

## Perceived effectiveness of local government support programs on small and medium-sized enterprise (SME) growth at Ubungo Municipal Council, Tanzania

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### ABSTRACT

The study investigated how local government support programmes affect the growth and development of Small and Medium-sized Enterprises (SMEs) in Ubungo Municipal Council, Tanzania. Specifically, the study evaluated the level of awareness and accessibility of local government support programs, investigated their perceived effectiveness on SME growth, and evaluated the challenges SMEs face in accessing and utilising the programs. The study used the Institutional Theory and the Resource-Based View (RBV), and a case study design was used for the study design. A sample of 237 respondents was selected from a population of 580 using simple random sampling and purposive sampling, giving 230 valid responses. Data from questionnaires were analysed descriptively in SPSS software, and data from semi-structured interviews and documentary review were analysed thematically. The results showed a low level of awareness and accessibility: 55.0% of respondents were not aware of financial support programs, and 70.0% found it difficult to access information about them. A majority did not perceive the programs as effective: 60.0% disagreed that the programs had improved overall business performance, 65.0% that financial support had contributed to growth and expansion, and 55.0% that capacity-building programs had enhanced their skills. Complex application procedures, lack of information about the programs, administrative and bureaucratic delays, and limited financial capacity were the key challenges identified (80.0%, 75.0%, 75.0% and 75.0%, respectively). The study found that the programs can contribute to SME growth but currently lack institutional and operational strength. Ubungo Municipal Council is recommended to strengthen information dissemination, simplify and digitise the application process, align the programs to sector-specific needs, and establish monitoring, evaluation and feedback mechanisms.

**Keywords:** Institutional Theory, Local Government Support Programs, Perceived Effectiveness, Resource-Based View, SME Growth, Tanzania, Ubungo Municipal Council

### I. INTRODUCTION

Small and Medium-sized Enterprises (SMEs) are business entities whose employment size, capital or turnover falls below nationally defined thresholds, and in Tanzania they include micro, small and medium firms across manufacturing, trade and services. They are widely recognised as indispensable engines of economic growth, employment creation, innovation and poverty alleviation, and they constitute the backbone of most national economies (Chumbula, 2020). In Africa the sector contributes more than 45 per cent of employment and 33 per cent of GDP (Chumbula, 2020), and comparable patterns are reported across developing economies (Rulangaranga & Ndi Isah, 2021). SMEs also link simple industries to more complex ones by supplying inputs, raw materials and distribution services, thereby continuously supporting the economy for sustainable growth (Madatta & Chen, 2020). Good management, strong leadership, skilled labour and innovation are among the major forces contributing to the success of this vital sector.

In Tanzania, SMEs contribute about 40 per cent of GDP and constitute over 95 per cent of business entities (Tonya & Samwel, 2024). Recognising this role, the Government of Tanzania developed the SME Development Policy of 2003, whose aim is to foster job creation and income generation by promoting the creation of new SMEs and improving the performance and competitiveness of existing ones (United Republic of Tanzania [URT], 2003; Msangawale et al., 2023). Government support for SMEs is multifaceted, encompassing financial support such as loans, grants, subsidies and loan guarantees, as well as non-financial support including advisory services, capacity-building programs, market access facilitation and networking opportunities (Prasannath et al., 2024).

At the local level, municipal councils are a key interface between public policy and enterprise development. Ubungo Municipal Council, a vital commercial and transport nexus within the Dar es Salaam metropolitan area, hosts

a vibrant but often fragmented SME ecosystem in which many enterprises operate informally. Despite well-intentioned initiatives such as the Youth and Women Development Funds and the services of the Small Industries Development Organization (SIDO), the effectiveness of such interventions is often ambiguous, marked by mixed results, partial implementation and persistent delivery challenges (Rugeiyamu, 2023; Kitua, 2026). This study therefore examined the perceived effectiveness of local government support programs on SME growth at Ubungo Municipal Council, providing evidence to guide more effective program design and implementation in Tanzanian local government authorities.

### 1.1 Statement of the Problem

The foundational problem addressed by this study is the persistent lack of comprehensive and conclusive evidence on the actual impact and effectiveness of local government support programs on the growth trajectory of SMEs. Despite clear policy recognition of SMEs as critical engines of economic development, and a corresponding proliferation of support initiatives from local government bodies, the success of these programs is often assumed rather than rigorously measured (Prasannath et al., 2024). A significant proportion of the programs are implemented without robust, systematic evaluation frameworks that track their effects on key SME growth indicators such as revenue, profitability, employment and capacity for innovation.

