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### THE ROLE OF COMPLIANCE LINKAGES AND MODERATING EFFECT OF SECTORS ON MICRO AND SMALL ENTERPRISES GROWTH

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### ABSTRACT

Based on Tanzania MSE's definition firm growth and contingent perspectives were used to determine the influences of linkage facilitation to standard and registration compliances in the context of seven sub-sectors. Data from textile, food vending, soap making, services, poultry, food processing, and handcraft were obtained through clustered 225 MSE's in operation for a minimum period of two years prior and after compliance linkage were obtained. Items with five scaling points' statistics were tested using SPSS V22 in addition to the process menu for sector moderation effect test. The descriptive and regression value were adopted and used for periodical performance comparison and hypothesis testing. ANOVA results indicated significant (p=value.000) positive influences of link facilitation to standard and registration on MSE's growth with positive economic significant of 0.378 and 0.322. On the other hand sector indicated insignificant ( p=value 0.3663 and 0.6911 in affecting the relationship of compliance variable on MSE's growth variable. Building on the results its good for policymakers to develop strategies that assist MSE's compliances cost minimization in relation to their financial resources structures and constrain and hence encouraging more studies that may cover more variables in the construct to feed more inputs to current knowledge.

Keyword: Compliance, Standards, Registration, SME's growth.

### **1. INTRODUCTION**

Globally MSE's are increasingly recognized as important drivers of economic development (Elaine and Supangco,2018). Their significant contributions are measured through increase in employment, income generation, investment, innovation, and exports. They also serve as a training ground for development and upgrading entrepreneurial skills in the economy (Kazungu et al.2018). Doing business successfully needs resources to enhance business performance, where well informed and skilled entrepreneurs are likely to utilize opportunities assist to operate at the expected level (Alan and Simon, 2012).

Intentionally, the aim for each economy is to promote the creation of institutional and systematic conditions towards the upgrading of firm-level capabilities, diversification, and creation of new

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firms through necessity formal dealing in the economy (Shamsuddin et al. 2017).

A preconceived and frequent opinion is that integrating sustainability through compliances in micro and small enterprises is an important strategy. Yet costs and complications associated with a process of creating and presenting a good image of the products and services do not need to jeopardize the quality of future activities (Kernich and Öhlén, 2019).

At a fundamental level, any business environment reforms that need to benefit from MSE's sector, simplifications of legal requirements, and reduction of compliance costs should be improved for MSE 's to grow (White, 2018). Other challenges are unavailability of sufficient skills on non-compliance policies, lack of accountability, and corruption (Ambe and Badenhorst-Weiss, 2012: Hazarika, and Jena, 2017).

Normally the incentives for compliances in the micro and small enterprise are derived from external factors like harmful which forces business entities to act by protecting their reputations. Willard (2012) identifies a journey to become profitable in business, the requirements of the environmental factors will need sustainable and compliance engagement.

A strong and dynamic MSE sector would stimulate the economy. Considering the significance of their roles in economic development, Tanzanian Government and other supporting institutions have provided a number of business support programs to ensure their competitiveness (Mbura and Bambagabya, 2015). Initiatives facilitated links to areas regarding standards, business reporting, and other compliance requirements (Mori,2014).

The compliance journey may involve proper and the right facilities for production continuity (Willard, 2012). Non-compliances on packaging materials that have contributed immensely to natural resource depletion, global warming, ozone layer depletion by placing excessive pressure on the environment unceasing waste disposal may cause MSE's growth failure.

However, it is expected expansion to display an effect on the relationship between strategies and sector/business activity that an SME is engaged in, by reflecting on the impact of different markets (Heyden et al., 2013; Maennig, 2012: Johnson *et al.*, 2007). That, MSE's owner's managers allies in the notion of optimal structures to shape responses behaviors to the effect of policies, measures, regulations, and rules individually for a given sector that may influence expenditures (Thi,2018).

### **1.1 Definition of micro and small scale enterprises**

The definition of micro and small enterprises varies from country to country. What is identified or categorized as a micro-enterprise in one country may be considered as a small enterprise in another country (Ayansola and Houghton, 2017).

The most commonly used criteria to define micro and small enterprises are the number of employees, total net sales, and investment level. However, the most frequently used definitional basis is the number of employees (employment,) and here again, there is variation in defining the upper and lower size limit of micro and small scale enterprises (Terefe,2018).

