

**The Role of Business Incubators in the Informal and Semi-formal financing
of Micro, Small and Medium Enterprises: The Case of Incubated
Enterprises in Tanzania**

Der Fakultät für Geschichte, Kunst- und Orientwissenschaften
der Universität Leipzig
eingereichte

DISSERTATION

zur Erlangung des akademischen Grades

DOCTOR PHILOSOPHIAE

(Dr. phil.)

vorgelegt

von Deogratias Kibona

geboren am 18. August 1979 in Tukuyu, Mbeya, Tanzania

Tag der Verteidigung: 3. Juli 2018

ACKNOWLEDGEMENT

First and foremost I want to thank my supervisor Prof. Dr. Utz Dornberger. It has been an honor to be one of his PhD students. He has taught me both consciously and unconsciously, how academic research is done. I appreciate all his contributions of time, ideas and expertise. I thank him for providing me guidance and a favourable environment for my PhD research particularly his readiness and support for frequent PhD colloquia which have been the major source of ideas and challenges from other people. I am also grateful for the excellent example he has provided as a successful SEPT director and professor. The members at SEPT have contributed hugely to my personal and professional time at Leipzig. The members have been a source of friendships as well as good advice and collaboration. I am also thankful to Prof. Dr. Md. Noor Un Nabi who has contributed ideas and in collaboration with Prof. Dornberger, he has guided my research with maximum commitment. Similarly, I'm grateful for Dr. Claudia Nelly Berrones-Flemmig, even though she came recently, her contributions were vital in my research. Apart from her contribution, her PhD research provided an important component in my PhD research foundation.

I would like to also acknowledge the contribution from Mr. Yonni Angel Cuero Acosta, he has played a major role in organising PhD colloquia which were very vital to my research project. He provided advice which encouraged me to work harder. I thank my colleagues at SEPT, they were part of my PhD journey, they were part of the favourable environment for my study, especially Dr. Richard Adu-Gymfi who was always there when I needed clarification on some research concepts and Mr. Nguyen Ke Tuong who gave me PLS software free of charge. Generally, it was a great pleasure to be with the SEPT members. I also pass my acknowledgements to Thomas Osterburg, Annamaria Hempel, Issabelle Bertram and Robert Meyer for their help when I was struggling to produce a German version of my abstract.

I gratefully acknowledge the funding sources that made my PhD research possible. I was funded by the DAAD in collaboration with Tanzanian Ministry of Education and Vocational Training. My research was also supported by Mzumbe University. Specifically, I thank very much my contact persons at DAAD, Ms. Lena Leumer and later on Ms. Caroline Wiegand were always available to help me in case of any problem. They were wonderful coordinators

between me and DAAD. My time at Leipzig was made enjoyable partly due to the friends, but partly due to the above mentioned financiers and coordinators

I also acknowledge the great help from my friend Marion Pelny, she made my life in Leipzig easy. To adopt German system of life with the language challenge, is incredibly difficult. However, during all my time in Leipzig, Marion was always there to help me. Lastly, I would like to thank my family for all their love and encouragement, my wife Sia Rowland Shayo and my daughters Santacruz Deogratias Kibona and Salvadora Deogratias Kibona, during all the time of my study they were there to support me.

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LIST OF ABBREVIATIONS

ACB	Akiba Commercial Bank
ANOVA	Analysis of Variances
ASCAs	Accumulating Savings and Credit Associations
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
CoET	College of Engineering and Technology
COSTECH	Commission for Science and Technology
CRDB	Cooperative Rural Development Bank
CREW	Credit Activities for Women
CSOs	Civil Society Organizations
CWS	Co-Working Spaces
DTBi	Dar es Salaam Teknohama Business incubator
ESRF	Economic and Social Research Foundation
EU	European Union
FINCA	Foundation for International Community Assistance
FMC	Financial Management Capabilities
FSDT	Financial Sector Deepening Trust
GAs	Government Agencies

GB	Great Britain
GDP	Gross Domestic Product
IBS	Incubatee's Bonding Social capital
ICT	Information and Communication Technology
IFC	International Finance Corporation
ILS	Incubatee's Linking Social capital
iMFA	MSMEs' informal Financial Accessibility
IMS	Incubator's Monitoring Services
IRS	Incubatee's Bridging Social capital
ISC	Incubatee's Social Capital
KMO	Kaiser-Meyer-Olkin
MBS	Incubator manager's Bonding Social capital
MCB	Mufindi Community Bank
MEDA	Mennonite Economic Development Association
MFA	MSMEs' Financial Accessibility
MFIs	Micro Finance Institutions
MFTransparency	Micro Finance Transparency
MLS	Incubator manager's Linking Social capital
MoCDGC	Ministry of Community Development, Gender and Children
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs

MoITM	Ministry of Industry Trade and Marketing
MRS	Incubator manager's Bridging Social capital
MSC	Incubator manager's Social Capital
MSMEs	Micro, Small and Medium Enterprises
NBAA	National Board of Accountants and Auditors
NEDF	National Entrepreneurship Development Fund
NGOs	Non Governmental Organisations
NMB	National Microfinance Bank
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PLS	Partial Least Squares
PRIDE-TZ	Promotion of Rural Initiative and Development Enterprise-Tanzania
PRs	Public representatives
PS	Private sector
PTF	Presidential Trust Fund
RMSEA	Root Mean Square Error of Approximation
ROSCAs	Rotating Savings and Credit Associations
RRF	Regional Revolving Fund
SACAs	Savings and Credit Associations
SACCOs	Savings and Credit Cooperative Societies
SEDA	Small Enterprise Development Agency

SEDIT	Social and Economic Development Initiative in Tanzania
SELFINA	Sero Lease and Finance Corporation
SIDA	Swedish International Development Cooperation Agency
SIDO	Small Industries Development Organisation
SMEDP	Small and Medium Enterprises Development Policy
SMEs	Small and Medium Enterprises
sMFA	MSMEs' semi-formal Financial Accessibility
SPSS	Statistical Package for Social Sciences
SSA	Sub Saharan Africa
TANZICT	Information Society and ICT Sector Development Project in Tanzania
TBS	Tanzania Bureau of Standards
TEMDO	Tanzania Engineering and Manufacturing Design Organisation
TFDA	Tanzania Food and Drugs Authority
TGT	Tanzania Gatsby Trust
TZS	Tanzanian Shilling
UDEC	University of Dar es Salaam Entrepreneurship Center
UDSM	University of Dar es Salaam
UK	United Kingdom
URT	United Republic of Tanzania
VICOBA	Village Commercial Bank
WOI	Without-wall incubators

WWI	With-wall incubators
YOSEFO	Youth Self-Employment Foundation

ZUSAMMENFASSUNG

Die Rolle von Inkubatoren in informellen und semi-formellen Finanzierungen für Kleinst-, Klein- und mittelgroße Unternehmen: Der Fall von inkubierten Unternehmen in Tansania.

KKMU tragen zur Diversifizierung der Wirtschaft über die Entwicklung technischer Innovationen bei. Die vorliegende Forschungsarbeit nimmt sich dieses Themas an und konzentriert sich auf die Bewertung der Funktion von Inkubatoren für den Zugang von KKMU zu informellen und semi-formellen Finanzierungsstrukturen in Tansania. Es wird untersucht, ob Inkubatoren eine Mittlerrolle zwischen Unternehmen und Akteuren im Finanzsektor einnehmen und ob das soziale Kapital der Entrepreneure und Inkubatormanager einen signifikanten Einfluss auf diesen Prozess hat.

1. Problembeschreibung

KKMU sind von entscheidender Bedeutung für wirtschaftliche Entwicklung und die Schaffung von Arbeitsplätzen (Bolton Report 1971, Ngowi und Milanzi 2006). In Schwellenländern tragen diese zu etwa zwei Dritteln der Gesamtbeschäftigung und etwas mehr als einem Drittel des BIP bei. Wenn in diesem Zusammenhang Unternehmen aus dem informellen Sektor berücksichtigt werden, sind KKMU in den meisten Ländern für mehr als der Hälfte der Beschäftigungsverhältnisse und des BIP verantwortlich (IFC, 2010). KKMU tragen auch zur Diversifizierung der Wirtschaft bei, insbesondere in den Ländern, die von Rohstoffen abhängig und daher anfällig für Preisschwankungen sind. KKMU leisten einen signifikanten Beitrag zur Innovationsdynamik eines Landes. Sie sind oft die treibende Kraft hinter radikalen Innovationen, die für das Wirtschaftswachstum wichtig sind (Baumol, 2002). Ungeachtet der Bedeutung von KKMU für die wirtschaftliche Entwicklung haben diese mit beträchtlichen Schwierigkeiten zu kämpfen. Die Misserfolgsquote ist nach wie vor ein großes Problem. Verschiedene Studien belegen die hohe Ausfallrate bei KKMU im Vergleich zu großen Unternehmen (Adeniran und Johnston 2011, Harorimana 2009). Hauptgrund dessen scheint oft der begrenzte Zugang zu adäquater Finanzierung zu sein (Schiffer und Weder 2001, Bosma u.a. 2009). Dieser Mangel beschränkt die Aktivitäten und zeigt sich in

Problemen beim Zugang zu Technologie, Wissen, Netzwerken, Marktzugang oder unternehmerischer Kompetenz. Die Finanzierungslücke bei KKMU ist in Entwicklungsländern besonders deutlich und gilt als Haupthindernis für deren wirtschaftliche Entwicklung (Ayyagari et al 2007, Beck et al 2006 und Tambunan 2008). An diesem Punkt setzt das vorliegende Forschungsvorhaben an.

In Entwicklungsländern ist der Zugang zu formeller (Bank-) Finanzierung begrenzt, so dass sich die Mehrheit der KKMU in diesen Ländern auf nicht-formelle Strukturen stützt, d.h. informelle und semi-formelle Finanzierung in Anspruch nimmt. Lin (2007) und Shen u.a. (2009) zeigen in diesem Zusammenhang, dass die meisten KKMU in China, Malaysia und Indonesien keinen Zugang zu formeller Finanzierung haben. Für Südafrika und Nigeria zeigen die Zahlen, dass weniger als 10% der KKMU eine formelle Finanzierung erhalten (Grundling und Kaseke 2010, Berg und Fuchs 2013). Laut Denis (2004) liegt ein Grund, warum KKMU in Entwicklungsländern auf nicht-formelle Finanzierung angewiesen sind, darin, dass diese Unternehmen oftmals nicht profitabel genug sind. Banken bevorzugen hingegen eher solche Akteure, die ein Kreditausfallrisiko geringhalten können.

Ungeachtet dieser Tatsache konzentriert sich die Forschung bisher auf die formelle Finanzierung von KKMU, weshalb die einschlägige Literatur zum Thema informeller und semi-formeller Finanzierungsoptionen begrenzt ist. Um das Problem hoher Ausfallraten bei KKMU zu lösen, sind verschiedene Fördermechanismen im Einsatz. Bei diesen handelt es sich unter anderen um Inkubationsprogramme, die sich als erfolgreich für die Entwicklung von KKMU herausgestellt haben (Ferguson und Olofsson 2004). Studien wie z.B. Wanyoko (2013) und Jones & Parry (2011) zeigen, dass Inkubatoren einen erheblichen Einfluss auf den Zugang von Unternehmen zu formeller Finanzierung haben. Aufbauend auf der vorhandenen Forschungsliteratur ist das Ziel dieses Vorhabens, die Rolle von Inkubatoren für KKMU im Bereich informeller und semi-formeller Finanzierung in Tansania zu bestimmen.

Es sei darauf hingewiesen, dass nichtformelle Finanzierungen nur teilweise reguliert sind (semi-formelle Finanzierungen) oder gar nicht (informelle Finanzierungen). Aufgrund einer schwachen Regulierung wird die informelle und semi-formelle Finanzierung stark von sozialen Netzwerken beeinflusst. Das ist prägend für netzwerkbasierte Ökonomien (Pham und Talavera, 2017). Laut Bollingtoft und Ulhoi (2005), Guiso u.a. (2000), Ronning (2011) und Kim u.a. (2009) hat damit Sozialkapital erhebliche Auswirkungen auf die Unternehmensfinanzierung. Swierczek (1994) verweist darauf, dass soziale Netzwerke in Entwicklungsländern, in denen der Autor Kollektivismus und Gruppenmitgliedschaft kulturell

stärker als in individualistisch geprägten Gesellschaften verankert sieht, einen wirksameren Einfluss auf den Zugang von Unternehmen zu Finanzierung haben. Die vorliegende Untersuchung zur Bedeutung von Inkubatoren für den Zugang zu informeller und semi-formeller Finanzierungen greift den Diskurs auf und diskutiert die Auswirkungen von *bonding*, *bridging* und *linking social capital* in diesem Prozess.

2. Ziele der Studie

Wie oben erläutert, wird mit dieser Forschung die Rolle von Inkubatoren für den Zugang von KKMU zu informeller und semi-formeller Finanzierung unter Berücksichtigung des Einflusses von Sozialkapital untersucht. Folgende spezifische Ziele werden definiert:

1. Bewertung der Beziehung zwischen verschiedenen Inkubationsmodellen und Modellen des Finanzierungszugangs.
2. Bestimmung des Beitrags von Inkubatoren für den Zugang zu informeller und semi-formeller Finanzierung durch KKMU.
3. Identifizierung der Erfolgsfaktoren für die adäquate Finanzintermediär-Funktion eines Inkubators für inkubierte Unternehmen und informelle sowie semi-formelle Finanzakteure.
4. Untersuchung der Auswirkungen von Sozialkapital im Bereich inkubierte Unternehmen und Inkubator-Management sowie des Zugangs zu informeller und semi-formeller Finanzierung von KKMU.
5. Entwicklung geeigneter Richtlinien, die bei Entscheidungen über den Zugang von inkubierten KKMU zu Finanzierung Verwendung finden können

3. Forschungsmethodik

Die vorliegende Untersuchung basiert auf einem *mixed method* Forschungsdesign und verfolgt einen daran angelegten sequentiellen explorativen Ansatz. Die Forschung wurde in verschiedenen Landesteilen von Tansania durchgeführt. Dabei wurden insbesondere die folgenden Regionen analysiert: Arusha, Dar es Salaam, Mbeya, Mwanza, Morogoro, Iringa, Moshi (Kilimandscharo), Sumbawanga (Rukwa), Tanga, Singida und Dodoma. Die betrachteten Inkubatoren werden durch die nachfolgenden Institutionen betrieben: Tanzania

Engineering and Manufacturing Designs Organisation (TEMDO), The Tanzania Commission for Science and Technology (COSTECH), Small Industries Development Organisation (SIDO) sowie weitere Akteure des privaten Sektors.

Die Forschung gliedert sich in zwei Phasen:

- In der ersten Phase wurde eine qualitative Untersuchung auf Basis des Kontakts zu Schlüsselinformanten in Inkubatoren und Finanzinstitutionen durchgeführt. Dabei kamen *face to face* Interviews im Zeitraum von Januar und März 2015 zur Anwendung.
- In der zweiten Phase wurden quantitative Daten durch die Befragung inkubierter Unternehmer im Zeitraum von Dezember 2015 bis April 2016 erhoben. Hier kam ein standardisierter Fragebogen zum Einsatz.

In der ersten Phase der Forschung wurde eine *Snowball Sampling* Technik eingesetzt und Interviews mit 11 Finanziers bzw. leitenden Akteuren aus Finanzinstitutionen, 6 Inkubator-Managern und 8 inkubierten Unternehmern geführt. Ziel war die Erhebung qualitativer Daten. Die erhobenen Daten spiegeln die Verknüpfungen zwischen Inkubatoren und KKMU sowie den Finanziers wider. Auf der Basis der beobachteten Verknüpfungen wurde der theoretische Analyserahmen der Untersuchung entwickelt und die Forschungshypothesen abgeleitet. Aus diesen Hypothesen wurde ein Forschungsmodell entwickelt, welches die Beziehung zwischen den zu untersuchenden Variablen verdeutlicht.

In der zweiten Phase wurden *Stratified* und *Purposeful Sampling* Techniken eingesetzt. Die Inkubatoren wurden in drei Kategorien eingeteilt: *With-wall* Inkubatoren, *Without-wall* Inkubatoren und Geteilte-Arbeitsräume. In jeder Kategorie hatten Inkubatoren die gleiche Chance, ausgewählt zu werden. In *With-wall* Inkubatoren wurden 6 Inkubatoren ausgewählt, in *Without-wall* Inkubatoren wurden 6 Inkubatoren ausgewählt und in Geteilte-Arbeitsräume wurden 4 ausgewählt. Danach ist ein *Purposeful Sampling* durchgeführt worden. Für diese sind alle incubatees, welche nicht weniger als ein Jahr inkubiert wurden, ausgewählt worden. Insgesamt wurden 217 inkubierte Unternehmer zur Erhebung ausgewählt, d.h. 67 inkubierte Unternehmer von *With-wall* Inkubatoren, 120 inkubierte Unternehmer von *Without-wall* Inkubatoren und 30 inkubierte Unternehmer von Geteilte-Arbeitsräume. Quantitative Daten über incubatees wurden mittels eines angeleiteten Fragebogens gesammelt. eine Pilotstudie wurde an 12 inkubierte Unternehmer bei SIDO Dar es Salaam Inkubator durchgeführt.

