ABSTRACT

The study assessed Financing of Small and Medium Enterprises (SMEs) in Tanzania with reference to Arusha city respectively as the inquiry case. The study was guided by three specific objectives which aimed to assess factors influencing SMEs financing; challenges affecting SMEs financing and the extent towards financing of SMEs in Tanzania. Explanatory study design was used for generating information to fill the study gap by means of causal relationship testing which was performed on each objective distinctly to assure information gathering process. The results were collected from the participants as employees and owners of the SMEs and Financial Institutions from the sample of 40 participants using structured questionnaires. The collected facts from the field were computed in SPSS data sheet to generate relevant statistics to present the results whereas inferential analysis using correlation and multiple regression were used to describe the relationship between study variables. On factors influencing SMEs financing it was revealed that all predictors including interest charged, collateral securities, number of financial institutions and literacy level were positive and statistically significant on SMEs finance. Also, with challenges among seven tested predicting variables only four namely financial information, future cash flows predictions, data, reporting and audit requirements, as well as inadequate loan management had significant outcome on SMEs finance. Moreover, with the extent of SMEs finance two predictors out of four namely Awareness of funding opportunities and small business support services had significant outcome statistically on SMEs finance. The implication of the findings is that SMEs finance is essential as constitutes influencing factors, challenges and the level of financing.

Keywords: SMEs, Interest Charge, Financing, Collaterals and Literacy level.