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Contributions of Banks Towards Development of Small and Medium Enterprises in Kyela-Mbeya, Tanzania

Kaula Stephen[1*], Gwahula Raphael[2], France Shayo[3]

[1]Faculty of Business Management, Open University of Tanzania, Mbeya, Tanzania. kaula_stephen@yahoo.com
[2]Faculty of Business Management, Open University of Tanzania, Dar Es Salaam, Tanzania. gwahular@gmail.com
[3]Faculty of Business Management, Open University of Tanzania, Dar Es Salaam, Tanzania. france.shayo@gmail.com

*__Corresponding author:__ Kaula Stephen, 1Faculty of Business Management, Open University of Tanzania, Mbeya, Tanzania. kaula_stephen@yahoo.com

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Abstract

The study investigates on the contributions of Bank on development of Small and Medium Enterprises (SMEs). The investigations were carried out to reveal the reason behind the little contribution to development of SMEs while only 21% of them being financial included. The study being positivistic, systematic sampling technique was applied to derive to 92 unit of inquiry in which 72 SMEs and 20 Bank staffs from Kyela-Mbeya in Tanzania were involved. Using questionnaire, the facts were gathered and analyzed descriptively and inferentially. Descriptive and inferential analysis revealed the following: -universal accessibility of financial services caused by banks had positive and significant contribution over development of SMEs. Moreover, it was found that adequate financial services to be provided by banks contribute positively and significantly towards development of SMEs. It was furthermore found that there was positive and significant causal-effect between access to cost effective financial products/services provided by banks and non-development. It is from these positivistic results what therefore this study recommends that for SMEs development to be realized against financial services to be provided by Banks then rules and regulations governing operations of Banks should be strongly enforced. Also, it is suggested that Banks should classify the needy group/individual financial users basing on the types such that of savers and users; the households and large-scale firms; financial literate and financial illiterate users and foster their needs differently. Moreover, for financial users being accessed universally, adequately and affordably to financial products then there is a need for their businesses being registered, licensed and insured.

Keywords: *Banks, SMEs development, Universal accessibility, Adequacy, Affordability.*

Introduction

Banks are financial Institutions which play a fundamental role of accepting deposits and offering credits to the needy group. Generally, Banks play a great role towards development of the needy group in which SMEs entails [1]. The financial services offered are such that credits, savings, insurances and other remittances. Access to these services in its adequacy and affordability function to promotes business transactions, investment and production [2].

Only to find is the stagnant growth over SMEs in Tanzania in-terms of production, less investment and thus continue living under poverty line. The small-scale farmers who occupy about >70% of population have been practicing farming in subsistence form [3]. The small-scale processors have still continued using blunt technology in processing of agricultural and mineral extracts. It is with this gap in which a processing sector contributes about 8.3% to a national income which is less to cause economic transformation or structural economic change.

In Italia, establishment of SME development Bank has played a lot in increasing financial inclusion to SMEs [4]. It is about 21/25 (84%) of SMEs reached by SMEDB. That means majority SME financial users are sustainably accessed to adequate and affordable financial services and products.

The SMEs involving in trading activities in Tanzania has found to be accessed to little finances and thus retardation in their economic activities. The controversial has been revealed in which the large firms involving in primary, secondary, tertiary and services are steadily accessed to financial services. This is then the impacts of inventions over Banking industry in Tanzania in which more than 41 (U.S. Embassies, 2019) [5] banks are operating in the financial market but to reveal that the impacts over increase in number of Banks is not felt by small scale firms. The SMEs of which if they could be sustained with financial products as they are good contributors to national income and about 80% of labor force have been employed in these small and medium businesses are inadequately accessed and sometimes, they are none accessed to financial services and products.