Nachdem die Pilotstudie kein Problem beim Verständnis der Fragen seitens der Befragten gezeigt hatte, wurde eine umfassende Umfrage durchgeführt.

4. Hypothesen und Ergebnisse

Bevor Hypothesen getestet wurden, enthüllte die qualitative Untersuchung folgendes:

- Inkubatoren spielen eine Intermediationsrolle in Bezug auf den Zugang zu Finanzmitteln für Unternehmen.
- Die Faktoren für eine erfolgreiche Finanzintermediation von Inkubatoren sind:

1. Das Vertrauen des Kreditgebers gegenüber dem Inkubationsmanager

Die befragten Personen wiesen darauf hin, dass die Erfüllung von Tilgungsplänen, verlässliche Angaben über das Unternehmen, eine positive Bonität, angebotene Finanzschulungen und ein fundiertes Finanzwissen der inkubierten Unternehmer positive Faktoren für den Zugang zu Finanzmitteln darstellen. Die Befragten gaben an, dass die inkubierten Unternehmer aufgrund der von den Inkubatoren angebotenen Unterstützungsangebote, eine umfassende Finanzschulung und eine solide Unternehmensberatung erhalten sowie sie auch einer strengen Aufsicht durch das Inkubatoren-Management unterliegen. Dies gewährleistet, dass die inkubierten Unternehmer verlässliche Unternehmensangaben liefern und den aufgestellten Tilgungsplan erfüllen können. Inkubatoren-Manager genießen großes Vertrauen bei Kreditgebern, da sie sich inzwischen einen guten Ruf als verlässliche Kontrolleure erarbeitet haben, die einen positiven Einfluss auf das Finanzmanagement eines inkubierten Unternehmens haben. Unternehmer, die sich in der Obhut von Business-Inkubatoren befinden, gelten als kreditwürdige Darlehnsnehmer.

2. Kreditgarantien von Inkubatoren

Von Inkubatoren angebotene Kreditgarantien wurden von den Befragten am häufigsten erwähnt. Siebzehn von fünfundzwanzig Befragten gaben an, dass diese Garantien einer der Gründe dafür sind, weshalb Kreditgeber inkubierte KKMU vergleichsweise nicht inkubierten KKMU bevorzugen. Von Inkubatoren angebotene Kreditgarantien sind Sonderregelungen, in

denen ein Inkubator eine Bürgschaft für einen Kredit bereitstellt, den der Kreditgeber dem inkubierten Unternehmer gewährt. Dies bedeutet, falls ein inkubierter Unternehmer einen Kredit nicht bedienen kann oder er den Tilgungsplan nicht erfüllen kann, wird der Inkubator im Namen des inkubierten Unternehmers den Kredit bedienen. Auf der anderen Seite muss ein inkubierter Unternehmer von einem Inkubator unterstützt werden, bevor der Kreditgeber dazu bereit ist einen Kredit zu gewähren.

Eine weitere Sonderregelung verlangt vom einem Inkubator nur, dass dieser ausschließlich kreditwürdige inkubierte Unternehmer befürwortet; allerdings ist im Fall eines Kreditausfalls der Inkubator nicht dazu verpflichtet im Namen des inkubierten Unternehmers Zahlung zu leisten.

3. Hohe Qualität der Finanzangaben von inkubierten Unternehmern

Die Befragten erwähnten ebenfalls gut vorbereitete Finanzaufstellungen, aussagekräftige Geschäftspläne, detaillierte buchhalterische Aufzeichnungen von Inkubatoren sowie das Finanzwissen von inkubierten Unternehmern als Gründe für eine bevorzugte Behandlung von inkubierten Unternehmern durch die Kreditgeber. Sie argumentierten, dass die inkubierten Unternehmer Schulungen und Unterstützung bei der Erstellung der Finanzabschlüsse und Geschäftspläne erhalten. Schulungen und Beratung verbessern das Finanzwissen der Unternehmer. Dies stellt sicher, dass die von den inkubierten Unternehmern erstellten Finanzangaben von einer vergleichsweise hohen Qualität sind.

In der quantitativen Untersuchung wurden sieben Hypothesen mittels PLS-Regressionsanalyse getestet und die Ergebnisse wie folgt zusammengefasst:

H_{1.1} und H_{1.2}: Das Monitoring durch Inkubatoren hat positive Auswirkungen auf den Zugang zu informellen (H_{1.1}) und semi-formellen (H_{1.2}) Finanzdienstleistungen für KKMU.

Ergebnisse: *Beide Hypothesen werden akzeptiert.*

H₂: Das Monitoring durch die Inkubatoren wirkt sich positiv auf die Finanzmanagementfähigkeiten der inkubierten Unternehmer aus.

Ergebnisse: *Die Hypothese wird akzeptiert.*

Diese Ergebnisse zeigen, dass eine von Inkubatoren angebotene Finanzberatung, eine Managementunterstützung und professionelle Unternehmensdienstleistungen, die Fähigkeit von inkubierten Unternehmern signifikant verbessern, solide Einschätzungen in Bezug auf

Kosten und Einnahmen vorzunehmen. Sie verbessern die Fähigkeit von inkubierten Unternehmern, Finanzberichte zu analysieren, einen realistischen Finanzplan zu erstellen, solide finanzielle Entscheidungen zum Tagesgeschäft sowie vernünftige Investitionsentscheidungen zu treffen.

H3.1 und H3.2: Die Finanzmanagementfähigkeiten eines inkubierten Unternehmers haben positive Auswirkungen auf den Zugang zu informellen (H3.1.) und semi-formelle (H3.2) Finanzdienstleistungen für KKMU.

Ergebnisse: *Die Hypothese 3.1 wird zurückgewiesen. Die Finanzmanagementfähigkeiten haben nur einen insignifikanten Effekt auf den Zugang zu informellen Finanzleistungen*

Dieses unerwartete Ergebnis, könnte auf die Tatsache zurückzuführen sein, dass informelle Finanzierungen im Vergleich zu semi-formellen Finanzierungen eher schwachen Regulierungen unterliegen. Daher wird die Finanzmanagementfähigkeit der inkubierten Unternehmer nicht unbedingt stark beachtet und wird in einigen Fällen überhaupt nicht als Kriterium für den Zugang zu Krediten herangezogen. Mangels eines starken ordnungspolitischen Rahmens in Bezug auf informelle Finanzierungen haben die informellen Geldgeber sehr unterschiedliche Kriterien für die Bereitstellung von Finanzmitteln. Ihre Kriterien hängen von ihren eigenen Prioritäten ab und folglich werden daher auf Grundlage eigener Prioritäten Kriterien festgelegt. Beispielsweise ist das wichtigste Kriterium für die Bereitstellung von Finanzmitteln an Unternehmen durch Projekte von Innovation Fund und Savannah Fund, dass ein Unternehmer wirtschaftlich tragbare und innovative Ideen vorweisen kann, die spezifische soziale und wirtschaftliche Bedürfnisse ansprechen. Für einen Kreditgeber aber liegt das Hauptkriterium in der Kreditsicherheit, während Organisationen wie VICOBA, ROSCAs und ASCAs ausschließlich Person finanzieren, die der Solidargemeinschaft angehören.

Die Hypothese 3.2 wird akzeptiert. Finanzmanagementfähigkeiten haben ein signifikant positive Auswirkung auf einen semi-formellen Zugang zu Finanzdienstleistungen

Die Ergebnisse zeigen, dass Fertigkeiten im Finanzmanagement eines inkubierten Unternehmers zu 47,8% den Zugang zu einer semi-formellen Finanzierung ausmachen. Dies deutet darauf hin, dass es weitere Faktoren gibt, die zum Zugang zu einer semi-formellen Finanzierung für einen inkubierten Unternehmer beitragen. Faktoren, wie das Image des

Inkubators, das Sozialkapital und Garantiemaßnahmen des inkubierten Unternehmers, sowie das Sozialkapital des Inkubator-Managers können eine ergänzende Rolle für die Finanzmanagementfähigkeiten auf den Zugang zu semi-formellen Finanzdienstleistungen spielen.

Auf Basis dieser Ergebnisse kann argumentiert werden, dass Inkubatoren als Finanzintermediäre zwischen inkubierten Unternehmern und semi-formelle Kreditgebern fungieren. In diesem Sinne entwickeln und/oder verbessern inkubierte Unternehmer ihre Fähigkeiten qualitative Finanzangaben bereit zu stellen, realistische Entscheidungen zu treffen und eine solide Finanzplanung zu entwickeln. Dies reduziert die Probleme, die aus einer subjektiven Risikoanhebung und einer negativen Risikoauslese entstehen können; sie bestärken die semi-formellen Kreditgeber darin, den inkubierten Unternehmern einen Kredit zu gewähren.

Aber es hat sich auch gezeigt, dass Inkubatoren keine Finanzmittlerrolle zwischen inkubierten Unternehmern und informellen Geldgebern spielen, weil in diesem Fall aufgezeigt wird, dass Informationsasymmetrien nicht das Hauptproblem für die Mehrheit der semiformalen Kreditgeber bei der Finanzierung von inkubierten Unternehmern darstellen. Deshalb sind Finanzmanagementfähigkeiten für sie nicht das vorrangige Kriterium bei der Finanzierung von inkubierten Unternehmern.

H4.1 bis H4.6: Das *Bonding, Bridging* und *Linking Social Capital* durch die inkubierten Unternehmer hat eine signifikant positive Auswirkung auf den Zugang zu informellen und semi-formellen Finanzdienstleistungen.

Ergebnisse: *Die Hypothesen 4.1, 4.2, 4.4 und 4.5 werden akzeptiert: Das Bonding und Bridging Social Capital durch die inkubierten Unternehmer wirkt sich positiv auf den Zugang zu informellen und semi-formellen Finanzdienstleistungen aus.*

Diese Ergebnisse können folgende Gründe haben: Die Familienmitglieder der Unternehmer, enge Freunde und Nachbarn sind in den meisten Fällen die Menschen, die den Unternehmer umgeben, deshalb haben sie einen großen Einfluss auf die tägliche Entscheidungsfindung des Unternehmers, und besonders bei den geschäftlichen Aktivitäten. Dem Unternehmer nahe stehende Menschen stellen diesem Informationen über alternative Finanzierungsoptionen zur Verfügung, stellen eine Verbindung zwischen dem Unternehmer und dem Geldgeber her und

manchmal stellen sie auch eine Garantie für den Unternehmer gegenüber dem Geldgeber aus. In einigen Fällen bilden Familienmitglieder, enge Freunde und Nachbarn eine Haftungsgruppe mit dem Unternehmer und verbürgen sich gegenseitig, damit sie leichter auf Finanzmittel zugreifen können. Ebenso spiegeln die Ergebnisse die Tatsache wider, dass sich in Tansania Sekundärgruppen für Gruppenmitgliedern verbürgen, d.h. ein Mitglied der Gruppe wird von seinen Gruppenmitgliedern mit einer Garantie ausgestattet.

Die Hypothesen 4.3 und 4.6 werden zurückgewiesen: Das Linking Social Capital des inkubierten Unternehmers hat keine signifikanten Auswirkungen weder auf den Zugang zu informellen noch auf semi-formelle Finanzdienstleistungen.

Die Ergebnisse sind hauptsächlich auf eine große Interaktionslücke zwischen inkubierten Unternehmern und Personen in Schlüsselpositionen in zivilgesellschaftlichen Organisationen, im Privatsektor, in Regierungsbehörden und öffentlichen Vertretern zurückzuführen. Eine große Anzahl von inkubierten Unternehmern haben keine Netzwerkverbindungen mit diesen einflussreichen Personen in der Gesellschaft. Diese Interaktionslücke kann auf zwei Hauptgründe zurückgeführt werden. Erstens, diese Schlüsselpersonen sind vorrangig mit formellen Finanzierungen beschäftigt und zweitens, Kleinunternehmer und Personen in Schlüsselpositionen stammen aus verschiedenen sozialen Klassen.

H_{5.1} bis H_{5.6}: Das *Bonding*, *Bridging* und *Linking Social Capital* der Inkubator-Manager hat positive Auswirkungen auf den Zugang zu informellen und semi-formellen Finanzierungsmöglichkeiten.

Ergebnisse: *Die Hypothesen 5.1, 5.2, 5.3, 5.4 und 5.5 werden zurückgewiesen: Das Bonding und Bridging Social Capital des Inkubator-Managers hat keinen signifikanten Einfluss, weder auf den informellen noch auf den semi-formellen Finanzierungszugang für inkubierte Unternehmer, während das Linking Social Capital des Inkubator-Managers keinen signifikanten Einfluss auf einen informellen Finanzierungszugang hat.*

Dies beruht auf folgenden Gründen: die Familienmitglieder des Inkubator-Managers, enge Freunde und Nachbarn sind nicht unbedingt einflussreiche Menschen, die in der Lage sind, Finanzierungsentscheidungen von informellen oder semi-formellen Geldgebern zu beeinflussen.

Auf der Grundlage von tansanischen sozioökonomischen Demographien gehören diese Personen in den meisten Fällen der gleichen sozialen Klasse an oder sie befinden sich in einer niedrigeren sozialen Klasse als der Inkubator-Manager. Daher haben sie wahrscheinlich keine Einflussmöglichkeiten auf die semi-formellen Geldgeber. Darüber hinaus stehen diese Personen in einer unmittelbaren Beziehung mit dem Inkubator-Manager, jedoch sind sie nicht mit dem inkubierten Unternehmer verbunden. Demzufolge fehlt es ihnen an der Bereitschaft sich für eine Person (dem inkubierten Unternehmer) zu verbürgen oder Hilfestellung zu leisten.

Außerdem sind die brückenbildenden Netzwerke der Inkubator-Manager lose Verbindungen auf Grundlage gemeinsamer Interessen. Das heißt, insofern die Finanzierung des inkubierten Unternehmers nicht auf einem gemeinsamen Interesse beruht, verfügen sie nur über eine geringe Leistungsbereitschaft gegenüber dem inkubierten Unternehmer um diesen beim Zugang zu informellen und semi-informellen Finanzdienstleistungen zu unterstützen. Außerdem sind die Verbindungen von Inkubator-Managern zu Personen in Schlüsselpositionen in zivilgesellschaftlichen Organisation, im privaten Sektor, in Regierungsbehörden und im öffentlichen Sektor durch strenge rechtliche Rahmenbedingungen geprägt. In diesem Fall kooperieren sie nicht mit informellen Geldgebern.

Die Hypothese 5.6 wird akzeptiert: Das Linking Social Capital durch den Inkubator-Manager wirkt sich positiv auf den semi-informellen Finanzierungszugang der inkubierten Unternehmer aus.

Diese Ergebnisse legen nahe, dass Inkubatormanager gute Geschäftsbeziehungen zu Schlüsselpersonen in zivilgesellschaftlichen Organisationen, im privaten Sektor, in Regierungsbehörden und im öffentlichen Sektor haben. Diese Personen haben einen großen Einfluss auf die semi-formellen Geldgeber, folglich nutzen Inkubator-Manager diese Netzwerke und wirken so auf die semi-formellen Geldgeber bei der Kreditvergabe an die inkubierte Unternehmer ein.

H_{6.1} bis H_{6.6}: Das Bonding, Bridging und Linking Social Capital durch die inkubierten Unternehmer hat eine signifikant moderierende Auswirkung auf den

Zusammenhang zwischen Finanzmanagementfähigkeiten und einem informellen und semi-formellen Zugang zu Finanzdienstleistungen.

Ergebnisse: *Die Hypothesen 6.1, 6.2, 6.3, 6.4 und 6.6 werden zurückgewiesen: Das Bonding und Linking Social Capital durch die inkubierten Unternehmer hat eine insignifikant moderierende Auswirkung auf das Verhältnis zwischen Finanzmanagementfähigkeiten und einem Zugang zu informellen oder semi-formellen Finanzdienstleistungen, während das Bridging Social Capital der inkubierten Unternehmer eine signifikant moderierende Auswirkung auf die Beziehung zwischen Finanzmanagementfähigkeiten und einem semi-formellen Finanzierungszugang hat.*

Diese Ergebnisse basieren auf der Tatsache, dass die Mehrheit der kleinen informellen Geldgeber, welche die Mehrheit in Tansania ausmachen, Finanzmanagementfähigkeiten nicht als die erste Priorität in der Auswahl ihrer Kreditnehmer sehen. Auf der Grundlage dieser Erklärung, ist die moderierende Auswirkung von *Bonding*, *Bridging* und *Linking Social Capital* durch die inkubierten Unternehmer automatisch insignifikant, weil die Beziehung zwischen Finanzmanagementfähigkeiten und einem informellen Finanzierungszugang unbedeutend ist. In ähnlicher Weise ist die große Interaktionslücke zwischen inkubierten Unternehmern und Personen in Schlüsselpositionen in zivilgesellschaftlichen Organisationen, im Privatsektor, in Regierungsbehörden und im öffentlichen Sektor für eine insignifikante Moderation des *Linking Social Capital* durch inkubierten Unternehmer auf die Finanzmanagementfähigkeiten und semi-formellen Finanzdienstleistungen verantwortlich.