The consequences of this knowledge gap are significant. It leads to the potential misallocation of scarce public resources, as funds may be continuously channelled into initiatives that do not deliver the intended outcomes. The absence of clear performance metrics also inhibits evidence-based policymaking, leaving officials to rely on assumptions or anecdotal evidence rather than solid analytical insight. Furthermore, a lack of demonstrable effectiveness can erode trust among SMEs themselves: where entrepreneurs perceive support programs as cumbersome, inaccessible or failing to deliver tangible benefits, their willingness to engage with future government initiatives diminishes (Rugeiyamu, 2023). This issue is particularly pertinent in Ubungo, where SMEs operate in a dynamic and often challenging environment that requires targeted and effective support (Madatta & Chen, 2020). This study directly addresses the problem by providing a systematic assessment of the perceived effectiveness of local government support programs in order to inform better program design and implementation.

### 1.2 Research Objectives

- i. To evaluate the level of awareness and accessibility of local government support programs on SME growth at Ubungo Municipal Council;
- ii. To investigate the perceived effectiveness of local government support programs on SME growth at Ubungo Municipal Council;
- iii. To evaluate the challenges faced by SMEs in accessing and utilising local government support programs at Ubungo Municipal Council.

## II. LITERATURE REVIEW

### 2.1 Theoretical Review

#### 2.1.1 Institutional Theory

Institutional Theory, developed largely through the work of Scott (2001), holds that organisations do not operate in a vacuum but within an environment of rules, norms and shared understandings that guide what is considered acceptable and legitimate behaviour. Over time, these regulations, procedures and taken-for-granted routines harden into structures that firms are expected to follow. Local government authorities are one such institution: through the rules, procedures and incentives they set, they influence how enterprises within their jurisdiction behave. Crucially, these mechanisms are not neutral. How well they work depends on the administrative capacity of the authority, the coherence of its regulations and the transparency with which they are applied.

This lens is useful for understanding why SMEs in Ubungo take up support programs, or fail to. When programs are delivered through rigid procedures or are perceived to favour particular groups, enterprises may stay away even when they need the support. When the same authority is seen as transparent, responsive and accountable, trust grows and participation rises. The empirical record is consistent with this reasoning: Rulangaranga et al. (2020) reported that both the quality of the government support structure and the extent to which supporting policy was actually implemented were significantly linked to SME sustainability. Institutional Theory therefore offers a way of judging not merely whether support exists at Ubungo Municipal Council, but whether the manner of its delivery helps or hinders SME growth.

### 2.1.2 Resource-Based View (RBV)

The Resource-Based View is a theory that holds that a firm's resources, tangible and intangible, are the basis for its competitiveness and long-term survival, and that these resources are valuable, rare, hard to imitate and substitutes (Barney, 1991). Most SMEs find it hard because the elements this theory values the most capital, special skills, networks and management experience are the very things they commonly lack. This is what local government assistance programs can do. It can complement an enterprise's limited internal resources by providing training, finances, market access and advisory services from external sources.

If this is the case, the assistance provided by Ubungu municipal council is like the external extension of each SME's resources. If it is actually available and appropriate to the company, it could boost productivity, enhance innovation and competitiveness, and help narrow resource gaps that could otherwise prevent them from growing (Prasannath et al., 2024). The RBV is used here to answer a specific question: Do the resources provided through local government programs appear to the SME to be worthwhile in the narrow RBV sense of the investment to be of benefit in generating real growth, or are they too skimpy, too vague or too volatile to be effective?

## 2.2 Empirical Review

### 2.2.1 Awareness and Accessibility of Local Government Support Programs

The first objective of this study concerned the level of awareness and accessibility of local government support programs. The Tanzanian evidence indicates that access to such programs is uneven and is shaped more by administrative practice than by the formal availability of the support itself. Mtunda (2023), examining the mandatory interest-free loan facility operated by Temeke Municipal Council in Dar es Salaam, found that women who succeeded in accessing the facility used it to establish enterprises in tailoring, food vending, cloth retailing, batik production and soap making, with corresponding improvements in household welfare. The study documents benefits accruing to those who reached the facility; it does not establish how enterprises come to learn of such facilities in the first place, nor on what terms are they able to approach them.

