

## ABSTRACT

This study was conducted to assess the contribution of microfinance schemes to the performance of small and medium enterprises in Tanzania focusing on female entrepreneurs in Arusha city. The study aimed at attaining three specific objectives including (a) to examine the characteristics of small and medium enterprises, (b) to examine the determinants of performance of small and medium enterprises, and (c) to determine role of credit on the performance of small and medium enterprises. The study involved a total of 154 respondents including 87 beneficiaries of loans from NMB bank and 67 non-beneficiaries of loans from any microfinance scheme. The study relied on primary data collected by use of questionnaire. The findings revealed that large proportion of SMEs were service oriented. Also, it was observed that more than half of SMEs operated from road sides. The findings showed that respondents perceived low operating costs as a determinant of better business performance. According to the results, large stock or profit per specific period of time were not indicators of good business performance. The findings showed that there was no statistically significant difference between performance of SMEs with loans and those without loans. It was however showed that performance of businesses without loans was somewhat higher than those with loans. The study recommended that SMEs owners who participate in the microfinance loan schemes should invest the borrowed money into business. Also, it was recommended that Arusha city council should designate more official locations for SMEs to operate. Furthermore, owners and operators of microfinance schemes in Arusha region and NMB bank in particular should put emphasis on investment of loaned money in business

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