

ABSTRACT

This study intended to determine the challenges facing SMEs members on access to credits issued by the People's Bank of Zanzibar (PBZ). It was guided by the following objectives; i) To determine conditions for SMEs to get credit and success rate of acquiring credits by small and medium enterprises ii) To examine how credits influences SMEs ability to increase returns, sales and profits and iii) To identify the major factors that make banks to avoid extending credits to SMEs.

The study employed cross sectional design and the case study on 200 members of SMEs who were obtained through simple random sampling and some staff of the bank who were obtained by purposive sampling. Data were collected using three methods namely interview, documentary review and focus group discussion. The data collected were analyzed by using SPSS software.

The study found out that credit play an important role in the success of small and medium enterprises in terms of ability to hold assets and expand business. However, high interest rate and use of collateral to get credit were limitations of the SMES. In addition, the pace to support SMEs in terms of credit is not satisfactory since bank has negative attitude on the capacity of SMEs.

Therefore, SMEs have negative perception on the credits extended to them. This calls for the bank to revise the conditions related to credit issuance, he government should revise the SMEs policy to ensure that they operate in the trustful environment.

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