**CHALLENGES OF USING CREDIT FACILITIES TO SUPPORT THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN TANZANIA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULLFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)**

**DEPARTMENT OF FINANCE AND ACCOUNTING**

**OF THE OPEN UNIVERSITY OF TANZANIA**

**2020**

# CERTIFICATION

The undersigned certifies that he has read and hereby recommends for the acceptance by the Open University of Tanzania a dissertation titled; “Challenges of Using Credit Facilities to Support the Growth of Small and Medium Enterprises in Tanzania” in partial fulfilment for the degree of Masters of Business Administration in Finance.

…………………………….……….

DR. Saganga Kapaya

(Supervisor)

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I, Kibago Waryoba, do hereby declare that this dissertation is entirely my own work and it has not been presented to any other Institute of higher learning for a similar or other academic award.

……………………………………..

Signature

………………………..…………

Date

# DEDICATION

This is work is dedicated to my beloved family; my wife Titi Ponsian Nsabi, my daughters Sandra, Chantell and Priscilla and my son Maclaurin for their support through the whole journey of attaining my MBA at the Open University of Tanzania.

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**ABSTRACT**

In Tanzania, most small and medium enterprises SMEs use credit from financial institution to support their operations. This study sought to understand the challenges of using credit facilities to support the growth of (SMEs) in Tanzania. Specifically, on effect of high interest rate, strict loan repayment terms and small loan amount offered by financial institutions. To achieve this objective, the study employed descriptive research design. Convenient sampling technique was used to select the sample size. Data was collected using structured questionnaire from SMEs in Dar es Salaam. A total of 200 questionnaires were administered to various SMEs but the researcher managed to obtain 121 completed questionnaires representing a response rate of 60.5%. The collected data was edited, coded and analyzed using Statistical Package for Social Science (SPSS) and Microsoft Excel computer package. Both descriptive and inferential statistics were used. The research findings revealed that there was a strong positive relationship (R = 0.685) between interest rates, loan amount, loan terms and growth of SMEs. Also from the study it was evident that at 95% confidence level, the variables produced statistically significant values and can be relied to explain their effects towards the growth of SMEs. The findings further revealed that strict loan repayment terms, high interest rates as well as small loan amounts are still major challenges in accessing credit facilities despite their contribution towards SMEs growth. Lastly, the study recommends the need for the government to regulate the financial market through the credit bureau to enable SMEs operators to access credit with a fair charge of interest, and financial institutions to review their loan requirements to improve access to credit by SMEs.

Keywords: *Loan size, Loan terms, Loan interest rate & Loan.*

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LIST OF ABBREVIATION

MBA: Masters in Business Administration

SMEs Small and Medium Enterprises

SPSS Statistical Package for Social Science

GDP Gross Domestic Product

OECD Organisation for Economic Co-operation and Development

SIDO Small Industries Development Organization

TCCIA Tanzania Chamber of Commerce, Industry and Agriculture

DF Quantity of Demanded of Loanable Fund

SF Supply of Loanable Fund

CRD Credit Risk Database

NCB National Credit Bureau

CGC Credit Guarantee Corporations

IMF International monetary fund

VIF Variance Inflation Factor

# CHAPTER ONE

# INTRODUCTION

## Background of the Study

It is globally known that Small and Medium Scale Enterprises (SMEs) have remarkable contribution to the growth of the economy of the country. Therefore, every country in both developing and developed world continuously supports the growth of SMEs and overcome the challenges that they faced. According to World Bank (2019) statistics shows that SMEs play a major role in most economies, particularly in developing countries. Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. The data also shows that, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most formal jobs are generated by SMEs, which also create 4 out of 5 new positions. However, access to finance is a key constraint to SME growth. Without access to capital, many SMEs languish and stagnate

The paper by Yoshino et al (2017), on “Solutions for Small and Medium-sized Enterprises’ difficulties in Accessing Finance: Asian Experiences” pointed out that SMEs play significant role in Asian economies as they are responsible for very high shares of employment and output in all Asian countries. However, in the bank-dominated financial systems in Asia, SMEs have difficulty accessing cheap finance. Many SMEs in Asia borrow money by paying high rates of interest or offering costly collateral, which hinders their growth. Moreover, many banks or financial institution prefer to allocate their resource to large enterprises rather than SMEs, as they perceived them to be riskier.

According to the World Bank Enterprises Surveys, 2006 – 2018, more than 21% of African Micro, Small and Medium Enterprises regarded access to finance as the main barrier to business activity. This factor is mentioned more often than any other, including electricity supply (14%), political instability (11%), informal competitors (10%) and corruption (8%).Furthermore, in its recent report, the International Finance Corporation estimates that one in three Micro, Small and Medium Enterprises in North Africa and as many as half of them in Sub Saharan Africa cannot or can only partly realise their credit requirements. Also the study conducted in Ethiopia identified specific and macro-economic factors that are significant or very significant obstacles to the development of SMEs lending. Regarding the SME specific factors, most of the financial institutions highlighted the poor quality of financial statements, inability to manage risk, lack of knowledge of business management, lack of awareness on how to be bankable, lack of adequate collateral and informality of SMEs as the major challenges. Regarding macroeconomic aspects, inflation, exchange rate, tax regulation and high vulnerability of the agriculture sector were mentioned by financial institutions, World Bank (2015).

Moreover, the recent report issued by Organization for Economic Development recommended that there is a need to broaden the range of financing instruments available to SMEs and entrepreneurs, in order to address diverse financing needs in varying circumstances, increase SMEs’ resilience to changing conditions in credit markets in order to increase their contribution to economic growth (OECD, 2018).

Following to this ministerial conference held on 22 – 23 February, 2018 acknowledges the governments by taking effort on strengthening the SMEs access to credits including the implementation of high-level principles on SMEs financing. Contrary to the study of Pasape (2018) conducted in Tanzania about financial resource setback that SMEs faced. He mentioned that the SMEs in Tanzania still have limited sources of capital, lack of collateral, poor credibility history and high transaction cost in which it hinders them to grow.

In his report stressed that in spite of government support being 56 percent yet, it has not been able to translate that support to the survival and expansion of the SMEs’ businesses. Most of the role played by the government has been to set good policies and organizations like SIDO, but is has failed to link directly the SME and their needs. Apart from these challenges that recently addressed by Pasape (2018), researcher of this study is worried on strict repayment terms, higher interest as well as limited loan amount provided to SMEs being major challenges confronted the SMEs in Tanzania in using credit facilities for the growth of their business.

## Statement of the Problem

Around the globe, Small and Medium Scale Enterprises have acquired a significant role in the development of economies of both developed and developing countries. Tanzania being among the developing countries, this sector had played a critical role in developing the economy through creation of employment and income generation. Report from Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), indicated that 95% of the businesses in Tanzania are Small and Medium Enterprises (SMEs), and they represent about 35% of the country’s GDP.

 As an emerging market, many enterprises in Tanzania have struggled with restricted credit access, and 70 percent of all Tanzanian Small and Medium Enterprises, or SMEs, have no formal credit access at all. In fact, only 15 percent of the population has formal access to credit through banks (Cline, 2018). Cline stressed that Owners of SMEs, however, perceive these formal loans to be high risk due to the high-interest rates, strict loan conditions and numerous collaterals placed on these loans. Recognizing the importance of financial services to SMEs, in April 2018, Tanzania introduce new credit regulation to improve credit access for SMEs yet the regulation balanced the interest of financial institution and give the room for them to grow.

Despite of the government and other stakeholders’ efforts SMEs are still confronted with number of challenges that hinder their growth, lack of access to finance being the major challenge. The motive behind this study was to understand whether lack of access to finance is still major challenge specifically high interest rate, strictly repayment terms as well as small loan amount and their effects towards the growth of Small and Medium Scale Enterprises.

## Research Objective

### General Objective

The broad objective of the study is to understand the challenges of using credit facilities to support the growth of SMEs in Tanzania.

### Specific Objectives

1. To determine the influence of interest rates offered by financial institutions toward growth of SMEs.
2. To analyse the association between loan amount and the growth of SMEs
3. To assess the impact of loan terms imposed by financial institutions to the growth SMEs

## Research Questions

The study sought to answer the following questions;

1. Does the high interest loan offered to SMEs by financial institutions are still exist in Tanzania?
2. How frequent are the SMEs in Tanzania received small amount of loans from financial institutions?
3. Are the financial institutions still imposed loan terms to SMEs in Tanzania?
4. How does the growth of SMEs is affected by high interest rate, small loan amount and loan terms?

## Significance of the Study

The findings of this study, will equip me with enough knowledge about challenges that faces SMEs in Tanzania specifically when applying credit facility in financial institutions. Since SMEs contribute 35% Tanzania GDP it is wise to say that identifying these loopholes will be very useful for government and other stakeholders during the time of policy making. Moreover, the study will be useful for students to gain more insight about the challenges of credit facility on the growth of SMEs in Tanzania.

## Scope of the Study

The study focused on Tanzania and more specifically to the registered SMEs which are available in Dar Es Salaam region and which represents the population of this study. As the SMEs have common features, data captured is expected to be generalizable and can be used to address the challenges to SMEs located to other regions in Tanzania.

## Organization of the Report

The study is organised into the following chapters; chapter one which provides the introduction and background of the study, chapter two presents the review of the literatures, chapter three which provides the research methodology, chapter four contains results presentation and discussion and finally chapter five which is about the summary, conclusion and recommendation drawn from the findings of the study.

