incentives differ from sector to sector and from country to country based on the economic conditions, effectiveness of the incentives, resource availability and its export potential. Common export incentives include: accelerated depreciation, grants, input sales tax credit, preferential loans and tax rates, subsidies, tax holidays, monopoly rights and preferential infrastructure access (Tuomi, 2012). Others are export marketing assistance, zero-VAT rating, exemption on customs duties, (UNCTAD, 2010), duty drawback schemes (refund of duties and other taxes paid on inputs used to produce export goods) and reductions or exemptions in corporate tax rate, capital gains tax (IPAR, 2011).

Performance of exporting MSEs refers to achieving firms goals as a result of their activities in export markets (Papadopoulos & Martín, 2010). It is the degree to which a firm attains its objectives through foreign market exports (Navarro *et al.,* 2010). The firm's success in export trade can be assessed based on its export performance (Gilaninia, *et al.,* 2013). Dimensions, determinants, conceptualisations and categorizations of the performance of exporting MSEs have been marked by several contributors (Khamwon, 2012). Gilaninia (2013) views the measurement of performance of exporting firms in three different criteria: Financial (i.e. growth, sales and profitability), non-financial (achieve goals, success satisfaction,) and complex criteria. Durmusoglu Apfelthaler, Nayri and Alvarez (2012) categorised it into goals such as: strategic, financial, organizational learning and communication with shareholders. Performance of exporting MSEs is further categorised into: Objective or economic indicators (percentage of market share, profitability and export sales), strategic indicators (number of countries/export markets, new products exported) and subjective measures (management perception of firm's performance and success in export) (Hammami & Zghal, 2016; Gilaninia 2013; Khamwon, 2012).

This study adopted a multidimensional approach of performance of handicrafts exporting MSEs by using multi items measures. The approach is more reliable, with fewer measurement errors than single item measures and provides a better picture of export performance (Khamwon, 2012; Sousa, Martinez-Lopez, & Coelho, 2008). This study takes on the conceptualisations by Gilaninia (2013); Hammami and Zghal (2016); Khamwon (2012) whereby two economic indicators (profitability in the export, export sales growth) and two strategic indicators (number of foreign markets served, and customer base) were used to determine the performance of handicrafts exporting MSEs.

Tanzanian total goods exports are reportedly growing annually (BOT, 2018), the country's handicraft industry export trend is declining with few enterprises exporting their handicraft products over the past five years (HT, 2010; IMF, 2016). Agriculture remains the main contributor to the Tanzania's economy as it contributes to 70% of employment, 65% of inputs to the manufacturing sector, 30% of exports and 23% of the country's GDP (URT, 2016). Mining contributes 3.5 % of GDP and 52% of exports (URT, 2015). Tanzanian handicrafts are in the manufacturing sub-sector, which is lagging behind as it contributes only 8% of exports and GDP. This gives an evidence of underperforming of the local handicraft industry in comparison to other economic sectors.

This declining handicrafts export trend is attributed by inadequate marketing support (Anderson, 2011), entrepreneurship training, technical support services and business capabilities (Rutashobya & Jaensson, 2004; Makyao, 2013). They are also inhibited by professional and business development training programmes, networking, export incentives, awareness of fair trade practices, low level of equipment application, production capacity and quality and standards (Ipsos-Synovate, 2012), marketing information and communication skills (Walonzi, 2014). As a result, most handcraft MSEs end up with low-quality products that do not meet

international quality standards and it is difficult to market them, thus restrain their export performance.

A relatively well-developed body of research by Tendai (2013), Kariuki and Iravo (2015) explored the relationship between business networking and enterprise performance in general and left a major knowledge gap on performance of handicrafts exporting MSEs. Yet, studies by Craig, Julian, and Yunus (2009), Ahmad and Chowdhury (2012) and Ahmad (2015) were done in the context where the type and level of export incentives offered by the Governments to exporters differ from the practice in developing countries like Tanzania in terms of values, industries and motives. It is therefore against this background, this study was undertaken to examine the moderating effect of home market export incentives on the relationship between business networks and performance of handicrafts exporting micro and small enterprises in Tanzania. Home market export incentives adopted in this study are: export market assistance, access to low-cost credit schemes, zero- VAT rating on exports, and duty drawback schemes. Dimensions of business networks adopted here include network with foreign market distributors, local and foreign business associations, and with ancillary support firms (i.e. Branding, and Packaging). Profitability in the export, export sales growth, number of foreign markets served, and customer base were also adopted as indicators of performance of handicrafts exporting MSEs. Based on this premise it is hypothesized that:

> H_A: *Home market export incentives moderates the relationship between business networking and performance of handicrafts exporting MSEs in Tanzania.*

2. METHODOLOGY
2.1 Data and Sample
The study adopted descriptive and correlational research designs. This study leaned towards the positivist paradigm (positivism) research philosophy as it is concerned with phenomena that can be observed, measured and validated (Mungai, 2013). It is also directed at explaining relationships (Scotland, 2012) and identifying the causes which influence outcomes (Creswell, 2009). The target population for this study composed of the 1018 handicrafts exporting MSEs in Dar es Salaam. The study was done in Dar es Salaam, the largest city with many handicraft markets in Tanzania. The markets are located at Mwenge-Handicraft Centre, Kariakoo Market, the House of Art (Nyumba ya Sanaa), and the Village Museum, amongst other places. These markets are also most visited tourist destinations and they attract many entrepreneurs and immigrants who engage in the handicraft trade (Walonzi, 2014).

A structured questionnaire was administered to 171 sampled handicrafts exporters in the study area. Interview guides were also used to supplement questionnaire data. The study adopted stratified random sampling technique to select the respondents accessing network services through SIDO with respect to the unit of analysis which is individual handicraft MSE and the unit of observation being owner-managers who had an intimate understanding of handicraft export trade.

2.2 Measures
Five (5) point-Likert scales were used to measure the variable constructs on the questions ranging from 'strongly disagree' (SD) to 'strongly agree' (SA). The questionnaire consisted of 25 items and it was administered in both English and Swahili. The reviewed literature (Ayako, Matous & Yasuyuki, 2014; Kenny & Fahy, 2011; Rutashobya and Jaensson, 2004) identified network with foreign market distributors, network with local and foreign business associations, and network with ancillary support firms as network dimensions used by most exporting MSEs. These were adopted in this study as the predictor variables. Home market export incentives constitutes the credit, export marketing assistance, and duty drawback schemes (Tuomi, 2012; IPAR, 2011; Theingi, 2011) while the outcome variable are Profitability, Sales growth, The

number of foreign markets served and customer base (Linyiru & Ketyenya, 2017; Yahya *et al.,* 2012).

2.3 Data Analysis Tools

Cronbach's alpha was carried out to test the reliability of the questionnaire. Content Validity Index (CVI) was used to test the validity of the questionnaire focusing on the experts' ratings of items' relevance. Moderated Multiple Regression (MMR) and Ordinary Least Squares (OLS) regression models were used to test if home market export incentives moderate the relationship between business networks and performance of handicrafts exporting MSEs. MMR is herein highly recommended as it allows the slope of one or more of the predictor variables to vary across values of the moderator variable, thereby facilitating the investigation of an extensive range of relationships and function forms (Ndung'u, 2014). MMR also allows the compound relationships between the endogenous variable and exogenous variables to depend on the levels of the other exogenous variables as in the current study.

The estimation of the interaction effects by using MMR requires formulation of an OLS and MMR model equations. The two models uses scores for a continuous outcome variable (Y), a predictor variable (X), and a second predictor variable (Z) which is the moderator (Aguinis & Gottfredson, 2010). To establish the moderating effect, OLS and MMR models are then compared. The first equation is the OLS regression model which predicts Y scores from the first-order effects of X and Z observed scores is given as:

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \varepsilon_0 \text{ ....Equation (1)}$$

Where:

$\beta_0 =$ Least squares estimate of the intercept

$\beta_1 =$ Least squares estimate of the population regression coefficient for X observed scores

$\beta_2 =$ Least squares estimate of the population regression coefficient for Z observed scores,

Z Moderator (export incentives)

