

**Ruaha Catholic University**  
**Faculty of Business, Economics and Management Sciences**  
Ruaha Journal of Business, Economics and Management  
eISSN 2507-79945, Special Issue 1, November, 2023

## **THE CONTRIBUTION OF FINANCIAL INSTITUTIONS ON SMALL AND MEDIUM ENTERPRISES DEVELOPMENT IN TANZANIA**

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### **ABSTRACT**

The purpose of this study was to determine the contribution of financial institution on small and medium enterprises development in Tanzania: A case study of SIFA SACCOS in Iringa Municipality. Specifically: to determine whether entrepreneurial skills provided by financial institutions contribute the development of SME`s, to determine whether management skills provided by the financial institutions contribute the development of SMEs and to determine whether proper financial records keeping contribute the development of SMEs. The study adopted a quantitative research approach and descriptive research design with a sample of 99 respondents. Data was collected using questionnaire and the data was analyzed using regression analysis and descriptive statistics. The research findings showed that the entrepreneurial skills, management skills and proper financial record keeping had a positive relationship with the development of small and medium enterprises (SMEs). It was established that entrepreneurial skills accounted for 22.22% of the development of SMEs, and management skills accounted for 33.33% of the development of SMEs and lastly proper financial record keeping accounted for 77.77% for the development of SMEs. The study therefore concluded that the contribution of financial institutions on SMEs development as supported by a significance value of 0.637 for proper financial record keeping, 0.790 for management skills and 0.680 for entrepreneurial skills. The study recommended that services offered by financial institutions to SMEs should be monitored and controlled as to avoid undesired effect in case either of the side has bad mission to other, this is due to the truth that one side (SMEs) is full of un educated personnel. The study also recommends that financial institutions should take relevant measures to ensure sustainability of the services they provide to SMEs.

**Key Words:** *Financial Institutions, SMEs Development, SIFA SACCOS*

## 1. Introduction

Small and Medium Enterprises (SMEs) need to develop to later become large enterprises. In order to do that, finances are necessary to engage enterprises. In Tanzania especially in Iringa various financial institutions contribute to the development of SMEs. The aim of this study is to determine these contributions. Financial institutions are fundamental to economic growth and development. According to (UNCTAD, 2009) , financial institutions play a major role in supporting the Small and Medium Entrepreneurship development. Many of the Small and Medium Enterprises get access to loans which support the growth and expansion of their business. Some institutions acquire funds and make them available to users. Still others invest (manage) funds as agents for their clients. The key categories of financial institutions are the following: deposit taking; finance and insurance; and investment, pension, and risk management.

Financial institution are fundamental to economic growth and development .Banking, saving and investment, insurance, and debit, equity financing help citizens to save money, build credit and enabling business to start up or expands and increase the efficiency of the business (UNCTAD, 2009) the various financial institutions generally act as an intermediary between the capital market and debt market. But the service provided by a particular institution depends on its type. The financial institutions are also responsible to transfer funds from investors to the companies (ibid). According to (UNCTAD, 2009) finance has been identified in many business surveys as the most important factor determining the survival and development of small and medium –sized enterprises in both developing and developed countries. Access to finance allows SMEs to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their development and that of the nation as a whole. Poorly functioning financial institutions can seriously undermine the microeconomic fundamentals of a country, resulting in lower growth in income and employment. Despite their dominant numbers and importance in job creation, SMEs traditionally are faced difficulty in obtaining formal credit or equity.

Also experience has shown that entrepreneurs do not foresee and realize the importance of having systematic and complete financial management. Financial management is a critical element of the management of a business (Chirwa Mathew, 2015). A study conducted by Bank Negara Malaysia in 2003 on the SMEs concluded that financial management is one of the key success factors for SMEs development (Emmanuel, 2017).

Financial institutions in developing countries provide finance to those sectors of the economy to which commercial banks do not provide finance (Emmanuel, 2017). These institutions handle the problem of providing long-term finances at affordable rates (Mason, 2000) A majority of SMEs rely on long-term funding made available by banks, financial institutions or venture capitalists,(Manigart, 2006) The cost of survival or growth strategies in these firms depends, on the availability of external sources of finance.

