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(AIJBES)**www.aijbess.com**GOVERNMENT SUPPORT, E-MARKETPLACE UTILIZATION,
AND SME PERFORMANCE IN TANZANIA:
A MEDIATION MODERATION ANALYSIS**Felister Nkwimba Mayunga¹, Lau Lin Sea^{2*}, Vikniswari Vija Kumaran³¹ Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Malaysia

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Mayunga, F. N., Lau, L. S., & Kumaran, V. V. (2025). Government Support, E-Marketplace Utilization, And SME Performance in Tanzania: A Mediation Moderation Analysis. *Advanced International Journal of Business Entrepreneurship and SMEs*, 7 (25), 620-637.

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This work is licensed under [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/)**Abstract:**

The COVID-19 pandemic has accelerated the growth of the digital economy, highlighting the critical role of e-marketplaces in enhancing the performance of small and medium enterprises (SMEs). This study aims to examine the influence of government support and the use of e-marketplaces on SMEs' performance in Tanzania. Specifically, it investigates the mediating role of e-marketplace usage in the relationship between government support and SMEs' performance, as well as the moderating effect of government support on the relationship between e-marketplace usage and SMEs' performance. Grounded in the resource-based theory (RBV), this study collected primary data from 654 SME owners, CEOs, and managers in Tanzania using a structured questionnaire. The data was analyzed using Partial Least Square Structural Equation Modeling (PLS-SEM). The findings reveal that government support has a significant positive influence on SMEs use of e-marketplaces (H3 supported, $\beta=0.204$, $p=0.000$). Moreover, the use of e-marketplaces strongly mediates the relationship between government support and SMEs' performance (H4 supported, $\beta=0.077$, $p=0.000$). However, the study found no significant moderating effect of government support on the relationship between e-marketplace usage and SMEs' performance (H5 not supported, $\beta=0.034$, $p=0.333$). This study provides important policy implications, suggesting that government efforts should focus on enhancing digital infrastructure, capacity building, and supportive policies to encourage greater adoption of e-marketplaces and foster SMEs' growth within the digital economy.

Keywords:

E-marketplaces, Government Support, Digital Economy, SMEs' Performance, Tanzania

Introduction

Small and medium enterprises (SMEs) are recognized as vital contributors to the socio-economic development of many developing countries, including Tanzania. SMEs account for about 95% of all businesses in Tanzania and contribute approximately 35% of the country's GDP and 40% of the total employment (URT, 2021). Despite their importance, Tanzanian SMEs continue to face several persistent challenges that hinder their growth and performance. Among these challenges are limited access to markets, lack of technological capabilities, inadequate infrastructure, and weak institutional support systems (Ringo et al., 2023). The rapid advancement of digital platforms, particularly e-marketplaces, presents a potential solution for addressing some of these challenges by offering SMEs opportunities to access larger markets, improve operational efficiency, and compete effectively. However, the adoption and utilization of e-marketplaces by Tanzanian SMEs remain significantly low (Kabanda & Brown, 2017), raising critical questions about the underlying factors influencing this phenomenon. Government support initiatives have been introduced in Tanzania to facilitate digital transformation among SMEs, including financial subsidies, digital training programs, infrastructure development, and policies promoting ICT adoption (MITI, 2012; The United Republic of Tanzania, 2023; The United Republic of Tanzania, 2024). However, the effectiveness of these interventions in enhancing SME performance through e-marketplace usage has not been fully explored. While previous studies in Tanzania have examined the role of government support in general SME development (Lwesya et al., 2021), few have investigated the specific influence of such support on digital technology adoption, particularly e-marketplaces. More critically, there is limited understanding of whether government support alone is sufficient to improve SME performance or whether the internal capabilities of SMEs, such as their ability to utilize e-marketplaces effectively, play a more decisive role. This observation aligns with the Resource-Based View (RBV) theory, which posits that internal resources and capabilities, rather than external factors alone, are the primary drivers of competitive advantage and superior performance (Barney, 1991; Agrawal et al., 2024).

The purpose of this study, therefore, is to examine the influence of government support and e-marketplace usage on the performance of SMEs in Tanzania. Additionally, the study seeks to explore the mediating role of e-marketplace usage in the relationship between government support and SME performance and to investigate the moderating effect of government support on the link between e-marketplace usage and performance. While Tanzanian government programs, such as the National ICT Broadband (NICTBB) and SME development policies, have aimed to foster a digital economy (MITI, 2012), the gap between policy intentions and practical outcomes remains evident. For example, a recent report by the World Bank (2023) indicated that many SMEs lack digital literacy skills and struggle to leverage digital platforms for business growth, despite government efforts. This suggests that providing external support without enhancing internal technological capabilities may not yield the desired performance outcomes, as the central argument supported by RBV theory (Mushtaq et al., 2022; Elia et al., 2021). Moreover, existing literature on SMEs in Tanzania has not sufficiently addressed the mediating role of e-marketplace adoption between government support and firm performance.

Most prior studies have examined these variables in isolation rather than exploring their interdependent relationships (Lwesya et al., 2021; Agrawal et al., 2024). This represents a critical research gap because understanding the mediating mechanism could offer more profound insights into how SMEs translate external support into improved performance through internal resource utilization. Additionally, little is known about the moderating role of government support in strengthening or weakening the relationship between e-marketplace usage and performance outcomes within the Tanzanian context. While some studies conducted in other countries (Cheah et al., 2022; Fitriani et al., 2023) have investigated similar dynamics, their findings may not fully apply to Tanzania due to contextual differences in infrastructure, technology adoption levels, and institutional frameworks. Therefore, this study seeks to fill these gaps by applying the RBV theoretical lens to investigate how government support and e-marketplace usage interact to influence SME performance in Tanzania. The findings of this study are expected to provide valuable insights to policymakers, SME owners, and development agencies aiming to enhance the digital capabilities of SMEs and foster sustainable economic growth in Tanzania.