Accessibility constraints operate at the level of the disbursing institution as much as at the level of the enterprise. Rugeiyamu (2023), in a qualitative case study of the Women, Youth and People with Disabilities Fund at Tunduru District Council, combined interviews with community development officers, focus group discussions with beneficiary groups and documentary review, and traced weak fund performance partly to the administrative capacity of the local government authority itself, including how beneficiary groups are identified, mobilised and supervised. Where the administering authority lacks the capacity to reach and follow up beneficiaries, information circulates unevenly and access becomes contingent on proximity to council structures rather than on enterprise need.

The same pattern extends to non-financial support. Lwesya et al. (2021), using cross-sectional data from 250 MSMEs in the Dar es Salaam region, examined the utilisation of business development services including training, consultancy and advisory services, marketing assistance and technological development. They report generally positive associations between the utilisation of these services and MSME development, while noting that the inaccessibility of appropriate technology persists as a constraint on MSMEs in the region despite the presence of SIDO and comparable providers offering training, advisory support and subsidised access to equipment and incubation facilities. Utilisation, on this evidence, is not a simple function of provision.

### 2.2.2 Perceived Effectiveness of Local Government Support Programs on SME Growth

The second objective of this study concerned perceived effectiveness, which denotes SMEs' subjective evaluation of how well support programs meet their business needs and contribute to performance improvements, including satisfaction with program content, relevance, delivery methods and perceived impact on skills, market opportunities and growth. Prasannath et al. (2024), reviewing the international evidence on government support policies, distinguish financial from non-financial support and show that such policies may affect SME performance directly, or indirectly through the development of an entrepreneurial orientation within the firm. The indirect pathway is material to the present study: where support is received but does not alter how an enterprise identifies opportunities, bears risk or innovates, measurable performance gains are unlikely, and beneficiaries may judge the program ineffective even though resources were in fact transferred.

Regional evidence supports the proposition that the structure of delivery, rather than the quantum of support, determines outcomes. Rulangaranga et al. (2020), surveying 384 SMEs in Uganda, extracted two components of government support structure through factor analysis, namely the quality of the support structure and the extent of policy implementation, and found both to be significantly associated with SME sustainability, with quality of structure showing the stronger association. Structural equation modelling confirmed that both components exert influence on sustainability. Their conclusion, that government support must be properly structured if sustainability is to be realised, locates effectiveness in institutional design rather than in the mere existence of a program.

Kitua (2026) reaches a convergent conclusion for local government loans specifically, finding that improved business performance among recipients contributes positively to local economic development through income generation, employment creation and the expansion of economic activity, but that bureaucratic inefficiencies, limited managerial capacity and adverse market conditions significantly undermine these gains. Moderation analysis in that study confirms that such constraints weaken the effect of loan utilisation on business performance, supporting the conclusion that financial access alone is insufficient to secure optimal outcomes.

Non-financial support displays a comparable pattern of qualified effectiveness. Lwesya et al. (2021) found positive relationships between most business development services and MSME development, but recorded a negative relationship for the building of business linkages ( $\beta = -0.311$ ,  $p < 0.045$ ) and for mentoring programs, attributing this to the limited absorptive capacity of MSMEs relative to larger firms and to deficiencies in the content of the mentoring provided. This is direct evidence that a support service may be delivered, and utilised, and still fail to generate growth where its content is misaligned with the recipient's capacity to absorb it. Collectively, this literature indicates that effectiveness is realised where support is well structured, adequately implemented and matched to the absorptive capacity of the recipient enterprise, and that the presence of a program is a poor predictor of its perceived value.

### 2.2.3 Challenges Faced by SMEs in Accessing and Utilising Support Programs

The third objective of this study concerned the challenges that constrain access and utilisation. Kitua (2026) identifies bureaucratic inefficiency, limited managerial capacity within the enterprise and adverse market conditions as the constraints that most consistently weaken the returns to local government loans. Rugeiyamu (2023) adds the institutional dimension, showing that failures in loan recovery at council level reflect weaknesses in supervision, follow-up and group administration, weaknesses that raise the effective cost of participation for compliant enterprises and erode the credibility of the facility for prospective ones.

