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Effect of Financial Inclusion Strategy on Performance of Small and Medium Enterprises: A Case of Selected SMEs in Dar es Salaam, Tanzania

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Abstract

Financial inclusion has enabled many organizations to deliver affordable costs to sections of disadvantaged and low-income sectors of the society. This has facilitated the operations of the business activities especially in Small and Medium Enterprises. The main purpose of this study was to establish the effects of financial inclusion strategies on performance of small and medium enterprises in Tanzania. The study was conducted on selected SMEs in Dar es Salaam, Tanzania. The target population consisted of 93,430 in three districts of Dar es Salaam, where a sample of 240 respondents were selected by use of purposive non-probability sampling. Questionnaires were administered and the data collected and analyzed by use of Statistical Package for the Social Sciences (SPSS). From the key findings, it emerged that the respondents agreed that financial access point were made closer to where people live, access and use of financial services increased competition due to adopting new skills and technology, access and use of financial services increased profitability and growth of business and some of the challenges faced by SMEs in employing financial inclusion strategies were unforeseen market changes, not being involved in making strategies. The study recommended the sensitization of financial inclusion strategies to the beneficiaries and cooperation between financial institutions and SMEs in formulation of realistic strategies.

Keywords: *Financial inclusion, Strategies, Challenges, Performance and Small medium Enterprises.*

1.0 Introduction

1.1 Background of the Study

The United Nations (UN) defines the goals of financial inclusion as the access at an equitable cost for everyone to a full range of financial services which include savings or deposit services,

payment and transfer services, credit and insurance; sound and safe institutions governed by clear regulation and industry performance standards; financial and institutional sustainability, to ensure continuity and certainty of investment; and competition to ensure choice and affordability for clients (Berger, Klapper, & Udell, 2011). Financial inclusion has enabled many organizations to deliver affordable costs to sections of disadvantaged and low-income sectors of the society (Neuman, 2005). This has facilitated the operations of the business activities especially in the lower segments of business operations. Various organizations rely on different financial inclusion strategy in order to meet their business goals. Financial inclusion strategy improve business transactions and it encompasses broad scope that covers public and private sectors (Aduda & Kalunda, 2012).

A financial inclusion strategy can be characterized by six components: stock-taking, data and diagnostics, targets and objectives, strategy building or revision, public sector actions: policies, regulation, and financial infrastructure, private sector actions; and progress monitoring. The aim of a financial inclusion strategy, or action plan, can be to bring together initiatives from the public sector, financial and non-financial institutions, and other stakeholders to expand and improve financial inclusion while maintaining sufficient focus on financial stability, integrity, and market conduct. Financial inclusion strategy can be broad in scope, covering public and private sector actions. They can stand alone or can be a component of broader financial sector development strategy. Strategy can also focus on certain areas where the need for actions has been highlighted, such as SME finance or financial education action plans, or they can cover a broader set of actions to address different barriers to financial inclusion (Reyes, 2011).

SMEs performance is very crucial, especially when it comes to ranks and budgeting of the transactions (Kumar, 2004). There are 93,430 SMEs in Dar es Salaam but according to the Dar es Salaam Stock Exchange (DSE) only 300 SMEs are listed through the newly established enterprise growth market segment (Government of Tanzania, 2012). SMEs in Tanzania have relied have been financial inclusion to solve various business issues. Investors and owners of the SME's inject cash and other related resources to ensure that the performances of the entities are well enhanced and maintained (Bryman, 2008). Performance of the SMEs is such a concern hence a greater input should be involved to boost the business performance.

In Tanzania's financial inclusion framework, there are strategies set to counter challenges facing financial inclusion and they are termed as core enablers of financial inclusion. These core enablers are chosen based on: the role they play in facilitating the two core functions of money as a means of payment and store of value and ii) their contribution to lowering transaction costs, and information asymmetries common constraints for both financial service providers and users in Tanzania. The identified core enablers are: proximity, payment infrastructure, store of value, and store of information (TNCFI, 2014). This study focused on these strategies of financial inclusion to assess their effects on SME performance in Tanzania.

1.2 Statement of the Problem

There are several benefits associated with SMEs accessing and utilizing financial services. For instance, Ngasongwa (2006) found out that access to finance for most SMEs enabled them to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. In addition, Carven (2006) asserted that SMEs that access financing is able to acquire new technologies and expand to compete in new territories and also strike business linkages with larger firms. However, despite all these benefits there are some challenges for the SMEs to acquire the much needed funding to propel their growth. For instance, in Tanzania, the Financial Sector Deepening Trust (2014) found out that the problem

lies on the demand side barriers and supply side barriers as mentioned earlier. The core problem on both sides lies on the strategies of financial inclusion in Tanzania.