Study Objectives

- To examine the relationship between the use of e-marketplaces and SMEs' performance.
- To investigate the relationship between government support and SMEs' performance.
- To determine the influence of government support on the use of e-marketplaces and SMEs' performance.
- To assess the relationship between the use of e-marketplaces and government support.
- To examine the mediating role of the use of e-marketplaces in the relationship between government support and SMEs' performance.

Theoretical Foundation

The Resource-Based View (RBV) theory provides a valuable theoretical framework for understanding the relationship between government support, the use of e-marketplaces, and SMEs' performance in this study. RBV emphasizes that organizations achieve competitive advantage primarily through their internal resources, which are valuable, rare, inimitable, and non-substitutable (Barney, 1991). In the context of this study, e-marketplace adoption by SMEs can be viewed as an essential internal resource that contributes to improved performance. The study's first objective, which seeks to examine the influence of government support and the use of e-marketplaces on SMEs' performance, aligns well with RBV. While government support provides external facilitation, the actual adoption and effective use of e-marketplaces depend on the internal resources and capabilities of SMEs to leverage digital platforms for their competitive advantage. As suggested by Madhani (2010), internal resources such as technological skills, digital knowledge, and operational capabilities are critical enablers for SMEs to transform government support into tangible performance outcomes.

Moreover, the RBV theory further strengthens the study's second and third objectives, which explore the mediating role of e-marketplace usage and the moderating role of government support (Madhani 2010). According to Elia et al. (2021), the adoption of innovations like e-marketplaces is influenced by the ability of firms to mobilize and utilize internal resources. The mediating role of e-marketplaces in the relationship between government support and SMEs' performance reflects the RBV perspective that external resources (like government incentives or infrastructure) alone are insufficient to enhance firm performance unless internal capabilities

are developed to deploy those resources effectively (Elia et al., 2021; Lubis, 2022). This view is consistent with Mushtaq et al. (2022), who argue that technological adoption serves as an organizational capability that translates external resources into sustainable competitive advantage. Therefore, this study's conceptual framework is deeply rooted in RBV, as it posits that SMEs need to develop internal competencies to leverage the opportunities provided by government support and digital platforms to improve their business performance.

Finally, the moderating role of government support in the relationship between e-marketplace usage and SMEs' performance, as proposed in this study's third objective, aligns with RBV's broader consideration of external factors enhancing resource utilization. While RBV predominantly focuses on internal resources, scholars like Miller (2019) and Taher (2011) acknowledged that external conditions could either enable or constrain the development and deployment of these resources. In this context, governance support acts as a facilitating mechanism that may amplify the positive effects of e-marketplace usage on SMEs' performance (Lubis, 2022). However, the RBV highlights that government support does not necessarily influence the relationship between e-marketplace usage and SMEs' performance, indicating that while external support is beneficial for adoption, the real performance benefits stem from the SMEs' ability to effectively utilize the e-marketplace. This emphasis resonates with the work of Trieu et al. (2023) and Fitriani et al. (2023), who emphasize that internal competencies remain the decisive factor for performance, even in the presence of favorable external conditions. Therefore, the application of RBV in this study offers a comprehensive understanding of how internal resources like e-marketplace usage mediate the impact of external support on performance while also recognizing the limits of external factors like government support in directly influencing performance outcomes without internal capabilities.

To strengthen the theoretical integration and comparative insight of this study, it is useful to contrast Tanzanian SMEs with those in more digitally mature economies. Globally, studies such as Elia et al. (2021) and Mushtaq et al. (2022) confirm that e-marketplace adoption significantly improves firm performance when supported by internal technological capacity. However, in Tanzania, the digital infrastructure and capacity-building ecosystems are still evolving. This disparity suggests that while RBV holds across contexts, the development of internal resources such as digital literacy, financial acumen, and infrastructure—is more critical in low-resource settings. For example, Fitriani et al. (2023) demonstrate that in Southeast Asia, SMEs benefit more from e-marketplaces when governments invest in digital upskilling and entrepreneurial education. Theoretical integration through RBV thus emphasizes that while government support is a necessary catalyst, its effects are contingent on firm-level capabilities. This aligns with Lubis (2022), who argues that without strong absorptive capacity, even well-structured government programs yield minimal returns. Therefore, in Tanzania's case, RBV highlights the importance of targeted capacity-building interventions alongside digital infrastructure to convert external support into competitive advantage, reinforcing the theory's relevance across varying economic contexts.

Literature Review & Hypotheses

Government Support and SME performance

Government support plays a critical role in enhancing the performance of SMEs, particularly in developing economies where resource constraints limit business growth. Government assistance in the form of financial aid, infrastructure development, tax incentives, capacity

building, and training programs creates an enabling environment for SMEs to overcome operational challenges (Alkahtani et al., 2020). Scholars argue that government policies targeting SMEs can directly impact their innovation capacity, competitiveness, and productivity (Peter et al., 2018). In addition, access to government support reduces resource limitations, enabling SMEs to invest in technology, human capital, and market expansion (Park et al., 2020). Therefore, government support is considered a vital external resource that complements SMEs' internal capacities (Barney, 1991), improving their operational and financial performance. This hypothesis posits that SMEs that receive government support are more likely to perform better compared to those operating without such interventions. Therefore, we hypothesized as follows:

H1: There is a significant relationship between government support and SMEs' performance.

