African Journal of Applied Research
Vol. 7, No. 2 (2021), pp. 108-122
http://www.ajaronline.com
http://doi.org/10.26437/ajar.10.2021.08

THE CHALLENGES OF FINANCIAL COMMUNICATION ON THE GROWTH OF SMES IN TANZANIA

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ABSTRACT

Purpose: *Financial communication is an important vehicle toward Small and Medium Enterprises (SMEs) growth in developing countries, including Tanzania. Financial communication enables various units in the business to understand the available opportunities either for investment or improving investments. From that ground, the study seeks to explore the challenges of financial communication on SMEs growth in Tanzania. To meet this goal three specific objectives were employed: identify the availability of financial communication used by SMEs in Tanzania, explore the financial communication practices used by SMEs in Tanzania and examine the financial communication challenges for developing SMEs in Tanzania.*

Design/Methodology/ Approach*: The study was qualitative in nature and it employed a case study approach as it enables a researcher to retain the holistic and meaningful features. Three cases were selected and studied based on the classification of enterprises. Purposive sampling was employed to select 20 respondents including owners or managers, employees and customers in the respective businesses. The study was conducted in Dar es Salaam City. The instruments used included in-interviews, observation and documents review. Data collected via interview recorded and transcribed by using Express Scribe Transcription Software. Descriptive analysis technique to analyze data collected.*

Findings: *The data obtained show the availability of inadequate financial communication, the presence of both traditional and modern channels of disseminating financial information, limited financial education, cooking of financial records and absence of monthly and quarterly financial statements. All those shortcomings hinder SMEs development in Tanzania to develop and tap business opportunities around them.*

Practical Implications: *Therefore, SMEs should be provided with an appropriate financial education which will help them to see the opportunities around them by having and disseminating appropriate financial information. These results will enable the government to stress on viability of financial information and its effective use in the growth of SMEs.*

Keywords: *Communication. financial. report. SMEs.Tanzania*

ISSN: 2408-7920

African Journal of Applied Research
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http://www.ajaronline.com
http://doi.org/10.26437/ajar.10.2021.08

INTRODUCTION

Small and Medium Enterprises (SMEs) in developing countries, including Tanzania contributes about 40-60 of GDP (URT, 2011). Most SMEs rely on the informal sector providing services, simply manufactured goods, and mostly primary production (Fjose, Grunfeld, & Green, 2010). Some scholars have pointed out that SMEs in Tanzania is estimated to contribute 32% of employment, although it is among difficult places to establish a business (Fjose, Grunfeld, & Green, 2010). SMEs are the key players in economic growth as it employs and creates income for the majority of Tanzanian MIT (2003). Other scholars estimate the contribution of SMEs in Tanzania is to be about 30-35% of the GDP of the Tanzanian economy (Calcopietro & Massawe, 1999). SMEs contributes to the economy of the country by creating employment, increasing production, export, innovation and entrepreneurship skills (Frederick, 2013). Unfortunately, studies have shown the presence of poor communication in various institutions and implemented policies in Tanzania (Madinda, 2014). This indicates that poor communication such as financial communication is a hindrance factor in the country.

The concept of financial communication came into use after the investor relations function and financial public relation as both tried to show how communication between the constituting parties is achieved. Firstly, financial communication was combined in investor relations and functions, by focusing on how information is exchanged within the company and its investors. Also, by meeting both internal and external effectiveness of communication. Internal communication effectiveness describes clear processes and structures governing how information is provided and how individual units work together. External communication effectiveness focuses to maintain the satisfaction of existing stakeholders through regular information and attracting new investors (EY, ND).

Secondly, financial communication was incorporated in financial public relations as Buchner (1994: add page number since it is a direct quotation) explains:

> "*…the science of communicating with specific target audiences, respectively or generally, about a company's trading activities and conditions, financial status, strategy, and values, on a consistent basis, so that they may accurately evaluate their investment…*".

This definition takes into account the parties involved in financial communication to the public as the audience. Also, Buchner (1994) in Grobler et all (N.D) defines the stakeholders as including: financial institutions, creditors, financial analysts, customers, employees, government, opinion leaders, the general public, the media, trade unions and pressure groups. Furthermore, financial communication brings insight into what is taking place and the estimated future of the company. This creates the need to focus explicitly on financial communication and how it affects the growth of a particular company.