Of major concern to this study is whether enhancing financial inclusion strategies to the SMEs will help curb the barriers both at the demand side and supply side that will in turn boost performance. It will focus on the national financial inclusion strategies, how the strategies have affected performance of SMEs and the challenges faced. It is also acknowledged that there is scanty of literature available around financial inclusion strategies and their effect on SME performance in a Tanzanian context hence the need for this study.

1.3 Specific objectives

- i. To establish the financial inclusion strategies adopted by SMEs in Dar es Salaam
- ii. To establish the effect of financial inclusion strategies on the performance of SMEs in Dar es Salaam
- iii. To establish the challenges faced by the SMEs in employing the financial inclusion strategies.

1.4 Research Questions

- i. What are the financial inclusion strategies adopted by SMEs in Dar es Salaam?
- ii. What are the effects of financial inclusion strategies on the performance of SMEs in Dar es Salaam?
- iii. What are the challenges faced by the SMEs in employing the financial inclusion strategies?

2.0 Literature Review

2.1 Theoretical Review

The theories that informed the study are financial inclusion and credit access theory.

2.1.1 Financial Inclusion Theory

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost, in a fair and transparent manner, by mainstream institutional players (Sarma & Pais, 2011). It is reported that financial exclusion is rampant among the most vulnerable group and low income earners. World Bank (2008) has classified financial access barriers into four main categories; physical barriers, lack of documentation barriers, affordability barriers and lack of appropriate products and services.

2.1.2 Credit Access Theory

Information asymmetry is the main cause of financial market malfunctioning in developing countries (Stiglitz & Weiss, 1981). Financial institutions advancing loans to economic agents are interested on the interest rate accrued from the loan and the risk of such a loan. Efficient financial market hypothesis predicts that in a scenario where an economic agent is willing to pay high interest on a given loan, on average such economic agent may not pay back the money as required and banks are discouraged to transact such activities (Diagne & Zeller, 2011).

Stiglitz and Weiss (1981) further argued that the problem of adverse selection and credit rationing can again occur if banks require collateral for loans. They argue that since low-risk borrowers who face a lower rate of return if a project returns its highest outcome expect a lower rate of return if the rate of inflation is high, they are on the average less wealthy than high-risk borrowers after some time period and even, are unable to provide more collateral for extra loans (as they may not have the necessary collateral). Thus Stiglitz and Weiss (1981) stated that

information asymmetry in the form of adverse selection and moral hazard is the source of market inefficiency in developing countries and this leads to low risk borrowers such as SMEs being side-lined or even excluded from the stream of potential borrowers.

2.2 Empirical Review

The advent of mobile phone financial services during the recent 5 years is revolutionizing the landscape of financial services in Tanzania. The rapid increase in service coverage provides proof that the mobile phone channel is an effective way of providing access to people all over Tanzania including the rural areas which were previously excluded. The rapid leverage of technology in the telecommunication industry has enabled registration of 30 million mobile money accounts as of September 2013. Currently, there are four Mobile Network Operators with 69,000 mobile money agents and third party merchants offering money transfer and payment services. This has diversified the financial system with new entry of non-financial service providers (Djankov, 2003). Mobile money allows for any mobile phone subscriber whether banked or unbanked to deposit value into their mobile account, send value via a simple handset to another mobile subscriber, and allow the recipient to turn that value back into cash easily and cheaply. In this way, m-money can be used for both mobile money transfers and mobile payments (Ama, 2004).

The introduction of agency banking together with enabling technology in alternative delivery channels (mobile bank platforms, ATMs and POS) will rapidly expand financial service providers (FSP) outreach to the underserved and totally exclude population. This is also likely to facilitate services of other financial services including insurance and pension in Tanzania. SMEs have adopted agency banking services provided by the financial institutions to enhance financial access which eliminates financing challenge that has been found to limit SMEs financial performance. Freedman (2008) found that the main factors that affect SMEs firms' performance are the lack of access to appropriate financial products and services. The lack of financial services and access to credit provided by banks may have a detrimental impact on SMEs performance because of two reasons. First, capital constrained SMEs will scale down their capacity, and operate below the efficient scale of production. Second, high cost of capital or limited outside financing will force SMEs firms to substitute labor for physical capital (Amaral & Quintin, 2006). Use of agency banking facilities by SMEs will give them competitive advantage from reduced transaction costs, convenience in banking and increased performance.

Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation (Kaplan & Norton, 2007). Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. There are institutional issues covering a spectrum from the macro level to the micro, which are accompanied by capacity deficiencies (Harper & Soon, 2009). A wide spectrum such as this may only be tackled by mainstreaming SME development in national frameworks. It is also noteworthy to add that effort to resolve access to finance issues is not solely the responsibility of governments. SMEs need to take a better initiative than pointing it out as their number one obstacle: they need to mobilize joint advocacy and recommendations, based on sound analyses, through their membership organizations. Most significantly, SMEs must implement sound business practices and continuously invest in good internal management systems: in accounting, planning, financial, operations and human resource management (Ajayi, 2012).

