MOSHI CO-OPERATIVE UNIVERSITY

RELATIONSHIP LENDING AND CREDIT ACCESS BY SMALL ENTERPRISES IN MOSHI MUNICIPALITY, TANZANIA

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BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS MANAGEMENT OF MOSHI CO-OPERATIVE UNIVERSITY

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DECLARATION AND COPYRIGHT

I, **SANTO KUOT DENG MAWIEN,** declare that this dissertation is my original work and it has not been presented and will not be presented to any other higher learning institution for a similar or any other academic award.

Signature  **Date_____28/11/2023_____**

CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by the Moshi Co-operative University a dissertation titled "***Relationship Lending and Credit Access by Small Enterprises in Moshi Municipality, Tanzania***" in partial fulfilment of the requirements for the award of a degree of Master of Arts in Business Management of Moshi Co-operative University.

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DEDICATION

This dissertation is dedicated to my mother Mrs. Achot Athian Mayen, my father Chief. Deng Mawien Tach and my dear wife Ms. Nyaluak Mading Kuol Yak for their financial and moral support during my studies. Not forgetting uncle. Daniel Deng for his tireless support right from undergraduate to masters level.

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LIST OF ABBREVIATION AND ACRONYMS

GDP: Gross domestic product

OECD: Organisation for economic co-operation and development.

SEs: Small enterprises

TDV: Tanzania Development vision

SMEs: Small and medium-enterprises

SDGs: Sustainable development goals

SACCOS: Saving and credit co-operative organisations

MFI: Microfinance institution

MSME: Micro, small and medium-enterprises

CEOs: Chief executive officers

MOCU: Moshi co-operative university

ABSTRACT

Small enterprises drive economic growth, reduce poverty, and create job opportunities in Tanzania. This study aimed to assess the influence of relationship lending on credit access by small enterprises in Moshi Municipality, Tanzania. The study's objectives were to examine the relationship lending practices by small enterprises, determine the influence of the length of relationship on credit access by small enterprises, and analyse the association between multiple lending relationships and credit access by small enterprises. Data were collected from 290 small enterprises in Moshi Municipality using a cross-sectional research design and a survey questionnaire. Descriptive statistics and logistic regression models were used in data analysis. The study revealed that most small enterprise owners accessed loans from banks once per year with an average repayment period of one to six months. The study also found that the length of the relationship and collateral had a significant and positive influence on small enterprises' credit access (0.596, Wald χ^2 (1) = 5.092, p=0.024; 0.357, Wald χ^2 (1) = 6.851, p=0.009). Borrowing from multiple lenders was also found to have significant positive influence on small enterprises credit access (2.186, Wald χ^2 (1) = 15.393, p= 0.000, while services and size of the firm (-1.749, Wald χ^2 (1) = 9.888, p=0.002; -0.221, Wald χ^2 (1) = 5.481, p=0.019 were found to have significant negative influence on small enterprises credit access.

In conclusion, the length of relationship, collateral, and multiple lending relationships significantly influence small enterprises' credit access. It is recommended that small enterprise owners should stay in close contact with their lenders. The government also needs to increase its spending on credit guarantee programs to improve access to loans for start-up businesses, small enterprises, and individuals without established credit histories.

CHAPTER ONE

1.0. INTRODUCTION

1.1 Background to the Study

Globally, Small enterprises are considered the engine of any nation's economic growth and development. They contribute enormously to achieving key development objectives of nations through job creation, industrialisation, and promoting income equity among others (OECD, 2017). It is recognised that small enterprises in the globe represent 90% of the enterprises (Ramalho *et al.,* 2018). Despite huge economic contributions, small enterprises (SEs) still experience challenges getting timely, low-cost, and sufficient loans (Kiring'a *et al.,* 2021).

Over 70% of all small enterprises in Tanzania struggle to access formal credit, with most of these relying on family and friends for loans (Magembe, 2017). The small enterprises (SEs) sector in Tanzania has the potential to contribute over the current 27% to the GDP (Sitorus, 2017) if the challenge of Access to formal finance is solved. However, private debt markets are unscrupulous in nature, subjecting borrowers to high-interest rates, short repayment periods, and high processing fees. Also, private lenders are mainly profit-driven and care less about helping small enterprises grow through financial and business literacy programs.

This lack of Access to credit is also attributed to information asymmetry because small enterprises are informationally opaque (Nizaeva, *et al.,* 2021). Lenders need help to distinguish good borrowers from bad ones mainly because of information asymmetries and moral hazard risk (Beltrame *et al*., 2022). Unlike large corporations, small firms lack audited financial statements, trade debt or equity, and are generally less transparent, making it challenging for financial institutions to evaluate their creditworthiness (Chirchir and Maina,2017).

Relationship lending has been widely cited to solve such information discrepancies: the firm and the bank enter into a long-term relationship that allows the firm Access to credit (Berger *et al*., 2014; Cosci *et al*.,2016; Cucculelli *et al.*, 2019) and to obtain better loan conditions through the long-term relationship. In exchange, the bank acquires soft information, which is constituted by non-numerical information (such as, for example, strategy, quality of managers or

products, and future business development) that do not appear in purely financial statement analysis.

Relationship lending is a lending technology/method whereby financial institutions gather proprietary information through long-term interactions with borrowers, which they use to evaluate creditworthiness and provide financing, particularly to small and opaque firms (Berger and Udell, 2006). Enterprises with longer lending relationships can acquire loans at ease and at a reduced cost of credit (Beatriz *et al.*, 2018). Although there is no universally accepted definition of relationship lending, the prevalent view is that financial institutions gather confidential information over time through interactions with the firm, its owner, and the local community and use this information to make credit decisions about the firm's availability of finance and terms of credit (Boot, 2000; Berger and Udell, 2002). Conversely, transaction-based lending (or arm's length lending) relies mostly on verifiable and objective information derived from financial statements, credit scoring, or guarantees (Berger and Udell, 2006).

Relationship lending is often employed in small business lending, as highlighted by scholars like Berger (2015). Relationship lending helps to address these issues by allowing financial institutions to gather confidential information over time through interactions with firm owners (Cenni e*t al*.,2015). By utilising this soft information, financial institutions can extend credit to these firms, which might not otherwise be able to obtain it due to information asymmetries. Thus, Relationship lending guarantees the extension of credit facilities by financial institutions to small enterprises (SEs) based on the available confidential information about the borrower that the lender has secured for a long-time using creditor networking (Kiring'a *et al.*,2021).

Developed countries have been found to have used relationship lending technology/methods when lending to small enterprises (SEs). In countries such as the United States, Europe, and China, small enterprises (SEs) have Access to a wide range of credit and lending options (Khan,2015). This is because these countries have well-developed financial systems, which allow businesses to access capital and credit more quickly. Furthermore, large financial institutions and well-

developed banking systems in developed countries provide a reliable source of credit for businesses (Jin and Zhang, 2019). In developing countries, particularly sub-Saharan Africa, the situation is different. Small enterprises have limited Access to capital and credit due to the need for a well-developed financial system (Phuangrod *et al*., 2017). Furthermore, Africa's financial systems are small, shallow, and costly, with limited outreach (Beck and Cull, 2014).

According to Freimer and Gordon (1965) and Stiglitz and Weiss (1981), the Credit Rationing Theory examines small businesses' financing challenges due to information asymmetries. These disparities result in agency issues for lenders, creating difficulties in distinguishing creditworthy borrowers from those who are not. Credit rationing happens when a borrower asks for a specific loan amount but is only granted a smaller sum, as noted by Clemenz (2012). Information asymmetry is a critical determinant in credit rationing as it impacts a borrower's ability to acquire a loan at an agreed interest rate. There needs to be more accurate records; the absence of credit history, poor cash flow, and the need for collateral can all contribute to credit rationing. Research by Chirchir and Maina (2017) indicates that well-established and more prominent firms with good credit histories are less likely to deny loan applications, while risky ventures are more susceptible to credit rationing. Firms providing high-value collateral are also less likely to be subjected to credit rationing. Credit rationing can occur as a single or multiple events. Single credit rationing pertains to a lone incident where a borrower's loan application is denied, while multiple credit rationing denotes repeated loan denials over time. The Credit Rationing Theory suggests that financiers develop long-term relationships with borrowers, leading to an enhanced understanding of the borrower's financial situation and reduced information asymmetries. Therefore, credit rationing is less likely to occur as the financier-borrower relationship strengthens.

The risk of adverse selection can be minimised if accurate information about the business enterprise is collected and analysed over a more extended period. Available research indicates that enterprises with longer lending relationships can easily acquire loans at a reduced credit cost (Beatriz, *et al.,* 2018). Financial institutions that embrace relationship lending depend on soft information about the small enterprises’ qualitative features and personal data on the borrowers. Multiple

lending and length of relationship are the common measures of relationship lending.

The length of the relationship can be determined by how long the lender has offered financial services to the small enterprise (SE). The length of the relationship is positively correlated with information access, which increases the financier's propensity to extend credit and, in turn, the availability of loans to borrowers. Longer-term lending relationships result in easier loan terms and fewer credit restrictions, which raises the firm's value overall (Ekpu, 2015). The borrower's and the lender's interactions regarding different services reflect the nature of the relationship. Information from these relations produces the credit terms for borrowers and the comparative advantage for lenders when making loans. Evaluating the client's deposit account yields information about credit settlement capacity (Mureithi-Ollows, 2017). The number of lending relationships a debtor maintains reveals borrowing concentration. Although a single exclusive association promotes closer ties between the borrower and financier, weaker monitoring makes the borrower riskier as relationships grow. More concentrated borrowing enables small enterprises (SEs) to obtain more credit at a lower risk premium (Lu *et al*., 2020). In Tanzania, for the majority of small enterprises, access to external finance is entirely limited to the private debt markets due to their opaqueness (Mori and Ng'urah,2020).

While there is increasing academic research on relationship lending, (Vaateri, 2017; Degryse, *et al.,* 2021; Kiring'a *et al.,* 2021; Beltrame *et al*., 2022; Beatriz *et al.,* 2022 and Towo *et al.,* 2022), the empirical evidence has been contradictory on whether length of relationship and multiple lending relationship have a negative or positive effect on credit access by small enterprises. Therefore, more studies are required to know about the importance of relationship lending options that solve high levels of information asymmetry. This study aimed to examine the relationship lending practices, determine the influence of length of relationship lending on small enterprises' credit access, and analyse the association between multiple lending relationships and credit access and how they influence Access to credit by small enterprises in Moshi Municipality, Tanzania.

1.2 Statement of the Problem

Small enterprises (SEs) significantly drive economic growth, reduce poverty, and create job opportunities in Tanzania (Asare *et al.*, 2019). However, small enterprises continue to face financing challenges. For instance, in Tanzania, only 30% of all small enterprises have Access to formal credit from financial institutions, while 70% rely on credit from individual money lenders such as friends and family (Magembe, 2017). Responding to the problem, the government of Tanzania has taken several steps to support small enterprises (SEs). These include formulating policies to facilitate Access to finance, establishing microfinance institutions, and providing various incentives and subsidies (World Bank, 2018). Despite these efforts, Tanzania's small enterprises (SEs) still face significant financial struggles (International Trade Centre, 2018). This is mainly due to the limited availability of finance, the high costs associated with accessing credit, and the need for more collateral. As a result, many small enterprises (SEs) in Tanzania can still not access the capital they need to grow and develop. Financial institutions lend to small enterprises but most of them need more collateral and are also faced with information asymmetry (Towo,2022).

One approach to address the problem of Access to loans is relationship lending, which involves building long-term relationships between lenders and borrowers (Boot and Thakor, 2000). Relationship lending improves credit access for small enterprises (SEs) in developed countries (Berger and Udell, 2006)—however, the influence of relationship lending on small enterprises in Tanzania needs to be addressed.

There are different studies on relationship lending (Vaateri, 2017; Mori and Ng'urah, 2020; Kiring'a *et al.*, 2021; and Mehmet, 2023;) though their findings are inconclusive. Kiring'a (2021) studied relationship lending and Access to financial services by SMEs in Kenya. Findings showed that length of relationship and multiple lending relationships positively affect credit access by small enterprises. Mori and Ng'urah (2020) studied the influence of relationship lending on the repayment performance of small and medium-enterprise (SME) credit facilities in Tanzania. They found that the length and depth of the relationship between financial institutions and customers positively and significantly influence repayment performance; Vaateri (2017) studied the effect of relationship lending

on SMEs' credit access in Finland and found that the length of the relationship has a negative effect on credit access by small enterprises. This implies that there are conflicting findings, thus, a knowledge gap. Therefore, this study aimed to assess the influence of relationship lending on credit access by small enterprises in Moshi Municipality, Tanzania.

1.3 Objectives of the Study

1.3.1 General objective

The general objective of this study is to assess the influence of relationship lending on credit access by small enterprises in Moshi Municipality, Tanzania.

1.3.2 Specific objectives

i. To examine the relationship lending practices by small enterprises.
ii. To determine the influence of length of relationship on credit access by small enterprises.
iii. To analyse the association between multiple lending relationships and credit access by small enterprises.

1.4 Research Questions

i. What are the relationship lending practices by small enterprises?
ii. What is the influence of length of relationship lending on credit access by small enterprises?
iii. What is the e association between multiple lending relationships and credit access by small enterprises?

1.5 Significance of the Study

The United Nations (2015) Sustainable Development Goals aim to eliminate global poverty and ensure prosperity for all by 2030. Similarly, these study findings align with United Nations Sustainable Development Goals (SDGs) numbers; 8, 9, 10 and 17 by promoting economic growth, reducing inequalities, and fostering stakeholder partnerships.

The development of small enterprises is also central to achieving Tanzania's long-term development objectives and realisation of high middle-income status by 2025 as postulated by the Tanzania Development Vision (TDV) 2025. However, that cannot be achieved without addressing some of the structural bottlenecks

hindering the growth and development of small enterprises' Access to credit is a major one among other challenges.

Furthermore, small enterprises are key drivers of economic growth in Tanzania, accounting for 40% of employment and 27% to GDP. By promoting relationship lending and credit access, the government can support the growth and success of small enterprises, which can, in turn, drive broader economic growth and development. Small enterprises can also contribute to social development by providing goods and services to local communities, promoting innovation and entrepreneurship, and supporting broader social and environmental goals. Small enterprises that are successful and growing can contribute to government revenues through taxes and other fees. Therefore, this study may contribute to the government's overall economic and financing policies.

To financial institutions, relationship lending and credit access by small enterprises are essential to financial institutions in Tanzania for promoting diversification, growth, relationship building, social impact, and regulatory compliance.

Finally, to small enterprise owners, this study provides valuable information on how to access credit better and build relationships with lenders for easy credit access. In addition, this study may increase Access to credit; for instance, if a small enterprise has a strong relationship with a lender, they may be more likely to receive credit, even if they have a lower credit score or less collateral than other borrowers. Lenders may also offer more favourable loan terms, such as lower interest rates or longer repayment periods, to borrowers with a strong relationship.

To academicians, this study contributes to the existing research on relationship lending. Furthermore, small enterprises' relationship lending and credit access are essential in building knowledge for policy analysis, curriculum development, and professional development.

1.6 Organisation of the Study

This study is organised into five chapters. Chapter one presents the background of the study, statement of the problem, objectives of the study, research questions and the significance of the study. Chapter two presents the literature review, including the definitions of the key terms, theories used, empirical reviews, research gap, and conceptual framework. Chapter three presents the research methodology and how data was analysed. Chapter four presents the findings and discussion obtained from the data analysis. Chapter Five gives a summary of the key findings, conclusion, recommendations, and Limitations of the study.

CHAPTER TWO

2.0. LITERATURE REVIEW

2.1 Definition of the Key Terms

2.1.1 Relationship lending

Relationship lending is a method where the lender and borrower developed long-term relationships. This lending method focuses on the lender getting to know the borrower and their financial situation to make proper decisions about whether to lend them money (Chowdhury and Alam, 2017). This type of lending method also allows for more flexibility in terms of repayment and interest rates, as the lender is more likely to be willing to work with the borrower if they have a good relationship. Relationship lending can benefit both the lender and the borrower, as it allows for a more personal approach to lending (Kaberia and Muathe, 2021). This study adopted the definition by (Chowdhury and Alam, 2017), which states that relationship lending refers to the practice where a financial institution, typically commercial banks, SACCOS, and MFI, develop a long-term and personalised relationship with a borrower (SEs), usually based on mutual trust and repeated interactions. This relationship can lead to more favourable lending terms, increased Access to credit, and a deeper understanding of the borrower's financial situation and creditworthiness.

2.1.2 Credit access

Credit access is the ability to borrow money or access other financial services from financial institutions such as commercial banks, SACCOS, microfinance institutions, and other lenders such as friends and relatives or community members. It is typically granted by a financial institution such as banks, SACCOS, or microfinance institution (Fouejieu *et al.*, 2020). Credit access can be used for various purposes, such as purchasing, consolidating debt, or financing a large purchase (Lu *et al.*, 2020). Repeated borrowing can also be used to build credit history and improve credit scores, which can help individuals qualify for better interest rates and more favourable loan terms. Ultimately, credit access is an important tool for managing finances and achieving financial goals (Mazeri and Saadouni, 2019).

In this study, credit access refers to the ability of small enterprises to obtain financing, typically in the form of loans from financial institutions such as commercial banks, SACCOS, microfinance institutions, and other lenders such as friends and relatives or community members. It also refers to the outcome or result of the interaction between small enterprises and financial institutions, mainly how the presence and strength of a relationship between the two parties influence the small enterprise's ability to obtain loans or credit facilities.

2.1.3 Small enterprises

Many definitions of small enterprises (SEs) are based on indicators such as the number of employees, size of assets, and capital invested. Still, these definitions vary from one geographical location to another. The European Commission (2021) defines small enterprises as businesses with a number of staff and value of assets of fewer than 50 staff and EUR 10 million. According to the Tanzania SMEs Development Policy of 2003, small enterprise is a business with 5-49 employees and capital investment above 5 to 200 million Tanzanian shillings.

Similarly, in this study, small enterprises refer to businesses with fewer employees, such as 5-49 employees, and capital investment above 5 to 200 million Tanzanian shillings (URT, 2003). This study adopts the definition from the Tanzanian SMEs development policy of 2003 because it fits the context of the study.

2.2 Theoretical Review

2.2.1 Credit Rationing Theory

According to Freimer and Gordon (1965) and Stiglitz and Weiss (1981), the Credit Rationing Theory examines small enterprises' financing challenges due to information asymmetries. These discrepancies result in agency issues for lenders, creating difficulties in distinguishing creditworthy borrowers from those who are not. Credit rationing happens when a borrower asks for a specific loan amount but is only granted a smaller sum or denied Access to credit (Clemenz,2012).

Information asymmetry is a critical determinant in credit rationing as it impacts a borrower's ability to acquire a loan at an agreed interest rate. There needs to be more accurate records, the absence of credit history, poor cash flow, and the need for collateral can all contribute to credit rationing.

Research by Chirchir and Maina (2017) indicated that well-established and larger enterprises with good credit histories are less likely to be denied loans, while risky enterprises are more susceptible to credit rationing. Enterprises providing high-value collateral are less likely to be subject to credit rationing. Credit rationing can occur as a single or multiple events. Single credit rationing pertains to a lone incident where a borrower's loan application is denied, while multiple credit rationing denotes repeated loan denials over time. The Credit Rationing Theory suggests that financiers develop long-term relationships with borrowers, improving the borrower's financial situation and reducing information asymmetries. Therefore, credit rationing is less likely to occur as the lender-borrower relationship strengthens.

The strengths of this theory include addressing information asymmetry, explaining lender-borrower relationships, and Offering insights into small business financing challenges.

The weaknesses of this theory are that it assumes all borrowers face credit rationing and may not account for changes in the lending landscape.

Therefore, this study intends to assess whether the length of the relationship and borrowing from multiple lenders positively or negatively influence small enterprises' credit access.

2.3 Empirical Review

2.3.1 Length of relationship and Access to credit by small enterprises.

Civelek (2023) investigated the positive association between the length of the relationship, the closeness of communication, the house bank status, and Access to bank credit. The author collected data using an online questionnaire from 479 SMES in Turkey. Stratified random sampling and purposive sampling were used to select the participants. Binary Logistic Regression was used to analyse data. The results revealed the positive relationships between the variables of relationship lending such as length of relationship, closeness of communication and house bank status. The study is limited in context because it was conducted in developed countries and the results may replicate differently in the local context.

Hussain *et al*. (2021) examined the impact of the bank-borrower relationship on collateral requirements and risk premiums when providing loans. The study used

an exhaustive dataset of business loans from April 2006 to December 2013. The study found that a more extended relationship lowers risk premiums but raises collateral requirements. However, further investigation has shown that more collateral is required by the lender when the relationship is longer, the number of loans is higher, and when the borrower uses more kinds of financing products. They further found that the impact of the relationship on interest rate and collateral differs substantially with the types of lenders and borrowers as well as across different relationship dimensions. The results of this study are limited to particular types of borrowers or financial institutions. Still, this paper used primary data obtained from the respondents directly which reflected their feelings about the subject matter being investigated.

Fanta (2016) studied the complementarity between relationship lending and collateral in Ethiopia's SME Access to bank credit. The study was based on a survey design of 102 manufacturing SMEs drawn from a population of 375 small enterprises in the manufacturing sector. A stratified sampling technique was used and SMEs were selected randomly. Binary logistic regression was used in analysing data. The findings show that relationships do not substitute collateral but rather complement it. A close tie with financial institutions is also believed to lessen collateral requirements and increase small enterprises' Access to credit. The sample of this paper is limited to small enterprises (SEs) in the manufacturing sector only, ignoring small enterprises in other sectors. This study covered all the sectors to determine whether the study brought different results.