In Africa, definitions vary from country to country but remain characterized by the number of employees and size. In developed countries, the criteria used for the definition of SMEs are different from those used above. Nevertheless, the most common criterion is still the number of

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employees although this may well exceed that used in developing countries particularly Africa (Sarr,2019). However, we can classify this sector into two major groups, first are those operating in compliance with regulations, and second are those that operate informally with a lack of compliance status (Takashi, 2016).

In the case of Tanzania Enterprises in the MSE sector are defined both in terms of invested capital and the number of workers (see Table 1). For the purposes of directing its policy and support, the Ministry of Industry and Trade (MIT) has adopted a definition of the micro, small, medium, and large enterprises based on invested capital and the number of employees (Olomi and Mori,2015: Anderson,2017). The SME's policy defines enterprises as indicated in the Tables.

Categories	Number of employees	Capital investment (Tsh)	
Micro enterprises	1-4	0 to 5 million	
Small enterprises	5-49	Above5millionto200million	
Medium enterprises	50-99	Above200millionto800million	
Larger enterprises	100+	Above 800million	

## Table 1 – Definition of Micro, Small, Medium and Large Enterprises

Source, URT / MIT – SME's Policy, (2003). 1 US\$ is Equivalent to Tanzanian Shillings 2279.24 in 2020).

### **1.2 Compliances**

According to Wilson *et al*,.(2018) compliances are the ability of a business to meet the desired standard of quality, accreditation, formalization, conformance to a set of existing guidelines, laws, regulations, or best practices in the economy. Another is conforming to relevant requirements from regulatory and compliance bodies. However, ESAURP, (2012) asserts to be the ability to trade with other legitimate entities like supermarkets, hotels, banks, on the bases of having relevant licensing and certification to justify legal ownership and goodwill of the business.

It has, however, link to compliance is conceptualized to be assistance in getting consistent massages and information around the desired standard of quality, accreditation, formalization, relevant licensing, certification, and other requirements from regulatory and compliance bodies.

## **1.3 Enterprises Growth**

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Growth is a resource excess with the evolutionary development of products, services, and strategies to cover the expectations of multiple stakeholders such as entrepreneurs, corporations, and policymakers. The growth can happen horizontally or vertically by the way of establishment of more business at the same level, or graduation and transformation of micro to small and medium business (Mungai,2012). The excess resources for expansion include those which enterprises own for redeployment for new and more productive applications (Nason and Wiklund, 2018; Rim, and Monia, 2018; Penrose, 1959; Willemse, 2018).

Other has shown to be a composite of growth in sales, assets, and employees, the establishment of formal procedures to attract more profit and confidence in dealing with, compliance, suppliers, and customers (Leeuw, 2012: Neneh and Van Zyl, 2014; Nyamagere and Nchimbi, 2018).

In this article, Penrosean perspective of changes in resources that can be redeployed to new and more productive application and hence realizing graduation and transformation of micro to small and small to medium business for expansion is considered. It including changes in sales, employees, and investment in assets value was adopted (Penrose, 1959: Aislabie, 1992: Mungai,2012: Machado, 2016: Nyamagere and Nchimbi,2018: Nason and Wiklund, 2018: Willemse, 2018).

### 2. THEORETICAL AND LITERATURE REVIEWS

MSE's firms do not operate in a vacuum, are surrounded by various external forces, including compliance that influences strategic behavior (Leonidou, *et, al*, 2015: Mahwish, 2017). That in a way to adopt a strategy for standards and registration compliance, to the specific sector may result in higher costs.

Most MSE's lacks a full range of required knowledge to compete where compliance, assists MSE to gain knowledge on regulations for value creation activities (Rennemo and Widding,2017). Management role is important in the conception and implementation of an expansion plan that produces more resources.

That creation of new and excess resources is based on gaining experience over time (Pitelis,2009). In consideration of Penrose (1959), networks with compliant organs are the most important strategy and thus becoming essential stepping stones in achieving growth (Sharafizad and Coetzer,2016: Rennemo and Bogren, 2017).

The weight of informal SMEs in the economy is indisputable because they not only constitute the vast majority but also because of their presence virtually in many sectors of activity including processing, food vending, soap making, services, handcraft, poultry and tailoring in Tanzania (FSDT,2012:Mbura and Bambaganya,2015).

MSE's are required to comply with transparency in the supply chain. With considerable concern on environmental impact, compliances on standards and registration assist sustainable development for general operations. The process enables MSE's business to compete and hence improving quality in the market (Etuk, *et al*, 2014).