According to Zureck (2015), financial communication is the result of information asymmetry when there is some information hidden either purposely or unfortunately. He categorized information

ISSN: 2408-7920

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http://doi.org/10.26437/ajar.10.2021.08

asymmetry into four categories: hidden characteristics; when the agent (the better-informed part) has a private knowledge unknown to the principal before getting into a contractual relationship. Secondly, hidden information; when both principal and agent had an existing agency relationship (ex-post), while the principal has no knowledge about the information agent has, thirdly hidden action is when the principal is not aware of all actions taken by the agent in an existing agency relationship (ex-post), Fourth, hidden intention is when the principal is not aware of the agent's aims (ex-ante and ex-post). He explains that in financial sectors the hidden characteristic is used when the company is in the need to be refinanced in the capital market. The company will not expose private information to the market and shareholders. But many companies disclose insufficient information by which the assessment of existing business and practices are difficult to analyze or evaluate.

Poor financial communication has been the drawback of the economy which limit transparency in the financial sector. The government of Tanzania introduced various strategies by combining private and public sectors in poverty eradication. There are several programs and strategies in place to address the challenges of economic growth including: Rural Development Strategy, Agricultural Sector Development Strategy, Strategic Trade Policy, BEST Program, Micro-finance Policy and Poverty Alleviation Strategies Ministry of Industry and Trade (2003). The implementation of SMEs development policy works on three areas: the creation of an enabling business environment, developing financial and non-financial services and putting in place supportive institutional infrastructure. Nevertheless, the government is working to coordinate SMEs and financial institutions by which the knowledge of finance is given to the community. According to the Ministry of Industry and Trade (2003), the SMEs can be identified as table 1 illustrates:

Table 1: Structure of Enterprises in Tanzania (MIT, 2003)

Category	Employees	Capital Investment in Machinery (Tshs.)
Micro enterprise	1 – 4	Up to 5 mil.
Small enterprise	5 – 49	Above 5 mil. to 200 mil.
Medium enterprise	50 – 99	Above 200mil. to 800 mil.
Large enterprise	100	+ Above 800 mil.

Small and Medium Enterprises (SMEs) are the key players in economic growth as it employs and creates income for the majority of Tanzanian MIT (2003). The contribution of SMEs in Tanzania is estimated at 30-35% of the GDP of the Tanzanian economy (Calcopietro & Massawe, 1999). The SMEs contribute to the economy of the country by creating employment, increasing production, export, innovation and entrepreneurship skills (Frederick, 2013).

There is a tendency of many financial institutions or companies to disclose inadequate information for various purposes. Inadequate information reflects a shortage of communication, especially how a financial institution operates, how to analyze financial reports and investments. Lack of information in businesses may be done either purposely or by the shortage of education as the following explanation shows. Among the purpose is to limit the decisions of investors (principals)

ISSN: 2408-7920

which leave the management of the business to financial institutions or company (agent) (Zureck, 2015). Also, when both agents (financial institutions) and investors (principals) lack enough information from each other, force conducting business by trusting each other (Zureck, 2015). These situations allow the financial agents to manage the business on behalf of the investors. As these situations give financial agents the power to manage the business, the SMEs are subjected to a fiery furnace of limited capital.

At the same time, financial globalization brings the complexity of financial instruments and a lack of transparency on global financial markets (Knutter, et al 2011). However, the complexity brought in by financial globalization increase the establishment of financial companies and distorts the boundaries between and within the financial sectors, the established financial companies are not committed to serving SMEs (Yahya & Mutarabukwa, 2015). Based on this ground, SMEs in developing countries such as Tanzania fail to develop because of poor financial communication between SMEs and financial institutions. Therefore, this study examines how financial communication affects the development of SMEs through the practices and challenges. The current research had three objectives (1) identify the availability of financial communication used by SMEs in Tanzania (2) explore the financial communication practices used by SMEs in Tanzania and (3) examine the financial communication challenges for developing SMEs in Tanzania

THEORIES UNDERPINNING THE STUDY

Accounting theory

Accounting theory is the logical reasoning in the form of a set of broad principles that provide a general frame of references by which accounting practices can be evaluated and developed. Accounting theory may provide a frame of reference for the objective of financial reporting and then to the presentation and measurement of the information reported in the financial statement. According to Hendrisken & Van Benda (1992), equity theories interpret the economic position of the enterprise in a different way leading to a different emphasis in disclosing the interest of stakeholders as well as the different concepts of the income. Assets of the company are considered as liability including owners' equity. However, the theory lacks the essence of the firm existence.