Lack of funding cause business membership organizations to operate without qualified and professional management staff and are unable to benefit from specialist inputs and research, upon which they should base their advocacy efforts. Lack of funding and "free riding"

problems also constrain these structures in developing and delivering appropriate information, facilitation, and networking services to their membership. Their weaknesses work in almost a vicious circle eroding the expectations of members, in turn, resulting in further funding, representation and capacity problems. Though SMEs play an important role in economic growth and employment creation, they are commonly constrained by finance (Murphy, 2007).

2.3 Conceptual Framework

The independent variables in this study is core enablers as financial inclusion strategies being used in Tanzania. They are proximity, payment infrastructure, store of value, and store of information. Proximity of financial access points to where people live and transact. The dependent variable is SMEs' performance.

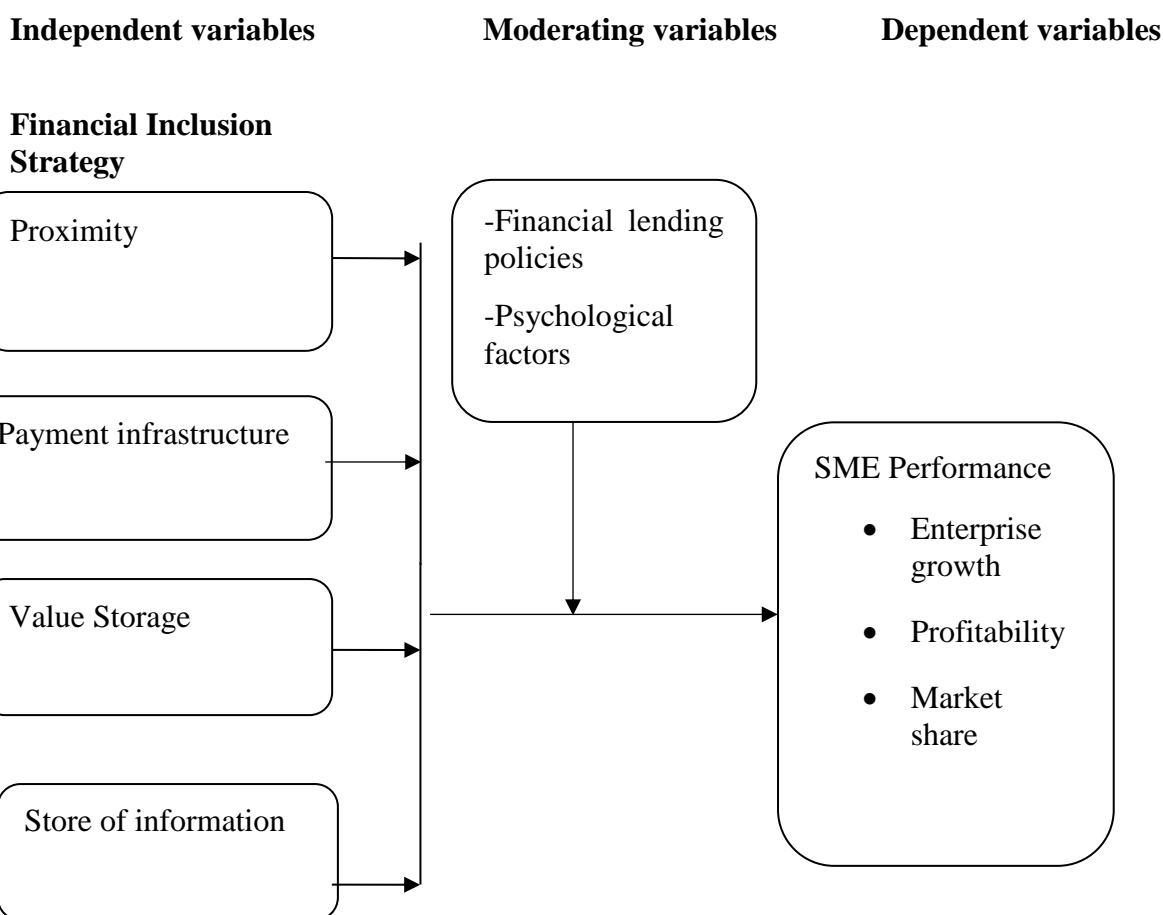


Figure 1: Conceptual Framework

Source: Author (2015)

Physical proximity is the starting point for encouraging usage of financial services. Financial access points in Tanzania are defined as locations where people can cash in and cash out. Currently, these include: bank branches, ATMs, POS, microfinance institution branches and mobile money agents. Payments Infrastructure: a key function of money is means of payment (Andrade, 2003). Thus, safer, lower-cost payment infrastructure is core to an efficient financial system. An efficient, electronic payment platform is essential at minimum to allow people to support each other and their businesses and at the most for delivering all other financial

services. Store of Value Infrastructure: a key function of money is store of value. Therefore, electronic platforms that facilitate secure store of value are essential part of the financial system.

