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## **ANALYSIS OF FINANCING INITIATIVES AND STRATEGIES TOWARDS INDUSTRIAL DEVELOPMENT IN DODOMA CITY, TANZANIA**

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### **ABSTRACT**

**Purpose:** This study was premised on the quest to gain a thoroughly analysis on the financial initiatives and strategies for industrial development in Dodoma City, Tanzania specifically at Kizota Industrial area. The study was directed by three specific objectives namely: to identify the possible sources of financing industrial development, to evaluate the financing initiatives for mobilizing financial resources for development, to examine problems associated with mobilizing financial resources for industrial development in Tanzania.

**Methodology:** In this study, the Cross-section design was used which helped in focusing on the analysis of financing initiatives and strategies towards industrial development. In this study, both qualitative data and quantitative data were collected from both primary and secondary sources. The primary sources were employees, banks and industrial owners. Secondary sources were documents, journals, and reports from other researchers. A sample size of 60 respondents was used. The study employed both probability and non-probability sampling techniques. Whereby, under probability sampling stratified sampling was used to pick the respondents, i.e., 54 employees from visited industries. Also, Non-probability sampling technique especially purposive sampling technique was used, whereby a researcher solicited for sources or persons with specific features that are appropriate to the study, hence respondents were purposively selected in accordance to their relevance to the study i.e., 1 bank officer and 5 owners of the industries. Data collections tools like; interview guide, questionnaires, and documentary review were used.

**Findings:** The study found out that, the major sources of the industrial development financing are; equity financing, debt financing venture capital and subsidies. The study also found out that promotion of FDIs may be used in financing industrial development. However, the study also noted that there are obstructing factors that hinder access to finance such as high interest rates, weak financial institutions, poor local market, poor corporate governance, poor loan repayment culture, lack of collateral securities. The study also found that poor loan repayment culture possesses a major challenge towards financing industrial development in Tanzania as it creates good sum of non-performing loans.

**Recommendations:** The study recommends creation of additional incentives for industrial financing, reducing interest rates, enhancing capital market operations as well as evolving and promoting venture capital are some of the strategies which can be used so as to improve industrial development in Tanzania. Furthermore, banks should come up with financing Packages specifically designed to promote industrial development, and also borrowers should create culture of repaying their loan dues to enhance effective financing for investments and capital expansion towards industrial development in Tanzania.

**Keywords:** *Industrial Development, Financing Initiatives, Equity financing, Debt financing*

## 1.0 INTRODUCTION

Since independence, Tanzania has been struggling to attain the status of an industrialized country. There is consensus that industrialization plays a key role in the process of a nation's economic development. There are many reasons why pursuing sustained industrialization has long lasting benefits on economic development. Some of these reasons are rooted in Kaldor's law, which provides a conceptual framework for the link between manufacturing and economic growth (Msami & Wangwe, 2016). Industrial development has been an integral part of Tanzania's development strategies in the post-independence era. In fact, it was expected by policy makers to lead the process of transforming the country's economy from low productivity and low growth to high productivity and dynamic economy, associated with structural change and sustained income growth.

In Tanzania, industrial development has evolved through various stages and has been the priority of all governments since independence in 1961 till now, from nascent and undiversified to state-led import substitution industrialization, and subsequently to deindustrialization under the Structural Adjustment programmes and policy reforms. Since the country inherited a small and undiversified industrial sector in 1961, various efforts and strategies adopted to realize improved industrial development (Wangwe, *et al.*, 2014). For this case, Tanzania has been focused on the development of industries from the time of independence till now with various market structures such as state monopolies and current mixed economy, whereby the private and public sector work in partnerships. This was also insisted by the fifth president under whom there were mounting appetite for the fifth phase government of late President John Pombe Magufuli to prioritize industrialization as a drive to push the country into middle income economy (Wangwe, 2016). The government of Tanzania has taken key steps and initiatives to spur implementation of the industrialization objective, including preparing a national strategy, identifying priority projects, strengthening the institutional framework to address coordination challenges and developing supportive infrastructure projects (Kweka, 2018).