Die Hypothese 6.5 wird akzeptiert: Das Bridging Social Capital durch die inkubierten Unternehmer hat signifikant negative moderierende Auswirkungen auf das Verhältnis zwischen Finanzmanagementfähigkeiten und einem semi-formellen Finanzierungszugang.

Dies wird der Tatsache zugeschrieben, dass Netzwerk-Verbindungen zu Bekannten, Kollegen und Sekundärgruppen positive Auswirkungen auf semi-formelle Finanzierungen haben. Daher haben inkubierte Unternehmer mit starken Netzwerk-Verbindungen zu Bekannten, Kollegen und Sekundärgruppen einen leichten Zugang zu semi-formellen Finanzierungen. Dies impliziert, dass inkubierte Unternehmer mit guten Verbindungen zu Bekannten, Kollegen und Sekundärgruppen keine hohen Finanzmanagementfähigkeiten benötigen, um auf semi-

formelle Finanzmittel zugreifen zu können. Andererseits sind inkubierte Unternehmer, die nur über schwache oder über keine Netzwerk-Verbindungen verfügen, dringend auf Finanzmanagementfähigkeiten angewiesen, damit sie auf semi-informelle Finanzmittel zugreifen können.

H7.1 bis H7.6: Das Bonding, Bridging und Linking Social Capital durch die Inkubator-Manager hat eine signifikant moderierende Auswirkung auf das Verhältnis zwischen den Finanzmanagementfähigkeiten eines inkubierten Unternehmers und einem Zugang zu informellen und semi-formellen Finanzdienstleistungen.

Ergebnisse: *Alle Hypothesen werden zurückgewiesen: Bonding, Bridging und Linking Social Capital durch die Inkubator-Manager haben insignifikant moderierende Auswirkungen auf die Beziehung zwischen den Finanzmanagementfähigkeiten der inkubierten Unternehmer und einem informellen oder einem semi-formellen Finanzierungszugang.*

Dies liegt daran, dass Familienmitglieder, enge Freunde, Bekannte, Nachbarn, Kollegen und Mitglieder der Sekundärgruppen von Inkubator-Managern nur einen insignifikanten Einfluss auf informelle oder auf semi-formelle Geldgeber haben. Außerdem haben die Verbindungen der Inkubator-Manager zu Schlüsselpersonen in der Gesellschaft keinen signifikanten Einfluss auf das Verhältnis zwischen Finanzmanagementfähigkeiten und dem Zugang zu Finanzdienstleistungen.

SUMMARY

The Role of Business Incubators in the Informal and Semi-formal financing of Micro, Small and Medium Enterprises: The Case of Incubated Enterprises in Tanzania

There is a consensus in literature that high economic growth rates contribute to economic and social development. At the same time, it is argued that the countries economic growth rate is mainly determined by among other factors, their ability to trade and invest. The success in trade and investment is determined by the role of two major players; governments and enterprises. While a government makes policies, enterprises trade and invest. The enterprise sector includes the micro, small, medium, large enterprises and even multinational companies. However, Micro, small and medium sized enterprises (MSMEs) account for the largest portion of sector. MSMEs promote new ideas and accelerate the effective use of resources, they also contribute to the growth of gross domestic product of a country. This is mainly due to their involvement in production activities, job creation and payment of taxes.

For the changing economic environment, MSMEs are flexible and have a great ability of adjusting themselves to fit the new environment due to the fact that their decision making process is simple and fast. Their ability to quickly adapt to changes ensures the resilience of the economy in time of crises. MSMEs also contribute to diversification of the economy through generation of technical innovations. This big contribution to the economic development creates interest of researching in the MSMEs sector.

This research has focused on assessing the role of business incubators on incubated MSMEs' access to informal and semi-formal finance in Tanzania. The investigation is made to understand whether business incubators play a financial intermediation role between enterprises and if incubatee and incubator manager's social capital has a significant influence on the process.

1. Problem description

The interest of doing this research is founded on the following facts: MSMEs are vital to the promotion of economic development and to the creation of jobs within the economy (Bolton Report 1971, Ngowi and Milanzi 2006). They contribute up to around two thirds of total employment and slightly more than a third of the GDP in emerging economies. If informal businesses are also taken into account, MSMEs contribute to more than a half of employment

and GDP in most countries regardless of income levels (IFC, 2010). They are regularly the driving force towards radical innovations which are important for the economic growth (Baumol, 2002)

But, despite of their importance to the economic development, MSMEs still don't survive very long. Their failure rate is persistently a burning issue in the world and different studies have shown a high failure rate among them compared to large businesses (Adeniran and Johnston 2011, Harorimana 2009). Most MSMEs have mentioned limited access to finance as the major cause for their high failure rates (Schiffer and Weder 2001, Bosma et.al. 2009). Lack of finance leads to limited financial capital, as a result they cannot address other problems such as low technology, lack of business skills, poor business network, poor market access and poor management skills. The MSMEs' finance gap is much higher in developing countries and it is the major barrier for their development in developing countries (Ayyagari et.al. 2007, Beck et.al. 2006 and Tambunan 2008).

In developing countries, formal (bank) finance is very limited, therefore majority of MSMEs rely on non-formal (non-bank) finance i.e. informal and semi-formal finance. For instance, Most of MSMEs in China, Malaysia and Indonesia have no access to formal finance (Lin 2007, Shen et.al. 2009). While less than 10% of MSMEs which seek formal finance in South Africa and Nigeria are successful (Grundling and Kaseke 2010, Berg and Fuchs 2013). According to Denis (2004), the reason why MSMEs in developing countries rely on non-formal finance, is the fact that these firms are not yet profitable at this stage. Banks do not prefer to finance such enterprises because of the perceived risk that such businesses are not able to payback the credits.

Regardless of this fact, many researchers have focused their studies on MSMEs' formal finance, as a result there is limited literature on MSMEs' informal and semi-formal finance. On the other hand, to address the problem of MSMEs' high failure rates, various interventions have been put in place by the governments and other stakeholders. Some of the successful interventions are business incubation programs which have proved to be effective in improving MSMEs' survival rates (Ferguson and Olofsson 2004). Other studies like Wanyoko (2013) and Jones and Parry (2011) have specifically revealed that business incubators significantly influence enterprises' access to finance, but their researches focused on formal finance. Based on these facts, the researcher was motivated to determine the role of business incubators to the MSMEs access to informal and semi-formal finance in Tanzania.

It should be noted that unlike formal finance which is strongly regulated, non-formal finance is either partially regulated (semi-formal finance) or not regulated at all (informal finance). Due to weak regulation, informal and semi-formal finance is highly influenced by social networks and such kind of finance is very dominant in network based economies (Pham and Talavera, 2017). According to Bollingtoft and Ulhoi (2005), Guiso et.al. (2000), Ronning (2011) and Kim et.al. (2009) social capital has a significant impact on business financing. Similarly, Swierczek (1994) found that social networks have higher influence on entrepreneurs' access to finance in developing countries where collectivism and group membership is culturally the more preferred way of life than individualism. Due to these revelations, the researcher was also interested to investigate the effect of bonding, bridging and linking social capital in the process.

2. Objectives of the study

As explained above, the aim of this research is to determine the role of business incubators on the MSMEs' access to informal and semi-formal finance while considering the impact of social capital on the process. The specific objectives for this study are:

1. To assess the relationship between different business incubation models and different models of financial accessibility.
2. To determine the contribution of business incubators to the MSMEs informal and semi-formal financial accessibility.
3. To determine the key factors for successful financial intermediary role of a business incubator between incubatees and both informal and semi-formal financiers.
4. To investigate the impact of both incubatee and incubator manager's social capital on MSMEs informal and semi-formal financial accessibility.
5. To develop a model that will be used to facilitate incubated MSMEs' access to informal and semi-formal finance.

3. Research Methodology

The study used a mixed method research design and in particular, it was a mixed method sequential exploratory approach. The study was conducted in Tanzania, particularly the areas with incubation programs in different parts of the country. Specifically the study was conducted in Arusha, Dar es Salaam, Mbeya, Mwanza, Morogoro, Iringa, Moshi

(Kilimanjaro), Sumbawanga (Rukwa), Tanga, Singida and Dodoma. The targeted incubators in these areas were the ones hosted by; Tanzania Engineering and Manufacturing Designs Organisation (TEMDO), The Tanzania Commission for Science and Technology (COSTECH), Small Industries Development Organisation (SIDO), and Private institutions.

The research was undertaken in two main phases;

- In the first phase the qualitative study was done basing on key informants among incubatees, business incubators' officials and financial institutions. The face to face interviews were conducted between January and March 2015 and qualitative data were gathered.
- In second phase, the quantitative data were gathered through the survey of incubatees which was conducted from December 2015 to April 2016. The survey was conducted through guided questionnaire.

In phase one of the study (Qualitative research), the researcher used Snowball sampling technique, where he identified and conducted interviews with 11 financiers/financial institutions managers, 6 incubator managers and 8 well informed incubatees (in most cases incubatees' leaders). The face to face interviews were conducted and qualitative data were gathered. These data showed the links between business incubators and MSMEs and between MSMEs and financiers. The theoretical framework was developed from the revealed links and hypotheses were formulated.

In phase two (Quantitative research), the study used stratified and purposive sampling techniques. A stratified sampling technique was used because of the diversity of the business incubation programs. Business incubators were categorised into three categories (strata), with-wall incubators, without-wall incubators and co-working spaces. In each stratum, incubators had equal chance of being selected. In with-wall business incubators, 6 incubators were selected, in without-wall business incubators, 6 incubators were selected, and in co-working spaces, 4 were selected. Then a purposive sampling was employed. Here, all incubatees with not less than one year of incubation period in selected business incubators were selected. A total of 120 incubatees were selected for survey i.e. 67 with-wall incubatees, 120 without-wall incubatees and 30 co-working space incubatees. The quantitative data were gathered through the survey of incubatees which was conducted through guided questionnaire, and before the full scale survey, a pilot study was conducted to 12 incubatees at SIDO Dar es salaam

business incubator. After the pilot study showed no problem with respondents' understanding of the questions, then full scale survey was conducted.

4. Hypotheses and results

Before hypotheses were tested, phase one revealed the following:

- *Business incubators play a financial intermediation role towards enterprises' financial accessibility.*
- *The factors for the successful financial intermediation role by business incubators are:*

1. Financiers' trust on incubator managers

Interviewees argued that honoring repayment schedules, genuine information, good credit repayment history of incubatees, financial trainings provided to incubatees and incubatees' financial knowledge as the factors that contribute to incubatees' easy access to finance. The interviewees argue that with the monitoring services provided by the incubators, incubatees receive many financial trainings, consultancy and they are under close supervision of incubator management. This ensures that incubatees provide genuine information and honour repayment schedules. Therefore, having created a reputation of being good supervisors with positive impact on incubatees financial management capability, incubator managers are trusted by financiers. Entrepreneurs who are under business incubators are considered good borrowers.

2. Business incubators' credit guarantee

Incubator credit guarantee schemes was the most mentioned factor by the interviewees, with seventeen out of twenty five interviewees saying that this is one of the reasons why incubatees are relatively preferred by financiers compared non incubated MSMEs. Incubator credit guarantee schemes are the special arrangements where a business incubator provides guarantee for the credit provided by the financier to the incubatee. This means that in case an incubatee fails to payback the credit or he/she fails to honor repayment schedule, the incubator will have to pay on behalf of the incubatee. On the other side, an incubatee must be endorsed by the incubator before financier provides credit. Other special arrangements only require incubators to endorse the incubatees who can be trusted to provide them credits but in case of failure to payback a credit, an incubator will not be required to pay on behalf of the incubatee.

3. *High quality of incubatees' financial information*

The interviewees also mentioned, well prepared financial statements, good business plan, good financial record keeping of incubatees and incubatees' financial knowledge as reasons for financiers preferring incubatees. They argued that the incubatees are provided with trainings and assistance in preparing the financial statements and business plans. Trainings and consultancy improve the financial knowledge of the incubatees. This ensures the financial information produced by the incubatees are relatively of high quality.

In the second phase seven hypotheses were tested by PLS regressions analysis and the results are summarized as follows:

H_{1.1} & H_{1.2}: Business incubator 's monitoring services have a positive impact on the MSMEs informal and semi-formal financial accessibility.

Results: *Both hypotheses are accepted: Business incubator 's monitoring services have significant positive impact on both MSMEs informal and semi-formal financial accessibility.*

H₂: The Business incubator 's monitoring services have a positive impact on the incubatees' financial management capabilities

Results: *The hypothesis is accepted: Business incubator 's monitoring services have significant positive impact on the incubatees' financial management capabilities.*

These results indicate that financial consultancy, management assistance and professional business services provided by incubators significantly improve incubatees' ability to make good estimations on costs and revenues. They significantly improve incubatees' ability to analyse financial statements, make realistic financial plan, sound day to day financial decisions and good investment decision.

H_{3.1} & H_{3.2}: The incubatee's financial management capabilities have positive impact on informal and semi-formal financial accessibility.

Results: *The hypothesis 3.1 is rejected: Incubatees' financial management capabilities have insignificant impact on informal financial accessibility.*

This is unexpected result, it could be attributed to the fact that informal financing is subjected to weak regulations compared to semi-formal financing, therefore incubatee's ability to

manage finance is not necessarily strictly observed and in some cases not considered at all as a criterion for accessing loans. Due to lack of strong regulatory framework in informal finance, informal financiers have very different criteria for providing finance. Their criteria depend on their priority, therefore based on these priorities, criteria are established. For instance, the major criterion for providing finance to enterprises by Innovation Fund and Savanna Fund projects is for an entrepreneur to have commercially viable, innovative ideas addressing specific social and economic needs. But for moneylenders, the main criterion is collateral and VICOBA, ROSCAs and ASCAs require an individual to belong to the solidarity group.

The hypothesis 3.2 is accepted: Incubatees' financial management capabilities have significant positive impact on semi-formal financial accessibility.

The results show that, ability to manage finance account to 47.8% of incubatee's semi-formal financial accessibility. This indicates that there are other factors out of the construct which contribute to the incubatees' access to semi-formal finance. Factors such as business incubators' reputation, incubatee's social capital, incubatees' guarantee schemes and incubator manager's social capital, are some of the factors that could be supplementing financial management capabilities on semi-formal financial accessibility.

Based on the results above, it can argued that incubators act as the financial intermediaries between incubatees and semi-formal financiers in the sense that through the monitoring services they provide, they develop and/or improve incubatees' ability to prepare quality financial information, to make realistic decisions and to make good financial planning. This reduces the problems of moral hazards and adverse selections, and thus semi-formal financiers are encouraged to provide credits to the incubatees. But it has also been revealed that incubators do not play a financial intermediation role between incubatees and informal financiers because in this case information asymmetries are not the major problem to majority of informal financiers towards financing the incubatees. Thus incubatees' financial management capabilities is not their priority criteria in financing incubatees.

H4.1 to H4.6: The incubatee's bonding, bridging and linking social capital have positive impact on the informal and semi-formal financial accessibility.

Results: *The hypotheses 4.1, 4.2, 4.4 and 4.5 are accepted: Incubatee's bonding and bridging social capitals have positive impact on both informal and semi-formal financial accessibility.*

These findings could be due to the following reason: Incubatees' family members, close friends and neighbours are in most cases the people who closely surround the incubatee, therefore they have a high influence on the daily decision making of the incubatee particularly on the business related activities. The close people provide information to the incubatee on the financing alternatives, linking the incubatee to the financiers and sometimes they guarantee an incubatee to financiers. In some cases, family members, close friends and neighbour can form a group with the incubatee and guarantee each other, so as to easily access finance. Likewise, the results reflect the fact that, in Tanzania secondary groups provide guarantee to group members i.e. a member with no collateral is guaranteed by his/her group members.

The hypotheses 4.3 and 4.6 are rejected: Incubatee's linking social capital has insignificant impact on both informal and semi-formal financial accessibility

The findings are mainly due to a big interaction gap between incubatees and people with key positions in civil societies organisations, private sector, government agencies and public representatives. This can be reflected in the descriptive statistics where it shows large number of incubatees do not have network links with these influential people in the society. This interaction gap can be accounted to two major reasons: first, these influential people are more associated with formal finance and secondly small entrepreneurs and the influential people belong to different social classes.

H_{5.1} to H_{5.6}: The incubator manager's bonding, bridging and linking social capital have positive impact on the informal and semi-formal financial accessibility.

Results: *The hypotheses 5.1, 5.2, 5.3, 5.4 and 5.5 are rejected: Incubator manager's bonding and bridging social capitals have insignificant impact on both incubatee's informal and semi-formal financial accessibility, while incubator manager's linking social capital has insignificant impact on informal financial accessibility.*

This is associated with the following reason: incubator manager's family members, close friends and neighbours are not necessarily influential people to be able to influence both

informal and semi-formal financiers' financing decisions. Based on the Tanzanian socio-economic demographics, in most cases these people are of the same or lower social class than incubator manager, therefore they are likely to have no influence on semi-formal financiers. On top of that, these people have a direct relationship with incubator manager but not with incubatees, as a result they lack commitment to guarantee and help people (incubatees) who they do not know. Similarly, incubator manager's bridging networks are loose links based on the common interests, therefore as far as incubatees' financing is not their common interest then they have low commitment towards helping the incubatees to access both informal and semi-formal finance. Also incubator manager's connections to people with key positions in civil societies organisations, private sector, government agencies and public representatives are more committed to work with strong regulatory frameworks. In this case they do not work with informal financiers.

