

## ABSTRACT

Tanzania government has embarked on several attempts aimed at promoting agricultural development in the country, In spite of the importance of the topic, relatively little research especial in Tanzania exists on whether, why and how banks finance SMEs, Therefore this study aim at analyzing how the supports of Bank financing have an impact on small and medium farming improvement in Tanzania. It aim at understand what is behind the slow growth in small and medium farming and what are the reasons established for that situation.

The case study of research strategy was used. A sample of sample of 50 respondents was used. The researcher applying various techniques for collection of both primary data and secondary data. General descriptive statistics through cross tabulation, figures and graph were used to examine, explore, and evaluate the association and comparison.

The study revealed that main sources of start-up capital for Small and Medium Farmers entrepreneurs in the survey included personal savings. Only six per cent of the Small and Medium Farmers entrepreneur's respondents obtained bank loans and Micro finance to start their agricultural activities. Specific problems facing farmers to obtain finance were Lack of collateral which account for, Inability to qualify for loans due to stringent criteria applied by banks, Lack of business and management experience, No credit record, Discrimination against Small and Medium Farmers, Most assets registered in husband's name. Furthermore lack of capital, a general lack of confidence to take greater risks, and lack of skills in negotiation are seen as the biggest barriers to Small and Medium Farmers in growing their businesses. Findings show that major barrier to trade were finance, followed by Competition.

There is a need to strengthen the capacities of Banks and MFIs in order that they are better able to: Extend their activities to more Small and Medium Farmers as well as a wider range of Small and Medium Farmers entrepreneurs; Improve the coverage of their services across the country; Improve their products and lending services to meet the needs of growth oriented business of Small and Medium Farmers by providing larger loans and longer repayment periods; Review interest rates with a view to offering variable rates based on business needs.