Beck *et al.* (2018) examined whether banks' use of relationship lending techniques influences the cyclicality of credit. The authors conducted in-person interviews with bank CEOs to categorise 397 banks across 21 countries as relationship or transactional lenders. Using the geographic coordinates of 14,100 businesses and bank branches, the findings demonstrate that while relationship lending does not cause credit constraints during a credit boom, it does so during a downturn. The authors found that Relationship lending is more advantageous for small, opaque businesses and regions experiencing a more severe economic downturn. Relationship lending does not constitute ever granting loans and lessens the effect of a downturn on firm growth.

Godfroid (2019) focused on factors linked to the relationship between clients and their loan officers in order to analyse client dropout. Using 10 years of data from one microfinance institution with 47,080 observations, the results revealed that Relationship lending in microfinance decreases the probability of clients dropping out, showing the importance of close contacts between loan officers and their clients. The study focused only on microfinance institutions but this study investigated extra financial institutions.

Mori and Ng'urah. (2020) study examined the influence of relationship lending on the repayment performance of SME credit facilities in Tanzania. Sample size was 395 obtained from borrowers of the largest bank in Tanzania. Data for independent variables were collected through administered questionnaires while data for dependent variables were collected from the borrows' records with the bank. Non-probabilistic and purposeful sampling techniques were employed. Data were analysed using descriptive and logit regression models. The results show that the length and depth of the relationship between banks and customers positively and significantly influence repayment performance. In addition, the results also show that the scope of the relationship does not influence repayment performance, while proximity has a negative association with repayment. The paper did not exhaust relationship lending aspects such as multiple bank relationships by small enterprises.

Towo *et al.* (2022) examined the influence of relationship lending on the financial performance of Savings and Credit Co-operative Societies (SACCOS) in Tanzania. A panel data of 460 observations representing 115 SACCOS from Tanzania was used. Descriptive statistics and panel regression models were employed to analyse the data. The results show that the length of the relationship is negatively and significantly related to SACCOS financial performance. The number of relationships has an insignificant effect on financial performance. The study focused on the length and the number of relationships as aspects of relationship lending. The paper is limited in the sense that other aspects of relationship lending were also ignored and the results were limited to SACCOS and not to other small enterprises' sectors.

Regarding interest rates, Brauning and Fecht (2017) investigated the effect of interbank relationship lending on banks' Access to liquidity. The study used payment data to create a panel of unsecured overnight loans between 1079 borrower-lender pairs. The study found that during financial crisis relationships, lenders charged higher interest rates to their borrowers after controlling for other bank-specific factors and general market conditions.

Furthermore, the data show that banks rely on repeated interactions with the same counterparties to trade liquidity. The paper only investigated the effect of relationship lending on Access to liquidity during the financial crisis, but this study investigated the influence of relationship lending on credit access during the normal situation, which has reflected different results.

Erdogan (2019) aimed to identify the firm-level determinants of perceived bank financing accessibility for small enterprises (SEs). Data were obtained from a survey conducted with executives responsible for the financial affairs of 492 small enterprises (SEs). The study's findings affirmed that small enterprises with lengthier banking relationships improved Access to bank loans. The authors also found that multiple banking relationships do not affect the perception of bank financing accessibility. Factors investigated that influence perceptions of bank financing accessibility differ between developed-market small enterprises and emerging-market small enterprises (SEs). Therefore, the results may vary from one geographical location to another.

Rahman *et al.* (2017) explored how the type of bank ownership- local private banks, government-owned banks (public banks), and foreign banks - can affect relationship lending to small enterprises (SEs). The study used a data set collected from 44 commercial banks. The author found that an exclusive relationship with the private banks through repeated use of products and services helps the small enterprises' (SEs) borrowers receive loans with longer maturity and relaxed covenants. They also found that proprietary soft information benefits the banks beyond the complex financial data. The study has very few data sets; thus, the author needed to differentiate between government-owned and foreign banks.

Duarte *et al.* (2017) examined the determinants of business collateral and personal collateral/commitments when small enterprises access credit. The study used a database of banking credit approvals for small and medium-sized enterprises (SMEs) operating in less-developed countries. The findings endorse the importance of producing and sharing private information between lenders to reduce informational asymmetries and, consequently, the need to provide collateral to receive a loan. The results also suggest that market concentration increases lazy behaviour on banks' behalf by asking for collateral not to mitigate observable risk but rather to reduce screening efforts. This paper only investigated the public sector businesses but this study focused on both public and private sector enterprises.

Saifurrahman and Kassim. (2022) studied collateral imposition practices among Islamic banks to serve micro, small and medium-sized enterprise (MSME) clients and explore the experiences and perceptions of MSME entrepreneurs about collateralisation in MSME financing. A case study research strategy was used, and data was collected using interviews by utilising purposive uncontrolled quota sampling. The interview was conducted using semi-structured interview questions. The study found that the collateral provision is indeed an obligatory requirement for small enterprises to access regular financing in an Islamic bank, preferably the immovable type that consists of land and property. The study was limited only to Islamic banks. Therefore, the findings and discussion were only focusing on the Islamic institutions.

2.3.2 Multiple lending relationships and access to credit by small enterprises

Refait-Alexandre and Serve. (2018) analysed the determinants of SMEs' use of multiple banking relationships. The sample size was 94 SMEs and data were collected using questionnaire and data analysed using descriptive and a bivariate probit model. The results indicate that firms' characteristics influence Access to multiple banking relationships. Larger, high-performing, innovative firms are more likely to develop multiple banking relationships. Results further suggest that the power of trust from the perspective of the CEO also influences multiple banking relationships: when the CEO mistrusts the firm's main bank, the firm is more likely to engage in multiple banking relationships. The weakness of the paper is the use

of small samples and other aspects of relationship lending were not covered. Therefore, this study investigated a large sample.

Regarding the number of relationships, a study by Antwi and Ohene-yankyira (2017) investigated the effects of relationship lending on the transaction costs of obtaining credit from financial institutions by maize farmers in Ashanti and Brong Ahafo regions of Ghana. The study received data from 380 farmers in Ghana using surveys. A multistage purposive and randomised sampling technique was used to sample the maize farmers. Descriptive statistics were used to evaluate transaction costs and socio-economic characteristics of the respondents while multiple regression analysis was used to measure the effects of relationship lending on transaction costs of maize farmers when taking credit facilities. The results show that Access to financial information, prompt repayment of loans when they fall due, and investments with banks have the tendency to reduce the transaction cost of obtaining credit by farmers significantly. However, multiple banks increase transaction cost. The paper investigated transaction costs from farmers' perspectives, not small enterprises.

Aristei and Gallo. (2017), the study investigated the main features of the relationships between banks and nonfinancial firms in Italy. The sample size was 2928 firms and data were collected using secondary sources obtained from European firms in a global economy (EFIGE) dataset. Data were analysed using a multivariate probit model. The findings revealed that building strong relationships with the bank through multiple banking increases firms Access to credit. In addition, the results also showed that an increase in length of relationship boosts small enterprise’s credit access. The weakness of this paper is that the study focuses only on non-financial firms in Italy and may not represent the banking industry in other countries or regions. This study included all the sectors.

A study by Vaateri (2017) on the effect of relationship lending on small and medium-sized enterprises' (SMEs') credit access from the companies' point of view. The study used a sample size of 433 SMEs. The results indicated that if informal information had a significant role in the loan decision process, that company was more likely to access credit.

Kiring'a *et al.* (2021) the author investigated the effect of relationship lending on Access to financial services by small and medium enterprises in Kenya. The study used a sample size of 366 SMEs. The study adopted a multistage sampling technique to obtain the small enterprise (SEs) respondents. Primary data was utilised and was acquired through semi structured questionnaires. Data were analysed using descriptive and inferential statistics applying Heckman two-stage regression model. The results revealed that small enterprises (SEs) with long relationships with the bank improved their credit access, firms with multiple banking relationships, and those that build a strong trust with a bank benefit from credit access. The results of this study were based on all small enterprises (SEs) of different sizes but this study focused on small size enterprises only to find out whether the results remained the same.

In the case of multiple lending relationships, Charles and Mori (2017) examined the effects that dynamic incentives and the borrowing histories of clients of informal lending institutions have on loan repayment performance, particularly the extent to which multiple borrowing and progressive lending affect the repayment of loans. The study used a data set of 835 borrowers from an informal lending institution in Tanzania. Descriptive analysis and econometric models were used to test the hypotheses. They Found that loans from many lenders are associated with poor loan repayment by the clients, while progressive borrowing/repeated borrowing is related to optimistic repayment of loans. The study investigated the informal sector of small enterprises. Thus, this study only focused on the formal sector or registered small enterprises.

2.4 Conceptual Framework

The conceptual framework below depicts how the research variables interlinks based on established correlations among the study variables from the literature reviewed. The length of relationship and multiple lending indicators influence the outcome of the loans from financial institutions and the amount that small enterprises can receive from the lenders. The conceptual framework also shows the control variables that mitigates the possible confounding effects.

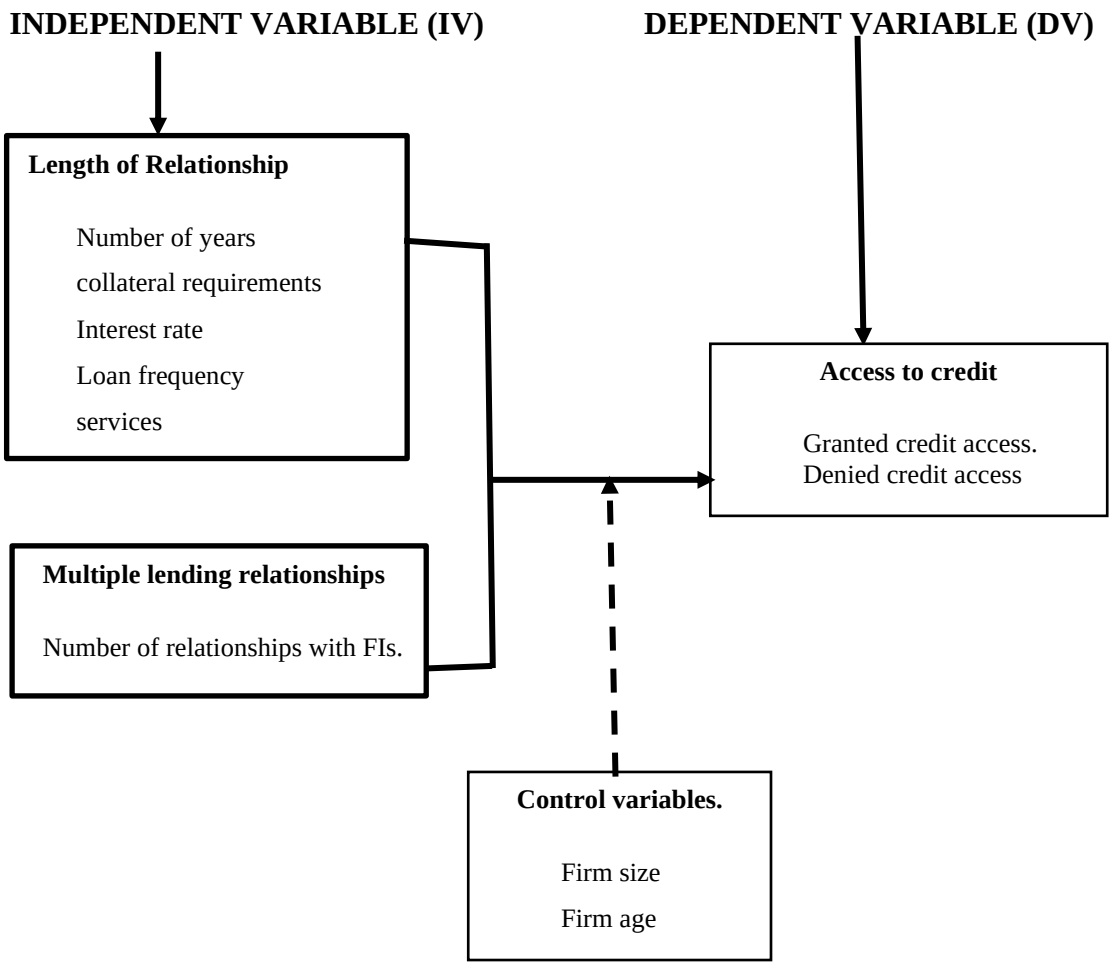

Figure 2. 1 : The Conceptual Framework

Adapted and modified from Kiring'a *et al*. (2021)

CHAPTER THREE

3.0. METHODOLOGY

3.1 Research Design

The study adopted a cross-sectional research design. Cross-sectional research design is a type of research design in which data is collected from a diverse set of individuals, entities, or subjects at a single point in time, allowing for the simultaneous examination of various variables within a specific population (Creswell *et al.,* 2017).

Cross-sectional research design, as described by Sekaran and Bougie (2016) is characterised by several key features. It provides a snapshot of research variables at a specific moment, allowing for the simultaneous exploration and measurement of multiple variables within a given population. This observational approach involves data collection without manipulation or intervention. Unlike longitudinal studies, cross-sectional research utilises a new set of participants for each data collection, making it suitable for examining different cohorts or groups within a predetermined and fixed time frame. This design facilitates comparative analysis across diverse categories, optimising the allocation of resources when time is limited. Furthermore, cross-sectional studies enable scholars to conduct a multifaceted examination of relationships by focusing on one or more independent variables and assessing their impact on one or more dependent variables Sekaran & Bougie, (2016).

This design enabled the collection of adequate data in terms of quality and quantity that were enough to answer the intended research questions.

This study used a quantitative approach. This approach allows for a broader study, involving more subjects, and enhancing the generalisation of the results while allowing for greater objectivity and accuracy of results (Longman, 2011). Furthermore, in this particular study, the quantitative approach was utilised to analyse statistical data. The study used a quantitative research approach by collecting and analysing the numerical data. In this study, therefore, cross-sectional research design was used to collect quantitative data on the influence of

relationship lending on credit access by small enterprises. The data were analysed using descriptive and logistic regression model.

3.2 Geographical Coverage

The study was conducted in the Moshi Municipality Kilimanjaro Region, in the North-Eastern part of Tanzania. The Municipality lies between the coordinates 3° 20' 5.5788" South and 37° 20' 25.3752" East. Moshi Municipality is among the seven districts of Kilimanjaro Region; it is located at the centre of the region, bordered by Moshi rural and Hai districts. Moshi Municipality is an administrative district divided into 21 wards and 60 hamlets and it covers an area of 58 km². Furthermore, statistics from the census of 2022 show that Moshi Municipality has a population of 157 938 people (URT, 2022).

Moshi municipality was purposely selected because it has a substantial number of small enterprises that range from service industries, agriculture, manufacturing, services, and others yet 70% of these small enterprises struggle to access formal financing from banks and microfinance institutions (Moshi Municipal Council Report, 2020). Moshi is also home to several formal financial institutions including commercial banks, SACCOS, and Microfinance institutions. The existence of financial institutions can provide insights into the various sources of credit available to small enterprises and how relationships with lenders influence Access to credit from these sources. Moshi Municipality was also selected as the study area because it offers a suitable context for studying the influence of relationship lending on credit access by small enterprises due to its economic diversity, presence of various financial institutions, potential unique local factors, policy relevance, data availability, and the potential for generalizability to broader contexts.

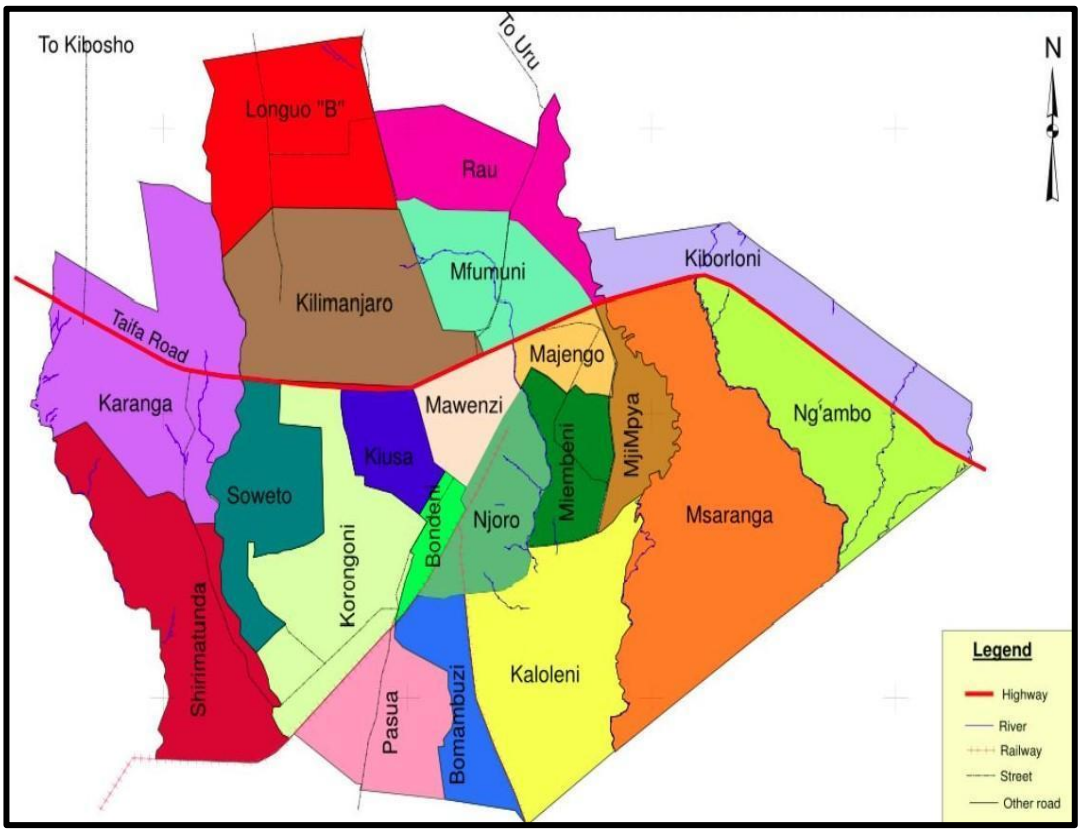

Figure 2. 2 : Moshi administrative map of the boundaries of the town and its 21 wards

3.3 Population, Sample and Sampling Strategies

3.3.1 Population

The target population for this study included all small enterprises in Moshi Municipality in different sectors. The Municipality has 2,630 small enterprises (Moshi Municipal Council Report, 2021). Hence the target population was 2,630 small enterprises. The unit of observation was small enterprises managers or owners and the unit of analysis was small enterprises (SEs). This was done to get mixed views from these enterprises that eventually helped enrich the study, given their varied experiences in dealing with businesses in this area.

3.3.2 Sample size

The study used Yamane **(**1967) formula to determine the study's sample size. This formula was adopted because there was a finite and known population size of 2,630 small enterprises. In addition, the formula has a very high accuracy level,

providing only a 5% margin of error. As such the sample size of the study under Yamane (1967) formula was 347 Small enterprises as calculated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where, N= Total Population

n=sample size

e= Margin of error

n = 2630 / (1 + 2630 * (0.05) ^2)

n= 347 Respondents

3.3.3 Sampling Strategies

Proportionate Stratified Random Sampling is a probability sampling method in which strata in a population are identified. The number of elements drawn from each stratum is proportionate to the relative number of elements in each stratum. It also involves taking random samples from stratified groups, in proportion to the population. This technique ensured equal representation of small enterprises from different categories in the sample size. This was because small enterprises fall under various categories. Applying proportionate Stratified Random Sampling allowed for an equal representation of each category of small enterprises in the sample size, ensuring that the sample accurately reflects the overall population (Xu *et al.*, 2020). The small enterprises were categorised into service industries, merchandise industries, garment and textiles industries, manufacturing industries, and agricultural industries. The respondents of the study were obtained as follow:

Step 1: The target population/sampling frame was 2,630 small enterprises.

Step 2: The small enterprises obtained in step 1 were then categorised into service industries, merchandise industries, garment and textiles industries, manufacturing industries, and agricultural industries.

Step 3: From step 2 above, each category was assigned an estimated population size as proportionate sampling assumed that the category should be set according to the expected number of respondents in each category, from the one with the largest population to the smallest. In this case,2,630 small enterprises were assigned as follows;

Service industries(N) 800

Merchandise industries(N) 600

Garment and textiles industries(N) 500

Manufacturing industries(N) 430

Agricultural industries(N) 300

Step 4: The sample size for each category was calculated as follows:

Category A: Service industries were calculated by the allocated population/overall population multiplied by sample size in step 4. which is 800/2,630*347 106 respondents from service industries.

Category B: Merchandise industries 600/2,630*347 79 respondents

Category C: Garment and textiles industries 500/2,630*347 66 respondents

Category D: Manufacturing industries 430/2,630*347 57 respondents

Category E**:** Agricultural industries 300/2,630*347 39 respondents

Afterwards, Simple Random Sampling was used to select the study participants. Simple Random Sampling guaranteed an equal chance of participation thus ensuring that the sample is representative and unbiased.

Table 3.1 shows the distribution of the sample which was 79 merchandise industries, 106 service industries**,** 57 manufacturing industries, 66 garment and textiles, and 39 Agricultural industries.