In the 1990s proprietary theory was introduced. The theory explains the logic of accounting based on the purpose of the firm, nature of the capital and meaning of accounting from the owners' viewpoint. According to proprietary theory, the firm is owned by some specified person or group (Schroeder, Clark, & Cathey, 2009). Thus the profit and losses immediately become the property of the owner and not the firm. Financial statements become an important factor in presenting financial information.

Users of Financial Information

Financial statements have been used to disseminate accounting information of the organization to stakeholders. Those stakeholders use that information being for different purposes (Dimu Ehalaiye, laswad, Redmayne, Stent, & Cai, 2018). The study conducted in New Zealand by Dimu et al 2018 revealed that both types of users have similar perceptions regarding the usefulness of financial statements with the income statement and balance sheet. IASB's conceptual framework identified the primary users of financial reports including investors, potential investors, lenders, and other creditors (IASB, 2010). However, the information provided in the financial statement does not at all influence the need of the user they also depend on other information needed by users. The user of accounting information may also be politicians and decision managers (Helden & Reichard, 2019).

Financial information is used to determine financial distress in case of default to lenders. Financial statements are used to determine the default forecasting of borrowers (Lee, Chen, Jiang, & Hsu, 2012). The study conducted by Dimu et al (2018) concluded financial information is of use while making decisions. Both private and public sectors rate financial statements as the most important source of information (Andon, Baxter, & Chua, 2015). However, SMEs prepare financial statements inefficiently as required by IASB, rather they prepare when it is mandatory for loan requests.

The Role of SMEs in Tanzania's Financial Sector

The Tanzania financial sector was predominantly under state control characterized by high monopolistic tendencies before 1991. The private sector was discriminated against through the system of preferential interest rates limiting its role in economic development. In 1986, comprehensive reforms were undertaken to build a private sector-led economy (Mbowe, 2011). The financial sector in Tanzania has undergone substantial structural change since 1992. The reform aimed to put in place a conducive environment for free market operations and improve the significant provision of financial services to support economic growth (IMF, 2016).

Major reforms have taken place in all the sub-sectors, and there is a significant increase in participation by the private sector, especially in production. Private Banks have increased from zero in 1994 to thirteen in 1998. Over 40 per cent of state-owned enterprises have been divested, 50 per cent of which were sold. Some were performing well, contributing to government income and reversing the drain through subsidy (Temu & Due, 2000). The reform has led to key legislation milestones such as BAFI Act (1991), Foreign Exchange Act (1992), Capital market Act (1995) and BoT Act (1995) (BOT,2010)

The financial system in Tanzania has grown significantly since 2003, but remains relatively small and dominated by a top tier of larger domestic legacy and foreign banks. The top tier mainly caters to a small group of large corporations which often represent up to 70 percent of banks' loan portfolios leaving the SMEs market underserved (IMF, 2016). Government ownership is limited to four smaller fully-owned banks and minority stakes in the three largest domestic banks.

Tanzanian banks have very limited operations abroad and linkages with other financial institutions are largely absent (IMF, 2010). This situation brings the notion of the poor financial markets within and outside the country.

Financial markets, in general, are poor and less developed, however, a few key markets (the interbank and foreign exchange markets) exhibit relatively greater liquidity and depth. Banks in Tanzania are capitalized and profitable for only a few. There is wide variation within the system, several mainly large corporations have shown strong financial performance, but other corporations, primarily smaller foreign-owned and institutions, exhibit low profitability and poor asset quality (IMF, selected issues- Microfinance Issues, 2016).

Since 2003, the economic performance of Tanzania has been growing significantly. In 2015/2016 the annual real GDP growth rate was 7%, which remained constant from 2014/2015. (BOT, Annual Report, 2015) SMEs has been involved in light value addition activities mainly in informal sectors: sewage programs, local investments, footwear's, and food processing, wood and metalwork.