Statement of Research Problem

Following liberal market policy enforcement by Bank of Tanzania, it is more than 41 Banks which are operating in financial market but the controversial is the little contribution brought by such inventions. It was expected that liberation in financial market of banking financial Institutions since 2005s could be shock absorbent of great financial exclusion over large number of Tanzania population users. The great needy group which is financially excluded to about 71% is the SMEs, the households, the financial illiterate, informally operating firms and remote disadvantageous rural population [6]. Though the Fin-Scope (2017) [7] has reported over increase in accessibility of financial services to financial users but what is to put in mind is that development of SMEs can not only brought through increase in accessibility but also access to adequate and affordable financial products. To explicitly reveal this is that 81% increase in financial accessibility reported by Fin Scope (2017) [7] came following inventions over Mobile Banking and more other e-banking transaction but the question to ask ourselves is that how inclusively are these financial services accessed. Infact it is only 21% of the whole Tanzanian population which is financially deepened [8]. Thus, it is from this dilemma why this study was conducted addressing on the reasons over less contribution made by Banking sector on development of SMEs. To un-reveal this, the study addressed on the impacts of universal accessibility, access to adequate financial services and access to affordable financial services and products on development of SMEs, the issues not uncovered by other empirical studies above. Moreover, this study under examination unrevealed development of SMEs in-terms of financial inclusion, increase in productivity and improvement in standard of living of people different other studies of which in most cases they defined development of SMEs in terms of attaining financial inclusion.

Significance of the study

The study has been an input to policy makers that liberal market over Banking Financial Institutions is not a matter but a strong enforcement over rules and regulations governing the operations of these banks. It is therefore with strong enforcement where a positive impact of Banks on development of SMEs is going to be felt. Moreover, this study would have been used as a platform towards establishing a National SMEs development Bank.

Indeed, this study expect to be epistemological to SMEs that presence of Banks and financial infrastructures that facilitate accessibility to adequate and affordable financial services is not a case but some conditions to be fulfilled first with SMEs themselves. Most of Banks as it is to other financial institutions are risk averse in a sense that they would like to offer credits to trustworthy, creditworthy and capable SMEs who can run business to its return. It is therefore with these characters what Banks are interested with for lending transactions to be affected.

Moreover, this study expects to impart knowledge to SMEs that Banks being financial institutions work under the principle "risks/returns" trade-off. Thus, for SMEs to be accessed to adequate and quality financial services/products then Banks would like to lend money to financial literate user, formal business/individual user (registered, licensed and insured one), purported burrower and marginalized user for assurance of repayment/returns of money leant indeed on time.

Either for liberal market over Banking Financial Institutions to be revealed of positive impacts on the development of SMEs then they should be customer centric (they should opt for picker-product Model). It is through customer centricity where they should segment products/programs to be provided by regarding the type of financial user in order to ensure that different classes of users' needs are achieved. For instance, serving the households (SMEs), the savers should be different from that over the large-scale firms (users) because their needs and objectives also differ.

Literature Review

Theory: The study adopted the Access to Finance and Modern Development Theory*:* -The theory proposed on the importance of being accessed sustainably to financial services and products that result into growth of financial services users economically and socially. This theory was found by Galor and Zeira (1993) [8] in which it was speculated that to achieve to universal and sustainable accessibility to finance then perfection over financial market play a great role. It is with perfect financial market where symmetric information flow about the cost and quality of financial products is sustained; transparency in operating mechanisms of Banks/financial Institutions is realized; the number of suppliers and consumers of financial services are approximately equal; and homogeneity of financial products is felt.

Despite of the innovation put forward by Galor and Zeiras' theory (1993) [8] but the theory has not explicitly fostered in Tanzania to observe many of Banks and more other Microfinance are operating informally. This is what makes the cost of financial products become unaffordable to most of SMEs. More micro finances are near homes of needy group but to find the services are discriminated giving rise to persistent financial exclusion to majority of the SMEs. This is then a gap what policy makers have to capitalize in over strengthening enforcement of rules and regulations in place [9-11].

