

Effects of Microfinance Lending Terms on Financial Performance of Small-Scale Enterprises
The Experience of SSEs in Mbeya City, Tanzania
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MFIs offer credit service with tight lending terms. To MFIs, the lending terms are considered as important mechanisms to control and protect against credit risk. But to small scale enterprises, these lending terms and condition affect their financial performance. The study examined the effects of microfinance lending terms on financial performance of small-scale enterprises in Mbeya city. The specific objectives included examination of lending terms and conditions for accessing credits offered by MFIs to SSEs, assessment of the perceptions of clients on the existing lending terms and conditions of MFIs, evaluating the sales growth of SSEs operators that borrow from MFIs and analysing the effects of lending terms on SSEs financial performance in term of sales growth. Cross section research design was used. Data were collected from 86 respondents through questionnaires and analysed using descriptive statistics and multiple regression analysis using the ordinary least square (OLS). The study findings revealed that, the Microfinance institutions maintain unfavourable terms and conditions on small scale business owners, which limit them in the acquisition and utilization of the loan. Also, small scale enterprises that borrow from financial institutions perceive lending terms offered by MFIs as not favourable to support SSEs growth. Sales growth appears to increase at different rate due to loan and there was a significant change in sales after taking loans from MFIs. Lending terms have a significant effect on business performance, if made favourable the growth levels of the SSEs will be high and it will attract more enterprises to the services, because they would be able to afford borrowing at any given time without worrying about the terms and conditions.