In relation to compliances, regulations may become rigid, inconsistent, exposure to corruption with a negative impact on growth (Amanamah, 2016). Others may be high compliance costs and municipal regulations that pause significantly negative effects on business development. Thus, formal assistance may be encouraged to promote the MSE's growth (Mole,*et,al*, 2017).

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The motivation for compliances involves an analysis of factors that hinder MSE's to license business in adopting formal practices for economic linkages with other businesses like supermarkets, hotels, and banks. Such that relevant licensing and certification organs justify legal ownership and goodwill (ESAURP, 2012). Funders and government require businesses to have all relevant, updated legal, and compliance documents on hand at all times. Company records and business documentation is critical when operating a business. The lack of such documents can negatively affect the development of incubated firms (Willemse,2018: Pretorius and Shaw, 2004).

Informality is an integral part of many micro and small business problems. Commonly are the quality of their management, unreliable financial information, and general informality. It also extends to unregistered, whose owner as an individual or household assets are not separable from those of the firm, and for which there is no reliable accounting to trace the operations ((Sharafizad and Coetzer, 2017: Sarr, 2019).

The comparative nature of activities determines how well each firm transforms available resources or inputs into the relevant desirable performance output. Thus, relative to the best achievable in the primary or secondary industry they operate. That level determines the nature of recruitment and knowledge acquisition (Penrose, 1959: Feng, 2017: Saridakis *et al*, 2018).

## 2.1 Theoretical Gap

The firm growth perspective mainly focuses on internal tangible and intangible resources. It asserts growth to be the product of idiosyncratic resources, including managerial skills, knowledge, and unique competencies. With a focus on intangible aspects, though it suggests using experienced managers to train new employee's perspective does not consider that most of the micro and small businesses are solely managed with skill and compliance knowledge limitation.

However, the theory suggests, managers, learning how to use existing knowledge and skills more efficiently and alternatively use of new knowledge from external sources, but with conditional of internal absorbing capabilities. With the absences of firm activities consideration, it lacks information on the ways and the role of the link to compliance. it does not acknowledge it as the source of competitive advantage in the market gained through intangible ownership of goodwill and good image for growth from outside. With such intangible capability supply from external in case of its limitation, its influence on growth was determined.

### **3. STUDY OBJECTIVE**

The objective of the study was to determine the influences of the link to compliance and the moderation effect of the sector on micro and small enterprise growth.

Specifically, three objectives were established.

**3.1** The Link to standard compliances influences MSE's growth

**3.2** The Link to registration compliances influences MSE's growth

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3.3 The business Sector affects the relationship between link compliances and MSE's growth.

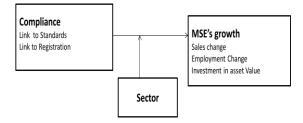


Figure 1. Conceptual framework of the study

From the objective above three hypotheses are formulated.

H2. Links to standards compliances has a positive relationship on micro and small enterprise growth

H1. Links to registrations compliances has a positive relationship on micro and small enterprise growth

H3. Business sector moderates the relationships of at least one of two compliance linkages and micro and small enterprise growth.

# 4. RESEARCH METHODOLOGY

Quantitatively, positivism guided the process as it offered the ground for the causal relationship design between compliance and MSE's growth variables (Krauss, 2005; Saunders, *et al*, 2016). Using firm growth and contingency theories lenses deduction from already establishes laws and principles by the means of the survey from 1119 micro and small enterprises in Dar es Salaam and Coast regions was done (Lufumbi,2009).

The understandings were gained by establishing a causal relationship between two compliance variables links in predicting changes on sales, employees, and investment change in asset value with greater emphasis on quantitative in the context of specific business activities (Saunders, *et al*, 2016: Thibodeau, 2011).

The cluster sampling process was involved to obtain a number of MSE's accessed compliance linkage services from poultry, soap making, handicraft, textile, services, food vending, and processing subsectors from 2012 to 2017. A Sample of 254 businesses employing 1 to 4, 5 to 49 employees with a capital threshold of 0 to 5million, and 5million to 200 million operating for a minimum period of two years prior and after receiving link was obtained (Rennemo and Widding, 2017). The decision to take them builds on the facts that, the period was good enough to start realizing the influence of the compliance (Premaratne,2003: Stokes and Wilson,2010: Von Friedrichs and Rennemo,2013).

The sample frame for the survey was micro and small enterprises whose owner's managers received a compliance link from enablis entrepreneurship network and TASWE in Dar es Salaam and Coast regions. The researcher and two assistants distributed 254 copies to the owner's managers at their business location. Some were found at their residents as they operate

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businesses from home, via mail, some at Machinga complex, Mwananyamala disabled trading center, and Dare s salaam city mall. Out of 254 questionnaires only (225), 88% were successfully completed and returned.