The ability to efficiently and conveniently store value ultimately enables a person to use the funds to access other formal financial services such as credit, savings, insurance and securities. Currently, mobile money has facilitated electronic store of value for millions of Tanzanians. Store of Information Infrastructure: individual and business profiles, credit histories and collateral are a core component of access to financial services (Berger, Klapper, & Udell, 2011). Information asymmetries affect access and provision of financial services. Centralized databases on potential client's profiles, credit histories and collateral will enable financial service providers to offer the right services more efficiently. The dependent variables will be performance of SMEs as measured by enterprise growth which is the number of new ventures, profitability and market share as displayed in the conceptual framework.

3.0 Research Methodology

The study adopted the descriptive research design. The reason for choosing descriptive design is because, it gathers qualitative and quantitative data that describes the nature and characteristics of a population and it closely examines and determines data and reports information within a specific context. The population of this study comprised of SMEs in Dar es Salaam which were 93430 in three districts of Dar es Salaam. Unit of analysis was made up of the CEOs and finance managers. This is because they were in a position to answer the research questions at ease and their involvement with the topic of study was very high. The non-probability sampling method was used to ensure that the sample consisted of SMEs who were aware of financial inclusions and at one time had borrowed from financial institutions. The researcher sampled 10% which included 240 SMEs for the study. Questionnaires that contained closed ended questions were used to collect the data. The data was analyzed using cross tabulations and content analysis.

4.0 Results and Discussion

4.1 Response Rate

Out of the 240 questionnaires issued, 173 were returned. This represented 70% of the intended 240 responses, which according to Chandran (2004), was an excellent response to a descriptive research study.

Table 1: Distribution of Response Rate

Response	Frequency	Percent
Returned	173	70.0%
Unreturned	67	30.0%
Total	240	100%

4.2 Awareness of Financial Inclusion Terms

The survey sought to know the awareness of financial inclusion terms by the SME operators. The findings are presented in Figure 2.

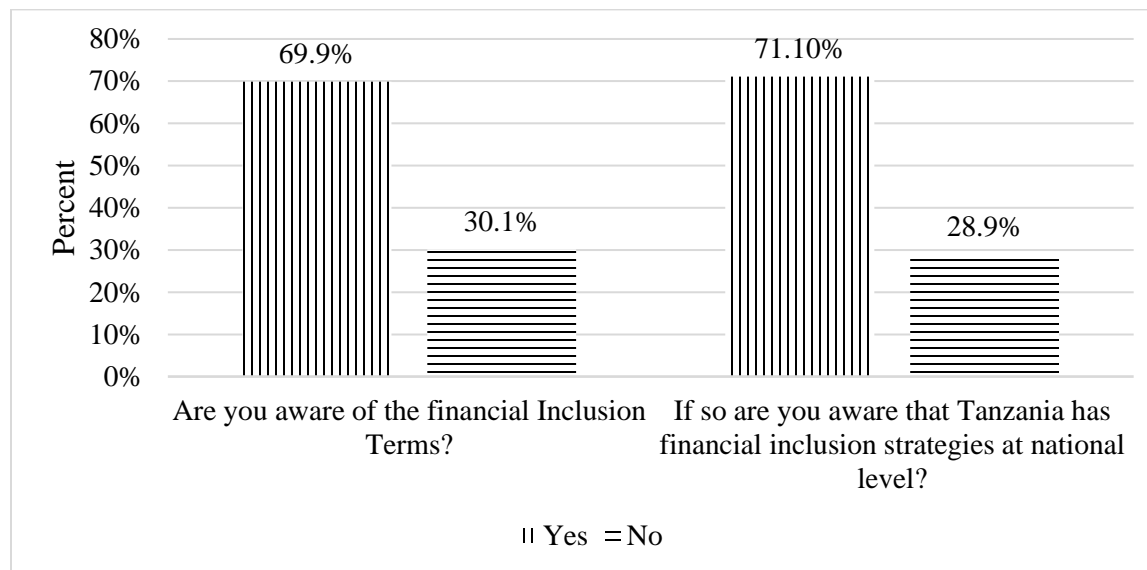


Figure 2: Awareness of Financial Inclusion Terms

The survey found out that the majority of the SME respondents were aware of the financial inclusion terms, the results indicated that 121 out of 173 (69.9 %) of the respondents were aware of the financial inclusion terms as compared to only 52 out of 173 (30.1%) respondents who were un aware of the terms. 123 out of 173 respondents (71.1%) were aware that Tanzania has financial inclusion strategies at national levels while 50 (28.3%) were not aware. This is an indication that majority of the respondents in this survey have knowledge of financial inclusion which acted as an advantage for this research. As agreed by Khandker (2010), having high levels of awareness is an indication that they have at one time consulted a financial institution for SME financing.

