

Empowering Youth and Women Small and Medium Enterprises: A Study on Enhancing Government Loans Operations in Tanzania

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Abstract

This study investigated the small and medium enterprises owned by youth and women, which received government loans from a local government authority in Kinondoni Dar es Salaam. Qualitative design was adopted for the study and used focus group discussions as a data collection tool. A total of four focus group discussions were conducted with participants ranging from six to nine. The results showed that Ward Executive Officers and Community Development Officers were sources of loan scheme information. The SMEs group adhered to its formation. The study revealed the suitability of certain business practices and environments. The study identified challenges impeding the development of SMEs, including discouragement from surrounding communities, insufficient business education, inadequate space for business ventures, low purchasing power among customers, competition, and insufficient capital. The study also disclosed that strategies for enhancing government loan operations to better empower youth and women's SMEs included augmenting the quantity of government loans, lengthening the repayment period, offering subsidies for successful SMEs, conducting regular training for entrepreneurs, and notifying the bank about loan reimbursement. The study concludes that, by empowering youth and women entrepreneurs, Tanzania can strengthen its economy and create more inclusive opportunities for development. The study recommends that the government and all relevant stakeholders enhance the business operations environments to bolster the SMEs established through government loans.

Keywords: *Youth empowerment, women empowerment, Small Medium Enterprises, Government Loans operations,*

INTRODUCTION

Small and medium enterprises (SMEs) are vital to economic development, particularly in emerging economies like Tanzania. Globally, SMEs account for a significant share of employment and contribute substantially to GDP, supporting innovation and socio-economic stability (World Bank, 2020). In Tanzania, SMEs comprise roughly 35% of GDP and provide critical

employment opportunities, especially for marginalized groups such as youth and women (URT, 2023). Recognizing the potential of youth and women-led SMEs to foster poverty reduction and economic growth, the Tanzanian Government has established loan programs specifically aimed at empowering these groups (Mori, 2014). By facilitating access to financial resources, these programs seek to enable youth and women entrepreneurs to develop sustainable businesses that contribute to broader economic objectives.

However, despite the accessible and supportive nature of government loan schemes, youth and women face various challenges in effectively obtaining and utilising those resources. Issues such as; limited knowledge of loan application procedures, complex compliance criteria for group formation, and challenges in meeting eligibility requirements are common (Kimani & Kombo, 2021). There is also little data on how these loan schemes affect youth and women SMEs and how well group formation and compliance criteria work.

Despite the strategic intent of government loans to empower youth and women, multiple challenges have limited their effectiveness. Entrepreneurs report difficulties in accessing reliable information about these loans, as well as obstacles in navigating the compliance requirements tied to group-based loan applications (Ngugi & Mutuku, 2017). These constraints lead to low participation rates and limited impact on SME growth, curtailing the broader goal of socio-economic empowerment. The need to understand the origins of information pertaining to these loans, the compliance processes, and the impacts of government loan practices is critical for devising a more inclusive and effective loan system. If these issues remain unaddressed, the government's goal of empowering youth and women SMEs may not be achieved.

The main objective of this study was to assess the government loan operations aimed at supporting youth and women-led SMEs in Tanzania. In particular, the study concentrated on the following specific objectives: (i) To ascertain the origins of information related to government loan schemes for youth and women SMEs; (ii) To evaluate compliance with the criteria used for SME group formation within government loan frameworks; (iii) To assess the impact of current government loan practices on youth and women SMEs; (iv) To identify challenges facing Youth and Women SMEs in accessing government loans; and (v) To propose strategies to enhance the effectiveness of government loan operations for empowering youth and women SMEs.

Theoretical Ground of the Study: Financial Inclusion Theory

This study is guided by Financial Inclusion Theory, which highlights the importance of providing access to appropriate and affordable financial services for disadvantaged populations. It argues that inclusive financial systems can enhance economic participation and diminish income inequality (Demirgüç-Kunt et al., 2018). This study defines financial inclusion as the provision of government loans tailored for youth and women-owned SMEs; certain loans facilitate the surmounting of obstacles that generally preclude certain populations from conventional financial services, such as insufficient collateral, elevated interest rates, or rigorous qualifying requirements. The theory of financial inclusion underpins the evaluation of the efficacy of loan schemes in addressing the requirements of underserved populations and how enhancements in loan operations might facilitate more economic participation and growth.

