



## Rural Electrification and Small and Medium Enterprises' (SMEs) Performances in Mvomero District, Morogoro, Tanzania

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### Abstract

In recent years, Tanzania has been experiencing increasing in number of SMEs business in rural areas particularly in areas where Rural Electrification Programs (REA) have been well implemented. These programs are always associated with low connecting costs which attract many households to use the energy. This study examined the effects of rural electrification programs to the SMEs' performances measured in revenues collected by these SMEs. The study was done in Mvomero district, Morogoro. The Ordered Logistic Regression (OLR) model was employed in the data analysis. Tests such as Oparallel and Brant were used to assess the assumptions of parallel lines. Findings on the determinants of electrical adoption reveals that 59.385 percent of SMEs' owners who have higher revenues adopt electricity while education influence on the electrical adoption among SMEs' owner is only 8.29 percent. Moreover, findings on the effects of rural electrification programs on SMEs' performances shows that distance to the nearby transformer, willingness to pay for REA, affordability of the REA programs and adoption of the REA energy among SMEs increase SMEs performances significantly. Consequently, the government is advised to ensure that, through policies and other regulatory roles that rural SMEs get growing up. This can be done if these rural SMEs are enabled to solicit credits from financial facilities to expanding their businesses and making beneficial utilization of REA services. The economic outcome, through multiplier effects in employment creation and subjective economic welfare, might be tremendous.

**Keywords:** Rural Electrification, SMEs' Performance, REA programs, Mvomero District.