E-marketplaces and SMEs' performance

The adoption and use of e-marketplaces have become a transformative strategy for SMEs aiming to enhance their performance in the digital economy. E-marketplaces provide SMEs with greater market visibility, lower transaction costs, improved customer engagement, and access to global markets (Choshin & Ghaffari, 2017). The integration of e-marketplaces into SMEs' operations facilitates operational efficiency, enhances marketing efforts, and fosters customer relationship management (Omran et al., 2022). Studies show that e-marketplaces help SMEs overcome traditional barriers, including geographical limitations, limited customer reach, and information asymmetry (Kurnia et al., 2025). Furthermore, the use of digital platforms enables SMEs to collect and analyze customer data, leading to improved product offerings and service delivery (Sila, 2019). Therefore, this hypothesis assumes that the effective use of e-marketplaces significantly improves SMEs' sales growth, customer base expansion, and overall business performance. Therefore, we hypothesized as follows:

H2: There is a significant effect between the use of e-marketplaces and SMEs' performance.

Government support and E-marketplaces

Government support is also essential in promoting technology adoption, including the use of e-marketplaces by SMEs. Through subsidies, digitalization programs, and training initiatives, governments play a crucial role in encouraging SMEs to adopt online platforms and e-commerce tools (Park et al., 2020). In many developing economies, SMEs face technological barriers such as poor digital literacy, inadequate infrastructure, and high costs associated with digital adoption (Alraja et al., 2022). Government intervention helps reduce these barriers, providing SMEs with the necessary skills, funding, and infrastructure to participate in e-marketplaces (OECD, 2019). According to the Technology-Organization-Environment (TOE) framework, environmental factors like government support influence technology adoption behavior in firms. Therefore, this hypothesis suggests that government support has a significant positive influence on SMEs' decisions and ability to use e-marketplaces as a strategic tool for business growth. Therefore, we hypothesized as follows:

H3: There is a significant relationship between government support and the use of e-marketplaces.

E-marketplace Influence government support and SMEs' performance

This hypothesis posits that the relationship between government support and SMEs' performance is not always direct but may be influenced by the use of e-marketplaces. While government support provides SMEs with external resources, it is the adoption and effective use of e-marketplaces that translates these resources into enhanced performance outcomes (Mushtaq et al., 2022). The Resource-Based View (RBV) theory (Barney, 1991) emphasizes

that firms must leverage internal resources, such as technology adoption, to gain competitive advantage. Government support provides SMEs with the capability to access and implement digital tools like e-marketplaces, which in turn enhances market access, efficiency, and customer engagement (Fitriani et al., 2023). Thus, this hypothesis assumes that government support facilitates e-marketplace adoption, which then directly improves SMEs' performance, making e-marketplace usage a vital mediating variable. Therefore, we hypothesized as follows: H4: The use of e-marketplaces mediates the relationship between government support and SMEs' performance.

Government support Influence E-marketplaces and SMEs performance

The moderating role of government support suggests that the relationship between e-marketplace usage and SMEs' performance is strengthened or weakened depending on the level of government assistance (Lubis, 2022). While the use of e-marketplaces can independently enhance SMEs' performance, government support in the form of infrastructure, digital literacy programs, tax incentives, and market facilitation can further strengthen this effect (Cheah et al., 2022). Without sufficient government support, SMEs might struggle with issues such as cybersecurity, digital payment systems, and platform integration challenges, limiting the potential benefits of e-marketplace adoption (Alraja et al., 2022). According to Teece et al. (1997), external conditions, such as government interventions, can amplify or constrain the ability of firms to utilize internal resources effectively. Therefore, this hypothesis proposes that government support positively moderates the relationship between e-marketplace usage and SMEs' performance, ensuring that the adoption of digital platforms leads to substantial performance gains. Therefore, we hypothesized as follows:

H5: Government support moderates the relationship between the use of e-marketplaces and SME performance.

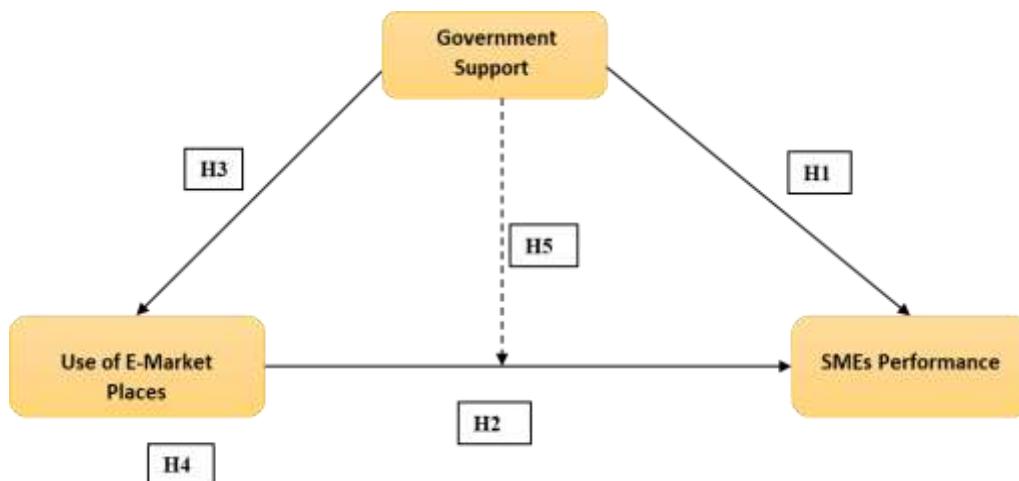


Figure 1: Conceptual Model (PLS-SEM Approach)

Source: Analysis

The Resource-Based View (RBV) theory serves as the backbone of this study's hypotheses by highlighting the primacy of internal resources in achieving competitive advantage. H1 posits a relationship between government support and SMEs' performance, where RBV suggests that while external support provides access, it is insufficient without firms' internal resource capacity. H2 aligns with RBV by proposing that the use of e-marketplaces, an internal digital capability, directly influences performance. H3 extends this by arguing that government

support facilitates the development or adoption of such internal resources. H4 is directly rooted in RBV's assertion that internal capabilities mediate the effectiveness of external inputs—thus, e-marketplace usage mediates the relationship between government support and performance. Finally, H5 tests whether government support amplifies the effect of internal capabilities (e-marketplace use) on performance, consistent with RBV's recognition of environmental contingencies. In essence, each hypothesis operationalizes RBV's principle that internal capabilities convert external inputs into sustained performance outcomes.

