

ABSTRACT

This study aimed at assessing the contribution of Microfinance institutions on the growth of small scale industries in Tanzania in Moshi Municipality. Though the success of SSIs has been linked to the accessibility of financial services by various scholars, yet the way Microfinance institutions influence success of SSIs has never been explored. To undertake the study 10 officers from Microfinance institutions were involved which included commercial banks, microfinance institutions and SACCOs. A total of 50 SSIs were randomly selected in Moshi Municipality. Two sets of questionnaires were constructed one set for SSIs owners and other for the Microfinance institution. The responses of the participants were analyzed using the statistical package for social sciences (SPSS). The study found that Microfinance institutions have little influence on SSIs financing because most of SSI owners or managers frequently used retained earnings or profit (self-financing) and funds from relatives/friends to finance their business as a source of finance. The study recommends to Small scale industries that there is poor accessibility of finance to SSIs this leads to limited growth due to inadequate capital. It is the recommendation of this study that Small scale industries should constantly engage in capacity building, training, research and development. Furthermore, proper financial records should be kept and clear accounting standards should be adopted in order to ensure their competencies in managing and sustaining SSIs development. To Micro Financial institutions the study shows that most SSIs sector faced problems of accessing finances due to the stringent conditions exercised by commercial banks and other financial institutions; therefore, it is recommended that there is need to revisit the financial terms and conditions in favor of the development of small scale industries.