Industrialization is a generic name for a set of economic and social process related to the discovery of more efficient ways for the creation of value. Industrialization is the process, not an event. It is the process of undertaking economic activities using measures that can promote effectiveness and efficiency. Industrialization deals with changing the production method from hand-work to work done by machines using modern technology and in industrial organization; from work at home to work in industries or factories. (Isaac *et al.*, 2018). Industrialization takes place to catalyze the processes of enhancing productivity in social and economic activities. Similarly, the process is attributed by enormous factors including fast increase in cost of implementing industrialization operations, emerging technological innovation and raise in literacy level among others. Nevertheless, industrialization process goes hand by hand with industrial financing. The concept of industrialization finance means, it includes cash and cash equivalents.

Industrialization finance in experts' sense entails availing, firms or individuals with favorable financing facilities to enable them achieve industrialization objectives. According to entrepreneurs' sense, industrialization finance is concerned with cash. This is because every business transaction undertaken by industries involves direct or indirect cash (Mwakabhejela, 2019). The commitment of the Government of Tanzania has been expressed by prioritizing industrialization as the top of the agenda that by 2025 Tanzania to be a semi-industrialized

economy (Tanzania ya viwanda) as evidenced in National Five-Year Development Plan 2020/21-2025/26 under the theme “Realizing Competitiveness and Industrialization for Human Development” since industrialization has been the engine of economic growth. Under this pursuit, Dodoma City through its Investment Guide (2019) has outlined and presented available investment opportunities at the regional and council levels to hasten and contribute to realization Vision. To ensure coherent guides, the regional investment guide is aligned with a number of national development frameworks such as the Tanzania Development Vision 2025 and the National Five-Year Development Plan 2021/22 - 2025/26.

In Tanzania, industrial development is facing a multiplicity of impediments that hinder attainment of its full potential (Mwakabhejela, 2019). However, the financing of investment and industrialization poses a critical challenge. Hence, it requires multi-financing initiatives and strategies. There are number of problems associated with industrial financing in the country. Despite the valuable contributions of industrial sector to economic development, it is beset with a plethora of problems in Tanzania. Thus, the industrialization process is still generally low when compared with some other countries of Africa. The development of the industrial sector in Tanzania has been constrained by a number of financing-based problems towards realizing semi-industrial country by 2025, despite the efforts of current governments to promote the industrial sector (Mwakabhejela, 2019).

Inadequate financing for acquisition of capital goods is another constraint that hampering industrial development. For SMEs, the need for credit arises for start-ups, working capital to cater for operating costs as well as expansion of investment. For small scale enterprises and light industrialization, the need for credit arises for start-ups, working capital to cater for operating costs as well as expansion of investment. Yakimova (2021) noted that shortage of finance is a critical limiting factor in industrial growth and the realization of an entrepreneur’s dream hence slow industrialization. Despite the fact that, there are a number of financial institutions which can potentially lend to the sector with proper strategies and incentives in place, but yet industrial sector is at crowing stage. For instance, as of now in Tanzania at least 42 banks (Bank of Tanzania, 2021) are in operation. Always it has been argued that financial institutions can act as catalyst by supporting the industrialization agenda towards a transformed economy. A strong and stable banking sector, fuels the economic development (Masele, 2020).

Hence, this study attempted to focus specifically on analyzing the financing initiatives and strategies for industrialization in Tanzania and arose with the suggested strategies for improving access to finance for industrial development in Tanzania.

## **2.0 MATERIALS AND METHODS**

### **2.1 Research design and sampling procedure**

Cross-section design was selected by the way of focusing on the analysis of financing initiatives and strategies towards industrial development. The base of data of this study is both qualitative data and quantitative data which was be collected from both primary and secondary sources. The primary sources were employees, banks and industrial owners. Secondary sources were documents, journals, and reports from other researchers. A sample size of 60 respondents was used. The study employed both probability and non-probability sampling techniques. Whereby, under probability sampling stratified sampling was used to pick the respondents, i.e., 54 employees

from visited industries. Also, Non-probability sampling technique especially purposive sampling technique was used, whereby a researcher solicited for sources or persons with specific features that are appropriate to the study, hence respondents were purposively selected in accordance to their relevance to the study i.e., 1 bank officer and 5 owners of the industries. In this context sampling process enabled the researcher to capture required data at the least costs in terms of effort, time and financial resources.

