The Role of Commercial Banks in the Performance of SMEs in Kigamboni District, Tanzania

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Abstract – The fact that small and medium enterprises (SMEs) depend much on the availability of financial and other services from financial institutions such as commercial banks in order to grow and succeed is un-deniable. This study assessed role of commercial bank in the performance of SMEs in Kigamboni District, Tanzania. The study was guided by two specific objectives. The first one was to evaluate the extent commercial bank services have been used by SMEs in Kigamboni District, and the second specific objective was to determine the impact of commercial banks' services namely account payable solutions, business loans and business support services on performance of SMEs. The study adopted a cross-sectional survey research design where quantitative approach was utilised. A sample of 385 SMEs owners and managers was selected among. Data was collected through a questionnaire which was administered to the respondents. The collected data was analysed through descriptive statistics and multiple regression analysis. Findings of the study revealed that account payable solutions, business loan services and business support services have positive and statistically significant impact on performance of SMEs. Based on the findings it was concluded that commercial bank services are crucial for the performance of SMEs. Thus, this study recommends that banks should make sure, the costs of financial services are affordable, the banking services are conveniently obtained and there is timely delivery of the banking services to the SMEs to enhance their performance.

1   Introduction

Globally, small and medium enterprises (SMEs) have increasingly been recognized by policy actors as important drivers of economic growth (Kweka & Sooi, 2020). The SMEs has become the most important contributor of

countries Gross Domestic Product (GDP) contributing more than 50% of their economies and more than 70% of the employment (Umar, Alasan & Mohammed, 2020) as well as constituting more than 99% of all enterprises. For instance, in China, SMEs have become the support pillar of China's GDP and employment contributing 60% and 75% in China's economy respectively (Fudan-Ping-An Digital Economic Research Center, 2020; Ma, Liu & Gao, 2021). Furthermore, SMEs enhance productivity (Diao, Kweka & McMillan, 2018), increase income, improve living standard and reduces extreme poverty (Kweka & Sooi, 2020).

In European countries SMEs consists of 99.8% of all business enterprises contributing 65% of employments and 53% of GDP (European Commission, 2021). In Africa, SMEs also contributes more than 50% of GDP, 69% of employment and increases income and productivity in the economy (Kweka & Sooi, 2020). In Tanzania, like in other African countries, SMEs face myriad challenges that dampen their potential (John, Gwahula & Msemwa, 2018; Gamba, 2019; Mrindoko, 2022). Despite the significant role they play in the economy, SMEs encounter numerous challenges that hinder their potential (Gamba, 2019). They lack favourable policy environment, managerial skills, technology, technical know-how, funding, operate informally, lower efficiency, higher operational costs and markets for their products. Thus, they exhibit higher rates of failure ranging from 50% to 90% (Muriithi, 2018; Endris & Kassegn, 2021). The world bank report show that, only 5%% of start-up SMEs are able to survive to fifth year (World Bank, 2015).

The efforts to address these challenges started since 1991 when Tanzania initiated financial sector reforms with the aim of establishing a proficient and productive financial system (Gallardo & Radhawa, 2003; Yonah & Inanga, 2014). These reforms were aimed at promoting financial inclusion among marginalized groups such as the poor households and SMEs (Gamba, 2017; Kweka & Sooi, 2020). However, despite the banking sector reforms to improve SMEs' access to commercial banks' services such as credit and business advisory services, still SMEs in Tanzania face difficulties in accessing services from commercial banks and their performance was low (Gamba, 2019; Nkwabi, 2019; Kweka & Sooi, 2020). The outcomes of financial sector reforms were limited because the majority of SMEs operated in the informal sector, which constrained their abilities to be served especially by commercial banks (Kweka & Sooi, 2020). The commercial banks were reluctant to provide credits and other business support services to informal SMEs due to the higher risks involved (Muriithi, 2018).

Furthermore, National Microfinance Policy was introduced in 2000 and amended in 2019 with the main objectives of establishing a basis for the evolution of an efficient and effective micro financial system in the country, which serves the low-income segment such as SMEs, and thereby contributes to economic growth and reduction of poverty (URT 2005). The policy focuses at the provision of financial services to households, small holder farmers, and SMEs. It covers range of financial services, including savings, credit and payment. All this aimed at making commercial banks become a useful instrument towards economic development by enhancing SMEs per-

formance (Yonah & Inanga, 2014). As a result commercial banks introduced various packages of credits, deposits and supporting services for SMEs (URT, 2010). Yet, SMEs performance is low.