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# CHAPTER TWO

# LITERATURE REVIEW

## Introduction

This chapter is classified into three main sections. Firstly, it explains the theory related to this study which loanable fund theory and its relationship with the study objectives. Secondly, it explains the current debates about challenges of credit facility on the growth of SMEs in global, regional and Tanzania perspectives. Thirdly, it presents the conceptual framework of this study and associate hypothesis that will be tested.

## Related Theory

In this study the loanable fund theory was used as supporting theory of challenges of credit facility on the growth of SMEs. The theory was initiated by Robertson and Ohlin (1934). The Theory states that interest rate is determined by the demand and supply of loanable fund. More, generally, loanable funds theory is another theory used for interest rate determination.

The equilibrium interest rate equates the supply of loanable funds (SF) which are savings with quantity of demanded funds (DF) which are investments (Khandker and Khandker, 2008). This means that the saving amount in financial institutions determined the amount of loans to be given to SMEs. Therefore, when the saving increases the credit provision will increase and interest will decrease (Lindner, 2013). Similar argument is considered in Tanzania as most of SMEs maintained bank accounts to save yet they receive high interest rate, small loan amount and strict loan repayment terms.

### Loanable Fund Model

The Figure 2.1 illustrate the loanable fund model, where is the equilibrium point that correspond to equilibrium interest rate and volume of credit.

SF

DF

Volume of Credit

Interest rate



**Figure 2.1: Loanable Funds Model**

It can be observed that when the number of SMEs that need credit increases, the interest rate will increase ( ) as the DF line will shift toward right. Similarly, when the number of SMEs that save money to financial institutions increases the interest will decrease () as the SF line will shift downward. The Table 2.1 summarised some common variables that affect the supply of funds and demands of credits in Tanzania.

**Table 2.1: Variable influence Demands for Credits and Supply of Funds**

|  |  |
| --- | --- |
| Demands for Funds/Credits | Supply of Funds |
| Interest rate (-)Inflationary expectation (+)Budget deficits (+)Corporate borrowings (+)Commercial real estate (+) | Interest rate (+)Inflationary expectation (-)Institutional Savings (+)Discretionary Savings (+)Corporate savings (+) |

**Source:** researcher, 2020

**Description of the variable influence Demand for Credits and Supply of Funds**

Loanable Funds Theory disclosing the relation between investment (demand for credit) and savings (supply of funds) to interest rate.

Matete et al (2014), in their study identified changes in wealth, expected inflation and government borrowing as significant predictor of lending rates, hence influence the demand for credit and supply of funds.

**Interest Rate**

The Interest rate represents the cost of borrowing or return on investment. The Interest rate is obtained in equilibrium where supply equals demand (Khandker and Khandker, 2008). A higher interest rate will increase the savings (supply of loanable funds) and decrease the investment (demand for loanable funds). Moreover, the lower rate will decrease the supply of loanable funds and increase the demand for credit (i.e. increase demand for loanable)

**Inflationary Expectation**

A real cost of borrowing is more accurately measured by the real interest rate, which equals the (nominal) interest rate minus the expected inflation rate (Mishkin,2016). The nominal interest rate generally means an indicative cost of borrowing. According to Irvin Fisher, on Fisher Effect, the nominal interest rate rises or falls one to one with the changes in expected future inflation rate. Therefore, an increase in the expected inflation rate will increase the nominal interest rate and reduce the real interest rate as the result reduces the investors’ demand for credit. In addition, an increase in expected inflation rate increases the supply of funds or loans.

**Budget deficit**

Government deficit (budget deficit) means the gap between the government expenditure and its revenue (Mishkin, 2016). Government obtains revenues through tax collections and use them to support various activities. When the government spends more than what it earns a budget deficit happens and it has to issue credit facilities (i.e. Bonds, Treasury Bills etc.) to finance the deficit.

Based on the above, an increase in budget deficit will lead to an increase in the quantity of credit facility supplied at each bond price as well as an increase in interest rate.

**Aggregate Savings**

Generally, saving means income not spent to finance consumption. It is measured as the difference between the expenditure of the period and the total realized income of the period. According to Brumberg, (1956), aggregate savings represent the difference between total income and current consumption. The loanable fund’s theory equates the total saving, private savings (from the household) and public savings (from the government) to the supply of loanable funds. The shift in supply (savings) will depend on the changes of the following; consumer confidence, current disposable income, government budget surplus, or deficit to mention a few. For instance, an increase in disposable income (i.e. income left for consumption after taxes are paid) would increase the supply of loanable funds as household will have more to save, which in turn lower the real interest rate. Moreover, the reverse of the above scenario would be the causes and results of a decrease in the supply of funds (i.e. total savings)

## Literature on Empirical Studies

This section explains the literature related to variables used in this study which include loan interest rate, loan size and loan terms. Also, review of the scholars’ works on challenges of credit facility on the growth of SMEs.

### Loan Interest Rate

The interest rate is defined as the proportion of principal that borrower need to pay upon receiving loan from financial institutions. The rate is considered as cost of debt to borrower and rate of returns to financial institutions. Normally, financial institutions evaluate the level of risk of the borrower before give then the rate. The low risk borrower offered low interest rate and high-risk borrower offered high interest rate (Bernard, Sare, &Musah, 2014).As observed by Mira &Ogollah (2013),interest rates have a significant effect on a SME growth plans. High interest rate reduces business earnings and affecting loan repayment which ultimately hinders the business capacity to grow.

### Loan Size

This is the amount of money that borrower receives and pay back with interest. The loan size is defined based on size of the borrower. The large borrower which is the one that have large investments can receive higher loan. The small borrower which is the one that have small investments can receive small loan (Odongo, 2014). Generally, loan size is associated with firm characteristics including size, time of existence, business plan (Abdesamed &Wahab, 2014).Moreover, insufficient collateral also seems to have influence on the loan amount/size (Makena, 2011).

### Loan Terms

This referred as minimum requirements imposed to borrower in order to get loans from financial institutions. This includes but not limited to minimum required collateral, identification as an official establishment, maintaining book of accounts, fully filing of tax returns, clear from any cases related you and your business, and number of restrictive covenants that limit borrower on usage of the loan (Worldbank, 2017).

### SMEs Growth

Growth of SMEs explained as the growth by unit size, parallel growth by opening more branches of same business, differentiation growth through doing business differently as the way your competitors do, specialization growth is through adding more input to another line of your business also merger and acquisition growth (Cheng, 2006). The growth of SMEs will be measured by growth of revenue, profitability, production capacity, production volume, as well as increase in number of employees (Sarwoko&Frisdiantara, 2016).Many government policy makers measure the growth in term of increase in the number of employee in the SME sector since SME growth has been seen as important way of reducing unemployment (Gunatilake, 2017). He concluded that financial inadequacy, lack of access to technology, government regulation on imports and exports, and lack of access to international market as factors limiting the growth and expansion of SMEs in Sri lanka.

### Challenges of Credit Facilities on the Growth of SMEs

Current debate about the challenges facing SMEs from using credit facilities offered by financial institutions to support their growth are higher interest rate, small loan amount offered and strict loan repayment terms (Zhang, 2019). Although, SMEs have significant contributions to employment creation and growth of GDP in developing countries yet they are more exposed on credit constraints. It was stressed that, the asset owned by SMEs is below minimum collateral value that will cause higher cost to banks.

The study conducted in Asia proposes remedies that can help SMEs to overcome those constraints of getting credit facilities. They suggested credit rating technique that will overcome the information asymmetric problem and sustainable credit guarantee scheme to solve the problem of minimum collateral (Yoshino &Taghizadeh-Hesary, 2018). Among the credit rating techniques are establishment of Credit Risk Database (CRD), National Credit Bureau (NCB) and SMEs credit rating while for credit guarantee scheme was backed by Credit Guarantee Corporations (CGCs).

Additional constraints were also observed in Africa region that limit SMEs to access funds, this includes lack of knowledge for SMEs about lending terms and conditions, SMEs lack source of information about alternative sources of funds, funds provider possess minimum knowledge about SMEs business as well as bureaucracy (Kisseih, 2017). It was proposed that the government should conduct marketing campaign to inform SMEs about various sources of funds, financial institutions have to take initiatives explaining the terms and conditions about credit provisions.

Surprisingly, the question of bureaucracy was overlooked by the scholar. It was stressed that, the amount of loan provided and high interest rate show significant contributions to the growth of SMEs. The study by Afunye Dr. (2015) identified that complexity and inconvenience related to loan application processes and inadequate qualification of SMEs as other factors limit SMEs to access credit. Furthermore, high borrowing cost and rigidities in interest rate was also revealed as problems (Mensah, 2004). The findings from Abdi, H. (2017) showed that availability of lending institution and personal relationship with financiers can enhance credit accessibility, hence are considered as chief determinants.

From September 2016 to September 2018, Kenya introduced interest rate control mechanism with the aim to minimize the interest rate, increase credit accessibility and increase return on savings. Surprisingly, the upon reviewing the impact of such control the adverse effects were found to SMEs (Alper, Clements, Hobdari, &Porcel, 2019). It was difficult decision to Kenya as no country has imposed a floor on the interest rate for all time deposits as well as cap in lending rate. Only Kenya did in response to the call of SMEs regarding excessive returns earned by financial institutions while issuing loans.

