

**Financing behavior of entrepreneurial ventures in Tanzania:
a case study of Kinondoni Municipal, Tanzania**

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The main objective of the study was to investigate on the financing behaviour of entrepreneurial ventures in Tanzania. The study was guided by three specific objectives which are related to identifying entrepreneurs' source of finance, determining when in the business cycle entrepreneurs finance their business and identifying the behaviour and attitudes of entrepreneurs towards debt financing. The study adopted an exploratory study design where 15 SME owners from Kinondoni Municipality were interviewed. Data analysis followed a thematic analysis. Findings show that the source of finance used by the majority of enterprises was mainly Equity, followed by those who used debt financing while just a few used both. Firms were found to use different options to finance their businesses at different stages of the business, where by most respondents were found to be using equity financing at the startup stage and debt financing at growth and maturity stages. Equity financing was more preferred than debt financing due to several reasons among which included the following; the need of freedom in business management, avoiding the risk of high interest rates, lack of prerequisites like collateral securities. However, those who preferred debt financing were of the opinion that; they lack enough equity and need for rescuing their businesses from failure. The respondents also indicated the major discouraging factors for debt financing where are high interest rates, lack of collateral and bureaucratic procedures. On the other hand behavior and attitude of entrepreneurs towards debt finance was found to influence their decisions about business financing.