Structural and regulatory barriers compound these operational ones. Mtengela and Mrindoko (2023), studying SMEs in the Dar es Salaam region, identify the legal and regulatory framework, cultural factors, deficiencies in management skills and lack of funding as the principal constraints on performance, and further find that SMEs are not well protected from competition by larger firms and multinational corporations. Masanja (2019) documents taxation as a distinct and substantial burden on small and medium enterprises in Tanzania, while Chumbula (2020) shows that formalisation itself carries costs and risks that fall unevenly, with women-owned micro and small enterprises in Kinondoni Municipality facing particular difficulty in completing the transition to formal status. Madatta and Chen (2020), examining SMEs in Ilala and Kinondoni municipalities, situate these constraints within the wider operating environment of Dar es Salaam.

A further constraint is internal to the enterprise. Rulangeranga and Ndi Isoh (2021), studying 278 SMEs in Kampala, identify records management, internal communication and online presence among the internal drivers bearing on SME sustainability. These are precisely the capabilities that an application process presumes, namely documentary records, the ability to respond to correspondence, and the capacity to transact through digital portals, which suggests that procedural complexity and enterprise capability interact rather than operate independently. Msangawale et al. (2023) reinforce this point from the technology side, documenting the constraints on innovation processes in the Tanzanian ICT sector on which digitised service delivery ultimately depends. At the level of policy, Tonya and Samwel (2024) argue that the implementation of the SME Development Policy of 2003, rather than its design, accounts for much of the shortfall between stated intention and realised support.

### 2.3 Research Gap

The reviewed literature establishes three things with reasonable confidence: that the structure and implementation of government support condition its effect on enterprise outcomes (Rulangeranga et al., 2020; Prasannath et al., 2024); that local government financial facilities in Tanzania produce real but constrained benefits, limited by bureaucratic inefficiency and administrative capacity (Mtunda, 2023; Rugeiyamu, 2023; Kitua, 2026); and that non-financial support can fail even when utilised, where its content exceeds or misses the recipient's absorptive capacity (Lwesya et al., 2021).

What the literature does not establish is the awareness and accessibility position of SMEs in a dense urban municipal setting. The available Tanzanian studies of local government support are concentrated on discrete instruments, a single loan facility or a single fund, or on rural and district councils, and they observe beneficiaries rather than the wider population of enterprises that never engaged with the program at all.

No study has assessed the full spectrum of local government support available within a single urban municipal council alongside the perceptions of the enterprises it is intended to serve, and none has been conducted at Ubungo Municipal Council. Moreover, while several studies quantify effects, few make the institutional environment an explicit analytical variable linked to perceived effectiveness. This study addresses these gaps by evaluating local government support programs at Ubungo Municipal Council across three critical dimensions, namely awareness and accessibility,

perceived effectiveness, and challenges in utilisation, thereby offering a tailored understanding of how these programs influence SME growth in a decentralised, urban Tanzanian context.

### III. METHODOLOGY

#### 3.1 Research Design and Approach

This study employed a case study design focusing on Ubungu Municipal Council as the single case unit, which was appropriate because case studies are the preferred strategy when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within its real-life context (Yin, 2018). The study adopted a mixed-methods approach in which quantitative and qualitative data were collected and integrated (Creswell & Creswell, 2018; Saunders et al., 2019). Quantitative methods provided objective insights into the prevalence and perceived impact of existing support programs, while qualitative methods allowed a deeper exploration of the lived experiences and opinions of key stakeholders, enabling triangulation that strengthened the validity of the conclusions.

#### 3.2 Study Area

The study was conducted at Ubungu Municipal Council in Dar es Salaam. The council was chosen because it has a vibrant, albeit often fragmented, SME ecosystem that includes numerous business associations, chambers of commerce and a growing number of incubators that interact with local government initiatives. Focusing on the council allowed the study to provide highly relevant and actionable insights for the local government authorities and SME stakeholders operating within this vital economic nerve centre of Tanzania.

#### 3.3 Target Population

The study population comprised 580 actors involved in the provision and reception of SME support at Ubungu Municipal Council. These included SMEs in manufacturing, services and retail or trade, SIDO-affiliated enterprises, informal sector operators, and district trade officers directly involved in the design, implementation and monitoring of support programs.