Until 2017, studies conducted in Tanzania revealed that higher interest and strict condition on loan provision still exist. Although financial institutions have enough money to process the loan requests form SMEs, yet they are worried about recovery of the loan (Magembe, 2017). Therefore, they are purposely imposed high interest rate and stringent conditions to SMEs like pledging high value collateral like cars, firms, land, houses and even business premises. Jumanne A, (2015) in his study revealed lack of financial support, weak economic infrastructure, lack of policy coherence and lack business support as other challenges SMEs in Tanzania faced when accessing credit facilities. The findings show that 97.1% of SME respondents claim lack of government support and 57.1% agreed to lack of entrepreneurship skills.

The credit offered to private sectors in general decrease from 25.1 percent 5.1 percent from march 2016 to January 2017 (Worldbank, 2017). It was stressed that the interest rates in Tanzania is higher compare to other country in the region. This is because Tanzania government borrow funds from domestic market by selling government bonds that result pressures to private sectors when they apply for loan. Although, Tanzania is in front line in financial inclusion compare to other country in the region yet 44 percent of SMEs crying for the difficulties they faced while applying bank loans (IMF, 2018). It was suggested that the credit information system need to be activated and access to collateral need to be improved.

## Research Gap Identify

In the preceding discussion, several works of literature on challenges faced by SMEs have been reviewed. The scholars focused their studies on the general challenges faced by SMEs on accessing credit. High-interest rates, strict loan repayment terms, and small loan amounts have been identified as the major challenges.Since the reviewed pieces of literature focused only on the general challenges (high-interest rates, strict loan repayment terms and small loan amounts), the researcher of this study found a need to look at how these challenges affect SMEs in terms of surviving, expansion, etc. Therefore, this study went further from the challenges faced by SMEs on accessing credit facilities to how they support the growth of SMEs and if they are still the major constraints on accessing credit facilities from the financial institutions.

## Conceptual Framework

This study was guided by the following conceptual framework which indicate the relationship between variables;

**Dependent Variables**

**Independent Variables**

**SMEs Growth**

* Profit
* Revenue
* Number of employees
* Total assets

**Loan Interest rate**

* Lending rate

**Loan size**

* Loan Amount

Loan Terms

* Application procedure
* Collateral
* Repayment period

**Figure 2.2: Conceptual Framework**

**Source:** Researcher 2019

The conceptual framework contains the independent variables and dependent variable.

**Independent Variable:** Independent Variable represents variables that researcher has control, the ones that researcher believe may cause the results. The Independent Variables under this study are interest rates, loan size and loan terms.

**Dependent Variable:** These are variables that respond to the Independent Variable, the one that researcher measure to see the effect of independent variables on it. In this study the SMEs growth was considered as dependent variable.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## Introduction

This chapter explains step by step used to conduct this study. More specifically, it explains research design, sampling framework, data collection instruments and methods of data analysis. The detail explanation of each element is explained below.

## Research Design

Lexical meaning of research design is the method used to conduct the research. Different studies have different research questions; therefore, will have different research design. However, at any type of design the four main characteristic including neutrality, reliability, validity and generalization must be observed. Broadly, research design is classified into qualitative and quantitative research design. Furthermore, it can be classified into descriptive, experimental, correlational, diagnostic and explanatory design (Sekaran and Bougie, 2016; Kumar, Talib and Ramayah, 2013; Hair, Celsi, Money, Samouel and Page, 2016).

The efficient assessment of the questions in this study has been attained using quantitative research design and more specifically descriptive survey. This is because the objective of a descriptive study is to describe, is often design to collect data that describe the characteristics of person, events or situations. Also, descriptive study design concerns with the relationship that exists among two or more variable. It also helps the researcher to understand the characteristic of variables of concern in the study and think systematically how they affect each other.

## Sampling Framework

Prior to data collection process, it is compulsory to identify the target population and sample to be used. Simply, population can be referred as the group of organizations, institutions, people, countries or things of the researcher needs to investigate while sample is the subset of the population that can be used to conduct the study (Cooper and Schindler, 2008). Sample can be selected using either probabilistic or non-probabilistic method. Probabilistic methods also known as random methods which include simple random, stratified random and systematic random. While, non-probabilistic methods also known non-random method which include convenient and purposive sampling methods (Kothari, 2004).

In this study, the population represent the total number of SMEs in Tanzania and sample size was 200 SMEs located in Dar es Salaam. The study tried to capture large sample size because, when the sample size is big the sample error become small. Therefore, it was more representative to all SMEs available in Tanzania. Non-probabilistic method was used to select the sample, specifically convenient sampling procedure. The procedure was used to select the targeted sample due to geographical proximity and easy accessibility to the researcher.

## Data Collection Instruments

The instruments used to collect data depend on type of data that need to be collected. There are secondary and primary data which fundamentally deferred in term of meaning, nature of data, process of gathering them, source, cost, collection time and even availability. Primary data are the one which are gathered by researcher in first time. They are real data which are gathered through survey, observations, experiments, questionnaires, personal interview. They are expensive and take long time to collect. Interestingly, they are always specific with the researcher’s needs.

Contrary to secondary data which are already collected by someone else in the past. Normally, they are available in different publications, organization database, books, journal, etc. They are cheaper and can be collected in very short time however are not specific with researcher’s need (Njuguna, 2019). Data for this study were gathered through the use of primary source by the means of structured questionnaire. The questionnaire was distributed to SMEs operators and/or owners for the first hand information for processing towards answering the research questions.According to Kothari (2004) questionnaire is the best tool to be used for collecting primary data. This is because; it can capture wide range of inquiries that can help to get reliable results. It always gives the respondent enough time to think before they respond to questions.

**Questionnaire Development:** The Table 3.1 summarise the questions of Interest rate adopted from the study of Benard, Sare and Musah (2014) about the effects of interest rate on Micro, Small and Medium Enterprises Financing Decision in Wa Municipality of Ghana.

Table 3.1: Adopted questions related to Loan Interest rate

|  |  |  |
| --- | --- | --- |
| **Variable** | **Questions** | **Sources** |
| Interest Rates | 1. Have you ever access loan from institutions since you start your business?
2. How you would score the interest charged on loan by financial institutions from very low to very high?
3. How the loan interest rate effect the growth of your business?
4. If you have option of using your own funds and borrowed money from financial institutions, which one you will choose? Why?
 | Benard, Sare and Musah (2014) |

**Source:** researcher, 2020

The Table 3.2 shows the questions related to loan terms adopted from World bank survey conducted 2017 related to policy recommendations and programs that support private sector development and growth in Georgia.

Table 3.2: Adopted Questions Related to Loan Terms

|  |  |  |
| --- | --- | --- |
| **Variable** | **Questions** | **Sources** |
| Loan Terms | 1. How you would rate from low to high the complexity of loan application procedures may cause you not apply for loan from financial institutions
2. How you would rate from low to high the collateral requirements may cause you not apply for loan from financial institutions
3. How you would rate from low to high the insufficient profit that your company make may cause you not apply for loan from financial institutions.
4. How you would rate from low to high the lack of maintaining proper books of accounts may cause you not apply for loan from financial institutions
5. How you would rate from low to high the convenient repayment period may cause you not apply for loan from financial institutions
6. How you would rate from low to high the limitation of using borrowed funds may cause you not apply for loan from financial institutions
 | World bank survey (2017) |

**Source:** researcher, 2020

The Table 3.3 shows the questions related to loan size adopted from the study of Abdesamed and Wahab (2014) about Financing of small and medium enterprises in Libya. Although the study attempted allot of question including human capital, firm size, business strategy as well as information asymmetry, only questions related to firm size was captured.

Table 3.3: Adopted Questions Related to Loan Size

|  |  |  |
| --- | --- | --- |
| **Variable** | **Questions** | **Sources** |
| Loan Size | 1. How you would score the size of loan you have received from financial institutions from low to high?
2. Compare to past 4 years, do you observe any change of loan amount you have received? How?
3. How you would rate from low to high that the small size of your company may cause you not to get the amount of loan you have requested from financial institutions
4. How you would rate from low to high that the lack of business plan may cause you not to get the amount of loan you have requested from financial institutions
5. How you would rate from low to high that number of years of operation of your company may cause you not to get the amount of loan you have requested from financial institutions.
 | Abdesamed and Wahab (2014) |

**Source:** researcher, 2020

The Table 3.4 shows the questions related to growth of SMEs adopted from the study of Cheng (2006) conducted in Hong Kong. The study aimed to determine how the external economic factors and management practice influence the growth of SMEs.

Table 3.4: Adopted questions related to Growth of SMEs

|  |  |  |
| --- | --- | --- |
| **Variable** | **Questions** | **Sources** |
| Growth of SMEs | 1. How you would rate of the **growth of employment** in your company from less importance to more important?
2. How you would rate of the **growth of revenue** in your company from less importance to more important?
3. How you would rate of the **growth of profits** in your company from less importance to more important?
4. How you would rate of the **growth of total assets** in your company from less importance to more important?
 | Cheng (2006) |

**Source:** researcher, 2020

## Methods of Data Analysis

Data gathered for this study were analysed using Statistical Package for Social Science (SPSS) and Microsoft Excel. Both descriptive and inferential statistical analyses were conducted for more understanding of data. More specifically, descriptive statistical analysis involves general characteristic of data including frequency of responses and respective proportion or percentage of response, maximum response rates, minimum response rates and average response rates. While inferential statistical analysis was conducted in order to gain more understanding about the contribution of each exogenous variable towards endogenous variable.