The experience has shown that most of SME achieve their goal of increasing the economy of the country by getting loans from financial institution. SMEs are important to almost all economies in the world, but especially to those in developing countries and, within that broad category, especially to those with major employment and income distribution challenges. On what we may call the “static” front, SMEs contribute to output and to the creation of decent jobs (Palma, 2205)SMEs in Ghana have been noted to provide about 85% of manufacturing employment of Ghana. They are also believed to contribute about 70% to Ghana GDP and account for about 92% of businesses in Ghana (Fayon, 2010). In the Republic of South Africa, it is estimated that 91% of the formal business entities are SMEs. They also contribute between 52% to 57% to GDP and provide about 61% to employment (Palma, 2205).

In Tanzania according to (UNCTAD, 2009) the objective of the financial Institutions is to improve access by small savers, and micro entrepreneurs, within a sound, and competitive financial environment. Banks are the most significant source of external finance to SMEs, and can exert considerable influence on them. Majority of SMEs have a banking relationship. Financial institutions are the major sources of information for companies, particularly SMEs, and there is potential for financial institutions to act as conduit of information in environment area. The role of finance has been viewed as a critical element for the development of SMEs (Tanzania, 2010). In most industrially developed and developing economies, a growing number of SMEs need access to a wide range of sources of finance.

According to (Tanzania, 2010).Small and Medium Entrepreneurship sector has been recognized as a significant sector in employment creation, income generation, and poverty alleviation and as a base for industrial development. The sector is estimated to generate about a third of GDP, employs about 20% of the Tanzanian labor force and has greatest potential for further employment generation. However, Tanzania has never had a specific policy focusing at the development of SME sector. The different policies have various uncoordinated programs and interventions aimed at supporting the sector with limited impact. This has resulted in a number of gaps leading to inability to address the core constraints inhibiting the growth of the sector. This has made it difficult to exploit the existing potentials for acceleration of SME development and limits its ability to exploit the exciting potential of SMEs to accelerate growth. Small and Medium Scale Enterprises (SMEs) are considered to be one of the principle driving forces in economic development (URT, 2002) Moreover, a healthy and growing SME sector is perceived to be crucial for sustainable competitive advantage and economic development at local, regional and national levels (URT, 2002).There are a lot of problems facing SMEs sectors, these includes lack of education and training, insufficient capital, lack entrepreneurship skills, lack of prior planning and poor management. According to (Gallear, 2002), lack of knowledge and training results in highly failure rate of SMEs in South Africa.

According to (Wan, 2010), despite the facts that SMEs are confronted with a lot of problems which hinder them to access loans from Financial Institution, SME in Iringa region are confronted with

unique problem which is poor management of finance which hinders them to access loans from financial institutions. Poor financial management of finance is the major obstacle for SMEs development. Usually entrepreneurs need to utilize personal financial sources to start up their business and to expand the operations, since the internal financial sources are normally insufficient. Despite the importance of the SME sector in economic development, it faces with many problems which leads to difficultness of getting recent and reliable knowledge on how to run and operates the business. Due to that many SME`s they achieve targets without any monthly or annual estimation of expenditure, income and the expected profits. The lack of financial knowledge creates problems related to the management of the enterprises. Since the major source of income for many entrepreneurs is the enterprise, they spend money out of the business on their private matters (APO, 2001).

According to (Goedhuys, 2002) , Many entrepreneurs have faced crises due to the use of money without proper calculation of profits, further, most of the SMEs in the study area do not maintain systematic book keeping procedures. Those who maintained books are also very unsystematic. Some of SMEs does not maintain accounts. Some of entrepreneurs do not calculate loss or profit; the entrepreneurs have encountered different problems due to not having accounts and having careless maintenance of accounts. They mainly do not know the exact amounts of loss and profits; many SMEs have faced financial constrains due to the non-availability of proper financial management systems.

There are a number of factors for non-availability of financial management in SME, such as the lack of knowledge of systematic book keeping, not having trained employees for book keeping, not knowing the benefits of maintaining accounts, ability of keeping mental records due to a few numbers of customers turning up, and not having a time schedule for business (Weiss, 2010).

In Iringa region there is availability of Banks such as CRDB Bank, Akiba Bank, The Tanzania Postal Bank, The CBA Bank and National Microfinance Bank, Stanbic Bank have shown their willingness and interest in this market by offering loans Services and products for the purpose of SMEs development. These enable financial institutions to be a critical element of an effective SMEs development strategy. Efficient provision of savings, credit, and insurance facilities in particular can enable the poor people in Tanzania to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life and hence SMEs development (Tanzania, 2010).