Research Methodology

This study employs a quantitative, cross-sectional research design to investigate the impact of government support and use of e-marketplaces on SMEs' performance and the mediating of e-marketplace usage in the relationship between government support and SMEs' performance in Tanzania. A deductive approach underpins the research, allowing hypotheses to be derived from the Resource-Based View (RBV) theory and tested using empirical data (Creswell & Creswell, 2018; Bryman & Bell, 2015). Quantitative analysis enables the testing of causal relationships among well-defined constructs and offers generalizable results. Data is collected at a single point in time from SMEs operating in six strategically selected Tanzanian regions—Dar es Salaam, Mwanza, Mbeya, Morogoro, Arusha, and Dodoma—based on their economic activity, population density, and digital connectivity. This methodological choice facilitates a rigorous evaluation of e-marketplace adaptation and its influence on SME performance, grounded in the contextual realities of a digitally transitioning economy.

Data Collection & Research Instrument

The target population includes SME owners, CEOs, and managers—individuals most equipped to provide insights into the firm's digital practices and performance metrics. From an estimated population of 284,177 SMEs in the six regions, the sample size was calculated using Krejcie and Morgan's formula, yielding a minimum of 383. Due to the lack of a comprehensive SME registry in Tanzania, a non-probability sampling method—specifically purposive and convenience sampling—was adopted. However, these non-probability sampling techniques may limit the generalizability of the findings and present selection bias due to non-random selection of the participants (Etikan et al., 2016). To solidify the generalizability of the findings and accommodate non-response, the sample collection was expanded across the six regions, and the study ensured that only qualified and relevant participants—SME owners, CEOs, and managers—were included. Data collection involved a self-administered questionnaire distributed both physically (drop-off/pick-up) and online, with a follow-up period of seven days. The survey instrument is structured into sections reflecting key constructs and utilizes a 7-point Likert scale to ensure consistency and ease of analysis.

Table 1. Measurement Items for the Constructs

Constructs	Items	Code	Source
Use of E-Marketplace	Our firm intends to use an e-marketplace for online sales.	EM1	Gibbs and Kraemer (2004)
	Our firm intends to use an e-marketplace for advertising or marketing.	EM2	
	Our firm plans to use an e-marketplace to provide after-sales customer service and support.	EM3	
	Our firm intends to use an e-marketplace to attract new customers.	EM4	Odoom et al. (2017)
	Earnings growth is above that of our competitors.	SMEP1	

SME performance	The return on investment is above that of our competitors.	SMEP2	Soto-Acosta et al. (2016)
	Our market share is above that of our competitors.	SMEP3	
	Customer satisfaction is above that of our competitors.	SMEP4	
	The customer-perceived quality of our products is above that of our competitors.	SMEP5	
Government Support	The government provides sufficient legal protection for online businesses.	GSU1	Mohtaramzadeh et al. (2018)
	The government provides sufficient information about e-marketplace privacy and data protection laws.	GSU2	
	The government provides training to firms using e-marketplaces.	GSU3	
	The government provides sufficient financial help to firms using e-marketplaces.	GSU4	

In line with the study's objective, measurement constructs were adapted from validated sources (see Table 1). Constructs including government support, e-marketplace usage, and SME performance were operationalized based on prior literature (e.g., Mohtaramzadeh et al., 2018; Odoom et al., 2017; Soto-Acosta et al., 2016). A reflective measurement model was selected, as the indicators are viewed as manifestations of their respective constructs (Hair et al., 2017). The questionnaire underwent expert review to establish content validity, and pretests and pilot studies ensured the reliability of items. Internal consistency and construct validity were assessed using Cronbach's alpha, Composite Reliability (obtained values > 0.70), and Average Variance Extracted (obtained values > 0.50), indicating an acceptable and significant threshold (Hair et al., 2017; Henseler et al., 2015).

Data Analysis Procedure

For data analysis, the study uses Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4. PLS-SEM is suitable for exploratory models and non-normal data distributions. It allows for the simultaneous assessment of measurement and structural models. Measurement model evaluation includes testing for unidimensionality, indicator reliability, internal consistency, and convergent and discriminant validity. The structural model is assessed through path coefficients, R^2 values, effect size (f^2), and predictive relevance (Q^2) (Hair et al., 2017). The model includes tests for mediation (e.g., the effectiveness of e-marketplace usage between government support and performance) and moderation (government support in the relationship between e-marketplace usage and SME performance). Ethical considerations—including informed consent, voluntary participation, and data confidentiality—are upheld throughout the study in compliance with UTAR's research ethics protocol.