Moreover, the theory has failed to dictate that lending being a business, then Banks would like to observe a trade-off between risks and returns in which sometimes they would sometimes seem to be conservative /profit oriented, the same reported by Robison (2020). But the fact is that lending to financial illiterate, informal operating business user, non-trusted user even if the criterion of collateral won't be taken into consideration still would be like committing default, financial risks knowingly. Thus, Banks tend to have some criteria for needy group or individual to be learnt money or not. In here Banks and other financial Institutions do apply credit assessment model such that of 5C's [12] in-order to determine the creditworthy and trustworthy of customer not to commit adverse selection and moral hazards. This again is the issue not reported by the Access to Finance and Modern Development Theory thus explicitly uncovered by this study therefore. That means the tendency of Banks being selective in providing financial credits for-instance is the reason why despite of liberalization over Banking financial Institutions in Tanzania where Kyela district was also found affected by this liberalization but little contribution towards development of SMEs was revealed.

Empirical Studies: The study by Olaoye, Adedeji and Ayeni-Agbaje (2018) [13] on commercial Banking Lending to small and Medium Scale Enterprises and Nigeria Economy had variables under discussions which were the Bank lending rate, Bank loans and inflation rate and its impacts on the growth of SMEs and GDP. To reveal the reality, the significance and the strength of causality between variables then more of longitudinal data were used. Indeed, the study applied much of secondary data obtained from NBS of Nigeria and Bank of Nigeria statistical bulletin over twenty years spanning from 1998 to 2017. Different from the study under hand which was conducted in Mbeya, Tanzania, it was crossectional in nature and much used to primary data and few data being gathered through a review of publications from BoT, NBS of Tanzania and Ministry of Finance and Planning. Contextually the study under hand was assessing the contributions of Banks without stratifying that this is commercial, saving, development or any other. Only to notify is that a liberal market of Banking industry in Tanzania expected to have positive impact on development of SMEs but to find it is not so. Indeed, the issues addressed regarding the study underhand were how universally SMEs are accessed to financial services, how adequately and affordably the financial services are accessed towards actual development of SMEs.

Mwakababu [14] in his study titled "assessment of the Contribution of Commercial banks to the success of SMEs in Tanzania" in Morogoro-Tanzania reported that grant and amount of loan provided by NMB Bank has a significant relationship with profit ($p<0.01$). It was indeed revealed that loan had also significant contribution to profit ($p<0.05$). Moreover, shortage of human resources development (entrepreneurial skills), bank financial restrictive regulations and lack of market information hampered more profit gains. The study by Mwakababu (2013) [14] used purposive and snowball sampling techniques to come up with 85 SMEs from Morogogoro Municipality. More over the primary data were collected by using structured questionnaires and unstructured interview. Furthermore, the data collected were analyzed descriptively by the use of simple frequencies and percentage and inferentially by using correlation and regression analysis tools. Different from the study underhand which employed systematic sampling technique to derive to 92 unit of inquiry. Again, the facts were not collected from one commercial Bank as it was with the study by Mwakababu but from almost three Banks found in Kyela district i.e. CRDB, NMB, and TPB banks. Moreover, the study underhand used questionnaires and structured interview to gather the facts. Descriptively the collected and screened data were analyzed by using mean ($\bar{X}$) and standard deviation (δ^2) and inferentially the multiple correlations, the ordinary least square and univariate test analysis tools were applied. Moreover, the credibility of the Author, Mwakababu (a Master degree student) not efficient to come up with non-rigor findings. For instance, the study by Mwakababu was more quantitative but to observe the sampling techniques used were non-probabilistic and the interview data collection tool used was un-structured.

The concepts and variables reviewed above were operationalised by conceptual model Figure 1. Three independent variables included the universal accessibility to financial services, adequacy of financial services and affordability of financial services while the dependent variable was development of SMEs.