The Multiple regression as among of inferential statistical analysis, was used to study significant contribution of each variable. Multiple regressions is used when there are two or more independent variables. According to C.R. Kothari (2004), Multiple regression is used to predict the variability of the dependent variable based on its covariance with all the independent variables. The following principal multiple regression assumptions were tested to check the validity and reliability of the field data collected; Normality, Autocorrelation, linearity, homoscedasticity or homogeneity of variances, and absence of multicollinearity. The formal model for Multiple Linear Regression is shown in equation 3.1

 **3.1**

Where,

 Y = Endogenous Variable

 X = Exogenous Variable

 ε = Regression error

 n = Variable, n = 1, 2…i

 β = Contribution of exogenous variable toward endogenous variable

# CHAPTER FOUR

# PRESENTATION AND DISCUSSION OF FINDINGS

## Introduction

The chapter presents the results of the data collected from the targeted sample size, and the analysis of that to ascertain the challenges of using credit facilities to support the growth of Small and Medium Enterprises in Tanzania. The data were collected exclusively from the questionnaires which were designed in line with the objectives of the study. The principal multiple regression assumptions were tested to check the validity and reliability of the field data collected for proper analysis.

## Validity and Reliability

Reliability and validity are terms used to indicate how well a method or test measures something. They are used to evaluate the quality of the research work. Validity means how accurately a method measures what it intended to measure while Reliability measures the internal consistency of data, how closely related a set of data/items are as a group (IDRE,2019).The study used Cronbach’s Alpha to test the reliability of the instrument used to collect the data. From this study the Cronbach’s Alpha is **0.8850** was found which is considered good since the cut-off point is 0.7. Hence the instrument used to collect the data is reliable by 88.5%.

Table 4.1: Cronbach’s Alpha

**ANOVA**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Source of Variation** | **SS** | **df** | **MS** | **F** | **P-value** | **F crit** |
| Rows | 428.4672 | 120 | 3.570560003 | 8.694264178 | 7.71E-58 | 1.267726 |
| Columns | 9.920842 | 3 | 3.306947314 | 8.052370929 | 3.31E-05 | 2.629707 |
| Error | 147.8448 | 360 | 0.410679953 |  |  |  |
| Total | 586.2328 | 483 |  |  |  |  |
| **Cronbach’s Alpha** | **0.8850** |  |  |  |  |  |

**Source:** Researcher Field Work, 2019

## Testing Assumptions of Multiple Linear Regression

### Autocorrelation Assumption

Autocorrelation measure the extent to which independent variables within a regression model correlate with each other. The researcher of this study uses Durbin-watson test to measure the autocorrelation statistics. The Durbin-watson uses residuals to perform the test.

Table 4.2: Autocorrelation Test

|  |
| --- |
| ***Regression Statistics*** |
| Multiple R | 0.8274 |
| R Square | 0.6846 |
| Adjusted R Square | 0.6765 |
| Standard Error | 0.6341 |
| Observations | 121 |
| **Durbin-watson** | **2.3725** |

**Source:** Researcher Field Data, 2019

By the General rule the value of Durbin – Watson should fall between 0 – 4, however the acceptable range is between 1.5 to 2.5. Based on the test result from Table 4.2 above, the Durbin – Watson value is 2.3725 which are within the acceptable range of 1.5 – 2.5. Hence the study has not violated the autocorrelation assumption.

### Multicollinearity Assumption

Multicollinearity shows the degree of relation between the variables used in the regression model. For the data to fit the model and interpret the results, independent variables should be independent to each other. The researcher used Variance Inflation Factor (VIF) to identify the correlation between independent variables and the strength of that correlation.

Table 4.3: Multicollinearity Test

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Coefficients** | **Std. Error** | **T Stat** | **P-value** | **Std. Dev** | **VIF** |
| Intercept | 0.6093 | 0.1504 | 4.0498 | 9.25E-05 |  |  |
| Interest rate | -0.2968 | 0.0891 | -3.3310 | 0.001159 | 1.0220 | **2.4747** |
| Loan size | 0.5739 | 0.0711 | 8.0693 | 6.96E-13 | 1.2153 | **2.2297** |
| Loan terms | 0.5552 | 0.0785 | 7.0694 | 1.21E-10 | 1.0189 | **1.9110** |

**Source:** Researcher Field Work, 2019

Ringel, et al. (2015), proposed that the maximum acceptable value for VIF is 5, therefore from Table 4.3 all the VIF values are below 5 hence no violation of multicollinearity.

### Normality Assumption

This is used to check if the data is normally distributed,it assumes that errors between the observed and predicted variables should be normally distributed. The researcher tested for normality by assessing the skewness and kurtosis. Skewness represents the asymmetry of the distribution variable while kurtosis measures the tailedness (or peakedness). According to George &Mallery (2009), the acceptable range of normality is between -2 and +2 for skewness while for kurtosis is between -5 and +5.

Table 4.4: Normality Assumption

|  |  |  |  |
| --- | --- | --- | --- |
| **INTEREST RATE** | **LOAN SIZE** | **LOAN TERMS** | **GROWTH** |
| Mean | 2.2066 | Mean | 2.3884 | Mean | 2.2128 | Mean | 2.5537 |
| Standard Error | 0.0929 | Standard Error | 0.1105 | Standard Error | 0.0926 | Standard Error | 0.1014 |
| Median | 2 | Median | 2 | Median | 2 | Median | 2.75 |
| Mode | 2 | Mode | 1 | Mode | 1.5 | Mode | 1 |
| Standard Deviation | 1.0220 | Standard Deviation | 1.2153 | Standard Deviation | 1.0189 | Standard Deviation | 1.1149 |
| Sample Variance | 1.0445 | Sample Variance | 1.4770 | Sample Variance | 1.0382 | Sample Variance | 1.2429 |
| **Kurtosis** | **0.7947** | **Kurtosis** | **-0.7624** | **Kurtosis** | **1.8737** | **Kurtosis** | **-1.2419** |
| **Skewness** | **0.9486** | **Skewness** | **0.5906** | **Skewness** | **1.5532** | **Skewness** | **0.0251** |
| Range | 4 | Range | 4 | Range | 4 | Range | 3.5 |
| Minimum | 1 | Minimum | 1 | Minimum | 1 | Minimum | 1 |
| Maximum | 5 | Maximum | 5 | Maximum | 5 | Maximum | 4.5 |
| Sum | 267 | Sum | 289 | Sum | 267.75 | Sum | 309 |
| Count | 121 | Count | 121 | Count | 121 | Count | 121 |
| Conf. Level (95.0%) | 0.1840 | Conf. Level (95.0%) | 0.2188 | Conf. Level (95.0%) | 0.1834 | Conf. Level (95.0%) | 0.2007 |

**Source**: Researcher Field Work, 2019

Table 4.4 shows descriptive statistics to examine the skewness and kurtosis value of the variables (loan interest rate, Loan size, loan terms and growth). The results show that the skewness varies between 0.0251 to 1.5532. The values of kurtosis are between -1.2419 to 1.8737. Based on the above acceptable range by George &Mallery (2009), the skewness and kurtosis values confirm normal distribution of the field data in this study.

### Homoscedasticity Assumption

Homoscedasticity describes a condition in which error term (that is, the residual) across all values of independent variables is constant. The opposite of it is Heteroscedasticity which means the error term differs across values of independent variables.

**Figure 4.1: Residual Plots/Graph**

**Source:** Researcher Field Work, 2019

This study used the residual scatter graph/plot to test the homogeneity of variances. A residual scatter graph is a figure that has predicted score and errors of prediction. To satisfy the homoscedasticity assumption the points should be concentrated on the horizontal line (i.e. the origin).From the resulted Figure 4.1, the graphs showed that the majority of the points are within the range of -1 and 1. This is fairly close to the origin; hence the homoscedasticity assumption has met.

### Linear Regression Assumption

The assumption states that, there should exist a linear relationship between the independent and dependent variables. This can be identified by running a regression to the set of data of independent and dependent variables.

Table 4.5: Linear Regression

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Coefficients** | **Standard Error** | **t Stat** | **P - value** |
| **Intercept** | 0.6093 | 0.1504 | 4.0498 | 9.24933E-05 |
| **Interest rate** | -0.2968 | 0.0891 | -3.3310 | 0.001158519 |
| **Loan size** | 0.5739 | 0.0711 | 8.0693 | 6.96138E-13 |
| **Loan terms** | 0.5552 | 0.0785 | 7.0694 | 1.21407E-10 |

**Source:** Researcher Field Work, 2019

The set of data from Table 4.5 give the following regression expression (Y = β0+ β1X1+ β2X2 + β3X3 + **ε**);

**Y = 0.6093 + - 0.2968X1 + 0.5739X2 + 0.5552X3 +** **ε**

Where by Y = SMEs growth

X1 = Interest rate,

X2 = Loan size and

X3 = Loan terms.

The resulted regression expression provides that a unit decrease in interest rate will increase SME investment(growth) by almost 30% followed by 57 percent and 56 percent of loans size (amount) and loan terms respectively. Therefore, an increase in loan amount and fair loan terms and conditions contributed largely on the growth of SMEs.

