

SMEs now call for Stabilisation Fund

By Tini Sam in Tanga

SMALL and Medium Entrepreneurs in Tanga have appealed to President Jakaya Kikwete's Government to help them establish some form of a Stabilization Fund to cushion small producers against high interest rates and utility tariffs.

The appeal was made in Tanga recently by the chairman of the Tanga Small Business Association (CHABIWATA) Salim Kirungi. Kirungi is also the chairman of the Tanga Region Miners Association (TAREMA).

Noting that President Benjamin Mkapa in his time made strides in enabling SMEs to access lending in the banks and other financial institutions, the high lending rates and power tariffs continue to eat into the profitability and productivity of small enterprises.

SMEs' contribution to the economy is crucial and, therefore, they need help to modernize and increase their production and employment generation.

Currently, SMEs contribute about 75 per cent of the total industrial production in Tanzania.

Ready and affordable access to financial services is one of the major setbacks to development efforts by the poor, especially those living in rural areas, as well as urban micro entrepre-

neurs.

In an effort to help SMEs, the Government has established several loan facilities for them including two additional loan facilities for small to medium level industrial entrepreneurs, in a bid to help the sector to increase its contribution in the struggle against poverty.

One of the two loan facilities which is coordinated by the Small Scale Industries Development Organization (SIDO), is the Government Guarantee Scheme (GGS). The other facility gets funding from the East African Development Bank (EADB).

The Tanga regional SIDO manager, Suleiman Mtani, said SIDO has signed an agreement with the EADB to secure a Tsh656 million loan for providing credit to small to medium level industrial entrepreneurs.

He said the facility would start its operations in this financial year and would offer loans of between Tsh1 million and 6.5 million.

Mtani said that, under the second facility, the GGS, the Government through the Central Bank (BoT) would deposit Tsh500 million in the Commercial Banks as Guarantee for SME operators who would be approved for credit from the banks.

He said that SIDO would coordinate and

evaluate all production projects that would be received from entrepreneurs and forward them to commercial banks for action.

Potential creditors would receive loans ranging from Tsh5-30 million for entrepreneurs who have no guarantee but said that those who can guarantee themselves should proceed to apply for loans from the banks under normal procedures.

SIDO is a public organization that was established in 1973 to provide credit and technical services to development small-scale industries.

Currently, SIDO offers two types of credit facilities. They are the National Entrepreneurs Development Fund (NEDF) – which offers credit between Tsh20,000 and 500,000 to groups or individual entrepreneurs – and the Regional Fund which offers credit between Tsh510,000 to 5 million to small industrial developers.

In another development intended as an effort at solving the chronic problem of lack of access to credit, especially for small entrepreneurs in Tanga region, the Tanga Chapter of the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) has formed a regional Savings & Credit Cooperative Society (SACCOS).

CHABIWATA, which was formed in 1993 and has

a total of 285 members mainly for the Tanga City, is a member of the TCCIA.

The move is aimed at utilizing loan facilities offered to Small-to-Medium Enterprises (SMEs) by various financial organizations in Tanzania such as the Small Entrepreneurs Loan Facility (SELF), the Small Industries Development Organization (SIDO) and the CRDB Bank.

The Government initiated SELF with financial help from the African Development Bank (AfDB) in 2000 in an effort to ensure that those groups are not left out.

According to the former minister for cooperatives & marketing, George Kahama, SACCOS services have grown very fast in Tanzania benefiting members of the society who previously had no access to financial credit such as farmers, fishers, small scale businessmen, livestock keepers and workers.

The SACCOS loan portfolio has increased by 370 per cent over the past five years, from Tsh11.5 billion in June 2000 to Tsh54.1 billion in May 2005.

Moreover, the percentage of women in SACCOS has grown from 16 per cent in 2000 to 33.6 per cent (or 85,456 women members of SACCOS out of the total 254,651 members throughout the country).