The hypothesis 5.6 is accepted: Incubator manager's linking social capital has a positive impact on incubatee's semi-formal financial accessibility.

These findings suggest, incubator managers have stronger connections with key people in civil society organizations, private sector, government agencies, and public representatives. These people have high influence on the semi-formal financiers, therefore incubator managers use these networks to influence the semi-formal financiers provide credits to incubatees.

H_{6.1} to H_{6.6}: The incubatee's bonding, bridging and linking social capitals have significant moderating impact on the relationship between financial management capabilities and informal and semi-formal financial accessibility.

Results: *The hypotheses 6.1, 6.2, 6.3, 6.4 and 6.6 are rejected: Incubatee's bonding and linking social capitals have insignificant moderating impact on the relationship between financial management capabilities and either informal or semi-formal financial accessibility, while incubatee's bridging social capital has insignificant moderating impact on the relationship between financial management capabilities and informal financial accessibility.*

These findings are based on the fact that most of the small informal financiers who are the majority in Tanzania, financial management capability is not their first priority requirement to borrowers. Based on this explanation, the moderating effect of incubatee's bonding, bridging and linking social capital is automatically insignificant because relationship between financial

management capabilities and informal finance is insignificant. Similarly, the big interaction gap between incubatees and people with key positions in civil societies organisations, private sector, government agencies and public representatives is responsible for insignificant moderation of incubatee's linking social capital on financial management capability and semi-formal finance

The hypothesis 6.5 is accepted: Incubatee's bridging social capital has a significant negative moderating impact on the relationship between financial management capabilities and semi-formal financial accessibility.

This is attributed to the fact that, network links to distant friends, colleagues and secondary groups have positive impact on semi-formal finance, therefore incubatees with strong network links to distant friends, colleagues and secondary groups can easily access semi-formal finance. It implies that incubatees with strong links to distant friends, colleagues and secondary groups do not need high financial management capability to access semi-formal finance. But those with weak or no links to distant friends, colleagues and secondary groups desperately need high financial management capability to access semi-formal finance.

H7.1 to H7.6: The incubator manager's bonding, bridging and linking social capitals have significant moderating impact on the relationship between incubatee's financial management capabilities and informal and semi-formal financial accessibility.

Results: *All hypotheses are rejected: Incubator manager's bonding, bridging and linking social capitals have insignificant moderating impact on the relationship between incubatee's financial management capabilities and either informal or semi-formal financial accessibility.*

This is because incubator manager's family members, close friends, neighbours distant friends, colleagues and members in secondary groups have insignificant influence on both informal and semi-formal financiers. Also incubator manager's connections to key people in the society do not significantly influence the relationship between the financial management capability and financial accessibility.

CHAPTER ONE

INTRODUCTION

1.1 Background to the problem

There is a consensus in literature that high economic growth rates contribute to economic and social development. At the same time, it is argued that the countries' economic growth is mainly determined by among other factors, their ability to trade and invest. The success in trade and investment is highly determined by the role of two major players; governments and enterprises. While a government makes policies, enterprises are the ones who trade and invest. The enterprise sector includes the micro, small, medium, large enterprises and even multinational companies. However, Micro, small and medium sized enterprises (MSMEs) account for the largest portion of enterprise sector and significantly contribute to the economic development.

MSMEs contribute to economic growth in various ways: Firstly, they are promoters of new ideas and accumulate and accelerate the effective use of resources (Zaman, 2007). Secondly, they have a significant contribution to the growth of gross domestic product of a country. This is mainly due to their involvement in production activities and payment of taxes. Thirdly, A crucial feature of MSMEs is the fact that they create an important source of jobs (Markley and McNamara, 1995). Majority of the newly created jobs are owed to the MSMEs sector. The costs related to the creation of a job in an MSME are low compared to the ones involved in the creation of a job in a large enterprise. Most MSMEs are in the service sector mainly in wholesale and retail trade. They are also prevalent in manufacturing sector, and recently are increasingly present in technology-intensive industries such as information and communications technology (OECD, 2000). MSMEs represent an aspect of balance at the micro and macroeconomic level, they counter-balance the monopolies and oligopolies and therefore reducing the ability of the large companies control the market. For the changing economic environment, MSMEs are flexible and they have a great ability of adjusting themselves to fit the new environment, this is due to the fact that their decision making process is simple and fast. Another important role of MSMEs is the generation of the technical innovation applicable in the economy. They play a critical role in the innovation process by their ability to invent new technological space and to improve the high technology information networks (Almeida, 2004). They also contribute to rapid diversification of the

economy and therefore improving the resilience of the economy to the economic shocks. Putting into consideration the mentioned roles of MSMEs to the economy, it is obvious that competitive MSMEs sector contributes to the economic and social development and poverty reduction.

But creating a competitive MSMEs sector is usually challenging because early stages of enterprises involve intensive work associated with building a sound enterprise. To build a successful enterprise, it requires entrepreneur's ability to produce sound business plan which is normally associated with having some knowledge and capabilities in aspects of marketing strategy formulation, financial planning, product development, legislation and business management in general. Unfortunately, a significant number of entrepreneurs start businesses without having acquired the necessary capabilities to operate an enterprise successfully. This has led to relatively high failure rate among MSMEs. Most entrepreneurs associate their business failure with limited access to finance, but it could be argued that lack of capabilities on aspects of financial management results into problems related to limitation of financial access (Gitman 2010). For instance, lack of financial management capabilities could lead to information asymmetries between entrepreneurs and financiers. This argument is based on the fact that, good financial management facilitates entrepreneur's acquisition of necessary financial resources and ensures an enterprise use these financial resources properly (Nieman et.al. 2006).

Having understood the role of MSMEs to the economic development, it is also necessary to understand the concept of startups because even though people use the terms "startups" and "MSMEs" interchangeably, there is a significant difference between the two terms. A start-up is an enterprise that right from the start it figures out the right thing to develop in order to generate maximum revenue from right customers (Blank, 2013). The difference lies on the intention of the entrepreneurs, while MSME owner normally intends to be own boss and secure financially sustainable place in the market, a start-up's owner intention is to grow his/her business into a large company. Although startups differ from MSMEs, they play a similar role to the economic development. Like MSMEs, startups contribute to the economic development at a faster rate than mature businesses (Kauffmann Foundation, 2016) As technologies create new opportunities, startups take advantage of these opportunities and therefore creating more value than mature businesses. They develop new innovations to generate value, solve problems and improve efficiencies. Large companies have many

strengths arising from their market dominance but they slowly adapt to changing environment compared to startups, this is why startups are in better position to utilize opportunities arising from emergence of new technologies.

Startups contribute to the rapid development of new technologies and the area in which they operate. This is because they are good at implementing inventions and innovations. Considering that startups are based on the innovations, they are therefore an indication of a healthy economy in the sense that they promote economic diversity and create new jobs. Because they can easily adapt to environmental change, they provide economic flexibility and dynamism which is important for the thriving and responsive economy. By responding to customer needs in an effective way with which large companies have traditionally struggled, startups provide competitive forces that ensure a successful economy. This means that startups create an environment where companies are under pressure to compete in the market while the economy stays healthy and vibrant. Looking at the role of startups, is generally similar to that of MSMEs, this is probably the reason why many people use the two terms interchangeably. In this study, both MSMEs and startups were considered MSMEs because most of the startups were not able to identify themselves as startups, they considered themselves MSMEs.

Due to the importance of MSMEs to the development of the economy, governments and other stakeholders have stepped up efforts to reduce the failure rate of enterprises. Various programs have been put into place to address problems facing enterprises. Some of the notable programs are business incubation programs. Business incubators are the programs which provide physical spaces for the enterprises (Bergek and Norrman, 2008), sharing platforms for business support services and vectors for supporting enterprises to grow and develop (Young, 2001). Their goal is to promote MSMEs (Smilor and Gill 1986, Grimaldi and Grandi 2005) by providing entrepreneurial synergy to the micro and small businesses (Mihailo and Campbell, 1984). Many scholarly researches done on the aspect of promoting enterprises have confirmed that, fostering MSMEs in the business incubators is an efficient way in promoting their growth and development. Those located in business incubators have higher survival rate due to the services provided to them (Ferguson and Olofsson 2004). This positive impact of incubators' services on the MSMEs growth has motivated the establishment of business incubators in the world. As a result, the number of incubators has been increasingly growing in the world, shooting from 200 in the early 1990s to 4000 by 2006 (Szabo 2006). A significant increase has been witnessed in America, China and Europe (Infodev 2009), and by 2014 business incubators were estimated at 7000 worldwide.

1.2 Statement of the Problem

As explained above, MSMEs are viewed as an essential element of a healthy and vibrant economy in both developing and developed countries (Ngowi and Milanzi 2006). They are vital to the promotion of enterprising culture and to the creation of jobs within the economy (Bolton Report, 1971), providing a momentum to the economic progress of countries. They account for approximately 99% of all firms and provide an average of 70% of jobs while contributing to value creation by generating between 50% and 60% of value added (OECD, 2016b). According to World bank report (2015), MSMEs contribute up to 60% of total employment and 40% of the GDP in emerging economies. If informal businesses are also taken into account, they contribute to more than 50% of employment and GDP in most countries regardless of income levels (IFC, 2010). In addition, they diversify economies particularly to the countries that depend on few commodities and therefore vulnerable to price fluctuations. Recently, the MSMEs have shown a significant contribution to innovation dynamics. Although not all of them are innovative, new and small ones are regularly the driving force towards radical innovations which are important for the economic growth (Baumol, 2002).

However, despite of their importance to the economic development, MSMEs still don't survive very long. Their failure rate is persistently a burning issue in the world and different studies have shown a high failure rate among them compared to large businesses. Generally, more than one third of MSMEs in the world discontinue within two years of commencing the operations. For instance, approximately 70 to 80 percent of the South African MSMEs fail (Adeniran and Johnston, 2011), 50 percent close within their first year of existence in Uganda (Harorimana, 2009). According to UK national statistics office (2015), 60% of MSMEs fail within five years time after establishment. Comparatively, the failure rate is slightly higher in developing countries than in developed ones. Due to their significant role in the economic development, it is therefore important to understand why MSMEs fail and what is the solution.

Several researchers have revealed the factors for the high MSMEs' failure rates. Access to finance is the foremost obstacle for their growth (Schiffer and Weder, 2001) and the World Bank Investment promotion report (2009) revealed that about 40% of MSMEs cited access to finance as serious constraint to the growth of their businesses. According to Bosma et.al.

(2009), 55% indicated the financial problems as a reason for their quitting the business. Limited access to finance leads to limited financial capital, as a result they cannot address other problems such as low technology, lack of business skills, poor business network, poor market access and poor management skills. Poor access to financial capital is mainly due to limited managerial background, limited expertise in the area of finance, low level of internal financial organization and limited knowledge of accounting and finance techniques. They also lack collateral and transaction history. In developing countries, the finance gap is much higher than in developed countries because MSMEs in developing countries have relatively weak financial infrastructures, therefore entrepreneurs find it harder to access finance from banks, capital markets or other financiers (OECD 2006). Studies by Ayyagari et.al., (2007), Beck et.al., (2006) and Tambunan, (2008) have found that finance gap is the major barrier for MSMEs development in developing countries.

Accessing formal (bank) finance in developing countries is very limited, therefore non-formal (non-bank) finance has become dominant. For instance, 98% of MSMEs in China have no access to formal finance (Lin, 2007) and according to Shen et.al. (2009), Chinese enterprises obtain only 12% of their capital from banks, 88% of capital is obtained from non-formal financiers. 21% of Malaysian MSMEs' capital comes from banks, while the Indonesian ones obtain 24% only. African countries also display a similar trend, more than 90% of MSMEs have no access to formal finance in Tanzania (MSMEs baseline survey, 2010), while 9% of the registered South African MSMEs access formal finance (Grundling and Kaseke, 2010). In Nigeria, the World bank estimated, as of 2012 that only 5% of MSMEs access formal loan, despite the fact that 80% of them seek formal financing (Berg and Fuchs 2013). According to Denis (2004), the reason why MSMEs in developing countries rely on non-formal finance, is the fact that these enterprises are not yet profitable at this stage. Banks do not prefer to finance them because of the perceived risk that such businesses are not able to payback the credits.

Based on the above-mentioned studies, there is no doubt that MSMEs' finance gap is the main obstacle towards their survival and development, and that non-formal finance is the most prevalent type of finance in developing countries. Regardless of this fact, most of the researchers have focused their studies on formal finance, as a result there is very limited literature on MSMEs' non-formal finance i.e. informal and semi-formal finance.

This study has specifically focused on investigating the financing of MSMEs in African business incubators. As stated above, business incubators have shown to be some of the most successful interventions in addressing MSMEs failure rates. They assist new businesses to overcome the challenges they face during their early stages including limited access to finance. According to Wanyoko (2013), business incubators have a significant contribution to the improvement of MSMEs' access to finance. He argues that incubated MSMEs have relatively easy access to financial credits than the non-incubated ones. Likewise, Jones and Parry (2011) found that business incubators facilitate access to finance by linking the incubatees to financiers or people with information about funding opportunities. Berrones (2010) found that business incubators play a major role in professionalization of incubated enterprises and she argued that professionalization of financial system within MSMEs is an important criterion to acquire fund from financiers. Nevertheless, these researchers focused on the incubated MSMEs' access to formal finance and therefore leaving the knowledge gap on incubated MSMEs' access to informal and semi-formal finance unfilled.

The major interest of this research was to fill this knowledge gap because just like in other developing economies, MSMEs play an important role to the growth of African economies. MSMEs in African economies face the highest finance gap, and unlike in developed economies, African MSMEs hugely rely on informal and semi-formal finance due to weak formal financial institutions and risky financial environment. Therefore it is vitally important to understand how the business incubators facilitate the MSMEs' access to informal and semi-formal finance.

It should also be noted that unlike formal finance which is strongly regulated, non-formal finance is either partially regulated (semi-formal finance) or not regulated at all (informal finance). Due to lack/weak regulation, informal and semi-formal finance is highly influenced by social networks and such kind of finance is very dominant in network based economies (Pham and Talavera, 2017). Studies by Hyuha et.al. (1993), Baydas et.al. (1995), Steel et.al. (1997) and Zhang (2008) have similarly shown the dominance of informal and semi-formal financing in the developing economies and how important this kind of financing is, to the growth of businesses in developing countries. Due to weak institutions, most of the developing countries are network based economies i.e. economic activities are highly influenced by the social networks. In other ways people rely heavily on social links for their economic activities to succeed. Bollingtoft and Ulhøi (2005), Guiso et.al. (2000), Ronning (2011) and Kim et.al. (2009) have studied on the impact of social capital to the business financing and they have

found positive impact of social capital towards business financing. According to Swierczek (1994) social networks have higher influence on entrepreneurs' access to finance in developing countries where collectivism and group membership is culturally the more preferred way of life than individualism.

This is also the case in African countries where people rely very much on their families, friends, ethnicity and links to influential people to succeed in their businesses. According to Barr (1998), similar trends of entrepreneurs relying on social networks for their business success have been observed in African countries. Based on this fact, it was therefore important to investigate the influence of social capital on the incubated MSMEs' access to informal and semi-formal finance. This study reveals how the social links of incubatees and incubator managers play role towards incubatees' access to informal and semi-formal finance.

Tanzania, as the case study

Tanzania presents a good case study for this research because like in most developing countries, MSMEs contribute a significant portion to the her economic development and they are the major employer in the country. More than 700,000 job seekers enter the Tanzanian labour market every year but only 40,000 new jobs are created annually within formal sector (Olomi, 2005). The rest are absorbed into the informal sector which is mainly dominated by MSMEs which generate employment to more than 2.4 million people (Nchimbi, 2003) and estimated to contribute about one third of the Tanzanian GDP (IFC 2009) and about 20 – 30% of the labour force (Mittah, 2009). World Bank (2004) and IFC (2005) surveys estimated that there are about 2.7 million MSMEs in Tanzania. 98% of them are micro enterprises employing less than 5 people and only 0.7% have more than 10 employees (Riedijk 2010). However, despite the important role of MSMEs to the development of Tanzanian economy, they experience high death rate with 54.6% of them surviving for not more than three years (Riedijk, 2010). Just like the rest of the world, entrepreneurs in Tanzania cite lack of external finance as the main cause for the collapse of businesses (ESRF, 2015). About 90% of MSMEs have no access to formal finance and 22% of these enterprises are served by informal financiers while 69% of them have no access to any form of credit (MSMEs baseline survey, 2010). According to Ellis et.al. (2010) out of those accessing finance, 62% access informal finance, 40% semi-formal finance and 20% formal finance. These studies are in line with those done elsewhere in Africa and other developing countries, they reveal that informal and semi-formal finance is the major type of finance that MSMEs heavily rely on.

After realizing their importance to the economic development of Tanzania, the government through the SMEs policy (2003) started encouraging and facilitating the access of MSMEs to both financial and non-financial services so as to reduce their failure rates. Currently there are many interventions which provide support to the MSMEs that were established in response to the government policy. These interventions help to address challenges facing them particularly to bridge the fiscal gap which is stated to be the major obstacle to their survival.