## Response Rate

The study aimed to collect data from 200 SMEs located in Dar es salaam with regards to challenges of using credit facilities to support the growth of Small and Medium Enterprises in Tanzania. From the field study a total of 200 questionnaires were distributed and 121 were completed and returned which makes up a response rate of 60.5% of total respondents to the questionnaires which was considered satisfactory for the study.

Table 4.6: Response Rate

|  |  |  |
| --- | --- | --- |
| **Number of questionnaires distributed** | **Number of questionnaires returned** |  **Percentage** |

 200 121 60.5%

**Source**: Researcher Field work, 2019

## Basic Information of the respondent

### Gender of respondents

The questionnaire was administered to both male and female owners/operators of SMEs reside in Dar es salaam city. The aim was to have equal representation of both male and female respondents.

**Figure 4.2: Respondents Gender**

**Source:** Researcher Field Work,2019

The results from the field study show, majority of the respondents (80.99%) are maleand (19.01%) are female. The findings indicated that ownership/management position of the respondents SMEs in Dar es salaam are male dominated.

### Age of Respondents

Table 4.7: Age group of the Respondents

|  |  |  |
| --- | --- | --- |
| **Age group** | **Respondents** | **Percentage** |
| Below 20 years | 10 | 8.3 |
| 21 – 30 years | 45 | 37.2 |
| 31 – 40 years | 24 | 19.8 |
| 41 – 50 years | 40 | 33.0 |
| 51 – 60 years | 2 | 1.7 |
| **Total** | **121** | 100 |

**Source:** Researcher Field Work, 2019

It can be observed from Table 4.7 that a large number of people who are engaged in SMEs are aged around 21 – 30 years and 41 – 50 years. They form 37.2% and 33.0% of all the respondents respectively. 19.8% are of the aged 31 – 40 years, 8.3% are below 20 years and 1.7 % is within 51 to 60 years of age. The age of the respondents was important since different age group provide different challenges on operating SME business.

### Education level of Respondents

This shows the level of education each respondent who answered the questionnaires provided has. It aimed to determine their understanding on the matter of concern in this study.

Table 4.8: Respondents Education Level

|  |  |  |
| --- | --- | --- |
| **Education Level** | **Frequency (Respondents)** | **Percentage** |
| Secondary | 15 | 12.40 |
| Diploma | 16 | 13.22 |
| Degree | 49 | 40.50 |
| Master  | 41 | 33.88 |
| **Total** | 121 | 100 |

**Source**: Researcher Field Work, 2019

According to Table 4.8, the researcher observed that majority of the respondent were of degree level. They constituted 40.5% representing 49 respondents from the sampled population,13.2% representing 16 respondents were of diploma level,33.9% representing 41 respondents were of Master degree level, and 15 respondents who representing 12.4% were of secondary level. Lastly, from the field study conducted none of the respondents had a primary level education.Since most of SMEs owners/operators have a degree or master degree, it indicates that the respondents have a clear and fair picture of SMEs and financial institution hence provide reliable data for the purposes of this study.

### Respondents Experience

This shows how long the respondents have been in the business. It’s one of the principal characteristics that will help in understanding how the SMEs perform.

Figure 4.4: Respondents’ years of experience

**Source**: Researcher Field Work, 2019

Based on the survey conducted, it was identified that most of the SMEs existed for a period of 1 to 5 years representing 37.2% of all the respondents. 19% representing 23 respondents had an experience of 6 – 10 years, SMEs that are below 1-year account for 14% representing 17 respondents, and 17 respondents representing 14% have been in business within a range of 15 – 20 years. Moreover, Figure 4.4 also shows that 13.2% representing a total of 16 respondents had experience of above 20 years and 11-15 years.

## Business Information

### Type of business

This shows the business activities that individual SME participated.

Table 4.9: Type of Business SMEs Engaged

|  |  |  |
| --- | --- | --- |
| **Type of Business** | **Respondents (Frequency)** | **Percentage** |
| Betting Agent | 6 | 5.1 |
| Computer, Online marketing | 7 | 5.9 |
| Electrical and Hardware | 15 | 12.7 |
| Pharmaceutical | 4 | 3.4 |
| Electronics | 8 | 6.8 |
| Finance and Banking | 35 | 29.7 |
| Food stuff | 16 | 13.6 |
| Office and Stationery | 4 | 3.4 |
| Oil and Gas | 5 | 4.2 |
| Software | 4 | 3.4 |
| Telecommunications | 8 | 6.8 |
| Tv content producer | 6 | 5.1 |
| **Total** | **118** | 100 |

**Source:** Researcher Field Work,2019

It can be observed from Table 4.9 that majority of the SMEs are engaged in finance and banking business who form 29.7% of the respondents. 13.6% are engaged in Food stuff,12.7% in Electrical and hardware,6.8% in Electronics and Telecommunication each,5.9% of the respondents are engaged in Computer, online marketing,5.1% are engaged in Betting business and TV content producer each,4.2% are engaged in Oil and Gas and finally a total of 10.2% are engaged in Pharmaceuticals, Office and stationery and Software (3.4% Pharmaceuticals,3.4% office and Stationery and 3.4% Software). This shown that respondents were drawn from various business types hence make the study more exhaustive in establishing challenges faced by SMEs in accessing credit facilities for the growth of their businesses.

### Nature of acquisition

The study collected data to determine how individual respondent establish SMEs business.



**Figure 4.5: Nature of Business Acquisition**

**Source**: Researcher Field Work, 2019

Based on the data collected, out of 121 respondents who returned the questionnaire only 115 managed to provide answers to the question. Shown on figure 4.5, 79.1% representing 91 respondents establish SME business on their own. They start building their businesses from the scratch. Only 13.9% representing 16 respondents purchased their businesses and 6.9% representing 8 respondents acquire their businesses by purchasing one part and establishing the other part.

### Sources of Fund for Start-Up Business

The study collected data to determine how each individual respondent obtain fund to start up a business and the role played by financial institution on the establishment of new SMEs.

According to study conducted, Figure 4.6 shows that most of the respondents start up a business using their own savings. They accounted for 44 respondents, representing 38.26%. 6 respondents, representing 5.22% used combination of loan form the bank and their own saving, 8 respondents, representing 6.96% used loan from the bank and contribution, 24 respondents, representing 20.87% used loan from the bank and the remaining 28.70% of the respondents used contribution to start up a business.

**Figure 4.6: Source of Funds for Start-Up Business**

**Source**: Researcher Field work, 2019

### Legal status of the business

This provides the nature of business that each respondent engaged to.

**Figure 4.7: Legal Status of Business**

**Source:** Researcher Field Work, 2019

Based on questionnaire administered 8 respondents did not answer the question, this means the researcher had left with 113 responses to analyse. The field study data on figure 4.6; indicated that most of the respondents SME are registered as limited companies. They accounted for 53 respondents, representing 46.9% representing 53. 12.4% representing 14 respondents were Joint ownership (i.e. partnership) and the remaining 40.7% representing 46 respondents were registered as Sole ownership.

## Descriptive Analysis of the Variables

### Loan interest rate

Researcher sought to find out the possibility small and medium enterprises (SMEs) to use financial institution to access funds to support their businesses and how interest rate affects the growth of their businesses. The questionnaires were administered to the respondents and the findings are as follow.

Table 4.10: Access to Finance and Interest Rate

|  |
| --- |
| **Level of agreement 1 -5 where 1=Strongly Disagree, 2= Disagree, 3= Indifferent, 4= Agree & 5=Strongly Agree** |
| **#** | **Interest rate** | **1** | **2** |  | **3** | **4** | **5** |
| **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| 1 | Normally, I access loans from financial institution to support my business | 37 | 30.58 | 8 | 6.61 | 56 | 46.28 | 9 | 7.44 | 11 | 9.09 |
| 2 | The loan interest rate charged by financial Institutions is affordable | 49 | 40.50 | 40 | 33.06 | 26 | 21.49 | 0 | 0 | 6 | 4.50 |
| 3 | The loan interest rate charged by financial Institutions found to decrease compared to previous year | 54 | 44.63 | 28 | 23.14 | 27 | 22.31 | 0 | 0 | 12 | 9.92 |
| 4 | The loan taken from financial institutions contribute to the growth of my business | 42 | 34.71 | 36 | 29.75 | 8 | 6.61 | 16 | 13.22 | 19 | 15.70 |
| 5 | Taking loan from the financial institution is the best option compare using my own funds | 44 | 36.36 | 27 | 22.31 | 24 | 19.83 | 11 | 9.09 | 15 | 12.40 |

**Source**: Researcher Field Work, 2019

From the Table 4.10, the researcher sought to find out the respondents’ access to loans from financial institution to support their business and these were the results 37.19% did not have access to loans, 46.28% were indifferent and only 16.53% did have access.The researcher wanted to know whether interest rate on loans offered by financial institution is affordable. Largely 73.56% disagreed with the statement, 21.49% were indifferent and 4.50% agreed. This showed that interest rate charged was on the higher side.

