

Financial Institutions and Market Information Dissemination Techniques for Small and Medium Enterprises: A Case of Selected SMEs in Dar es Salaam, Tanzania

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Abstract

Small and Medium Enterprises significantly contribute to the nation's economic development and employment creation. The study explored the market information dissemination methods financial institutions employ to reach target SMEs for decision-making. Specifically, it identified the dissemination techniques, the effectiveness of dissemination techniques and the language used in designing market information. Both primary and literature surveys were intensively performed. Quantitative data were subjected to the SPSS programme of which frequencies and counts were produced. On the other hand, qualitative data from the key informants were analysed through thematic content. The study revealed that financial institutions use different information dissemination techniques. These included media formats such as TV, newspapers, leaflets and brochures, door-to-door visits and the Internet. The effectiveness of dissemination techniques depends on the location, time and language. The study recommends applying the proper use of common language in designing market information, timely delivery of information and choosing appropriate dissemination techniques based on location in urban and rural areas.

Keywords

Financial Institutions, Market Information, Dissemination Techniques, Small and Medium Enterprises

1. Introduction

Small and Medium Enterprises are known worldwide for their significant contribution to socio-economic development in developing and developed countries.

In Tanzania, SMEs contribute one-third of the GDP (URT, 2008). URT is also content that 1.7 million SMEs employed about 3 million people. Despite its significant contribution to economic development, SME growth is heavily constrained by inadequate access to market information from financial institutions. It is partly triggered by the mode of information dissemination and the existing bureaucracy of financial institutions. Nonetheless, this information dissemination aspect appears insufficiently attended in research and academic discourse.

It is noted that information dissemination defines the type of information to customers and the extent to which business information from FIs can reach SMEs at the appropriate time and vice versa. Likewise, dissemination methods are of greater importance because they can determine the clarity of the information they share with customers (Liu et al., 2016; Bazaco et al., 2019). Dissemination methods affect SMEs' prosperity because of lacking potential information due to inappropriate dissemination methods. The situation necessitates a thorough evaluation of dissemination methods used by FIs.

Extensive literature addressing SME financing problems is widely available. The study includes Kiveu and Ofafa (2013), which focuses on information and communication technological barriers, and Badi et al. (2020), which assess the role of market information in accessing loans. Most have identified market information as a barrier to SME development (Osano, 2019). Similarly, Nyangarika (2017) mentioned market information as a challenge constraining female enterprises in Tanzania. Market information dissemination is under study. Thus, few facts exist in Tanzania about market information dissemination methods, particularly those applied by FIs to reach SMEs' potential stakeholders.

Information dissemination methods can have substantial implications for the accessibility of products offered by FIs. Consequently, inappropriate dissemination methods trigger the significant failure of many SMEs to have an opportunity to benefit from FIs because of lacking important information and vice versa. Based on that, this study seeks to investigate information dissemination methods FIs apply to reach SMEs scattered in the Dar es Salaam region following research questions: 1) what are the existing information dissemination methods used by FIs to communicate their intended message and products to SMEs? 2) what is the relative effectiveness of information dissemination methods financial institutions use to deliver intended messages to SMEs? and 3) which language is employed by FIs to disseminate information to SMEs?

The study is justifiable due to different factors including the following: The study has established useful information to enhance the relationships between FIs and SMEs. It will feed into developing Financial Economic Empowerment to make financial markets work better for the poor in Tanzania. According to Currin et al. (2007), information is central to the sound functioning of financial markets. This study addresses information dissemination methods among financial institutions and SME operators regarding awareness of SMEs on FI's and vice versa.

Second, the study contributes to addressing the Eighth Sustainable Development Goal, which stresses on economic growth.

From a practical point of view, this study has established challenges in dissemination methods applied by FIs to reach SMEs. It is noted that information is power; therefore, information dissemination methods implicitly address information flow which is essential for SMEs' economic growth. The dissemination methods are necessary inputs among FIs to improve information flow to their stakeholders and their products' marketability. Market information will back up their decision-making with researched information.

2. Materials and Methods

The study was carried out in Ilala, Kinondoni and Temeke Municipalities of Dar es Salaam region. The choice of these municipalities was purposefully guided by the available information, which indicates that Dar es Salaam is the largest commercial city in Tanzania, hosting the majority of SMEs (Magembe, 2019).