The measurements from previous studies (Ansah, 2016; Crompton, 2012; Mungai,2012; Kazungu *et al.*,2018) was adjusted for self-administered with closed-ended questions for the respondents to provide clear answers and hence give a room for easy codification. The reliability and factor analysis was done where cronbach coefficiency was. 828 and KMO of .934 with Bartlett's test of 1836.603 at .000 p= value. Items with five scaling points statistically were tested using SPSS V22 in addition to the process menu for sector moderation effect test (Hayes,2013). Descriptive data and regression analysis output were used to test three hypothesis statements.

### 4.1 Data analysis and hypothesis testing

The frequency analysis was done to examine the respondents' characteristics and levels of business growth before and after compliance link facilitations (Magasi,2019).

### Table 2. Respondents characteristics (n=225)

Variables	<b>F</b>	Percentages
Gender	Frequency	
Valid Male	e 67	29.8%
	158	70.2%
Female		
Education		
Valid	45	20.0
Primary school		
Secondary school	57	25.3
Certificate	18	8.0
Ordinary-		
Advance	52	23.1
Diploma / 1st	52	23.1
Degree		
Higher	53	23.6
Degrees Business		
sub sector		
Valid Food		
processing	35	15.6
Food vending	31	13.8
Handcraft	35	15.6
Poultry/bird	26	11.6

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Service	36	16.0
Soap Making	30	13.3
Textile	32	14.2

Source: Field Data, (2020).

# Table 3Growth indicators (n=225)

Sizes	Before link to compliance Monthly average Sales		After compl Month averag Sales	hly
	Fre que	Perc	Fre que	Perc
	ncy	ent	ncy	ent
0 - 3 Millions	192	85.3	92	40.9
(Tsh) 3 - 5Millions	18	8.0	83	36.9
5 to 10millions	10	4.4	27	12.0
10 and Above	5	2.2	23	10.2
Employme				
nt				
1 - 4 Employee	208	92.4	145	64.4
s 5-49 Employees	17	7.6	71	31.6
50-99 Employees			9	4.0

Source: Field Data, (2020).

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BREI	LA		Т	IN	GS	51	R/H	K
	N	%	N	%	N	%	N	%
Bef ore	6 1	27 .1	6 6	29 .3	15	6. 7	3 9	17 .3
Aft er	8 7	38 .7	8 0	35 .6	45	20 .0	1 1 2	49 .8
Neit her nor	7 7	34 .2	7 9	35 .1	16 5	7 3. 3	7 4	32 .9

 Table 4a. Formalization status before compliance

Source: Field Data, (2020)

## Table 4a. Formalization status after compliance (n=225)

LOCATION			LICE	NSE
	N	%	N	%
Before	4 9	21.8	62	27.6
After	9 9	44.0	83	36.9
Neither nor	7 7	34.2	80	35.6

Source: Field Data, (2020).

Table 5 a Sources funds invested and value before compliances linkage (n=225)

Sources	Freq	Before Support %		
	-		Amou nt	
Salary	10	4.4	0-5	202
Business	10		m 5-	23
Dusiness	19	8.4	200	23
			m	

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Family	43	19.1	-
FI	25	11.1	-
P/Servin	124	55.1	-
gs			
Donor	4	1.8	-

Source: Field Data, (2020).

~		A		upport		
Sour			So			_
ces	Amou		urc	%	Amoun	Fr
	nt		es		t	eq
Salar	0-5	20	1	4.9		
У	m	2	1	4.9		
Busi	5-		1	53.	0-5m	1
ness	200	23	2	33. 3		3
	m		0	5		6
Fami		-	9	4.0	5-	8
ly			9	4.0	200m	6
FI		-	5	23.	200-	3
			3	6	800m	3
P/Se		-	2			
rve			7	12.0		
Don		-	5	2.2		
or			5	2.2		

Source: Field Data, (2020).

# 4.2 Descriptive discussion

Respondent's characteristic frequency and percentages analysis were conducted. The results are presented in Table 2. The sample of 225 owner's managers received compliances link comprised of 67 (29.8 %) male respondents and 158(70.2%) females.

In terms of the level of education, Table 2 indicates that 45 (20.0%) have primary school level, the secondary school were 57(25.3%) certificates, 18 (8%) ordinarily diploma to the first degree, 53(23.1%) and the remaining were those with higher degrees (53(23.6%)). As regards to sectors surveyed, the food processor was 35(15.6%), food vending, 31(13.8%), handcraft 35(15.6%), Poultry or birds keeping, 26(11.6%), services 36(16%), soap making 30(13.3%) and textile 32 (14.2%).