4.3 Financial Access Points, Safety, Availability of Mobile Money and Availability of Information

The survey sought to investigate the financial access points, safety, availability of mobile money and availability of Information. The findings are presented in Table 2.

Table 2: Financial Access Points, Safety, Availability of Mobile Money and Availability of Information

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Financial access points made closer to where people live in	50	28.9	78	45.1	26	15.0	10	5.8	9	5.2
Safer, lower-cost payment financial system	22	12.2	76	43.9	43	24.9	28	16.2	4	2.3
Mobile money system that facilitates store of money	40	13.3	83	48.0	33	19.1	25	14.5	9	5.2
Information for potential client's profiles and collateral information made available to financial institutions to allow financing	23	13.3	83	48.0	33	19.1	25	14.5	9	5.2

The survey was able to establish that, there were financial access points near where people live in (28.9%) and (45.1%) 50 and 78 out of 173 respondents strongly agreed and agreed respectively that they can easily access finances as opposed to a small number of those who disagreed 19 out of 173 respondents. According to Claus and Smith (2009), one of the major challenges facing financial inclusion in the SME sector is accessibility of financial institution. When financial institutions are brought closer to where people live and especially the target market such as business areas, then it is easier to capture the market segment.

The survey also found that the financial systems are safer and of low cost, the result of the research showed that 76 and 22 out of 173 (43.9%) and (12.2%) respondents agreed and strongly agreed respectively that the financial systems are less costly and safe. Cressy (2006) gives reasons why small firms die young, one of these reasons is lack of finances. Even with easily accessible financial institutions, SME owners fear that the cost of payment and security of the finances might

be higher than what they can afford. This fear makes them not even to borrow money for security reasons and high interest rates. However, when the cost is low and there is safety, then the SME owners grow the will to take money.

In the SME sector, one of the challenging issues is access to money and means of keeping the money safe, one of the strategies being used in Dar es Salaam is mobile money. The survey found out that mobile money system facilitates store of money. (13.3%) and (48.0%) 83 and 40 out of 173 respondents agreed and strongly agreed respectively that mobile money systems facilitate store of money According to Cocks (2010), access to better storage methods is important in the SME sector as it does not only allow the operators in this sector to store their money easily but it also allows them to keep it safe.

Finally, the survey showed that information for potential client's profiles and collateral information made available to financial institutions to allow financing, the researcher established that, (48%) and (13.3%) 83 and 23 respondents out of 173 agreed and strongly agreed. It is important for financial institution to get background information of the SME owners they are lending money to, and one of the challenge that has faced the financial inclusion in the SME sector is access to information of the people that the financial institution is lending money to. However, with this information readily available, then it is easy for the financial institutions to lend money to SMEs hence strengthening the financial inclusion strategies.

4.3.1 Access and Use of Financial Services

The survey sought to find out the access and use of financial services. The findings are presented in Table 3.

Table 3: Access and Use of Financial Services

Ability to Access Financial Services	Frequency
No	14
No due to lack of cooperation	15
No hard to get financial support	16
No lack of qualified personnel	14
No lack of variety of goods	10
No with No reasons	10
Yes	154
Total Responses	233

The survey indicated that the majority of people were able to access financial information. From the survey, 154 out of 173 respondents (89%) of the respondents were able to access financial information as opposed to the remaining 11%. While 14 (8.1%) of the respondents had no reason for not accessing the financial services, some of the respondents gave reasons. Some of these reasons were lack of cooperation, hard to get financial support, lack of qualified personnel and lack of variety of goods as noted from 15, 16, 14, 10 and 10 responses from the respondents respectively. Djankov (2003) indicated that with better financial strategies, then majority of the people in the SMEs are able to access financial services just as shown from the survey.

4.3.2 Access and Use of Financial Services in the SME Sector

The survey sought to find out the access and use of financial services in the SME sector. The findings are presented in the Table 4 below.

Table 4: Access and Use of Financial Services in the SME Sector

Statement	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Increased competition due to adaptation of new skills and technologies	63	36.5	69	39.9	26	15.0	8	4.6	7	4.0
Investing in accounting Practices in business	27	15.6	83	48.0	37	21.4	22	12.7	4	2.3
Investing in Business planning	40	23.1	73	42.2	46	26.6	8	4.6	6	3.5
Investing in human resource management	37	21.4	73	42.2	44	25.4	14	8.1	5	2.9
Growth of business	30	17.4	71	41.0	45	26.0	17	9.8	2	1.2
Increased Profitability	33	19.1	61	35.3	49	28.3	21	12.1	9	5.2
Growth in the market	24	13.9	79	45.7	41	23.7	17	9.8	12	7.0

The survey sought to evaluate the access and use of financial services in the SME sector in Dar es Salaam and found that with increased financial services, there was increased competition because people are able to adapt to new technologies and skills. The research results indicated that (36.5%) and (39.9%) which was 69 and 63 out of 173 respondents agreed and strongly agreed that with the access to financial services, the businesses are able to increase competition due to adaptation of new skills and technology. According to Collis and Hussey (2010), investing in accounting practices is one of the most important strategies that SMES are using in order to access financial services and evaluate their profitability, net worth and Growth. The results of the survey indicated that, with the increased access in financial services, more SMES are investing in accounting practices.