Table 3. 1 : Proportionate Sampling Matrix

Strata (SEs)	**Population size**	**Percentage**	**Stratified Sample size**
Service firms (accommodations, restaurants)	800	0.3042	106
Merchandise industries	600	0.2281	79
Garment and textiles firms	500	0.1901	66
Manufacturing industries	430	0.1635	57
Agricultural industries	300	0.1141	39
Total population(N)	**2630**	**1.00**	**347**

3.4 Data and Data Collection Methods

3.4.1 Types of data

The study used quantitative data from 290 small enterprises' owners or managers in Moshi Municipality.

3.4.2 Sources of data

The study utilised only primary sources of data to gather information about the research topic. Primary data were collected directly from the study respondents, which was considered more credible as it was collected specifically for the study at hand. Primary data were collected to obtain information that is fresh from the sources and also to get correct information on what was happening at that particular time. Primary data was collected from the respondents through a questionnaire.

This data provided valuable information on the participants' attitudes, beliefs and experiences. They helped to determine the role of relationship lending practices on credit access, to assess the Influence of length of relationship lending on credit access and to analyse the association between multiple lending relationships and credit access by small enterprises in Moshi Municipality.

3.5 Data Collection Techniques

3.5.1 Questionnaire

The questionnaire was used to collect data in the study. Using a questionnaire was appropriate in this study as it allowed data collection from a large sample of participants in a cost-effective and time-efficient manner. The questionnaire was administered to small enterprise owners/managers and elicited their attitudes, beliefs and experiences related to the research problem. Moreover, using a questionnaire allowed confidentiality and anonymity, encouraging honest and accurate responses from the participants. The addresses of the respondents were randomly selected from the list of small enterprises in Moshi municipality and a questionnaire was distributed by the scholar in-person and guided respondents on how to fill them and immediately collected after completion. An appointment was made before proceeding to dispatch the questionnaire where they filled them and later collected on completion.

3.6 Validity and Reliability of Data

3.6.1. Data validity

Validity is the extent to which the instrument measures what it is supposed to measure (Garg and Kothari 2019). Thus, it was ensured that research instruments

were valid before the actual collection of data in the field. Validity of the questionnaire was ensured through content validation by the use of two research experts. After preparing the instruments, the instruments were given to two experts in research from Moshi Co-operative University who were asked to check the content and relevance of the items in addressing the research questions. These experts examined language clarity and suggested necessary modifications to improve the instruments. Their suggestions were incorporated in improving the validity of instruments. Also, these research experts critically examined the items if they present the content being measured, language clarity and ambiguities of the tools were also checked (Okendo et al., 2020).

Further, questionnaires were translated into Kiswahili for easy understanding by the respondents.

3.6.2. Data reliability

Kothari (2019) defines reliability as the ability of an instrument to measure something it intends to measure and produce consistent results. For consistency of response with the questions posed to the respondents in a particular field of study, the reliability of data goes with measuring instruments. The reliability of the questionnaire was established by using Cronbach's Alpha coefficient with the aid of Statistical Package for Social Science (SPSS) version 25. The coefficient between 0.7 and 0.8 is acceptable (Creswell, 2014). The calculated reliability coefficient found in the questionnaire was 0. 745. Therefore, there is internal consistency of data. It was ensured that the data obtained were essential and reliable for achieving the research objectives. Hence, the questionnaire was reliable and acceptable for collecting data on the influence of relationship lending on credit access by small enterprises in Moshi Municipality.

Table 3. 2 : Reliability test output

Variable	Cronbach's Alpha	No of Items
Length of relationship	0.648	7
Collateral	0.820	7
Services	0.766	12
Average	**0.745**	

3.7. Data Analysis

Quantitative data from the questionnaires were categorised and coded for analysis. Data were entered into Statistical Package for Social Sciences (SPSS) version 25 for analysis. The Statistical Package for Social Sciences (SPSS) was used to run descriptive analysis to produce frequency distribution tables and percentages on graphs based on various characteristics of the respondents. Objective two and three on determining the Influence of length of relationship lending on credit access and analysing the association between multiple lending relationship and credit access were analysed using logistic regression model A Pearson correlation analysis was performed to determine the correlation coefficients among the following independent variables; age of the firm, size of the firm, length of relationship, loan frequency, services and collateral as well as credit access.

To analyse these objectives, a logistic regression model was employed, it is a statistical technique ideally suited for assessing the relationship between independent variables and a binary/dichotomous dependent variable. In this case, the independent variable is length of relationship, while the dependent variable is credit access (typically coded as **0** for denied credit access and **1** if granted credit access). The logistic regression model is particularly suitable for this research objective.

Furthermore, this model also allows for the following: Logistic regression can accommodate continuous, categorical, and dichotomous predictor variables, making it flexible for analysing the length of the relationship.

Assessing Probability: Logistic regression also allows us to estimate the probability of credit access based on the length of the borrower-lender relationship. By calculating odds ratios, we can determine how the odds of approval change with each unit change in relationship length.

Controlling for Confounders; Logistic regression permits the inclusion of control variables to account for other factors that might influence credit access, such as size of the firm, and age of the firm. This enables us to isolate the specific effect of length of relationship on credit access.

Interpretability; Logistic regression provides interpretable results, such as odds ratios and confidence intervals, which help understand the practical significance of the relationship between length of relationship and credit access.

Lastly, choosing a logistic regression model aligns with this objective, which seeks to determine how the length of the relationship affects the likelihood of credit access for small enterprises. By employing this statistical technique, we can gain valuable insights into the Influence of length of relationship in shaping the financing opportunities available to small enterprises, thus contributing to a better understanding of the financial dynamics in the small enterprise sector.

3.8. Analysis and Model Specification

Descriptive statistics was used to analyse relationship lending practices by small enterprises. Logistic regression model for objective two which is to determine the Influence of length of relationship lending on credit access by small enterprises.

For objective two Influence of length of relationship lending on credit access, logistic regression was used because the objective had a number of independent variables such as length of relationship, loan frequency, collateral, and services against one dependent variable, credit access.

Further credit access was coded as 1 if the small enterprise was granted access to credit and 0 if the small enterprise was denied access to credit. Because the dependent variable is categorical, the factors that affect perceived credit access were analysed with the following binary logistic regression model.

The empirical model was modified from previous relationship lending empirical studies. Specifically, the equation to estimate the Influence of the length of relationship lenders on credit access by small enterprises is expressed as follows:

$$Logit\ (P\ A, 1 - P\ A, i) = \beta 0\ +\ \beta 1 LRi\ + \beta 2 LFi + \beta 3\ Servicesi + \beta 4\ CollateralI + \beta 5 sizei\ +\ \Sigma i$$

Where P A, i is the probability of a firm that was granted credit access for participant i, and 1-P A, i is the probability of a firm that was denied credit access for participant i.

Among the independent variables;
LR represents years partnering with lender
LF represents loan frequency
Service represent service offered by lender
collateral represents collateral required by the lenders.
size represent firm size measured by the number of employees, and εi error term.

The assumptions of the logistic regression model were observed. Therefore, following sample size assumptions, the research checked the number of cases (sample size) to ensure adequate sample size. A minimum of 50 cases per predictor is recommended (Field,2013). In this case the requirements of this assumption since sample size was adequate. Multicollinearity, the assumption was tested to ensure the predictors were not highly correlated and lastly, the outliers were checked to ensure data accuracy.

The third objective, association between multiple lending relationships and credit access by small enterprises., the study also adopted logistic regression model. The model was used to estimate the probability of the binary response based on the length of relationship, loan frequency, services/scope, multiple lender relationship, collateral, firm age, and size. In this case the study tested how the outcome of the loan's applications (credit access) is affected when one independent variable is varied, while keeping the other independent variables constant.

The dummy variable credit access was coded as 1 if the small enterprise was granted access to credit and 0 if the small enterprise was denied access to credit. Because the dependent variable is categorical, the factors affecting perceived credit access were analysed using the following binary logistic regression model.

The empirical model was modified from previous relationship-lending empirical studies
Specifically, the equation to estimate the association between multiple lending relationships and credit access by small enterprises is expressed as follows:

$$Logit(P\ A, i, 1 - P\ A, i) = \beta 0\ +\ \beta 1MULTi\ + \beta 2LFi + \beta 3\ Services + \beta 4\ CollateralI + \beta 5sizei + Age\ +\ \mathcal{E}i$$

Where P A, *i* is the probability of a firm that borrowed from many lenders for participant i, and 1-P A, *i* is the probability of a firm that didn't borrow from many lenders for participant *i.*

Among the independent variables;
MULT represents number of firms that borrowed from multiple lenders
LF represents loan frequency
Service represent service offered by lender
Collateral represents collateral required by the lenders.
Size represents firm size that was measured by the number of employees.
Age represents firm age and $\mathcal{E}i$ error term.

3.9 Operational Definition of Variables and Measurements

3.9.1 Dependent variable

The dependent variable is credit access defined as a binary variable equal to 1 if the borrower grants access to credit, and zero (0) if denied access to credit. The data for this variable was obtained from the respondents. Since the answers to this question are binary (dichotomous), the study also performed Binary Logistic Regression tests.

3.9.2 Independent Variables

The independent variables were the relationship dimensions of length, collateral, services provided, interest rate, and loan frequency, all measured using different questions regarding frequencies and times. The data for independent variables were obtained from the primary sources using questionnaires administered to small enterprises (SEs) owners/managers. To measure relationship lending, the study used two main indicators: the length of the relationship and the multiple lending relationships (Gersl and Jakubık, 2011; Fiordelisi *et al*., 2014; Gobbi and Sette, 2014).

The length of the relationship in this study was defined as the number of years the small enterprise has been borrowing from financial institutions.

Multiple lending relationships were measured by the number of financial institutions (FIs) that are lending to small enterprises (Towo e*t al*.2022).

Furthermore, the study also used other independent variables including collateral, loan frequency, and services.

Collateral was measured in terms of physical assets or alternative collateral that was required by the lenders**.** small enterprises were asked Whether they were required collateral or not (coded 1 if required and 0 if not required).

Loan frequency this was measured in terms of times/frequency a small enterprise borrowed from the lenders**.**

Services referred to services provided by the lenders as a result of relationship lending or closeness with the lenders**.**

3.9.3 Control variables

The study included firm age and size as control variables that could influence the relationship between relationship lending and credit access by small enterprises, representing information about the small enterprises in terms of their current state and size. The size and age of the firm were used in this study as proxies on how much information is available about the firm, and how the firm can benefit from relationship lending.

The study measured firm age in terms of years small enterprises have been in operation.

The firm size was measured by the number of employees in the firm. The assumption was that the bigger the firm is, the harder information is available. Thus, larger firms prepare financial statements. In the context of Tanzania SMEs development policy of 2003, small enterprises are categorised by the number of employees ranging from 5-49 employees which is the measurement of the firm size in this study.

Table 3. 3 : Definitions and Measurements of the Variables

Variable	Definition/Measurement
Dependent variables:	
Access to credit	1 Granted access to credit 0 Deny access to credit
Independent variables:	
Multiple lending relationships.	Number of relationships SE has with other FIs
Number of financial institutions.	Total number of FIs lending to small enterprises.
Borrowing conditions	Whether the loans term have been favourable or not (coded 1 if favourable and 0 if not.
Length of relationship	Number of years SEs has been in a relationship with FIs
Loan frequency	Number of times accessing loan
Services	This was measured in terms of number of different services that the SEs are accessing from the FIs
Interest rates	The interest amount charged on borrowing.
Collateral requirements	Whether the SE is required for collateral or not coded 1 if required and 0 if not required.
Control variables:	
Firm age	Number of years since start-up of SEs.
Size of the firm	Number of total employees by SEs.

3.9.4 Correlations of study variables

Pearson correlation coefficient was used to determine the strength and nature of association between the dependent and independent variables. As indicated in table 3.4, some variables exhibited weak but negative and statistically significant correlation namely size of the firm (r=-0.141, p <0.05). This suggests that the one variable significantly and negatively affects small enterprises credit access. Other variables length of relationship (r= -0.113, p>0.05), loan frequency (r=0.019, p>0.05), services (r=0.048, p>0.05), and collateral (r=-0.018, p>0.05) show no significant relationship between them and the dependent variable. This implies that these variables do not affect small enterprises credit access.

Table 3. 4 : Correlation Analysis of Study Variables

	Credit Access	Size of the firm	Length of relationship	Loan frequency	Services	Collateral
Credit Access	1					
	290					
Age of the firm	0.077	1				
	0.192					
Size of the firm	-0.141*	1				
	0.017					
	290	290				
Length of	0.113	0.023	1			
relationship	0.055	0.697				
	290	290	290			
Loan frequency	0.019	0.021	0.096	1		
	0.754	0.729	0.106			
	290	290	290	290		
Services	0.048	0.039	0.009	-0.177**	1	
	0.417	0.507	0.883	0.003		
	290	290	290	290	290	
Collateral	0.018	-0.081	-0.003	-0.006	0.165**	1
	0.764	0.172	0.961	0.916	0.005	
	290	290	290	290	290	290

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

3.9.5 Test for multicollinearity

Variance Inflation Factor (VIF) which identifies the degree of correlation between predictor variables (Mishra *et al*., 2019) was used to test for multicollinearity between independent variables. Multicollinearity is not considered a problem if VIF is between 1 and 10 (Mertler *et al*., 2021). However, multicollinearity exists if VIF is less than 1 or greater than 10 (Mertler *et al.,* 2021). According to results shown in table 3.5 the study is completely free from multicollinearity problem since VIF are between 1 and 2.

Table 3. 5 : Multicollinearity Statistics

Variable	Tolerance	VIF
Length of relationship	0.990	1.010
Loan frequency	0.958	1.044
Service	0.938	1.066
Collateral	0.964	1.037
Size of the firm	0.989	1.011

3.9.6 Test for linearity

The researcher used the Box-Tidwell test to test linearity of continuous independent variables of services and collateral. The Box-Tidwell test is a statistical test that assesses the linearity assumption by introducing a transformation of the predictor variable into the logistic regression model. If the transformed variable is statistically significant, it suggests a departure from linearity.

According to results shown in table 3.5, Box-Tidwell test does not yield a statistically significant result of log-odds of services and collateral, it implies that the relationship between the predictor variable and the log-odds of the outcome variable can be effectively modelled using a linear relationship. This suggests that the assumption of linearity is supported, and the linear relationship adequately represents the association between the predictors and the log-odds.

Table 3. 6 : Box-Tidwell Test for Linearity

	B	**S.E.**	**Wald**	**Sig.**	**Exp(B)**	**95% C.I. for EXP(B)**	
						Lower	**Upper**
Length of relationship	0.544	0.492	1.223	0.269	1.723	0.657	4.516
Loan frequency	0.018	0.175	0.011	0.916	1.019	0.723	1.435
Services	0.946	0.835	1.285	0.257	2.576	0.502	13.233
Collateral	2.226	1.750	1.618	0.203	9.263	0.300	285.999
Size of the firm	-1.099	0.527	4.350	0.037	0.333	0.119	0.936
Age of the firm	0.133	0.679	0.039	0.844	1.143	0.302	4.322
LN_Services by Services	**-0.375**	**0.373**	**1.011**	**0.315**	**0.687**	**0.331**	**1.428**
LN_Collateral by Collateral	**-1.087**	**0.842**	**1.667**	**0.197**	**0.337**	**0.065**	**1.756**
Constant	-1.536	2.548	0.363	0.547	0.215		

3.9.7 Test for outliers

Testing for outliers in logistic regression is crucial because outliers can substantially impact model estimation, violate assumptions of linearity, affect model fit and prediction accuracy, act as influential observations, and indicate potential data quality issues. By identifying and addressing outliers, researchers obtained more accurate parameter estimates, ensured model assumptions are met, improved the model's fit and predictive ability, assessed the Influence of individual observations, and enhanced the overall integrity of the study's findings. Outliers

are not considered a problem if Normalised residuals are below absolute value of 2 (Mertler et al., 2021).

However, if there are any data points in the dataset that have values greater than or less than 2.0 (in absolute terms); it suggests the presence of outliers in the dataset. According to results shown in **appendix VI** the study is completely free from outlier's problem since normalised residuals were below the absolute value of 2.0 which serves as a threshold for identifying potential outliers.

3.10. Ethical Considerations

Ethical consideration in the research helped to understand the set of principles that guide practices during the actual study; this includes informed consent, anonymity, confidentiality, and results in communication. In this study, the following ethical issues were observed;

Research permit: Before actual data collection, a letter was obtained from the Directorate of Postgraduates Studies at Moshi Co-operative University and presented to the Regional administrative secretary (RAS), which approved the Moshi municipal council, which later released the research permit for data collection.

Informed consent of respondents: Before gathering or recording data, information was provided to respondents about the purpose of the study. Those willing to participate in the study were given a questionnaire that represented their voluntary agreement to participate in the study and continue to provide information on the subjects of interest.

Confidentiality and Anonymity: During data collection, names of the respondents were not revealed. If necessary, pseudonyms were used in place of respondents' real names.

Avoiding Plagiarism: Intellectual property rights were observed as previous literatures used under this study were adequately cited and acknowledged. Also, MOCU research guidelines were adhered to when writing this report.

Data fabrication and falsification: To uphold ethical standards and prevent data fabrication and falsification, the researcher adhered to rigorous data collection, analysis, and reporting practices by detailing the methods, instruments, and

protocols used, as well as ensuring proper documentation of any modifications or adjustments made during the data collection process. The researcher also prioritised transparency, replication, and open data practices by clearly describing the research design, methods, and data analysis techniques employed to promote accountability and maintain the integrity of the research enterprise.

Data Management and Storage: Researcher implemented robust data management practices to ensure collected data's security, integrity, and traceability. Data was securely stored, backed up, and appropriately protected to prevent unauthorised access or tampering. Researchers maintained comprehensive records of their data collection, storage, and analysis processes.

CHAPTER FOUR

4.0. FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data obtained from the field. The chapter begins by giving the instruments' return rate and respondents' demographic characteristics. The second part of this chapter presents the findings and the discussion organised according to the study's research objectives.

4.2 Response Rate

This section indicates the instruments' response rate. The aim was to see whether the number of responses was enough to meet the study requirements. Since the response rate depends on how the instruments were written, the questionnaire was translated into Kiswahili language for easy understanding by the respondents. The study used a total sample size of 347 respondents, which included 79 merchandise industries, 106 service industries, 57 manufacturing industries, 66 garment and textiles industries, and 39 Agricultural industries. Out of this number, 290 questionnaires were fully filled and returned.

Table 4. 1 : Response Rate (n=290)

Category	Expected	Returned	Response rate (%)
Service industries	106	103	83.6
Merchandise industries	79	65	
Garment and textiles industries	66	44	
Manufacturing industries	57	43	
Agricultural industries	39	35	
Total	347	290	

Table 4.1 shows that the targeted respondents were 347; out of these, 290 questionnaires were filled and returned by the respondents, accounting for 83.6% response rate. According to Baruch & Holtom, (2008), a response rate of above 50% is acceptable for self-administered questionnaires. Therefore, the response rate of 83.6% in the current study was quite reasonable and excellent for analysis and reporting the findings Mugenda and Mugenda, (2013). The higher response rate was due to the respondents' willingness to participate in the study.

4.3 Background Information of the Respondents

Background information of the respondents is essential in understanding certain background information of the research participants. The background information of the respondents who took part in the study were captured. The information pertaining to the; type of business, age of the firm and size of the firm. The background information of respondents is presented in Table 4.2

Table 4. 2 : Background Information of Respondents (n=290)

Variable	Count	Percent
Type of Business		
Service industries	103	35.5
Merchandise industries	52	17.9
Garment and textiles industries	43	14.8
Manufacturing industries	57	19.7
Agricultural industries	35	12.1
Age of the Firm		
1-10 Years	221	76.2
11-20 Years	67	23.1
Above 20 Years	2	0.7
Size of the firm		
5-10	248	85.5
Above 10	42	14.5

Results in Table 4.2 indicate that 35.5% of small enterprises were service industries. Service industries in this case included accommodations, and restaurants. It was found that, 19.7% of small enterprises were manufacturing industries while 17.9% of small enterprises were merchandise industries which had clothing stores, drug stores and grocery stores which sell goods like bread, milk, eggs, rice as well as toothpaste and employ tactics such as special offers and good display to attract customers which ensuring customers return for their daily or weekly essentials. Furthermore, it was found that 14.8% of small enterprises were garment and textiles industries. Garment and textiles industries included shops selling clothes buttons, zippers, knitting supplies, sewing machines and threads, laces, looms and drapery hardware. It was also found that 12.1% of small enterprises were agricultural industries that deal with vegetable products and fruits.

For the case of age of the firm, majority of small enterprises (76.2%) were aged between 1 to 10 years, 23.1% were aged between 11 to 20 years and only 0.7% of small enterprises were aged above 20 years which implies they possibly stayed in business and cooperate with the lender for a longer period. The study also focused

on the size of the firm. Table 4.2 shows the participants' distribution by number of employees. Data shows that a large proportion (85.5%) of participants constituted 5 to 10 number of employees while 14.5% had more than 10 numbers of employees implying that small enterprises were under the target category as defined by (SME Development Policy, 2003). According to SMEs development policy (2003) small enterprises are mostly formalised undertakings engaging between 5 and 49 employees.

4.4 Relationship lending Practices by small enterprises

The study sought to determine the relationship lending practices by small enterprises. The study examined relationship lending practices in four categories, including lender type, frequency of accessing loan, type of services provided by lender and collateral requirement.

