

Challenges and opportunities facing small businesses in accessing credit from microfinance institutions in Tanzania

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The aim of this study was to assess the Challenges and opportunities facing small businesses in accessing credit from microfinance institutions in Tanzania. Though the success of SMEs have been linked to the accessibility of financial services by various scholars, yet the way microfinance institutions influence success of SMEs has never been explored. To undertake the study different micro financial institutions were involved, A total of 100 SMEs were randomly selected from a population of 93,430 SMEs found in Dar es Salaam region. Two sets of questionnaires were constructed one set for SMEs whom are clients of microfinance institutions and the other for the SMEs whom are non clients of micro finance institution. This study was both qualitative and quantitative in nature through exploring substantive areas about which little is known or which much is known to gain novel understandings. The study found that Micro financial institutions have little influence on SMEs financing because most of SME owners frequently use retained earnings or profit (self-financing) and funds from relatives/friends to finance their businesses as a source of finance due to different challenges in accessing credit from microfinance institutions. The study recommends to financial institutions to rigorously market their services to SMEs which have not subscribed to their services. The study also recommends the relaxation of lending conditions so that SMEs can access loans at affordable interest rates. The study further recommends a future research to be done that shall incorporate a wide range of SMEs, with a bigger sample size.