The study also noted that there has been an increased investment in the business planning, 40 and 73 out of 173 respondents strongly agreed and agreed that with access to financial services,

businesses are able to invest in business planning. Bernanke (1992) indicated that the growth of SMES sector has been experienced as a result of investing in business planning. As noted in the literature review, business planning is important as it helps SMEs use the business plans to seek for finances from potential lenders and lenders are able to discover the potential and plans of such SMEs. Hence, business planning is not only important for the growth of SMEs but also to the lenders when they want to know the projected growth and profitability of SMEs. Human resource management (HRM) is important in any business; the department helps in the staffing, planning, training of staff and employees' motivation to increase efficiency of the employees. Access in financial services has led to the growth of businesses and increased profitability as indicated by the survey results. Because of this, more SMEs are investing in HRM as agreed by (71%), (61%) and (79%) of the respondents respectively.

Finally, access and use of financial services is one factor that has contributed to the growth of the SME markets, the survey results showed that, the majority of the respondents are of the view that with increased financial services, growth in the market is experienced. The survey indicated (13.9%) and (45.7%) which was 24 and 79 respondents strongly agreed and agreed with the statement. This supports Djankov (2003) who indicated that majority of the people have preferred to establish SMEs as a result of the benefits that the businesses are reaping and the growth that the SMEs have brought in the market.

4.4 Effects of Financial Inclusion Strategies

The survey sought to find out to what extent the adoption of the financial inclusions has led to. Table 5 presents the results of the analysis.

Table 5: What Financial Inclusion Strategies have led to

Statement	Very Large Extent		Large Extent		Moderate		Small Extent		Very Small Extent	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percent	Frequency	Percent	Frequency	Percent
Increased competition due to adaptation of new skills and technologies	7	4.0	21	12.2	40	25.1	59	34.2	46	26.6
Investing in accounting Practices in business	4	2.3	30	17.3	49	28.3	65	37.6	25	14.5
Investing in Business planning	4	2.3	31	17.9	50	28.8	24	13.9	1	0.6
Investing in human resource management	7	4.1	26	14.0	66	38.1	42	24.3	32	18.5
Growth of business	9	5.2	14	8.1	53	30.6	49	28.4	32	18.5
Increased Profitability	33	19.1	61	35.3	49	28.3	21	12.1	9	5.2
Growth in the market	19	11.0	30	17.3	54	31.3	39	22.5	31	17.9

The results of the survey to assess the extent, to which the adoption of financial inclusion has led to, indicated both very large and small effects. It is evident that, there was small extent the adoption of the financial inclusion led to increased competition due to adaptation of new skills and technologies as indicated by 59 out of 173 respondents (34.2%). However, a greater number of the respondents, 46 out of 173 (26.6%) indicated that there is no extent. This is an indication that there very small relationship between financial inclusion and competitive advantage.

The study also noted that with the adoption of financial strategies, SMEs are investing in accounting practices in business, 65 (37.6%) and 79 (28.3%) respondents were of the view that there is small and moderate extent respectively that adoption of financial inclusion has led to adoption of accounting practices. The study also noted that there was only 66 (38.1%) respondents'

moderate extent to which financial inclusion leads to human resource management investment. However, it was noted that adoption of financial inclusion strategies has at large extent contributed to growth of business, increased profitability and growth in the markets as noted by 14, 61 and 30 respondents respectively.

4.5 Challenges Faced by the SMEs in Employing the Financial Inclusion Strategies

The survey sought to find out the challenges faced by the SMEs in employing the financial inclusion Strategies. Figure 3 presents the results of the analysis.