Despite the existence of many financial institutions to support small and Medium Enterprises, there is need to find out the contribution of Financial Institution on Small and Medium Enterprises development in Tanzania taking Iringa region as the case study. No adequate research effort has been made in Iringa town to address this. Therefore, it is necessary to determine whether contributions that are provided by financial institutions if they real help SMEs to growth and development.

## **2. Literature Review**

### **2.1 Theoretical Literature Review**

The establishment of financial institutions, technological and commercial relations with the other factors of the network makes it possible to the Small and Medium enterprises sized firm to extend their connections and to gradually widen up their activities apart from their own territories until becoming international.

#### **Entrepreneurship Theory and International New Ventures**

Oviatt, (2013), proposed International Entrepreneurship Theory. It argues that SME's internationalization mostly attributes to entrepreneur's international vision and international experience, their internationalization development is either proactive or *reactive* (Oviatt, 2013), define general international entrepreneurship as "a set of behaviors conducted by commercial organization in order to accomplish the goal of organization value creation, including creativity, initiative and risk taking moves" Scholars often combine Entrepreneurship theory and International New Ventures together to explain the internationalization behaviors of the younger and smaller companies. According to (Oviatt, 2013), while other competitors start internationalization long after establishment, few new ventures follow the conventional market entry procedures. Thus, new ventures could utilize learning abilities to achieve rapid growth in host countries. (Oviatt, 2013) , mentioned that most new ventures are founded by entrepreneurs with international experience and international market prospective. Their education background, work experience and personal thoughts play a decisive role in the company's internationalization development. Knight concludes that better enterprises have stronger tendency to change marketing strategies when entering new markets, and in SMEs, entrepreneurship have more profound influence on enterprise's globalization process.

### **2.2 Empirical Literature Review**

An empirical literature review is the review of the prior or previous studies which are relevant to the topic. It is divided into two parts, empirical literature review on studies done internationally or abroad and empirical literature review on studies done within the country (Saunders, 2009).

#### **2.2.1 Entrepreneurial Skills Contribution to Development of SME's**

The objective of the Financial Institutions is to improve access of SMEs in competitive financial system environment by providing entrepreneurial skills. Entrepreneurial skills refer, to skills that an entrepreneur need so that he or she can be able to excess finance from financial institutions and implement them to his or her development. There are some components that financial institutions need to consider in providing entrepreneurial skills to SMEs are:

- i. The restructuring, and privatization of major banks, will provide considerable management expertise support in banking operations, treasury, and micro-finance. Staff training, management information systems, research, and development funding for the micro-finance pilots, will be institutions provided. Through these financial institutions

can now be able to provide entrepreneurial skills to small and medium entrepreneurs through training on how to manage and proper utilization of their capitals or funds.

ii. The financial infrastructure strengthening, will upgrade the technical skills of the banking supervision within the Bank of Tanzania, namely, strengthening the financial data integrity, through improved analytical skills, and, accounting standards. In addition, the payments system, Credit Reference Bureau and the Capital Markets and Securities Authority, will continue to be supported, through operational financing.

iii. Funding will be provided for the establishment, and management on a pilot basis. Public financial institutions have played important roles in lending to SMEs. In particular they have served to guarantee the availability of medium and long term resources for investment by devising financial instruments and by financing segment in which the private sector has not been particularly active (Palma, Four sources of De-industrialization and a new concept of the dutch disease, 2005).

Also (Palma, Four sources of De-industrialization and a new concept of the dutch disease, 2005) added that, public financial institution implement finance policies for different types of programmers, furthermore helping SMEs by providing them entrepreneurship skills, financial management skills, Business development skills, Proper record keeping, and time to schedule the business. These ways were impacted to make loans cheaper and provision of guarantee. Recently, a burst of new instruments seeks to reduce the information barriers between banks and businesses and/or target specific SMEs demands.

### **2.2.2 Management Skills Contribution to Development of SME's**

According to (Gallear, 2002) Management skills does not mean the process of making things work, But is a understanding firms own strengths, weaknesses, needs and wants, Ability to identify relevant opportunities, Accessing career information, Ability to plan and take career-related decisions, Ability to network and build relationships. It is suggested that people engaged in business at list need to have knowledge of business and how to operate, it will help them control the business.

