

Role of Microfinance Institutions Services on Performance of Micro and Small Enterprises in Kinondoni Municipality

By

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This dissertation contains the results of a study conducted in Kinondoni Municipality in the year 2016 to examine the role of microfinance institutions services on performance of micro and small enterprises. The poor performance of micro and small enterprises exists, although microfinance institutions are playing a role of providing services to micro and small enterprises. The objectives were to identify factors influencing the performance of micro and small enterprises, to determine effects of Microfinance Institutions services to the performance of micro and small enterprises and to analyze factors influencing the role of Microfinance Institutions to the performance of micro and small enterprises. The cross-sectional research design was adopted to explore the evidence. Data were collected by using interviews, observation, questionnaire and documentary reviews. The analysis of data was done descriptively using statistical package for social sciences. Results of the role of microfinance institutions on performance of micro and small enterprises have shown that there is higher transaction cost in accessing loans from microfinance institutions, the interest rate and collateral asked by microfinance institutions from entrepreneurs are very expensive and actually not always met by micro and small enterprises. The strategies to rectify the situation strategically include reducing the interest rate on loans, provision of entrepreneurial education, having different portfolios to fit different micro and small enterprises' turnovers, increasing market access and expanding the domestic market for micro and small enterprises. The study provides recommendations on the improvements to all stakeholders including reducing interest charged to micro and small enterprises, the government to simplify licences and the tax system should be simplified and introduced according to the nature of the micro and small enterprises as well as development programs.