EMPIRICAL REVIEW

The Role of SMEs in Economic Development

The World Bank (2020) reports that SMEs make up 90% of enterprises and 50% of jobs Worldwide. In Africa, SMEs are the greatest formal and informal employers, employing millions. SMEs make about 35% of Tanzania's GDP and employ over 5 million people, providing a vital source of income for many (NBS, 2019; ILO, 2017; OECD, 2018). The SMEs are widely recognised as key generators of economic growth, employment, and innovation. Their involvement in economic development, especially in Tanzania, is crucial since they produce jobs. SMEs are crucial to employment, especially in developing nations with few large-scale businesses. The SMEs aid poverty reduction. SMEs reduce poverty by providing revenue for entrepreneurs and workers. Tambunan (2019) states that SMEs provide jobs and improve access to key commodities and services for low-income people. The Tanzanian government has prioritised SME development to decrease poverty through inclusive economic growth (URT, 2018). SMEs benefit marginalised populations, including women and rural communities, by providing loans, business training, and market links, reducing poverty. SMEs provide income-generating opportunities to millions of individuals in developing nations, especially in Sub-Saharan Africa (Osei-Assibey (2020)). SMEs make about 35% of Tanzania's GDP and employ over 5 million people, providing a vital source of income for many (NBS, 2019; ILO, 2017; OECD, 2018).

Government Initiatives and Programs that Assist Youth and Women's SMEs in Tanzania

The Tanzanian Government has enacted numerous laws and measures to

promote and assist SMEs run by youth and women. The principal policies and efforts encompass the National SME Development Policy (2003). Tanzania's main SME promotion framework is the 2003 National SME Development Policy. The policy emphasises gender equality in economic activities and empowers young and women entrepreneurs (URT, 2003). Its implementation has been hampered by financial constraints and poor institutional coordination (Massawe, 2014). Despite the policy's focus on youth and women's empowerment, systemic gender and age biases in the financial and business ecosystems make it hard for them to get company development help (Kinyondo & Pelizzo, 2018).

Another SME-improvement initiative is the Youth Development Initiative (2007). The policy addressed unemployment through entrepreneurship and self-employment to include young people in Tanzania's socio-economic development. It provides skills, entrepreneurship, and financing to youngsters to generate money (URT, 2007). Kimaro and Philemon (2020) found that this strategy has increased young entrepreneurship, especially in metropolitan areas like Dar es Salaam, by giving training and financial access. Due to systematic gender and age biases in the financial and business ecosystems, youth still struggle to get business development help (Kinyondo & Pelizzo, 2018). Local Government Authorities (LGAs) offer 4% and 5% loans. The Tanzanian government required LGAs to donate 10% of their earnings to interest-free loans for youth and women entrepreneurs in 1993 (URT, 1993). 4% goes to kids, 5% to women, and 1% to disabled people. This initiative provides money to entrepreneurs who may not qualify for standard loans (Kweka and Sooi, 2022). Musabila and Pauka (2020) found that LGA loans had helped rural youth and women start and grow companies.

Challenges Faced by SMEs in Accessing Financial Resources

Lack of collateral is a major obstacle for SMEs seeking financing. Land and property are often required as loan collateral by banks. Many SMEs, especially those owned by women and adolescents, lack such assets (Beck & Demircuc-Kunt, 2006). Studies show that SMEs without collateral generally use informal finance or personal resources to fund their enterprises, limiting their growth potential (Olomi & Urassa, 2015). SMEs also experience high borrowing costs due to rising interest rates. Tanzanian commercial banks have high interest rates, making it hard for SMEs to borrow without endangering their profitability and sustainability (Morris & Brennan, 2019). SMEs have higher interest rates than larger organisations due to the perceived risk of financing them, compounding the situation. Nanyaro (2020) found that SMEs avoid bank loans due to high interest rates, instead turning to microfinance organisations or informal lenders. SME capital to expand up

operations and invest in new technologies is limited by high borrowing costs (Machira, 2016).

