

Utilization of non-financial business support services to aid development of Micro, Small and Medium Enterprises (MSMEs) in Tanzania

A variety of factors inhibit the development of MSMEs in African countries, which in turn affects entrepreneurship, job creation and economic transformation. Using cross-sectional data from 250 MSMEs in the Dar es Salaam region, we find in most of the examined variables the positive relationship between the use of non-financial business support services (BDS) and the development of MSMEs in the Dar es Salaam region. However, contrary to expectations, building business linkages and mentoring programs recorded negative relationships with MSMEs development. This is related to restricted capacities stemming from the size of MSMEs compared to large companies and deficiencies in the content of mentoring programs. In addition, the discrepancy between BDS demand and supply as well as the low adoption rate of BDS are associated with the inadequate adaptation of BDS to the needs of MSMEs, high service costs and a lack of qualified service providers. Thus, we argue that the provision of BDS to MSMEs should be demand-driven and that institutions should build on the pre-eminent characteristics of MSMEs when designing business support programs. On the other hand, Government efforts to nurture the development of MSMEs through policies and programs should extend to promoting business linkages between MSMEs and large enterprises.

Keywords: MSME development; non-financial support services (BDS); business development services; weighted average index (WAI)