## **2.2 Data collection and Analysis**

The study used both primary and secondary data. Primary data were collected from Dodoma City, specifically at Kizota industrial area. The rationale for choosing this area is that, it comprises with number of industries since it is an industrial allocated area in Dodoma City. A sample size of 66 respondents was used. Secondary data were collected from organized documents and reports, archival records, documentary review at various places such as from the internet and the industries. Primary data were collected from respondents through interviews and observations methods with the assist of questionnaire and checklist tools. Secondary data were collected through documentary review methods to supplement primary data. Valuable background information was collected from published literature by using a list of questions (checklist). Data were analyzed both qualitatively and quantitatively. Data analysis involved the use of Statistical Package for Social Sciences (IBM SPSS Version 20). Data were analyzed by using descriptive statistics through frequency, tables, figures and percentages. Qualitative information was analyzed by thematic approach to complement the quantitative information. Therefore, the analyzed data was presented using descriptive narrations, tables and figures.

## **3.0 FINDINGS AND DISCUSSIONS**

### **3.1 Sources for Financing Industrial Development**

Findings gathered from this study revealed that there are various ways or sources to enhance financing of industrialization in Tanzania include tapping on both internal and foreign/external sources of financing. Findings in Table 1 shows about 51.6% believed that debt financing is the major source for financing industrial development. However, despite the fact that debt financing to be reliable source for finance respondents noted there should be user friendly terms required to acquire loans from the financial institutions, example favorable interest rate. Nevertheless, industrial sector in particular requires long term financing while local commercial banks prefer short term loans by believing that long term financing is very risky and most of the banks are not in a position to offer long term loans because they depend much on customer's deposits.

Other sources constituted the rest of the percentages as shown in Table 1 below whereby about 23.5% of the respondents believed in Venture Capital financing or Private Equity which can also be used as a source to finance industrial development in the country. Venture capital is another way of financing industrial development in the country as it provides startup capital to both small and medium scale industries who can't afford the loans or debt amount required for establishing or expansion of industries. However, venture capital is not competitive in the country, in order to speed up industrialization the government should promote this venture capital as a substitute to debt financing which set number of constraints towards financing industries.

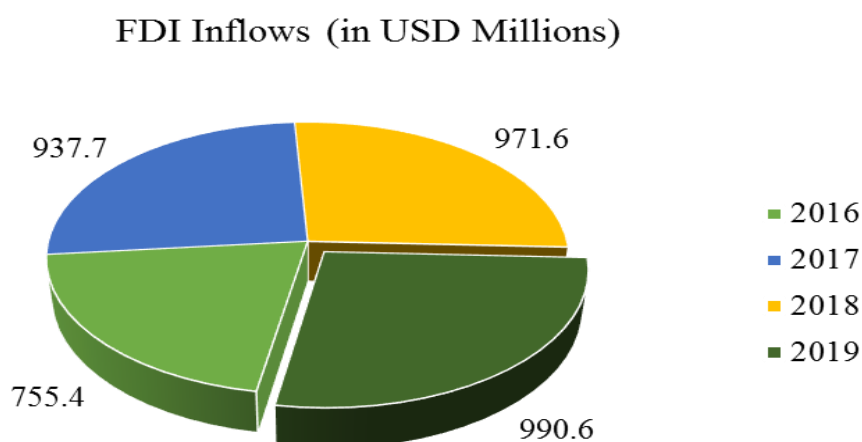
**Table 1: Sources of Financing Industrial Development**

| Possible sources for finance | Responses |              |
|------------------------------|-----------|--------------|
|                              | N         | Percent (%)  |
| Equity financing             | 16        | 19.0         |
| Debt financing               | 43        | 51.6         |
| Family/friend Financing      | 2         | 2.4          |
| Subsidies                    | 3         | 3.6          |
| Venture capital financing    | 20        | 23.5         |
| <b>Total</b>                 | <b>85</b> | <b>100.0</b> |