Impact of Loan Programs on SMEs Growth and Sustainability

SMEs boost economic growth by innovating, creating jobs, and improving society. Financial resources are a major barrier to SME growth and sustainability. Loan programs, especially for SMEs, help firms grow, expand, and become sustainable. Loan programs affect SME growth and sustainability, particularly in developing nations. Loan programs help SMEs grow, invest in new technology and boost efficiency. External funding, especially loans, boosts SME growth, according to Beck, Demirguc-Kunt, and Maksimovic (2008). Loans help SMEs manage their cash flow and grab development opportunities by providing working capital. Kira and He (2012) discovered that Kenyan SMEs with loans had higher revenue, market share, and hiring capacity. The survey also found that loaned enterprises expanded their product lines and consumer bases, making them more competitive and sustainable.

Tanzanian SMEs using government and microfinance lending programs grew faster than those without (Olomi, 2010). Mfaume & Leonard (2017) found that Tanzanian SMEs that borrowed from microfinance institutions were more likely to invest in innovative technologies and processes, notably in agriculture and manufacturing. Investors increased productivity, product quality, and cost savings, helping SMEs grow and survive. SME Loan Program Challenges: While loan programs contribute to the growth of SMEs, they encounter a variety of challenges. The high cost of borrowing is a problem. In developing nations, high interest rates might strain SMEs' finances, reducing loan benefits (Koech, 2011). Despite credit programs in Tanzania, many SMEs struggle to repay loans due to excessive interest rates, which hurts their profitability and sustainability (Nanyaro, 2020). Financial institutions' collateral restrictions typically prevent SMEs from getting loans (Morris & Brennan, 2019). Financial exclusion occurs when SMEs, especially those controlled by women and children, lack the assets to meet collateral requirements. Gichuki, Njeru, and Tirimba (2014) found that SMEs' biggest barrier is a lack of collateral, and loan schemes that don't address it may fail.

Best Practices for Empowering SMEs through Financial and non-financial Support

A venture capital is a good best practice. Venture capital helps high-growth SMEs, especially in tech, in industrialised countries. Venture capital investment provides cash, mentorship, business networks, and managerial

knowledge, which helps SME growth and innovation, (Kaplan and Stromberg, 2009). Microfinance institutions (MFIs) are significant participants in supporting SMEs, especially in areas with inadequate traditional banking facilities. Microfinance empowers small businesses with low-interest loans and flexible repayment arrangements. Mrindoko and Pastory (2022) found that micro and small enterprises were involved in manufacturing, agriculture, services, and commerce. Best practices include simplifying loan applications and using collateral-free or low-collateral lending alternatives. The Tanzanian Government allows SMEs to apply for loans online without excessive documentation through digital channels (ESRF, 2016). Maintaining support programmes: insufficient financing, administration, or evaluation cause sustainability challenges for many support programs. Beck and Cull (2014) say strong SME support programmes use continual monitoring and evaluation to measure their effects and make modifications. Rwanda's Business Development Fund (BDF) monitors SMEs receiving financial and technical help to ensure sustainable growth (Malipula, 2023).

This review of literature shows that the empowerment of entrepreneurs through small and medium enterprises (SMEs) is a complicated issue involving many challenges. These challenges regarding LGA loans impact youth and women. So, it's important to find out where the information about loans for young people and women from the local government comes from, check if the criteria used for creating SMEs groups in government credit operations are being followed, look at how government loan practices affect the growth and sustainability of youth and women-led SMEs, find out the problems these SMEs face when trying to get and use government loans, and suggest ways to improve government loan operations for these types of businesses in Tanzania.

METHODOLOGY

Research Design

The qualitative design forms the foundation of this study. The choice of qualitative research design for this research was guided by the need to facilitate sharing views and illuminate differences in perspective among participants on SMEs' government loan operations in Tanzania. Kitzinger (1995) argues that interaction, particularly with questions related to process ("how" and "why") and context ("what questions"), is more likely to construct people's perspectives, experiences, and feelings. Therefore, this study selected focus group discussion (FGD) as both a strategy and a tool for gathering qualitative data. Focus group discussions take the form of natural conversations, ultimately serving as a useful method to encourage individuals

who may be reluctant to participate in one-on-one interviews due to the formality and isolation (Vicsek, 2010).