Since formalisation was seen as the main blockade for SMEs to access fund from commercial banks and other financial institutions, in 2004 United Republic of Tanzania established a program to formalize the assets and business of the poor *'Mpango wa kurasimisha rasilimali an biashara za wanyonge Tanzania* (MKURABITA)'. The property and business formalization program aims to enable citizens who own properties and businesses outside the formal system to formalize and use them to raise capital. This initiative aimed at finding a solution to the problem of citizens' properties and businesses not being legally recognized and used as collateral for capital and, hence, termed as dead capital. Thus SMEs was able to use their properties as collateral to access loan from commercial banks. Though this effort had some positive impacts in formalisation of properties and businesses, and thus increase SMEs' access to finance, the performance of SMEs remain limited (Gamba, 2019; Kweka & Sooi, 2020).

Therefore, this situation creates the knowledge gap of which this study attempts to bridge. Moreover, despite the importance of commercial banks loans and business support services, there is lack of empirical evidence on how commercial banks have contributed on improving performance of SMEs in Tanzania, and where the evidence is available, it does not justify that the banking sector has helped SMEs (Pacific, 2019; Mbowe et al., 2019; Nyingo, 2020; Pella, 2020). Thus, the purpose of this study is to analyse the impact of commercial bank's account payable solutions, loans and business support services; on financial performance of SMEs.

2 Literature Review

2.1 Empirical Literature Review

Account payable solutions and performance of small and medium enterprises

A study conducted by Mburu and Warui (2023) investigated the effect of accounts payables on financial performance of Micro Finance Institutions in Kenya. A descriptive research design applied census sampling to select thirteen MFIs listed in Nairobi Stock Exchange. Using secondary data collection sheets, the study examined data from published financial statements and annual reports covering the previous five years, from 2018 to 2022. The financial performance of Micro Institution was assessed using Return on Assets (ROA). A descriptive statistical, correlation and multiple regression analysis were performed. The study discovered a relationship between Kenyan Microfinance Institutions' financial success and their management of accounts payable.

Leruk, Wepukhulu and Otinga (2023) analysed the effect of working capital management practices on performance of deposit taking SACCOs in

Nairobi County. The results indicated that accounts payables and accounts receivables have significant effect on financial performance of savings and credit cooperatives. Nkwasibwe, Katsigaire and Tobias (2023) analysed relationship between accounts payable management and financial performance in Kazire Health Products Company Limited. The study revealed that there is a positive significant relationship between accounts payable management and financial performance of Kazire health products Ltd. Mutai and Kimani (2019) conducted a study on the effect of accounts payable management practices on liquidity of public technical training institutions in Rift Valley Region, Kenya. The study findings indicated that accounts payable management practices were significant to liquidity of public Technical Training Institutions in Rift Valley Region.

Moreover, Rankho and Macha (2022) examined the role of commercial banks practices on the performance of Small and Medium Enterprises in Dar es Salaam. A mixed research method was involved where both quantitative and qualitative data were collected and analyzed. A sample of 150 staff of the commercial banks was selected to take part in the study. The analysis of the collected quantitative data was analyzed through descriptive statistics and multiple regressions to establish the relationship between variables. The qualitative data was analyzed based on the thematic analysis technique. The findings of the study revealed that all the four independent variables, credit services, trade finance, foreign exchange and omnichannel services have a significant influence on the performance of Small and Medium Enterprises. Therefore, the study concludes that the commercial banks` practices such as credit services, trade finance, foreign exchange and omnichannel services play a significant impact on the performance of SMEs.

Similarly, Kipkemoi and Maina (2019) found that indicated that accounts payable management practices was significant to liquidity of public Technical Training Institutions in Rift Valley Region. Moreover a study conducted by Likalama, Ouma and Kirwa (2017) examined the management of accounts payable as a factor influencing the profitability of agro-firms located in the Eldoret Business Centre. A descriptive survey design was used in the study, and 214 respondents were sampled and provided with a questionnaire data collection. For the data analysis, both descriptive and inferential statistics were used. The study found that an agro-firm's profitability can be predicted by its accounts payable management. Gakurya and Olouch (2018) conducted a study on the effect of accounts payable management on performance of Coastal County Government Ministries. The study found that accounts payable credit timelines, accounts payable procedures, accounts payable structure, and accounts payable controls, individually, have positive influence on financial performance of Coastal County governments' ministries.