The study adopted a cross-sectional research design to collect data in the selected municipalities. The lists of registered SMEs were obtained from municipalities and used as sampling frames. From each list, a simple random sampling technique was used to select the required number of SMEs based on investment worth between TZS 5 million to TZS 200 million, guided by the classification criteria stipulated in the Tanzania SMEs Policy (URT, 2002).

Upon selecting SMEs, the operator for each SME was contacted and interviewed through a semi-structured questionnaire guide. The questionnaire guide was designed by researchers by adhering to the basic principles of determining the nature of information required, the methods as well as the target population. The questionnaire was pre tested among 10 SMEs operators before the actual study. SMEs operators who were selected for a questionnaire pre testing were not involved into the actual study. SMEs were drawn from the chosen municipalities' urban and peripheral areas. Overall, 50 SMEs were selected where: 18 from Ilala, 16 Kinondoni and 16 from Temeke Municipalities. This size was considered adequate for a meaningful statistical test. Furthermore, five banks (four local and one foreign), one foreign non-bank financial institution and two micro-financial institutions were involved. Each representative was interviewed as a critical informant using an interview checklist. In addition, a desk work review was extensively done on existing literature to establish the current debate on SMEs' and FIs' information dissemination success and challenges. This review was essential to supplement primary data collected through SME surveys and key informants' interviews.

Data were analyzed quantitatively and qualitatively. Quantitative data which were elicited from SME operators were subjected to SPSS programme of which data were analysed through descriptive statistics. In this case frequencies and counts were produced. In the other vein, views and opinion from the key informants were subjected to thematic content analysis.

3. Results and Discussion

3.1. Information Type SMEs Receiving from Financial Institutions

SMEs and FIs are business partners expected to inform each other about their products for mutual benefit of each other. Among these partners, business information is very crucial for their sustainability. Due to this fact, the study intended to find out the critical information SMEs need from FIs. The findings revealed that such information mostly received includes interest rate, loan repayment schedule, length of loans, issues of collateral, and loan processing charges. Likewise, SME operators mentioned the critical information they need from FIs, as presented in **Table 1**.

3.2. Information Dissemination Methods Used by Financial Institutions

Information dissemination methods are paramount to ensure that timely and appropriate information reaches the target audience of SMEs scattered in Dar es Salaam. As it was asserted by *Ordoñez and Serrat (2009)*, information dissemination is a core responsibility of any organization tasked with generating and sharing knowledge products. Financial institutions constitute these organizations. The methods and tools loan officers employed to disseminate information were media (TV, radio, newspapers, and internet websites). The trade fair, information leaflets, brochures, posters and door-to-door visits constituted dissemination methods as well.

3.2.1. Media Formats

FIs reported using social media to inform their clients about new and existing products and services. Many respondents revealed that, due to the growing competition amongst players in the financial market, they use a combination of social

Table 1. Information needs summary by different financial institutions.

Information types	Macro-financial institutions	Micro-financial institutions
Collateral	Compulsory	Not always needed
Legal status	Compulsory	Not always required
Agreements	Yes, depending on the legal's status	Not always necessary
Property valuation reports	Needed, depending on the application	Rarely required, depending on the loan size applied for
Insurance	Not all institutions require it	Not important
Licence	Compulsory	Yes, but not always
Business experience	Yes, indicated in financial statements	Yes, required depending on business
Export documents	Cross-border businesses	Not much involved in such businesses
Management CVs	Not always required	Rarely required
Audited accounts	Compulsory	Required but not always
Info from regulatory authorities	Yes, depending on business	Rarely required

Source: Field Data (2022).

media to reach their target audience and the public at large. Commonly used social media included television, local newspapers, posters, magazines, online sources, pamphlets, brochures, posters, radio, workshops, technical publications (reports, newsletters, briefs), and individual contacts (Neyazi et al., 2016). Neyazi et al. also reported that social media such as television, newspapers, pamphlets and personal contacts easily disseminate business information. Even though door-to-door is tedious, FIs still find it good because it makes it easy to spread important market information to the target audience.