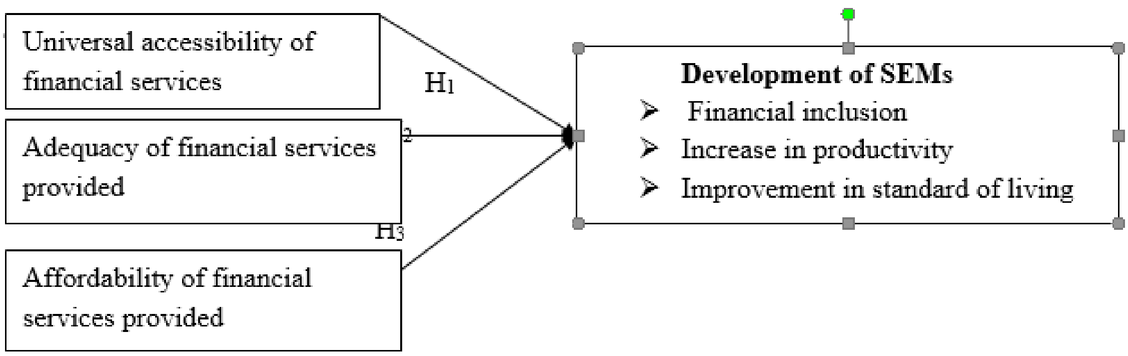

Figure 1: Conceptual model of contributions of Banks on development of SMEs.

Source: [8,15,16]

Methodology

Research design

The study employed explanatory research design. Explanatory research design is a quantitative and positivistic research strategy which enables explicit revelation of the facts behind the scene (Miles & Huberman, 1994) [17] on why despite of liberal market of Banks in Tanzania but less contribution has been revealed towards development of SMEs.

The area surveyed

The study was carried out from 3 Banks (i.e. CRDB, NMB and TPB) found in Kyela district, Mbeya –Tanzania. The area was purposively selected as it is among of the area of which despite of more incoming Bank such as TPB and more other transactions being executed electronically by 80% following inventions over Mobile Banking, wire payment, e-banking still the small holders' farmers of rice, cocoa are facing the problem of being accessed to inadequate and un-affordable financial services. Moreover, processors of rice, traders of fishes and more other SMEs, households and remote rural financial users found in interior distant from Kyela town such as Katumba-Songwe were not sustainably accessed to financial services by 70%. These facts were gathered following a pilot study conducted in this research area.

The Target Population

The intended group from which the problem was investigated were the SMEs involved in agriculture, processing and trading activities. The key informants were the Banks found in Kyela district council. It is from this target population in which a representative sample was obtained.

Sample size and Sampling procedures

The 92 respondents were obtained through systematic sampling in the interval of two for SMEs involved rice and cocoa farming, distribution, processing, trading and thirty for banking staffs given the population of 1,090 at a confidence level of 90%. The systematic sampling was applied because most of SMEs are not settled in one place for say simple random or stratified sampling to be applied. Indeed, the systematic sampling was used instead of cluster sampling because the focus group is only SMEs thus clustering or MANOVA analysis is also not applicable [18].

Data Collection

Both primary and secondary data were gathered. Primarily data were gathered by using questionnaires. The questionnaires were hand to hand. Secondary data about the study on hand were gathered through review of publications from NBS, BoT, Ministry of Finance and Planning. Moreover, secondary data were obtained by reading books, Journals, past research papers, dissertations and thesis papers. These research tools were gathering the facts on how and why non-universal accessibility because the less contribution shown up by Banks despite of its liberal market. Moreover, the structured questionnaire for instance were used to reveal the fact on how and why access to inadequate financial services is a determinant of less contribution shown up by banks and the secondary reviews as it is over the use of semi-structured questionnaire are which was gathered to gather the facts on why and how access to high costing/priced financial products is the factor counting less (21%) contribution to the development of SMEs.

Data Analysis

The collected and processed data were analyzed quantitatively by applying descriptive and inferential statistical tools. This descriptive analysis involved use of mean (^{-}X) and standard deviation (δ^2). Inferentially the correlation coefficient, ordinary least square (OLS) and univariate test analysis tools were employed. These tools were fostered by using SPSS version 24.

Findings and Discussion

Financial accessibility influenced by banks and development of SMEs

With this subtitle the study aimed at examining the effect of accessibility to financial products towards financial inclusion and development of SMEs. Accessibility to financial services is the first thing to ensure it is fostered before even thinking over its adequacy, affordability and sustainability. The same and it is the fact that accessibility to financial services such as savings, credits, insurances in Tanzania has increased to about 81% [19]. But this has yet not revealed to contributing of the growth of SMEs. What was expected is that increase in accessibility could be going together with development of SMEs but the opposite has always revealed with these financial needy groups. The major discrepancy revealed and addressed by this study is the accessibility said was not 'universal' (See table 1).