Management skills are an important key for any type of enterprise. But Lack of proper financial management may create problems of various types in business. One major weakness with regard to financial management in SMEs is not planning the future finance. They achieve targets without any monthly or annual estimation of expenditure, income and the expected profits. The future plans of finance are almost invisible in SMEs. One major weakness of SME is not having plans for future financial management. The lack of financial management creates problems related to the management of the enterprises. Since the major source of income for many entrepreneurs is the enterprise, they spend money out of the business on their private matters. Many entrepreneurs have faced crises due to the use of money without proper calculation of profits. Most of the SMEs in the study area do not maintain systematic book keeping procedures and those who maintained books are also very unsystematic. Some of SMEs does not maintain accounts and some of entrepreneurs do not calculate loss or profit. The entrepreneurs have encountered different

problems due to not having accounts and having careless maintenance of accounts. They mainly do not know the exact amounts of loss and profits. Many SMEs have faced financial constraints due to the non-availability of proper financial management systems.

Therefore, for the SMEs to grow or to develop they need to be trained on how to manage their business accounts, record properly their daily transactions according to the accounting principles through that they can be able to influence financial institutions and other microfinance to finance them.

### 2.2.3 Proper Financial Records Keeping Contribution to Development of SME`s

How do you tell if your business is making a profit or a loss if you are not keeping any records? Most of our small business owners unfortunately perhaps take recordkeeping for granted, but it can make the difference between success and failure in business.

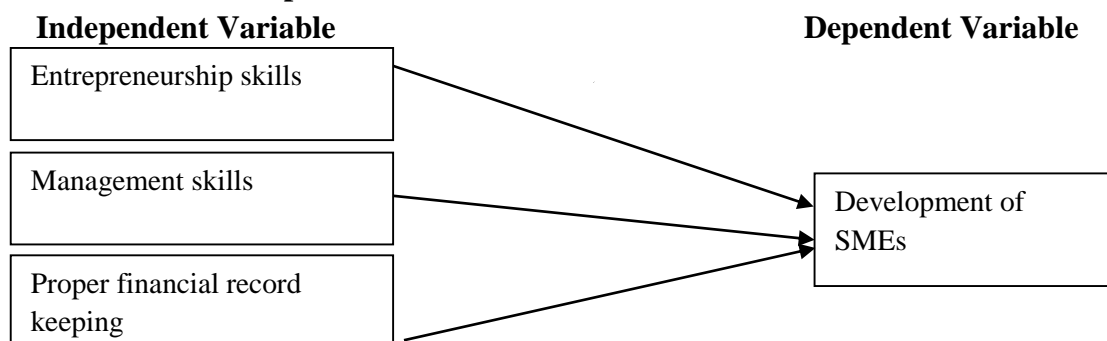
According to (Tinotenda, 2015), SME business owners need to develop the discipline of keeping track of all the sales, cash proceeds, and overall turnover of their business as well as other vital business records such as bank account statements, and so on.

One of the many reasons why smallest businesses sometimes collapse is because the owners fail to keep these basic business records. The most common reason why small businesses do not keep records is usually the belief that it is expensive or very complicated to do so. Maybe, but, but this may not be so actually, whilst additional diligence and effort by the proprietor or manager of a business is required, it certainly will not cost the SME enterprise a lot of money. Another myth is that recordkeeping requires specialized accounting skills. Oftentimes, it requires just business common sense and the basic ability to read and write and of course the commitment of the business owner.

## 2.3 Conceptual Framework

A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought.

**Figure 2.1 Conceptual Framework for the Determination of Contributions of Financial Institutions on the development of SME`s.**



**Source; Researcher, 2023**

This study was guided by the following hypothesis.

- i. There is significant relationship between entrepreneurial skills and SMEs development.
- ii. There is significant relationship between management skills and the development of SME`s?
- iii. There is significant relationship between proper financial records keeping and development of SME`s?

### **3. Methods**

The quantitative approach was employed to determine the causal relationship between entrepreneurial skills, management skills, proper financial record keeping and SMEs development. The descriptive research design was used to profile respondents' characteristics relevant to the study. Data was collected in Iringa using a survey questionnaire from a sample of 99 participants. Quantitative data analysis was performed using regression analysis to determine the extent to which the variables contribute to the development of SMEs. The study was carried out in Iringa Municipality in Tanzania.

### **4.0 Findings**

Data was collected from 99 respondents. The analysis was directed at answering the main research questions. Do entrepreneurial skills provided by financial institutions contribute to the development of SME`s? Do management skills provided by the financial institutions contribute to the development of SME`s? and does proper financial records keeping contribute to the development of SME`s? These questions were intended to capture the useful information and knowledge on the contribution of financial institutions on small and medium enterprises development in Tanzania. Documentary reviews and questionnaires constituted the main sources of information for the data collected.