Research Analysis & Interpretation

A total of 654 valid responses were successfully collected from SME owners, CEOs, and managers across the six key cities in Tanzania. These respondents were selected using purposive and convenience sampling methods due to the absence of a comprehensive SME registry. This approach ensured that only qualified participants with relevant experience in digital practices and performance management were included. The feedback captured detailed insights into the use of e-marketplaces, government support, and SMEs' performance. The

large and diverse sample size strengthens the generalizability and reliability of the findings, reflecting the digital readiness and challenges faced by SMEs across different regions and sectors in Tanzania. The data collected were screened and analyzed based on the PLS-SEM approach, highlighting the assessment of both the measurement and structural model.

The measurement model was assessed to evaluate the reliability and validity of the constructs. As shown in Figure 2, the outer loadings for all items measuring the use of e-marketplaces, government support, and SME performance exceeded the recommended threshold of 0.70 (Hair et al., 2019), indicating acceptable indicator reliability. The loadings ranged between 0.712 and 0.945, confirming strong relationships between constructs and their respective indicators. The internal consistency reliability was assessed using Cronbach's Alpha and Composite Reliability (CR). All values exceeded the recommended threshold of 0.70 (Hair et al., 2019), indicating satisfactory internal consistency. The AVE (Average Variance Extracted) for all constructs was above 0.50, confirming convergent validity (Table 2).

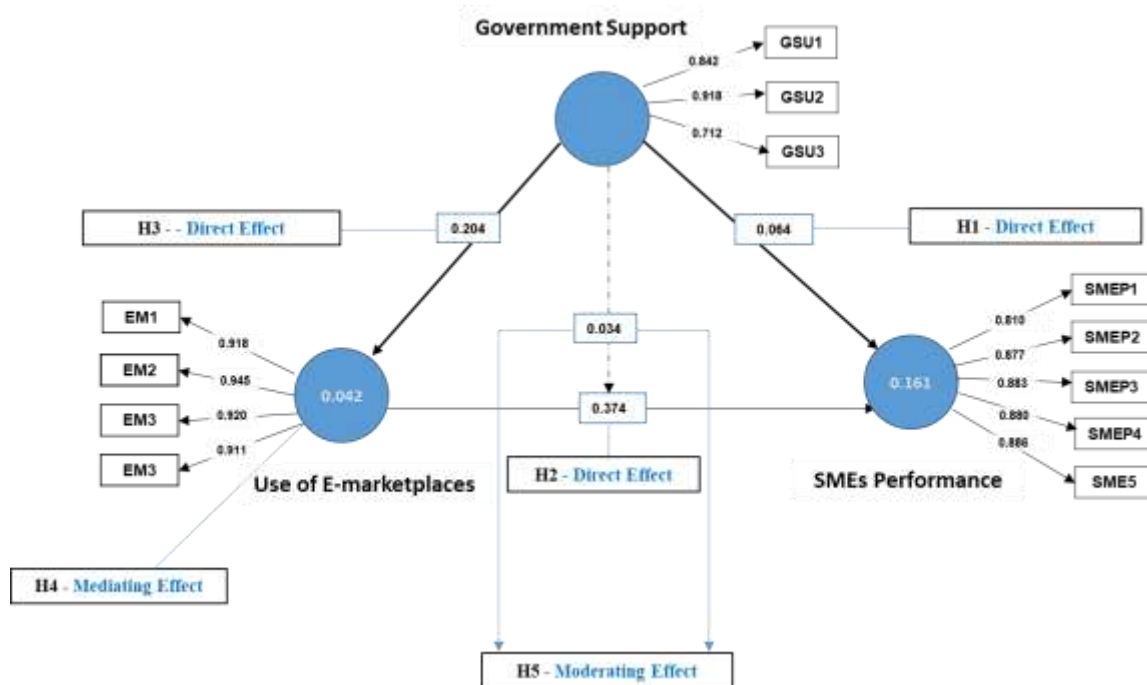


Figure 2: Measurement Model (Factor Loadings)

Source: Analysis

Table 2: Internal Consistency Reliability

	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)	R-Square	F-Square
Government Support	0.779	0.887	0.867	0.687		0.005
SMEs Performance	0.918	0.918	0.938	0.753	0.161	0.157
Use of E-Market Places	0.943	0.948	0.959	0.853	0.042	0.002

Source: Analysis

Discriminant validity was assessed through the HTMT (Table 3), the Fornell-Larcker criterion, and cross-loading analysis. All constructs showed acceptable discriminant validity, confirming that each construct is distinct from the others. Variance Inflation Factor (VIF) values for all indicators were below the threshold of 5, indicating no multicollinearity issue in the model. The effect size f^2 was assessed, and the results indicated that the use of e-marketplaces has a moderate effect size ($f^2 = 0.157$) on SME performance, while the government has a small effect ($f^2 = 0.005$). The interaction term has a negligible effect ($f^2 = 0.002$) (Table 2). The Stone-Geisser's Q^2 values (Table 4) for SME performance and use of e-marketplaces were greater than zero, indicating the model's predictive relevance (Hair et al., 2019).

Table 3: Discriminant Validity (HTMT)

	Government Support	SMEs Performance	Use of E-Market Places	Government Support x Use of E-Market Places
Government Support				
SMEs Performance	0.165			
Use of E-Market Places	0.220	0.421		
Government Support x Use of E-Market Places	0.223	0.115	0.166	

Source: Analysis

Table 4: Q-Square Analysis

	Q ² predict	PLS-SEM_RMSE	PLS-SEM_MAE
SMEP1	0.038	1.329	1.050
SMEP2	0.008	1.209	0.955
SMEP3	0.004	1.265	0.999
SMEP4	0.015	1.282	1.020
SMEP5	0.008	1.315	1.052
EM1	0.041	1.651	1.391
EM2	0.038	1.674	1.455
EM3	0.019	1.413	1.199
EM4	0.026	1.642	1.374

Note: SME Performance - SMEP, E-marketplace - EM

Source: Analysis

The structural model (see Figure 3) was evaluated based on R-square, path coefficients, t-values, and p-values. The R-square value for SME performance was 0.161, indicating that 16.1% of the variance in SME performance is explained by government support and the use of e-marketplaces. The R-square for the use of e-marketplaces was 0.042, suggesting that government support explains 4.2% of the variance in the use of e-marketplaces.