3.2.2. Television and Newspapers

Most loan officials reported that TV and newspaper were relatively more expensive. For example, one loan officer indicated that one advertisement on a TV costs between TZS 500,000 and 1000,000 per minute depending on the time the advertisement presented and the TV station. An advert in a newspaper would cost around TZS 600,000 to 700,000 depending on the page displayed and size (number of words). Owing to the high cost and high frequency required to make adverts through TV and newspapers, many FIs avoided the methods unless the advert was of particular importance. One credit officer added that timing is essential to reach SME operators with TV adverts to reach SME operators. Most customers watch their televisions from about 8 p.m. to 10 p.m.; otherwise, you miss them. This is consistent with Cartmell II and Evans (2013), who stated that knowledge of the audience helps to identify the appropriate information dissemination method in a way that is both well received and used. It indicates that most entrepreneurs listen to the radio early in the morning before waking up; any advert made during that time likely reaches a reasonably good number of SME operators. However, some have criticized that most who listen to the radio in the morning prefer music sessions over the news. Thus, to ensure SMEs have appropriate methods of disseminating financial information, it would be better to understand the media that SMEs prefer and why, as the results show, 78% of SMEs interviewed reported having time to listen to the radio from 5 am to 9 am. Numerous radio stations provided newscasts, sports and other important information during this period. After going home at night, they had 30 minutes to 1 hour to watch television.

The study established the pattern of information on which SME operators prefer mainly in the local newspapers. In this regard, SME operators had a varying opinion, which was clustered into three groups: one group consisted of those who would prefer sports news (52%); the other groups liked general information (40%); whereas the third group covered those who were interested with business news (8%) (Table 2). Respondents who chose newspapers referred to the Guardian, the Daily News, the Sunday News and the Citizen. The possible reason is that most operators have little interest in news and business news. A potential problem for SMEs' accessibility to information through this method is time constraints. SME operators were busy all day, running out of time to read the newspapers. This factor, coupled with weak reading bits among communities in Tanzania,

Table 2. Information preference among SMEs operators (N = 50).

Preference	Per cent %
Sports News	52
General News	40
Business News	8
Total	100

Source: Field Data (2022).

makes this method less preferred. It further underscores the need to utilize dissemination methods other than newspapers.

3.2.3. Internet

The Internet (email and websites) has become a vital tool for disseminating information in the 21st century. The Internet can be invaluable for communicating this information to a large public. However, in developing countries, the method faces many challenges, including limited access of the population to internet services, which is especially serious with rural-based audiences; also, the majority of the audience cannot use the service even when it is available in abundance.

The weaknesses with these website postings were that most of the information was expressed in technical language and written in English, eliminating SMEs. They didn't understand the language. CRDB Bank PLC, for example, had tried to have a Swahili version on their website but some information (words) still appear in English (<http://www.crdbank.com/>). The website information was inadequate, and SMEs believed it was necessary. It contradicts with a study by Tamufor and Pienaar (2001), who noted that FIs should disseminate information that facilitates informed participation in timely decision-making, including drafts of documents, and in a way that ensures effective delivery of information to potential customers. Interested stakeholders can effectively access and understand it. This was not the case with the majority of the FIs in Tanzania. Another claimed problem accompanied by this method was limited access to computers among SME operators, of which 54% of the interviewed operators owned computers. Even those who had computers 88% reported to use them for keeping sales records whereas 12% reported using them for communication purposes (Internet). Despite their views, all operators had mobile phones with different functions similar to computers and were sometimes used them to perform activities which could be performed by using computers.

3.2.4. Information Leaflets and Brochures

FIs also reported the leaflets and brochures as commonly used methods to disseminate information to SMEs. These methods normally summarise the most critical information by explaining the products to the target audience. These leaflets and brochures are generally collected in the showcases at the reception of a particular FI when customers visit that FI's office. FI officers also carry these items during

promotion activities, distributing them to customers and other stakeholders they meet with during their visits. Furthermore, leaflets and brochures used to be distributed by FIs' loan officers in their cause of conducting door to door visits to their customers. As reported by SME operators, the main weakness of this method is that sometimes they do not contain all the required information to guide them towards making informed decisions. They saw that these were meant for promotional purposes and were only available to a few clients who visited the FI office or met promoters.