Study Area, Participants and Selection Procedures

This study was undertaken in the Kinondoni Municipal Council in Dar es Salaam, focusing primarily on youth and women SMEs organisations receiving government loans facilitated by the Local Government Authority (LGA). The Kinondoni municipal council was intentionally chosen due to its exemplary performance and status as a model in the administration of government loans. The Kinondoni municipal council is a highly urbanized municipal council in Dar es Salaam, noted for its dynamic economic activity and a significant concentration of youth and women entrepreneurs. Kinondoni serves as an exemplary case study owing to its vibrant SME ecosystem, encompassing a diverse array of enterprises that can yield significant data regarding the efficacy of government lending initiatives (Kinondoni Municipal Council, 2020). The Kinondoni municipal council comprises 20 wards. Simple random sampling was employed to choose two wards for participation in the study. Stratified sampling was employed to identify four groups of SMEs: two from Magomeni and two from Ndugumbi wards. The criterion for selecting the SMEs was based on the group's performance. Consequently, two high-performing groups, one from each neighbourhood, were chosen, along with two low-performing groups, one from each neighbourhood ward.

To adhere to ethical guidelines in this investigation, the researcher substituted the names of these SMEs with numerical identifiers. Consequently, there were SMEs 1 and 2 from Magomeni and SMEs 3 and 4 from Ndugumbi wards, respectively. SME-1 specializes in the manufacture of furniture and consists of six young males. SME 2, which consists of seven male members, is involved in the sale of non-alcoholic and alcoholic beverages, food products, car wash services, and footwear. Additionally, SMEs 3 and 4 engaged in furniture manufacturing, juice production, bicycle assembly, and the sale of vegetables, fruits, and other food items. SME 3 comprised seven members, including three females and four males, but SME 4 consisted entirely of eight females. Therefore, the researcher invited six to eight individuals from each SME group to participate in the four (4) focus group talks.

Data Management and Analysis

The focus group discussion lasted for 40–45 minutes before reaching data saturation. The researcher recorded these discussions using digital recorders with the participants' prior consent. The researcher transcribed this

information in Kiswahili and then translated it into English. The researcher stored both Kiswahili and English files on computer removable discs and flash discs and also took notes during the FGD for backup purposes. Finally, the researcher subjected the generated data to thematic analysis, presenting the findings in narrative form and supporting them with verbatim evidence based on respective objectives.

RESULTS AND DISCUSSION

In focus group talks, entrepreneurs articulated significant challenges regarding youth and women SMEs obtaining government loans via a local government authority (LGA) in Kinondoni, Dar es Salaam. This study involved one focus group discussion at each participating SME, with six to eight individuals. Four (4) focus group sessions were conducted. The responses to the research objectives can be categorized into five themes: sources of information on local government loans for SMEs, compliance to criteria for SME group formation, practices related to local government loans, challenges, and strategies for enhancing local government loan operations

Sources of information on SMEs Local Government Loans

Focus Group Discussions (FGD) held in four SMEs two in Magomeni and other two from Ndugumbi wards that composed of at least 8 SME entrepreneurs each and it revealed that the major source of information was through Ward Executive Officer (WEO) and to low extent through radio. All the participants shared similar views about the sources of the information on local government loans. All the SMEs entrepreneurs were in front line to ensure that they get the information government loan. In this regard, entrepreneurs they said:

In reality, the Ward Executive Office provided the loan information. (FGD with Entrepreneurs, SME 1, Magomeni Ward, 20th March, 2024)

One day, the broadcaster advertised on government loans and announced that those loans would benefit youth and women (FGD with Entrepreneurs, SME 2, Magomeni Ward, 20th March, 2024).

In all honesty, the Ward Office, through the Ward Executive Officer and Street Chairperson, informed people about the loans available to youth and women (FGD with Entrepreneurs, SME 3, Ndugumbi ward, 21st March, 2024).

People got the information through Ward Office; especially Ward Executive Officer, Community Development Officer and Street Chairperson. After receiving the loan information, we followed the procedures until we were

presented with a loan opportunity (FGD with Entrepreneur, SMEs 4, Ndugumbi ward, 21st March, 2024).

Compliance on Criteria Used for SMEs Group formation.

During a Focus Group Discussion (FGD) with seven entrepreneurs from Ndugumbi and eight entrepreneurs from Magomeni wards, they responded that the SME group formation was in compliance. They postulated that no male in the group was older than 35, while there was no age limit for females. They were able to comply with the requirements of the SME group formation. Additionally, each group included members who consented to and could repay the loaned funds. A few quotes are provided below for illustration:

All of us are 35 years old, and therefore we are qualified to be given a loan, because this is one major criterion for youth to be given a government loan established through local government authority (FGD with Entrepreneurs, SME 3, Ndugumbi ward, 22nd March, 2024).