Respondents were also asked whether the loan interest rate charged by financial institution found to decrease compared to the previous year, the findings were only 9.92% agreed, 22.31% were indifferent and 67.77% disagreed to the statement. This implies that loan interest rate increases. Mostly 64.46% of the respondents disagree that loans taken from financial institution contribute to the growth of their businesses. Moreover, the researcher wanted to know if taking loan from financial institution is the best option compared to the use of own funds. 21.49% agreed to the statement, 19.83% were indifferent and the remaining 58.67% of the respondents disagreed. This means using own funds to support business is the best option.

### Loan size

Researcher sought to find out how impact of some characteristics of the amount of money (loan) offered by financial institution to the growth of small and medium enterprises. The characteristics of concern are size of business, time of existence of SME and business plan. Statements were provided to the respondents to respond and these are the findings.

Table 4.11: Loan Size

|  |
| --- |
| **Level of agreement 1 -5 where 1=Strongly Disagree, 2= Disagree, 3= Indifferent, 4= Agree & 5=Strongly Agree** |
| **#** | **Loan Size** | **1** | **2** | **3** | **4** | **5** |
| **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| 1 | The amount of loan offered by financial institution is adequate | 30 | 24.79 | 52 | 42.98 | 9 | 7.44 | 19 | 15.70 | 11 | 9,09 |
| 2 | Nowadays, I receive higher loans compared to previous years | 50 | 41.32 | 21 | 17.36 | 17 | 14.05 | 22 | 18.18 | 11 | 9.09 |
| 3 | The size of my company does not affect the amount loan I got from financial institutions | 48 | 39.67 | 23 | 19.01 | 35 | 28.93 | 8 | 6.61 | 7 | 5.79 |
| 4 | The lack of business plan also does not affect the amount of loan I got from financial institutions | 49 | 40.50 | 51 | 42.15 | 9 | 7.44 | 6 | 4.96 | 6 | 4.96 |
| 5 | The minimum number of years of business operation also does not affect the amount of loan I got from financial institution | 43 | 35.54 | 58 | 47.93 | 13 | 10.74 | 1 | 0.83 | 6 | 4.96 |

**Source**: Researcher Field Work, 2019

From the Table 4.11, it is evident that the majority of SMEs studied had negative attitudes towards the size of loan offered by financial institution. 67.77% of the respondents disagreed with the statement that the amount of loan offered by financial institution is adequate, 24.79% agreed and 7.44% were indifferent.The researcher wanted to know whether SMEs receive higher loan compared to the previous year. The findings reveal that 58.68% of the respondents disagreed, which implies that they still receive lower loans. 14.05% of the respondents were indifferent to the statement and the remaining 27.27% agreed.

Moreover, the researcher wanted to know whether the size of SME can affect the loan amount offered by bank and non-banking financial institution. The results showed 58.68% of the respondents agreed that the size of business has effect on the amount of loan offered. 28.93% of respondents were indifferent and 12.40% disagreed. Furthermore, the results showed majority of respondents (82.65%) agreed to the statement that business plan can affect the amount of loan offered by financial institution. Only 9.92% disagreed. Also, from the table 5.0 finding shows that number of years of business operation play a key role on the amount of loan offered by financial institution. Largely 83.47% of the respondents disagreed to the statement that number of years of business operation does not affect the amount of loan offered by financial institution while only 5.79% agreed. The remaining 10.74% of the respondents were indifferent.

These data suggest that most of financial institutions consider size of the company (large or small), business plan and number of years of business operation as criteria when appraising the loan applicants.

### Loan terms

The researcher sought to measure the flexibility of loan terms; collateral requirements, minimum profits, maintenance of books of account and repayment period as assigned by financial institution to SMEs when applying for the loan.On whether loan application procedures are flexible, from Table 4.12 the findings show that the majority of the respondents representing 57.02% disagreed with the statement while 25.62% of the respondents agreed and 17.36% were indifferent. On whether minimum collateral required by financial institutions are affordable, it can be observed from the results that largely 84.30% of the respondents disagreed with the assertion while 15% of respondents agreed and only 4% were indifferent.

Table 4.12: Loan terms

|  |
| --- |
| **Level of agreement 1 -5 where 1=Strongly Disagree, 2= Disagree, 3= Indifferent, 4= Agree & 5=Strongly Agree** |
| **#** | **Loan terms** | **1** | **2** | **3** | **4** | **5** |
| **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| 1 | The loan application procedures are flexible | 56 | 46.28 | 13 | 10.74 | 21 | 17.36 | 17 | 14.05 | 14 | 11.57 |
| 2 | The minimum collateral requirements defined by financial institutions are affordable | 56 | 46.28 | 46 | 38.02 | 4 | 3.31 | 4 | 3.31 | 11 | 9.09 |
| 3 | The minimum profits still make the company to qualify for loans from financial institutions | 39 | 32.23 | 15 | 12.40 | 50 | 41.32 | 11 | 9.09 | 6 | 4.96 |
| 4 | Lack of proper maintenance of accounting records cause the company to be disqualified for loans from financial institutions | 15 | 12.40 | 26 | 21.49 | 41 | 33.88 | 19 | 15.70 | 20 | 16.53 |
| 5 | The repayment period defined by financial institutions is convenient. | 29 | 23.97 | 67 | 55.37 | 10 | 8.26 | 4 | 3.31 | 11 | 9.09 |

**Source:** Researcher Field Work, 2019

On whether minimum profit still make the company qualify for the loan, 39 of the respondents representing 32.23% strongly disagreed, 15 respondents representing 12.40% disagreed, 50 respondents representing 41.32% were indifferent, 11 respondents representing 9.09% agreed and only 6 respondents representing 4.96% strongly agreed with the claim.On whether lack of proper maintenance of accounting book disqualify the company from obtaining loan from financial institution, the findings show 33.89% of the respondents disagreed with the statement while 33.88% were indifferent and 31.23% of respondents agreed. On whether the repayment period defined by financial institution is convenient, majority of the respondents disagreed with the assertion and they accounted for 79.34%. 8.26% of the respondents were indifferent while 12.40% of respondents agreed.

Generally, from the findings, loan terms are still the obstacles for SMEs to access loan from the financial institutions.

### Measure of Growth of SMEs

In this study, the growth of SMEs was measured in respect to number of employees, revenue, profit and total assets since taking loan from financial institution.

From the Table 4.13, the researcher sought to find out if number of employees is growing since SMEs start accessing loans from financial institution, 62.81% of the respondents disagreed to the statement. This implies that access to loans does not emphasize an increase in the number of employees.

Table 4.13: Measure of Growth of SMEs

|  |
| --- |
| **Level of agreement 1 -5 where 1=Strongly Disagree, 2= Disagree, 3= Indifferent, 4= Agree & 5=Strongly Agree** |
| **#** | **Growth of SMEs** | **1** | **2** | **3** | **4** | **5** |
| **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| 1 | Number of employees in my company is growing since I start taking loan from financial institutions | 43 | 35.54 | 33 | 27.27 | 22 | 18.18 | 22 | 18.18 | 1 | 0.83 |
| 2 | The revenue of my company is growing since I start taking loan from financial institutions | 27 | 22.31 | 48 | 39.67 | 16 | 13.22 | 18 | 14.88 | 12 | 9.92 |
| 3 | The profit of my company is growing since I start taking loan from financial institutions | 27 | 22.31 | 30 | 24.79 | 35 | 28.93 | 18 | 14.88 | 11 | 9.09 |
| 4 | The total assets of my company are growing since I start taking loan from financial institutions | 27 | 22.31 | 29 | 23.97 | 15 | 12.40 | 34 | 28.10 | 16 | 13.22 |

**Source:** Researcher Field Works, 2019

The researcher asked respondents if access to loans increases the company revenues and these were the findings, 61,98% disagreed, 13.22% were neutral and 24.80% agreed. Moreover, the researcher wanted to know whether SMEs’ profits increase since start accessing loans from financial institutions. 47.10% of the respondents disagreed, 28.93% were indifferent and the remaining 23.97% of the respondents agreed. Also, the researcher sought to find out if the total number of SMEs’ assets increase after accessing loan from financial institution, the findings showed that 46.28% of the respondents disagreed while 41.32% agreed to the statements. Only 12.40% of the respondents were neutral.

Analysis of data gathered shows that financial capacity only does not guarantee growth other factors must also be considered such as leaderships’ will and commitment, qualified skilled workforce etc.

#### Growth Plans

The researcher of this study was also of interest on the attitudes of respondents towards the growth of their businesses. The results showed that all the respondents who returned the questionnaire want their businesses to grow as shown on Table 4.14.

Table 4.14: Preferred Percentage Growth

|  |  |  |  |
| --- | --- | --- | --- |
| **#** | **Percentage Growth Rate** | **Frequency** | **Percentage** |
| 1 | 1 – 20% | 37 | 30.58 |
| 2 | 21 – 40% | 30 | 24.79 |
| 3 | 41 – 60% | 40 | 33.06 |
| 4 | 61 – 80% | 8 | 6.61 |
| 5 | Above 100% | 6 | 4.96 |

**Source:** Researcher Field Works, 2019

## Test of Hypothesis

This study was guided by the following three hypotheses which were tested to assess whether the study objectives were achieved.

**H1** :The interest rates offered by financial institutions to SMEs is still high

**H2**: The amount of loan offered by financial institutions is not sufficient

**H3** : There are stringent loan terms imposed by financial institutions to SMEs

The regression analysis method was used to test the study hypotheses. The analysis was conducted based on three assumptions.