Duru and Okpe (2016) studied on management of accounts payable on the financial performance of industrial/ domestic manufacturing companies in Nigeria. The research showed that the association between accounts payable ratio and profitability was positive and statistically significant. The research also showed that equally debt ratio and sales growth rate had positive and significant consequence on profitability of the companies under re-

search. Another study conducted by Achode and Rotich (2016) assessed the effects of accounts payable on financial performance of publicly listed manufacturing companies at NSE, Kenya. A multiple regression model was used to test the relationship between the Accounts payable and firm performance. The results from this research suggested that in most of the manufacturing firms listed at the NSE, there was a direct positive relationship between Accounts Payable and the dependent variable, Profitability and Liquidity. Thus based on the literature it was hypothesised that;

H_1: There is a positive and significant relationship between account payable solutions and performance of SMEs

Bank loans and performance of small and medium enterprises

The findings of a study conducted by Okolo (2015) to assess the implications of bank consolidation on the performance of SMEs in the Nigerian economy reveal that bank deposit and bank credit impacted on asset size and survival of SMEs. Multiple linear regression technique and correlation matrix test were employed to measure the extent to which SMEs asset size, survival and access to credit were influenced. According to the study, there is a shift of focus by commercial banks away from SMEs, which is evidenced by the significant negative influence of bank credit to both the survival and asset size of SMEs. While micro finance banks work hard at providing funds to micro and small and medium scale entrepreneurs, their capacity to meet the needs of these entrepreneurs is constrained. Banks should make policies that will monitor closely the management of the banks to ensure prudent financing of micro, small and medium scale investments.

Iloh and Nnanyelugo (2015) examined the relationship between commercial bank credits indicators and availability of credit facility to small and medium scale enterprises in Nigeria. Data were collected from the Central Bank of Nigeria Statistical Bulleting for a period 31 years (1980 to 2010). The estimated Augmented Dickey-Fuller unit-root test was used to test for stationary. The generalized least squares estimation technique was used to test the hypothesis stated and standard regression secondly. The result showed that commercial banks' credit to SMEs have significant effect on Nigeria economic growth by positively affecting gross domestic product. This also implies that SMEs financing is a great catalyst and a driving force for economic growth in Nigeria. It is recommended that soft and short-term loans should be made available SMEs for business enhancement.

Mulwa (2014) assessed the impact of bank credit on the financial performance of SMEs. The researcher employed descriptive research design. Data was collected via questionnaires from 40 respondents. Descriptive statistics were used to summarize basic features of the data in the study. Inferential statistics were used to infer the sample results to the population. The study established that availability of capital resources greatly affects the financial performance as well as investment levels among SMEs forcing investors and potential investors to depend on own savings and funds from friends and relatives. Also, it is well established that the size of the firm influ-

ence its ability to access credit from financiers. The ability of SMEs to access credit was found to be a significant ingredient towards SMEs growth.

Racheal and Uju (2018) examined the role of commercial banks in financing small and medium size businesses in Nigeria. The main objective of the study is to examine the role of commercial banks in financing SMEs in Nigeria. Structured questionnaire were distributed to the respondents which includes the commercial banks staff and selected SMEs staff in Anambra State Nigeria. Three research hypotheses were tested using the chi-square. However, the 109 questionnaire administered to the bankers and SMEs were analyzed and presented in tables with the use of percentage and chi-square method. Therefore, the study found that small and medium size businesses encounter problem in the procurement of loans from commercial banks; also, commercial banks have contributed immensely to the development of SMEs through their loans and advances.

Ikechi and Antony (2021) found that, there exists an inverse relationship (though not statistically significant) between the amount of commercial bank loans (CBLSME) made available to SMEs and the output of SMEs (OPSME) in Nigeria. This implies that there is not enough evidence to ascertain that as CBLSME increases, OPSME decreases. This trend has shown the poor attitude of commercial banks towards the granting of loans to SMEs in Nigeria. Conclusively, the inability of our commercial banks to grant effective loans to SMEs have translated to low level of output of SMEs to GDP. This in turn has impacted negatively on average capacity utilization and a consequent hike in the already strained unemployment situation in Nigeria. While commercial banks are expected to come to the rescue of SMEs, the truth must be said, that these institutions are profit oriented and may not be in a vantage position to give long term loans with depositors funds that are predominantly short tenured. Based on the reviewed literature it was hypothesised that;

H_2: Business loans have positive and significant impact on performance of SMEs

Business support services and performance of small and medium enterprises

There is mixed evidence in the literature regarding the impact of BDS on business performance. Ombi, Ambad and Bujang (2018) assessed the effect of business development services on small medium enterprises (SMEs) performance in Malaysia. The authors found that financial support had an effect on SMEs performance, but non-financial support had no effect on SMEs performance. Another study by Mengstie (2016) analysed impact of business development services on performance of micro and small enterprises in East Amhara region of Ethiopia, and found that market access, infrastructure facility, input supply, training and technical assistance affect the performance of micro and small enterprise. However, infrastructure facility and training and technical assistance have insignificant impact on performance. Lwesya et al. (2021) revealed that there is a positive relationship

between the provision of non-financial business support services and the development of SMEs in the Dar es Salaam region. However, contrary to expectations, building business linkages and mentoring programs recorded negative relationships with MSMEs development.