As indicated there has been the predominance of females over men indicating women to be many

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than men. UNIDO (2013), supports the findings by showing the predominance of women at 64% of informal sector activities covering small scale manufacturing and food services. On the other hand, the facilitation of SME's service by the design of special programs that focuses on women and other disadvantaged groups was the reason for more involvement of this group of sex (UNIDO,2013).

Another study revealed the source for more involvement in micro and small businesses to be the ability of women to networks based on friends, relatives, and referrals (Nyakujanga, 2015).

The findings are supported by FSDT (2012), on its baseline survey reports which show a high percentage of women (54.3%) to run macro small and medium enterprises than their male counterparts(45.7%). A possible reason behind these facts is the ability to utilize the skills mastered as a part of their domestic roles and socialization process such as food vending, personal care, and product processing as it is termed as knowledge reservoirs.

More important women are perceived to be good listeners to customers, organized, more trustworthy, and disciplined than men counterparts. As it was observed by Utou, (2011), women have a strong desire to work with one another and ready to network for the exchange of business ideas and experiences (UNIDO,2012: Mori,2014). The government is making various efforts to enable MSMEs to obtain financing in order to surface a high level of collateral required by banks which stands at (125 percent (Mori,2014).

Women are also increasingly forming village community banks (VICOBA) which have become a source of capital for financing. Most microfinance institutions (MFI) practice group-based methods believe women to be an ideal group formation as opposed to a male counterpart (UNIDO,2012).

The evidence is even more nuanced where some of the literature shows that males have a stronger response to training programs offered to both males and females (Berge et al., 2014). On the other hand, training for women entrepreneurs was indicated to benefit them through personalized support and follow-up visits than men counterparts (Valdivia (2012; Lafortuney et al, 2017).

Regarding education level, nowadays people with different educational backgrounds are engaged in SME's sector. The reasons may be the inability of the employment market to absorb graduates. It is however said MSEs to act as "incubators of innovation" and provide employment to raise the country's Gross Domestic Product-GDP (Hatten,2012: UNIDO,2013: Mori, 2014: Mbura and Bambaganya,2015).

In Tanzania, micro and small businesses fall under the umbrella of SMEs. This performs many activities, selling of products and services in a different location. As to MIT,(2012), the services sector in micro and small enterprises in aggregate occupied 31%, followed by trading and manufacturing by 13.6% and 55.5.% (Tillerman,2012: (Makame, 2014: Sanga, 2018).

### 4.3 MSE's growths indicators in Figures

The result from Table 3 indicates average sales per month to increase two years after the link to

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compliance. Sale amount from 0 to 3 million declined by 45.3%, with an increase of 24.9% in sales 3 millions to 5 millions, 7.6% was for 5 million to 10 million, and 10 million and above were 8% rise. The reported increases could be due to the winning of market interest through compliance with rules and principles Mahwish, 2017).

Increases in the number of employees were found where the number of employees from 1 to 4 was decreased by 28% and 5 to 49 increasing by 24%. Also, it was found that before the link to compliance were no medium-size enterprises whereby after compliance, fifty-seven, nine enterprises upgraded from micro to small and from small to medium size respectively. As per Tanzania, SME Policy demarcations (Mori, 2015; SME's policy, 2003) compliance has shown a positive contribution to the national goals of employment.

Since the working environment could have improved, the plan to comply influenced the equitable distribution of the benefit on the growth in the labor force. The result of conformance is not only limited to rules and regulations, abide by standards, best practices, and better internal working environment and policies attract new workers (Mungai, 2012: Mori, 2015: Wilson et al. (2018). The evidence is in Table 4a,4b where registration to BRELA, Revenue Authority, GS1, records keeping, proper location of the business and licensing increased after link intervention than before by 20.3% and in total from 21.6% to 42%. On the other hand, 40% of business regardless of the link was not in compliance with any conformance and requirement either before even after linkage.

Formalization is one of the shortcomings that hinder micro and small businesses that result in operating informally. Business registration, properly established system in the operation, recordkeeping, business license are the indicators of MSE's growth (Delmar et al., 2003; Kemp, 2013). The extent of how a business becomes formal through records keeping, registrations, licensing, and certification assumes owners managers commitment and dedication to growth. However, levels of formalization were because of an increase in the level of investment where more formal contacts are needed in dealing with formal entities (Hatten, 2012, p 405; ESAURP, 2012).