#### **4:2. Demographic Information.**

Findings show that of the 99 respondents in the study 67 were male and 32 were female. Out of 99 respondents 18% were single 78% were married, 4% were widow/Widowers and 0% were Divorced. Positions of the respondents in the organizations were: 60 were Accountant Officers, 20 were Procurement Staff, and 19 were other Employee and 0 Auditors. Regarding the education level 45% of respondents had advanced diploma, 33% had ordinary diploma, 22% had degree none has postgraduate, masters or PhD. As for the duration of employment within the organization, 70% worked Below 3 years, 20% worked 4-9 years, 6% worked 10-16 years and 0% has a working experience of above 17 years.

#### **4:3 Tests of Reliability and Validity**

##### **4:3:1 Reliability**



In this study reliability test was done using Cronbach alpha, which was 0.980, the coefficient is significant indicating internal consistency “reliability”.

#### 4:3:2 Validity

Factor analysis was done using Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity so as to determine the level of adequacy of factor analysis. The KMO measure of sampling adequacy reflects score of (0.750), which is well above the recommended 0.50 level as suggested by (Khan, 2010) and the Bartlett’s test of sphericity is significant at 0.000 ( $p \leq 0.000-0.05$ ) levels. This indicates that how the data suited for Factor Analysis. The test measured sampling adequacy for each variable in the model and for the complete model. The statistic is a measure of the proportion of variance among variables that might be common variance.

**Table 4.2: KMO and Bartlett's Test**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.753
Bartlett's Test of Sphericity	Approx. Chi-Square	198.531
	Df	4
	Sig.	.021

#### 4.4 Finding in relation to Objectives

This study had three specific objectives and the aim of the findings is to show if the objectives were met.

##### 4:4:1. Effect of entrepreneurial skills provided by financial institutions towards development of SME`s.

The objective was to determine how entrepreneurial skills provided by financial institutions affect the development of SME`s. Table 4.3 shows the findings. The findings from the 99 respondents show that the entrepreneurial skills provided by financial institution does in-fact affect the development of SME`s. Entrepreneurial skills in broad spectrum that is offered by different financial institutions show effect on SME`s development but 22.22% of respondent disagreed that these skills have led them in solving business problems. 33.33% of respondents responded that they are not sure whether SME`s efficiency has improved due to skills acquired from financial institution this could be the result of lack of the capacity of accessing the performance of the firm. Field observations concerning the matter are: (1) Most of Business owners are not aware of the kind of capacitating/Skills they receive from expertise from Financial Institutions e.g. on the question on easiness of accessing the products as a result of acquiring skills from financial institutions needed a lot of elaboration that led to 22.22% of respondents to disagreeing that easiness of accessing products has no impact of skills acquired from financial institution, (2) Poor Assessment of the growth/performance of the firm is another field observation. A large number of respondents were not able to note the changes of business growth/performance before and after entrepreneurial skills from financial institutions as a result 33.33% respondents were neutral when

responding to the statement “The SMEs efficiency have improved due to the effect of the entrepreneurial skills given”.

**Table 4:3 Effect of entrepreneurial skills provided by financial institutions towards development of SME`s.**

	<b>Entrepreneurship skills and SMEs development</b>	<b>Weighted Mean</b>
C1	The entrepreneurial skills provided by financial institution have a positive effect on SMEs development	4.11
C2	The entrepreneurial skills especially in innovation have developed the positive changes on the SMEs business	4.33
C3	The business problems are always been solved due to the impact of entrepreneurial skills provided by financial institution	4.11
C4	The SME`s have now experienced easy access of product due to the skills and knowledge provided by financial institutions	3.67
C5	The SME`s efficiency have improved due to the effect of the entrepreneurial skills given	3.89
C6	The entrepreneur`s skills mostly help urban entrepreneur other than those from rural areas	3.79
C7	The entrepreneurial skills provided to SME`s make them easy to conduct the business	4.33