Furthermore, a study of Nyadida, Otuya & Ngacho (2021) indicated that there is a positive correlation between banking support services and performance of micro and small businesses. Ogujiuba, Olamide, Agholor, Boshoff, and Semosa (2022) found that business support services have positive impact on firm performance. Kamyabi and Devi (2012) investigated factors that affect the decisions of owner/managers of SMEs in Iranian manufacturing sector to utilise the professional accountants' advisory services and to examine the impact of these advisory services on SME performance. The findings reveal a significant positive relationship between utilisation of professional accountants' advisory services and three independent variables, namely, knowledge of owner/manager, competitive intensity and complexity of marketing decisions. Furthermore, the use of advisory services is significant and positively associated with SME performance. More importantly, utilisation of professional accountants' advisory services partially mediates the relationship between knowledge of owner/manager, competitive intensity and complexity of marketing decisions and firm performance.

Dladla and Mutambara (2018) demonstrates that the training intervention provided to South African SMEs had positive and statistically significant impact and achieving its intended goals of enhancing business management skills to participants. Moreover, a study that was carried out by Antesty, Susilawati, Selan and Thalib (2023) to explore how government support and social media impact the performance and sustainability of small food and beverage businesses in Indonesia. The study revealed a positive connection between government support services and micro and small enterprises' sustainability and their performance. A current study in Tanzania by Mori (2024) found that access to business support services such as training among enterprises owned by youth has a positive impact on the growth of youth-owned enterprises in terms of increases in number of employees and record keeping.

Another study conducted by Cumming and Fischer (2012) found that government funded business advisory services are positively associated with firms' sales growth, patents, finance and alliances. Also, a study conducted by Mungai (2013) entitled 'the relationship between business management training and small and medium-sized enterprises growth in Nairobi, Kenya' revealed that business management training had a positive effect on the entrepreneurs and as such, new products and services were introduced in the enterprise after the training. Piza et al (2016) examine the available evidence on the effects of SME support services in low and middle income countries on firm-level performance in terms of revenues, profits, productivity, employment generation, and labour productivity. The study found that business support services to SMEs improves firms' performance and helps in employment generation jobs. Also, the study found that business support services has a positive effect on labour productivity and on firms' investment.

Therefore, based on the findings of previous studies it was hypothesised that;

H_3: *The association between business support services and performance of SMEs is positive and significant.*

2.2   Conceptual framework

The conceptual framework depict that account payable solutions, business loans and business support services as independent variables and performance of SMEs as dependent variable. The performance of SMEs in this study is influenced by services provided by commercial banks namely account payable solutions, business loans and business support services. Empirical research confirms that account payable solutions influences positive performance in SMEs (Likalama & Kirwa, 2017; Rankho & Macha, 2022; Mburu & Warui, 2023). Reviewed studies (Okolo, 2015; Iloh & Nnanyelugo, 2015; Racheal & Uju, 2018; Ikechi & Antony, 2021) show that loan servicers such as loan amount, loan interest rate, loan insurance and loan repayment period influences performance of SMEs either in positive or negative way. Also, business support services have been empirically found to improve financial performance of SMEs (Mungai, 2013; Sitati, 2014). In addition, business insurance services, savings and investment advices and training services to SMEs regarding the managerial and financial knowledge and skills help SMEs to improve their performance (Gonzalez et al., 2016; Arshad et al., 2020).
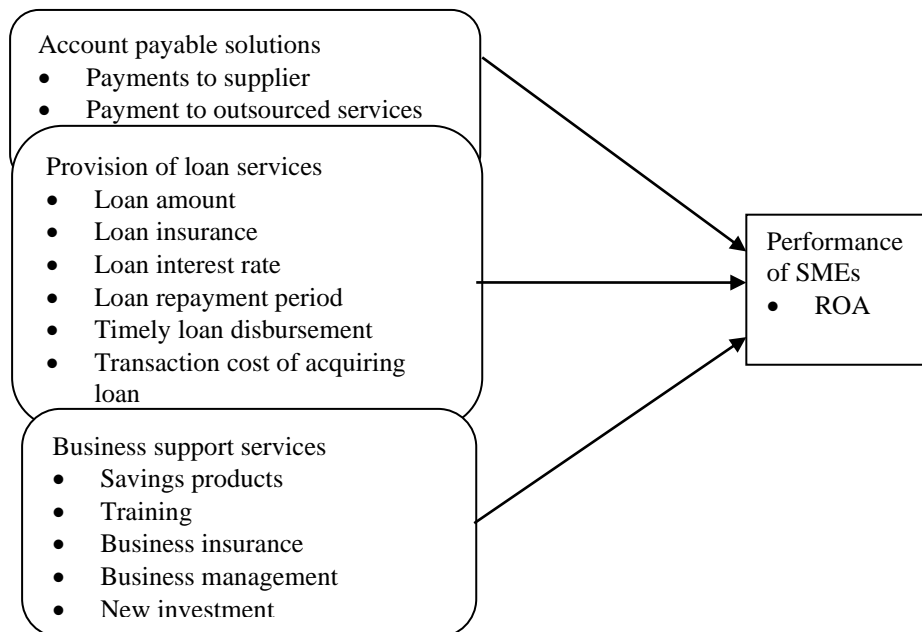
Figure 1: Conceptual framework of commercial banks services and performance of SMEs