$\varepsilon_0 =$ Stochastic error term

In the second equation, the MMR model is made by forming a new set of scores for the two predictors (i.e. X and Z), and adding it as an interaction term (a third term) in the equation, which yield the following model:

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 X*Z + \varepsilon_0 \text{ ....Equation (2)}$$

Where:

$\beta_3 =$ Least squares estimate of the population regression coefficient for the interaction term scores

$Z =$ Moderator (home market export incentives)

$XZ =$ The interaction term between the predictor variable (X) and the moderating variable (Z)

Empirical studies that have used OLS and MMR models to assess the moderation effect include Alabede and Muff (2015) and Ndung'u (2014). P-values were used to determine the significance of the individual variable weights of the dependent variable at 5 per cent level of significance. Appropriate alpha (α) values were used at the different significance levels. If p-value is less than or equal to 0.05 the alternative hypothesis (H_A) is accepted; otherwise it is rejected (Cooper *et al.,* 2012).

3. FINDINGS AND DISCUSSION

3.1 Reliability of Data

The study used Cronbach's alpha coefficient (α) to test the internal consistency of the questionnaire. Findings in Table 1 indicate that the performance of handicraft exporting MSEs had a coefficient of 0.846, business networks and export incentives had coefficients of 0.915

and 0.880 respectively. The rule of thumb is that an alpha coefficient of 0.8 or above is highly acceptable while 0.7 is the limit of acceptability in assuming homogeneity of items (Burns & Burns, 2012). Findings reveals that all the variable constructs have Cronbach's Alpha coefficients greater than 0.7 and thus the questionnaire was reliable (Christensen, Johnson, & Turner 2011; Cronbach, 1951; Saunders, *et al.*, 2012).

Table 1: Reliability Test of Variable Constructs

Variable	Reliability Cronbach's Alpha	Number of items	Comment
Performance of handicrafts exporting MSEs	0.846	4	Highly Accepted
Business Networks	0.915	12	Highly Accepted
Home Market Export Incentives	0.880	9	Highly Accepted

3.2 Content Validity Test
Content Validity Index (CVI) was used to measure the validity of the questionnaire. Findings from the pre-test of the questionnaire and experts' ratings of items' relevance revealed that 25 items out of 31 were declared valid and the CVI was thus 0.806. This is in line with Amin (2005) who put forward that, for questions to be relevant to the variables of the study, the value of CVI should be greater than 0.7.

3.3 Sources of Networks
The study identified major sources to business networking among the handicrafts exporting MSEs in Tanzania. As seen in Figure 1, many MSEs (46%) are networking through Government agencies, followed by trade associations (41%). Government agencies such as SIDO and VETA were found to be very helpful in networking handicrafts MSEs. The Artisans Enterprises Network (AEN), Fair Trade Federation (FTF), TanCraft, Tanzania Women Chamber of Commerce (TWCC), Union of Tanzanian Art and Craft Artisans (UTACA) were also found to be helpful trade associations among the handicrafts operators in Tanzania.
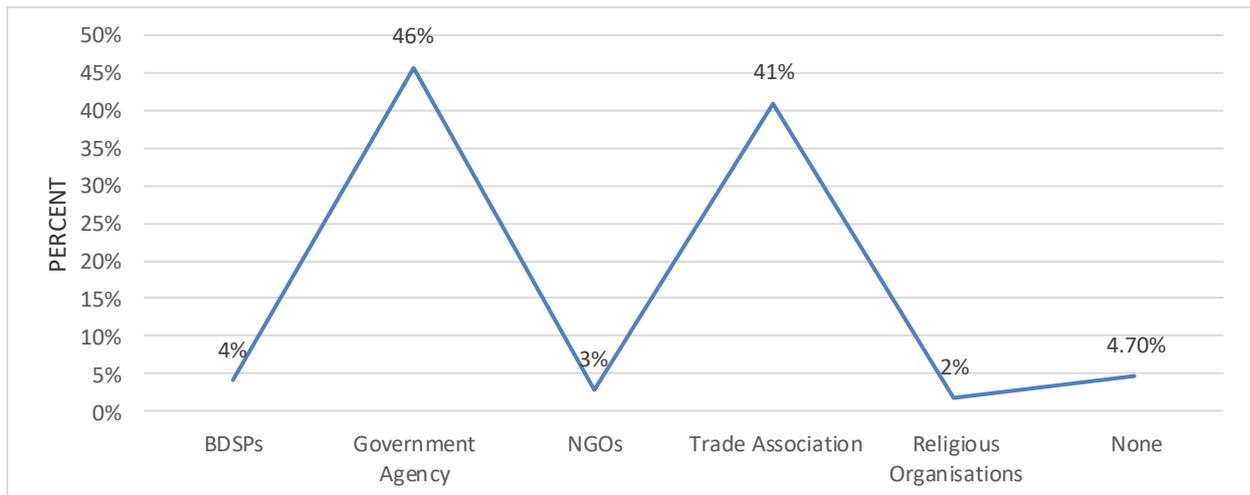
Figure 1: Sources of Business Network