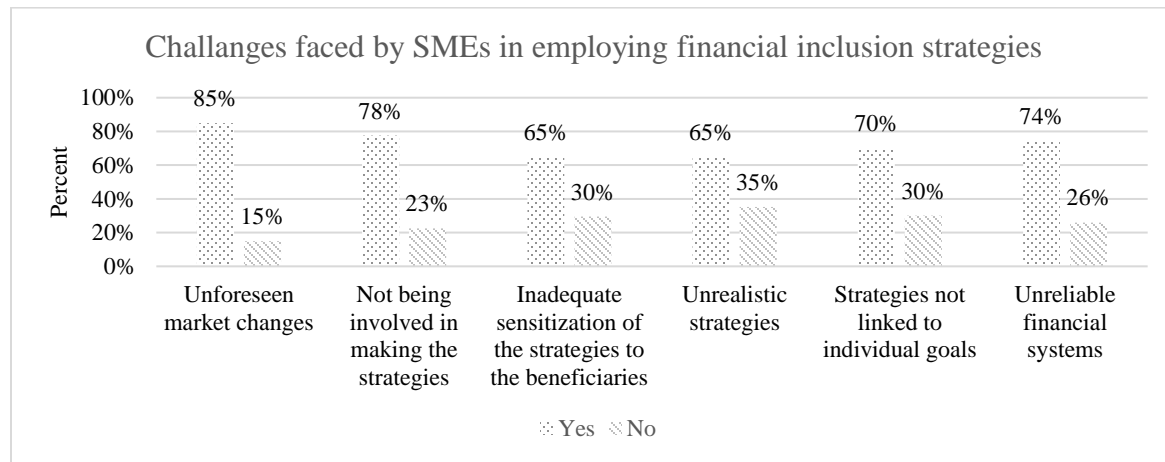


Figure 3: Challenges Faced by SMEs in Employing the Financial Inclusion Strategies

The results of the survey to find out the challenges faced by the SMEs in employing the financial inclusion Strategies indicated that the majority of the respondents agreed on the challenges than those who did not agree on the challenges. One of the challenges was unforeseen market challenges, (85%) 147 of the respondents were of the opinion that this is a challenge that was faced by the SMEs in employing financial inclusion strategies. Lack of involvement in making the strategies was another challenge that faced the SMEs implementation of financial inclusion strategies as noted by 77.5% of the respondents. According to Cocks (2010), failure to involve all the parties involved in policy and strategy formulation has been one of the major reasons that leads to misunderstanding between the policy makers and the users of the policies and strategy implementation.

It is important that the parties to the strategy be sensitized of the strategies; sensitization of the strategies to the beneficiaries i.e. to the SMEs by the financial institution has been one of the leading challenges facing financial inclusion strategies implementation. The survey showed that 122 (64.7%) respondents viewed this as a challenge faced by the SMEs. The respondents also indicated that most of the strategies were unrealistic, contributing to the failure in employing financial inclusion strategies. Some of the strategies were not even linked to the goals of the investors as viewed from 69.7% of the respondents who indicated that one of the challenge they faced when employing the financial inclusion strategies was lack of link between financial inclusion strategies and individual goals. Finally, 128 out of 173 respondents (74%) of the respondents indicated that the financial systems were unreliable. According to Cocks (2010), the

financial inclusion strategies cannot be efficiently employed by the SMEs if the financial systems are not reliable as viewed in the literature review.

4.6 The Financial Inclusion Strategies Adopted by SMEs in Dar es Salaam

The survey sought to establish the relationship between safer, low-cost of financial payment systems and access to financial services. Table 7 presents the results of the analysis.

Table 6: Cross Tabulation of the Financial Strategies and Access to Financial Services

Statement		Due to the Financial inclusion strategies have you been able to access and use financial services						
		No	No due to lack of cooperation	No hard to get financial support	No lack of qualified personnel	No lack of variety of goods	No with No reasons	Yes
Safer, lower-cost payment financial system	Strongly Disagree	1	0	0	0	1	0	7
	Disagree	3	0	0	0	0	0	6
	Neutral	1	0	1	0	0	0	34
	Agree	9	0	0	1	0	1	68
	Strongly Agree	0	1	0	0	0	0	39
Total		14	1	1	1	1	1	154

The findings of the study indicating the relationship between safety, and low-cost payment financial system strategies and the impacts on financial services indicated that; most of the respondents, 79 and 49 out of 173 respondents agreed and strongly agreed respectively that there are safe and low cost payment financial systems are of the view that due to this strategy, they have been able to access financial services. However, out of the total number of those who agreed or strongly agreed, 10 out of 79 and 1 out of 49 respondents are of the negative opinion that safety and low cost financial systems are of the opinion that allows one to access financial services. Some of the reasons given by the respondents were lack of qualified staff as well as lack of cooperation one of the respondents had no reason. Paterson (2008) argued that the most important factor that borrowers look at when they want financial services is the safety of their business and the cost of paying the finances. For this reason, this financial inclusion strategy is important.

4.7 Financial Access Points and Financial Services

The survey sought to establish the relationship between financial access point and access to financial services. Table 7 presents the results of the analysis.

