

Impact of Loans on Performance of Small and Medium Enterprises in Moshi Municipality

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The study focused on impact of loans on performance of Small and Medium Enterprises in Moshi municipality. The study specifically examined the factors influencing SMEs to seek for loans, performance of SMEs before and after taking loan and established relationship between loan and the performance of SMEs in the study area. In this study cross sectional research design was employed to collect data. Judgmental sampling and a simple random sampling technique were used to select respondents. Questionnaires were used to gather primary data from 75 respondents and analysed by using descriptive statistics, one sample t-test analysis and linear regression analysis techniques. The study found out that, need for capital, more stocks, new assets and new technology were the major factors which influences SME owners to seek for loan. The study revealed that, there is considerable contribution of loans on performance of SMEs in Moshi municipality in terms of increased sales, increased stocks, purchase of more assets, customer satisfaction and ability to adopt new technology in which all these leads to increase in profit and ultimately SMEs growth. Also, the study examined the relationship between loans and performance Of SMEs whereby it was found out that, there is positive moderate relationship between the two variables. Short time for loan repayment period and poor business performance were found to be main challenges on loan repayment. The study concluded that, loans have considerable contribution on performance of SMEs in Moshi municipality. It is recommended that; loans should be made SMEs friendly to enhance positive performance by creating affordable and favourable conditions.