

**Determinants of small and medium enterprises choice for source of microcredit: the case of
Dar es Salaam**

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This study examined the factors that determine the choice of microcredit sources by SMEs. The study specifically looked at how loan application requirements, loan characteristics, interest rate, and collateral criterion influence the choice of microcredit source by SMEs. The study rited both primary and secondary sources. Primary data was collected through structured questionnaires administered to 72 respondents from selected SMEs. Secondary data was collected from government agencies including National Bureau of Statistics, National Empowerment Council and Bank of Tanzania. Also the study used secondary data from International Organizations such as UNCTAD, World Bank, IMF and online sources. The study employed a survey method as well as regression analysis.

The findings show that, all studied factors do influence SMEs choice of microcredit source. Moreover, interest rate and loan criterion were found to have a higher positive influence. The study concludes that, inability to meet loan approval requirements, high interest rates, short repayment periods, and failure to full fill the collateral requirements are impediments to the majority of SMEs access to credit. These factors have propelled SMEs to search for MFIs who can lower some of the requirements. The study recommends that, joint efforts from various stakeholders including the government, financial institutions, academic institutions and NGOs are highly needed to ensure that appropriate measures to support SMEs are in place. Microfinance institutions should review their policies for loan repayment periods and interest rates so that SMEs can access micro credits and then benefit from them rather than becoming unbearable burdens for them. This study has contributed by adding knowledge to the existing literatures in microfinance especially by determining key factors that trigger SMEs to wonder about in search of appropriate sources of credit. More researches are highly recommended by expanding the scope and factors other than those which are included in this study so as to obtain a better insight of the study and thus come up with more workable solutions to improve access to credit facilities to SMEs.