#### 3.4 Sampling and Sample Size

Using Yamane’s (1967) formula,  $n = N/(1 + N(e)^2)$ , with  $N = 580$  and  $e = 0.05$ , a sample of 237 respondents was obtained and distributed proportionately across the respondent categories. Simple random sampling was used to select SME respondents, giving every member of the population an equal chance of selection, while purposive sampling was used to select officials with specialised knowledge of the programs (Campbell et al., 2020). A total of 230 valid responses were obtained, representing a response rate of 97.0%.

#### 3.5 Data Collection Instruments and Procedures

Data were collected using structured questionnaires, semi-structured interviews and documentary review. The questionnaire contained closed-ended items on five-point Likert scales covering awareness and accessibility, perceived effectiveness and challenges, together with demographic items. Semi-structured interviews were conducted with SME owners and local government officials directly involved in the design, implementation and management of SME support programs, guided by pre-tested interview guides aligned with the research objectives (Kallio et al., 2016).

Documentary review covered policy documents, budget allocations, implementation reports and meeting minutes related to local government support programs on SME growth. Quantitative data were coded, cleaned and analysed using descriptive statistics, specifically frequencies and percentages, in the Statistical Package for the Social Sciences (SPSS), while qualitative data were analysed thematically following the six-phase approach of familiarisation, coding, theme searching, theme reviewing, theme definition and reporting (Braun & Clarke, 2006). Content validity was addressed through expert review of the instruments and pilot testing prior to the main data collection.

#### 3.6 Ethical Considerations

Ethical procedures included obtaining informed consent, ensuring voluntary participation, and maintaining the anonymity and confidentiality of responses throughout data collection, storage and reporting. Research clearance and permission to conduct the study were obtained from the relevant university and council authorities before fieldwork commenced.

## IV. FINDINGS & DISCUSSION

### 4.1 Demographic Profile of Respondents

Table 1 presents the demographic profile of the 230 respondents who participated in the study.

**Table 1**

*Demographic Profile of Respondents (n = 230)*

| Variable                     | Frequency | Percent (%) |
|------------------------------|-----------|-------------|
| Sex                          |           |             |
| Male                         | 150       | 65.2        |
| Female                       | 80        | 34.8        |
| Age Group                    |           |             |
| 18–29 years                  | 54        | 23.5        |
| 30–45 years                  | 116       | 50.4        |
| 46 years and above           | 60        | 26.1        |
| Education Level              |           |             |
| Secondary education          | 52        | 22.6        |
| Certificate                  | 47        | 20.4        |
| Diploma                      | 59        | 25.7        |
| Bachelor degree              | 72        | 31.3        |
| Years of Business Experience |           |             |
| 0–5 years                    | 44        | 19.1        |
| 6–10 years                   | 90        | 39.1        |
| 11–15 years                  | 50        | 21.7        |
| 16 years and above           | 46        | 20.0        |
| Total                        | 230       | 100.0       |

As shown in Table 1, the majority of respondents were male (65.2%), with females constituting 34.8%. The most represented age group was 30–45 years (50.4%), indicating that most SMEs in Ubungo are run by a relatively experienced, mid-career segment of the population. Regarding education, bachelor degree holders (31.3%) and diploma holders (25.7%) formed the largest groups, suggesting a reasonable level of literacy and business acumen among the sample. In terms of experience, 39.1% of respondents had operated their businesses for 6–10 years, and a further 41.7% had more than ten years of experience, implying substantial exposure to the council's support environment. The respondents were drawn across manufacturing, service, retail or trade, SIDO-affiliated and informal sector enterprises, together with district trade officers, in line with the sampling frame.

#### 4.1.1 Awareness and Accessibility of Local Government Support Programs

The first objective sought to evaluate the level of awareness and accessibility of local government support programs among SMEs. The findings are presented in Table 2.