Every member of our group has additional financial resources that they can use to repay the loan initially (FGD with Entrepreneurs, SME 2, Magomeni Ward, and 22nd March, 2024).

Practices of Government Loans on the Growth and Sustainability of Youth and Women SMEs

The analysis of the proceedings of the FGD with entrepreneurs on business practices and the environment of doing business experiences was summed up based on the following towards the SME operations:

Loan Distribution Mechanisms

Seven entrepreneurs from Ndugumbi and Magomeni wards, along with eight others, participated in a Focus Group Discussion (FGD). They both concurred that the loan distribution mechanism's access to credit has moderately improved, while others contended. Therefore, during the FGD proceedings, some entrepreneurs expressed that the local government loan's credit access system is effective and should be maintained as it benefits the people. It should continue because it helps people. They further emphasized that this system carries no interest, unlike loans from banks or other financial institutions. A few quotes from their remarks are provided below for illustration:

The availability of credit through local government authority loans is favorable, and this trend should persist as these loans offer no interest rates, unlike those from other financial institutions such as banks (FGD with Entrepreneurs, SME 3, Ndugumbi ward, 23rd March, 2024).

Capacity Building and Training

The analysis of the FGD proceedings at Magomeni and Ndugumbi revealed that entrepreneurs had received business education early, when they received their first loan. However, the provision of knowledge ceases midway between businesses. Sometimes long-experienced loan beneficiaries attend the training with new entrepreneurs. The quotes illustrate that:

The ward community offices provided us with training on how to use the loan when we first received it. However, since then, we have yet to successfully complete the training program. However, some long-term and experienced beneficiaries have decided to join forces with new entrepreneurs to receive training on business issues. However, there is no regular training provided for the entrepreneurs (FGD with Entrepreneurs, SME 2, Magomeni Ward, SME 4, Ndugumbi Ward, 23rd March, 2024)

Management of the SMEs

The analysis of the FGD within the Magomeni and Ndugumbi wards revealed that the management was beneficial to most SMEs, particularly those that had a constitution and regularly hold meetings. In this meeting, they discussed several issues, including the monthly fee and other ones. Some of the SMEs had developed slogans to enhance their sense of unity. Quotations from the participants illustrate their observations:

We have good management. In every month we conduct the meeting. In that meeting, we discuss several issues, such as a monthly fee. We have our slogan which strengthens our group togetherness. This slogan states that "Truth and Transparency is our hope" (FGD with Entrepreneurs, SME 3, and Ndugumbi ward, 24th March, 2024).

The management has no problem because we manage ourselves, no one from outside cares us or/ our group. (FGD with Entrepreneurs, SME 3, and Magomeni ward, 24th March, 2024)

Marketing and Selling of the Products

The FGD proceedings' analysis at Ndugumbi and Magomeni wards revealed that the product's marketing was good, although most markets are seasonal. The market appears to be doing well during the harvest season, particularly in June. During rainy seasons, businesses stop entirely. Small and medium-sized enterprises (SMEs) that manufacture furniture, sofa coaches, and mattresses typically sold their products in both wholesale and retail formats. The regions in which they sold mattresses in wholesale style were Tanga-Handeni, Kilindi (Kwedi Boma), and Dodoma-Mpwapwa. The entrepreneurs argued that they needed a large enough market to strengthen both individual and group economies by selling goods and services to their esteemed customers, given the competition from other entrepreneurs. Additionally, they asserted

that they required access to markets beyond their domestic borders, such as Rwanda and Burundi. Generally, when business conditions deteriorate, the entrepreneur opts to decrease the number of assistants in their business venture. Their quotes illustrate the participants' remarks:

On our side, the marketing of products is good although sometimes our market is seasonal. During rainy seasons no business completely. But during the harvest period, especially in June, the company becomes excellent. Sometime during that period, you find all the products are being sold promptly. Also, juice products depend much on the season and daily weather conditions. During the rainy season and cold weather, the juice is not sold well. (FGD with Entrepreneurs, SMEs 3 and 4, Ndugumbi ward, 24th March, 2024)

We need substantial markets; because our products are ready-made, therefore there is much competition from other entrepreneurs surrounding our business. These will help us to sell our products in huge quantity regardless of many competitors surrounding our business premises (FGD Entrepreneur, SME 2, Magomeni ward, 24th March, 2024).