*Note: Number of respondents increased because of multiple responses.*

Furthermore, findings gathered from this study revealed that there are other ways to enhance financing of industrialization in Tanzania including tapping on foreign/external sources of financing through promoting FDIs, which is currently a new source of promoting industrialization agenda in most of developing countries. However, recently Tanzania has a notable trend of FDIs inflows, this is because of the commitment of the country as a result it inspires a good number of investors. Furthermore it's because of the effort shown by the government in executing sound macro-economic policies, increasing fiscal incentives, and proper utilization of endowed natural resources.

Nevertheless, it was noted that the environment of business investment still remains fraught by ineffective rules. Incremental in FDI inflow was experienced from USD 755.4 million to USD 990.6 million in year 2016 to 2019 respectively. This incremental was highly attributed with the country decisions of promoting FDIs, which implemented a positive change in making it easier to start a business by launching online company registrations and thus reducing time, bureaucracy and costs for entrepreneurs. Figure 1 below shows an incremental in FDIs in the country in the 2016-2019.



**Figure 1: FDIs Inflow in the Country from 2016-2019**

*Source: UNCTAD's 2021 World Investment Report*

Moreover, apart from the data presented in figure 1 above, according to UNCTAD's 2021 World Investment Report, FDI inflows to Tanzania reached USD 1 billion in 2020 and showed an increase from the previous year (USD 991 million), despite the global economic crisis triggered by the Covid -19 pandemic.

### 3.2 Public confidence on financial institutions in supporting industrialization

Financial institutions, historically played a substantial contribution not only in driving economic growth and development but also boosting capitalization of various stakeholders in the economic dispensations. Under this pursuit, the role of the financial institution towards industrialization in the country should be of more reflective as the economy moves forward towards new era of economic restructuring that is an era of hastened industrialization and high private initiative. Despite having 42 licensed banks in the country (Bank of Tanzania, 2021) yet there is insufficient support from the banks towards realizing industrialization agenda of 2025. The findings of this study shows that 51.7% agree that banks support the agenda of industrialization by providing loans to industrials owners for expansion. About 33.3% of the respondents said banks support is yet low towards industrialization in the country. While 15.0% said banks do not support industrializations in the country. Table 2 shows the respondent's views on support of financial institutions towards promoting industrial development in the country.

**Table 2: Respondents' Views on Financial Institution Support to Industrialization**

| Respondents' views | Frequency | Percent |
|--------------------|-----------|---------|
| Yes                | 31        | 51.7    |
| Somehow            | 20        | 33.3    |
| No                 | 9         | 15.0    |
| Total              | 60        | 100.0   |

Despite of the fact that, banking sector faces number of problems, it still remains a major source of funds in industrial development in the country. Nevertheless, this is attributed to existence of strong developed financial and legal systems that enhances the access to financing investors hence fostering the industrial growth. The results shown in Table 2 above were attributed with number of problems encountered in mobilizing financial resources for industrial development in the country.

### 3.3 Financing Initiatives for Mobilizing Financial Resources for Industrial Development

From the findings, table 3, shows about 36.7% believed that exhibitions can be used as one of the initiatives for mobilizing financial resources. Followed by 35.6% who believed that business plan is one of the initiatives for mobilizing resources since it is highly required by the financial institutions for loans advancement. Respondents went further calling the government to promote regular Dar es Salaam Trade Fair/Exhibition for attracting new markets and foreign companies to come and invest in the country. While the rest of the percentages constituted with Project financing (16.7%), Promotion (10.0%) and other initiative is credit lending from DFIs.

**Table 3: Initiatives for Mobilizing Finance Resources for Industrial Development**

| Initiatives for mobilizing financial resources | Responses |             |
|--|-----------|-------------|
|  | N         | Percent (%) |
| Business Plan                                  | 32        | 35.6        |
| Exhibitions                                    | 33        | 36.7        |
| Promotion                                      | 9         | 10.0        |
| Project Financing                              | 15        | 16.7        |
| Credit lending                                 | 1         | 1.1         |
| Total  | 90        | 100.0       |

*Note: Number of respondents increased because of multiple responses*

### 3.4 Problem Associated with Mobilizing Financial Resources

There are number of impediments that hinders mobilization of financial resources for industrial development in the country which results in slow industrialization. Table 4 below highlight problems associated with mobilizing resources for industrial development in Tanzania. Therefore, the study has concurred that existence of these impediments hinders the proper mobilization of resources.

