Factors affecting effective utilization of loans for SMES development

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SMEs constitute a huge portion of the enterprise population in Tanzania. SMEs contribute to employment, GDP, and exports. The main objective of this study was to investigate Factor that affect effective utilization of loans for SMEs development. The study was conducted by a way of survey strategy where by forty (40) SMES based in Dar es Salaam. The respondents were divided into two groups that is SMEs owner and SMEs loan officer in National Microfinance Bank. Descriptive approach was based on the primary data, qualitative analysis of data was used, and comparison, explanation and tabulation were used as the method of data analysis. The result revealed that SMEs lack entrepreneur, management and marketing skills. They also faced with the problem of competition, high interest rate, fail to obtain amount of loan they need, lack of proper place to sell their product and high production cost. Also it was found that SMEs diversify their loan given by NMB for other current purpose rather develops their business. The result show that there need to NMB Bank to provide regular education to SMEs, Government also should establish more building like Machinga complex in order SMEs to obtain right place to sell their product, Banks should reduce interest and reduce their condition in order SMEs to obtain amount of loan they apply for and at a right time. In deed the study has gradually evolved an appreciation of the need for effective utilization of loans given to SMEs.