We are going to have some market even outside the country such as Rwanda and Burundi (FGD with Entrepreneurs, SME 4, Ndugumbi ward, 25th March, 2024)

Production

The analysis of the focus group discussions' proceedings revealed that the production was not good because there was a problem securing enough raw materials. Inadequate transport facilities prevented the entrepreneurs from receiving the few available raw materials on time. However, some SMEs asserted that there was a significant increase in the production of goods and services. The quotations from the participants illustrate some of their observations:

The scarcity of raw materials hinders the production process. However, other groups have organized a significant and large-scale event (FGD with Entrepreneurs, SME 3, Ndugumbi Ward, 25th March, 2024).

Regulatory and Policy Framework

The analysis of the focus group discussions revealed that the fifth-term government plan was fair due to the presence of excellent and conducive business policies and regulations. However, Tanzania Revenue Authority (TRA) workers estimate the tax without consulting or providing tax education to the entrepreneurs. Their quotes illustrated the participants' remarks:

TRA officers can estimate a tax of 900,000/- Tshs while the investment capital of the entrepreneur is 2,000,000/-, so automatically there is no correlation between the estimated tax and investment capital injected in the business (FGD with Entrepreneurs, SME 2, Magomeni Ward, 23rd March, 2024).

Mattresses made from reject mattresses its price is about 58,000/- Tshs. But when the TRA officers visit our business areas, they disagree with the mentioned price above. Instead, they say that the price of the same is 150,000/- Tshs, which is not true because these mattresses have been made from the reject mattresses, of which a cost of production is relatively cheap compared to other mattresses (FGD with Entrepreneurs, SME3, Ndugumbi Ward, 23rd March, 2024).

If there will be no good communication in terms of the language used between the TRA officers and the entrepreneurs towards tax payment exercises, the tax payment exercise will still face some challenges shortly (FGD with Entrepreneurs, SME 4, Ndugumbi ward 24th March, 2024)

The entrepreneurs insisted that there was a need for the TRA people to be truthful and honest when it comes to tax estimate and payment from the entrepreneurs. However, the tax regulations are not so clear on how the entrepreneurs should pay their tax. These SMEs are still using the entrepreneur identity cards, which cost about 20,000 Tshs, of which the capital investment should not exceed 4 million. The quotes illustrate the participants' remarks

We require clarification on the process of paying taxes, particularly when we are part of the entrepreneurial community. So, we need substantial tax education for entrepreneurs because most of us are not aware of the tax procedures (FGD with Entrepreneur, SME 4 Ndugumbi Ward, 23rd March, 2024).

Physical Infrastructure

The focus group discussions' proceedings' analysis revealed that the entrepreneurs have not enough space for their businesses. These entrepreneurs rent the rooms where they conduct their business. They use dark and small rented rooms to keep the products and raw materials used to produce goods. The entrepreneurs recommended that the government allocate sufficient open space for them to conduct their businesses effectively. Transporting raw materials from mattress manufacturing industries poses a significant challenge. Occasionally, they utilize alternative modes of transportation, like a three-wheeled motorcycle, to move the raw materials from the industries to the areas where the product is assembled. Their quotes illustrate the participants' remarks:

There is insufficient space for us to conduct our business effectively. We have rented several small, dark rooms in this house, where we store our raw materials and final products. We store even the smallest products we produce in these dimly lit rooms. Therefore, our customers are unable to easily view the products due to their limited visibility (FGD with Entrepreneurs, SME 3, Ndugumbi Ward, 23rd March, 2024)

Banking and Financial Services

The entrepreneurs encounter disruptions from the banks, such as delays in loan disbursements and network issues during money withdrawal. A quoted remark below is illustrative:

Banking services have been frustrating us; it can take one to two days to get money, and sometimes they tell us there is a network problem, so wait or come tomorrow. The focus group discussion took place with entrepreneurs from SME 3, Ndugumbi ward, on March 23, 2024.

Challenges facing by Youth and Women SME in accessing local government loans

During FGDs with twelve with four SME the entrepreneurs, they responded that by engaging in SME government loans operations they realized that, there were several challenges facing youth and women SME and they were in a position to cope with such challenges. Therefore, entrepreneurs revealed some challenges that affect SMEs' efficiency and effectiveness under the LGA loan scheme.

