

## ABSTRACT

The main objective of the study was to examine the impact of Commercial Loans to SMEs in Tanzania. The study was triggered by the thinking that lack of sufficient funds has been a serious problem and has hindered growth of SMEs. Sixty-eight SMEs were involved in collecting data for this study. Findings have revealed that loans offered by commercial banks have an impact on sales turnover, profitability of business, capital investment, number of employees, livelihood of their dependents and hence, growth of small business. Findings also revealed that SME sector is dominated by people with high education levels. On the other hand, growth of SMEs does not depend largely on borrowing frequencies from commercial banks, there are other factors that contribute to their growth. Furthermore, the findings revealed that high interest rate, short repayment period, small loan size, business skills and government regulations are among factors that hinder SMEs' growth. In order to enhance SMEs quick growth, the following recommendations were put forward: reduce interest rate, increase loan size, review loan repayment period, undertake effective training to enhance entrepreneurial skills, and create conducive environment for loan schemes.

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