The results from Table 5 indicated that government support did not have a significant direct effect on SMEs' performance (H1 not supported, $p = 0.119$), while the use of e-marketplaces has a significant positive effect on SMEs' performance (H2 supported, $p < 0.000$). Government support was found to have a significant positive effect on the use of e-marketplaces (H3 was supported, $p < 0.000$). However, the interaction effect (moderating role) of government support on the relationship between the use of e-marketplaces and SME performance was not significant (H5 not supported, $p = 0.333$). The use of e-marketplaces was found to have a

significant positive mediating effect between government support and SME performance (H4 was supported, $p < 0.000$).

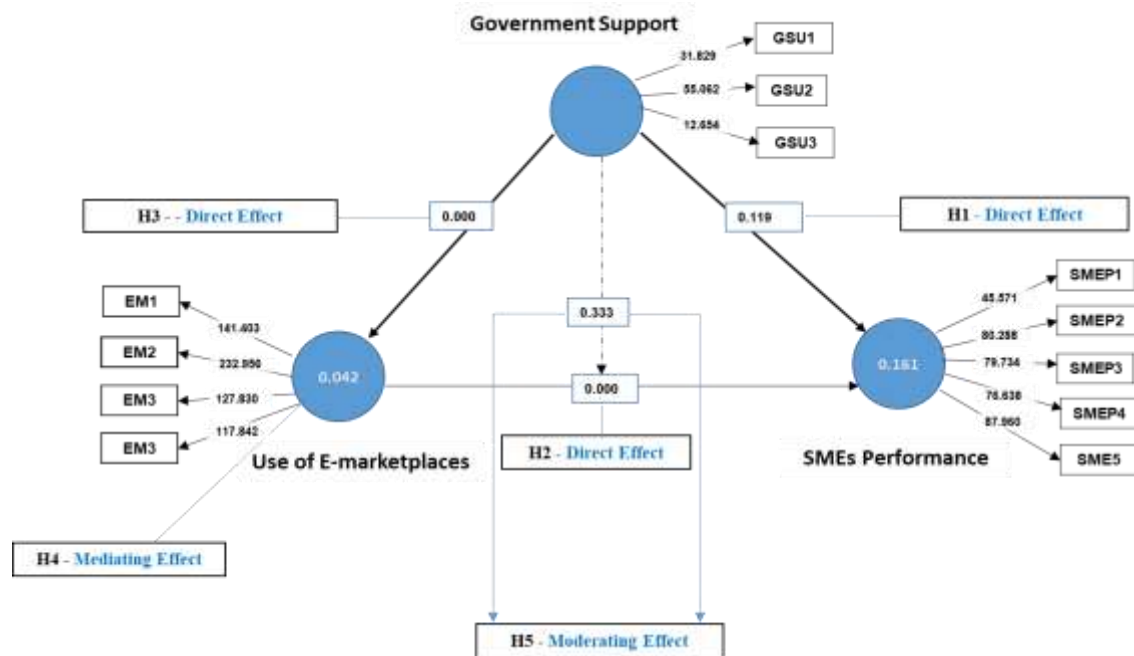


Figure 3: Structural Model (T-value)

Source: Analysis

The PLS-SEM analysis revealed that the use of e-marketplaces plays a significant role in enhancing SMEs' performance, while government support mainly facilitates the adoption of e-marketplaces but does not directly improve SMEs' performance. Furthermore, the study found no significant moderating effect of government support on the relationship between the use of e-marketplaces and SMEs' performance. It again shows that the use of e-marketplaces has a strong mediating influence between government support and SMEs' performance.

Table 5: Path Coefficient

		Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Result
H1	Government Support -> SMEs Performance	-0.064	0.041	1.561	0.119	Not Supported
H3	Government Support -> Use of E-Market Places	0.204	0.038	5.361	0.000	Supported
H5	Government Support x Use of E-Market Places -> SMEs Performance	0.034	0.035	0.968	0.333	Not Supported
H2	Use of E-Market Places -> SMEs Performance	0.374	0.039	9.510	0.000	Supported
H4	Government Support -> Use of E-Market -< SMEs Performance	0.077	0.016	4.734	0.000	Supported

Source: Analysis

Result & Discussions

The finding (see Figure 4) that government support does not have a significant direct effect on SMEs' performance challenges conventional assumptions about the role of external support in enhancing firm outcomes. While government support mechanisms such as grants, tax incentives, and training programs are designed to boost business performance, their effectiveness may be limited by implementation gaps, bureaucratic delays, or misalignment with SMEs' actual needs (Alkahtani et al., 2020). In the Tanzanian context, this result could reflect inconsistencies in how government support is accessed or perceived by SMEs or a lack of capacity to utilize such support effectively (Agrawal et al., 2024). The resource-based view (Barney, 1991) suggests that performance gains depend more on internal firm capabilities than external inputs. Therefore, even with external support, if SMEs lack internal absorptive capacity-skills, digital readiness, or strategic direction-they may fail to convert support into performance gains. This finding aligns with Elia et al. (2021), who argue that external resources must be integrated into firm capabilities to have a meaningful impact. Thus, government support may play a more indirect or enabling role, requiring alignment with firm-level innovation capabilities to influence performance outcomes.