3 Research Methodology

3.1 Area of Study

This study was conducted in Kigamboni district located in Dar es Salaam City, Tanzania. Kigamboni District is among new and fast-growing area in terms of population and income in Tanzania. The district harbour numerous numbers of SMEs which have opportunity to grow with the growing demand as population in the area increases. However, it is not known to what extent commercial banks are serving SMEs in Kigamboni district, and likely effect of commercial bank services on the performance of those SMEs. The proposed study therefore intends to fill the gap by examining the impact of commercial banking services on performance of SMEs in Kigamboni District.

3.2 Research Design and Approach

In this study, only quantitative methods were applied to investigate and analyse the impact of commercial bank's services on performance of SMEs under cross-sectional survey research design. A cross-sectional survey design was used because it has the capacity to effectively handle collection of quantitative data in a single phase (Terrell, 2011). Additionally, survey methods allow generalisation of results from a sample of responses to the whole population (Creswell, 2014). Furthermore, choice of this method was in-

formed by its ability to systematically and accurately analyse the role and effect of commercial banks' services on performance of SMEs.

3.3 Population and Sampling

The target population in this study included all SMEs owners/managers who had been served by commercial banks between 2018-2023. Owners/managers have been chosen because they possess good knowledge of their businesses and in SMEs, they are part and parcel of businesses and in most cases the SMEs' decisions are solely made by them. Investigated services included account payable solutions, business loan and business support services such as deposits, grants, warehousing, transport help, technical support and financial support, from CRDB bank, NMB Bank, Equity Bank and DCB Bank. The selected commercial banks were requested to provide list of SMEs those had accessed loan between 2018-2023. Then a stratified sampling technique was used to select SMEs based on which bank a client accessed loan. To ensure that the sample size is appropriate and represents the opinions of the target population, this study employed a formula developed by Cochran (1977) to estimate sample size. The desired level of precision was 5%, the maximum variability of population was assumed to be 50% with a value of Z table of 1.96. Given these input variables the sample size obtained was 385.

3.4 Data collection and analysis

In this study a questionnaire was used to collect data from selected respondents. The questions of independent variables were measured by five-point Likert scale and numerical scale in terms of discreet and continuous scale. Dependent variable (Return on Asset) was numerical, a continuous scale. The quantitative relationship between the dependent and independent variables had to be established through analysis. Thus, based on the nature and scale of outcome variable it is imperative to undertake multiple regression analysis to establish the link between services offered by commercial banks to SMEs and how they affect performance of these businesses.

The multiple regressions is a simple way to establish relationships between variables (Gujarati, 2018). Before data analysis is done the data diagnostic tests will be performed. Various preliminary tests will be carried out to test for suitability of data for modelling and econometric analyses. Assumptions testing are very essential tasks while using multiple linear regressions models to analyse data (Green, 2008). Serious violations bring about relationships estimates that are biased, high or low confident estimates of the precision of the coefficients, standard error and unreliable confidence intervals as well as significance tests (Williams, Grajales & Kurkiewicz, 2013). The dependent variable was financial performance of micro and small businesses measured by Return on Asset (ROA); and independent variables comprised of account payable solutions, business loan and business support services.

3.5 Validity and Reliability

In one hand, both the face and the content validity of this study were guaranteed. The pre-testing of the questionnaire was conducted by academic staffs and researchers at College of Business Education (CBE) for constructive criticism in order to determine face and content validity. Utilizing the opinions of these experts the questionnaire was improved and ready for data collection. A pilot study was conducted to 10 SMEs at Ilala District, which is located within the same City.

