

ABSTRACT

Tanzania is among countries that rely in agriculture production as major economic activity that contributes to national's GDP. Like many other developing countries, most of the agriculture activities are done in small scale. There have been emphasis from the Tanzanian government to implement policies to assist small scale farmers such as Kilimo kwanza strategy which is aimed at assisting these farmers to increase productivity through improved technologies and financial assistance. The present study has conducted financial assessment of small scale farmers in accessing formal financial services. Primary data has been collected from six wards of Arumeru District in Arusha region and selected financial institutions such as TIB, NMB, NBC and Bumaco Insurance. Results show that small scale farmers lack awareness of formal financial systems and they find them to be too complex for them to be able to access them. This was due to limited trainings provided to these farmers, poor infrastructure that limits the spread of financial services to rural areas and level of income. Financial services are also willing to assist small scale farmers to improve their income but the nature of this investment is too risky and most of them awaits for government to act as guarantor for any losses since most of small scale farmers depends highly on rain fed agricultures with poor agronomy practice. Insurance of agriculture produce is still not in practice in Tanzania's farmers and this limits ways to ensure losses are covered in case of unexpected calamities. Level of income of these farmers limits insurance company's willingness to have such products since premiums payments to cover unexpected losses are too high. The study recommended that government and other stakeholders to conduct different awareness trainings of these formal financial services to increase farmer's involvement. Farmers on the other hand should adopt improved technologies and reduce dependence of rain fed agriculture and adopt either furrow or drip irrigation system to guarantee supply of water during cultivation.