**Source:** Field Data, 2020

<b>Effect of Entrepreneurship skills on SMEs development</b>		<b>Strongly Disagree</b>		<b>Disagree</b>		<b>Neutral</b>		<b>Agree</b>		<b>Strongly Agree</b>	
		F	%	F	%	F	%	F	%	F	%
C1	The entrepreneurial skills provided by financial institution have a positive effect on SMEs development	0	0	0	0	22	22.22	44	44.44	33	33.33
C2	The entrepreneurial skills especially in innovation have developed the positive changes on the SMEs business	0	0	0	0	22	22.22	22	22.22	55	55.56
C3	The business problems are always been solved due to the impact of entrepreneurial skills provided by financial institution	0	0	11	11.11	0	0	55	55.56	33	33.33
C4	The SMEs have now experienced easy access of product due to the skills and knowledge provided by financial institutions	0	0	22	22.22	33	33.33	0	0	44	44.44
C5	The SMEs efficiency have improved due to the effect of the entrepreneurial skills given	0	0	0	0	33	33.33	44	44.44	22	22.22

C6	The entrepreneur`s skills mostly help urban entrepreneur other than those from rural areas	0	0	0	0	55	55.56	11	11.11	33	33.33
C7	The entrepreneurial skills provided to SME`s make them easy to conduct the business	0	0	0	0	11	11.11	44	44.44	44	44.44

**Source:** Field Data, 2020

#### **4:4:2. Effect of management skills provided by the financial institutions towards the development of SME`s.**

This section intended to excavate the detailed information on the impact of managerial skills provided by financial institution on development of SME`s. Managerial skills that this study needed to find out include: Adhering to all firm`s legal issues e.g. Certificates etc., delegation of responsibilities within the firm, Performance appraisal of workers, Participation on problem solving and decision making.

100% of respondents agreed to apply the general managerial skills that were provided by financial institutions. Furthermore, the applications of Managerial skills they received led to good decision making for the betterment of the business e.g. Decision on having the balanced number of workers that can perform efficiently but with very low cost so as to increase the profit, proper allocation of resources (money).

One of the questions that respondents were required to respond needed to know if there is a specialist in the firm who teaches the managerial skills to SMEs for betterment of their business. Only 33.33% of respondents agreed to have such specialists but the majority disagreed to have who were 66.66% of all respondents. It is unfortunate that 11.11% of all respondents were not aware if the managerial skills provided by financial institutions especially decisional skills applied by management have a greater impact to the development of SME`s.

**Table 4:3: Effect of Management Skills on SME`s development**

	<b>QN: Effect of Management Skills on SME`s development</b>	<b>Weighted mean</b>
B1	The enterprises often applying the general managerial skills in developing the SMEs business	4.78
B2	The interpersonal skills is always applied by your management for the development of SME`s	4.56
B3	Informational skills applied by the management create awareness to the SMEs on how to operate business in profit margin	4.56

B4	The decisional skills applied by management have a greater impact to the development of SMEs	4.44
B5	The enterprises has a specialist to teach the managerial skills to SMEs for betterment of their business	2.67
B7	The managerial skills help the management to make a good decision business matters	4.78

Source: Field Data, 2020

QN: Effect of Management Skills on SME's development		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
B1	The enterprises often applying the general managerial skills in developing the SMEs business	0	0	0	0	0	0	22	22.22	77	77.78
B2	The interpersonal skills is always applied by your management for the development of SMEs	0	0	0	0	0	0	44	44.44	55	55.56
B3	Informational skills applied by the management create awareness to the SMEs on how to operate business in profit margin	0	0	0	0	0	0	44	44.44	55	55.56
B4	The decisional skills applied by management have a greater impact to the development of SMEs	0	0	0	0	11	11.11	33	33.33	55	55.56
B5	The enterprises has a specialist to teach the managerial skills to SMEs for betterment of their business	0	0	66	66.77	0	0	33	33.33	0	0
B7	The managerial skills help the management to make a good decision business matters	0	0	0	0	0	0	22	22.22	77	77.78

Source: Field Data, 2020

#### 4:4:3. Effect of proper records keeping towards the development of SME's

Proper records keeping are the key drive for any business. In study, the researcher needed to explore how far is these skills that delivered by financial institution impact the development of the business. Apart from asking question a researcher witnessed the record keeping tools that are used by SME's staff. The observation wasn't pleasant since most of Firms used normal text books kept on dirty and careless environments, records within the text books were not well organized in a sense that it needed more explanation in order to understand. Despite of the early mentioned scenario, it was observed that proper records keeping skills were delivered to SME's by financial institution and have been applied and helped the firms in making an easy track of the business (77.77% of respondents agreed), also the proper records has helped in management programs performance, measure training, record schedules and permanent records transfer where 89.89% agreed on the mentioned sentence.