4 Findings and Discussion

4.1 Cronbach's alpha coefficient

Reliability of the predictor variables was estimated using a Cronbach's alpha. It is a useful method for assessing the internal consistency and homogeneity of groups of items in questionnaires (Burns & Burns, 2008). Therefore, only variables with a Cronbach's Alpha value of 7.0 and above were used in the study because the generally accepted lower limit for Cronbach's Alpha coefficient is 0.70 (Cronbach, 1951). Table 1 shows Cronbach's alpha values for services offered by commercial banks to SMEs. The account payable solutions scored 0.829, business loans scored 0.856 and business support services 0.799. As a result, it is evident that all constructs had Cronbach's alpha values greater than the required minimum of 0.70. This implies that data collection instrument was reliable, and as a result, the data acquired were as well.

Table 1: Reliability based on Cronbach's Alpha Coefficient (N=385)

S/No.	Construct	No. Items	Cronbach's alpha coefficient
1	Account payable solutions	3	.829
2	Business loans	6	.856
3	Business support services	5	.799

4.2 Scope of use of commercial bank's services among SMEs

The findings in Table 2 show that, mean scores of business loan services scored the highest mean average (M=4.67, SD=.58992; range 2-5), followed by business support services (M=4.31, SD=.74799; range 1-5) and lastly was account payable solutions (M=3.63, SD=1.02989; range 1-5). These results indicate that SMEs owners/managers had agreed that they use busi-

ness loan services as well as other business support services such insurance, training and support in financial and business management to mention a few. These findings signify that SMEs largely use commercial bank services to enhance their performance. Thus, based on the results we conclude that the use of commercial banks' services among SMEs in Tanzania is higher especially on business loan and business support services. The findings corroborate with Kamyabi and Devi (2012), Mungai (2013), Likalama et al. (2017), Racheal and Uju (2018), Ikechi and Antony (2021), Ogujiuba et al. (2022), Rankho and Macha (2022) and Mburu and Warui (2023) who found that commercial banks' services are highly used by SMEs to access capital through business loans, manage financial obligations, manage their fund effectively, make payments to suppliers. And these services have helped SMEs increase their overall performance.

Table 2: Mean, Range and Standard Deviation of Fintech Adoption by SME (N=300)

Item	Min	Max	Mean	Std. Dev.
Account payable solutions	1	5	3.63	1.02989
Business loans	2	5	4.67	.58992
Business support services	1	5	4.31	.74799

4.3 Regression results

Multiple Regression Model Summary

Furthermore, the multiple regression between independent variables (account payable solutions, business loan services as well as business support services) and the dependent variable (SMEs Performance in terms of ROA) was conducted. The results of the multiple regressions in Table 3 revealed that correlation between the three independent variables and the dependent variable is a 93.5% (R = 0.935). This is very high correlation. Furthermore, the three predictors explained 87.3% of the variation in SMEs performance (R^2= 0.873). thus, 12.7% of the model is explained by other performance factors, which are not specified in this model. Since Adjusted R Square 87.3% is greater than 33%, the effect of commercial bank's services on SMEs' performance is strong in this regression model. Also, the difference between R-squared and Adjusted R Square is very small. Thus, the model fits well to the data.

Table 3: Multiple Regression Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.935	0.873	0.872	0.28501

Multiple Regression Coefficients

The findings of regression model revealed that there is a positive and statistically significant (β=0.445, ρ=.000<0.05) relationship between account

payable solutions and SMEs performance. Thus, a unit change in account payable solutions of commercial bank leads to 0.445 change in SMEs performance. Therefore, account payable solutions have a significant impact on SMEs performance. Therefore, this study accepted the hypothesis H_1: *There is a positive and significant relationship between account payable solutions and performance of SMEs.* These results conclude that the account payable solutions is a determinant of SMEs' performance. Similar results were reported by Likalama et al. (2017), Adejoke (2020), Mburu and Warui (2023), Nkwasibwe et al. (2023) and Leruk et al (2023).

Table 4: Multiple Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.080	0.096		0.839	0.402
Account Payable Solutions	0.445	0.038	0.406	11.607	0.000
Business Loan Services	0.432	0.037	0.443	11.587	0.000
Business Support Services	0.165	0.032	0.149	5.217	0.000

Source: Research Findings (2023)

Moreover, findings in Table 4 revealed that business loan services have a positive and statistically significant impact on the performance of SMEs with a regression coefficient of 0.432 and a p-value of 0.000. This implies that, a unit change in business loan services provided by commercial banks leads to 0.432 units change in the performance of SMEs. Literary, every shilling yields 43.2 cents. Thus, the hypothesis H_2: *Business loans have positive and significant impact on performance of SMEs* was accepted. Therefore, business loan services are crucial for performance of SMEs. Racheal and Uju (2018) and Ikechi and Antony (2021) corroborated the findings of this study.