3.4 Typologies of business networks used by handicrafts exporting MSEs
The study also identified the typologies of business networks that handicrafts exporting MSEs are using. The findings of the interviews with respondents revealed that there are five (5) main typologies of business networks frequently used by the handicrafts exporting MSEs in Tanzania. These are: networks with customers, close family ties friends and with local producers; foreign distributors; cluster members, local and foreign handicraft associations; and networks with ancillary support firms. These findings differ from findings by Rutashobya and Jaensson (2004) who revealed that a large number of the firms in the handicraft industry have only four business

networks with exclusion of networks with ancillary support firms as identified in this study. The study established the usefulness of such business networks in enhancing the performance of handicrafts exporting MSEs. One of the interviewees pointed out that:

> *"…SIDO have enabled us to network with big distributors with wide overseas distribution networks who are collectively taking our handicrafts to foreign countries. As a result, our sales volumes have increased as we get more profit, and actually the overall performance of our businesses is increasing…" (Interview field data, Dar es Salaam).*

3.5 Descriptive Analysis

Respondents were asked to show the extent of their agreement and or disagreement with the given statements relating to the study variables. The study adapted a mean score index from Linyiru (2015) where mean values between 1 and 1.5 implied that the predictor variable influenced the outcome variable to no extent. Mean values greater than 1.5 and less than 2.5 implied a little extent, Means greater than 2.5 and less than 3.5 a moderate extent. While values greater than 3.5 and less than 4.5 implied a greater extent and means above 4.5 implied a very great extent.

The study findings in Table 2 reveal that the mean score for the 12 sub-constructs of business networks was 3.950292, which indicates that business networking was a key driver of performance of handicrafts exporting MSEs to a greater extent. This corroborates with Kumburu (2016) who observed a positive and significant link between networking and enterprise performance. Thus, handicrafts exporting MSEs that access business networking in the form of network with foreign market distributors, local and foreign business associations, and ancillary support firms experience superior performance. The findings provided in table 2 indicate an average of 3.4108 over 5.0 for all the statements on performance of handicrafts exporting MSEs. This shows that the performance of handicrafts exporting MSEs was improving to a moderate extent. This observation corroborates with a study by Pizza *et, al.,* (2016) who examined the effects of SME support services on firm-level performance indicators. Performance constructs such as sales revenues, profits, and number of employees, were found to influence the performance of handicrafts exporting MSEs in Tanzania. Findings from the descriptive analysis showed that the performance of handicrafts exporting MSEs was improving in terms of: export sales growth, firm profit growth, number of customers served, and foreign markets served. Further, Table 2 show an average of 1.0156 for statements on export incentives. This indicates that the responses obtained had high variation. The study findings revealed that the majority of handicrafts exporting MSEs in Tanzania do enjoy the provision of export incentives offered by the Government and private BDSPs. This is in line with Ahmed, *et, al.,* (2006) who observed that export incentives were significantly important to exporting entrepreneurs.