**Table 4: Problems Associated with Mobilizing Resources for Industrial Development**

| Problems encountered        | Responses |         |
|-----------------------------|-----------|---------|
|                             | N         | Percent |
| Weak financial institutions | 35        | 27.1    |
| Poor local market           | 14        | 10.9    |
| Lack of Collateral Security | 37        | 28.7    |
| High Interest rate          | 43        | 33.3    |
| Total                       | 129       | 100.0   |

*Note: Number of respondents increased because of multiple responses*

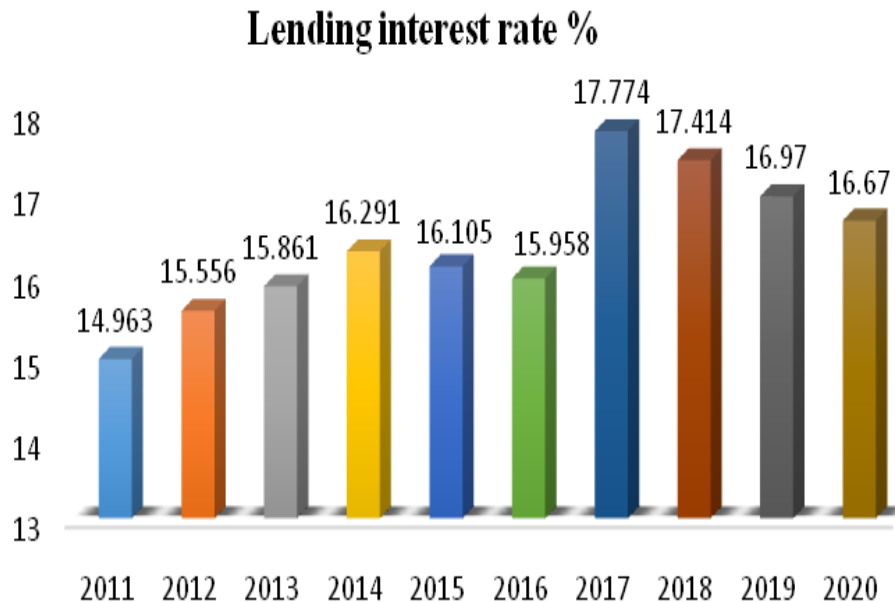
#### 3.4.1 High interest rates

The findings of this study shows that about 33.3% of the respondents (majority), believe that interest rate hampers the industrialization in the country this is well stipulated in Table 4 above, as high interest rate charged by financial institutions hinders expansion in industries as they cannot afford to pay for the loans advanced, hence results in hesitation of taking loans for industrial expansion. During an interview with one of the industrial owners said “*high interest rate is a major constraint in acquiring loans from financial institutions, this discourages investors from acquiring loans. Despite government saying there is reduction in lending interest rate in commercial banks this remain just a notional dream to banking sector and this act as prohibitive to accessing loans from the bank*”.

Furthermore, it was noted that the interest rate for the past ten years was increasing slightly to average of 16.37% charged by commercial banks, which is very high and prohibitive, thus discouraging investments. According to Bank of Tanzania (2020), Interest rates charged by banks on loans and those offered on deposits exhibited a general declining trend in line with sustained



accommodative monetary policy. Overall and one year lending rates declined to an average of 16.97% and 16.67% respectively in 2019 and 2020. The trend for interest rate for the past ten years is stipulated in Table 5 and Figure 2 below.