4.4.1 Small enterprises access to credit from different lenders

The results in figure 4.1 shows how small enterprises borrowed from different lenders. Results in Figure 4.1 show that 43.1% of small enterprises owners get credit access from banks, banks in this study referred to commercial banks that lend to small enterprises. According to the respondents, commercial banks lend small and large amounts of money to their clients and most of the time require collateral. 31.4% get credit access from SACCOS, which lend to their clients based on the shares held by the members. 23.8% got loans from Microfinance Institutions (MFI), which included NGOs microfinance companies established to support business development and community empowerment, especially owners of small business entities (microfinance act, 2018). 1.7% obtained credit from other types of lenders such as friends, community members/ Villagers, and relatives. This implies that most small enterprises owners accessed loans from banks followed by SACCOS and Microfinance Institutions. This could be due to the low interest rate charged by the bank compared to other sources of credit. Also, the repayment process of banks is simple compared to SACCOS and Microfinance Institutions. This is particularly because of the relationship lending which banks build trust to their clients. This also suggests that relationship lending is crucial for small enterprises in overcoming credit denial rates.

These findings concur with Beltrame *et al*. (2022) who reported that relationship lending techniques lead to improved access to finance for firms that engage in bank-firm relationships. He also found that proactive, autonomous and competitive dimensions are embedded in lender–borrower relationships when a relationship lending technology is employed, leading to a reduction of credit constraints for enterprises.

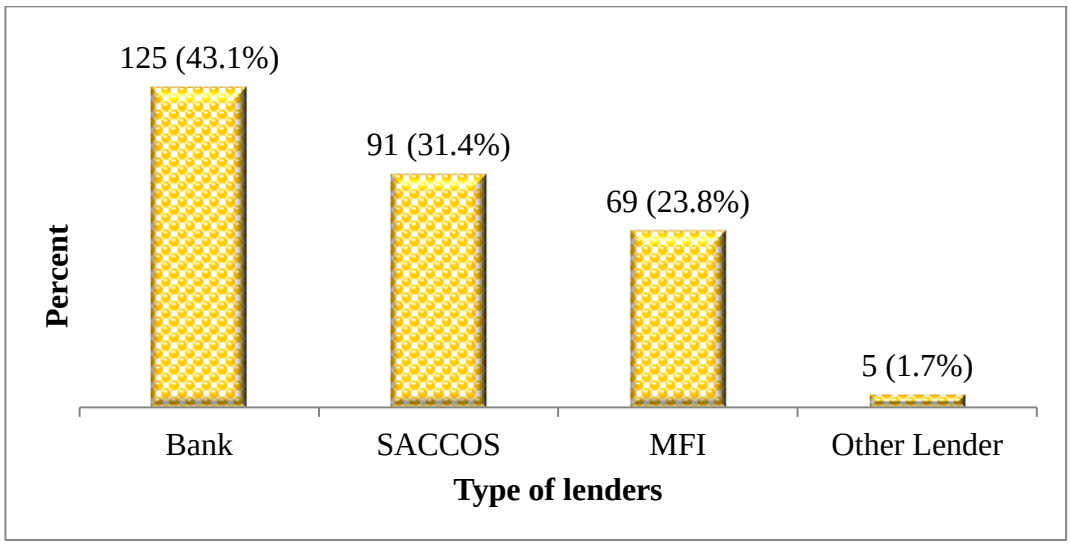

Figure 4.1 : Small enterprises have access to credit from different lenders.

4.4.2 Access to credit by different types of small enterprises from lenders.

The study sought to determine how different types of small enterprises access credit from different lenders. Table 4.3 presents how different small enterprises access credit from different lenders.

Table 4. 3 : Access to credit by different types of small enterprises from lenders.

Type of Business	Lender Type				Total
	Bank	SACCOS	MFI	Other Lender	
Service industries	30 (29.1%)	35 (34.0%)	35 (34.0%)	3 (2.9%)	103
Merchandise industries	35 (67.3%)	11 (21.2%)	5 (9.6%)	1 (1.9%)	52
Garment and textiles industries	14 (32.6%)	16 (37.2%)	13 (30.2%)	-	43
Manufacturing industries	34 (59.6%)	15 (26.3%)	8 (14.0%)	-	57
Agricultural industries	12 (34.3%)	14 (40.0%)	8 (22.9%)	1 (2.9%)	35

Findings in Table 4.3 above show that 34% of service industries accessed credit from SACCOS and MFI respectively while 29.1% get credit access from banks and 2.9% from other sources of lenders. The findings also indicated that the majority (67.3%) of merchandise industries access credit from banks compared to 21.2% from SACCOS, 9.6% from MFI and 1.9% from other lenders. The findings suggest that small enterprises that had a bank loan are more profitable, have higher capital, are older, possess more fixed assets, and have a longer relationship with their bank.

Meanwhile, in the garment and textiles industries small enterprises 37.2% got credit access from SACCOS, 32.6% were getting credit from banks and 30.2% were provided credit by MFI. For the case of manufacturing industries, most of small enterprises (59.6%) reported that they get credit access from bank, 26.3% from SACCOS and 14% from MFI while for agricultural industries, 40% of small enterprises were getting loan from SACCOS, 34.3% from bank, 22.9% from MFI and few (2.9%) from other lenders. This suggests that merchandise and manufacturing industries (67.3% and 59.6% respectively) have the highest percentage borrowing from banks. This could be because merchandise industries require working capital frequently to finance their daily operation while manufacturing industries are capital intensive and thus, they need much money for example to buy machines. Also manufacturing industries require a long-term repayment period in which SACCOS and MFI might not be able to finance such businesses because they need a large capital. In addition, merchandise and manufacturing industries preferred banks because they are more specialised with branch networks and hence making payment easy in case of international purchase of machines because the banks have swift code.

These loans also attract collateral by lenders as they are considered risky. This implies that relationship lending can only complement collateral rather than substituting it. These findings collaborate with the findings of Fanta (2016) who found that relationships with lenders do not substitute collateral requirements rather complement them. A close tie with financial institutions is also believed to lessen collateral requirements to some extent and increase small enterprises' access to credit. On the other hand, service and garment industries have 34% and 37.2%

borrowed from SACCOS. This implies that garment and service industries are small scale businesses that do not require frequent borrowing; hence, when accessing loans, they are not required collateral or sometimes they require minimal collateral. Therefore, this coincided with the findings of Kiring'a *et al.,* (2021) who found that small enterprises (SEs) with long relationships with the bank improved their credit access with less collateral requirement.

Finally, Agricultural industries constitute 40% that also accessed credit from SACCOS. This could be because agricultural businesses are seasonal and may not require borrowing from banks because some enterprises belong to Agricultural cooperatives that can lend them money for the specific time they need for investments.

4.4.3 Frequency of Small Enterprises in Accessing Loan from Lenders.

The study wanted to determine the frequency of accessing loans by small enterprises. Figure 4.2 shows the frequencies of small enterprises accessing loans from different lenders.

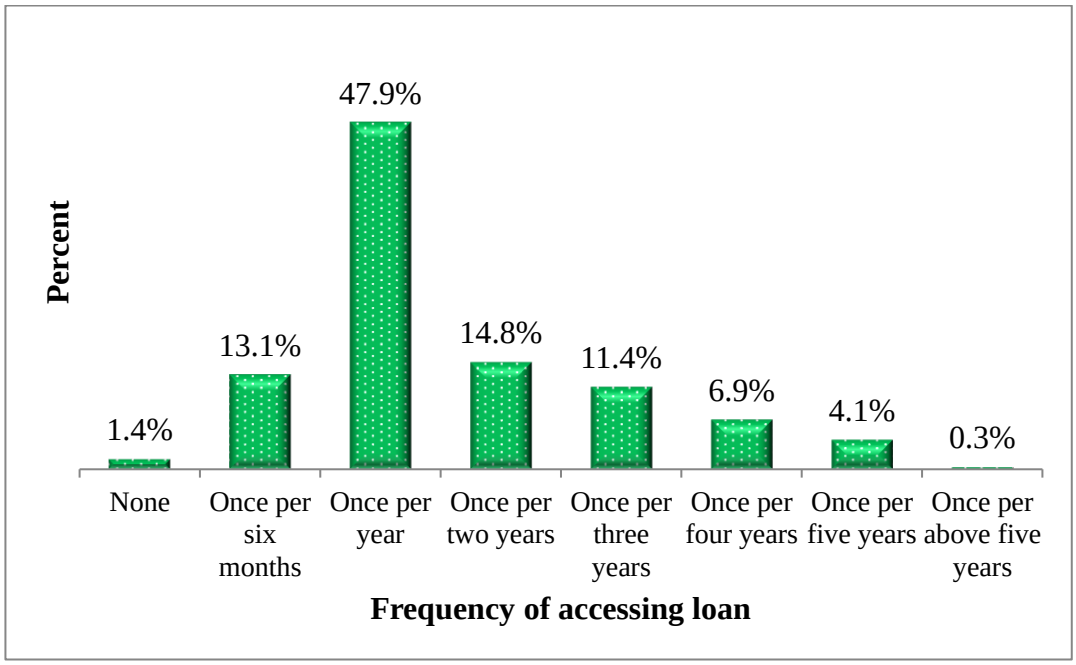

Figure 4.2 : Small Enterprises Frequency of Accessing Loan from Lender

Results in Figure 4.2 indicated that 47.9% of small enterprises accessed loan from different source of lender once per year followed by 14.8% who accessed loan

once per two years, 13.1% once per six months, 11.4% once per three years, 6.9% once per four years, 4.1% once per five years and very few (0.3%) accessed loan once per more than five years. This implies that the majority of small enterprises accessed loans from different lenders once per year compared to other periods. These findings suggest that the access of loans once per year could be due to size of loans (small amount), use of loan as a working capital, low collateral requirement for short term loans which could lead to repeated lending (accessing loan frequently). In other words, the more frequent you borrow from your lenders the more they build trust on you. These findings concur with the findings of (civelek, (2023) who found that closeness of communication and frequent contact enhance relationships with small enterprises and hence credit access.

4.4.4 Loan repayment period

On the other hand, the study determined the average repayment period as shown in Figure 4.3.

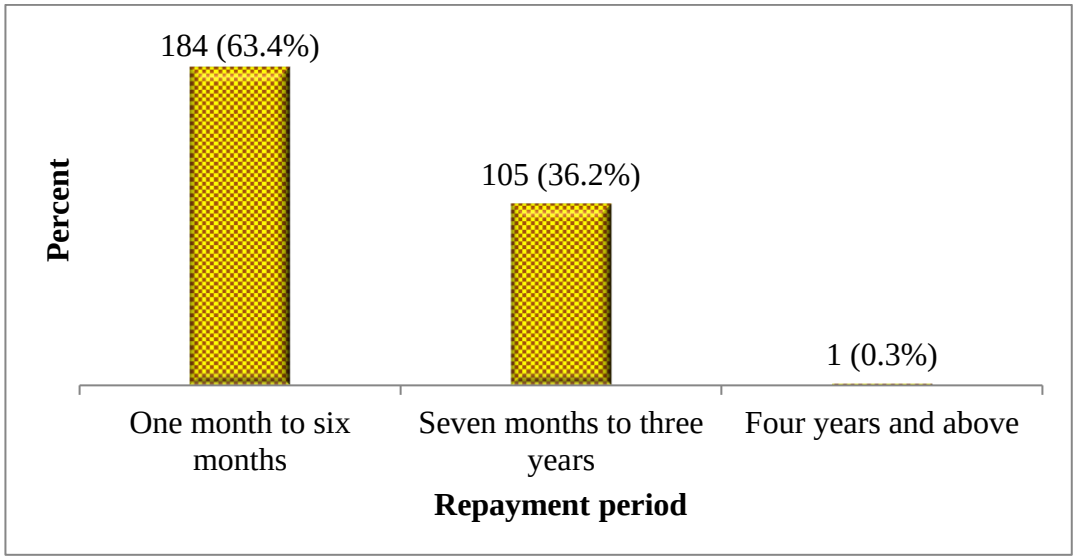

Figure 4. 3 : Average Repayment Periods (n=290)

From Figure 4.3 above, it can be seen that 63.4% of small enterprises owners have one month to six months as an average repayment period while 36.2% of small enterprises have seven months to three years as an average repayment period compared to 0.3% of small enterprises who have an average repayment period of more than three years. This implies that the majority of small enterprises accessed loans from different lenders with repayment periods of one to six months. This suggest that majority (63.4%) of small enterprises take loan which have short repayment period maybe because they require small loans and working capital

while (36.2%) of small enterprises take a longer repayment period such seven months to three years probably because they are capital intensive industries like manufacturing industries that may take long term loan. Finally,0.3% of small enterprises owners take four years and above to pay back money. This small percentage could be because a longer period attracts high collateral because of the fear of default and the shorter the period the lower the collateral and risk.

4.4.5 Type of services provided by lender

The study sought to identify types of services which are provided by lenders to small enterprises. Small enterprises owners were asked about the type of services they access from the lender as a result of the length of the relationship. Figure 4.5 summarised the type of services provided by the lender.

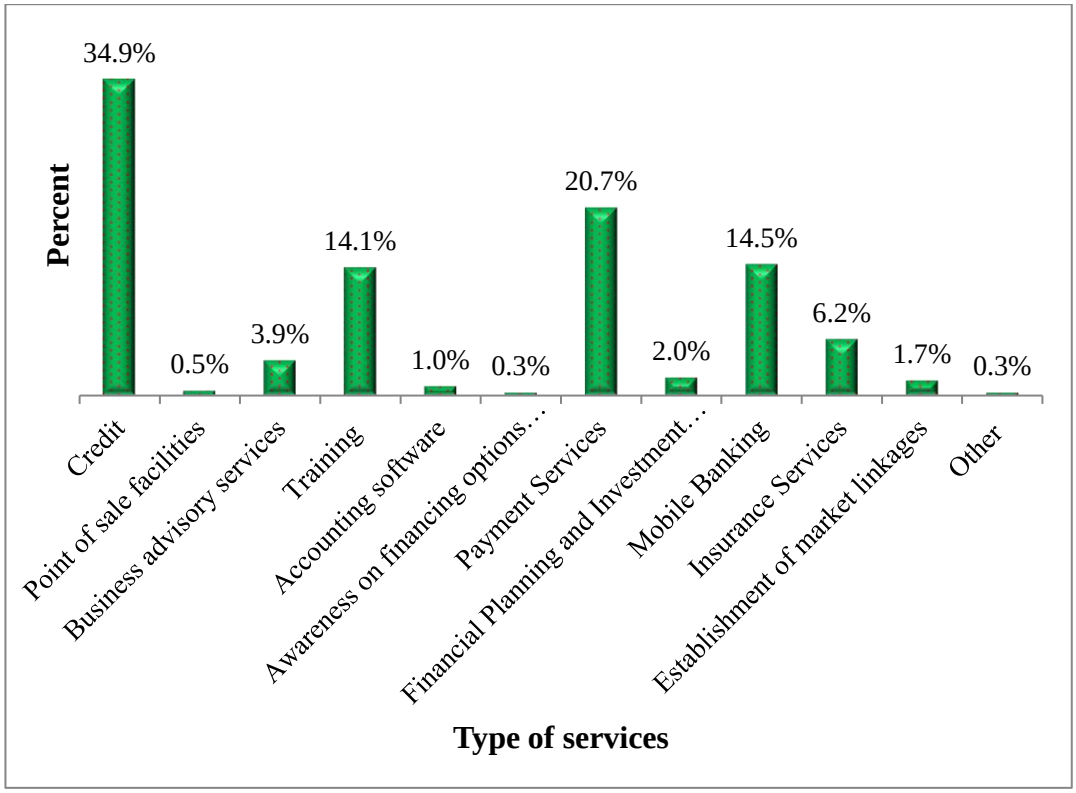

Figure 4. 4 : Types of Services Provided by Lender due to the Length of Relationship

Findings in Figure 4.4 indicate that 34.9% of respondents reported that credit service is provided by different lenders due to the length of the relationship. Additionally, payment services were also a service provided by the lender which was reported by 20.7% of respondents. In the case of training service, 14.1% of

respondents were provided training by banks, SACCOS, and MFI. Mobile banking was mostly provided by banks, SACCOS and MFI as reported by 14.5% of respondents. These findings imply that small enterprise owners were provided different services such as credit, training, payment service and mobile banking by different lenders to hold them which in turn enhance relationship lending. So, there is a need for those lenders to improve their services to continue enhancing their clients' performance.

4.4.6 Type of Collateral on Credit Access

The study wanted to know the type of collateral required on credit access. Respondents were asked the type of collateral required by lenders to get access to credit. Figure 4.5 summarised the kind of collateral required by lenders.

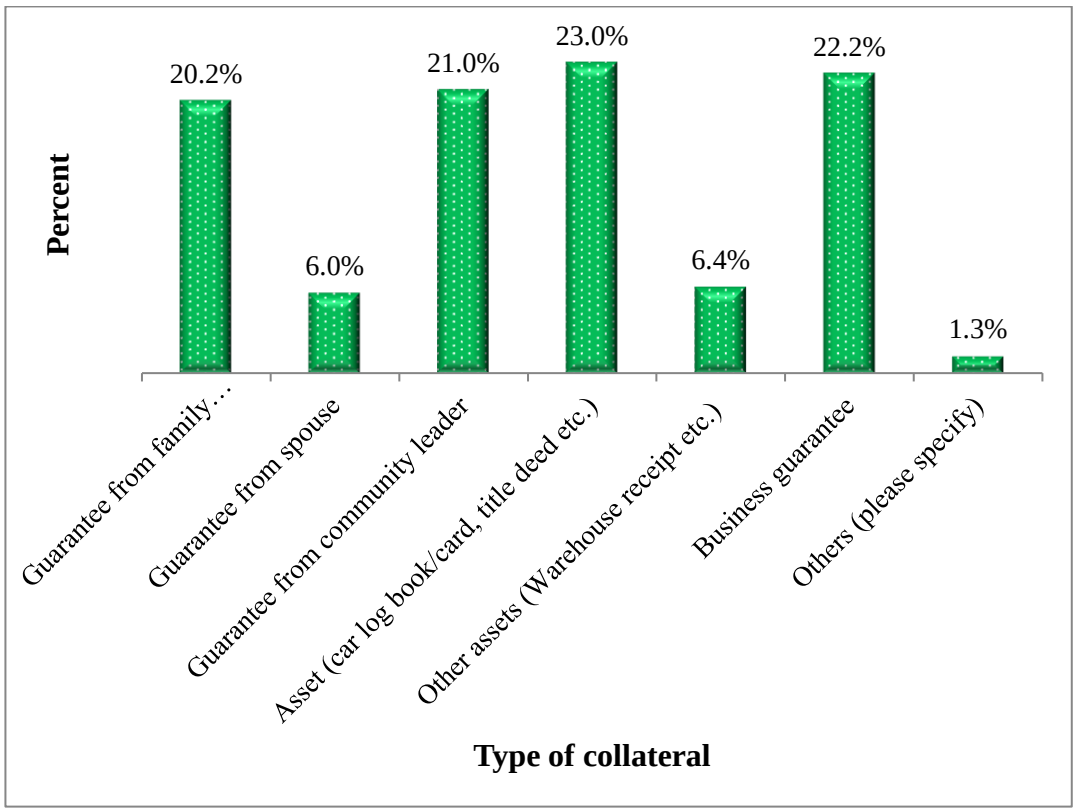

Figure 4.5: Type of Collateral on Credit Access by Small Enterprises

Results in Figure 4.5 show that 23% of respondents reported that lenders require assets like car logbooks and title deeds to approve getting loans. Also, the study results revealed that 22.2% of respondents reported that business guarantee was the collateral requirement from banks, SACCOS and MFI. Additionally, guarantee from community leaders was reported by 21% of respondents who borrow from

banks, SACCOS and MFI respectively. These findings imply that lenders mostly require business guarantee, guarantee from community leader, guarantee from family members/relatives and assets like car logbook, title deed for approval loan as collateral reduces the risk for lenders. The presence of collateral makes it easier to approve or secure loans. It is because the lenders consider it less risky. Again, due to the presence of collateral, lenders tend to provide a lower interest rate on a secured personal loan. These findings suggest that the use of alternative collaterals such as guarantee from community leader, guarantee from family members/relatives, guarantee from spouse as well as warehouse receipt is likely to enhance relationship lending.

4.5 Length of Relationship on Credit Access by Small Enterprises

The study sought to determine the length of relationship on credit access by small enterprises. To address this research question data were collected from small enterprises owners who responded to the question in questionnaires. The study determined the Influence of length of relationship and whether it improves credit access.

4.5.1 Relationship between lender type and length of relationship with the lender

The study assessed the relationship between lender type and length of relationship with the lender. Figure 4.6 presents how small enterprises relate with lenders through years partnering with the lender.

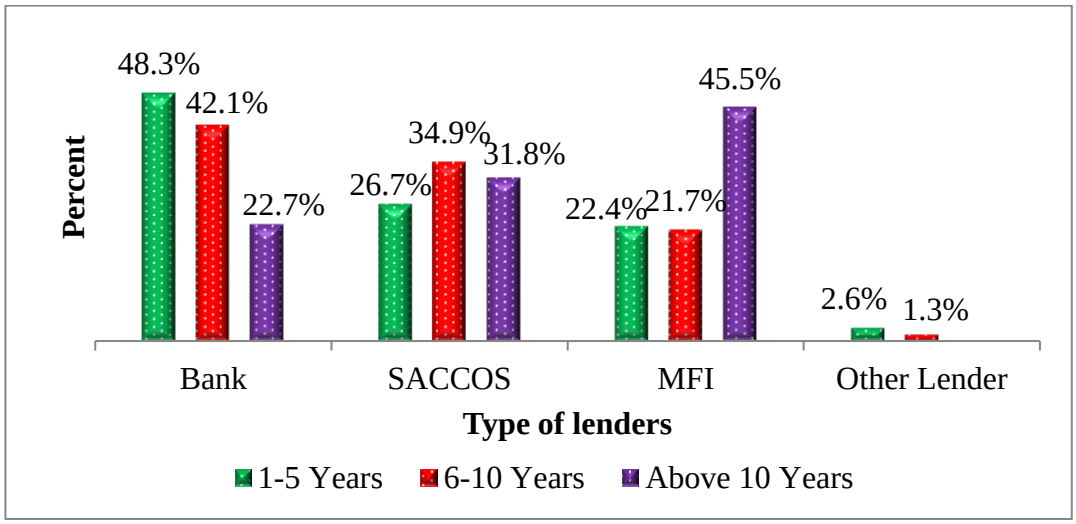

Figure 4.6: Relationships between types of lenders and length of relationship.