The significant positive effect of e-marketplace usage on SMEs' performance underscores the transformative role that digital platforms play in improving operational efficiency and expanding market reach. E-marketplaces provide SMEs with cost-effective access to broader markets, facilitate streamlined transactions, and enable data-driven decision-making (Choshin & Ghaffari, 2017). In the post-pandemic context, digital adoption has become a survival strategy for many small businesses, enabling them to maintain customer engagement and reduce overhead costs (Omrani et al., 2022). The result supports the Diffusion of Innovation theory (Rogers, 2003), which posits that firms adopting new technologies early can gain competitive advantages. Furthermore, this finding resonates with Fitriani et al. (2023), who showed that SMEs leveraging digital technologies experience enhanced customer relationships and increased financial performance. In resource-constrained environments, e-marketplaces serve as equalizers, allowing smaller firms to compete with larger players. Hence, promoting digital literacy and access to online platforms can be a high-impact strategy for boosting SME resilience and sustainability. This result highlights the importance of internal digital adoption as a core driver of business success in emerging economies.

The positive and significant relationship between government support and the use of e-marketplaces confirms the enabling role of institutional support in driving digital transformation among SMEs. Government-led initiatives such as digital infrastructure development, training programs, and financial incentives play a crucial role in lowering the barriers to technology adoption (OECD, 2019). In Tanzania, targeted efforts by governmental and development agencies to promote ICT usage and digital entrepreneurship have been critical in encouraging SMEs to explore e-commerce platforms (Trieu et al., 2023). This result supports the Technology-Organization-Environment (TOE) framework (Tornatzky et al., 1990), which identifies environmental factors, including government policy and support, as key determinants of technological adoption. Similar findings by Omrani et al. (2022) revealed that SMEs are more likely to embrace digital tools when external enablers such as training and subsidies are available. However, the effectiveness of such support depends on SMEs' awareness, accessibility of support mechanisms, and alignment with their operational realities (Pu et al., 2021). This finding reinforces the need for policy frameworks that actively promote e-marketplace readiness and tailor support to the digital maturity levels of SMEs across sectors.

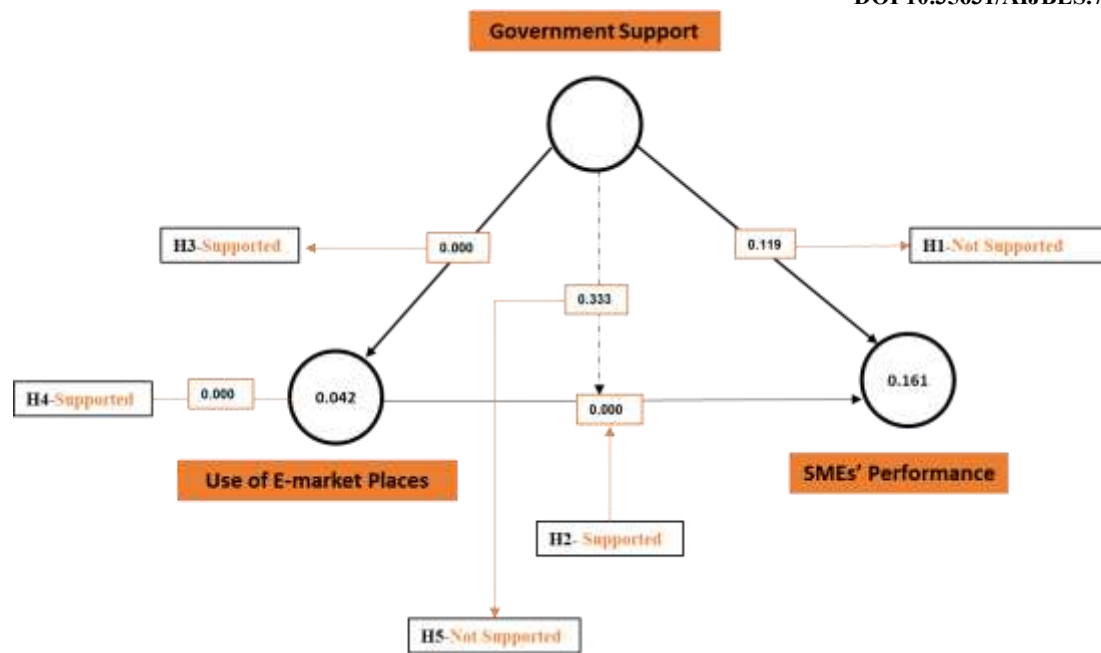


Figure 4: Path Diagram Of Supported vs. Unsupported Hypotheses

Source: Analysis

The finding (see Figure 4) that the use of e-marketplaces significantly mediates the relationship between government support and SMEs' performance provides critical insights about how external support translates into tangible outcomes. This mediation effect suggests that government support alone is not sufficient to enhance performance but becomes effective when channelled through strategic digital adoption (Kurnia et al., 2025). In essence, e-marketplace usage acts as a conduit through which government interventions can deliver value to SMEs. This is consistent with the resource-based view (Barney, 1991), which emphasizes that external resources must be transformed into internal capabilities to influence firm-level performance. Mushtaq et al. (2022) similarly concluded that technological adoption mediates the impact of external resources, emphasizing the need for firms to build internal mechanisms for implementation. Government incentives may increase SMEs' digital engagement, but performance improvements materialize only when firms actively utilize these platforms to innovate, market, and manage customer relationships (Cheah et al., 2022). This underscores the need for integrated policy approaches that go beyond funding—focusing also on capacity building, digital skills development, and ecosystem strengthening to foster sustained performance gains through technology.