According to BOT, Consolidated Zonal economic Performance Report, (2016), the growth of the SMEs sector is driven by the expansion of the branch network, agent banking, and increase in linkage banking with Savings and Credit Cooperative Societies (SACCOS) and Mobile Money Operators (MNOs). Savings and Credit Cooperative Societies (SACCOS) performance is growing significantly in all zones. The number of SACCOS increased to 5,048 from 4,639 in the quarter ending December 2015. In the same period, savings increased by 7.9 percent from TZS 191,654.7 million to TZS 206,723.5 million, and loans disbursed raised by 7.2 percent to TZS 840,088.5 million, suggesting that SACCOS are increasingly becoming a preferred option for credit in the economy. Financial institutions have facilitated the development of SMEs through the provision of loans and seminars on business performance. The easy access to mobile money operators has contributed to the steady growth of SMEs whereby they can get financial assistance without visiting the branches.

Despite the best practices, products and services may be, many SMEs do not have skills and experience in areas such as business planning, financial reporting, marketing, customer relations and financial management. Managing a successful SME requires not only good creative and operational skills but good business skills too. Many SMEs do not appreciate it until it is too late that, if they do not have these skills in-house, then the success of their business may well depend on them importing those skills from specialist advisors from outside the company or quickly developing basic business skills themselves (Coleman, 2000).

The Need for Competence in Financial Communication in SMEs

The effectiveness of financial communication can be described into seven factors, according to (EYGM, 2015): compliance with all regulatory requirements by having clear channels, processes, responsible to ensure investors' confidence. Secondly, is good corporate governance by ensuring the presence of a good organizational structure for delivering and responding to daily requests from stakeholders. Thirdly, the transparency of the company by which all organs disclose their information based on present regulations. The information has to be given by following calendar and reasonable time frame. Fourthly, compelling equity story by ensuring fair, current and attractive information indicating performance factors, section reporting and business strategy. Fifth, delivering on promises by meeting the stipulated goals based on relevant analyst guidance. Sixth, facilitate share liquidity by using the reasonable method to monitor the competition for capital and maintain share liquidity in the capital market or stock exchange. The last is investor communication by ensuring adherence to international standards and using appropriate channels of communication. Meeting these factors lead to numerous positive effects as follows:

According to EYGM (2015) effective financial communication has the following: improve share liquidity on exchange, motivate peer group for better valuation, increase investor awareness, improve indexing participation, match with investors' expectations, meet regulations and requirements for disclosing information, and improve transparency. The well prepared financial communication helps the stakeholders to interpret both past and anticipated performance of the company before making a decision (AFG, 2012). The study conducted by Nyce (2005) proves that financial communication has a paramount effect on employee participation in investing in their pension.

Besides the positive effects of financial communication on the company development, lack of financial communication causes confusion among the stakeholders or investors, conflict and destruction of the project (AFG, 2012). However the credit services are available in the country, the presence of limited capital to SMEs in Tanzania still exists (Esther & Kappel, 2011). Also, Yahaya & Mutarabukwa (2015) explains that SMEs in Tanzania is faced with financial problems and SMEs' capital is obtained through individual saving, family support and friends. This situation indicates the absence of financial communications and poor channels used to disseminate financial information. The following paragraph explains the channels used to disseminate financial communication to the stakeholders.

Communication channels used to disseminate financial information of the company to the audience vary depending on the company trend and level: The most useful is the news release that combines both words and figures of what has been achieved by the company in a certain period (AFG, 2012). According to Nyce (2005), financial information can be disseminated through the web and the internet. A company may develop a web or other software to display financial information. Therefore, financial communication would solve the challenge of limited capital and investment of SMEs in Tanzania, especially when there is adequate information for all people in the need.

A study conducted by Bernheim, et al (2001) explains that workers having financial education in the working place have a distinguished effect on improving their assets and pension plan. Muller (2003) shows the financial education increases the percentage of assets invested inequities. These studies prove the necessity of having financial education for more investment and hence give the room for financial communication by which the investors will have the opportunity to interpret the financial situation before deciding.

According to Nyce (2005), the employees who have timely been informed contributed an average of 7.7% of pay ($4,467) per annum, while those informed less had an average of 6.9% ($3,290). He shows the employees receiving education materials frequently have higher contributions of 7.4% than those who receive less often having 7.1%. This proves how the presence of appropriate information has a paramount effect on the investment. Relating to the SMEs development, the financial information given to them have an impact on their investment. Furthermore, a study conducted in Ghana shows that there is a positive correlation between business performance and financial communication of the company (Pozniak et al 2013).