Results in Figure 4.6 show that 34.9% of small enterprises owners had 6 to 10 years borrowing from lenders, 48.3%% had 1 to 5 years borrowing lenders while 45.5% borrowing from lenders for more than 10 years. The result shows that most small enterprises had more than five years borrowing from lenders implying that the lenders may have enough longer duration to assess small enterprises characteristics and creditworthiness. This in return influences relationship lending on credit access by small enterprises. These findings concur with the findings by Refait-Alexandre and Serve (2018) which indicated that firms' characteristics influence access to multiple banking relationships. Larger, high-performing and innovative firms are more likely to develop multiple banking relationships.

On the other hand, the study assessed change in collateral required by different lenders. The respondents were asked whether the collateral required by the lenders increased, remained the same or decreased overtime as a result of relationship lending. Table 4.4. Show how the respondents reacted to the questions in the questionnaire.

Table 4. 4 : Type of collateral on credit access by small enterprises change over time (n=290)

From Bank	Increased		Remained same		decreased	
Type of Collateral	**count**	**%**	**count**	**%**	**count**	**%**
Guarantee from family members/relatives	4	1.4	46	15.9	1	0.3
Guarantee from spouse	-	-	8	2.8	2	0.7
Guarantee from community leader	14	4.8	74	25.5	-	-
Asset (car log book/card, title deed)	30	10.3	90	31.0	-	-
Other assets (Warehouse receipt)	10	3.4	15	5.2	-	-
Business guarantee	24	8.3	80	27.6	1	0.3
Others (please specify)	1	0.3	1	0.3	-	-
From SACCOS						
Guarantee from family members/relatives	5	1.7	73	25.2	1	0.3
Guarantee from spouse	1	0.3	9	3.1	3	1.0
Guarantee from community leader	3	1.0	56	19.3	1	0.3
Asset (car log book/card, title deed)	5	1.7	71	24.5	-	-
Other assets (Warehouse receipt)	1	0.3	18	6.2	-	-
Business guarantee	7	2.4	73	25.2	-	-
Others (please specify)	-	-	7	2.4	-	-
From MFI						
Guarantee from family members/relatives	3	1.0	44	15.2	5	1.7
Guarantee from spouse	2	0.7	34	11.7	6	2.1
Guarantee from community leader	1	0.3	51	17.6	2	0.7
Asset (car log book/card, title deed)	2	0.7	29	10.0	1	0.3
Other assets (Warehouse receipt)	-	-	6	2.1	-	-
Business guarantee	3	1.0	34	11.7	3	1.0
Others (please specify)	1	0.3	-	-	-	-
From Others						
Guarantee from family members/relatives	-	-	3	1.0	2	0.7
Guarantee from spouse	-	-	1	0.3	1	0.3
Guarantee from community leader	1	0.3	1	0.3	-	-
Asset (car log book/card, title deed)	-	-	1	0.3	-	-
Other assets (Warehouse receipt)	-	-	-	-	-	-
Business guarantee	1	0.3	-	-	-	-
Others (please specify)	-	-	-	-	-	-

Findings in Table 4.4 shows that the type of collateral on credit access by small enterprises increased or decreased over time was not applicable as indicated by the majority of respondents. These findings imply that even though small enterprises build relationships with the lenders, the presence of collateral is necessary in order to get loans approved. This is because lenders consider customers with the collateral less risky. Again, due to the presence of collateral, lenders tend to provide a lower interest rate on a secured personal loan but do not have effect in increase or decrease of credit access.

4.5.2 Length of relationship.

The study also determined the length of relationship through multiple responses. The respondents were asked a number of questions to know whether length of relationship with the lender improves credit access by small enterprises. They were

asked to answer Yes or No to the below statements that measure the length of relationship in Table 4.5.

Table 4. 5 : Length of Relationship Improve Credit Access

Items	Response (yes) (n=290)	
	count	%
Length of relationship increases credit availability	263	90.7
Length of relationship reduces interest rate	42	14.5
Long relationship with the lender improves access to credit	168	57.9
Building a strong trust with a lender enables ease access to credit	250	86.2
Good access to information by lender increases credit access	242	83.4
Length of relationship lessen collateral requirement	26	9.0
Remaining in one lender for a long time increases access to credit	207	71.4

The results in Table 4.5 shows how the respondents responded to various statements used to measure the relationship lending. The respondents were asked whether the length of their relationship with the various lenders improves access to credit.

From Table 4.5 it can be seen that 90.7% of small enterprises owners reported that length of relationship increases credit availability, 86.2% said that building a strong trust with a lender enables ease access to credit, 83.4% revealed that good access to information by lender increases credit access, remaining in one lender for a long time increases access to credit (71.4%) and slightly majority (57.9%) indicated that length of relationship with the lender improves access to credit while 85.5% of respondents reported that length of relationship do not reduce interest rate and 91% indicated that length of relationship do not lessen collateral requirement.

This implies that length of relationship increases credit availability as small enterprises owners' access good information about lenders which makes them to remain with one lender for a long time which leads in building a strong trust with the lenders which in return increases credit access. Thus, small enterprises owners and lenders build strong trust and get to know good information about each other overtime and hence leads to granting loans to each other.

In relation to whether the length of relationship increases access, Kiring'a *et al*. (2021), findings revealed that small enterprise (SEs) with long relationship with the lender improved their credit access as well as firms with multiple lending relationships and those that build a strong trust with lenders benefit from credit access.

Regarding interest rate, the results are contrary to the findings of Brauning and Fecht (2017) which found that the length of relationship reduced interest rates. Additionally, the findings by Antwi and Ohene-yankyira (2017) indicate that access to financial information, prompt repayment of loans when it falls due and having investments with lenders tend to reduce the borrowing cost of obtaining credit by farmers significantly.

The results also show having good information between small enterprises and financial institutions/lenders improves credit access. These findings are consistent with the current study by Rahman *et al.* (2017) who found that soft information provides additional benefits to the lenders beyond the hard financial data. Therefore, supporting the argument that relationship lending allows lenders and borrowers to know each other more and hence gaining the vital information among themselves which build trust and subsequently lead to improving credit access by small enterprises.

Further, length of relationship does not lessen collateral requirement which coincided with the results of Fanta (2016) who found that the length of relationship does not substitute collateral rather complement each other.

Finally, the issue of whether the length of relationship lessens the collateral requirements, the study by Hussain *et al*. (2021), also found that a longer relationship lowers risk premiums but raises collateral requirements. The authors further found that the effect of the length of relationship on interest rate and collateral differs substantially with the types of lenders and borrowers as well as across different relationship aspects.

4.6 Association of Multiple Lending Relationships and Credit Access by Small Enterprises

Table 4.6 summarises respondents' responses on the association of multiple lending relationships and credit access by small enterprises.

Table 4. 6 : Association of Multiple Lending Relationships and Credit Access by Small Enterprises.

Items	Response (n=250)			
	Yes		No	
	count	%	count	%
Borrowing from Multiple lenders.	37	12.8	253	87.2
Borrowing from a single lender.	252	86.9	38	13.1
Relationships with more than one lender improve credit access.	113	39.0	177	61.0

Findings in Table 4.6 indicates that 86.9% of small enterprises were borrowing from single lender while 12.8% were borrowing from multiple lenders or more than one lender whereas 39% of small enterprises owners indicates that relationship with more than one lender improve credit availability while 61% of respondents reported that relationship with more than one lender do not improve credit availability. This implies that most of the small enterprises were borrowing from a single lender. Most respondents cited that borrowing from one lender or single lender for a long time creates trust, knowing more information about each other and hence lessening the strict requirements when getting loans such as lowering collaterals and interest rates. The dominance of single relationships suggests the intensity of the relationship between small enterprises and lenders.

The results show that an increase in length of relationship would result in an increase in access to financial services among small enterprises. The findings implied that relationship lending is a clear method for financing small enterprises because close relationships yield private information to the lender that may lead to funding of small enterprises. This is consistent with Aristei and Gallo (2017), who revealed that building strong relationships with the lender through multiple lending increases enterprises' access to credit. In addition, an increase in length of relationship boosts small enterprise's credit access. Chirchir and Maina (2017) indicates that well-established and larger enterprises with good credit records are

less likely to be denied access to credit, while risky enterprises are more susceptible to credit rationing. The Credit Rationing Theory suggests that lenders develop long-term relationships with borrowers, leading to an improved understanding of the borrower's financial situation and a reduction in information asymmetries. Therefore, credit rationing is less likely to occur as the lender-borrower relationship strengthens.

4.6.1 Length of relationship and small enterprises' access to credit.

The second objective of this study sought to examine the relationship between length of relationship lending and access to credit. The logistic regression model was used for analysis. To establish the suitability of the model to the data, a model fitting test was run as shown in table 4.7.

Table 4. 7 : Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig
Intercept Only	348.752			
Final	329.163	19.589	6	0.003
Goodness-of-Fit				
	Chi-Square	**Df**		**Sig**
Pearson	3.378	8		0.908
Pseudo-R-Square				
Cox and Snell			0.066	
Nagelkerke			0.094	

Table 4.7 shows the results of omnibus tests of model coefficients, which assess the overall significance of the model's coefficients. The final model showed significant improvement χ^2 (6) = 19.589, p= 0.003 which suggests the overall significance of length of relationship lending, loan frequency, services, collateral, size of the firm and age of the firm in predicting small enterprises credit access from lenders. Hence, there is a statistically significant relationship between the predictor variables (including the length of the relationship with lenders, loan frequency, services, collateral, size of the firm and age) and small enterprises credit access. This implies that the model is a good fit for the data, and the length of the relationship with lenders appears to significantly influence credit access when considered alongside the other predictor variables included in the model.

The Hosmer and Lemeshow Test were conducted to evaluate the goodness of fit of logistic regression models. According to Osborne (2014), the logistics model used

must be showing goodness-of-fit to the data. This happens when the p-values of Pearson are greater than the absolute critical value of 0.05. The goodness-of-fit test in table 4.7 indicates that Pearson (χ^2 (8) = 3.378, p = 0.908 satisfied the assumption. This implies that the model is a good fit for the data.

Regarding the model's ability to explain the variation in the outcome variable (credit access), two measures of goodness of fit were assessed:
The Cox & Snell R Square for this model was found to be 0.066. This value represents the proportion of variance in the dependent variable that is accounted for by the predictor/independent variables. In this case, approximately 6.6% of the variability in credit access can be explained by the length of relationship, loan frequency, services, collateral, size of the firm and age of the firm in the model.

The Nagelkerke R Square, which adjusts for the model's complexity, was calculated to be 0.094**.** This adjusted R Square suggests that the model, after considering its complexity, explains approximately 9.4% of the variance in credit access. In short, the model as a whole explained between 6.6% (Cox and Shell R-square) and 9.4% (Nagelkerke R squared) of the variance in credit access.

Table 4. 8 : Logistic regression model on the relationship between length of relationship lending and small enterprises credit access

	B	**S.E.**	**Wald**	**Sig.**	**Exp(B)**	**95% C.I. for EXP(B)**	
						Lower	**Upper**
Length of relationship	0.597	0.265	5.092	0.024	1.817	1.082	3.053
Loan frequency	-0.144	0.105	1.871	0.171	0.866	0.704	1.064
Services	-0.221	0.094	5.481	0.019	0.802	0.667	0.965
Collateral	0.357	0.136	6.851	0.009	1.429	1.094	1.867
Size of the firm	-0.692	0.455	2.310	0.129	0.500	0.205	1.222
Age of the firm	-0.288	0.354	.664	0.415	0.750	0.375	1.499
Constant	-0.937	0.878	1.137	0.286	0.392		

Table 4.8 summarises the results of a logistic regression model aimed at understanding the Influence of predictor variables/independent variables, including length of relationship in predicting credit access by small enterprises. The study sought to examine how length of relationship lending through years partnering with the lender affects small enterprises credit access.

As indicated in Table 4.8, it was established that there is a statistically significant relationship between length of relationship and small enterprises' access to credit (0.596, Wald χ^2 (1) = 5.092, p = 0.024. This suggests that for each unit increase in the length of the relationship, the odds of obtaining credit access increase by approximately 1.817. The 95% confidence interval for the odds ratio ranges from 1.082 to 3.053. This implies that maintaining longer-term relationships with lenders could potentially enhance credit access for small enterprises. This suggests that staying longer with the lenders enables small enterprises to acquire numerous transactions over time which guarantee prompt and timely credit access. This is because the longer the relationship the less the probability of default. The longer the partnership, the more information both parties can gather. It further implies the length of relationship a borrower spent with the lender is critical in determining or predicting the performance of an advanced loan facility. Since the majority of small enterprises have been operating for a minimum of 10 years, these enterprises might have had long-year relationships with lenders. By doing so, they could have had close interactions and frequent contacts that might enable them to give more information about themselves and their enterprises. This might be another strong argument which confirms the positive association between relationship lending and access to credit.

This finding aligns with the findings of Civelek (2023), who revealed that there was a positive relationship between length of relationship on credit access by small enterprise. Furthermore, the author also found that length of relationship has vital importance to establish trust between people, firms, institutions, and other parties. In this regard, small enterprises that are interested in receiving credit access need to have close interactions and improve their relationships with the lenders. In this case, they can minimise uncertainties/risk issues and signal their creditworthiness to the lenders. Therefore, there is proof that length of relationship with the lenders improved credit access by small enterprises in Moshi municipality.

Erdogan (2019), findings of the study affirmed that small enterprises with long lending relationships improved access to bank loans which indeed coincide with the study. Also, the study by Godfroid (2019), found that length of relationship in microfinance institutions decreases the probability of clients dropping out in

accessing credit, showing the importance of close contacts between loan officers and their clients.

The variable Services has a coefficient of -0.221 and is statistically significant *p*= 0.019. A unit increase in the service offered by lenders is associated with a decrease in the odds of credit access by a factor of approximately 0.802. The 95% confidence interval for the odds ratio ranges from 0.667 to 0.965. The significant negative coefficient for services suggests that services may have reduced odds of obtaining credit access. This finding implies that fewer services may have an advantage when it comes to accessing credit using the relationship lending method, proving the importance of relationship lending to small enterprises.

These findings contradict with the findings of Rahman *et al.* (2017) who found that exclusive relationship with the private banks through repeated use of products and services helps the small enterprises (SEs) borrowers to receive loans with longer maturity and with relaxed covenants.

The variable collateral has a coefficient of 0.357 and is statistically significant *p*= 0.009. A unit increase in the collateral is associated with an increase in the odds of credit access by a factor of approximately 1.429. The 95% confidence interval for the odds ratio ranges from 1.094 to 1.867. The significant positive coefficient for collateral requirement suggests that collateral may have increased odds of obtaining credit access. This finding implies that the smaller enterprises producing collateral may have an advantage when it comes to accessing credit using the relationship lending method.

The results coincided with findings of Hussain *et al*. (2021) who found that a longer relationship lowers risk premiums but raises collateral requirements. However, more collateral is required by the lender when the relationship is longer, the number of loans is higher, and when the borrower uses more kinds of financing products.

The findings are also in support of the findings by Duarte *et al.* (2017) whose findings endorse the importance of producing and sharing private information between lenders to reduce informational asymmetries and, consequently, the need

to provide collateral to receive a loan. Lastly, the results also concur with the findings of Saifurrahman and Kassim (2022), who revealed that the collateral provision is indeed an obligatory requirement for small enterprises to access regular financing in an Islamic bank, preferably the immovable type of land and property.

4.7 Association of Multiple Lending Relationships and Credit access by Small Enterprises.

The study ought to analyse the association between multiple lending relationships and credit access by small enterprises. To address this research question data were collected from small enterprises owners who responded to the question in questionnaires. The study analysed the association between multiple lending relationships and credit access by small enterprises. The logistic regression was performed to analyse the association between multiple lending relationships and credit access by small enterprises on whether borrowing from more than one lender improves credit access by small enterprises.

The model contains the following independent variables; borrowing from multiple lenders, services, collateral, loan frequency, size of the firm and age of the firm.

Table 4. 9 : Model Fitting Information

Model	**-2 Log Likelihood**	**Chi-Square**	**df**	**Sig**
Intercept Only	160.029			
Final	139.134	21.075	6	0.002
Goodness-of-Fit				
	Chi-Square	**Df**		**Sig**
Pearson	3.855	8		0.870
Pseudo-R-Square				
Cox and Snell		0.071		
Nagelkerke		0.166		

Table 4.9 shows the results of omnibus tests of model coefficients, which assess the overall significance of the model's coefficients. The final model showed significant improvement χ^2 (6) = 21.075, p=0.002 which suggests that overall significance of borrowing from multiple lenders, loan frequency, services, collateral, size of the firm and age of the firm in predicting small enterprises credit access from lenders. Hence, there is a statistically significant relationship between the predictor variables (including borrowing from multiple lenders, loan frequency, services, collateral, size of the firm and age of the firm) and small

enterprises credit access. This implies that the model is a good fit for the data, borrowing from multiple lenders appears to have a significant influence on credit access when considered alongside the other predictor variables included in the model, as evidenced by the low p-value of 0.002.

The Hosmer and Lemeshow Test were conducted to evaluate the goodness of fit of logistic regression models. According to Osborne (2014), the logistics model used must be showing goodness-of-fit to the data. This happens when the p-values of Pearson are greater than the absolute critical value of 0.05. The goodness-of-fit test in table 4.9 indicates that Pearson (χ^2 (8) = 3.855, p = 0.870) satisfied the assumption. This implies that the model is a good fit for the data.

Regarding the model's ability to explain the variation in the outcome variable (credit access), two measures of goodness of fit were assessed:
The Cox & Snell R Square for this model was found to be 0.071. This value represents the proportion of variance in the dependent variable that is accounted for by the predictor/independent variables. In this case, approximately 7.1% of the variability in credit access can be explained by borrowing from multiple lenders, loan frequency, services, collateral, firm size, and age in the model.

The Nagelkerke R Square, which adjusts for the model's complexity, was calculated to be 0.166**.** This adjusted R Square suggests that the model, after considering its complexity, explains approximately 16.6% of the variance in credit access. In short, the model explained between 7.1% (Cox and Shell R-square) and 16.6% (Nagelkerke R squared) of the variance in credit access.

Table 4. 10 : Logistic Regression Model on the association of multiple lending relationships and Credit Access by Small Enterprises

	B	**S.E.**	**Wald**	**Sig.**	**Exp(B)**	**95% C.I. for EXP(B)**	
						Lower	**Upper**
Borrowing from Multiple lenders	2.186	0.557	15.393	0.000	8.899	2.986	26.521
Services	0.225	0.159	1.999	0.157	1.253	0.917	1.712
Collateral	0.025	0.225	0.012	0.911	1.025	0.660	1.594
Loan frequency	0.094	0.168	0.312	0.576	1.098	0.791	1.525
Size of the firm	-1.749	0.556	9.888	0.002	0.174	0.059	0.518
Age of the firm	1.148	0.621	3.418	0.064	3.151	0.933	10.635
Constant	-1.733	1.703	1.035	0.309	0.177		

The objective sought to analyse the association of borrowing from multiple lenders and other relevant variables on the likelihood of credit access. As indicated in Table 4.10, it was established that there is a statistically significant relationship between borrowing from multiple lenders and small enterprises credit access (2.186, Wald χ^2 (1) = 15.393, p = 0.000). This implies that, for each unit increase in borrowing from multiple lenders, the odds of obtaining credit access increase by a factor of approximately 8. 899. This variable is highly statistically significant p= 0.000, suggesting that it has a substantial association between multiple lending relationships and credit access among small enterprises. The 95% confidence interval for the odds ratio ranges from 2.986 to 26.521.

The significant and positive coefficient for Borrowing from Multiple lenders suggests that having multiple lending relationships significantly increases the likelihood of obtaining credit access. Small enterprises may benefit from diversifying their sources of financing. These findings are consistent with Aristei and Gallo (2017), who revealed that building strong relationships with the bank through multiple banking increases firms' access to credit.

Furthermore, the findings concur with Refait-Alexandre and Serve (2018) who found out that the power of trust from the perspective of the CEO also influences multiple banking relationships. When the firm manager mistrusts the firm's main bank, the firm will be more likely to engage in multiple banking relationships. Kiring'a *et al*. (2021) added that firms with multiple banking relationships and those that build a strong trust with a bank benefit from credit access.

The variable Size of the firm has a statistically significant negative coefficient of -1.749 with significance value p = 0.002, indicating that smaller firms are associated with lower odds of obtaining credit access. A unit increase in the firm's size is associated with a decrease in the odds of credit access by a factor of approximately 0.174**.** The 95% confidence interval for the odds ratio ranges from 0.059 to 0.518. This implies that smaller firms face reduced odds of obtaining credit access, as indicated by the significant negative coefficient. This suggests that larger firms may have an advantage when seeking credit access. Chirchir and Maina (2017) indicates that well-established and larger firms with good credit

histories are less likely to have loan applications denied, while risky ventures are more susceptible to credit rationing.