**Table 2**

*Awareness and Accessibility of Local Government Support Programs (n = 230)*

| Statement                                              | SD F(%)   | D F(%)    | N F(%)    | A F(%)    | SA F(%)   |
|--------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1. I am aware of the financial support programs        | 58 (25.0) | 69 (30.0) | 36 (15.0) | 46 (20.0) | 23 (10.0) |
| 2. I have knowledge of the business advisory services  | 46 (20.0) | 81 (35.0) | 46 (20.0) | 41 (18.0) | 16 (7.0)  |
| 3. I am informed about the capacity-building workshops | 41 (18.0) | 74 (32.0) | 36 (15.0) | 64 (28.0) | 16 (7.0)  |
| 4. It is easy to access information about the programs | 69 (30.0) | 92 (40.0) | 23 (10.0) | 36 (15.0) | 12 (5.0)  |

*Note.* SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree. Source: Field Data (June 2025).

As presented in Table 2, the findings show a significant lack of awareness and accessibility. Over half of the respondents (55.0%) either disagreed or strongly disagreed that they were aware of financial support programs, against only 30.0% who agreed or strongly agreed. A similar pattern was evident for business advisory services, where 55.0%

disagreed or strongly disagreed with having knowledge of the services, and for capacity-building workshops, where 50.0% disagreed or strongly disagreed with being informed. The most severe gap concerned access to information, with 70.0% of respondents disagreeing or strongly disagreeing that information about the programs is easy to access, and only 20.0% agreeing. These findings indicate a clear disconnect between the local government's initiatives and the SMEs they are meant to assist.

The qualitative data corroborated these patterns while revealing that even beneficiaries who value the programs struggle with communication. One SME owner stated:

*"The workshops and training sessions are tailored to our specific industry needs, which makes them highly relevant. However, I believe there is still room for improvement in how these programs are communicated. Sometimes, I find it challenging to locate information about upcoming sessions, which can lead to missed opportunities. I recently learned about a marketing workshop only after it had already taken place."* (Interview, SME owner, Ubungo, 14 June 2025)

A local government program coordinator similarly observed:

*"The frequency of communication about government programs varies widely. While some SMEs are well-informed, others are not, leading to a disparity in participation rates. It is crucial that we create a consistent communication strategy that reaches all business owners, especially those in underserved areas."* (Interview, program coordinator, Ubungo Municipal Council, 17 June 2025)

These findings extend the Tanzanian evidence on local government support. Mtunda (2023) documented real welfare gains among women who accessed the interest-free loan facility at Temeke Municipal Council, but observed only those who reached the facility; the present study, by surveying the wider enterprise population at Ubungo, shows how substantial the group that never reaches the facility may be. Rugeiyamu (2023) traced weak performance of the Women, Youth and People with Disabilities Fund partly to the administrative capacity of the council itself, and the communication failures reported here are consistent with that account.

From the perspective of Institutional Theory, government support programs represent a key institutional pillar designed to legitimise and foster SME growth; however, for a firm to benefit, it must first be aware of the institutional resources available. The lack of awareness revealed in this study indicates a failure of the institutional environment to communicate its offerings, such that SMEs cannot meet the requirements to access those resources and the purpose of the institutional intervention is rendered ineffective.

#### 4.1.2 Perceived Effectiveness of Local Government Support Programs on SME Growth

The second objective investigated the perceived effectiveness of the support programs on SME growth. The results are summarised in Table 3.

**Table 3**

*Perceived Effectiveness of Local Government Support Programs (n = 230)*

| Statement                                                              | SD F(%)    | D F(%)    | N F(%)    | A F(%)    | SA F(%)   |
|------------------------------------------------------------------------|------------|-----------|-----------|-----------|-----------|
| 1. Programs have helped my business improve its overall performance    | 81 (35.0)  | 58 (25.0) | 36 (15.0) | 46 (20.0) | 12 (5.0)  |
| 2. Financial support contributed to my business's growth and expansion | 104 (45.0) | 46 (20.0) | 23 (10.0) | 36 (15.0) | 23 (10.0) |
| 3. Capacity-building programs have enhanced my skills                  | 69 (30.0)  | 58 (25.0) | 36 (15.0) | 58 (25.0) | 12 (5.0)  |

Note. SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree. Source: Field Data (June 2025).