METHODOLOGY

The study was qualitative in nature and it employed a case study approach as it enables a researcher to retain the holistic and meaningful features of the actual phenomenon studied (Kohlbacher, 2006). The case study provides the researchers with the ability to involve a careful and complete examination of a selected phenomenon for a full analysis of selected conditions, patterns and factors to establish a clear understanding of the phenomenon (Thomas, 2011).

Three businesses were selected among sixteen businesses identified. The selection is based on the specifications provided by the Ministry of Industry and Trade (2003) as the categorization of SMEs in Tanzania (number of employees and the capital). Also, the business was supposed to be officially registered in Dar es Salaam. Purposive sampling was employed to select 20 respondents including owners or managers, employees and customers in the respective businesses. The study was conducted in Dar es Salaam City. The research instruments used included in-interviews, observation and documents review. The selected respondents were interviewed monthly which enables researchers to observe the financial practices of the businesses. The data obtained were coded based on the themes that enable the researchers to explain how financial communication practice in the three selected businesses was practised. Data collected via interview recorded and transcribed by using Express Scribe Transcription Software. Descriptive analysis technique to analyze data collected through interviews and documentary review as it provides a detailed rendering of information about people, places, or events in a setting (Creswell, 2014). In the analysis process, three themes and their sub-themes were established and corded properly in MAXQDA2018 to establish better interrelationships between the themes. MAXQDA2018 has been selected because it provides a researcher with the opportunity to organize, sort and look for images or text coded easily and hence provide a valid interpretation of the data.

FINDINGS AND DISCUSSION

The findings of the study were built upon the research themes. The researchers organized and administer interviews, documentary reviews and observed how financial communication was practised in the three selected cases. Thereafter, the findings were recorded and coded to their themes. Lastly, the Descriptive Analysis was employed to explain how financial communication was practised in the selected cases.

ISSN: 2408-7920

African Journal of Applied Research
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http://www.ajaronline.com
http://doi.org/10.26437/ajar.10.2021.08

The Availability of Financial Communication used by SMEs in Tanzania

Presentation of the findings is on main three categories: first is the business classified as micro-enterprise, the second a small enterprise and the last is a medium enterprise as per Tanzanian's government classification. The results from the first case which is located at Mwananyamala in Kinondoni district. This case falls under micro-enterprises as it has the capital, which is less than TSH 5million and 5 workers as per Ministry of Industry and Trade (2003) categorization.

> "*...the price of goods is not clear, it depends on the day and familiarity thus why we have to ask then negotiate to reduce, buy or go...](**customer for 1st case, 2018**)*
>
> *Field 2018*

A shop has no financial records that could show the business trends since it started. Also, there is no price sensitive announcement written anywhere. Customers used to ask the price of any goods and negotiate with the shopkeepers. Furthermore, when it comes a time to submit financial records to Tanzania Revenue Authority (TRA), they used to consult financial consultants for the preparation of the cooked report. Financial information is only prepared for taxable and which are cooked. The findings from the first case show the absence of financial records for the business undertaken, price notification (labelling), the absence of bank account and cooking of financial records for taxation. That situation indicates the traditional practice of conducting business by which no need for a bank account and financial records. This goes in line with what was found by Yahaya and Mutarabukwa (2015) that SMEs in Tanzania are still working traditional that hinder taking business opportunities in the East AFRICA Community (EAC).

The second business is a pioneer of microcredit in Tanzania providing micro leasing services to SMEs, especially to the widow and young girls in Dar es Salaam since 2002. The company helps women build and grow value-creating, sustainable businesses by enabling them to acquire equipment for their businesses for lease, as well as small working capital loans through a sale and leaseback facility. Women are provided funds to start businesses which include opening schools, Baking, Tailoring, Farming, Irrigation, Agricultural Produce, Cosmetology, Food vending/catering, Florist, Livestock keeping – poultry, dairy, cattle, Milling and packaging corn flour, Buying and selling of cereals. Financial communication has been exercised as there are bank statements: quarter and annual statements and the interest amount for loans. But there is a shortage of information like cash flow statements, monthly financial reports and business advertisement: services provided. The absence of financial records as observed here limits loan accessibility to most SMEs that contribute to the failure, stagnant or death of businesses as suggested by Mori, & Richard, (2009) that poor documentation limits SMEs to get loans.