On the other hand Table 5a,5b, show two years before compliance funding for business were mainly through personal servings, family support, financial institutions, reinvestment from business, salary, and donors by 55.1%, 19.1%,11.1%,8.4%, 4.4%, and 1,8% respectively. In regard to the amount invested 0-5 million were 202 MSE's, 23 reporting the range of 5-200millions. After the link to compliance, the sources of financing changed in percentages where the leading source was business, FI, personal serving, salary, family, and donor by 53.3%, 23.6%, 12%, 4.9%, 4%, and 2.2% respectively.

It is however indicated MSE's with an investment of 0-5m decreased by 67.3% from 220 to 136. The subsequent threshold indicated 5m to 200m to grow by 36.5% or 63 entities graduating from micro to small while 1.33% or 3 upgraded or graduated to medium enterprises. The result was because of the owner's awareness on the benefits that emerge from complying to rules, regulations, and good practices, which attracted self-motivation and funding from within and outside (ESAURP,2012).

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### **5. HYPOTHESIS DISCUSSION**

# Table 6: Model Summary<sup>b</sup>

Variables				Std.
			Adjusted	Error of
		R	R	the
	R	Square	Square	Estimate
Standards	.661ª	.437	.434	.67835
Registrations	.637 <sup>a</sup>	.406	.398	.69475
Interaction	.661 <sup>a</sup>	.437	.434	.67835
Standards*	.6678	.4460		P value
Sector				(.000)
Registration	.6386	.4078		P value
*Sector				(.000)

Source: Field Data, (2020).

# Table 7: Analysis of variances (ANOVA)

STAN DARD S Regress ion	76.67 5	1	76. 675	166. 68	.000 b
Residu al Total	98.9 34 175. 610	215 216	.46 0		
Standar ds* Sector		1,213 (R2- chang e, .0021 )		.81 96	.366 3
REGIS TRATI ON	Sum of Squar	Df 1,2	Me an Sq	F	Sig.

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Regress	es 72.0	3	uar e 24.	49.	.000
ion	30	C	010	744	b
Residu	105.	218	.48		
al	223		3		
Total	177.	221			
	253				
		1,221			
Registr		, (R2-		.15	.691
ation *		chng,		83	1
Sector		.0004			

Source: Field Data, (2020).

# Table 8 Coefficiency of Correlation

Model				Std.
			Adjusted	error of
		R	R	the
	R	Square	Square	Estimate
1	.715 <sup>a</sup>	.511	.507	.63320

Source: Field Data, (2020) Table 9: Regression results Model Summary

	В	STAN DARS ERR OR	BE TA	t	Sig
(Consta nt)	1.00 2	.197		5.0 80	.000
STAND ARDS	.378	.070	.37 4	5.4 02	.000
Standar ds* Sector	- .0237	.0262		- .905 3	.3663
REGIS TRATI ON	.322	.056	.39 6	5.7 23	.000
Registr ation *Sector	- .008 1	.0205		- .39 79	.6911

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# a.Predictors:(Constant),REGISTRATION,STANDARDS

STANDAR DS & REGISTR ATION	Sum of Squ ares	D f	Mea n Squa re	F	Sig
Regressio	89.8	2	44.9	111.	.000
n	07	2	04	994	b
Residual	85.8	21	.401		
	02	4	.401		
Total	175.	21			
	61	6			

## Table 10: Analysis of variances (ANOVA)

## Table 11. Compliance Variable to Each Growth

a. Dependent Variable: GI (growth Indicators)b. Predictors: (Constant), REGISTRATION, STANDARDS

Source: Field Data, (2020).

Link to	MSE's	Regression outputs							
Complian ce (IV)	influnce	<i>R</i> <sup>2</sup>	β <sub>i</sub>	α <sub>0</sub>	Beta	F	t	р	
Standards	On sales	.300	.651	1.196	.547	92.020	4.328	.000 <sup>b</sup>	
	On employment	.150	.507	1.286	.387	37.984	6.163	.000 <sup>b</sup>	
	On investment in assets	.323	.746	.897	.568	102.614	10.130	.000 <sup>b</sup>	
Registrati	On sales	.216	.439	2.136	.465	61.493	7.842	.000 <sup>b</sup>	
ons	On employment	.227	.500	1.416	.477	65.556	8.097	.000 <sup>b</sup>	
	On investment in assets	.242	.513	1.937	4.92	71.224	8.439	.000 <sup>b</sup>	