Table 1: Descriptive analysis over the level of accessibility of financial services.

S/N		Min	Max	Mean	Standard deviations
1	Small scale farmers of rice	1	10	7.81	0.622
2	Small scale processors of rice	1	10	9.10	0.609
3	Small scale traders of rice/cocoa	1	10	8.61	0.614
4	Agents in supply chain of raw cocoa	1	10	8.70	0.613
5	Distributors of raw cocoa/ rice	1	10	7.20	0.628

Source: Researchers' Own Computations (2019) [20].

From Table 1 the mean (^{-}X) = 7.81<10 over the small holders' farmers is a proven fact that accessibility to financial products by this group of financial users was not universally attained. This is the same as its standard deviation δ^2 = 0.622> 0.05 which could verify that at least the variable fit the model. Indeed, this is the reason why small holders of rice have continue farming in subsistence manner now and then as the capacity for them to acquire quality seeds, fertilizers, agrochemicals and agro-mechanical machinery for production is very low.

With mean (^{-}X) = 9.10 and standard deviation (δ^2) = 0.609 over accessibility to financial products by small scale processors is an indicator that it is not steady for them to be able to acquire appropriate and modern processing machinery. The results, ^{-}X = 9.10 and δ^2 = 0.609 above pertaining the level of accessibility to financial products by agro-processors of rice in Kyela district resembles as those of post laying the overall level of accessibility of financial services by agro-processors in Tanzania which is about 24.5% only. The ^{-}X = 8.61 and δ^2 = 0.614 detailing accessibility of financial services by small scale traders is a clear indicator that majority of the traders of the processed and raw rice products are financially excluded. What was also observed for instance in the area around Kalumbulu in Kyela town is that most of the processed rice product sold was not packaged. Despite of the reason that the packaging materials were not accessible but again the main factor that caused most of sellers not used to packaging of the processed rice product was financial exclusion.

The results over insignificant accessibility to financial products by farmers, processors, traders of rice are similar to those of agents in supply chain of raw cocoa product with mean (^{-}X) =8.70 and standard deviation (δ^2) = 0.613. Moreover, the level of financial services accessibility by distributors of the raw rice product with ^{-}X=7.20 and δ^2=0.628 from Table 1 above is the further proven indicator that universal accessibility is not sustained to alleviate them from acute financial exclusion they are facing.

Moreover, in most cases the large-scale firms, those with collateral, financial literate and formal operating firms are the ones which are easily accessible to these financial services say credits. To about >70% of Tanzanian population indeed those found in remote rural areas are not adequately accessed to these financial services equals to >21% of Tanzanians who are financially included. This was also pinpointed by FSDT (2016) [21] in the study "The trend of financial Inclusion in Tanzania". Indeed, it should be noted that what is accessed mainly is the financial credits which are then not affordable and therefore not helpful in meeting the need/objectives of the users indeed the SMEs who are mostly the households (informally operating and financial illiterate).

Furthermore, these results resemble as those in Table 2 below derived from the structural equation model; FC=0.00005(f_{ACC})+0.05; where FC = financial contribution of Banks to SMEs development; δ_1 = coefficient of accessibility of financial services; δ_1 = error and omissions. From H_1:<FC $\neq f_{ACC}$ which stipulate that less contribution shown by Banks over development of SMEs is because of non-universal accessibility to financial services that meet their needs/objectives. Thus with Ha>0.1 given that r = 0.001 is the proof that through r≠ -1 but it's significantly less to have a great observed impacts over growth of SMEs.

Table 2: Multiple Correlations.

Universal accessibility to financial services by SMEs	Correlation coefficient	0.001	**Financial Contributions of Banking financial Institutions**
	Sig.	0.000	
	N	100	

Source: Researchers' Own Computations (2019) [20].