Like other developing countries, Tanzania encourages establishment of incubation programs as one of the strategies to successful intervention in improving survival rate of MSMEs in Tanzania. Informal and semi-formal financing is the vital aspect of financing to both Tanzanian MSMEs (Ellis et.al 2010) and MSMEs in developing countries. Therefore, Tanzania provide a perfect case study to understand the role of business incubators to the MSMEs informal and semi-formal financing. Similarly as discussed in section 1.2 above, Tanzania is also a favourable case study to understand the influence of social capital on incubated MSMEs' access to informal and semi-formal finance. The socialist ideology (Ujamaa) that prevailed in Tanzania for three decades before its collapse in late 1980s has contributed to deep entrenchment of collectivism and group membership in Tanzanian culture. The value of togetherness and group membership is more important than individualism, as a result social capital has become an important aspect in any success. In case of access to finance, Tanzanian entrepreneurs rely mostly on their social networks as well. Due to limited access to bank finance, most of them create groups based on their location, doing same activity, having studied together or blood relation to facilitate access to finance. In some cases entrepreneurs rely on their links to influential people to access finance. However in most cases, it is the informal and semi-formal finance that is easily accessed because formal finance is strongly regulated to an extent that social capital can not influence financial decisions in favour of borrowers. Therefore entrepreneurs are more likely to borrow from informal and semi-formal financiers. The preference for informal and semi-formal finance is due to not only because they are easily accessed but also because they have low interest rates and sometimes they are interest-rate free. With such circumstances, Tanzania is an interesting case for investigating social capital influence on MSMEs' access to informal and semi-formal finance.

Although it can confidently be stated that social networks have a significant influence on MSMEs' access to informal and semi-formal finance in Tanzania, it is still not clear what

type of social networks have really significant influence on MSMEs financing. In some other countries, studies have been done and disclosed specifically the type of social networks that have significant impact on the firms' access to finance. For example, Ahlstrom and Bruton (2006) found that entrepreneurs' network links with government officials has a significant positive relationship with their access to their venture capital financing in East Asian transition countries. This is because government officials in these countries have substantial influence in projects approval (Meyer and Nguyen 2005). In Argentina, the entrepreneurs' links with key people in financial institutions and membership in business associations and political parties significantly influence the MSMEs' financial accessibility (Fornoni et.al., 2012). Based on the mentioned studies, it shows that entrepreneurs of different countries are influenced differently by social capital, social networks slightly vary from one country to another depending on the culture of each country. Therefore the researcher in this study found it necessary to investigate the type of social capital that is influential in Tanzania. He investigated the role of business incubators on MSMEs' access to informal and semi-formal finance while considering both direct and moderating effect of bonding, bridging and linking social capital.

In a summarized way this research is very important and necessary, and doing it in Tanzania was justified on the following counts. Firstly, just like in other developing countries, MSMEs are the major employer in Tanzania and they have a significant contribution to GDP and labour force. However despite their economic importance, they still don't survive very long. Secondly, most of MSMEs in Tanzania have no access to formal finance, they are either served by informal financiers or have no access to any form of credit. This requires the study on the informal and semi-formal financing. Thirdly, to the best of researcher's knowledge there is no study that has focused on the role of business incubation models towards improvement of MSMEs informal and semi-formal financial accessibility. This study fills the knowledge gap and provide literature on the role of business incubation models to the MSMEs informal and semi-formal financial accessibility in Tanzania and the world in general. Fourthly, the study reveals the key factors for the successful intermediary role of business incubators to the MSMEs financing. This necessitated the study to enable policy makers who have to design policy instruments to support MSMEs. The study helps the formulation of appropriate policies that may lead to the more effective and efficient business incubation. To the incubator managers, the study improves their performance due to the fact that it shows the relevant financing model for the particular business incubation models.

1.3 Objectives of the study

1.3.1 General objective

The aim of this research is to determine the role of business incubators on the MSMEs' access to informal and semi-formal finance.

1.3.2 Specific objectives

1. To assess the relationship between different business incubation models and different models of financial accessibility.
2. To determine the contribution of business incubators to the MSMEs informal and semi-formal financial accessibility.
3. To determine the key factors for successful financial intermediary role of a business incubator between incubatees and both informal and semi-formal financiers.
4. To investigate the impact of both incubatee and incubator manager's social capital on MSMEs informal and semi-formal financial accessibility.
5. To develop a model that will be used to facilitate incubated MSMEs' access to informal and semi-formal finance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Start-ups and Micro, Small and Medium Enterprises

Most people use the terms start-ups and Micro, Small and Medium Enterprises (MSMEs) interchangeably, the two terms look very similar because they have some similarities. For instance both are small in size and in most cases start from the scratch. Both of them are focused on survival because usually they experience high failure rates, they also similarly focus on growth and profitability. They are all established by entrepreneurs and both have small staffing and revenues. Despite of these similarities, these two concepts are significantly different. There are some few but important features that distinguish the two from each other. Therefore it is important to understand them clearly in this study.

2.1.1 Micro, Small and Medium Enterprises

Starting with the concept of MSMEs, there is no universally accepted definition. For the past three decades the widespread use of the term ‘MSMEs’ has implied that the section of businesses occupying a space below large enterprises, presenting challenges and opportunities that are definitely different from those of large businesses. Countries have different definitions of MSMEs presumably depending on their level of development, even though in some circumstances, level of development of a country does not determine the way the businesses are categorized. The first argument that provoked the discussion about the challenge of definition of MSMEs was based on the idea that the existence of different definitions at Community and national level creates inconsistencies (European Commission, 1996). The fuzziness with which governments and development organizations have defined what MSMEs are, has undermined the very concept of “MSMEs” both as a separate segment of the private sector and as a specific concern of economic development strategies. Based on this circumstances, the European Commission standardized the definition of MSMEs (European Commission, 2003). However, the definition could only hold in the geographical scope that falls under the jurisdiction of the EU. Differences in MSME definition arise mainly due to the fact that definitions are made by different entities which are under different laws and have different priorities. There are definitions by international institutions, by national laws and by industry definitions (Berisha and Pula, 2015). Therefore definitions lack

universality and alignment in the criteria. Despite this challenge in defining MSME, it is still important to discuss on how best can it be defined. According to Carter and Jones-Evans (2006) One of the earliest attempts to define SMEs was made by Bolton Report of 1971. The report suggested two approaches to the definition i.e quantitative and qualitative approach. But the most commonly used is the quantitative approach, where the concept of MSMEs is defined based on the quantitative criteria such as number of employees, business capital, sales turnovers e.t.c.

European Commission uses number of employees, annual turnover and annual balance sheet to define MSMEs (European Commission, 2005). It has categorically stated that meeting the criteria of the number of employees is mandatory, while fulfilling the other two financial criteria is a choice of the enterprise. It should also be noted here that the European Commission definition is only mandatory for institutions that seek finance from the commission (Carter and Jones-Evans, 2006). The World Bank uses number of employees, total assets and annual sales (IEG, 2008). A business must fulfil the criterion of number of employees and at least one financial criteria to be categorized as an MSME. While countries have different types of financial criteria to define MSMEs, number of employees is the most consistent criterion used to define MSMEs. Most countries use number of employees along with financial criteria. To mention some of them, countries like Tanzania, Canada, China also use number of employees as a criterion to categorize MSMEs. Even though number of employees is the most common criterion used, the number of employees defining a particular category varies from some countries to others. Significant number of the studies show that MSMEs number of employees ranges from 0 to 250 employees (Ayyagari et.al., 2003). According to Kushnir et.al. (2010) citing a survey done by World Bank, indicate that 46 countries out of 132 countries surveyed define MSMEs as enterprises with less than 250 employees. The table below indicates some examples of countries categorization of enterprises by number of employees.

Table 2.1: Distribution of enterprises by number of employees in different countries

Country	Micro enterprises	Small enterprises	medium enterprises	MSME	Large enterprises
Australia	0 – 9	10 – 49	50 – 199	0 – 199	200+
Canada	0 – 9	10 – 49	50 – 499	0 – 499	500+
EU countries	1 – 9	10 – 49	50 – 249	1 – 249	250+
Iceland	1 – 9	10 – 49	50 – 249	1 – 249	250+
Japan	1 – 9	10 – 49	50 – 249	1 – 249	250+
Korea	1 – 9	10 – 49	50 – 199	1 – 199	200+
Mexco	1 – 10	11 – 50	51 – 250	1 – 250	251+
New Zealand	1 – 9	10 – 49	50 – 99	1 – 99	100+
Norway	1 – 9	10 – 49	50 – 249	1 – 249	250+
Switzerland	1 – 9	10 – 49	50 – 249	1 – 249	250+
Turkey	1 – 19	20 – 49	50 – 249	1 – 249	250+
USA	1 – 9	10 – 99	100 – 499	1 – 499	500+

Source: OECD (2010)

Although the number of employees is the most commonly used criterion to categorize MSMEs, it has some limitations. In some countries, the number of employees for each category differ from on sector to the other, this makes generalized comparisons across sectors difficult (Stokes and Wilson, 2010). Categorization of enterprises vary by industry in which the enterprise operates e.g construction, mining, service, manufacturing, transportation, wholesale trade and retail trade (Hatten, 2011). The table below shows an example of how the categorization of enterprises by number of employees vary from on sector to the other in China.

Table 2.2: Definition of MSMEs in various business sectors in China

Business sector	Number of employees in MSMEs	Revenue (RMB)
Wholesale trade	< 200	≤ 400 million
Warehousing	< 200	≤ 300 million
Software/IT	< 300	≤ 100 million
Restaurant/Catering	< 300	≤ 100 million
Accommodation	< 300	≤ 100 million
Retail trade	< 300	≤ 200 million
Heavy industry	< 1000	≤ 400 million
Transportation	< 1000	≤ 300 million

Source: China Ministry of Industry and Information Technology,
Ministry of Commerce and National Bureau of Statistics

Another limitation of using number of employees criterion is that nowadays the use of part-time workers and casual workers or temporary workers by enterprises is on the rise Curran and Blackburn (2001). The full time employment is considerably decreasing, this further complicates the definition of MSMEs by their number of employees. Due to these limitations, some scholars are now starting to argue that, financial criteria can be more consistent. Especially in developing countries where employment and profit data is often distorted for tax aversion, sales is the better criterion (Gibson and van der Vaart: 2008).

2.1.1.1 MSMEs' sector in Tanzania

The MSMEs' sector in Tanzania has faced serious challenges from the years just after independence up to now. After independence, Tanzania opted for the African socialism ideology which among other things it advocated for closed economy. The Arusha Declaration of 1967 came with the emphasis on the nationalization policy, where properties were acquired by the state from the private sector. In this political framework, private business sector was aggressively discouraged, while seriously encouraging public enterprises which were government owned, community based or cooperative owned ventures. Subsequently, the civil servants and leaders of the ruling party were restricted from engaging in business activities. This effectively killed the entrepreneurial spirit among majority of Tanzanians, and notoriously affected the private business sector. The policy has hugely contributed to the poor development of entrepreneurial values such as the need for achievement, personal initiatives, creativity and willingness to take risks (Olomi, 2001). During the time of socialism, the government embarked on promoting public enterprises by establishing parastatals which could focus on the promotion of these enterprises. Organisations such as SIDO, TEMDO, TIRDO and CARMATEC were established during this time. Despite the government effort to build the economy, socialism led to the economic crisis of the 1970s and the early 1980s, and the economy could not recover until in late 1980s and early 1990s, when the government changed its policy from the state economy to market economy. After the change of policy and adoption of Structural Adjustments Programs, most of the public enterprises were privatised and the government started disengaging in some sectors. The government now started formulating policies which among other objectives were to promote private enterprises. Some of the notable policies that have stipulated the promotion of MSMEs are the Sustainable Industrial Development Policy (1996 - 2020), SMEs Development policy of 2003 and National Trade policy of 2003. These policies put emphasis on the promotion of MSMEs through supporting existing and new promotion institutions, simplifying taxation, licensing

and registering MSMEs, and improving access to financial services. The policies encourage informal sector businesses to grow and become formalized, they identify measures that would enable indigenous entrepreneurs, women, youth and people with disabilities to take part in economic activities. Due to these policies, the entrepreneurship sector has now risen to contribute significantly to the national GDP.

The SMEs Development policy of 2003 has defined MSMEs using number of employees and business capital. According to the SMEDP (2003), micro enterprises are the businesses which have less than 5 employees and a capital of less than 5 million TZS. Small enterprises have a total number of employees ranging from 5 to 49 employees and the capita ranging from 5 million to 200 million TZS, while medium enterprises are those with number of employees ranging from 50 to 99 and the capital ranging from 200 million to 800 million TZS. The categorization of MSMEs in Tanzanian perspective is clearly shown in the table 2.3 below.

Table 2.3: Categorization of enterprises in Tanzania

Enterprise Category	No. of employees	Amount of capital (TZS)
Micro Enterprises	Below 5	Below 5 million
Small Enterprises	5 – 49	5 – 200 million
Medium Enterprises	50 – 99	200 – 800 million
Large Enterprises	Above 99	Above 800 million

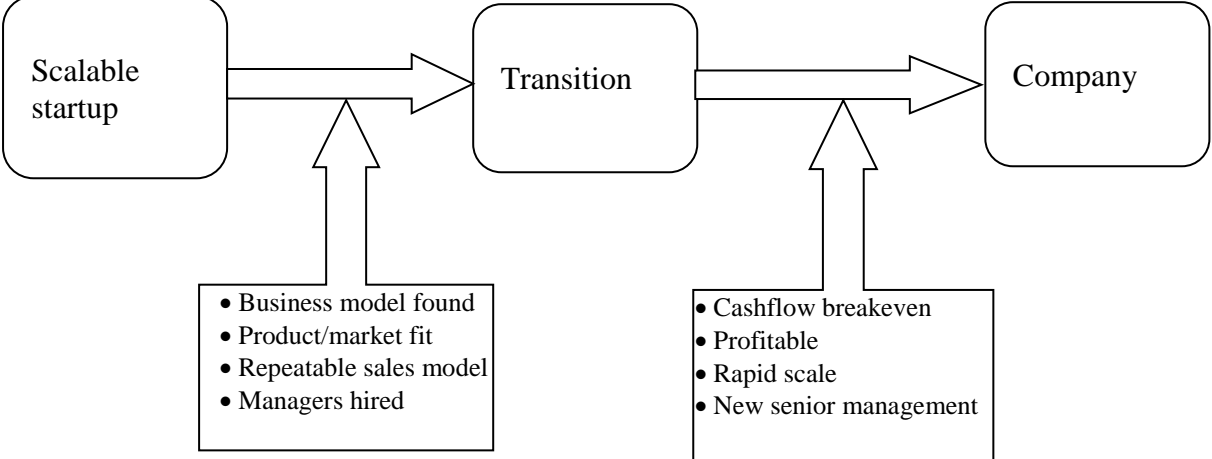
Source: SMEDP 2003

2.1.2 Startups

After brief explanation of MSMEs, it is important to also understand the concept of startups and how they differ from MSMEs. According to Blank (2013), a startup is a temporary organisation which is designed to search for a repeatable and scalable business model. It is a business entity that right from the start it figures out the right thing to develop in order to generate maximum revenue from right customers. In other ways a startup searches for answers to the customers it will serve, and therefore generate money through meeting the needs of the customers. This is a clear difference because unlike startups, MSMEs normally sell well known products to well known customers. A startup owner’s intention is to grow his/her business into a large company that has a significant impact on the market, and the owner may be intending to even create new markets. Start-ups focus on revenue volume and growth potential. In contrast, MSME owner’s intention is normally to be own boss and secure financially sustainable place in the market. They also focus on making profit and stable long-term value. In the other way, a start-up is a newly established business entity that is always in

the state of trials and errors. It tries a business model and when the model has failed, a startup will try another model. The trial will be ongoing until when it succeeds, and the success means a startup becomes a real business where it is first at the transition phase before becoming a large company

Figure 2.1: A successful startup’s pathway



Source: Adopted from Blank (2010)

The figure 2.1 above indicates the path through which a successful startup follow. Unlike MSMEs, the startups focus on rapid growth and expansion. Therefore as soon as the scalable business model is found, startups enter into the transition phase where they experience very rapid growth. After growing rapidly for sometimes, then they become large companies. The discussion about startups and how they differ from MSMEs is relatively recent, and it has become dominant in high tech sector. In most of other economic sectors, many people still focus on MSMEs and they are not aware of the difference between the two businesses. In most cases they use the two terms interchangeably.

2.1.2.1 Startups in Tanzania

In Tanzania, the startup sector is a very recent one. The startup ecosystem is at its nascent stage and therefore most of the startups are fairly young startups. Although based on their definition, startups can exist in different sectors, in Tanzania they are more prevalent in ICT sector. The tech startup ecosystem is in its early growth phase, it started to emerge in 2009 and since then it has been growing rapidly at the growth rate of 33% in startups creation. Unlike MSMEs, majority of startups owners have high education i.e. 80% have university degrees and 15% of them have additional graduate degree, masters or professional qualification (World Bank. 2017). A large number of them have education background in

engineering and have relatively low ability to make good business judgements and take quick decisions. This affects the survival rate of the startups because business knowledge is vital for sustainability of an enterprise.