MSEs operators were also asked to state the key challenges that they were facing in relation to access to export incentives. It was mentioned by one interviewee that:

> *"...Most of us are not aware of where to access these vital incentives for export performance of our businesses...".* Hitherto another interviewee clearly identified that: *"...the problem is with us and no one is to be blamed; we have been hearing about such incentives here and there, but we have not taken any step to get access to them...".* Yet another interviewee pointed out that *"...we have been experiencing very high tax charges at the border; the government should do something on this if at all they want us to do well in this business…" (Interview field data, Dar es Salaam).*

Table 2: Descriptive analysis

Statements on Business Networking	Likert Mean
We have been networking with foreign market distributors over the past five years of handicrafts exporting	3.7602
Our firm have well established ties with foreign distributors	3.8480
Networking with foreign markets distributors helps us in foreign markets promotion	3.9474
Foreign markets distributors expanded our overseas distribution networks	3.8889
Our firm have well established ties with local and foreign handicrafts associations	3.9474
Local and foreign handicraft associations have facilitated us with information on input supply	3.9123
local and foreign handicrafts associations assists us with access to foreign market price information	4.0175
Local and foreign handicraft associations have facilitated us with different handicrafts modes of export	3.9883
We have been equipped with sound branding strategies through established networks	3.9298
Networking improved labelling our handicraft products for exports	4.0234
We have acquired new Packaging strategies for our handicraft products through networking	4.0760
We have been facilitated with product quality strategies through networking	4.0643
Average (Business Networking)	**3.9504**
Statements on Home Market Export Incentives	
We have been receiving Low-cost credit over the years of our operations	2.7076
We regularly get Zero-VAT rating on our exports	2.6550
Our firm have been regularly given exemption on customs duties	3.5263
We use export promotion schemes for handicrafts exporters	2.7310
We sell more through export promotion schemes for handicrafts exporters	3.7719
We have access to international trade fair and exhibitions	3.9649
We are regularly participating in regional trade fair and exhibitions	4.0702
Average (Home Market Export Incentives)	**3.3467**
Performance of handicrafts exporting MSEs	
Export Sales Growth	3.2749
Profit Growth	3.3918
Customers Served	3.5205
Foreign Markets Served	3.4561
Average (Performance of handicrafts exporting MSEs)	**3.4108**

3.6 Inferential Analysis

The study used MMR analysis to measure the moderating effect of home market export incentives on the relationship between business networks and performance of handicrafts exporting MSEs in Tanzania. The moderating effect of the variable (interaction term) was analysed by using the interpretations of the R^2 change in model 1 and model 2, and the regression coefficients for the interaction term obtained from the MMR model summary and the model coefficients' tables respectively.

Table 3 shows the moderating effect of home market export incentives on the relationship between access to business networks and performance of handicrafts exporting MSEs. As seen in Table 3, Model 1 indicates that R = 0.610, R^2 = 0.372 and [$F_{(2, 164)}$ = 48.651, p = 0.000]. The value of R^2 reveals that 37.2% of the variations in the performance of handicrafts exporting MSEs could be accounted for by export incentives scores and MSEs access to business networks. In Table 3, model 2 shows the findings after adding the interaction term (Export Incentives scores*MSEs access to Business Networks) into the model.

The addition of the interaction term gave rise to an R^2 change of 0.057, [$F_{(1, 163)}$ = 16.334, p=0.000<0.05], showing a significant moderating effect. The moderating effect of export incentives therefore gained 5.7% variance in MSEs performance, over and above the variance by access to business networks and home market export incentives.

Table 3: Moderated Multiple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.610[a]	0.372	0.365	0.12223	0.372	48.651	2	164	0.000
2	0.655[b]	0.430	0.419	0.11689	0.057	16.334	1	163	0.000

a. Predictors: (Constant), Export Incentives, Business Networks

b. Predictors: (Constant), Export Incentives, Business Networks, Business Networks_x_ExpoInc

c. Dependent Variable: Performance of Handicrafts exporting MSEs

Model 1 in Table 4 indicates that business networking was significant (p=0.000; Beta value = 0.589); Export incentives was not significant (p = 0.090; Beta value = 0.106). Equation 18 shows that for a 1-unit increase in network linkages, the performance of handicrafts exporting MSEs was expected to have a difference by 0.017, only if business networking was kept constant. The regression coefficient related with business networks means that the difference in the performance of handicrafts exporting MSEs between MSEs with high business networks and MSEs with low business networks is 0.484, given that export incentive was held constant. Using the coefficients obtained, the regression equation becomes:

$$\text{Perf} = 0.585 + 0.484BN + 0.017EI \text{...} \text{Equation (3)}$$

Model 2 in Table 4 shows the inclusion of the interaction effect in the model. Export incentive was found to be significant (p = 0.000, Beta value = 1.567). Business networking was found to be significant (p = 0.019, Beta value = 0.863), and export incentive * business networks was also significant (p=0.000<0.05, Beta value=1.959). Thus the research hypothesis (H_A) is accepted, which means that home market export incentives moderates business networks and performance of exporting MSEs relationship. Upon substitution of the regression coefficients in equation (3) the equation becomes:

$$\text{Perf} = 1.750 + 0.709BN + 0.250EI + 0.239EI*BN \text{...............................} \text{Equation (4)}$$

Table 4 shows that a unit increase in home market export incentives, the performance of handicrafts exporting MSEs was predicted to have a difference by 0.250, holding business networks constant. From equation (4) it is revealed that there is a 0.239 difference between the slope of performance of handicrafts exporting MSEs on export incentives between handicrafts MSEs with low business networks and those with high access to business networks. The findings in equation (4) mean that there is a significant moderating effect of export incentives business networks and performance of handicrafts exporting MSEs relationship.

Table 4: Moderated Multiple Regression Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant)	0.585	0.070		8.306	0.000
	Business Networks	0.484	0.051	0.589	9.470	0.000
	Export Incentives	0.017	0.010	0.106	1.705	0.090
2	(Constant)	1.750	0.296		5.910	0.000
	Business Networks	0.709	0.299	0.863	2.369	0.019
	Export Incentives	0.250	0.058	1.567	4.277	0.000
	Business Network_x_ExpoInc	0.239	0.059	1.959	4.042	0.000

3.7 Test results of hypothesis

The findings in Table 4 shows a significant moderating effect of home market export incentives on the relationship between business networks and performance of exporting MSEs (β=0.239, t = 4.042>|1.96|, p=0.000<0.05). Thus the research hypothesis (H_A) is accepted, and it is concluded that home market export incentives moderates the relationship between business networks and performance of handicrafts exporting MSEs. These findings are in line with Ahmad and Chowdhury (2012), Julian and Ali (2009), Craig, Julian, and Yunus (2009) who put it forward that networking and export incentives do influence the performance of SMEs in Malaysia.

4. CONCLUSION, RECOMMENDATIONS AND POLICY IMPLICATIONS

This study examined the moderating effect of home market export incentives on the relationship between business networks and performance of handicrafts exporting MSEs in Tanzania. A hierarchical multiple regression was used to test for the significance of the introduced interaction between predictors. Statistical analysis revealed that export incentives moderate the relationship between business networks and performance of handicrafts exporting MSEs. Findings of this study will have implications to entrepreneurs operating in the Tanzanian handicrafts industry, Ministry of industry, trade and investment, Ministry of finance and planning, Tanzania Revenue Authority (TRA) regulatory agencies, and other specialized government agencies offering network support to small businesses. Others are, policy makers, researchers and scholars with interests in international business and entrepreneurship development. Owner-managers of handicrafts exporting MSEs need to work closely with the government and business network supporters to make effective combination of export incentives and business networks for superior performance in export markets. It is thus concluded that export incentives moderate business networks and performance of handicrafts exporting MSEs relationship.

From interviews, most operators in the handicrafts industry were found not aware of home market export incentives. This calls for policy initiatives that the government through the Ministry of industry, trade and investment needs to initiate campaigns to sensitize MSEs on the relevance and access to such incentives. Export incentives in the form of zero-VAT and duty drawback schemes were also observed to be a critical challenge to many handicrafts exporting MSEs operating from Tanzania. The study therefore recommends to Ministry of industry, trade and investment, Ministry of finance and planning, though Tanzania Revenue Authority (TRA) and other actors in the financial sector to design new tax policies and programmes which will come up with a reduction in taxes related to export trade and enhance the performance of exporting MSEs in Tanzania.

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