Adequacy of financial services provided by banks and development of SMEs

With this subheading the assessment was motivated to reveal the effects of access to adequate financial products on development of SMEs. Adequacy entails a right quantity a customer is on need with the product/service. This is obvious that a customer is satisfied not only with the quality but also the quantity of the acquisitions.

Despite of Agricultural sector being the back bone of Tanzanian economy but it contributes to only 24.7% of the National income and the GDP share attributed is low about <5% equals to 4.3% (BoT, 2016). These revealed results by Bank of Tanzania are similar to those which were put forward by FSDT (2017) [21] over the financial Inclusion by Agricultural sector in Tanzania in which it was reported that about 80% of adult population is financially excluded. Moreover, from the same study by FSDT (2017) [21] it was reported that it is only 25% of agro-processing firms and 16.5% of agri-firms financially included then this is to say it is too little to observe the contribution of Banks with its liberal markets of about >41 Banks operating in the financial environment of Tanzania.

Indeed the results revealed by BoT (2016) and FSDT (2017) [21,23] were consistent with those obtained from the field shown in the Table 3 below: -

Table 3: Ordinary Least Square.

Dependent variable: Financial products		
Independent Variables	**Model 1**	**Model 2**
Financial credits	0.003(-0.02)***	-0.01(-0.05)***
Savings	-0.007(0.05)**	-0.42(0.3)*
Insurances	-0.001(-0.04)*	-0.53(0.01)*
Remittances	-0.004(-0.01)***	-0.004(-0.5)***
Constant	-0.21(-0.03)***	-0.001(0.02)*
R^2		0.20
UNDUMMY	NO	YES
Observations	92	102
Note: ***P<0.01; **P<0.05; *P<0.1		

Source: Researchers' Own Computations (2019) [20]
From the structural equation model $FC=0.02 + 0.00225(F_{AD}) + 0.32$; Where $F_{AD} =0.02+ 0.003FC-0.007S+ 0.001Insu-0.004Rm+0.32$ where FC stands for financial contribution of Banks; F_{AD}= adequacy of financial services

The null hypothesis, H_2 states that inadequacy of financial services accessed by SMEs is the cause of inexplicitly revealed impacts of Banking Institutions. Therefore, by reefing to $R^2 = 0.20$ shows the alternative hypothesis (Ha>0.4) which indicates statistical significance between the variables. Indeed, the same results were shown over fewer financial services provided by Banking Institutions as indicated in Table 3 above.

With R= 0.003; β = -0.02 for model 1 and R = -0.01; β = -0.05 for model 2 shows insignificance and the said less contribution made by Banking Financial Institutions over development of SMEs despite of the result being positive due to inadequate credits provided. Either these results indicate that most of burrowing offered are informal which are normally inadequate to meet the need of SMEs. This is also a message that despite of the mushrooming of microcredit in the street that expected to be helpful to majority of SMEs but it is not so propounded.

The same has shown over less amount of savings accessed by SMEs with R= -0.007; β= 0.05 in Model1 and R=-0.42; β=0.3 in model 2. This is the fact as from the fact that little saving interest is given to savers or customers. Indeed, insignificant and non-fitting behavior of the variables under discussion is because customers do prefer burrowing than savings. Majority of Tanzanians have no Banking behavior of saving but asking for credits to find that they burrow and sign contracts even without computing for the cost of the credits asked. Moreover, even the little credits asked are mostly not invested or allocated in production but consumed the same what was said by [24].

Despite of the innovative idea proposed by Mankiw and Ball (2011) [25] in the theory of Traditional economic theory which insisted on the use of Netting principle in fulfilling the need of different customers i.e. the households (savers) and users (firms). The theory suggested that since the households are savers then the amount of credits to be provided should be enough to sustain both consumption and production (self-employment) while the credits to firms should be for investment only. Though traditional economic theory aims for good but it should be known that Banks as business firms are conservative and would like to see return on investment is made in risk free financial environment. If Banks are to offer credits to informal and financial illiterate households then it should be known that this group of financial users is vulnerable to risks and it is from the same concept why Netting principle is said not to apply.