Age of the firm has a statistically significant positive coefficient of 1.148 with significance p=0.064 at 10% confidence level. This implies that firms with a higher age have approximately 3.151 times higher odds of getting access to credit compared to younger firms. This also indicates that the older firms are considered less risky by the lenders compared to the younger firm with no proper credit history. The findings concur with the findings by Beatriz *et al*. (2018) who found that enterprises with longer lending relationships are able to acquire loans at ease and at a reduced cost of credit.

CHAPTER FIVE

5.0. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. The summary gives the whole study picture while conclusions are drawn from study findings and recommendations to various stakeholders.

5.2 Summary of the Study

The major purpose of this study was to assess the Influence of relationship lending on credit access by small enterprises in Moshi Municipality, Tanzania. The research problem was broken into three research objectives, which include the relationship lending practices on credit access, assess the role of length of relationship on credit access and analyse the association between multiple lending relationships and credit access by small enterprises. a cross-sectional research design was adopted. The target population was 2,630 small enterprises in Moshi municipality. Questionnaire was employed to collect data from 347 respondents.

Collected data were analysed, interpreted, presented and discussed. Data were analysed using Statistical Package for Social Science (SPSS) version 25. The analysis involved creating a simple summary of statistical tables that show frequency and percentage of occurrences and graphs. For the case of inferential statistics, Pearson correlation coefficient and logistic regression analysis was conducted to establish the relationship between the length of the relationship and access to credit by small enterprises, while the logistic regression model was used as well to analyse the association between multiple lending relationships and credit access by small enterprises.

5.3 Summary of the Findings

5.3.1 Relationship lending practices on credit access by small enterprises

The study found out that most small enterprises owners accessed loans from banks probably due to enough funds compared to other sources of credit. The study also revealed that most small enterprises accessed loans from different lenders once per year compared to other periods with an average repayment period of one to six months. Furthermore, small enterprise owners were attracted to different lenders

due to credit service, payment services, training and mobile banking. For small enterprises to access credit, lenders mostly require business guarantee, guarantee from community leader, guarantee from family members/relatives and asset like car logbook, title deed for approval loan as collateral reduces the risk for lenders. These findings suggest that relationship lending is crucial for small enterprises in accessing credit from banks, SACCOS, MFI and other lenders such as friends, relatives.

5.3.2 Influence of length of relationship on credit access by small enterprises.

The findings of the study confirmed that, most of small enterprises had more than five years partnering with lenders implying that the small enterprises may have enough longer duration to assess lender borrowing characteristics which in return influence relationship lending on credit access by small enterprises as there was a significant positive relationship between length of relationship and small enterprises credit access. Length of relationship lending significantly and positively influences small enterprises credit access (0.596, Wald χ^2 (1) = 5.092, p = 0.024. Length of relationship increases credit availability as small enterprises owners' access good information about lenders which makes them to remain with one lender for a long time which leads in building a strong trust with the lenders which in return increases credit access.

5.3.3 Association of multiple lending relationships and credit access by small enterprises

The study found out that multiple lenders had a direct effect on credit access by small enterprises as most of them borrow from a single lender where the lender and the borrower need to develop and cultivate relationships for the loan to perform well; hence, establishing mutual trust and building a long-term relationship is ideal. Furthermore, the study indicated that there is a significant effect of multiple lenders relationships on credit access by small enterprises due to length of length of relationship (2.186, Wald χ^2 (1) = 15.393, p = 0.000. Size of the firm (-1.749, Wald χ^2 (1) = 9.888, p = 0.002 was also found to significantly Influence small enterprises credit access. When a small enterprise has multiple relationships involving a bank, SACCOS, MFI and other types of lenders the association between the number of relationships and the small enterprises credit access is likely to be positive.

5.4 Conclusion

First, based on the study findings, the study concludes that; small enterprises owners were accessing loans from banks due to credit service, payment services, training and mobile banking compared to other sources of credit. These suggest that relationship lending is crucial for small enterprises in accessing credit from banks, SACCOS, MFI and other lenders such as friends, relatives. For small enterprises to access credit, lenders mostly require business guarantee, guarantee from community leader, guarantee from family members/relatives and asset like car logbook, title deed for approval loan as collateral reduces the risk for lenders.

Second, with regard to these results, small enterprises should use their long-term relationships with providers of credit for the success of their business. Credit access by small enterprises from lenders do Influence by length of relationship as collateral requirements; length of relationship, loan frequency and services were factors in consideration for small enterprises to access credit from different lenders in Moshi Municipality. Length of relationship increases credit access as small enterprises owners' access good information about lenders which makes them acquire credit frequently which leads in building a strong trust with the lenders which in return increases credit access.

Third, it was found that small enterprises (SEs) with long-standing relationships with the lenders had better access to credit and multiple lending relationships had positive association with credit access by small enterprises. It is also concluded that access to financial services benefits small enterprises with numerous financial relationships and those with strong trust with lenders. Relationship lending enables lending institutions to compile sufficient information about the enterprises and subsequently be able to structure loan facilities to meet the specific needs of the enterprises. This explains why most lenders expand access to financial services to businesses with which they have established long-term relationships. In general, the length of relationship lending, collateral and borrowing from multiple lenders positively influence credit access by small enterprises in Moshi Municipality.

5.5 Recommendations for Action/Practice.

Based on the findings and conclusions of the study, the following recommendations are presented:

It is recommended that small enterprises owners should aim to establish and maintain long-term relationships with financial institutions, such as commercial banks, SACCOS and Microfinance institutions. In the process of maintaining a long relationship, it can create an environment to know each other and gather information about each other which can reduce the information asymmetry. This will create trust and build a long-term relationship with mutual benefits.

It is also recommended that small enterprises should consider diversifying their lending relationships by working with multiple financial institutions. This can provide access to a wider range of financial products and increase the chances of securing credit when needed.

It is further recommended that financial institutions should offer the customer as many services as possible immediately to ensure a deep and long-term relationship. In the event of providing these services, financial institutions would have helped small enterprises to grow as well as maintaining them.

Lastly, this study has both theoretical and practical implications. Theoretically, the findings show that relationship lending is indeed an important aspect in reducing the challenges of credit access by small enterprises. Both parties, the lenders (FIs) and the borrowers (SEs), must develop and cultivate their relationship for the loan to be performed well. Therefore, knowing each other and gathering information about each other is critical in reducing the information asymmetry.

5.6 Limitations of the Study

This study has various limitations which are worth acknowledging. First, it collects data from small enterprises only and not considering the other party’s point of view (financial institutions point of view). In addition, the analysis done is not exhaustive in terms of aspects of RL that could be examined. The study also did not fully explain the effects of relationship lending factors like the presence of competition among lenders.

5.7 Areas for Further Studies

It is recommended that a similar study can be conducted to determine the Influence of relationship lending on credit access by small enterprises in other areas. Moreover, relationship lending on credit access by small enterprises in Tanzania is influenced by the length of the relationship and the number of relationships. However, we view this as a limitation for this investigation. The study also did not fully explain the effects of relationship lending factors like the presence of competition among lenders. In order to maximise the benefits of relationship lending, it is crucial to comprehend how the level of lender competition affects credit access by small enterprises in Tanzania. Finally, in the future, scholars should investigate this study from the lenders' perspective by collecting data from the financial institutions.

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APPENDICES

Appendix I : Questionnaire English version

INTRODUCTION

Dear respondent,

I am **Santo Kuot Deng Mawien,** a student at Moshi Co-operative University (MoCU), and I am pursuing a Master of business management (MBM). I am conducting a research study titled **"THE INFLUENCE OF RELATIONSHIP LENDING ON CREDIT ACCESS BY SMALL ENTERPRISES IN MOSHI MUNICIPALITY, KILIMANJARO TANZANIA"**. Please help to provide a response to the questions. The information collected here will highly be confidential and used for academic purpose only and not otherwise.

1. BACKGROUND INFORMATION

Type of business

Age of the firm …….. years

Sex of respondent 1=male, ☐ 2=female ☐

Size of the firm

Age of respondent ……. years

Education level of respondent 1=none ☐ 2=primary ☐ 3=secondary ☐
4=post-secondary training (certificate/diploma ☐
5=tertiary education/university ☐

THE INFLUENCE OF LENGTH OF RELATIONSHIP LENDERS ON CREDIT ACCESS BY SMALL ENTERPRISES.

2 Please fill the table below

	Lender (according to the type not by name)	**Years borrowing from the lender.**	**Frequency of accessing loan (0-6) ***
1			
2			
3			
4			
5			

- 0=None, 1=Once per six months 2=Once per year,3=Once per two years,4=Once per three years,5=Once per four years,6=Once per five years.

3. Which frequency (1, 2, 3-6) do you most prefer? please explain

_____

_____

4. What type of services do you access from your lender as a result of the length of relationship? Tick where applicable.

Services	**Bank**	**SACCOS**	**MFI**
Credit			
Point of sale facilities			
Business advisory services			
Training			
Accounting software			
Awareness on financing options available			
Payment Services			
Financial Planning and Investment Services			
Mobile Banking			
Insurance Services			
Establishment of market linkages			
Others (Please specify)			

Collateral requirements

5. What kind of collateral is required by your lenders? Tick where applicable.

	Type of collateral	**Bank**	**SACCOS**	**MFI**	**Others (please mention)**
A	Guarantee from family members/relatives				
B	Guarantee from spouse				
C	Guarantee from community leader				
D	Asset (car log book/card, title deed etc.)				
E	Other assets (Warehouse receipt etc.)				
F	Business guarantee				
F	Others (please specify)				

6. Has the requirements of these types of collateral below changed or reduced over time? kindly tick where applicable**.**

Type of collateral	**Increased**	**Remained same**	**Reduced**
Guarantee from family members/relatives			
Guarantee from spouse			
Guarantee from community leader			
Asset (car log book/card, title deed etc.)			
Other assets (Warehouse receipt etc.)			
Business guarantee			
Others (please specify)			

7. Kindly tick in the table below to indicate whether length of relationship improves the following.

Items	**Yes**	**No**
Length of relationship increases credit availability.		
Length of relationship reduces interest rate.		
Long relationship with the bank improves access to credit.		
Building a strong trust with a bank enables easy access to credit.		
Good access to information by lenders increases credit access.		
Length of relationship lessen collateral requirement		
Remaining in one bank for a long time increases access to credit.		

THE ASSOCIATION OF MULTIPLE LENDING RELATIONSHIPS AND CREDIT ACCESS BY SMALL ENTERPRISES.

8. Does borrowing from a single lender over a long period of time help in lessening loan terms compared to borrowing from many Lenders? please explain

_____

_____

9. Mention the names of lenders where you access financial services (e.g., loans). Rank them according to their levels of importance of services to you and indicate the type (i.e., whether it is a Bank, SACCOS, MFI or others).

1) _____Type_____
2) _____Type_____
3) _____Type_____
4) _____Type_____
5) _____Type_____

10**.** If in question" **A**" above you have mentioned/indicated that you operate with more than one Lender, please state why?

_____

_____

_____

11**.** In your view, does having a relationship with more than one lender improve credit availability?

Yes ☐

No ☐

12 Kindly give your opinions on the above responses.

_____

_____

_____

Loan term

13. How long was the average repayment period?

_____

_____

14. Borrowing experience(access) kindly tick below

		Access loan	
		1=Granted access to credit.	**0**=Deny access to credit.
In the past 1-3 years, I applied for a loan from a bank.			
In the past 1-3 years, I applied for a loan in SACCOS.			
In the past 1-3 years, I applied for a loan at MFI.			
Others (please specify)			

Appendix II : Questionnaire Kiswahili version

DODOSO

UTANGULIZI

Ndugu, muhojiwa

Mimi kwa majina naitwa **Santo Kuot Deng Mawien,** mwanafunzi wa chuo cha Ushirika Moshi (MoCU), ninayechukua Shahada ya Uzamaili ya usimamizi wa biashara (MBM). Ninafanya utafiti juu ya **"USHAWISHI WA UHUSIANO WA MIKOPO JUU YA UPATIKANAJI WA MIKOPO KWA MAKAMPUNI MADOGO KATIKA MANISPAA YA MOSHI, KILIMANJARO TANZANIA"**. Tafadhali naomba ushirikiano wako kujibu maswali. Taarifa zilizokusanywa hapa zitakuwa za siri na kutumika kwa madhumuni ya kitaaluma tu na sio vinginevyo.

1. TAARIFA BINAFSI

Aina ya biashara	
Miaka ya ufanyaji kazi wa kampuni	Miaka ……..
Jinsi ya muhojiwa	1=Me, ☐ 2=Ke ☐
Idadi ya waajiriwa	
Umri wa muhojiwa	Miaka…….
Kiwango cha elimu cha muhojiwa	1=hakuna ☐ 2=msingi ☐ =secondary ☐ 4=cheti/diploma ☐ 5=Elimu ya juu chuo kikuu ☐

UMUHIMU WA KIPINDI CHA UHUSIANO JUU YA UPATIKANAJI WA MIKOPO KWA MAKAMPUNI MADOGO.

2. Tafadhali jaza jedwali hapa chini

	Mkopeshaji (kulingana na aina na siyo jina)	**Miaka ya uhusiano na mkopeshaji**	**Mzunguko wa kupata mkopo (0-6) ***
1			
2			
3			
4			
5			
6			

- **0**=Hakuna,**1**= Mara moja kwa miezi sita **2**= Mara moja kwa mwaka,**3**= Mara moja kwa miaka miwili,**4**= Mara moja kwa miaka mitatu,**5**= Mara moja kwa miaka mine,**6**= Mara moja kwa miaka mitano.

3. Ni mzunguko gani (1,2,3-6) unapendelea zaidi? Tafadhali eleza

_____

_____

4.Je ni huduma gani unayoipata kutoka kwa mkopeshaji kama matokeo ya urefu wa uhusiano? Weka vema panapositahili..

Huduma	**Benki**	**SACCOS**	**MFI**	**NYINGINE(TAJA)**
Mikopo				
Sehemu ya vifaa vya kuuza				
Huduma ya ushauri wa biashara				
Mafunzo				
Programu ya uhasibu				
Uelewa juu ya chaguzi za ufadhili zinazopatikana				
Huduma za malipo				
Mipango ya Fedha na Huduma za Uwekezaji.				
Huduma za kibenki kupitia simu				
Huduma za bima				
Kuanzishwa kwa uhusiano wa soko				
Nyingine (Tafadhali fafanua)				

Mahitaji ya dhamana

5.Ni aina gani ya dhamana inahitajika na wakopeshaji wako? Weka alama pale inapotumika.

	Aina ya dhamana	**Benki**	**SACCOS**	**MFI**
A	Dhamana kutoka kwa wanafamilia/jamaa			
B	Dhamana kutoka kwa mwenzi			
C	Dhamana kutoka kwa kiongozi wa jamii			
D	Mali (kitabu cha kumbukumbu ya gari / kadi, hati ya nyumba nk)			
E	Mali nyingine (Risiti ya ghala nk)			
F	Dhamana ya biashara			
F	Wengine (tafadhali taja)			

6. Je, mahitaji ya aina hii ya dhamana hapa chini yamebadilika ama kupungua kadiri muda unavyopita? Weka alama pale inapotumika**.**

Aina ya dhamana	Imeongezeka	Imebaki vilevile	Imepungua
Dhamana kutoka kwa wanafamilia/jamaa			
Dhamana kutoka kwa mwenzi			
Dhamana kutoka kwa kiongozi wa jamii			
Mali (kitabu cha kumbukumbu ya gari / kadi, hati ya nyumba nk)			
Mali nyingine (Risiti ya ghala n.k.)			
Dhamana ya biashara			
Nyingine (tafadhali taja)			

7. Tafadhali weka vema kwenye jedwali hapa chini kuonesha ikiwa urefu wa uhusiano umeboresha yafuatayo.

Vipengele	Ndiyo	Hapana
Urefu wa uhusiano huongeza upatikanaji wa mikopo.		
Urefu wa uhusiano hupunguza kiwango cha riba.		
Uhusiano wa muda mrefu na benki unaboresha upatikanaji wa mikopo.		
Kujenga uaminifu mkubwa na benki huwezesha urahisi wa upatikanaji wa mkopo.		
Upatikanaji mzuri wa habari kwa mkopeshaji huongeza ufikiaji wa mkopo.		
Urefu wa uhusiano hupunguza mahitaji ya dhamana		
Kubaki katika benki moja kwa muda mrefu huongeza upatikanaji wa mkopo.		

ATHARI ZA UHUSIANO WA BENKI NYINGI JUU YA UPATIKANAJI WA MIKOPO KWA MAKAMPUNI MADOGO.

8. Je, kuomba mkopo kutoka taasisi moja ya mikopo husaidia kurahisisha vigezo vya mkopo ukilinganisha na kuomba mkopo kutoka zaidi ya taasisi moja ya mkopo ? tafadhali eleza

_____

_____

____

9. Taja majina ya wakopeshaji unakopata huduma (kwa mfano., mikopo). Panga kulingana na umuhimu wa huduma unayopata na uoneshe aina (i.e., ikiwa ni Benki, SACCOS, MFI ama nyinginezo)

JINA LA MKOPESHAJI	**AINA YA MKOPESHAJI**
1)_____	Aina_____
2)_____	Aina_____
3)_____	Aina_____
4)_____	Aina_____
5)_____	Aina_____

10. Ikiwa kwenye swali" **A**" hapo juu umetaja/onesha kwamba unajihusisha na mkopeshaji zaidi ya mmoja, tafadhali eleza ni kwa nini?

_____

_____

11.Kwa mtazamo wako, je, kuwa na uhusiano na zaidi ya mkopeshaji mmoja kunaimarisha upatikanaji wa mkopo?

Ndiyo ☐

Hapana ☐

12. Tafadhali toa mawazo yako kwa majibu ya hapo juu.

_____

_____

_____

Muda wa mkopo

13. Je, Kipindi cha wastani cha kulipa mkopo kilikuwa cha muda gani?_____

14. Uzoefu wa kukopa (upatikanaji) weka vema

		Upatikanaji wa mkopo	
	Ndio	1=Nilipata kiwango chote	0=Nilipata kiwango kidogo zaidi ya nilicho omba.
Kwa miaka 1-3 iliyopita, niliomba mkopo benki.			
Kwa miaka 1-3 iliyopita, niliomba mkopo SACCOS.			
Kwa miaka 1-3 iliyopita, niliomba mkopo MFI.			
Nyingine (tafadhali eleza)			

Appendix III : Matrix Table

Objectives	**Methodology**	**Data collection tool**	**Data analysis**
To examine the relationship lending practices by small enterprises.	Quantitative	Questionnaire	Descriptive statistic
To determine the influence of length of relationship on credit access by small enterprises.	Quantitative	Questionnaire	Logistic regression model
To analyse the association between multiple lending relationships and credit access by small enterprises.	Quantitative	Questionnaire	Logistic regression model

Appendix IV : Permission Letters

UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

MOSHI CO-OPERATIVE UNIVERSITY (MoCU)
CHUO KIKUU CHA USHIRIKA MOSHI

OFFICE OF THE VICE CHANCELLOR

06 Sokoine Road, 25121 Mfumuni,
P. O. Box 474, Moshi, Tanzania, Tel: +255 272751833,
Email: vc@mocu.ac.tz, Website: www.mocu.ac.tz

Unapojibu tafadhali taja:
Kumb. Na. MoCU/UGS/3/41 **Tarehe:** 20 Aprili, 2023

Katibu Tawala,
Mkoa wa Kilimanjaro,
S. L. P. 3070
MOSHI.

YAH: KIBALI CHA KUFANYA UTAFITI KWA WANAFUNZI WA CHUO KIKUU CHA USHIRIKA MOSHI (MoCU)

Tafadhali husika na kichwa cha habari hapo juu.

Madhumuni ya barua hii ni kumtambulisha kwako **Ndugu Santo Kuot Deng Mawien** mwanafunzi wa Chuo Kikuu cha Ushirika Moshi ambaye kwa sasa anatarajia kufanya utafiti katika eneo lako.

Maombi haya yamezingatia Waraka wa Serikali wenye Kumb. Na. MPEC/R/10/1 wa tarehe 7 Julai, 1980 pamoja na Hati Idhini ya Chuo Kikuu Cha Ushirika Moshi (MoCU). Moja ya majukumu ya Chuo ni kufanya tafiti na kutumia matokeo ya tafiti hizo katika kufundishia. Aidha, wanafunzi hufanya tafiti kama sehemu ya masomo yao wakiwa Chuoni.

Ili kufanikisha utekelezaji wa tafiti hizo, Makamu Mkuu wa Chuo hutoa vibali vya kufanya tafiti nchini kwa wanataaluma na wanafunzi kwa niaba ya Serikali na Tume ya Sayansi na Teknolojia.

Hivyo basi, tunakuomba umpatie mwanafunzi aliyetajwa hapo juu msaada atakaouhitaji ili kufanikisha utafiti wake. Gharama za utafiti atalipia mwenyewe. Msaada anaouhitaji ni kuruhusiwa kuonana na viongozi na wananchi ili aweze kuzungumza nao kuhusiana na utafiti wake. Aidha, endapo kuna maeneo yanayozuiliwa kufanyika kwa shughuli hii, tafadhali mjulishe hivyo.