3.2.5. Door-to-Door Visits

The method involves face-to-face contact between FI officials and SME operators. The technique allows questions and answers, clarifies issues that are not clear on the other part, and ensures mutual understanding (Conrad & Schober, 2000). Interviews with officials from financial institutions and SME operators indicated that many FIs were increasingly using the method due to its relatively low cost, effectiveness in contacting target market players, and the increasing competition in the banking sector. One official commented that during the monopolistic era (when the country had few state-owned financial institutions), the method was not used because customers had few options to choose from but "*felt that a Customer is a King, whom you must revere and if you don't apply this method you may be driven out of the market sooner or later*"; said one loan officer. With this method, one can readily determine what proportion of customers they have won. Many SME operators commented that, with this information dissemination method, they get the opportunity to clarify some problematic questions directly by talking to loan officers freely when they are at business stations. Table 3 shows the information dissemination methods preferred by financial institutions.

For example, one shortcoming was higher information dissemination costs charged by the media (TV and radio stations and newspaper publishers). To evade costs, financial institutions avoided using the media and resorted to using cheap information dissemination to the clients, reaching few SMEs.

3.3. Effectiveness of Information Dissemination Methods

The dissemination method's effectiveness is essential to facilitate accessible communication across the relevant stakeholders in business enterprises, such as FI and SMEs. The study ascertained the preferences of information dissemination methods among SME operators. The responses are summarized in Table 4. Given findings, Door to door visits appeared to be the most effective of all dissemination methods (66%), while publications were the least effective. The table below shows that the door-to-door approach was preferred over other methods. The principal opinion of SME operators was its effectiveness in delivering the messages with a greater possibility of having intact answers to questions arising immediately from the entrepreneurs. It is true because the method gives more room for verbal communication, which can be easily understood among stakeholders,

Table 3. Information dissemination method preference by financial institutions.

Financial institutions	Major information dissemination methods
Banks	TV, RADIO, Internet, newspapers, leaflets, brochures and Door to door visits
Non-banks	Internet, newspapers, leaflets, brochures, publications
Micro-financial institutions	TV, RADIO, newspapers, door-to-door visits
SACCOS	No dissemination was required as they serve members

Source: Field Data (2022).

Table 4. Dissemination method preference by SMEs (N = 50).

Method	Frequency (entrepreneurs)	General comment	
		SMEs	FIs
Television	26 (52%)	Needs timing,	Costly
Radio	21 (42%)	Limited time	Costly
Newspapers	16 (32%)	News preference	Costly
Door-to-door visits	33 (66%)	Intact clarification of issues is possible	Effective but energy and time-consuming
Leaflets and brochures, magazines	8 (16%)	Written in English need a certain level of literacy; less detailed	Less costly, easy to administer
Internet	11 (22%)	Educated can understand, limited availability of computers	Costly in terms of internet bundles, although not analyzed
Publications	2 (4%)	Only the educated can understand the information contained in	Rarely used, less effective for reporting purposes

Source: Field Data (2022).

including those with low education levels. Most SMEs operate by people with low education levels. Therefore, this method can be more friendly than others such as publications, the Internet and leaflets, which sometimes use complicated language.

3.4. Dissemination Language

Except for the door-to-door method, most market information messages were in English. Even though FIs know that the community's mother language is Swahili, they still design messages in English. This situation undermines the chances of SME operators to be conversant with conditions made by FIs and subsequently undermines their chances of accessing loans and other products from these financial institutions.

4. Conclusion and Recommendations

4.1. Conclusion

The environment and nature of SME development depend on the information dissemination techniques provided by counterparts. The information obtained

leads SME stakeholders to decide on the fate of their business development. Although there are various information dissemination techniques, the appropriate technique is the one that gives information at the right time using the standard language to the SME operators. Also, techniques should adhere to the environment under which SMEs operate. In some areas, some information dissemination techniques can not be effective. Rural and urban areas should be differentiated in information dissemination methods because, in rural areas, access to the website and the use of modern tools such as a computer is limited. The design of market information dissemination techniques must match the environment and time for delivery to reach target SMEs. It is apparent from this study that information dissemination is a prerequisite for SMEs' development.

4.2. Recommendations

The study recommends to the banks and other financial institutions that market information be well designed based on the environment of the target customers and the common language. Also, it is recommended to the banks and other financial institutions that dissemination techniques should be compatible with the environment and time to reach the SME operators with all necessary details to enable them to make decisions. Finally, it is recommended to financial institutions to design appropriate market information that will be efficiently used by the relevant stakeholders such as SMEs.

4.3. Limitations of the Study

The study was constrained by the shortage of funds which the researchers were self-sponsored the study. This situation affected the smooth performance of different tasks associated with the study. This further affected the time for performing particular research activities and completing the study.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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