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### 5.1 Hypothesis one results and discussion

Objective one determined the role of a link to standard compliances and micro and small enterprise's growth. The compliance to standards with various regulators was determined to fulfill the 1<sup>st</sup> objective. The direct link was through the arrangement with regulatory personnel to facilitate the instant register for standard compliances from the global standardized index, Tanzania medicine, and drug authority and bureau of standards. The hypothesis (H1) for specific objective one was hypotheses as follows:

Links to standards compliances has a positive relationship on micro and small enterprise growth As displayed in Table 6 and Table, 8 the regression model demonstrates a robust fitness of R Square .434 for standards linkages, while for standardized mean to all predictors were .511 and F-value of 166.628 at p =value.000<sup>b</sup>. About 43.40 % of the variation on micro and small enterprise growth indicators explained by standards link-level changes by one percent. However, sector inclusion in the model indicted the possibility of growth variation to be 44.60% at the significant level p= value.6911, F value of .1583. From Table 8,9, and 10 for two compliance variables on centered growth indicators (GI), the model fitness is 51.1%, F value of 111.994 at p =value.000<sup>b</sup> with .378 economic significant values at a constant level of 1.002. On the other hand, results in Table 11, has indicated a link to standard compliances to maintain comparative more influences on investment in asset value over sales and employment change. From ANOVA statistics outputs the alternative hypothesis, one is supported since the critical values F were above the calculated values at p =values of .000<sup>b</sup>.

As indicated by Willard, (2012) compliance journey may involve proper and the right facilities for production continuity. Such that non-compliances on packaging materials to contribute immensely to natural resource depletion, global warming, ozone layer depletion, and placing excessive pressure on the environment by the unceasing waste disposal. In line with H1 results Mori,(2014), indicated challenges of incompliance to increase the capacity of micro and small enterprises to keep way from product and business global language through product contents, ingredients, markets, and consumer safety measures as it necessities adoption of formal standards and practices.

With different opinions, Distinguin, et al, (2016) reported products and services from informal MSE's to take away market share from formal firms regardless of whether or not they have conformance and more efficient production techniques. And latter MSE's business owners may find more attractive to be informal in order to minimize costs or reduce risk-taking while 'test the waters' for profit maximization. It is, however, indicated both formal and informal, to standards to cater to an overlapping customer base as MSE's owners may decide to be informal with the expectation of lowering profits from formalizing their businesses also grows (Siqueira *et al*, 2014).

Towards the livelihood of environmental sustainability, but also potentially achieving business performance, in line with *H1*, packaging that takes up landfill space, serves as sources of toxic materials with health implications and potential for groundwater contamination which requires standard compliances. That if not adhered to, the possibility of negative consequences may arise to MSE's risk of sustainable supply chains in the market (Yusuf et al, 2017). Businesses have to undergo compliance to sustain current and minimal requirements. Where Good packing, packaging, and labeling require consistently trick to the system and only do what they absolutely

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have to, but what other actors requires them to do (Swistak,2016).

#### 5.2 Hypothesis two results and discussion

Objective two determined the role of the link to registration and micro and small enterprise growth. The support on compliances with various regulatory was determined to fulfil the 2nd objective. The invitation of regulatory personnel for awareness and instant registrations were from revenue authority, business registrations, and local municipal for licensing. The hypothesis (H2) for specific objective two was hypotheses as follows:

Links to registration compliances has a positive relationship on micro and small enterprise growth

As displayed in Table 6 and Table, 7 the regression model demonstrates a robust fitness of R Square .398 for registration linkages, while for cantered mean to two predictors are .511 and F-value of 49.744 at p =value.000<sup>b</sup>. About 40.6 % of the variation on micro and small enterprise growth indicators explained by link registration. However, sector inclusion in the model the fitness indicted possibility of growth variation to be 40.78% at the significant level p= value.6911, F value of .1583. From Table 8,9, and 10 for two compliance variables on centered growth indicators (GI), the model fitness is 51.1%, F value of 111.994 at p =value.000<sup>b</sup> with 32.2% economic significant values at a constant level of 1.002. On the other hand, results in Table 11, has indicated a link to registration compliances to maintain comparative more influences on investment in assets value followed by employment and sales change. From ANOVA statistics outputs the alternative hypothesis two is supported since the critical values F were above the calculated values at p =values of .000<sup>b</sup>.