As it has been argued in the introduction chapter, startups are an important ingredient of a healthy and vibrant economy. This has led to government and other economic stakeholders to put efforts in promoting these enterprises. The government through the Commission for Science and Technology (COSTECH) has established various incubation programs mainly in the ICT sector to promote startups. Incubators like Dar Teknohama Business incubator (DTBi) and co-working spaces like Buni have been established to support startups in ICT sector. In collaboration with the government of Finland, COSTECH has established a network of techlabs in many parts of the country under the TANZICT project. Nowadays there are notable startup brands which are the end results of the mentioned programs.

Table 2.4: Some of Tanzanian startups

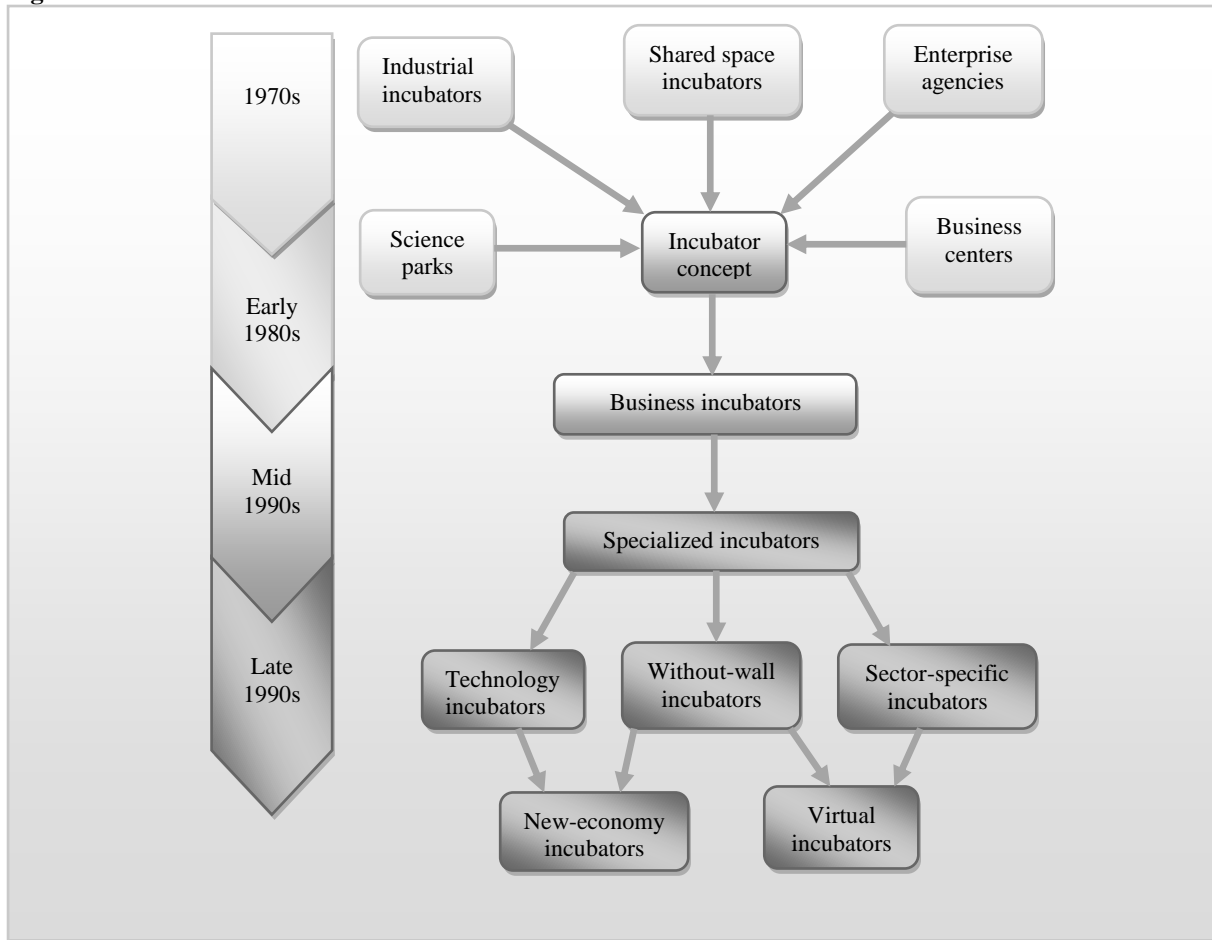
Startup	Incubator	Service
TusomeInnovations	Buni	Digital resources for learners
Maxcom Africa	DTBi	Electronic payments
Zudua	Buni	Online shopping
SafariWallet	Buni	Booking vacations
Dayone Softcom Technologies	DTBi	Analysis, designs and developing software applications
SmartDarasa	Buni	Visual learning in schools and other academic settings
DigitalBrain	DTBi	Software mobile apps development
SmartCodes Limited	DTBi	Software mobile apps development
MobiAd	Buni	Customized caller tunes to small and big businesses

Although there are some very successful startups, MSMEs are the most prevalent in the country. Therefore just like in African and other developing countries, in Tanzania the major focus is MSMEs and usually the two concepts are used interchangeably. Most of entrepreneurs are not even aware of the difference between start-ups and MSMEs, as a result most of them consider themselves to be MSMEs even if in reality they display start-ups’ features. With these circumstances, this research did not focus on the differences between the start-ups and MSMEs. All the incubatees were categorized as either micro, small or medium enterprises depending on their business capital and number of staff.

2.2 Business incubators

The concept of “incubator” arose for the first time in 1959, when Batavia industrial center was opened in order to reuse the old but unused building in the city of New York (McKee, 1992). Nevertheless the concept got a boost when the United Kingdom launched a “historic buildings redevelopment program” in 1970s. The intention here was not to promote businesses, rather to redevelop the already unused old buildings. In these early incubators, there were no entry criteria, every business was free to enter and leave at any time. These incubators provided only a space and were managed collectively by the incubatees. In 1980s and 1990s, the concept of incubator expanded to different types of incubators such as science parks, business centers and business incubators. The emergence of these types of incubators was mainly due to the fact that, the focus had changed from the redevelopment of old buildings to promoting businesses (Smilor, 1987). Governments and other economic development stakeholders realized that incubators were relatively more effective in promoting businesses and the businesses are important players in economic development. As mentioned above, business incubators are some of the incubators that were established for the purpose of promoting business development rather than old buildings redevelopment. Business incubators of early 1990s introduced entry criteria and the focus was to promote businesses in the aspects of innovation and other entrepreneurship skills. In mid 1990s, business incubators started specializing in specific sectors like software, hardware, etc (Malan, 2002). In the late 1990s, without-wall business incubators emerged.

Figure 2.2: Evolution of business incubators

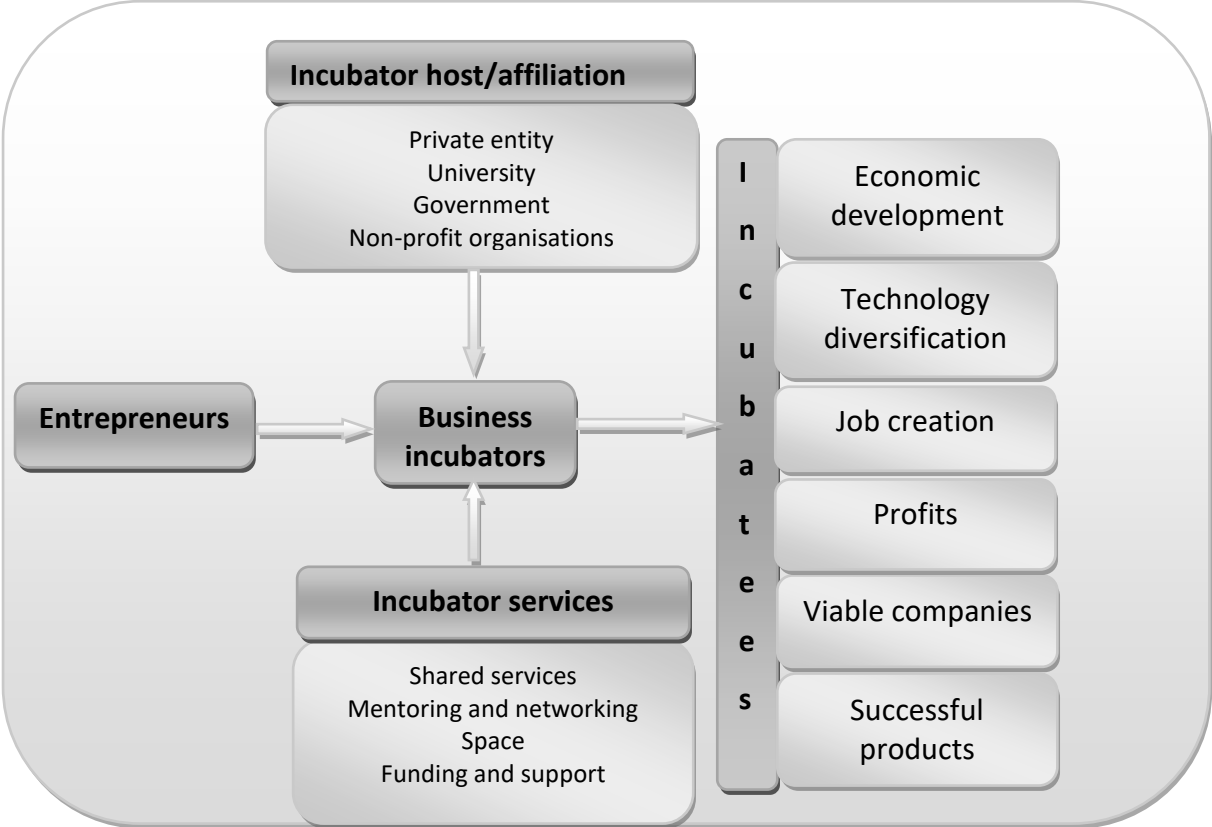


Source: (Malan, 2002)

Based on the evolution narrated above, business incubators can be defined as the programs that create favourable environment for the business growth and development through provision of premises support, technical assistance, and improved accessibility of capital funds, mentoring and networking. They are the development programs that successfully promote newly born businesses which will contribute to the development of economy (Almubartaki et.al. 2010). They are also part of the system that develops and supports the emerging businesses (Pappas 2003). Business incubators are highly being incorporated in most economies due to their positive impact to the economy. They play role by promoting the incubatees' growth which results into promotion of job creation. It also facilitate technology diversification and commercialization and promote the emergence of viable companies. Likewise it increases business profitability and promotes production of successful products. The incubatees' growth also promotes economic development by fostering community's entrepreneurial climate, diversifying local economies and accerating the growth of local industries. Due to the fact that business incubators intend to support young enterprises so that they can manage to operate on their own, they can not make money for their dail operations

by collecting fees from their clients (incubatees) because such business are not yet able to make profits. In order to survive, business incubators depend on sponsors who provide finance for the their operations. Normally, business incubators are hosted by various stakeholders of the economy in a particular country. As indicated in the figure 2.3 below, the most common hosts are; universities, private entities, government and non-profit making organisations. The hosts play an important role to the existence of the incubators, they are the ones who support the operations of the incubators. They are an important component of the business incubation system because they enable the incubators to provide the intended services to the incubatees. In many countries, business incubators are sponsored by national or regional governments as part of economic development strategy. In some countries, business incubators are funded by the government parastals which are responsible for business development. In other countries, no single type of sponsor is dominant i.e. business incubators are hosted by various hosts and each type of hosts is sponsoring a significant number of incubators. For example in USA, about one third of business incubators are hosted by non-profit economic development organisations, government entities sponsor 21% of business incubators. About 20% of incubators are sponsored by academic institutions i.e. colleges and universities (Knopp, 2007)

Figure 2.3: Business incubation system



Source: modified from Smilor (1986)

2.2.1 Services provided by business incubators

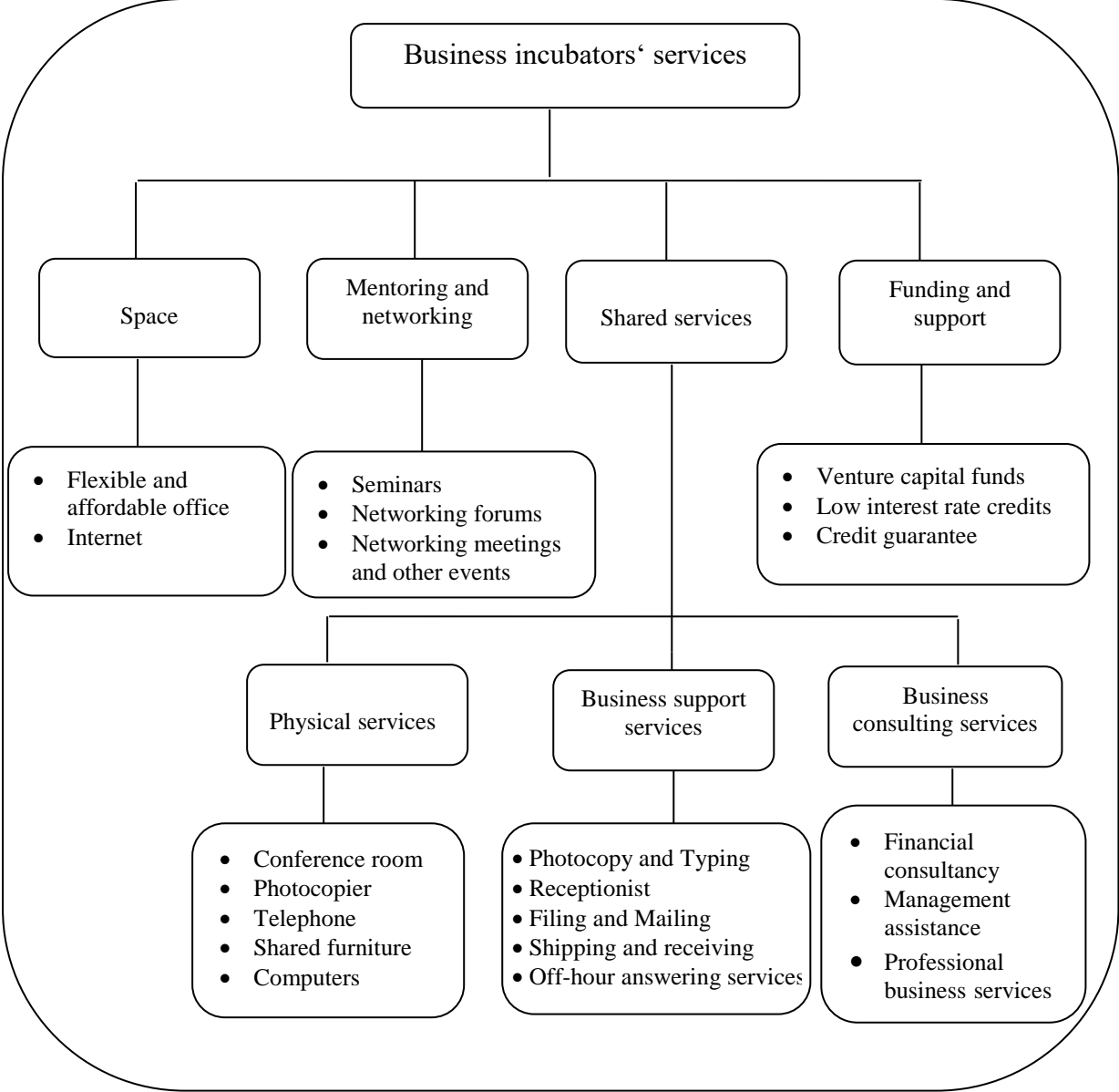
After understanding the meaning and evolution of the business incubators, it is now important to elaborate about services provided by the incubators to the incubatees. Generally there are various services provided to the incubated enterprises, incubators offer incubated enterprises reduced rental rates , provide reception areas and meeting rooms, secretarial and postal services. Incubators also provide office equipment like photocopiers and projectors for meetings. They offer entrepreneurship courses, and seminars on topics of interest to entrepreneurs such as access to capital, access to markets and intellectual property protection. Business incubator managers act as facilitators in linking entrepreneurs to firms and individuals who provide services they need such as consultancy and advisory services (NBIA, 2010). The incubators differ from one another depending on the type and number of services provided to the incubated enterprises. As shown in the figure 2.3 above, services provided to incubatees can be categorized into four major categories i.e. shared services, mentoring and networking, space and funding and support.

Shared services are the services provided by the business incubator to the incubated enterprises as a group. The shared services can be physical services, business support services or business consulting services. They include conference room, photocopier, Telephone, shared furniture and computers (Allen, 1985, Verma, 2004). Shared business support services consist of services such as photocopy, receptionist, typing, mailing, shipping and receiving, off-hour answering services and filing (Allen, 1985, Verma, 2004). Business consulting services are the services where entrepreneurs share the experts in aspects of financial consultancy, management assistance and professional business services (Smilor, 1987). An incubator provides a financial expert who advises and assists the incubatees on the issues of business taxes, access to loans and train them on how to prepare contracts. Incubators also provide experts who train the incubatees on how to prepare business plans and how to market products. Incubatees also are provided with legal assistance.