Mada ya utafiti wa mwanafunzi aliyetajwa hapo juu ni: **"The Influence of Relationship Lending on Credit Access by Small Enterprises in Moshi Municipality, Kilimanjaro, Tanzania"**

JAMHURI YA MUUNGANO WA TANZANIA

OFISI YA RAIS TAWALA ZA MIKOA NA SERIKALI ZA MITAA (TAMISEMI)

HALMASHAURI YA MANISPAA YA MOSHI

Unapojibu tafadhali taja:

Kumb. Na. A.40/13/1/VOL.30/68 Tarehe: 04/05/2023

Mtendaji Kata
Kata ya Kiusa na Bondeni,
Halamshauri ya Manispaa,
MOSHI.

Yah: KIBALI CHA KUFANYA UTAFITI BW.SANTO KUOT DENG MAWIEN

Tafadhali rejea barua ya Katibu Tawala (M) yenye Kumb. Na. FA.228/276/03/"x"/30 ya tarehe 03, Mei, 2023 ikielekeza mada tajwa hapo juu.

2. Kwa narua hii namtambulisha kwako Bw. Santo Kuot Deng Mawien kutoka Chuo Kikuu cha cha Ushirika Moshi (MoCU) ambaye amepata kibali cha kufanya utafiti katika mada ya **"The Influence of Relationship on Lending on Credit Access by small Enterprises in Moshi Municipality, Kilimanjaro,Tanzania".** Utafiti huu utafanyika kuanzia mwezi 24 April hadi 24 April 2024

3. Nawatakia kazi njema.

Leonia T. Mwamwala
Kny. **MKURUGENZI**
MUNICIPAL DIRECTOR
MOSHI

Nakala: Katibu Tawala (M) Kilimanjaro,
S.L.P 3070,
MOSHI.

: Bw. Santo Kuot Deng Mawien
Mwanafunzi

JAMHURI YA MUUNGANO WA TANZANIA
OFISI YA RAIS
TAWALA ZA MIKOA NA SERIKALI ZA MITAA

MKOA WA KILIMANJARO
Anwani ya Simu:'REGCOM'KILIMANJARO
Simu Na. Moshi 027-2754236/7, 027-2752184
Barua Pepe: ras@kilimanjaro.go.tz
: ras.kilimanjaro@tamisemi.go.tz
Nukushi Na. 027-2753248
Unapojibu tafadhali taja:

OFISI YA MKUU WA MKOA
17 BARABARA YA FLORIDA
S.L.P. 3070,
25107 MOSHI.

Kumb. Na. FA.228/276/03/"x"/30 03 Mei, 2023

Mkurugenzi wa Manispaa,
Manispaa ya Moshi,
S.L.P 318,
MOSHI

Yah: KIBALI CHA KUFANYA UTAFITI CHA
BW. SANTO KUOT DENG MAWIEN

Tafadhali rejea somo tajwa hapo juu.

2. Ofisi ya Katibu Tawala Mkoa wa Kilimanjaro imepokea barua kutoka kwa Mkuu wa Chuo Kikuu cha Ushirika Moshi (MoCU) yenye kumwombea mwanafunzi tajwa hapo juu aweze kufanya utafiti katika eneo lako la Manispaa ya Moshi.

3. Utafiti huu unahusu **"The Influence of Relationship Lending on Credit Access by Small Entreprises in Moshi Municipality, Kilimanjaro, Tanzania"**; A case study Moshi Municipal na utafiti huu utafanyika kuanzia tarehe 24 Aprili, 2023 hadi tarehe 24 Aprili, 2024.

4. Kwa barua hii ninamleta kwako ***Bw. Santo Kuot Deng Mawien***, tafadhali naomba umpokee na kumpa ushirikiano atakao hitaji kwa kuzingatia Sheria, Kanuni na Taratibu za nchi.

5. Ninashukuru kwa ushrikiano wako.

Sallema, J.K
Kny; **KATIBU TAWALA WA MKOA**

Nakala: Mkuu wa Chuo
Chuo cha MoCU,
S.L.P 474,
MOSHI

Santo Kuot Deng Mawien
Mwanafunzi

Appendix V : Plagiarism report

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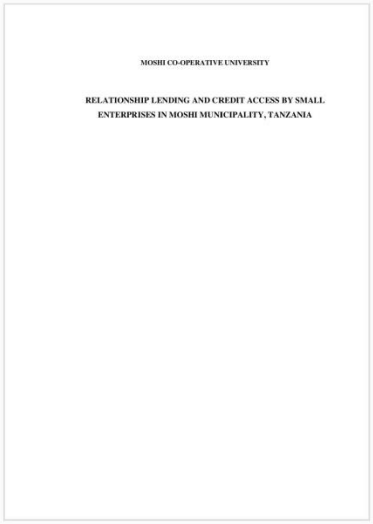

MOSHI CO-OPERATIVE UNIVERSITY

RELATIONSHIP LENDING AND CREDIT ACCESS BY SMALL ENTERPRISES IN MOSHI MUNICIPALITY, TANZANIA

RELATIONSHIP LENDING AND CREDIT ACCESS BY SMALL ENTERPRISES IN MOSHI MUNICIPALITY, TANZANIA

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Appendix VI : Normalised Residual

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	-6.36888	1	.3	.3	.3
	-5.67198	1	.3	.3	.7
	-5.58405	1	.3	.3	1.0
	-5.55324	1	.3	.3	1.4
	-4.33768	1	.3	.3	1.7
	-4.31719	1	.3	.3	2.1
	-3.39542	1	.3	.3	2.4
	-3.19889	1	.3	.3	2.8
	-3.06485	1	.3	.3	3.1
	-3.02718	1	.3	.3	3.5
	-2.70208	1	.3	.3	3.8
	-2.67975	1	.3	.3	4.2
	-2.62207	1	.3	.3	4.5
	-2.48451	2	.7	.7	5.2
	-2.47030	1	.3	.3	5.6
	-2.27386	1	.3	.3	5.9
	-2.17266	1	.3	.3	6.3
	-1.92370	1	.3	.3	6.6
	-1.62667	1	.3	.3	7.0
	-1.40109	1	.3	.3	7.3
	-1.25123	1	.3	.3	7.7
	-1.22493	1	.3	.3	8.0
	.00002	1	.3	.3	8.4
	.11635	1	.3	.3	8.7
	.11668	3	1.0	1.0	9.8
	.12213	1	.3	.3	10.1
	.12247	1	.3	.3	10.5
	.12343	1	.3	.3	10.8
	.12992	1	.3	.3	11.1
	.13637	1	.3	.3	11.5
	.14235	3	1.0	1.0	12.5
	.14274	1	.3	.3	12.9
	.14818	1	.3	.3	13.2
	.14917	2	.7	.7	13.9
	.14941	1	.3	.3	14.3
	.14959	3	1.0	1.0	15.3
	.15187	1	.3	.3	15.7
	.15467	1	.3	.3	16.0
	.15553	1	.3	.3	16.4
	.15572	1	.3	.3	16.7
	.15615	3	1.0	1.0	17.8

.16190	1	.3	.3	18.1
.16345	7	2.4	2.4	20.6
.16390	6	2.1	2.1	22.6
.16435	3	1.0	1.0	23.7
.16686	1	.3	.3	24.0
.17061	6	2.1	2.1	26.1
.17108	8	2.8	2.8	28.9
.17156	6	2.1	2.1	31.0
.17203	3	1.0	1.0	32.1
.17533	1	.3	.3	32.4
.17582	2	.7	.7	33.1
.17631	1	.3	.3	33.4
.17678	1	.3	.3	33.8
.17679	1	.3	.3	34.1
.17859	2	.7	.7	34.8
.17908	3	1.0	1.0	35.9
.17958	3	1.0	1.0	36.9
.18008	3	1.0	1.0	38.0
.18353	3	1.0	1.0	39.0
.18404	1	.3	.3	39.4
.18455	2	.7	.7	40.1
.18506	1	.3	.3	40.4
.18693	1	.3	.3	40.8
.18745	4	1.4	1.4	42.2
.18797	2	.7	.7	42.9
.18844	1	.3	.3	43.2
.19264	2	.7	.7	43.9
.19317	3	1.0	1.0	44.9
.19369	3	1.0	1.0	46.0
.19371	1	.3	.3	46.3
.19423	1	.3	.3	46.7
.19725	1	.3	.3	47.0
.20101	1	.3	.3	47.4
.20164	1	.3	.3	47.7
.20218	2	.7	.7	48.4
.20274	5	1.7	1.7	50.2
.21048	1	.3	.3	50.5
.21107	1	.3	.3	50.9
.21163	1	.3	.3	51.2
.21222	1	.3	.3	51.6
.21224	1	.3	.3	51.9
.21260	1	.3	.3	52.3
.21552	1	.3	.3	52.6
.22214	2	.7	.7	53.3

.22551	1	.3	.3	53.7
.22573	1	.3	.3	54.0
.23163	2	.7	.7	54.7
.23359	1	.3	.3	55.1
.23475	1	.3	.3	55.4
.24112	1	.3	.3	55.7
.24246	1	.3	.3	56.1
.25650	1	.3	.3	56.4
.25792	1	.3	.3	56.8
.25817	1	.3	.3	57.1
.26398	1	.3	.3	57.5
.26492	1	.3	.3	57.8
.26639	1	.3	.3	58.2
.26997	3	1.0	1.0	59.2
.27024	1	.3	.3	59.6
.27708	1	.3	.3	59.9
.27862	1	.3	.3	60.3
.27904	1	.3	.3	60.6
.28259	2	.7	.7	61.3
.28610	1	.3	.3	61.7
.28803	1	.3	.3	62.0
.29417	1	.3	.3	62.4
.29580	1	.3	.3	62.7
.29662	1	.3	.3	63.1
.29697	1	.3	.3	63.4
.29779	1	.3	.3	63.8
.29865	1	.3	.3	64.1
.29888	1	.3	.3	64.5
.29948	1	.3	.3	64.8
.30150	1	.3	.3	65.2
.30707	1	.3	.3	65.5
.30792	1	.3	.3	65.9
.30913	1	.3	.3	66.2
.30999	3	1.0	1.0	67.2
.31085	2	.7	.7	67.9
.31088	1	.3	.3	68.3
.32002	1	.3	.3	68.6
.32142	1	.3	.3	69.0
.32231	1	.3	.3	69.3
.32448	3	1.0	1.0	70.4
.32500	1	.3	.3	70.7
.32538	3	1.0	1.0	71.8
.32628	2	.7	.7	72.5
.32722	2	.7	.7	73.2

.33217	1	.3	.3	73.5
.33720	1	.3	.3	73.9
.33871	2	.7	.7	74.6
.33965	4	1.4	1.4	76.0
.34059	2	.7	.7	76.7
.34089	1	.3	.3	77.0
.34153	3	1.0	1.0	78.0
.34180	1	.3	.3	78.4
.34251	1	.3	.3	78.7
.35102	1	.3	.3	79.1
.35356	1	.3	.3	79.4
.35454	1	.3	.3	79.8
.35552	2	.7	.7	80.5
.35651	3	1.0	1.0	81.5
.35749	2	.7	.7	82.2
.35753	2	.7	.7	82.9
.35778	1	.3	.3	83.3
.35952	1	.3	.3	83.6
.36837	1	.3	.3	84.0
.36946	1	.3	.3	84.3
.37008	1	.3	.3	84.7
.37214	3	1.0	1.0	85.7
.37317	4	1.4	1.4	87.1
.37420	1	.3	.3	87.5
.38346	1	.3	.3	87.8
.38349	1	.3	.3	88.2
.38456	1	.3	.3	88.5
.38559	1	.3	.3	88.9
.39920	1	.3	.3	89.2
.40138	4	1.4	1.4	90.6
.40142	1	.3	.3	90.9
.40249	1	.3	.3	91.3
.41450	1	.3	.3	91.6
.41671	1	.3	.3	92.0
.42018	2	.7	.7	92.7
.42369	1	.3	.3	93.0
.42925	1	.3	.3	93.4
.43012	1	.3	.3	93.7
.43044	1	.3	.3	94.1
.43857	1	.3	.3	94.4
.43978	1	.3	.3	94.8
.44100	1	.3	.3	95.1
.44302	1	.3	.3	95.5
.48311	1	.3	.3	95.8

.48922	1	.3	.3	96.2
.49194	1	.3	.3	96.5
.50629	1	.3	.3	96.9
.51493	1	.3	.3	97.2
.57506	1	.3	.3	97.6
.61889	1	.3	.3	97.9
.63626	1	.3	.3	98.3
.66943	1	.3	.3	98.6
.68186	1	.3	.3	99.0
.68375	1	.3	.3	99.3
.73551	1	.3	.3	99.7
.79921	1	.3	.3	100.0
Total	287	100.0	100.0	

THE INFLUENCE OF LENGTH OF RELATIONSHIP LENDERS ON CREDIT ACCESS BY SMALL ENTERPRISES IN MOSHI MUNICIPALITY, KILIMANJARO TANZANIA

Abstract

Small enterprises play a significant role in driving economic growth, reducing poverty, and creating job opportunities in Tanzania. This study basing on Credit Rationing Theory investigated the influence of length of relationship lenders on credit access by small enterprises in Moshi Municipality, Kilimanjaro, Tanzania. Through a cross-sectional research design, the study pursued the influence of length of relationship lenders on credit access by small enterprises whereby data was collected from 290 SMEs in Moshi Municipality using a survey questionnaire. Descriptive statistics and Binary logistic regression model were used in data analysis. The study revealed that most of small enterprises had more than five years partnering with lenders implying that the lenders may have enough longer duration to assess small enterprises characteristics. The study also found length of relationship significantly and positively influence small enterprises credit access (0.596, Wald χ^2 *(1) = 5.092, p = 0.024). Therefore, the study concluded that length of relationship significantly influences credit access by small enterprises. Length of relationship increase credit access as small enterprises owners' access good information about lender which makes them to acquire credit frequently which leads in building a strong trust with the lenders which in return increases credit access. The study recommended that small enterprises owners should stay in close contact with their lenders in all regions across the country including Moshi Municipality. There is also a need for the government to increase its spending on credit guarantee programs to increase access to loans for start-up businesses, small enterprises and individuals without established credit histories.*

Keywords: Length of Relationship, Credit Access, Small Enterprises, Tanzania

Introduction

Globally, Small enterprises are considered the engine of any given nation's economic growth and development. They contribute enormously to achieving key development objectives of nations through job creation, industrialization, and promoting income equity among others (OECD, 2017). It is recognized that small enterprises in the globe represent 90% of the enterprises (Ramalho *et al.* 2018). Despite huge contributions to the economy, small enterprises (SEs) still experience challenges in getting timely, low-cost, and sufficient loans (Kiring'a *et al.* 2021).

This lack of access to credit is attributed to information asymmetry because small enterprises are informationally opaque (Nizaeva, *et al.* 2021). Lenders find it hard to sort out good borrowers from bad ones mainly because of information asymmetries and moral hazard risk (Beltrame *et al*. 2022). Length of relationship has been widely cited to solve such information discrepancies: the firm and the bank enter into a long-term relationship that allows the firm access to credit (Berger *et al*. 2014; Cosci *et al*. 2016; Cucculelli *et al.* 2019) and to obtain better loan conditions through the long-term relationship. In exchange, the bank acquires soft information, which is constituted by non-numerical information (such as, for example, strategy, quality of managers or products, and future business development) that do not appear in purely financial statement analysis.

Enterprises with longer length of relationships are able to acquire loans at ease and at a reduced cost of credit (Beatriz *et al.* 2018). Although there is no universally accepted definition of relationship lending, the prevalent view is that financial institutions gather confidential information over time through interactions with the firm, its owner, and the local community, and use this information to make credit decisions about the firm's availability of finance and terms of credit (Boot, 2000; Berger and Udell, 2002). Conversely, transaction-based lending (or arm's length lending) relies mostly on verifiable and objective information derived from financial statements, credit scoring, or guarantees (Berger and Udell, 2006).

According to Freimer and Gordon (1965) and Stiglitz and Weiss (1981), the Credit Rationing Theory examines the financing challenges encountered by small businesses due to information asymmetries. These disparities result in agency issues

for lenders, creating difficulties in distinguishing creditworthy borrowers from those who are not. Credit rationing happens when a borrower asks for a specific loan amount but is only granted a smaller sum, as noted by Clemenz (2012). Insufficient records, the absence of credit history, poor cash flow, and the need for collateral can all contribute to credit rationing. Research by Chirchir and Maina (2017) indicates that well-established and larger firms with good credit histories are less likely to have loan applications denied, while risky ventures are more susceptible to credit rationing. Firms providing high-value collateral are also less likely to be subjected to credit rationing. Credit rationing can occur as a single or multiple events. Single credit rationing pertains to a lone incident where a borrower's loan application is denied, while multiple credit rationing denotes repeated loan denials over time. The Credit Rationing Theory suggests that financiers develop long-term relationships with borrowers, leading to an enhanced understanding of the borrower's financial situation and a reduction in information asymmetries. Therefore, credit rationing is less likely to occur as the financier-borrower relationship strengthens.

Length of relationship guarantees extension of credit facilities by financial institutions to small enterprises (SEs) based on the available confidential information about the borrower that the lender has secured for a long time by means of creditors networking (Kiring'a, *et al.* 2021). The risk of adverse selection can be minimized if accurate information about the business enterprise is collected and analyzed over a longer period of time. Available research indicates that enterprises with longer lending relationships are able to acquire loans at ease and at a reduced cost of credit (Beatriz *et al*. 2018). Financial institutions that embrace relationship lending depend on soft information about the small enterprises' qualitative features and personal data on the borrowers. Length of relationship is a common measure of relationship lending.

Length of relationship can be determined by how long the bank has offered financial services to the SME. The length of the relationship is positively correlated with information access, which increases the financier's propensity to extend credit and, in turn, the availability of loans to borrowers. Longer-term banking relationships result in easier loan terms and fewer credit restrictions, which raises the firm's value overall (Ekpu, 2015). The borrower's and the lenders interactions regarding different

services reflect the nature of the relationship. Information from these relations produces the credit terms for borrowers and the comparative advantage for lenders when making loans. Evaluating the client's deposit account yields information about credit settlement capacity (Mureithi-Ollows, 2017). The quantity of bank relationships a debtor maintains reveals borrowing concentration. Although a single exclusive association promotes closer ties between the borrower and financier, weaker monitoring makes the borrower riskier as relationships grow. More concentrated borrowing enables SMEs to obtain more credit at a lower risk premium (Lu, Wu and Liu, 2020).

In Tanzania, majority of small enterprises access to external finance is entirely limited to the private debt markets due to its opaqueness. Over 70% of all small enterprises in Tanzania struggle accessing formal credit with a majority of these relying on family and friends for loans (Magembe, 2017). However, private debt markets are unscrupulous in nature subjecting borrowers to high interest rates, short repayment periods, and high processing fees. Also, unlike financial institutions, private lenders are mainly profit driven and care less about helping small enterprises to grow through financial and business literacy programmes. The small enterprises (SEs) sector in Tanzania has the potential to contribute over the current 27% to GDP (Sitorus, 2017) if the challenge of access to formal finance is solved. Acknowledging the problem, the government of Tanzania has taken several steps to support small enterprises (SEs). These include the formulation of policies to facilitate access to finance, the establishment of microfinance institutions, and the provision of various incentives and subsidies (Word Bank, 2018). Despite these efforts, SEs in Tanzania still faces significant financial struggles (International Trade Centre, 2018). This is largely due to the limited availability of finance, high costs associated with accessing credit, and the lack of collateral which makes it difficult for them to secure financing. As a result, many SEs in Tanzania are still unable to access the capital they need to grow and develop.

While there is increasing academic research on relationship lending, (Degryse, *et al.* 2021; Beltrame *et al*. 2022; Beatriz *et al.* 2022; Kiring'a *et al.* 2021; Towo *et al.* 2022 and Vaateri, 2017), the empirical evidence has been contradictory on whether length of relationship have a negative or positive effect on credit access by small

enterprises. Relatively few studies have examined the influence of relationship lending on credit access by small enterprises in Tanzania particularly Moshi municipality. Therefore, little is empirically known about such relationship in small enterprises which are associated with high level of information asymmetry. This study aimed to explore the influence of length of relationship lenders on credit access by small enterprises in Moshi Municipality, Kilimanjaro, Tanzania.

Literature Review

Theoretical Review

Credit rationing happens when a borrower asks for a specific loan amount but is only granted a smaller sum, as noted by Clemenz (2012). The Credit Rationing Theory suggests that financiers develop long-term relationships with borrowers, leading to an enhanced understanding of the borrower's financial situation and a reduction in information asymmetries. Therefore, credit rationing is less likely to occur as the financier-borrower relationship strengthens.

Empirical Review

Civelek (2023) investigated the positive association between the length of the relationship, the closeness of communication, the house bank status, and access to bank credit. The author collected data using an online questionnaire from 479 SMES in Turkey. Stratified random sampling and purposive sampling were used to select the participants. Binary Logistic Regression was used to analyse data. The results revealed the positive relationships between the variables of relationship lending such as length of relationship, closeness of communication and house bank status. The study is limited in context because it was purely conducted in developed country and the results may not replicate the same in the local context.

Hussain *et al*. (2021) examined the impact of the bank-borrower relationship on collateral requirements and risk premium when providing loans. The study used an exhaustive dataset of business loans from the period starting April 2006 to December 2013. The study found that a longer relationship lowers risk premiums but raises collateral requirements. However, deep investigation shown that more collateral is required by the lender when the relationship is longer, the number of loans is higher, and when the borrower uses more kinds of financing products. They

further found that impact of the relationship on interest rate and collateral differs substantially with the types of lenders and borrower as well as across different relationship dimensions. The results of this study are limited to particular type of borrowers or financial institutions but this paper used primary data obtained from the respondents directly which reflected their feelings about the subject matter being investigated.