**Figure 2: Lending interest rates in Tanzania for the past ten years**

*Source: World Bank 2021*

### **3.4.2 Lack of collateral security**

Another problem identified was lack of collateral security by industrial owners for loan advancement in financial institution as one of the requirements. The findings in Table 4 above shows that about 28.7% of the respondents believe this problem is also a major constraint towards accessing loans for industrial development. Hence discourage SMEs growth in the country. It was noted that Commercial Bank's collateral policy requires 125% cover of credit amount by legal collateral represented by land title. In interview with one of industrial owner said, "*I wanted to take a loan from a certain Commercial bank but they required collateral security which was two times of the loan amount I needed, hence for this case lack of collateral security act as a barrier in acquiring loans for expansion*".

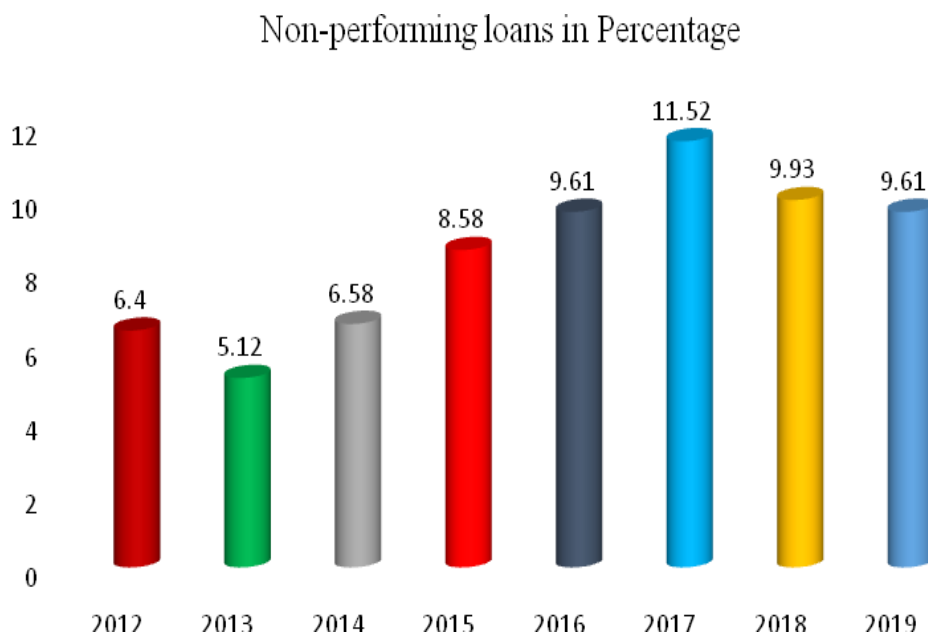
### **3.4.3 Weak financial institutions**

The banking sector in Tanzania has grown tremendously since financial liberalization started in 1992 so far. Tanzania now has a diversified banking system with about 48 licensed banks but with only 2 Development Finance Institutions that is TIB Development bank and TAB bank. Nevertheless, the analysis of this study shows that about 27.1% of the respondents believe that banking sector is weak to promote industrialization in the country. Despite rapid growth in recent years, yet the sector is very weak in ensuring financial access for industrialization and act as one

of the major impediments against manufacturing industries and expansion of business. Due to the nature of manufacturing businesses which require longer gestation periods for capital investment recovery, the sector needs long term finance for entrepreneurial expansion. Thus, expanding access to financial services pose a critical dispensation for both economic growth and poverty reduction.

The study findings further coincide to TIB Development Bank Annual Report 2018, during the year 2018, the group recorded a loss after tax of TZS 7,245 million (2017: loss of TZS 18,200 million). The Bank's operations recorded a profit after tax of TZS 544 million (2017: loss of TZS 12,010 million). However, on the other hand, it was noted that some projects operated under tight liquidity positions, leading to failure to meet their regular repayment obligations imputed to an increase in NPLs. This prove that the banking sector is yet weak to finance industrialization. In an interview with the Bank officer, it was noted that "NPLs in banks has been drastically experienced with an increase and downturn from the year 2012 to 2019. In the discussion, the bank Officer said, *"the NPLs in Tanzania weakens the banking sector performance in the country. However, the Bank of Tanzania has taken various measures to sensitized the banks and other financial institution on the importance of adopting and the usage of credit reference system in order to reduce information asymmetry in their credit underwriting processes and eventually will reduce the level of NPLs in the country"*.