**First assumption**: Coefficient of determination in modal summary should explain independent variables above 40% which is considered acceptable.

**Second assumption:** At 95% level of confident, the significant value (p value) in ANOVA and coefficient of regression should be p < .05

**Third assumption:** At 95% level of confident, the value of predictions or independent variables should be p <= .05

Table 4.14: Model Summaryb

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | Multiple R | R Square | Adjusted R Square | Std. Error of the Estimate |
| **1** | **.827a** | **.685** | **.676** | **.634** |
| a. Predictor: (Constant), Interest rates, Loan size, Loan termsb. Dependent Variable: Growth |

**Source:** Researcher Field Work, 2019

The researcher findings indicated that the first assumption holds due to the fact that the coefficient of determination (r2) on the data analysis model summary had a value of 68.5%. This implies that 68.5% variation in dependent variable (Growth) is explained by the independent variables (loan interest rate, loan amount/size, and loan terms), hence the regression model fits the data. The results also indicated that there is a strong relationship between the variables (R = .827).

Table 4.15: ANOVAa

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| RegressionResidualTotal | 102.10247.049149.151 | 3117120 | 34.0340.402 | 84.634 | .000b |
| a. Dependent Variable: Growthb. Predictors: (Constant), Interest rates, loan size, loan terms |

**Source:** Researcher Field Work, 2019

Table 4.16: Coefficients

|  |
| --- |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | Standardize Coefficients | t | Sig. |
| B | Std. Error | Beta |
| (Constant) | .609 | .150 |  | 4.050 | .000 |
| Interest rate | -.297 | .089 | .272 | -3.331 | .001 |
| Loan size | .574 | .071 | .626 | 8.069 | .000 |
| Loan terms | .555 | .079 | .507 | 7.069 | .000 |
| a. Dependent Variable: Growth |

**Source:** Researcher Field Work, 2019

The results showed that at 5% level of significant and 95% level of confidence, the variables produce a statistically significant value of 0.000 which is less than 0.05 (i.e. p < 0.05) in both the ANOVA and Coefficient of regression (Table 4.15 and 4.16). Therefore, the second and third assumption hold and the researcher accepted the alternative hypotheses and reject the null hypothesis. Furthermore, the results from the coefficient table showeda strong relationship between the independent variables and dependent variable. It indicated the value of 0.001, 0.000, and 0.000 for interest rates, loan amount/size, and loan terms respectively which are between P ≤ 0.000 – 0.05.The resulted regression equation (Y = β0 + β1X1 + β2X2 + β3X3 + ε) was;

Y = 0.6093 + - 0.2968X1 + 0.5739X2 + 0.5552X3 + ε

Where by Y = SMEs growth

X1 = Interest rate,

X2 = Loan size and

X3 = Loan terms.

## Discussion of Major Findings

The findings from the study showed that the majority perceived the interest rate as too high to them to the extent that it affects their chance to grow. One respondent suggests that;

*“interest rate should be affordable to pay and reflect the economic variables to enable faster growth of young entrepreneurs”.*

The findings are in line with studies by Magembe, (2017) who urges that SMEs owners/operators perceived the interest rate as too high to them to the extent that it affected the gain from their business. He found that 64% of SMEs owners rated interest rate charged by financial institutions as “relatively high”, 27% rated “normal” and 9% rated “relatively low”. Kwaning et al, (2015) also revealed that interest on loan to SMEs is extremely high (87% of respondents perceived interest on loan to be extremely high). The same can also be confirmed on the study conducted by Ndungu, C. (2016). “*Factors Affecting Credit Access Among Small and Medium Enterprises in Murang’a County*”.

Moreover, the results revealed that the loan amounts offered by financial institutions to SMEs are insufficient to support their growth. This confirms the results by Zachary, (2013)that the majority of small and medium enterprises were not received the amounts they had applied for. The findings are also in line with the study conducted by Makena, (2011) which clearly showed that the majority of the SMEs don’t get the amount requested and are forced to look for other alternatives mainly due to the strict requirement imposed by financial institutions. SMEs need financing for two basic purposes, working capital financing and financing capital expenditure. Therefore, insufficient loan amounts prevent them from meeting the above obligations thus hindering the plans for expansion.

Furthermore, Stringent loan terms and conditions (loan repayment terms) defined by financial institutions had seen as the bottleneck towards the growth of SMEs. The respondents perceived them as being stringent. These terms include but not limited to minimum required collateral, identification as an official establishment, maintaining book of accounts, fully filing of tax returns, clear from any cases related you and your business, and number of restrictive covenants that limit borrower on usage of the loan (World bank, 2017). From the results, the minimum collateral required and loan repayment period imposed by the financial institution where the most hindering factors for SMEs to access credit. The respondents considered loan terms as; *“very harsh with a lot of complication and they are purely not user-friendly”.*

The findings confirmed a study by Magembe (2017) who found out that SMEs sector faces difficulties for their investment projects because of lack of assets to be pledged as collateral. He also stressed that lenders purposely require high value collateral like cars, farms, land, house and even business premises, which most SMEs cannot afford. He also revealed that the time given to repay the loan is very short to extent that they fail to generate enough benefits form their business operations to start paying back the loans immediately.

The result is also in consonance with Kwaning, et al. (2015) who found out that the repayment period for loans given to SMEs is too short. And finally, it confirmed the study by Jumanne, (2015) “Factor affecting the Performance of SMEs in Tanzania: Case of Kariakoo Market, Dar es Salaam Region” that most SMEs sector faced problems of accessing finances due to the stringent conditions exercised by commercial banks and other financial institutions, therefore, it is recommended that there is need to revisit the financial terms and conditions in favour of the development of small and medium businesses.

Generally, the results construed that strict loan repayment terms, higher interest rates as well as small loan amounts are still the major challenges faced by SMEs when accessing credit for the growth of their businesses. It confirmed the study by Zhang (2019), that high interest, small loan amount offered, and strict loan repayment terms are still major challenges to SMEs when accessing credit facilities. Therefore, it is recommended for the government to come up with ways of reducing and regulating interest rate and financial institutions to review and harmonize their loan repayment terms and condition to easy access to credit facilities.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

## Introduction

The chapter gives a summary, conclusion and recommendations of the study carried extensively by the current researcher.

## Summary of Major Findings

The section provides the summary of the results obtained based on the specific objectives of this study.

### Loan Interest Rate

The first specific objective of this study was to assess the influence of interest rates offered by financial institutions toward the growth of SMEs. The findings from the study showed that interest rate plays a part on SMEs decision to access credit. Affordable interest rate enables SMEs to opt for the loan while a high interest rate prevents them from accessing credit facilities. Therefore, access credit facilities with a fair charge of interest increases the SMEs’ chance to grow. It was shown that a unit decrease in interest rate increases the growth by approximately 30%.

### Loan Amount (size)

The second specific objective was to analyze the association between the loan amount and the growth of SMEs. The majority of respondents had a positive view on the relationship or the influence loan size has on SMEs’ growth. The loan amount offered by the financial institution can help the SMEs to expand their business. Based on this, an adequate amount helps SMEs meet their operating expenses and increase their investment. Findings from the analyzed data show a unit increase on loan amount led to a 57.4% increase in growth.

### Loan Terms and Conditions

The third specific objective of this study was toassess the impact of loan terms imposed by financial institutions on the growth of SMEs. The results showed that loan terms defined by financial institutions still contribute largely to the growth of SMEs. The majority of respondents pointed out that the stringent loan requirements by financial institutions prevent SMEs from accessing loans and hence reduces their chance for growth. The resulted data indicate that more flexible and affordable loan requirements imposed by financial institutions will enable SMEs to grow by approximately 56%.

### Tested Hypotheses

The researcher performed a test to measure the quality of the data. The test results showed a coefficient of determination (R2) value of 0.685 which implies that 68.5% of the dependent variable can be accurately estimated from the independent variable. The results also indicated a strong relationship between the variables. In addition to that, the findings provided that at 95% level of confidence, the variables produce a statistically significant value (p - value) of 0.000 which is less than 0.05 (i.e. p < 0.05). In conclusion the overall regression model was significant, F = 84.634, p < 0.05 and R2= 0.685 and the regression equation Y = 0.6093 + - 0.2968X1 + 0.5739X2 + 0.5552X3 + ε

**Implication of the Results**

The research findings may contribute a lot to the existing knowledge and create an environment and mechanism that will encourage the demand and supply of credit facilities. This is through identification and exploration of the general challenges confronting SMEs access to credit facilities and examination of how they affect SMEs growth. By carefully addressing these challenges, this research is expected to open a way for the availability for external funds (i.e. credit facilities) to complement the internally generated funds which will enhance the expansion and growth of SMEs.

Also, this study will encourage the government and other financial institution to allocate financial resources to support the growth of SMEs in Tanzania thus encouraging SMEs to opt for credit whenever they need funds. Moreover, it will contribute to the body of knowledge by providing information to the government as well as financial institution on the appropriate model and strategy that need to be developed to ensure SMEs have easy access to credit facilities. The result of the study will promote competition among financial institution in their service delivery to the SMEs thereby expanding their areas of investment. However, the study findings can be implemented if all the stakeholders (i.e. Government, financial institution and SMEs) can come together on a round table and discussing issues emerged and recommended from the study for constructive resolutions.