Fanta (2016) conducted a study on the complementarity between Relationship Lending and Collateral in SME Access to Bank Credit in Ethiopia. The study was based on a survey design of 102 manufacturing SMEs drawn from a population of 375 small enterprises in the manufacturing sector. Binary logistic regression was used in analysing data. The findings show that a close tie with financial institutions is also believed to lessen collateral requirement and increase small enterprises access to credit. The sample of this paper is limited to small enterprises in the manufacturing sector only, ignoring small enterprises in other sectors. This study covered all the sectors to determine whether the study bring different results.

Beck *et al.* (2018) examined whether banks' use of relationship lending techniques influences the cyclicality of credit. They conducted in-person interviews with bank CEOs to categorize 397 banks across 21 countries as relationship or transaction lenders. Using the geographic coordinates of 14,100 businesses and bank branches, the findings demonstrate that while relationship lending does not cause credit constraints during a credit boom, it does so during a downturn. They further found that Relationship lending plays a more advantageous role for small, opaque businesses and regions that are experiencing a more severe economic downturn. Relationship lending does not constitute ever granting of loans and also lessens the effect of a downturn on firm growth. The study is limited geographical because it was conducted in developed countries but the results may not be same to developing countries where relationship lending technique is not commonly used by financial institutions.

In terms of interest rates, Brauning and Fecht (2017) investigated the effect of interbank relationship lending on banks' access to liquidity. The study used payment data which they used to create a panel of unsecured overnight loans between 1079 distinct borrower-lender pairs. The study found that during financial crisis

relationship lenders charged higher interest rates to their borrowers after controlling for other bank specific factors and general market conditions. Furthermore, the data shown that banks rely on repeated interactions with the same counterparties to trade liquidity. The paper only investigated the effect of relationship lending on access to liquidity during the financial crisis but this study investigated the influence of relationship lending on credit access during the normal situation which has reflected difference results.

Erdogan (2019) the study aimed to identify the firm-level determinants of perceived bank financing accessibility for small enterprises. Data were obtained from a survey conducted with executives responsible for the financial affairs of 492 small enterprises. The findings of the study affirmed that small enterprises with lengthier banking relationships improved access to bank loans. They also found that multiple banking relationships do not affect the perception of bank financing accessibility. Factors investigated that influence perceptions of bank financing accessibility differ between developed-market small enterprise and emerging-market small enterprises. Therefore, the results may differ from one geographical location to another.

Rahman *et al.* (2017) explored how the type of bank ownership that is local private banks, government-owned banks (public banks) and foreign banks - can affect relationship lending to small enterprises. The study used data set collected from the 44 commercial banks. The author found that exclusive relationship with the private banks through repeated use of products and services helps the small enterprises borrowers to receive loans with longer maturity and with relaxed covenants. They also found that proprietary soft information provides additional benefits to the banks beyond the hard financial data. The study has very few data set and thus the author failed to differentiate between government owned and foreign banks.

Refait-Alexandre and Serve (2018) analysed the determinants of the use of multiple banking relationships by SMEs. The sample size was 94 SMEs and data were collected using questionnaire and data analysed using descriptive and a bivariate probit model. The results indicate that access to multiple banking relationships is influenced by firms' characteristics. Larger, high-performing and innovative firms are more likely to develop multiple banking relationships. Results further indicate that the power of trust from the perspective of the CEO also influences multiple

banking relationships: when the CEO mistrusts the firm's main bank, the firm is more likely to engage in multiple banking relationships. The weakness of the paper is the use of small sample and other aspects of relationship lending were not covered. Therefore, this study investigated the large sample.

Kiring'a *et al.* (2021) the author investigated the effect of relationship lending on access to financial services by small and medium enterprises in Kenya. A sample size of 366 SMEs was used by the study. The study adopted a multistage sampling technique to obtain the small enterprise respondents. Primary data was utilized and was acquired through semi structured questionnaires. Data were analysed using descriptive and inferential statistics applying Heckman two-stage regression model. The results revealed that small enterprises with long relationship with the bank improved their credit access as well as firms with multiple banking relationships and those that build a strong trust with a bank benefit from credit access. The results of this study were based on all small enterprises of different sizes but this study focused on small size enterprises only to find out whether the results remained the same.

Methodology

The study employed a cross-sectional research design. The design was preferred because it allowed scholar to compare many different variables at the same time. The study used cross-sectional research design to collect data from a large pool of subjects and comparing differences between groups. The target population for this study was 2,630 small enterprises, comprising 800 service industries, 600 merchandise industries, 500 garment and textiles industries, 430 manufacturing industries as well as 300 agricultural industries licensed to operate in Moshi Municipality. The unit of analysis was the small enterprises while the unit of observation was the owners of small enterprises. In view of this, through proportionate stratified random sampling technique a representative sample was calculated from the accessible population at 95% confidence level using the formula as proposed by Yamane (1967). The sample of 347 was apportioned basing on percentage strength of numbers in every stratum as shown in Table 1.

Table 1: Proportionate Sampling Matrix

Strata (SEs)	Population	Percentage (%)	Stratified Sample size
Service firms (accommodations, restaurants)	800	0.3042	106
Merchandise industries	600	0.2281	79
Garment and textiles firms	500	0.1901	66
Manufacturing industries	430	0.1635	57
Agricultural industries	300	0.1141	39
Total	**2630**	**1.00**	**347**

The questionnaire was used in collecting of the primary data which contains questions that are both open and close-ended. Data was analysed using both descriptive and inferential statistics. Inferential statistics that were included in this study involved the use of Binary logistic regression model to investigate the influence of length of relationship lenders on credit access by small enterprises in Moshi Municipality. The scholar run correlation coefficient and logistic regression analysis because the objective had number of independent variables such as length of relationship, loan frequency, collateral, services against one dependent variable which was credit access.

The dummy variable credit access was coded as 1 if the small enterprise was granted access to credit and 0 if the small enterprise was denied access to credit. Because the dependent variable is a categorical variable, the factors that affect perceived credit access were analysed with the following binary logistic regression model.

The empirical model was modified from previous relationship lending empirical studies. Specifically, the equation to estimate the influence of the length of relationship lenders on credit access by small enterprises is expressed as follows:

$$CA\ (P\ A, i = 1 - P\ A, i) = \beta 0\ +\ \beta 1 LRi\ + \beta 2 LFi + \beta 3\ Servicesi + \beta 4\ CollateralI + \beta 5 sizei\ +\ \mathcal{E}i$$

Where P A, i is the probability of a firm that was granted credit access for participant i, and 1-P A, i is the probability of a firm that was denied credit access for participant *i.*

Among the independent variables;

LR represents years partnering with lender

LF represents loan frequency

Service represents service offered by lender

Collateral represent collateral required by the lenders.

Size represents firm size that was measured by the number of employees, and εi error term.

The study focused on the assumptions of logistic regression model that are not bound to violation. Therefore, the study observed the following assumptions of sample size; the research checked the number of cases (sample size) to ensure the sample size was adequate. A minimum of 50 cases per predictor is recommended (Field, 2013). In this case the scholar met the requirements of this assumption since sample size was adequate. Multicollinearity, the assumption was tested to ensure the predictors were not highly correlated and lastly, the outliers were checked to ensure accuracy of data.

Pearson correlation coefficient was carried out to determine the strength and nature of association between the dependent and independent variables. As indicated in table 3.3, some variables exhibited weak but negative and statistically significant correlation namely size of the firm (r=-0.141, p <0.05). This suggests that the one variable significantly and negatively affect small enterprises credit access. Other variables length of relationship (r= -0.113, p>0.05), loan frequency (r=0.019, p>0.05), services (r=0.048, p>0.05), and collateral (r=-0.018, p>0.05) show no significant relationship between them and the dependent variable. This implies that these variables do not affect small enterprises credit access.

Table 2: Multicollinearity Statistics

Variable	VIF
Length of relationship	1.010
Loan frequency	1.044
Service	1.066
Collateral	1.037
Size of the firm	1.011

Variance Inflation Factor (VIF) which identifies the degree of correlation between predictor variables was used to test for multicollinearity between independent variables. Multicollinearity is not considered a problem if VIF is between 1 and 10

(Mertler *et al*. 2021). However, multicollinearity exists if VIF is less than 1 or greater than 10 (Mertler *et al.* 2021). According to results shown in table 2 the study is completely free from multicollinearity problem since VIF are between 1 and 2.

Findings and Discussion

The study sought to assess the influence of length of relationship lenders on credit access by small enterprises. To address this research question data were collected from small enterprises owners who responded to the question in questionnaires. The study determined the influence of length of relationship with the lender and whether the length of relationship improve credit access.

Relationship between Lender Type and length of relationship With the Lender

The study assessed the relationship between lender type and length of relationship with the lender. Figure 1 present how small enterprises relate with lender through years partnering with the lender.

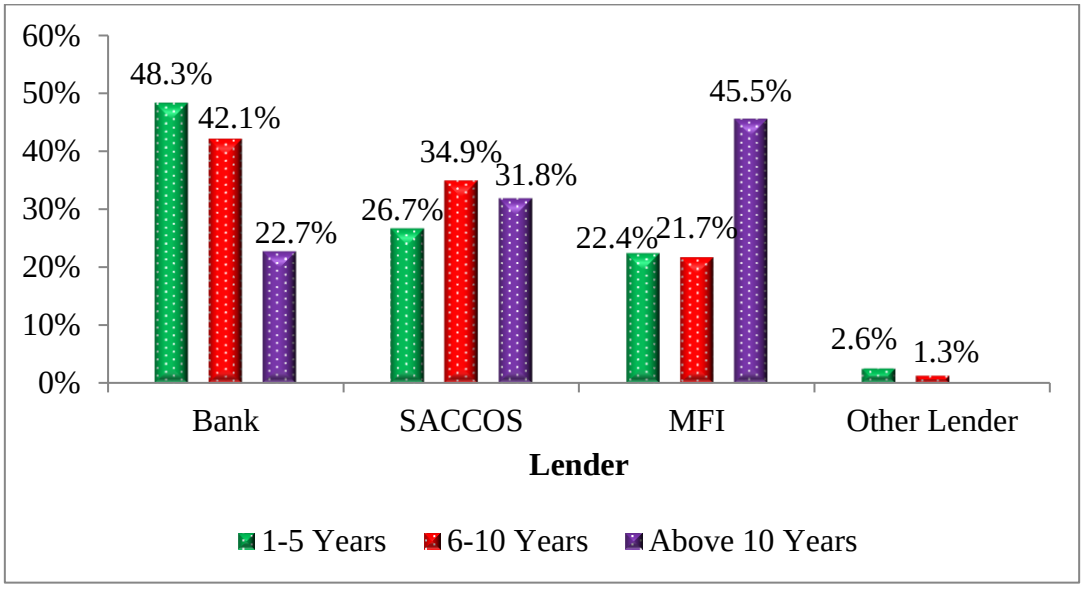

Figure 1: Relationships between Lender Type and Years Partnering with the Lender

Data in Figure 1 show that 52.4% of small enterprises owners had 6 to 10 years of partnering with lenders, 40% had 1 to 4 years of partnering with lenders while 7.6% get credit access from lender for more than 10 years. The result shows that most of small enterprises had more than five years partnering with lenders implying that the

lenders may have enough longer duration to assess small enterprises characteristics. This in return influences relationship lending on credit access by small enterprises. These findings concur with the findings by Refait-Alexandre and Serve (2018) which indicated that access to multiple banking relationships is influenced by firms' characteristics. Larger, high-performing and innovative firms are more likely to develop multiple banking relationships.

Length of Relationship

The study also assessed the length of relationship through multiple responses. The respondents were asked number of questions to know whether length of relationship with the lender improve credit access by small enterprises. They were given Yes or No to the below statements that measure the length of relationship in Table 3.

Table 3: Length of Relationship Improve Credit Access

Items	Response (n=290) Yes	
	Count	%
Length of relationship increases credit availability	263	90.7
Length of relationship reduces interest rate	42	14.5
Long relationship with the lender improves access to credit	168	57.9
Building a strong trust with a lender enables ease access to credit	250	86.2
Good access to information by lender increases credit access	242	83.4
Length of relationship lessen collateral requirement	26	9.0
Remaining in one lender for a long time increases access to credit	207	71.4

The results in Table 3 shows how the respondents responded to various statements used to measure the relationship lending. The respondents were asked whether long relationship with the various lenders improves access to credit. From Table 3 it can be seen that 90.7% of small enterprises owners reported that length of relationship increases credit availability, 86.2% said that building a strong trust with a lender enables ease access to credit, 83.4% revealed that good access to information by lender increases credit access, remaining in one lender for a long time increases access to credit (71.4%) and slightly majority (57.9%) indicated that long relationship with the lender improves access to credit while 85.5% of respondents reported that length of relationship do not reduce interest rate and 91% indicated that length of relationship do not lessen collateral requirement. This implies that length of relationship increases credit availability as small enterprises owners' access good information about lender which makes them to remain with one lender for a long

time which leads in building a strong trust with the lenders which in return increases credit access. In other words, small enterprises owners and lenders build strong trust and getting to know good information about each other overtime and hence leads to granting loans to each other.

In relation to whether the length of relationship increases access, Kiring'a *et al*., (2021), findings revealed that SEs with long relationship with the bank improved their credit access as well as firms with multiple banking relationships and those that build a strong trust with a bank benefit from credit access. In terms of interest rate, the results are contrary with the findings of Brauning and Fecht (2017) which found that the length of relationship reduced interest rates. The results also show having good information between small enterprises and financial institutions/lenders improves credit access. These findings by Rahman *et al* (2017) supported these findings who found that proprietary soft information provides additional benefits to the banks beyond the hard financial data. Therefore, supporting the argument that relationship lending allows lenders and borrowers to know each other more and hence gaining the vital information among themselves which build trust and subsequently lead to improving credit access by small enterprises.

Also, the issue of collateral coincided with the results of Fanta (2016) who found that the length of relationship does not substitute collateral rather complement each other. Finally, the issue of whether the length of relationship lessen the collateral requirements the study by Hussain *et al*., (2021), found that a longer relationship lowers risk premiums but raises collateral requirements. They further found that impact of the relationship on interest rate and collateral differs substantially with the types of lenders and borrower as well as across different relationship dimensions.

Regression Analysis results

A logistic regression model was employed for assessing the relationship between independent variables and a binary/dichotomous dependent variable. In this case, the independent variable is length of relationship, while the dependent variable is credit access (typically coded as **0** for denied credit access and **1** if granted credit access). Table 4 below show the results of Omnibus Tests of Model Coefficients.

Table 4. Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig
Intercept Only	348.752			
Final	329.163	19.589	6	0.003
Goodness-of-Fit				
	Chi-Square	**Df**		**Sig**
Pearson	3.378	8		0.908
Pseudo-R-Square				
Cox and Snell			0.066	
Nagelkerke			0.094	

Table 4 shows the results of omnibus tests of model coefficients, which assess the overall significance of the model's coefficients. The final model showed significant improvement χ^2 (6) = 19.589, p=0.003 which suggests the overall significance of length of relationship lending, loan frequency, services, collateral, size of the firm and age of the firm in predicting small enterprises credit access from lenders and the Hosmer and Lemeshow Test were conducted to evaluate the goodness of fit of logistic regression model. According to Osborne (2014), the logistics model used must be showing goodness-of-fit to the data. This happens when the p-values of Pearson are greater than the absolute critical value of 0.05. The goodness-of-fit test in table 4.6 indicates that Pearson (χ^2 (8) = 3.378, p = 0.908 satisfied the assumption. This implies that the model is a good fit for the data.

The model as a whole explained between 6.6% (Cox and Shell R-square) and 9.4% (Nagelkerke R squared) of the variance in credit access.

Table 5: Binary Logistic Regression Model on the Relationship between Length of Relationship Lending and Small Enterprises Credit Access

	B	S.E.	Wald	Sig.	Exp(B)	95% C.I. for EXP(B)	
						Lower	Upper
Length of relationship	0.597	0.265	5.092	0.024	1.817	1.082	3.053
Loan frequency	-0.144	0.105	1.871	0.171	0.866	0.704	1.064
Services	-0.221	0.094	5.481	0.019	0.802	0.667	0.965
Collateral	0.357	0.136	6.851	0.009	1.429	1.094	1.867
Size of the firm	-0.692	0.455	2.310	0.129	0.500	0.205	1.222
Age of the firm	-0.288	0.354	.664	0.415	0.750	0.375	1.499
Constant	-0.937	0.878	1.137	0.286	0.392		

Table 5 summarizes the results of a logistic regression model aimed at understanding the influence of predictor variables/independent variables, including Length of relationship in predicting credit access by small enterprises. The study sought to examine how length of relationship lending through years partnering with the lender affects small enterprises credit access.

To begin with, the study sought to establish the relationship between length of relationship and small enterprises credit access. As indicated in Table 5, it was established that there is a statistically significant relationship between length of relationship and small enterprises credit access (0.596, Wald χ^2 (1) = 5.092, p = 0.024. This suggests that for each unit increase in the length of the relationship, the odds of obtaining credit access increase by a factor of approximately 1.817. The 95% confidence interval for the odds ratio ranges from 1.082 to 3.053. This implies that maintaining longer-term relationships with lenders could potentially enhance credit access for small enterprises.

Additionally, staying longer with the lenders and acquiring numerous transactions over time can guarantee prompt and timely credit access, the longer the relationship the less the probability of default. The longer the partnership, the more information both parties can gather. It further implies the length of relationship a borrower spent with lender is critical in determining or predicting the performance of advanced loan facility. Since majority of small enterprises have been operating for a minimum of 10 years, these enterprises might have had long-year relationships with lenders. By doing so, they could have had close interactions and frequent contacts that might enable them to give more information about themselves and their enterprises. This might be another strong argument which confirms the positive association between relationship lending and access to credit.

This finding aligns with the findings of Civelek (2023), who revealed that there was a positive relationship between the variable of relationship lending such as length of relationship on credit access by small enterprise. Furthermore, he also found that length of relationship has vital importance to establish trust between people, firms, institutions, and other parties. In this regard, small enterprises that are interested in receiving credit access need to have close interactions and improve their

relationships with the lenders. In this case, they can minimize uncertainties/risk issues and signal their creditworthiness to the lenders. Therefore, there is a proof that length of relationship with the lenders improved credit access by small enterprises in Moshi municipality.

Erdogan (2019), findings of the study affirmed that small enterprises with lengthier banking relationships improved access to bank loans which indeed coincide with the study. Also, the study by Godfroid (2019), found that length of relationship in microfinance institution decreases the probability of clients dropping out in accessing credit, showing the importance of close contacts between loan officers and their clients.

The variable Services has a coefficient of -0.221 and is statistically significant p = 0.019. A unit increase in the service offered by lenders is associated with a decrease in the odds of credit access by a factor of approximately 0.802. The 95% confidence interval for the odds ratio ranges from 0.667 to 0.965. The significant negative coefficient for services suggests that services may have reduced odds of obtaining credit access. This finding implies that lower number of services may have an advantage when it comes to accessing credit using the relationship lending method which proves the important of relationship lending to small enterprises.

These findings contradict with the findings of Rahman *et al.* (2017) who found that exclusive relationship with the private banks through repeated use of products and services helps the small enterprises (SEs) borrowers to receive loans with longer maturity and with relaxed covenants.

The variable collateral has a coefficient of 0.357 and is statistically significant p = 0.009. A unit increase in the collateral is associated with an increase in the odds of credit access by a factor of approximately 1.429. The 95% confidence interval for the odds ratio ranges from 1.094 to 1.867. The significant positive coefficient for collateral requirement suggests that collateral may have increased odds of obtaining credit access. This finding implies that the smaller enterprises produce collateral may have an advantage when it comes to accessing credit using the relationship lending method.

The results coincided with findings of Hussain *et al*. (2021) who found that a longer relationship lowers risk premiums but raises collateral requirements. However, deep investigation shown that more collateral is required by the lender when the relationship is longer, the number of loans is higher, and when the borrower uses more kinds of financing products.

The findings are also in support of the findings by Duarte *et al*. (2017) whose findings endorse the importance of producing and sharing private information between lenders to reduce informational asymmetries and, consequently, the need to provide collateral to receive a loan. Lastly, the results also concur with the findings of Saifurrahman, A., & Kassim, S. (2022) who revealed that the collateral provision is indeed an obligatory requirement for small enterprises to access regular financing in an Islamic bank, preferably the immovable type that consists of land and property.

Conclusions

Credit access by small enterprises from lenders do influence by length of relationship. Length of relationship increase credit access as small enterprises owners' access good information about lender which makes them to acquire credit frequently which leads in building a strong trust with the lenders which in return increases credit access. Small enterprises with long-standing relationships with the lenders had better access to credit by small enterprises. The study came to the additional conclusion that access to financial services benefits small enterprises with long-standing relationships and those who develop a strong trust with lenders.

Recommendations

The study recommends that in order to develop and maintain good relationships and trust, small enterprises owners in Moshi Municipality should stay in close contact with their lenders. These connections increase trust among lending institutions, which in turn enables lenders to collaborate with businesses to find the best ways to meet their financial needs. Furthermore, the study recommends that the government increase its spending on credit guarantee programs to increase access to loans for start-up businesses, small enterprises and individuals without established credit histories. This would help in creating a small enterprises friendly environment that would boost up economic prosperity and stability.

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