

## ABSTRACT

Tanzania is currently experiencing a significant growth in population with potential food shortages predicted in the next few years. Global warming is causing a serious threat on food production because lands used for agriculture can no longer produce food. As a result of this, food prices are raising sharply causing an adverse effect in the economy where the standard of living is now very high. As a way to address this problem, the Government of Tanzania has prepared a "Kilimo Kwanza" initiative which aims at revolutionizing agriculture to increase food security in the country. Access to agriculture finance is one of the pillars of this initiative.

In this regard, the study examined challenges facing agriculture sector in accessing credit from financial institutions using horticulture subsector as a case. It examined factors that make agriculture financing risky and evaluated the gap that exists between farmers and financial institutions. Furthermore it evaluated strategies used by financial institutions to give credit to farmers and examined the impact of financing agriculture in Tanzania. This was a qualitative study which used a sample of 48 respondents from the two active horticultural production regions in Tanzania, Arusha and Kilimanjaro.

The study revealed that agriculture financing is an important catalyst in stimulating agricultural development to ensure food security in Tanzania. Unpredictable weather, lack of collateral, absence of agriculture insurance, little farmer's education, infrastructure and fluctuating market prices are among factors which makes agriculture financing risky. It found that there is a big gap between small scale farmers and financial institutions mainly due to geographical distance between the two parties, availability of alternative sources of finance such as SACCOS, VICOBA and competition from mobile money services such as M-Pesa. In assessing the impact of agriculture financing, the study revealed that there has been significant achievements in horticulture through support from the government and donors. The study therefore recommends that, the Government of Tanzania should invest more resources to ensure access to credit is not a challenge to farmers while financial institutions should develop products and services customized for agriculture giving priority to small scale farmers.