

2004

Barriers to raising medium and long-term capital for SMEs through emerging capital markets: the Tanzania experience

Njau, Jonathan Andrew

University of Dar es Salaam

Njau, J.A (2004) Barriers to raising medium and long-term capital for SMEs through emerging capital markets: the Tanzania experience".Master dissertation, University of Dar es Salaam, Dar es Salaam.

<http://41.86.178.5:8080/xmlui/handle/123456789/12380>

Downloaded from University of Dar es Salaam Library Repository

Barriers to raising medium and long-term capital for SMEs through emerging capital markets: The Tanzania Experience”

Jonathan Andrew Njau

Master of Business Administration (Corporate Finance)

University of Dar es Salaam, Business School, 2004

The aim of this study is to examine the barriers facing SMEs in raising capital through capital markets in Tanzania, in particular, the factors which make institutional investors, to have poor appetite when it comes to investing in SMEs. The study also examines whether or not the regulatory framework in place provides for a conducive environment for SMEs to raise capital through capital markets. The motivation for conducting this study emanates from the fact that one of the key aims of the Tanzanian Government in liberalizing the financial sector was to establish a financial system that will play its role of financial intermediation by effectively mobilizing domestic resources for efficient deployment in productive uses at reasonable cost. As a result of liberalization, new features were introduced in the financial system which included the interbank money markets, the treasury bills markets, interbank foreign exchange markets and capital markets. This study, therefore, examines how far the capital markets have, since their establishment, been used by SMEs in raising capital. The study is divided into Six Chapters. Chapter One deals with a brief background of the study, starting with a theoretical discussion on the role of a financial system in the economy followed by a brief history of the Tanzanian financial sector before and after its reform. Chapter Two carries out the theoretical framework and literature review, empirical studies together with research hypotheses. Chapter Three gives the research methodology, data base, sampling and method of analysis of data collected. Chapter Four deals with the data analysis and findings of the study while Chapter Five carries on the statistical testing of the findings of the study. Chapter that is Chapter Six presents the summary of the findings, conclusion, emanating from the study and recommendations on how to address the concerns raised and presents suggestions for further research. In brief this study confirmed what a number of researchers have said that institutional investors are afraid of investing in SMEs since they perceive them as risky investments. The study also found out that SMEs are hesitant to use capital markets since they find the existing entry requirements too onerous to the Government and its Regulatory agencies, the DSE, LDMs, institutional investors and SMEs.