Mentoring and networking is another kind of services provided by business incubators to the incubatees. The incubators organise seminars, forums and events in order to facilitate contacts and networking among the incubatees (NBIA 2010, Verma 2004). Space and other facilities are offered in such a way that, they foster informal networking among them. The incubator managers also meetings between the incubatees and key people in the societies so as to promote incubatees' networks with influential people like financiers, suppliers and buyers. Another important category of services is space, this category includes office space and other facilities. Business incubators provide flexible and affordable offices to the incubatees.

Provision of flexible offices means that, incubators provide offices with long lease and according to the size of the office required by the incubatees, but as an incubatee expand an incubator can provide larger office as required by the incubatee (Campbell and Allen 1987, Parke 1995). The offices provided are affordable in the sense that, the prices are far below the market prices. Incubators also offer internet service in the offices, but this depends on the type of incubatees. The internet service is common in incubators that incubate high tech enterprises. Lastly, business incubators provide funding and support services, this is often perceived to be one of the most valuable services provided by incubators. Some incubators offer venture capital funds specifically established to finance the incubator’s clients. Other incubators provide credits to the incubatees, while others have special arrangements with financial institutions where incubators guarantee the incubatees to the financiers.

Figure 2.4: business incubators’ services



The figure 2.4 above summarizes the services provided by business incubators to incubatees, but it should be noted that incubators do not necessarily provide all services indicated above. In most cases, business incubators provide some of the services. Based on the services they provide, the business incubation programs can be categorized into three different categories; the earliest incubation model were the first generation incubators. These are those incubators which emerged in 1970s and they are still the most common model up to this day. They promote economic development by promoting innovations, entrepreneurship and growth (Malan 2002). These incubators reflect the current “With-walls incubators” and they are in most cases hosted by Universities, local or national authorities and also some private organizations. They provide physical space, shared services, networking, mentoring and counselling, market accessibility and funding and technical support. These incubators can also be categorized according to management support and technology level. Under these criteria there are nine categories of incubators (Malan 2002). There are business incubators, business centers, technology centers, industrial incubators, enterprise agencies, innovation centers, business parks and science parks.

Another incubation model consists of the incubators that emerged in the late 1990s and they are referred to as virtual incubators (Lalkaka 2001). They are also known as “Without-walls incubators” which implies the incubators which do not provide office space facility to the incubatees but provide some other services to support the growth of the incubatees. Co-working space is another incubation model, it provides a sharing working space or office to the small entrepreneurs intending to bring them together so that they can exchange their experience for the better performance of their businesses (Dornberger and Waeltring, 2014). Also private incubators are another rising incubation model, however according to Dornberger and Waeltring (2014) this incubation model is relatively more selective compared to other incubation models when it comes to the aspect of creating linkage with the financing system.

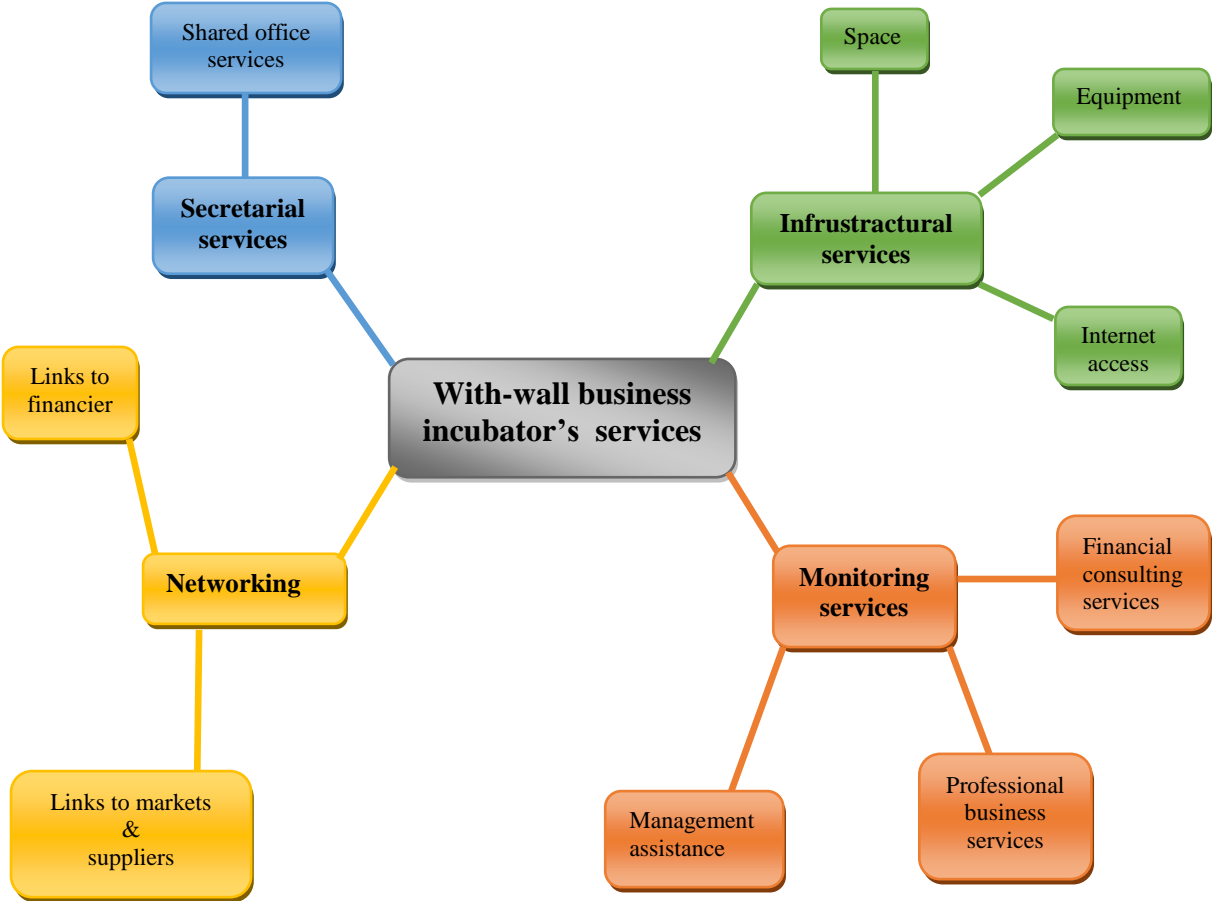
2.2.2 Business incubators in Tanzania

Since the year 2003 when the SMEs policy was put in place for implementation, the establishment of business incubators became part of the policy implementation in the country. The policy states that one of the strategies to reduce MSMEs’ failure rates is to establish business incubators. The first incubation program in Tanzania was established in 2003 and the number of incubators has been gradually increasing. Different types of incubation models

have been established in the country and for the purpose of this study, the incubation models are categorized into three categories: With-wall incubators, without-wall incubators and co-working spaces.

With-wall business incubators: These are business incubators which provide office space facility to the incubatees and also providing the value adding intervention system of monitoring and assisting businesses. Currently, there are eight (8) with-wall incubators in Tanzania; Arusha TEMDO business incubator, Dar es Salaam Teknohama business incubator (DTBi), Dar es Salaam SIDO business incubator, Arusha SIDO business incubator, Mbeya SIDO business incubator, Mwanza SIDO business incubator, Rukwa SIDO business incubator and Singida SIDO business incubator.

Figure 2.5: With-wall business incubator’ services



The figure 2.5 above shows the services provided by the with-wall business incubators in Tanzania. These incubators mainly provide monitoring services, networking, infrastructural and secretarial services. Monitoring services consist of management assistance, professional business services and financial consulting services. Management assistance services are

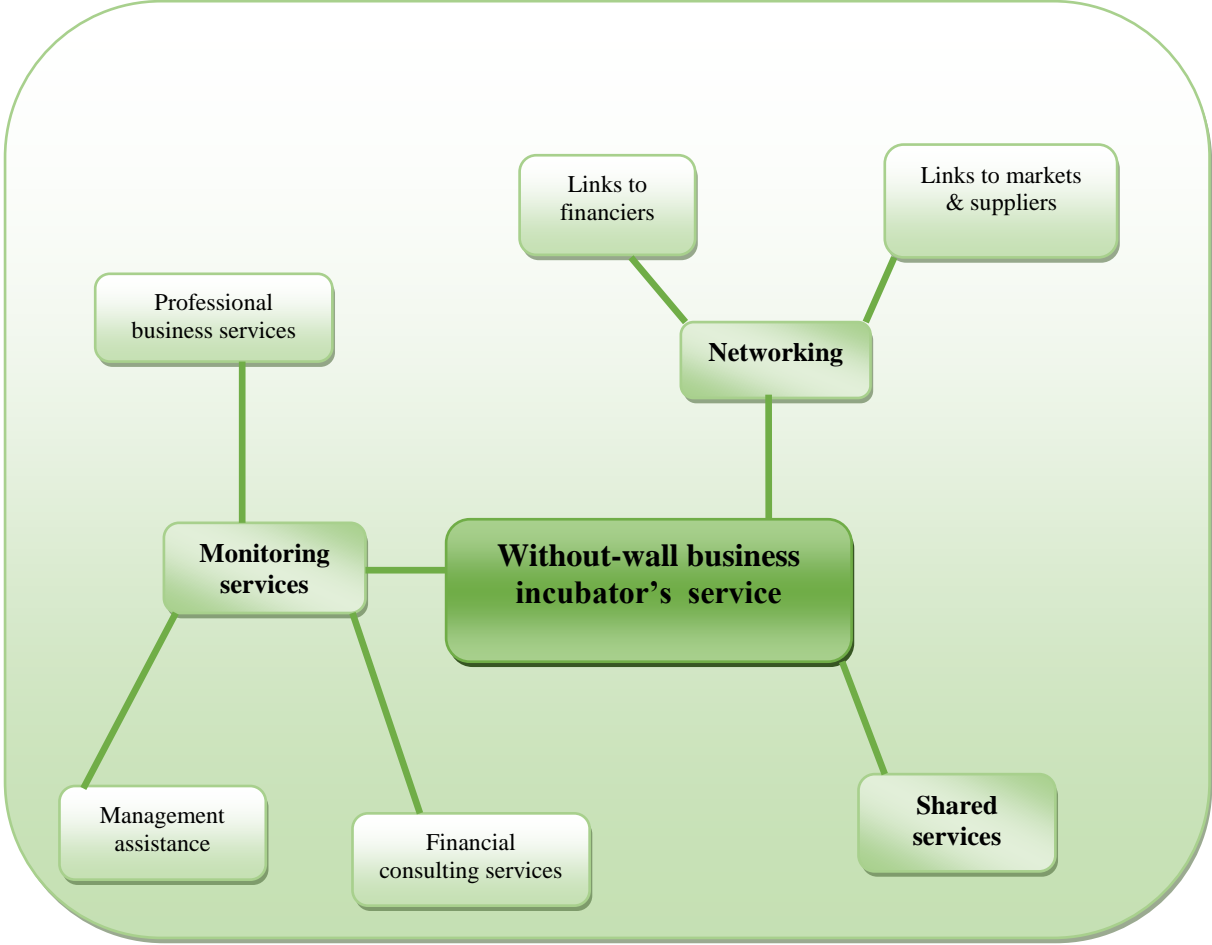
provided by incubator to its incubatees through training, workshops and short courses (Dowling, 1997) and providing consultancy on the aspects of business plan preparation, employee relations, benefits packages and advertising and marketing arrangements (Abduh et.al. 2007, Allen 1985, Smilor 1987). Nevertheless in this study, management assistance services imply to the material support to incubatees on the financial management, establishment of special contacts between incubatees and financiers and evaluating the role of the business incubator in obtaining external finance. Management assistance also includes practical counseling on the issues of accounting and finance, access to markets and suppliers.

Professional business services are provided by incubator to its incubatees through tutoring and guiding the incubatees in aspects of accounting and finance, providing special tutoring sessions in accounting and finance and providing special courses in accounting and finance. Financial consulting services imply to mentoring and counselling provided to the incubatees on the aspects of business taxes, risk management and insurance, equity and debt finance arrangements, grants and loans arrangements and contract preparation (Allen and Rahman 1985, Smilor 1987). But, provision of financial consulting services by Tanzanian incubators entails mentoring and counselling provided to incubatees on the aspects of financial information preparation and credit arrangements. In other ways, financial consulting services comprise of advisory services on preparation of financial statements for easy access to finance and advice on the reliable and favourable financiers to the incubatees.

Infrastructural services include office space, internet, equipment and other premises. With-wall business incubators also provide networking services by linking the incubatees with suppliers and markets, this is done through organizing workshops and other business events that bring together incubatees and suppliers, also incubatees and buyers. Lastly, secretarial services include all shared administrative services such as conference room, receptionist, security services, address, telephone, computers and photocopiers.

Without-wall business incubators: These are the incubators which do not provide office space facility to the incubatees but provide some other services which support the growth of the incubatees. They provide services like technologies accessibility, mentoring and counselling, markets accessibility, financial accessibility and networking. Currently, the without-wall incubators in Tanzania are Lushoto business incubator, SIDO incubators in Kilimanjaro, Iringa, Tabora, Morogoro, Tanga, Dodoma, Kigoma, Shinyanga, Mara, Lindi Kagera and Mtwara.

Figure 2.6: Without-wall business incubator’s services

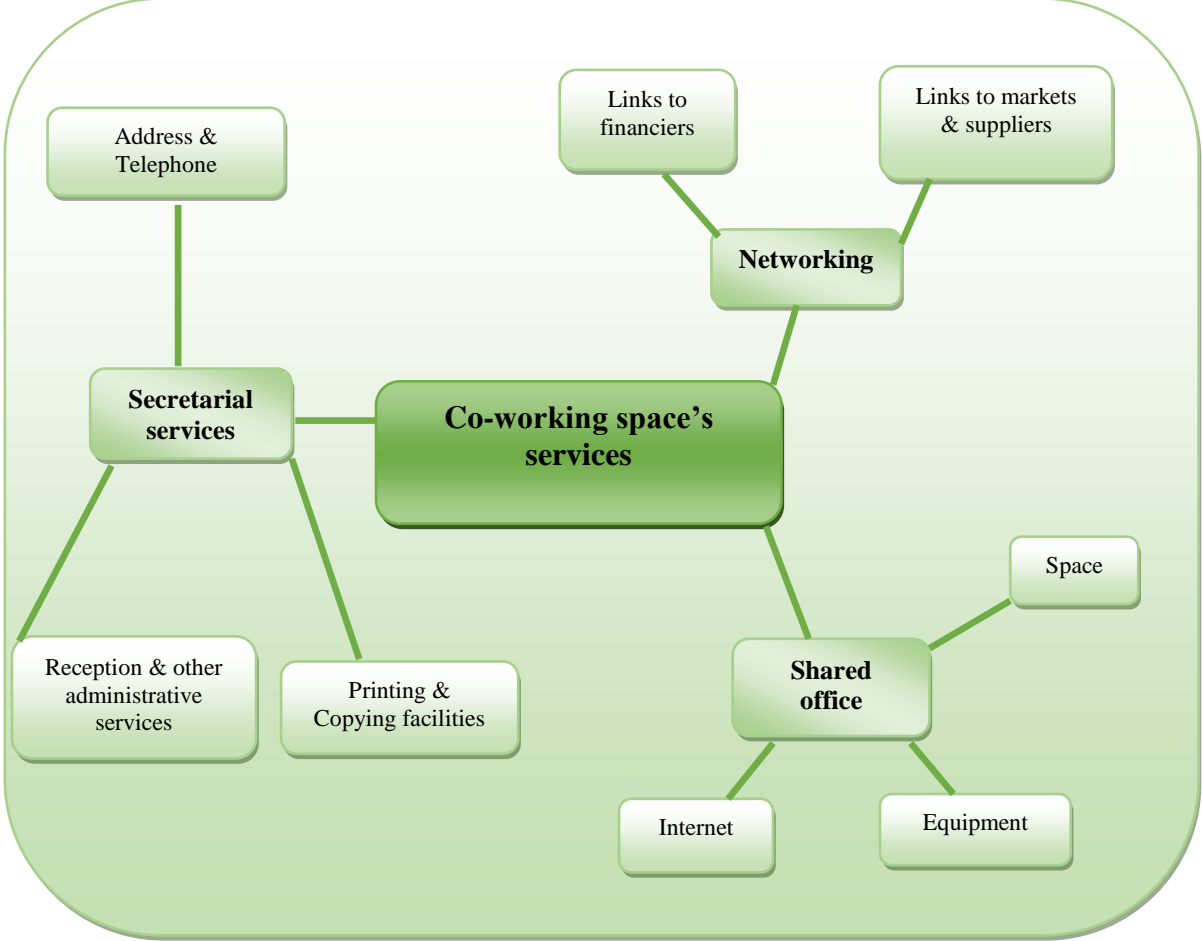


Unlike with-wall business incubators, without-wall business incubators do not provide space and other premises to the incubatees. They provide networking and monitoring services in a similar way as the with-wall business incubators do i.e. through advice, trainings, workshops, meetings and other events. Without-wall business incubators provide also shared services, the most common of them among the incubators are conference room and address. Conference room is very important in this type of incubators, normally the incubatees have frequent meetings with either the incubator management staff or external experts. All these events are done in the conference room and through this room, services like networking and monitoring are easily provided to the incubatees. Some shared services vary from one without-wall business incubator to another depending on the sector in which a particular incubator has focused on. For example in Lushoto business incubator, incubatees are small farmers and food processors so in this incubator they share a grading and packaging plant. Individually they can not have grading and packaging machines for everyone, but the incubator has installed one

which saves all the incubatees and therefore enabling them to add value to their products. However, this is not the case in other without-wall business incubators.