Table 7: Cross Tabulation of the Financial Access Points and Use of Financial Services

Statement		Due to the Financial inclusion strategies have you been able to access and use financial services						
		No	No due to lack of cooperation	No hard to get financial support	No lack of qualified personnel	No lack of variety of goods	No with No reasons	Yes
Financial access points made closer to where people live in	Strongly Disagree	0	0	0	0	0	0	4
	Disagree	2	1	0	1	1	0	23
	Neutral	6	0	0	0	0	0	37
	Agree	6	0	1	0	0	1	68
	Strongly Agree	0	0	0	0	1	0	22
Total		14	1	1	1	1	1	154

The findings of the study to establish the relationship between nearer financial services and access and use of financial services indicated that there is a strong relationship between ease in access of financial point and the access and use of financial services. Out of the 78 respondents who agreed that financial access points are made closer to where people live in, 68 are of the positive opinion that this increases the access and use of financial services as opposed to 8 respondents who disagreed. Some of the reasons for the opposing opinion from SMEs operators are hard to get financial support, and lack of variety of goods.

4.8 Effect of Financial Inclusion Strategies on the Performance of SMEs in Dar es Salaam

Survey sought to investigate the relationship between access to financial services and investment in Business planning. Table 8 presents the results of the analysis.

Table 8: Cross Tabulation of the Access and Use of Financial Services and Investment in Business Planning

Statement	Due to the Financial inclusion strategies have you been able to access and use financial services							
	No	No due to lack of cooperation	No hard to get financial support	No lack of qualified personnel	No lack of variety of goods	No with No reasons	Yes	
Investment in business planning	Strongly Disagree	1	0	0	0	0	0	5
	Disagree	0	0	0	0	0	1	7
	Neutral	4	1	0	0	1	0	40
	Agree	6	0	0	1	0	0	68
	Strongly Agree	3	0	1	0	0	0	36
Total	14	1	1	1	1	1	1	154

The findings of the study to establish the relationship access and use of financial services and investment in the business planning revealed that the majority of the respondents 68 out of 73 who agreed with the statement were of the view that the benefit of access and use of financial services allows the SMEs investors to invest in business planning. According to Freedman (2006), there are mutual benefits between business planning and access and use of financial services. Business plan is important especially when SMEs owners want to access financial services as it allows the SME borrowers to explain to the lenders how they intend to use the money. The SMEs operators are able to better understand how the investors want to use the money and also advise them accordingly before offering finances. Business planning is critical, because it helps the SMEs investors efficiently utilize the finances and reap more benefits such as business growth and are able to pay for the financial services received. Business planning is also the back bone of the business growth as growth strategies are planned in the business planning (Freedman, 2006).

4.8.1 The Relationship between Use and Access to Financial Services and Increased Profitability

The survey sought to establish the relationship between access and use of financial services and increased profitability. Table 9 presents the results of the analysis.

Table 9: Cross Tabulation of Financial Inclusion Strategies and Increased Profitability

		Due to the Financial inclusion strategies have you been able to access and use financial services						
		No	No due to lack of cooperation	No hard to get financial support	No lack of qualified personnel	No lack of variety of goods	No with No reasons	Yes
Increased Profitability	Strongly Disagree	2	0	0	0	0	0	8
	Disagree	0	0	0	0	0	1	15
	Neutral	4	1	0	0	0	0	41
	Agree	7	0	0	0	1	0	62
	Strongly Agree	1	0	0	1	0	0	28
Total		14	1	1	1	1	1	154

The findings from the study to investigate the relationship between access and use of financial services and profitability indicated that access and use of financial services leads to increase in profitability. Out of the 154 respondents who were of a positive opinion, 62 and 28 respondents agreed and strongly agreed respectively that there is great relationship between the two. When SMEs receive financial services, and have already put plans in place, the investor are able to have greater investments hence leading to not only profitability but also the growth of business an efficiency of business in offering quality services in the SMEs sector.

5.0 Conclusion

The study concluded that the strategies of financial inclusion were safety and low cost financial strategies and availability of mobile platforms in facilitating easy access and use of financial services. There are numerous benefits of financial inclusion on the SMEs, these are investment in business planning, growth and profitability of the business as well as growth of the market. The major challenges to financial inclusion strategies were lack of link between individual goals and the strategies, unreliable financial systems and unforeseen market changes as well as inadequate sensitization.

6.0 Recommendations

There is a need for sensitization of the financial inclusion strategies to the beneficiaries. Sensitization of the financial inclusion strategies is very essential; it allows the financial institutions to make aware the SMEs about the strategies so that they can make informed decisions. Ignorance is one of the major problems in the SMEs sector that has made most of the businesses not to access financial services. It is important that the financial institutions make SMEs aware about the importance of full disclosure of the personal and business information required when looking for financial services.

Working together in formulation of realistic strategies. Successful strategy execution highly depends on how good the parties to the strategy work with each other not only in executing the strategy but also in strategy formulations. The financial institution should at least correct information from the SMEs operators in Dar es Salaam before coming up with policies so that they put into consideration all the issues raised by the SMEs. In this way, competitive capabilities, and motivation is built. Finally, there is a need that the SMEs learn and predict the market operations of the SMEs industries in order to predict when there will be changes in the market based on customer buying behaviors and the types of products that they sell to the customers.

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