With insurances and other remittances given that R = -0.001/-0.004; β = -0.04/-0.01 in model 1 and R= -0.53/0.04; β = 0.01/-0.05 in model 2 is a proven fact why less contribution is said to be made by Banks on development of SMEs. This is because insurances are new products started to be provided by Banking Financial Institutions. Moreover, Banks are more selective on the type of insurance to offer and not all. For instance, it was expected Banks to provide insurance products that develop SMEs such as catastrophe, heavy rainfall, drought, pests and diseases insurances but to find that they are not provided. Banks either because of being conservative, risk averse to say those insurance products jotted above are not beneficial as compared to homogeneity of insurances usually provided by even those specific insurance companies such that Motor insurance, health insurance.

Furthermore, with financial services and indeed to SMEs despite of increase in accessibility to about 70-85% [26] but the amount accessed is not adequate to create inclusive economic growth. It has observed less acquired inputs in agriculture, processing, trade and more other service industries. It is then with less inputs acquired that lead into little produce. The persistent non-commercialized or subsistence farming is the causal of little financial services accessed by small holders' farmers.

The cost of financial services and products provided by banks and development of SMEs

In here the study aimed at assessing the effects of being accessible o affordable financial services on development of SMEs. Normally **t**he cost of financial services has a close relationship with the extent to which the contributions of the Banks reveal to propound. The high cost of financial services reduces its demand and thus little or none is acquired [27]. It has found in most cases that if the interest charged is not affordable or simply it is high, it excludes most of SMEs. Indeed, the high cost of financial services/products become un-friend to most of remote rural population users including the small holders' farmers, people involved in keeping livestock because of increase in transaction cost. High transaction cost is because of high with-drawls charge, bank charges, traveling charges for users traveling to town/urban areas searching for the Banking services. This is from the fact that in rural remote areas these financial facilitating infrastructures are not accessible [28] Indeed the Banking services that could easily be accessed through Mobile Banking, e-banking such that of online deposits, opening/registration are not fostered just on the hands or homes of customers. This is what force customers travel long distance >5kilometres from homes to town searching for the services which actually could be executed just on the hands of customers.

Table 4: Univariate Test Analysis.

	Sum of I square	Lambda, λ	Chi2	p-value
Constant	-	0.85	-0.03	0.009
Interest charge	102	0.87	0.06	0.006
Traveling cost	110	0.69	0.03	0.008
Bank charges	125	0.76	0.05	0.007
Transaction cost	115	0.84	0.04	0.005
	R^2 = 0.01; R^2-adj = 0.03			

Source: Researchers' Own Computations (2019)

From the equation model $F_{AF} = -0.0003 + 0.0006r + 0.0003TC + 0.0005BC + 0.0004T$ + 0.04 thus FC = -0.0003+0.0018(F_{AF}) +0.04. -0.0003 entails other parameters that pile up cost of financial services unrevealed by this study such that of economic changes (high exchange rates movement, high inflation and increase in interest rates). 0.0018 is the coefficient representing the predictors of the cost which add up financial products.

Furthermore, for the value of λ=0.87 and chi2=0.06 at a significance level of 1% for the affordability of interest charge (r) shows that the charge opted for burro wings was high not affordable. The positive demand shown by SMEs is because most of SMEs from Kyela were financially illiterate to compute for the cost-benefits of burro wings. Indeed, high burro-wings is because most of customers do not have a behavior of saving only to observe that what is learnt mainly end up being consumed. The hurt interest charge was revealed over most of interest rate charged is at a double digit i.e. 21%, 22%, 25%, 27%, 30% and more great. Few Banks found to charge affordable, low interest rate over credits asked say 6%, 5%, 7%, 9% single digit but with metallurgical restrictions and unfair repayment period

The same negative results found over the transaction cost (T) with lambda, λ=0.84 and chi2=0.04 at significance level of 1%. High transaction cost was contributed by having unfair bank charges (BC) represented by λ= 0.76 and chi2= 0.05, traveling cost (TC), λ = 0.69 chi2= 0.03 and or absence or unsteady electricity supply, internet, subscription and telecommunication network. Moreover, three digits over cost (bank charges) of a single withdrawal from current account as it is with a single digit interest provided over saving as income is the proven fact of insignificance shown.