## Conclusion

Based on the research findings, Small and Medium Enterprises in Tanzania considering Dar es Salaam city as a case study still face the Challenges of using credit facilities to support their growth. The study showed that all the respondents (i.e. 100% of respondents) are so determined to excel in business. High-interest rate, strict loan repayment terms and small loan amount block accessibility to credit facility as well as hindering the growth of SMEs. Largely 73.6% of the respondents perceived interest rate charged as unaffordable and not decreasing. Moreover, loan repayment terms are perceived to be stringent and loan amounts insufficient to support the start-up and expansion of SMEs.

Based on the facts above interest rate, loan repayment terms and loan amounts largely influence the growth of SMEs. Loan repayment terms and loan amount influence the growth of SMEs by more than 50% each. Therefore, Bank and other Financial Institutions’ lending policies and regulations need to be focused not only on the collateral requirement and repayment period but also on how flexible they are to accommodate more SMEs in terms of finance accessibility.

In addition to that, the findings revealed access to credit facilities alone does not guarantee growth other factors must also be considered such as leaderships’ will and commitment, qualified skilled workforce, etc. Furthermore, the findings showed that strict repayment terms, higher interest as well as small loan amount provided to SMEs are still major challenges confronted the SMEs in Tanzania in using credit facilities to support the growth of their business.

## Recommendation

The study recommends the following;

On self-employment, there are needs for the government to enact policies that will inspire and motivate women and youth to employ themselves in various sectors. The results from the data collected show only 19% of the respondents are women owners/operators of SMEs. Since most SMEs’ owners/operators are forced to opt for a loan to finance the start-up or expansion of their business due to a lack of capital, there are needs for the government and other stakeholders involved in SMEs should regulate the financial market through the credit bureau to enable SMEs operators to access credit with a fair charge of interest.

Moreover, the government should also provide subsidies and incentives to banks and other financial institutions with an outstanding record of lending to SMEs. This will encourage them to boost their operations to small and medium enterprises and help SMEs to grow and contribute largely to the national economy. There is also a need for banks and other financial institutions to review their loan requirements (loan repayment terms) to improve access to credit by SMEs and promote their growth, hence creating employment, increase household income and stimulating economic diversification towards industrialization.

Furthermore, banks and financial institutions should design various financial product at reasonable lending rate to provide flexibility to small and medium enterprises when opt for loan. Lastly, Government and other stakeholders should provide a platform where SMEs owners/operators will speak out their needs and demand for constructive resolution.

**Limitation of the Study:** Researcher encountered quite a number of challenges related to the research and most particularly on data collection process. Some respondents were reluctant to provide information as they were afraid that information they have to provide will be disseminated to tax authority despite the assurance given that the information provided would be confidential. Furthermore; due to inadequate financial resources, the researcher was not able to collect data from a large number of SMEs across the country. Data were collected to only 200 SMEs that are stationed in Dar es Salaam.

**Areas for further research:** Arising from this study, the direction for future studies are as follows: First; since this study focused on financial factors (i.e. Access to Credit Facilities) that affecting the growth of SMEs in the country, those factors alone cannot guarantee growth. Other factors such as managerial challenges must also be considered. Therefore, future studies should focus on the managerial challenges as well and their effect towards the growth of SMEs. Second; future studies should also focus on the challenges that limit credit provision by Financial Institutions and their effects on the survival and expansion of SMEs.

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# APPENDECIES

**APPENDIX I: RESEARCHER’S INTRODUCTION LETTER**

Dear Respondent;

I am a post graduate Student required to conduct a research in my area of study as part and partial fulfilment of my degree. With humble request, I would like to engage you as a participant in my survey titled ***Challenges of Using Credit Facilities to Support the Growth of Small and Medium Scale Enterprises in Tanzania.*** The information that you will provide will be kept confidential and will be used only for academic purpose.

Yours Faithful,

……………………...

Post graduate Student

**APPENDIX II: QUESTIONNAIRE FOR SMEs**

**Section A: Respondent Profile**

 Please put (✔) in the box which match to your answer

1. What is your Gender?

|  |  |
| --- | --- |
|  Male |  Female |

1. What is the correct age group you belong?

|  |  |
| --- | --- |
|  Below 20 years |  20-30 years |
|  31-40 years |  41-50 year |
|  51-60 year |  Above 60 years |

1. What is your highest level of education?

|  |  |
| --- | --- |
|  Primary |  Secondary |
|  Diploma |  Degree |
|  Master |  Other …………………………. |

1. How many year of experience you have in your business?

|  |  |
| --- | --- |
|  Below 1 years |  1-5 years |
|  6-10 years |  11-15 years |
|  15-20 years |  Above 20 years |

**Section B: Company Profile**

1. Which of the following match with nature of your business?

|  |  |
| --- | --- |
|  Electrical and Hardware  |  Finance and Banking |
|  Pharmaceutical  |  Oil and Gas |
|  Office and Stationery |  Food staff |
|  Hotel and Tourism  |  Finance and Banking |
|  Construction |  Beauty |
|  Clothes  |  Others………………………. |

1. How do you acquire your business?

|  |  |  |
| --- | --- | --- |
|  Purchase |  Inherit |  Own established |

1. Where your got funds to acquire your business?

|  |  |  |
| --- | --- | --- |
|  Loan from bank |  Your own saving |  Contribution |

1. What is the legal status of your business?

|  |  |  |
| --- | --- | --- |
|  Sole establishment |  Partnership |  Company |

 **Section C: Loan Interest rates**

 From question 9 to 13, the study measure possibility of SMEs to use financial institution to access funds to support their business and how the interest rates affect the growth their business. Kindly indicate the level of agreement from 1-Strongly disagree to 5- strongly agree.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 09 | Normally, I access loans from financial institutions to support my business. | 1 | 2 | 3 | 4 | 5 |
| 10 | The loan interest rates charged by financial institutions is affordable. | 1 | 2 | 3 | 4 | 5 |
| 11 | The loan interest rates charged by financial institutions found to decrease compare to previous years. | 1 | 2 | 3 | 4 | 5 |
| 12 | The loans takem from financial institutions contribute to the growth of my business | 1 | 2 | 3 | 4 | 5 |
| 13 | Taking loan from fiancial institutions is the best option compare using my own funds. | 1 | 2 | 3 | 4 | 5 |

**Section D: Loan Size**

The question 14 to 18 measure the amount of loans that normally granted to SMEs and how company size, lack of business and minimum number of operations influence financial institutions to reduce the loan size. Kindly indicate the level of agreement from 1-Strongly disagree to 5- strongly agree

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 14 | The amount of loan offered by financial institutions is adequate.  | 1 | 2 | 3 | 4 | 5 |
| 15 | Nowadays, I receive higher loans compare to previous years. | 1 | 2 | 3 | 4 | 5 |
| 16 | The size of my company does not effect the amount of loan I got from financial Institutions | 1 | 2 | 3 | 4 | 5 |
| 17 | The lack of business plan also does not effect the amount of loan I got from financial Institutions | 1 | 2 | 3 | 4 | 5 |
| 18 | The minimum number of years of business operation also does not effect the amount of loan I got from financial Institutions. | 1 | 2 | 3 | 4 | 5 |

**Section E: Loan Terms**

The questions 19 to 23 measure the flexibility of loan terms including collateral, minimum profits, maintenance of books of account and repayment period as assigned by financial institutions to SMEs. Kindly indicate the level of agreement from 1-Strongly disagree to 5- strongly agree.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 19 | The loan application procedures are flexible  | 1 | 2 | 3 | 4 | 5 |
| 20 | The minimum colleteralrequiments defined by financial institutions is affordable  | 1 | 2 | 3 | 4 | 5 |
| 21 | The minimum profit still make the company to qualify for loans from fiancial institutions  | 1 | 2 | 3 | 4 | 5 |
| 22 | Lack of proper maintanance of accounting records company to be disqualify for loans from fiancial institutions | 1 | 2 | 3 | 4 | 5 |
| 23 | The repayment period defined by financial institutions is convinient.  | 1 | 2 | 3 | 4 | 5 |

**Section F: Measure of Growth of SMEs**

From the question 24 to 28, the study measures the growth of SMEs in respect to number of employees, revenue, profit and total assets since start taking loan from financial Institutions. Kindly indicate the level of agreement from 1-Strongly disagree to 5- strongly agree.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 24 | Number of employees in my company is growing since I start taking loan from financial institutions | 1 | 2 | 3 | 4 | 5 |
| 25 | The revenue of my company is growing since I start taking loan from financial institutions | 1 | 2 | 3 | 4 | 5 |
| 26 | The profit my company is growing since I start taking loan from financial institutions | 1 | 2 | 3 | 4 | 5 |
| 27 | The total assets of my company are growing since I start taking loan from financial institutions | 1 | 2 | 3 | 4 | 5 |

28. Do you have any plan to grow your business?

|  |  |
| --- | --- |
|  Yes |  No |

 If Yes, what percentage you have achieved so far?

|  |  |
| --- | --- |
|  1-20% |  21-40% |
|  41-60% |  61-80% |
|  81-100% |  Above 100% |

**Section G: General Comments**

29. What is your general comments about the influence of interest rate charged to the growth of SMEs.

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30. What is your general comments about the influence of amount of loan offered to the growth of SMEs.

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31. What is your general comments about the influence of loan terms imposed by financial institutions to the growth of SMEs.

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