The third case is a limited liability company providing financial services to SMEs and individuals located at Mlimani city, Nujoma road, in Dar es Saalam since 2010. Its mission is to provide financial solutions to individuals who feel denied by conventional banks. The findings show the presence of financial communication: annual financial records and financial statements. Nevertheless, there is financial communication, a limited audience of the financial information

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http://doi.org/10.26437/ajar.10.2021.08

provided for instance loan beneficiaries are the ones expected to advertise the services provided. Also, they lack various information such as the statement of cash flows, quarterly reports and statements of changes of owners' equity that could be useful to both shareholders and customers.

Furthermore, the data obtained from the cases show that they were afraid to prepare and disclose appropriate financial reports because the government will understand exactly the profit and tax them.

> *"…if we provide information correctly Tanzania Revenue Authority (TRA) will charge us much…." (***Respondent from 2nd case, 2018)**

Wrong information provided to Tanzania Revenue Authorities (TRA) hinder the collection of appropriate revenue collection and social services provision in the country. This tendency matches with the explanation given by Zureck (2015) that many financial institutions and companies disclose inadequate financial information to limit awareness of shareholders and anxiety on stakeholders. Banking awareness has been observed as the challenge in this business as there is not much information as it lines with (Madole, 2013), that most SMEs fail because of lack of appropriate information of various services provided by financial institutions.

SMEs' Financial Communication Practices in Tanzania

The findings show that the first case has no effective financial communication: firstly, financial information has been perceived as the tool of exploitation used by the government that is why it is not prepared and if prepared it does not reflect the reality. Secondly; pricing goods based on the nature of the customer and the related results to claiming and un-satisfaction to the customers. Thirdly; a lack of appropriate information on the credit services provided by various financial institutions that could support SMEs. This situation reflects the absence of good relations between financial institutions and SMEs in Tanzania. Fourth; a lack of financial records which could enable the loans to be accessed from financial institutions and there is no business account. Lastly; the notion that financial institutions are there to support big projects and to exploit the small ones. That perspective hinders SMEs to join in SACCOSS or any other groups that provide credit to individuals. The absence of financial records, lack of capital and limited information about credit services reflect the absence of appropriate financial information to most SMEs, this matches with the suggested made by (Muriithi, 2017). Also, the traditional practice of conducting business observed, in this case, prove the shortage of information which limits the opportunities for developing businesses. The traditional business practice has been explained by Mzomwe & Mutarabukwa (2015) as the reason hindering Tanzanian SMEs is taking business opportunities in the East African Community (EAC). Also, limited information, especially from financial institutions services the business is faced by capital, constraints that limit its growth as suggested by Mori, & Richard (2009).

The second case tends to disclose financial information annually, although the information disclosed lacks various important information like the present capital, estimated profits, cash flows and their financial positions. Also, financial information is disseminated to a few people especially

ISSN: 2408-7920

donors and investors. The channels used to disseminate financial information are word of mouth, conference presentations, a customer's request, no public announcement and the absence of advertisement. There is a tendency of hiding financial information from stakeholders until requested and normally forged to hide the actual capital to reduce taxation exercise which is not friendly, this much with what found by Moshi (2011) that taxation in Tanzania is not participatory and friendly. The circulation of financial information from one unit to another has been identified as a challenge facing SMEs. This situation goes in line with the findings obtained by Esther & Kappel (2011) that financial information limits SMEs to meet various opportunities.

The third case advertises their services through radios and televisions (rarely). It was pointed out they do door-to-door marketing using a marketing team of fresh graduates which expand their market significantly. They produce an annual financial report and give them only to shareholders and for internal uses. The channels used to disclose financial information includes word of mouth, the internet, printed documents and conferences. However, the channels are seemed to be modern but they do not carry sufficient information that could support the understanding of profits and forecasting of the business. Data show the use of semi-modern means of disclosing financial information like the use of websites and annual financial reports, although providing limited stakeholder and internal uses only. This match with Nyce (2005), that financial information can be disseminated through the internet and print documents. Data shows the disclosure of few and insufficient information which fails to provide a full picture of the firm. These practices match with what was suggested by Zureck (2015) that financial institutions disclose inappropriate information to limit the understanding and give them a chance to decide on behalf of other shareholders.