As presented in Table 3, the majority of respondents did not perceive the programs as effective. A substantial 60.0% either disagreed or strongly disagreed that the programs had improved their overall business performance, against 25.0% who agreed or strongly agreed. Perceptions of financial support were the least favourable, with 65.0% disagreeing or strongly disagreeing that it had contributed to their growth and expansion. Perceptions of capacity-building programs were slightly better, but a majority (55.0%) still held a negative view, with 30.0% agreeing that the programs had enhanced their skills. The findings suggest that even for those SMEs that are aware of and access the programs, the tangible benefits are not being realised in practice. The interview data presented a more nuanced picture, indicating pockets of genuine benefit alongside serious delivery weaknesses. One program facilitator emphasised:

*"I have witnessed a substantial percentage of SMEs reporting improved skills or knowledge after program participation, particularly in areas like digital marketing and financial management. However, there are still challenges related to technological access that we must address. Some SMEs face barriers when trying to engage with digital platforms for learning, citing issues like internet connectivity and lack of familiarity with online tools."* (Interview, program facilitator, Ubungo, 19 June 2025)

A small business advocate, however, pointed to reliability as a central weakness:

*“One of the most concerning issues I have noticed is the frequency of program cancellations or delays. A recent funding workshop I promoted was cancelled at the last minute, which left many business owners disappointed and without guidance. This kind of inconsistency affects their trust in the programs offered. A more consistent delivery schedule would greatly improve the SMEs’ experience and perceived value of these programs.”* (Interview, small business advocate, Ubungo, 24 June 2025)

These findings align with evidence that the structure of support, rather than its existence, determines outcomes. Rulangeranga et al. (2020) found that both the quality of the government support structure and the extent of policy implementation were significantly associated with SME sustainability, with quality of structure the stronger of the two. Kitua (2026) found that bureaucratic inefficiency and limited managerial capacity weakened the effect of local government loan utilisation on business performance, concluding that financial access alone is insufficient. Lwesya et al. (2021) recorded negative relationships for business linkages and mentoring programs despite positive results elsewhere, attributing this to the limited absorptive capacity of MSMEs and to deficiencies in program content.

The result can be analysed through the lens of the Resource-Based View: according to RBV, a firm achieves growth when it acquires resources that are valuable, rare, inimitable and non-substitutable (Barney, 1991). Government support programs are intended to supply valuable external resources to SMEs; however, financial assistance that is insufficient or unreliable, and capacity-building that is too general to address sector-specific needs, do not constitute valuable resources in the RBV sense. Prasannath et al. (2024) suggest why: where support does not shift the enterprise’s entrepreneurial orientation, performance gains are unlikely even when resources are transferred. The absence of a perceived positive impact on growth implies that the programs, as currently delivered, are failing to equip SMEs with the critical resources they require to thrive in a competitive market.

#### 4.1.3 Challenges Faced by SMEs in Accessing and Utilising Support Programs

The third objective evaluated the challenges faced by SMEs in accessing and utilising the programs. The findings are presented in Table 4.

**Table 4**

*Challenges Faced in Accessing and Utilising Support Programs (n = 230)*

| Statement                                                           | SD F(%)   | D F(%)    | N F(%)    | A F(%)    | SA F(%)    |
|---------------------------------------------------------------------|-----------|-----------|-----------|-----------|------------|
| 1. Complex application procedures are a challenge                   | 12 (5.0)  | 23 (10.0) | 12 (5.0)  | 92 (40.0) | 92 (40.0)  |
| 2. There is a lack of sufficient information about the programs     | 18 (8.0)  | 16 (7.0)  | 23 (10.0) | 81 (35.0) | 92 (40.0)  |
| 3. Administrative processes and bureaucratic delays are a challenge | 12 (5.0)  | 23 (10.0) | 23 (10.0) | 69 (30.0) | 104 (45.0) |
| 4. Limited financial capacity is a challenge                        | 23 (10.0) | 23 (10.0) | 12 (5.0)  | 69 (30.0) | 104 (45.0) |

*Note. SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree. Source: Field Data (June 2025).*

As presented in Table 4, there was strong consensus among respondents regarding the challenges they face. An overwhelming 80.0% agreed or strongly agreed that complex application procedures are a major challenge, and 75.0% agreed or strongly agreed that a lack of sufficient information about the programs is a significant barrier. Administrative processes and bureaucratic delays were considered a challenge by 75.0% of respondents, and limited financial capacity was likewise cited by 75.0%. These findings confirm the problem statement and identify specific pressure points for policymakers. The qualitative data reinforced these results. A business consultant working with SMEs explained:

*“Reported barriers to accessing programs often stem from the complexity of the application processes and the lack of clarity in eligibility criteria. Many SMEs feel overwhelmed and unsure if they qualify for support, leading to disengagement. Many smaller businesses also struggle with the tools required to engage with these programs effectively, such as using online portals for registration.”* (Interview, SME consultant, Ubungo, 26 June 2025)

Respondents further revealed that whenever government is involved in some initiatives, acts of favouritism and nepotism persist, hindering the delivery of programs to the intended audience, and that the high cost of compliance and registration acts as a major deterrent for informal businesses seeking to formalise and access support. The perception of favouritism is a finding of this study rather than a confirmation of prior work, as it has not previously been documented in the Tanzanian literature on local government SME support. The remaining challenges corroborate Kitua (2026) on bureaucratic inefficiency as a binding constraint on the returns to local government financial support, and Rugeiyamu (2023) on the administrative weaknesses within councils that raise the effective cost of participation.

They are consistent with Mtengela and Mrindoko (2023), who identify the legal and regulatory framework and deficiencies in management skills among the principal constraints on SME performance in the Dar es Salaam region,

and with Masanja (2019) on the burden of taxation and Chumbula (2020) on the costs of formalisation for micro and small enterprises. Tonya and Samwel (2024) locate the problem in the implementation of the SME Development Policy of 2003 rather than in its design, a reading the present findings support.

This finding provides a strong case for the applicability of Institutional Theory. The identified challenges, namely complex procedures, bureaucratic delays and opaque selection, are classic institutional barriers: even well-intentioned formal rules can be undermined by informal practices and administrative inefficiencies, creating a hostile institutional environment in which the transaction costs of engagement are too high for SMEs to bear (Masanja, 2019; Mtengela & Mrindoko, 2023).

Consequently, SMEs are effectively excluded from the institutional framework of support regardless of the policy's theoretical design, and the framework's implementation undermines its own objectives. Taken together, the quantitative and qualitative findings present a coherent picture: Ubungo Municipal Council possesses the structural elements of a support system capable of fostering SME growth, but weaknesses in communication, procedural complexity, delivery reliability and transparency systematically limit its perceived effectiveness.

## V. CONCLUSION & RECOMMENDATIONS

### 5.1 Conclusion

Based on the evidence, three conclusions can be drawn. Firstly, awareness and access are low. For most of the SMEs at the Ubungo Municipal Council, they were not aware of the availability of financial support, advisory services and capacity building workshops and those that were aware of their availability were finding reliable information difficult. That is, the support system is not engaging the enterprises to which it is supposed to be supporting. Secondly, if the programs are being accessed, then they don't seem to be working. Most respondents (both financial and non-financial) indicated that there was no tangible improvement in performance, growth or skills as a result of the programs, highlighting a lack of alignment between what the programs offer and what SMEs are looking for.

Third, the programs at Ubungo do have real potential but suffer from a lack of implementation in practice due to institutional and operational weaknesses, particularly the cumbersome application process, lack of information, the bureaucratic delays and financial limitations, as well as the lack of trust and transparency. Overall, the study stresses that the disconnect between the design of these programs and the actual program experience of SMEs is what makes it less effective and that the disconnect is more about how the program is delivered and communicated to the SMEs, and less about the intent of the policy.

### 5.2 Recommendations

Ubungo Municipal Council is recommended to put in place a strong communication plan to raise awareness which entails a digital platform (centralised, easy to use), community meetings in the SME clusters and working with SME associations to share information and disseminate clear and accessible information, ensuring that the SMEs in the informal sector are reached. The council needs to make the application process much simpler and streamlined by digitizing applications, removing unnecessary cumbersome documentation and creating a single point of contact for every enquiry and application relating to SMEs.

The relevance and delivery of the programme should be strengthened by frequent needs assessments to ensure training, financial support and mentorship reflect the challenges faced by SMEs in the sector, and are provided on a reliable and predictable schedule to restore trust. The council should further enhance accountability and transparency by institutionalizing a monitoring and evaluation framework with regular feedback from the beneficiaries, transparency in the program results and implementation of criteria-based beneficiary selection. Last but not least, the council must lower the formalisation costs of micro and small businesses, continue offering training in financial literacy and technology to the community, and facilitate cooperation among local government, financial institutions and community organisations to establish a comprehensive support system for the growth of micro and small businesses.

### Declaration of Interest

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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