- a. People in the nearby communities, particularly those outside the SMEs groups, have expressed discouragement.
- b. Entrepreneurs are not receiving sufficient business education.
- c. There aren't enough business spaces for entrepreneurs to operate in.
- d. Elderly negative attitudes towards youth entrepreneurship behaviour geared to business development;
- e. The poor business situation can be attributed to the low purchasing power of people in the communities.
- f. Competition from other business people and;
- g. Insufficient capital due to received merge government loans.

(FGD with entrepreneurs, SME1, SME2, SME3 & SME 4 both from Magomeni and Ndugumbi, 22 - 24th March, 2024)

Strategies for Improving Government Loans Operations to Better Empower Youth and Women SMEs.

The Increase of the Amount of Government Loans

During the Focus Group Discussion (FGD), both SME entrepreneurs proposed strategies aimed at enhancing the performance of youth and

women-owned small and medium-sized enterprises (SMEs). These entrepreneurs proposed strategies by requesting the government increase the amount of loans because the loans provided are too large to meet the entrepreneurs' business demands. These facts are illustrated here:

As entrepreneurs, we request the government increase the loan amount if possible because the amount we receive is small. If the group receives 5,000,000 Tshs, each member should receive at least 800,000/- Tshs of this small amount, as the remaining amount is used to cover other expenses like rent. (FGD with Entrepreneurs, SME 2, Magomeni Ward, 23rd March 2024)

Another FGD entrepreneur asserted that there is a need to request that the government increase the amount of loans given to SME entrepreneurs:

We suggest that the loan should be increased even up to 150,000,000/- Tshs because that substantial loan will enable us to do the business effectively and efficiently (FGD with Entrepreneurs, SME 3, Ndugumbi ward, 23rd March, 2024)

Increase of the Repayment Duration

The entrepreneurs through FGD they asserted that the one-week duration of repayment is too short for the entrepreneurs. They proposed that the refund should be made in the last week every month to pay back the money after profit generation. Within one week, it is impossible to generate profit and be able to repay the loans. This connotation has illustrated by quotes:

The Government should increase the repayment duration to one month instead of one week because in one week it is tough to get the money for repayment (FGD with Entrepreneurs, SME 4, Ndugumbi ward, 22nd March, 2024)

Provision of Subsidies to a Good SME Repayment

Through the analysis of focus group discussions, the entrepreneurs suggested that SMEs with a good repayment record should receive some subsidies as a form of motivation:

As entrepreneurs, we all together suggest that for those SMEs groups with a good track record in terms of repayment, the Government should provide subsidies as a motivation (FGD with Entrepreneurs, SME 3, Ndugumbi ward, 21st March, 2024)

Entrepreneurs Regular Training

In line with the FGD training, the entrepreneurs proposed the need for regular training, particularly for those who are performing well. Additionally, they suggested that ward community development officers should coordinate the

practice, with successful SMEs taking the lead in facilitating the training. In that regard, this can encourage other entrepreneurs to work hard and become successful like their fellow counterparts. Quotations illustrate the participants' remarks:

We suggest that regular training should be provided for us as entrepreneurs, and successful entrepreneurs should facilitate the movement. Therefore, this will encourage other entrepreneurs to work hard and become successful like their counterparts. Community development officers should coordinate the training process, not just facilitate it. Entrepreneurs should lead the training sessions, while community officers should serve as the coordinators. The entrepreneur can demonstrate in front of the other entrepreneurs that "have you seen me with my shirt?" is because of entrepreneurship, but if the community officer says that "quotation above," automatically they will tell him/her that it is because of your monthly salary. (FGD with Entrepreneur, SME 3, Ndugumbi Ward, 21st March, 2024)

Notification of the Reimbursement of the Loan by the Bank

In the FGD, the entrepreneurs provided some suggestions. A quoted remark below is illustrative:

Banks should notify us through the group's mobile phone message once they have disbursed the money. We often go to the bank without knowing precisely the amount of money deposited or whether the cash has already deposited. To prevent such disruptions, we kindly request that the bank notify us prior to our visit (FGD with Entrepreneurs, SME 3, Ndugumbi ward, 22nd March, 2024).

