ABSTRACT

This research presents a study on how commercial bank lending problems can be impeded by the strict government financial regulations. Based on the number of texts and regulatory documentations worldwide, it is clearly viewed that bank lending experiences many regulations that cause inefficiency in credit provision. From the literatures a case of a leading commercial bank in Tanzania was used to test the problems that block free flow of credit to various sectors of the economy, ranging from individuals to corporate firms. A methodology employed towards this study took care of guided questionnaires and some interviews to bank officers working in credit related departments of various banks. Secondary data used were those that covering legal and regulatory framework and available financial information on bank lending, deposits, interest rate, and capital. The study further analyzed data gathered using the Statistical Package of Social Sciences (SPSS) guided by simple hypothesis tests and chi-square model. From the study findings show that there exists an obstruction to efficient lending due to underlying regulations applicable in the process of bank lending. Measures recommended include a great need to review the regulations in place especially credit concentration and other exposure limit so as to diversify the risk, liquidity regulation in order to increase the loanable fund by decreasing ratio of cash to deposit, capital adequacy and reserves both to be reduced to increase the loan provision.