

## **ABSTRACTS**

This study aimed to evaluate factors that were contributing to the growth of Small and Medium Size Enterprises (SMEs) in Pemba. Specific objectives were to examine credit terms put in place by MFIs to borrower, to review the direct and indirect costs that SMEs incur when accessing the microfinance services and to analyze the impact of credit to the development of SMEs.

The study has employed qualitative and quantitative research approaches. In the approach the specific procedures were identified during the research rather than ahead of it. The former involves the uses of explanatory data obtained from the sources and the later involved the use of numerical data collected from the field. The study involved the analysis of the contribution of MFIs to the development of SMEs by considering the credit conditions, cost incurred and challenge that SMEs faced when accessing credit from MFIs.

Study found that Microfinance Institutions (MFIs) are rendering many services to SMEs including loan provision, training, money deposit and supervision of SMEs activities. The study concludes that MFIs have limited contributions towards SMEs growth due to the fact that most of SMEs are not accessing loans from MFIs. Again there are costs associated with accessibility to microfinance services which among others jeopardize SMEs chances to access loans.

The study concludes that MFI have role to play to the development of SMEs. Recommendations made government to though ward offices to guarantee SMEs collateral as well government to give MFIs subsidies that will reduce their running cost hence reduce loan costs.

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