The challenges of Financial Communications toward SMEs Growth in Tanzania

The major challenges observed includes from all cases are: financial information has been perceived as the tool of exploitation used by the government that is why it is not prepared and if prepared it does not reflect the reality. Secondly; customers are unsatisfactory due to the absence of goods' price labels and hence based on the nature of the customer and the relationship. Thirdly; the shortage of capital to expand the business is the result of poor financial communication between or within the business. Fourthly; a lack of appropriate financial education and records keeping due to incompetence and intentionally hiding of the information. Fifth; the lack of communication between the SMEs as the first case proves the shortage of information on the services provided by financial institutions that made the business stagnant for years. Lastly is limited market due to the presence of poor channels used in disseminating financial communication and the high cost of advertising the business. These challenges have been discussed as follows:

Lack of capital is a common problem facing SMEs as observed from every case. The first case shows the lack of capital as the business exists for more than seven years but is still a micro-enterprise because it can not access loans from financial institutions, this is in line with the findings by Lyimo (2014) that 25% of SMEs obtained capital through bank loans. Also, he suggested that SMEs fail to access loans because of collateral. For example, 54% of SMEs in Arusha city fail to access loan because of poor collaterals, while Moshi (2011) 86.4% of respondents fails to get loans due to collateral problems.

Lack of communication between different chains affecting SMEs including SMEs themselves, financial institutions and government officials. Because of lack of education, most SMEs do not disclose actual business records to government officials and others who might have not been well known to them. This situation leads to having disparity within the chain and limits both SMEs and government to work together (Zureck, 2015). Also, Lyimo (2014) found that taxation is among the main three challenges of SMEs growth in Arusha, because of inadequate information on taxation to SMEs.

Customer unsatisfactory has been observed from all cases where the services fail to meet the needs of the customers. The findings show that in the first business there was no exactly price and the negotiation was a determiner of the goods' price. This situation creates unsatisfactory for the customers as sometimes the price depend upon the nature and relationship between a shopkeeper and a customer. These findings are in agreement with the suggestions made by Hamisi, (2011) that the SMEs fail to analyse the needs of their customers and hence fails to match with their expectations.

Also, limited financial education has contributed much to SMEs failing to grow. The cases reveal a shortage of financial education by which financial records, statements and price announcements could be provided. Lack of financial communication limits the decisions of stakeholders, although seems to benefit business principles, in some cases limiting the growth of a particular business (Zureck, 2015). The disclosure of few financial information limit the growth of the business as fewer customers can be reached. Financial education would support the SMEs to prosper in every category of their businesses as the study conducted by Tambwe, (2015) shows the improvement of 90% after provision of education to SMEs in Ilala.

CONCLUSION

Financial communication has a great role to develop and identifying business opportunities available in a particular area. This study reflects the truth that communication is a potential vehicle in business growth. SMEs in Tanzania are faced with financial communication problems as the data obtained show the absence of financial records, monthly and quarterly financial statements are not prepared at all. Financial information is not well disseminated to the large group of the audience rather produced for internal utilization of taxation processes and hence limit business growth.

Financial communication can be done based on the nature, the intention of the company and the nature of intended audiences. The presence of traditional and semi-modern ways of financial communication as observed from all cases limit the growth of the business and lowers the government revenue. The studied cases show the financial practices perform both traditional and semi-modern ways. The traditional practice is well seen in the first case where the word of mouth is the only way to deliver the financial report. This practice does not hinder only the government to

ISSN: 2408-7920

African Journal of Applied Research
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http://doi.org/10.26437/ajar.10.2021.08

get the appropriate amount of taxation but also limit the business owner to building a broad picture of the business, understanding the progressiveness of the business and limiting loan accessibility from registered institutions. The traditional practice also has been explained by Mzomwe & Mutarabukwa (2015) as the reason hindering Tanzanian SMEs is taking business opportunities in the East African Community (EAC).

All cases show how taxation processes are not friendly to the SMEs in Tanzania that forcing them to hide actual information. This reflects the explanation given by Moshi (2011) that SMEs taxation in Tanzania is based only on activities and approximate size rather than income which limit the growth of SMEs. Therefore, we argue the government to look for a better way of educating SMEs in the taxation process and make a fair ground by both parties will be free to participate friendly.

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