Furthermore, business support services were found to impact SMEs' performance positively and statistically significantly (β =0.165, ρ-value=0.000). This indicates that a unit increase in business support services leads to an increase of 0.165 units in the performance of SMEs. Hence, the hypothesis H_3: *The association between business support services and performance of SMEs* was accepted. The findings are in line with Mbura and Merezia (2015), Lwesya et al. (2021), Nyadida et al. (2021) and Ogujiuba et al. (2022).

Table 5: Hypothesis Testing

Hypothesis	P	B	Expected Sign	Decision

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H₁: There is a positive and significant relationship between account payable solutions and performance of SMEs.	.000	.445	+	Accepted
H₂: Business loans have positive and significant impact on performance of SMEs	.000	.432	+	Accepted
H₃: The association between business support services and performance of SMEs	.000	.165	+	Accepted

5   Discussion

The results showed a positive and statistically significant impact of account payable solutions on the performance of SMEs. Similarly, a study by Likalama et al. (2017) demonstrates that commercial banks services are generally beneficial to SMEs. The authors found that account payable solutions possess positive and significant impact on performance of SMEs. Accounts payable solutions as component of working capital offered by commercial banks to SMEs allows SMEs to serve customer requirements reasonably and secure good credit terms from suppliers (Mburu & Warui, 2023). Working capital management must be well-organized to gratify the financial needs of SMEs (Farris & Hutchison, 2021). Efficient working capital management seeks to maximise shareholder value by making sure SMEs maintain proper level of working capital (Nwakaego & Ikechukwu, 2016; Adejoke, 2020). Management of payables is very important for the financial wellbeing of all businesses regardless of their type and size. Effective account payables management ensures that SMEs have the ability to carry out their short-run liabilities adequately and on time.

Similar to the findings of this study, Mburu and Warui (2023) in their study to investigated the effect of accounts payables on financial performance of Microfinance Institutions in Kenya found that the financial success of microfinance institutions was linked with their management of accounts payable. Also, Achode and Rotich (2016) revealed a positive and statistically significant relationship between accounts payable solutions and profitability and liquidity business firms. Accounts payable is the main for cash outflow in many SMEs, which arise straightforwardly from the business's functions. It is suppliers' invoices for services or goods that have been processed but not yet settled. Thus its management is critical for firm growth. Likalama et al. (2017) puts that management of accounts payable as a factor influencing the profitability of firms has to be disciplined. Nkwasibwe et al. (2023) evidenced that profitability ratio was positively and significantly impacted by accounts payables. Similar results were reported by Kipkemoi and Maina (2019) and Leruk et al. (2023).

Business loan services were also found to have a positive and statistically significant impact on the performance of SMEs. This suggests that an in-

crease in business loan services provided by commercial banks to SMEs increases SMEs performance. Essentially, business loans is one of the very crucial source of capital for SMEs (Benon, 2018). With enough capital SME can increase its productive capacity and can operates business activities effectively. Iloh and Nnanyelugo (2015) acknowledged that commercial banks' lending to SMEs has positive and statistically significant impact on the growth of Nigeria's gross domestic product. This suggests that SMEs financing by commercial banks is an important catalyst and force behind performance of SMEs and hence economic expansion in Nigeria. These financial services have potential to boost and improve SMEs conditions and enhance their performance (Hossain, Yoshino & Taghizadeh-Hesary, 2018; Nyingo, 2020). And it is believed to be a way to financial sustainability and growth since for SMEs which have low income to save the credit provides financial resources at times of need and in some schemes the opportunity of regular savings (Gamba, 2017).

Contrary to the findings of this study, previous research (Racheal & Uju, 2018; Nyingo, 2020; Pella, 2020; Ikechi & Antony, 2021) have reported that, in African countries SMEs have limited access to the commercial bank services especially loan because they lack guarantors, assets, savings account in banks which are required as collaterals. Inaccessibility to finance could be one of the reasons there is high rate of SMEs failure due to stunted growth, poor productivity and high rate of unemployment (Kweka & Sooi, 2020). In addition to the mentioned limitation, in Tanzania SMEs face high interest rates charged by commercial banks (Pella, 2020). Mulwa (2014) found that the lack of capital resources has a significant impact on the financial performance and investment levels among SMEs, forcing current and potential investors to rely on their own savings and donations from friends and family. Racheal and Uju (2018) discovered that SMEs have difficulty getting loans from commercial banks, even though commercial banks have made significant contributions to the growth of SMEs through their loans and advances.