DISCUSSION OF FINDINGS

The study aimed to evaluate the operations of youth and women SMEs that receive government loans from a local government authority (LGA) in Kinondoni Dar es Salaam. The study found that a prominent source of loan information was the Ward Executive Office (WEO). Entrepreneurs from SME1 Magomeni ward concluded in a focus group discussion that the Ward Executive Office (WEO) was the primary source of information regarding government loans. Another focus group discussion, SME 3, Ndugumbi ward, concluded that the Ward Executive Office, through WEO and the Street Chairperson (SC), informed the communities about the youth and women's loans". This finding is inconsistent with Okello-Oburu et al. (2008) in Uganda, who indicate that the most important sources of SMEs loan information are radio stations, personal contact, and newspapers, while the least sources of business information include private sector consultants, government departments, libraries, Internet sources, banks/other financial institutions, and television stations.

The study revealed that there was a compliance with criteria used in SMEs group formation because only males who were not beyond 35 years old formed SMEs groups, while women there were no age limit in order to become a member in SMEs. This was consistent with one focus group discussion of the entrepreneur from SME3, Ndugumbi ward, who said, "All of us are not above 30 years old; therefore, we qualify to be members because we are not above 35 years old, but for women, there is no age limit. Additionally, some argue that each member group is capable of repaying the money even before the profit from SMEs is realized. Research suggests that in certain scenarios, participants' equal size and economic power seem to contribute to trust, preventing them from fearing dominance or exploitation by others (Berry, 1997).

The findings showed a moderate improvement in credit access, good business management, and effective product marketing. Additionally, the results showed that production was performing well, despite some challenges, particularly in securing sufficient raw materials. While the business environment was favorable, there was a lack of adequate physical infrastructure. One FGD entrepreneur from SME 3 Ndugumbi ward stated, "We lack the necessary space to operate our business effectively." We have rented several small, dark rooms in this house, where we store our raw materials and final products. We store even the smallest products we produce in these dimly lit rooms. Therefore, our customers cannot see the products easily because these products are not seen by our customers." These findings align with the OECD's (2018) argument that a cross-cutting strategy is necessary for SME development. This strategy includes the ability of governments to implement sound macroeconomic policies, the development of conducive microelectronic business environments, the establishment of simplified legal and regulatory frameworks, good governance, abundant and accessible finance, suitable infrastructure, supportive education, a sufficient supply of healthy and flexible skilled labor, capable public and private institutions, and the ability of SMEs to implement competitive operating practices and business strategies.

The challenges identified, among others, include discouragement from nearby communities, especially people who are not in the SMEs groups, a lack of substantial business education for the entrepreneurs, and competition from other business people. These findings align with those of Kirama (2014), who asserts that SMEs encounter various challenges such as competition with large firms, capital constraints, and improper record-keeping due to inadequate business education. The study suggested several strategies, including augmenting the quantity of government loans,

lengthening the repayment period, offering subsidies for successful SME repayments, offering regular training to entrepreneurs, and promptly notifying the bank about loan repayment. These findings align with Chijioke's (2016) argument, which emphasizes the importance of creating new markets, encouraging opportunities for sustainable growth, securing additional funding sources, involving employees in decision-making, and gaining competitive advantages. SriBudhi et al. 2020 regard technology, capital, marketing, and infrastructure policies as policy packages for the development of SMEs.

CONCLUSION AND RECOMMENDATIONS

The results showed that, despite minor differences, SMEs' operations are similar to those of most enterprises. Most SMEs identified Ward Executive Officers as sources of information on the LGA loan scheme. The results also showed that there was an age limit for males to join the SMEs group, while there is no age limit for women. Additionally, there were favorable business environments for access to credit, management, market conditions, and production. In this regard, local businesses had the power to either improve the performance of SMEs or hinder their operations. The empirical results of this study demonstrated that policies favouring private firms and the labour force had positive impact on the performance of SMEs. Business operation environments determined the efficiency and effectiveness of SMEs.

The study recommends strengthening the operations environment for SMEs to enhance the country's conducive and favourable business environment. Firstly, the government and other stakeholders should thoughtfully disseminate the LGA loan scheme information through different media, such as television, radio, magazines, and flyers. Secondly, there is a need to enhance the business operation environment by improving access to credit, providing adequate business education and training, developing a strong marketing strategy, increasing production, establishing a favorable policy and regulatory framework, improving financial services, and enhancing physical and technological infrastructure. All these measures would significantly improve the efficiency and effectiveness of small and medium-sized enterprises' operations.

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