One main shortcoming observed from the field is most SME's do not have special persons who are responsible for coordinating and overseeing the implementation of records management program where 50.50% of respondents agreed on the mentioned sense above.

**Table 4.4: Effect of proper financial records keeping towards SMEs development**

	<b>QN: Effect of proper financial records keeping towards SMEs development</b>	<b>Weighted mean</b>
A1	The firm has a tendency of keeping records so as to make a good track of the business	4.56
A2	There is a special person in your institution who is responsible for coordinating and overseeing the implementation of records management program	3.26
A3	The records keeping process help to facilitate easy track of business development projects	4.32
A4	The enterprise provide record management education to its members for better performance of the organization	4.44
A5	The enterprise applies records keeping policies and records schedules for better developments of the organization	4.57
A6	The records management programs performance measure training, record schedules and permanent records transfer used effectively in your organization	4.34
A7	The firm has no stock deficit due to good record keeping	4.35

QN: Effect of proper financial records keeping towards SMEs development		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
A1	The firm has a tendency of keeping records so as to make a good truck of the business	0	0	0	0	0	0	44	44.44	55	55.56
A 2	There is a special person in your institution who is responsible for coordinating and overseeing the implementation of records management program	0	0	50	50.50	0	0	22	22.22	27	27.27
A 3	The records keeping process help to facilitate easy track of business development projects	0	0	13	13.13	9	9.09	10	10.10	67	67.67
A4	The enterprise provide record management education to its members for better performance of the organization	0	0	0	0	11	11.11	33	33.33	55	55.56
A5	The enterprise applies records keeping policies and records schedules for better developments of the organization	0	0	0	0	0	0	44	44.44	55	55.56
A6	The records management programs performance measure training, record schedules and permanent records transfer used effectively in your organization	0	0	0	0	11	11.11	33	33.33	55	55.56
A7	The firm has no stock deficit due to good record keeping	0	0	11	11.11	11	11.11	11	11.11	33	33.33

#### 4.5: Hypothesis of the study

This study was guided by the following hypothesis.

- i. There is significant relationship between entrepreneurial skills and SMEs development.
- ii. There is significant relationship between management skills and the development of SME`s?
- iii. There is significant relationship between proper financial records keeping and development of SME`s?

#### 4.5.1: Correlation Analysis

**Table 4.5: Correlations**

		Correlations			
		Proper record keeping and SME`s development	Informational Management skills and development of SMEs	Entrepreneurial skills and SME development	SME`s development
Proper record keeping and SME`s development	Pearson Correlation	1	.875**	.956**	.6378*
	Sig. (2-tailed)		.000	.000	.034
	N	99	99	99	
Management skills and development of SMEs	Pearson Correlation	-.873**	1	.868**	.790**
	Sig. (2-tailed)	.000		.000	.000
	N	99	99	99	
Entrepreneurial skills and SME development	Pearson Correlation	.956**	.868**	1	.860*
	Sig. (2-tailed)	.000	.000		.012
	N	99	99	99	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Findings shown in Table 4.5 indicate that Proper record keeping has a positive moderate significant relationship with SME`s development with a coefficient of 0.637. Regarding hypothesis 2, Management skills has a positive moderate significant relationship with SME`s development with a coefficient of 0.790. The third hypothesis, Information entrepreneurial skills also has a positive moderate significant relationship with SME`s development with a coefficient of 0.680. The correlations are significant at the 0.01 level. The above results imply that all independent variables have a positive significant relationship with Development of SME.

#### 4.5.2: Regression Analysis

In order for these hypotheses to be tested, three assumptions were considered.

**First assumption:** Coefficient of determination in the modal summary should explain the independent variables above 50%.

**Second assumption:** At 5% level of significant and 95% confident level, the significant value (P value) in the ANOVA and coefficient regression should be  $P < 0.000-0.05$ .

**Third assumption:** At 5% level of significant and 95% confident level, the value of predictions or independent variables should be  $P \leq 0.000 - 0.05$ . After analysing dependent variables and independent variables on SPSS version .22, the mentioned three assumptions were tested so as to know if the hypotheses hold or not. First, variables were tested so as to check if coefficient of determination in the modal summary would explain the independent variables above 50%. After testing them on SPSS version .22 the results were presented on the table 4.6 below

**Table 4.6: Model Summary**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change statistics				
					R Square change	F Change	df1	df2	Sig. F Change
1	.628 <sup>a</sup>	.394	.370	3.02789	.394	16.496	3	76	.000

a. Predictors: (Constant): Proper record keeping, management skills and entrepreneurial skills.