Consequently, SMEs heavily rely on microfinance for financing their business activities. Despite being depended by SMEs for funding due to simple requirements, the microfinance banks and especially non-bank financial institutions' ability is limited (Okolo, 2015). Thus, the fact that commercial banks have an important role to play for the growth and effective operations of SMEs is indubitable. Commercial banks are expected to come to the rescue of SMEs. Along this line of thinking, this study has proved that business loans services of commercial banks are important liberating force of SMEs as enables them to access modern technology and other resources, which improve its effectiveness and efficiency (Gamba, 2017; Hossain et al., 2018; Benon, 2018; Mrindoko & Pastory, 2022). Thus, this study proposes that SMEs must be given access to soft and short-term loans for business expansion.

Additionally, this study discovered that business support services had a positive and statistically significant impact on performance of SMEs. This shows that the performance of SMEs increases as commercial banks increases their business support services to SMEs. Interventions intended to

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support SMEs are not new given the role SMEs play in the economies around the world. Significant resources from governments and non-governmental organisations are channelled to support businesses based on the fact that SMEs growth is impeded by multi-factors. Business support services to SMEs mostly relate to business registration, creation of conducive business environment, exports facilitation, collaborations, training, analytical and technical assistance, facilitation of innovation and access to credit. The aim of the business support services is to increase firm performance, enhance growth of enterprises, raise profitability, increase life of new and existing businesses and improve income within the economy (Dladla & Mutambala, 2018; Nyadida et al., 2021). Cravo and Piza (2019) verified that business support services improve firm performance and create jobs.

In Tanzania, there is an increased positive recognition of the position of business support services towards SMEs (Mbura & Merezia, 2015). According to Lwesya et al. (2021), this positive appreciation of business support services is due to the reason that SMEs are backbone of economic growth. Abdullahi et al. (2015) found that business support services in form of education and training in areas of business management, entrepreneurship, financial management and business plan preparation enhanced SMEs owners' management skills and competencies which led to improved business performance. Mengstie (2016) shows that market access and input supply support services to SMEs enhanced SMEs' performance in Ethiopia. Similarly, Mungai (2013) discovered that entrepreneurs responded favourably to business management training, and as a result, new goods and services were added to the company after the training. Additionally, according to Piza et al. (2016), support for SMEs generally has a favourable effect on firm performance indicators. Additionally, Ogujiuba et al. (2022) demonstrate how business support service improves business management.

6   Conclusion and Recommendations

6.1   Conclusion

Banking services are important in the current business environment. Commercial bank services are crucial in facilitating business transactions. The account payable solutions enables SMEs to pay their suppliers on time and adequately when commercial bank is involved. The business loan services from commercial banks are crucial for SMEs business operations in terms of capital additions. Additionally, the friendly business loan services terms such as adequate amounts, affordable interest rates, proper timing and affordable application fees are important for easy access of financial support for the SMEs. Regarding to business support services, they are important ingredients for the SMEs operational success and growth as they enhance their performance.

6.2   Practical Implications

In essence, banking institutions enable SMEs to enhance their income earning capacity, and hence enjoy an improved performance. Credit services provide SMEs an opportunity to support their economic activities, enhance their production and hence profitability. Along this line of thinking loans and business support services obtained from commercial banks has proved to be an important liberating force of SMEs as enables them to access modern technology and other resources, which improve its effectiveness and efficiency. These financial services have potential to boost and improve SMEs conditions and enhance their performance.

6.3   Recommendations

Banks and other financial services should offer efficient banking services for the SMEs. Banks should make sure, the costs of financial services are affordable, the banking services are conveniently obtained and there is timely delivery of the banking services to the SMEs to enhance their performance. Banks should enhance the provision of loans to SMEs through setting affordable credit terms and conditions such as collateral, interest rate and credit period. The banking services should be geared towards providing financial, business and managerial support to SMEs to smoothen their operations and hence boost their performance.

6.4   Limitations and Recommendation for Future Research

The first limitation is small geographical coverage, which does not allow for generalisability of findings to the whole country, Tanzania. This study was conducted in only one District among 185 districts located in the Tanzania. Thus, the future research should focus on increasing geographical coverage. This is expected to increase likelihood of generalising the findings to the whole population. Moreover, the scope of this study was limited to three services of commercial banks, namely credit/loan, mobile money/banking services and business support services. Inclusion of more services will provide the more clearer picture regarding the role of commercial banks on performance of SMEs.

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