According to data obtained from the Global Economy (2021) as presented in Figure 3 below postulate that the Non-Performing Loans in Tanzania from the Year 2012 to 2019 where the average value for Tanzania during that period was 8.06% with minimum of 5.12% and maximum of 11.52% in 2017. The least value from 2019 was 9.61% comparing to the rest world where the average was 6.45%, this imply that NPLs in Tanzania is higher.



**Figure 3: NPLs in Percentage for all Banks in Tanzania in the year 2012 – 2019**

### **3.5 Suggestions from respondents on the measures to be adopted by the government to ensure effective financing for industrial development in the country.**

In respect to the findings above the study wanted to see whether the objectives of this paper were clearly captured by the respondents by asking them to propose various measures to be taken by the government in financing industrial development in Tanzania pertaining to the problems arose. Respondents were asked whether the government strategies support effective financing for industrial development in the country, the analysis revealed that 46.7% of the respondents believe that they do support. Findings also show that about 28.3% of the respondents believed that strategies do not support industrial development. While 25.0% contained that to some extent government strategies support industrial development, as it has been shown in table 5.

However, findings noted the response of No and to some extent, respondents disclosed their reasons that still government strategies are political oriented rather than action based, heavy taxation to industries by Tanzania Revenue Authority (TRA), sluggish government intervention in finding market for industrial products and bureaucracy in government offices i.e., prolonged procedures in acquiring permits, all these contribute in decelerating industrialization process in the country.

**Table 5: Effectiveness of Government Initiative and Strategies in Ensuring Financing Industries in the country**

| Response    | Frequency | Percent |
|-------------|-----------|---------|
| Yes         | 28        | 46.7    |
| No          | 17        | 28.3    |
| Some Extent | 15        | 25.0    |
| Total       | 60        | 100.0   |

Therefore, from this point of view, respondents proposed various measures to be adopted by the government to ensure effective industrial financing in line with attaining semi-industrial country as per Tanzania Development Vision 2025 and National Five-Year Development Plan 2020/21-2025/26: “Realizing Competitiveness and Industrialization for Human Development”. The government should ensure there is favorable interest rates and ensure the use of user-friendly terms by the financial institutions. The findings of this study shows that all respondents concurred that there should be reduction in interest rates charged by the financial institutions and terms required by the banks such as collateral security should be more friendly to attract many investors that by doing so it will enable SMEs to expand their operations as result realization of industrialization agenda.

#### **3.5.1 Government should ensure strategies enacted are action oriented rather than political focused**

From the findings it was noted that, in order to ensure effective industrial financing, government should ensure all strategies for industrial development are implemented rather being of more political interest. Despite having number of government strategies and policies that call out industrialization in the country but they have failed to realize industrialization agenda in the country. Hence there is a need of restructuring them to support industrial development.

### **3.5.2 Government should also reduce bureaucracy to enhance industrial development in the country**

From the respondent's suggestions it was noted that, in order to attract and create a conducive environment for industrialization in the country the government should ensure that there is no bureaucracy in government offices to accelerate the process of acquiring industrial permits this can only be possible if there is One Stop Centre, this will reduce bureaucracy in government offices.

## **4.0 CONCLUSION AND RECOMMENDATIONS**

### **4.1 Conclusion**

The findings revealed there are various major sources of financing including equity financing, debt financing and venture capital. However, each source identified is characterized with number of impediments. Study findings also contents that other source for financing industrial development could be through promotion of FDIs as an external source for financing industrial development in the country towards realizing Tanzania Development Vision 2025 and the National Five-Year Development Plan 2021/22 - 2025/26: "Realizing Competitiveness and Industrialization for Human Development".

Findings obtained based on the research objective which required respondents to evaluate various initiative for mobilizing financial resources in the country whereby business plan, exhibitions, Promotions and project financing were taken on board due to their convenience and reliability in mobilizing financial resources from both internal and external sources of financing. Therefore, apart from these initiatives also, credit lending from DFIs can enable mobilization for financial resources for industrial development in the country.