The findings are supported by ESAURP, 2012: Worldbank, 2016: Kazungu, *et al*,2018, as the process that involves knowing the cycle for business formalization from different entities with their relevant certificates were known to them. That Linkages to supermarkets, hotels, banks, and other stakeholders became easier as they own licenses and certifications to justify legality, trust, and goodwill in dealings.

The results was also in the line with Shamsuddin et al. (2017) such that the business expansions and development of capability emerge with inherently limited to short term run that requires efforts to network with other stable, legitimate, and formal institutions where records and formal venue need to be preferred for transaction legitimacy.

It is also noted that the costs of legislative compliances impose more burden to micro and small enterprises which justifies the need for supporting institutions to link facilitation (Yamoah,2014). It is however stated that, as the need for shared experiences for managers to be effective, an important implication for the rate at which a firm can expand its activities emerges.

Expansions and development of that capability will be inherently limited to short term run, which will require efforts to network with other stable, legitimate, and formal institutions where record and formal venues are preferred for transaction legitimacy.

On the contrary, Amanamah, (2016) indicated micro and small enterprises to maintain opinions that regulation is rigid, inconsistent and corruption which negatively impacts the business. That as they become formal high compliance with tax, customs, and municipal regulations, brings a significant negative effect on business growth. On the other hand, informal assistance may be

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adopted as they are regarded to be different from formal professional contacts in terms of auditing and banking(Mole,2017).

As regulatory cost is a visible element that is likely to push MSEs to comply with institutions or discontinue the business. Msamula, *et al*, (2018) suggests that it is imperative for rural MSEs to conform with regulatory institutions if they are to survive and prosper.

However, the compliance of MSEs with regulatory institutions need 'nurturing institutions' because the sustainable use of some resources through entrepreneurship requires a collective approach that involves regulatory authorities, economic institutions, and political institutions (Thuy, 2017: Sarr, 2019: Dladla and Mutambara, 2018).

### **5.3 Hypothesis three results and discussion**

Objective three determined the effects of the sector on the relationship of a link to standards and registration compliances and MSE's growth. The hypothesis (H3) for specific objective three was hypotheses as follows:

Business sector moderates the relationships of at least one of two compliance variable linkages and micro and small enterprise's growth.

As extracted from moderation process software (Hayes,2013) after running the interaction tests, Table 6 and Table, 8 the model demonstrates a robust fitness of R Square .4078 and .4460 for registration and standards linkages, while for standardized mean to all predictors are .507 and F-value of 166.628 at p =value.000<sup>b</sup>. About 43.40 % of the variation on micro and small enterprise growth indicators explained by standards link level change by one percent. However, after sector inclusion in the model the fitness is indicted the possibility of growth variation to be 40.78% and 44.60% at the significant level p= value.6911, F value of .1583. From the ANOVA statistics in Table 8, the null hypothesis is supported since the critical value was below the calculated value. *The business sector does not moderate the relationships of at least one of two compliance variables linkages and micro and small enterprise growth*.

In line with H3 Boter and Lundstrom, (2006) revealed industry different to be not significant, but it was interesting to observe that companies in certain sectors were active than others. However, on the contrary, it was reported manufacturing sectors to utilize support services from the service sector as it was because of the facts that are one sector to supply services to fit the need of another sector. Another different observation to have interaction effect was because of policies, measures, regulations, and rules for the individual sector to influence expenditures that may interfere performance of various micro and small enterprises from different sectors (Thi,2018). However, in supporting the results, studies reaffirm widespread concern on activities or sectors, not affecting growth initiatives, particularly when MSE's sector in the economy may not be provided enough support and attention in new economic initiatives (Taiwo *et, al,* 2016: Maennig, 2017).

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### 6. CONCLUSION

This study determined the influences of compliance link and the implications of the sector on the micro and small enterprise growth in two regions. The targeted were MSE's entreprises that got linkage to standards and registration organs from two non-government institutions. Guided by lenses of firm growth and contingency perspectives descriptive and regression analysis indicated significant positive influences on MSE's growth. On the other hand sector or activities indicated insignificant in affecting the relationship of registration and standards on MSE's growth.

Building on the results its good for policy makers to develop strategies that will keep compliance costs at minimal levels for MSE's resource expansion to happen. The subsidization and relief provision will motivate micro and small enterprises to comply with rules, standards, and registrations and hence will be able to compete locally as well as globally. The facilitation link does not show to be affected by business activities across subsectors in MSE's business. However, more investigation in other countries is encouraged to cover many variables in the construct and be able to identify why economic significance on a single compliance variable differ among MSE's growth indicators. The effort will feed more of our current knowledge and understanding of the subject.

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