

**Contemporary Challenges Facing Small and Medium Enterprises in Tanzania  
Empirical Evidence from Car Repair Garages in Arusha City**

By

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**Abstract**

SMEs have become main economic actors both in developed and developing countries. The choice for SMEs as agents of change in these countries was made due to the fact that, they have simple flexible structures. In addition to that, they compensate for lack of economies of scale by production flexibility, simple and quick diffusion of new technology, and they create jobs at relatively lower costs compared to large enterprises. Many developing countries including Tanzania have been promoting growth of SMEs by creating enabling environment as a strategy of alleviating poverty through reduction of unemployment and improvement of the economy.

Small and medium garages in Arusha city is one area that absorbs most youth at the age of 15 to 24, who do not get chances for higher education. Unfortunately, most of these garages do not grow to the next higher level as expected. In addition, some of them are close down completely. Factors which contribute to this poor/slow growth are yet to be established.

The aim of this study was to find out challenges and constraints that are faced by small and medium garages in Arusha city. All garages in the city were grouped into three categories, i.e. small, medium and large. All small and medium garages were selected purposely for data collection. Methods of collecting data were observation, semi-structured in-depth interviews and documentary review. Analysis of data was done using both quantitative and qualitative techniques. It was revealed that owners of these garages do not get reliable credit facilities to run their garages. Information on the procedures of making application for credit from the presidential funds allocated for small entrepreneurs in each region in the country is not yet clear among the owners and managers of small and medium garages in the city. It was also found that profits generated from small and medium garages are not reinvested back. In addition, the area allocated for garages in Arusha city is not conducive for their growth.