Findings of the last research objective which required respondents to explain the financing-based problems associated with mobilizing financial resources for industrial development process in Tanzania concurred that major constraints include weak financial institutions, high rates of bank interest, lack of collateral securities to qualify for the required amounts of loan. Study findings also contents those other challenges towards industrialization include, lack of long-term funding options, poor loan repayment culture, poor local market for industrial goods.

### **4.2 Recommendations**

In order to focus the country in her economic emancipation and commitment to the building of a virile, competitive and resilient industrial sector, there is need for remedial measures which must be taken urgently by the government in collaboration with the private sector and be better coordinated in the financing of industrialization agenda of the country. Nevertheless, to attain sustainable development in an environment that is characterized by stiff competition, especially against the backdrop of trade globalization, concerted, coordinated and sustained efforts are required from all actors in the economy. Accordingly, and with regard to the findings of this study, the following recommendations ensued;

#### **4.2.1 Reduce Interest Rates and creating additional incentives for industrial financing**

There is also an urgent need to facilitate credit supply to the industrial sector through appropriate policies that would be attractive to both borrowers and lenders. Towards this end, there should be special lending interest rates that is lower from other loans advanced and should be well fashioned

out to boost the lending morale of the banks and also to guarantee repayment of advances as and when due by reducing the risks involved. Also, government should make industrial financing profitable to banks and other financial institutions through the introduction of special rediscount facilities and fiscal incentives.

#### **4.2.2 Enhancing Capital Market Operations**

This study recommends appropriate policies to support the capital market must be pursued vigorously with a view to making it a genuine source of industrial financing. This will include the institution of a continuing well-packaged enlightenment programme to dissuade investors from their tendency to buy and keep securities perpetually. Moreover, adopted programme to promote the capital market in Tanzania should be fully implemented and CMSA should closely crosscheck and review any of inhibitive listing requirement on the DSE should be rescinded to engender adequate intermediation in both MMS and EGMS segments.

#### **4.2.3 Evolving and Promoting Venture Capital**

In a long-term strategy should include the introduction of incentives to promote the evolution of new and non-conventional sources of investible funds, particularly venture capital. Venture capital allows entrepreneurs to build and expand firms without having to borrow and pay high interest charges before they generate any revenues, let alone profits. This source, if promoted, would encourage technological innovations and ensure adequate finance for high-risk enterprises in the country hitherto discriminated against by banks and other finance houses.

#### **4.2.4 Promoting FDIs to speed up industrial development**

Industrial export-oriented countries have access to large markets, attributed to trade liberalization which allows access to imported inputs, technology and capital as well as a more competitive exchange rate which could subsequently boost industry growth. Therefore, promoting FDIs may initiate industrial development through the provision of financial resources and links to export markets. FDI may enhance the country through technology and knowledge transfer, improved competition and human capital, upgrading its technological, operational and managerial effectiveness. In this way promoting FDI may act as a trigger to industrial development in the country.

#### **4.2.5 Restructuring Financial Terms**

The study recommend that financial institutions should restructure their financial terms and conditions in favor to the industrial financing purposely for promoting growth of industrial investment in Tanzania. Nevertheless, Banks also should come up with financing packages specifically designed to promote industrial development in the country.

#### **4.2.6 Borrowers should create a culture of repaying their loans due**

The findings of this study noted that most of the borrowers have a tendency of untimely repaying their loans, this resulted into an incremental in non-performing loans which have a direct negative impact to banks in terms of profitability which in turn force banks to impose stiff requirements in applying for a loan to loan seekers as a result only few of them being able to fulfill and while the majority fails fulfill the requirements which hinder them to acquire the intended loans for investment. Therefore, to address this problem, it is recommended that borrowers to create culture

of repaying their loan dues to enhance effective financing for investments and capital expansion towards industrial development in Tanzania.

#### 4.3 Areas for further research

The confines of the study under phenomena suggest for more future researches to be conducted. From this study, some areas require sufficient insightful analysis of the variables and hence, this obligates the need for supplementary research by focusing on the role of DFIs towards financing industrial development in the country.

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