The non-significant moderating effect of government support on the relationship between e-marketplace usage and SMEs' performance (see Figure 4) suggests that external support does not necessarily amplify the performance outcomes of digital platform adoption, according to Pu et al. (2021) and Park et al. (2020). This study challenges the assumption that government involvement inherently enhances the benefits of technology use. One possible explanation is that SMEs already leveraging e-marketplaces may rely more on their internal strategies and market responsiveness than on institutional backing. Trieu et al. (2023) argue that internal competencies—such as adaptability, innovation capability, and customer orientation—play a more decisive role in determining how technology translates into performance outcomes.

Moreover, government support may not be sufficiently customized to the needs of digitally active firms, resulting in limited incremental value. This finding aligns with Teece et al. (1997), who note that the effectiveness of external interventions depends on their integration into firm-level strategies. As such, while government support can facilitate digital adoption (as seen in H3), it may not necessarily enhance the performance effect unless tailored to the maturity and needs of technologically enabled SMEs (Soto-Acosta et al., 2016).

Theoretical Implications

The study's findings offer significant theoretical contributions by reinforcing and extending the resource-based view (RBV) theory within the context of SMEs and digital transformation. The results confirm that the use of e-marketplaces, as an internal strategic resource, significantly improves SME performance, validating RBV's core assertion that firms gain competitive advantage through the effective use of valuable, rare, and inimitable internal assets (Barney, 1991). Conversely, government support, an external factor, did not have a direct effect on performance, emphasizing that external resources must be internalized and strategically leveraged to create value. The significant mediating role of e-marketplace usage between government support and SME performance also aligns with RBV, highlighting that external inputs alone do not lead to superior outcomes unless internal capabilities are in place. The non-significant moderating role of government support challenges prior assumptions about its amplifying effect, suggesting that without strong internal technological readiness, external support has limited performance-enhancing potential. These findings resonate with prior studies (e.g., Elia et al., 2021; Mushtaq et al., 2022). Thus, underscore the need for researchers to explore firm-level digital capabilities and the alignment of support mechanisms in facilitating digital innovation, especially in digitally transitioning economies like Tanzania.

Key practical takeaways:

- Government support alone does not guarantee success—it helps SMEs get started but does not directly boost performance.
- E-marketplace adoption is crucial—SMEs that actively use digital platforms see higher sales and growth.
- Skills and execution matter most—even with government help, SMEs must develop digital expertise to compete effectively.
- Policies should focus on training—rather than just funding, governments should help SMEs build practical e-commerce skills.

Conclusion

Conclusively, this study brings to light the relationship between government support, the use of e-marketplaces, and SMEs' performance in Tanzania, grounded in the Resource-Based View (RBV) theory. The findings revealed that e-marketplace usage significantly enhances SME performance, affirming its role as a critical internal resource. In contrast, government support alone does not directly improve performance but instead facilitates the adoption of e-marketplaces. Moreover, the use of e-marketplaces mediates the effect of government support on SMEs' performance, while no significant moderating effect of government support was observed. Practically, these findings underscore the importance of SMEs developing internal technological capabilities to leverage external resources effectively. From a theoretical standpoint, the study advances RBV by contextualizing it within digital adoption in SMEs in developing economies. Practically, the study provides guidance for policymakers to design support mechanisms that prioritize capacity building over merely providing access.

Research Contributions & Recommendation

The findings of the study offer significant contributions to SME owners, policymakers, and the researchers. For SME owners, the strategic use of e-marketplaces as a valuable internal resource is of importance, as it significantly enhances the firm's performance. Therefore, integrating e-marketplaces into their core operations is vital for achieving a competitive edge and sustainability. Moreover, access to government support or digital facilities is not sufficient; SMEs must proactively develop their internal digital capabilities and technological readiness to benefit from such interventions.

For policymakers, the study provides clear evidence that while government support is crucial for promoting the adoption of digital tools like e-marketplaces, it does not directly enhance SME performance unless firms can internally utilize those tools effectively. This underscores the need for governments to move beyond infrastructure provision or financial incentives and toward capacity-building interventions that develop SMEs' internal digital competencies. Initiatives such as digital literacy programs, tailored e-commerce training, mentoring, and advisory services can better prepare SMEs to integrate digital solutions into their business models. The significant impact of e-marketplace usage on performance also indicates that policies should prioritize lowering barriers to platform access, especially for smaller firms in underserved regions. Furthermore, while government support facilitates adoption, the lack of a moderating effect suggests that support mechanisms must be more responsive to the technological maturity of SMEs, ensuring that interventions are sector-specific, scalable, and linked with measurable outcomes. These findings support recent calls (OECD, 2020) for inclusive digital transformation strategies that not only enable access but also empower firms to make use of their digital investments to improve performance—ultimately enhancing competitiveness and resilience in the SME sector.

Lastly, for researchers, the findings significantly advance research on SME digitalization by highlighting the critical interplay between internal capabilities and external support mechanisms. The study underscores that while government initiatives facilitate initial e-marketplace adoption, sustained competitive advantage stems from SMEs' internal resource mobilization, particularly their ability to develop and deploy digital competencies. This insight in academic research moves beyond traditional policy-focused studies to investigate how SMEs cultivate and leverage specific digital capabilities. Future studies should empirically examine which internal resources (e.g., digital marketing skills, data analytics proficiency, or supply chain integration) most effectively translate e-marketplace usage into performance gains. Comparative research across industries and regions could further identify contextual factors influencing this capability-development process. Additionally, longitudinal studies tracking SME digital maturation would help understand how resource accumulation evolves. These directions would enrich theoretical frameworks like RBV in digital contexts while providing practical guidance for policymakers designing targeted upskilling programs alongside financial incentives.

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