

The impact of financial liberalization on credit access: the case of Small and Medium Enterprises in Tanzania context.

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The importance of the role of SMEs in the development process continues to be in the forefront of policy debates. More generally the development of SMEs is seen as accelerating the achievement of wider socio-economic objectives, including poverty alleviation. However, the ability of SMEs to grow depends highly on their investments need capital and therefore access to credit/finance. Despite the generally fast pace by which access to financial services is being developed, significant segment of the SMEs sector do not yet benefit from the expansion and depending of outreach. In attempting to gain access to financial services SMEs continue to face constraints caused by many common factors. This dissertation empirically investigates the impact of financial liberalization on credit access with the case of SMEs in Tanzania context, using annual observation over the period 1990-2008. The empirical findings suggest that financial policies play an important role in enhancing access to credit in the long-run. However, the short- run responses of the real deposit rate variables are very low. Suggesting further acceleration of the reform process. Using Multiple Linear regression approach, the feedback coefficient suggests a very slow rate of adjustment towards long-run equilibrium. The estimated equation remains stable over the period of study a indicated by basic analytical economic models deployed under this study.