Furthermore, high transaction cost is because of large amount of money required to open fixed deposit accounts and fixed interest income offered over savings and fixed deposits. Indeed, the long cash conversion cycle over the fixed deposits created is the one which makes Banks to have no immediate impacts to SMEs. This fact was also put forward by Uremadu, Ogechi and Okwuchukwu. This therefore is what has made the variable, transaction cost not to fit the model.

Transport cost is among of the cost that found to increase the cost of financial products (Muhammad, Olusegun & Sonny, 2018). For instance, with those customers from the research area who were found to come from >5kms were to incur more than 1USD which is the go and return charge in a trip. Thus this >1USD tend to pile up the cost of transaction say if a customer was to travel to town >30kms opening current accounts (say from far interior KatumbaSongwe to Kyela town) which cost 10,000/- then this means that the lump sum for a customer to transact in becomes 10,000+≥1USD

Indeed, more transaction costs revealed was because of most of SMEs found in remote disadvantageous areas are not accessed to steady electricity supply, internet and telecommunication network to be able to execute Banking transactions through IPOD, Mobile phones, computers they are posing. Indeed these SMEs located in towns and urban areas they are operating informally difficult to be learnt money and if they are given they are highly priced to be assured with perfect return (right repayment at right time). This is from the fact that informal and financial illiterate users are not trusted since they are not insured /guaranteed easy to default. Furthermore un-affordability or high costing of financial products happen not to benefit SMEs by improving their livelihoods in its large extent has been proven by R^2= 0.01 and its adjusted value R^2-adj=0.03 less than 0.5 moderate acceptable value contrarily from as it was with H_3>0.5, thus H_a being accepted.

Conclusion & Recommendations

Following a liberal market in banking industry in Tanzania since the year 2000s it created great expectation to users of financial services what SMEs entails. What to find is the less contribution made by these Banks on development of SMEs in which Kyela district was taken as the research area. From this research area it was found that non-attainment of universal accessibility to financial services, inadequate and non- affordable financial products is the cause of less contribution shown up by Banks to development of SMEs in Tanzania. Infact it was revealed that little or none financial services and products accessed is the result of persistent retardation over the SMEs businesses. Subsistence farming and non-growth of most of SMEs in Tanzania with reference to Kyela district is because of inadequate financial products accessed because being highly priced (high interest charge on credits-borrowings, high bank charges, high transaction cost and unfair repayment policy).

Either, the following are suggestions to be taken into action for amendments over impacts of Banks to be revealed with SMEs, enforcement of the rules and regulations governing Banking Institutions operations; the central Bank should think of providing guarantee schemes. Moreover, there should be proper identification and classification of customers into the SMEs and large-scale firms, rural and remote rural disadvantageous customers; the households and firms; the formal and informal, financial literate and financial illiterate and service them accordingly; the Banks should not offer their services at a very high price.

Furthermore, Banks should be carrying out training and awareness helpful for mindset transformation over use of digital banking system that reduces transaction cost; ensuring transparency in operations of Banks; ensuring the internet, telecommunication network, electricity supply sustainability; and the SMEs should ask for legal advice and assistance before going and signing for the contract over the financial credits taken. To recap on what has been suggested above is that customers should be emphased to opt on savings than borrowings; the credits asked are to be invested or simply allocated efficiently; customers are to be emphased form groups to have easy access to group loans. Indeed, differentiations and diversification of financial products and programs should be made part and life style of Banks; Banks should not only be using collateral to judge the credibility of SMEs to be given loans but other characters for financial inclusion dictated to different categories of customers; and finally, it is highly recommended that the government of Tanzania through a Central Bank should launch a National SME development Bank (SMEDB).

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