**Source:** Field Data,

From the first assumption which holds in a model that if R value  $\geq 0.5$  then variables in the hypothesis have strong relationship that means a model summary from the field which have a value  $R = 0.628^a$  have shown there is a strong relationship between dependent and independent variables

**Table 4.7: ANOVA<sup>a</sup>**

ANOVA					
Modal	Sum of Squares	df	Mean Squire	F	Sig
Regression	453.709	3	151.236	16.496	.000 <sup>b</sup>
Residual	696.779	76	9.168		
Total	1150.488	79			

a. Dependent Variable: SME's development

b. Predictors: (Constant): Proper record keeping, managerial skills and entrepreneurial skills.

**Source:** Field Data, 2018

From the second assumption at 5% level of significant, the significant value (P value) in the ANOVA and coefficient regression should be  $P \leq 0.000-0.05$ . Therefore, From ANOVA table, the second assumption is held due to the fact that, significant value (P value) is 0.000.

**Table 4.8: Coefficients'**

Coefficients
--------------



Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std Error	Beta		
1	(Constant)	4.925	2.158	-.933	2.282	.025
	Proper record keeping	-.856	.291	1.165	-2.940	.004
	Managerial skills	0.478	.239	.160	6.186	.001
	entrepreneurial skills	.202	.395		.512	.010

a. Dependent Variable: Revenue Collection

**Source:** Field Data, 2018

The regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \alpha$ ) was;

$$Y = 4.925 + -.856X_1 + 0.478X_2 + 0.202X_3 + \alpha$$

Where by Y = Revenue Collection

X1= Proper record keeping

X2 = Managerial skills

X3= Entrepreneurial skills

The coefficient table implies that there is a significant relationship between Proper record keeping and SME's development as it shows value is 0.004 which is between  $P\beta 0.000 - 0.05$  and there is a significant relationship between Managerial skills and SME's development as it shows value is 0.001 which is between  $P\beta 0.00 - 0.05$ . Also there is a significant relationship between entrepreneurial skills and SME's development as it shows value is 0.010 which is between  $P\beta 0.00 - 0.05$ .

#### **4.6: Discussion of the Findings**

The research revealed that financial institution played a great role on SME's development by providing the critical services like managerial skills, entrepreneurial skills and proper recordkeeping skills. Policies that cementing this bond is not well understood among stakeholders due to lack of information, minimal interest on making a follow up on legal matters etc. Further, the research revealed poor/minimal follow up of the implementation made by financial institution that led to lack of seriousness on putting to practice for the side of SME's.

This research revealed that Proper record keeping had created opportunities for organizations (SME's) to amplify their productivity and effectiveness while improving quality and cutting costs of production in the long run by having a reference of past events that used as a road map.

### **5. Implication of Findings**

#### **5.1.1 The Government**

Through the findings of this study the government of Tanzania will be able to form guidelines, formulate appropriate laws and policies that would seal the good partnership between financial institutions and SME's that will eradicate hindrances to efficient and effective partnership.

#### **5.1.2 Financial Institution**

The study will enable the financial institution to know about how potential they are on SME's development hence planning best and convenient strategies to strengthen the partnership that will allow both side to benefit.

### **5.1.3 SME's**

Through this study, the SME's and their managements have come into the sense of knowing how important the partnership with financial institution on development is if they will take seriously the financial skills provided.

### **5.1.4 Researchers**

The study will generate more interest for further work by researchers. Other researchers will use the report as literature review in order to explore more and give out further recommendations that will lead to the mutual benefits between financial institutions and SME's.

## **5.2 Conclusion**

The study concludes that proper financial records keeping, entrepreneurial skills, management skills that are provided by financial institutions play a very big role on SME's development. SME's have been able to develop different programs for income generation, capacitating problems solving and decisions making, innovative on operating businesses, access products that are crucial for running the business, accessing information from different sources that boost the development of the business.

## **5.3 Recommendation**

In respect of the research findings, the study recommends that: Services offered by financial Institutions to SME's should be monitored and controlled so as to avoid undesired effect in case either side has bad mission to the other, this is due to the truth that one side (SME's) is full of un educated personnel. This study also recommends that financial institutions should take relevant measures to ensure sustainability of the service they provide to SME's.

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