Co-working spaces: Are the incubation programs which provide a working space to the start-ups but unlike other incubation programs they do not provide other many services. However the incubatees in these incubation programs are provided with services like shared business address, fully furnished office space, internet, reception, telephone, printing and photocopying facilities and other administrative services. Co-working spaces facilitate networking among the incubatees and assist them to create links with financiers. It should be noted, traditionally co-working spaces were specifically providing a shared working office space and services related to the office like secretarial services, however nowadays in Tanzania, some co-working spaces have taken one step more, they are also helping incubatees to access finance.

Figure 2.7: Co-working space’s services



Currently, there are several co-working spaces in Tanzania both profit and non-profit making co-working spaces. The notable co-working spaces are; Mara foundation, KINU, TANZICT and UDEC incubation program. TANZICT provides a co-working office space that can

accommodate up to 40 people and a meeting space for up to 60 people. In collaboration with the Commission for Science and Technology (COSTECH), TANZICT provide seed funding to its incubatees. KINU provides co-working office space to the start-ups, freelancers and MSMEs in the technology sector. Also links its incubatees to funding opportunities such as Savannah Fund which is the project that focuses on seed and business promotion funding in e-commerce, gaming, social networking and education technology. Mara foundation provides co-working office space and other office related services, but it also facilitates its incubatees to access venture capital finance. So based on the figure 2.7 and explanation above, it shows that co-working spaces also play a role in facilitating incubatees access to finance.

2.3 Financial management capabilities

Effective financial management is a vital ingredient in the process of operating a successfully growing business (ACCA, 2013). No matter the business is as large as the government or as small as the household, raising funds, managing the flow of cash, keeping records, making good decisions and good plans are important to the success of the business (Marx et.al. 2010, Dayananda et.al. 2002, ACCA, 2013). Financial management generally entails activities such as recording purchases and sales, controlling bank account and reconciling bank statements, issuing and receiving invoices and managing petty cash. It likewise involve credit control, overheads financing and projecting future cash flow so as to foresee any potential cash shortfalls. Financial management also includes activities like remuneration, regulatory filings and dealing with taxes (ACCA, 2013). To have an effective financial management, an organisation must have financial management capabilities. Financial management capabilities refer to the abilities to efficiently and effectively manage money in order to achieve the objectives of the organization. The concept of “financial management capabilities” typically applies to an organization's financial strategy, but it can also apply to personal finance management abilities. Generally, financial management capabilities infer to the abilities to raise the capital and how to allocate it. They include long term budgeting, but also how to allocate the short term resources like current liabilities.

For a business to have such capabilities, it has to employ qualified accountant(s) and/or financial director and have an independent department for financial matters. This is because financial management demand special knowledge and expertise. Financial management capabilities can be grouped into three sets of capabilities i.e. financial decision making capabilities, financial information analysis capabilities and financial planning capabilities. Financial information analysis capabilities can be referred as the ability of understanding the

risk and profitability of a business by analysing reported financial information. Usually the analysis is based on annual and quarterly reports and through analysing these reports, the past, current and prospective performance of the business can be determined (Atrill and McLaney, 2006). Financial decision making capabilities involve ability to identify financial problems and analyse the effects of alternative path. They also involve the ability to use analytical techniques of financial analysis so as to make sound decisions. With these capabilities, the business managers can be able to properly make two types of financial decisions; investment decisions and financial decisions. Investment decisions consist of decisions on amount of cash flows in future periods, to control levels of cash, accounts receivables and inventories. In long term investment decisions include the decision on aspects of asset purchases and other complex investment decision like merging or acquiring another business. Financial decisions comprise of issues of capital structure, mobilization of finance and dividend policy.

Financial planning capabilities are important part of financial management capabilities that enable the business management to develop long term investment strategy which can best fit the business situation (SFC, 2013). The capabilities consist of ability to analyse current circumstance of the business and decide on what planning techniques are the most appropriate towards achievement of business goals. After elaborating the three sets of financial management capabilities, it is important to know that these capabilities relate to each other. For instance for a manager to make sound decisions will not only depend on the decision making related capabilities, he/she will also require financial information analysis capabilities. Similarly, to have a sound financial plan, a manager will need not only planning capabilities but also decision making and financial information analysis capabilities.

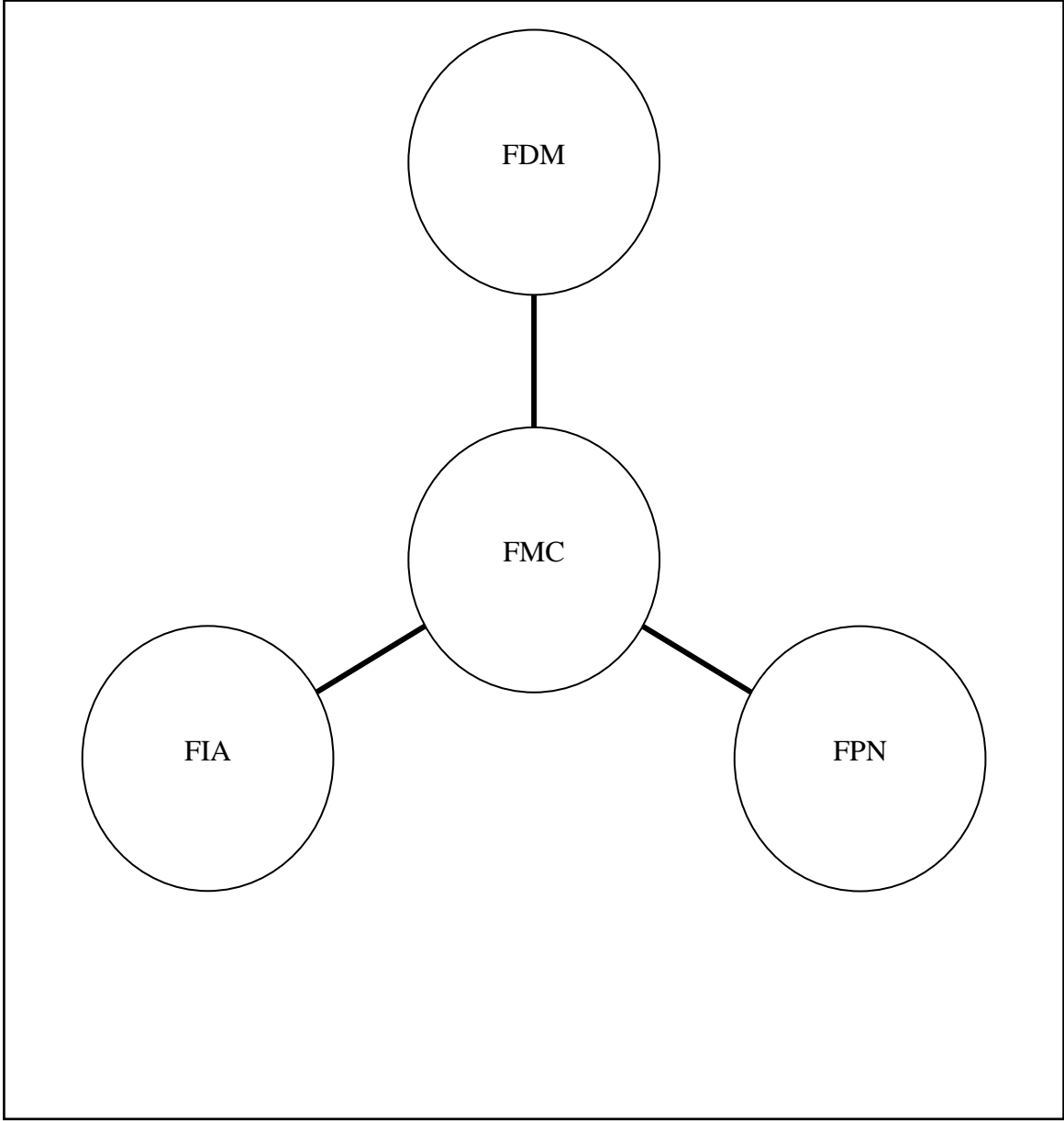
Now the discussion of financial management capabilities above has mainly focused on the large businesses. It should however be noted that, capabilities differ from one level of development to the other i.e. large businesses have relatively complex financial system which require sophisticated financial management capabilities. MSMEs can not afford to build these complex financial systems i.e. employing financial manager, financial analysts and qualified accountant. Their financial systems are simple and therefore they build capabilities that match with the needs of their financial systems

2.3.1 Financial management capabilities in MSMEs

For the MSMEs, financial management capabilities means abilities to make good estimations on costs and revenues (Nobanee and Abraham 2015) and therefore avoid cash flow problems

that can lead into business failure. They are the abilities of an enterprise to manage effectively and efficiently his/her day to day finances. They encompass the entrepreneur's knowledge and skills to understand enterprise's financial circumstances along with motivation to take action (Sabri and Zakaria 2013). This also means the abilities of entrepreneur to make good estimations on revenues and costs as stated above. However for an to make good estimations, he/she must be able to analyse his/her business' financial statements, make realistic financial plan, sound day to day financial decisions and good investment decision. According to Nieman et.al. (2006) financial management facilitates entrepreneur's acquisition of necessary financial resources and ensures an enterprise use these financial resources properly. In order to make sure that financial resources result into short and long term benefits, entrepreneurs must have capabilities to make sound financial and investment decisions (Dayananda et.al. 2002, Gitman 2010), they must also have capabilities to effectively make sound financial plans and manage cash flow (Gitman 2010, Walker and Petty 2001). Just like in large companies, the entrepreneur's financial management capabilities are grouped into three sets of capabilities as well i.e. financial decision making capabilities , financial information analysis capabilities and financial planning capabilities. Nevertheless, unlike in large businesses, capabilities in MSMEs are mostly displayed by the owner manager and the capabilities are at the lower level than in large businesses.

Figure 2.8: Entrepreneur’s financial management capabilities



Legend

- FDM Ability of an entrepreneur to make good financial decisions
- FIA Ability of an entrepreneur to analyse and interpret financial information
- FMC Entrepreneur’s financial management capabilities
- FPN Ability of an entrepreneur to make good and realistic financial planning

The figure 2.8 above shows the financial management capabilities in MSMEs. Similar to large companies, financial management capabilities of small entrepreneurs include financial decision making, financial information analysis and financial planning capabilities. But due to the very

simple financial system, their version of capabilities is a simple. For example for the owner manager to involve his/her employees in the process of making financial decisions, and having regular meetings for making decisions is an indication of improved financial decision making capabilities. Correspondingly, if owner manager prepares annual and monthly financial statements, this is an indication that he/she has comparatively higher capabilities on financial information analysis. If he/she has a financial plan for the current year and the next year, it is an indication that he/she has financial planning capabilities.

2.4 Financial system

A financial system is the one that permits the exchange of funds between lenders, investors, and borrowers. It is an important aspect of MSMEs growth and development in general. It channels funds from the net savers to the net spenders. In other words, financial system allows net savers to lend funds to net spenders. The lenders can be households, firms, the government, non-governmental organisations and non-residents may also lend out excess funds. The borrowers can also be the non-governmental organisations, government, households and non-residents. Generally, a modern financial system include financial institutions, financial markets, financial instruments, financial infrastructures and financial services. In this study, the major interest was partly on financial institutions, thus more elaboration about financial institutions is provided below. They are the institutions that provide financial services to the borrowers and they are categorized into two categories: Banks and non-bank financial institutions. Banks are the most regulated financial intermediaries that lend money to borrowers so as to generate revenue. Banks can be either public, cooperative, commercial, central or development banks. On the other hand, non-bank financial institutions are the financial institutions that are not supervised by banking regulatory agencies and therefore have no full banking licenses. They just facilitate bank related financial services but they are not allowed to carry some of the more sensitive banking services.

The above elaborated categorization of financial institutions is mainly common in the stable and developed economies. This is because the financial infrastructures in these countries are strong and efficient. Nevertheless in developing countries where in most cases the financial infrastructures are poor and the systems are weak, financiers are categorized into three categories depending on the legal regulation status: formal, semi-formal and informal financiers. A distinction is made between formal, semi-formal and informal financing basing

on whether there is a legal infrastructure that provides remedy to lenders and protection to borrowers.

2.4.1 Formal financing

Formal financing consists of all financial institutions that are regulated by the central bank. Commercial banks, insurance companies, near banks and development banks are some of the institutions that constitute the formal financing system (Hyuha et.al 1993). Normally these financial institutions are by law under direct control of the central bank. In a number of developing countries including Tanzania, formal financing has been seen as one of the major factor effecting economic growth and development. However over the past two to three decades several of these countries have established specialized credit institutions for the purpose of supporting small entrepreneurs whom, the formal institutions are not prepared to finance. Even though there are some areas where formal credit programmes have succeeded in providing financial services to the small entrepreneurs, generally the expected results have not been achieved. Seemingly, many formal credit institutions find it difficult to deal with small borrowers because of the later's lack of collateral, large number of defaults incidences and high administrative costs associated with small credits. Thus formal credit institutions favour large-scale borrowers over small-scale ones (Hella, 1987).

2.4.2 Informal financing

Informal financing is a part of financing system which consists of all institutions and/or individual financiers which are virtually outside the control of the established legal framework (Hyuha et.al 1993). It includes all direct finances that pass through channels that are not controlled by the established legal financial system. Institutions, groups and individuals such as Rotating Savings and Credit Associations (ROSCAs), moneylenders, landlords, relatives and neighbours fall under this category. Informal financing is the oldest form of financing, however for a long period of time it had been perceived as a very exploitative form of financing. It was widely believed that through high interest rates, the informal financiers were extracting huge profits and therefore taking advantage of the economically weak individuals in the society (Adams, 1984). This belief was a major reason to the establishment of formal financial institutions.

Impliedly, the literature of thirty to forty years ago to some extent focused on the exploitation of moneylenders and to interpret and explain the high interest rates charged by the moneylenders (Meyer, 1991). Based on this scenario, Meyer (1991) concluded that policy makers have in general taken a distorted view of the informal finance sector, and have

actively taken actions to suppress it in several countries. Nevertheless, the emerging view about informal financing from studies conducted in the 1980s in developing countries is that generally, they perform legitimate economic functions in the financial markets and that their operations are normally more cost effective and useful for the poor than those of formal financial institutions and commercial banks (Von Pichke et.al., 1983). Informal financiers are now thought to provide appreciated services and that in most cases they impose lower costs on most borrowers than had been generally thought (Adams and Graham, 1981).

In Sub-Saharan Africa (SSA), the informal finance system is believed to mediate a significant amount of financial transactions and informal loan repayments remain high compared to formal ones mainly because of the personal nature of the finance and credit transactions which are mainly conducted based on the trust and friendly knowledge of customers (Bagachwa, 1995). There is a series of informal finance and credit arrangements in SSA countries, ranging from transactions which are principally social and personal to those which are partly commercial and impersonal: credits from friends and relatives, moneylenders, business angels and venture capitalists, Accumulating savings and credit associations (ASCAs) and the common group rotating savings and credit associations (ROSCAs) which are known by different names in different SSA countries. For instance in Ghana *sususu*, in Ethiopia *iqqubs*, in Cameroon and Niger *tontines*, in Nigeria *esususu*, in Uganda *bibiina*, in Egypt *gamaiyah*, in Somalia *hagbad*, in Mozambique *xitique*, and in Tanzania *upatu* (Ndashau,1990; Von-Pischke, 1992; Kashuliza et al, 1998; Bagachwa, 1995).

2.4.3 Semi-formal financing

The term “semi-formal” refers to the activities in the middle between formal and informal. Such activities may be partially regulated by government agencies through licensing or supervision, and may have some connections with the formal system. Based on the meaning of “semi-formal” above, semi-formal financing is therefore a part of financing system that consist of all financial institutions which are legally registered by other authorities but they are not licenced by the central bank (Wesselink 1993). In other ways these are the financial institutions which are not being monitored by the central bank but they are legally registered and provide financial services. Institutions like credit unions, microfinance NGOs and associations fall under this category. In the past three decades, this part of financial system has been increasing rapidly in many SSA countries, through both new entrants and the evolution of informal sector organizations into semi-formal financial institutions.

2.4.4 Financing system in Tanzania

The financing system in Tanzania is categorized into three categories; The formal financing, Semi-formal financing and Informal financing systems. The formal financing system include all financial institutions which are regulated by The Central Bank of Tanzania (BOT). Commercial banks, microfinance non-governmental organisations (NGOs) and the community banks fall under this category (MFTransparency, 2011). The semi-formal financing system implies to the institutions which provide financial services but they are not regulated by BOT instead they are regulated by other government authorities. Some government parastatals, microfinance NGOs and cooperative based institutions are grouped into this category. The informal financing system consist of direct funding from business angels, donors and other funders.

Due to the fact that the interest of this study was on the MSMEs, therefore the focus was particularly on the microfinance in Tanzania. The microfinanciers here include microfinance institutions (MFIs), informal groups and individual financiers. MFIs are grouped into three main categories, the first category is non-goernmental organisations (NGOs). The most prominent NGOs are SEDA, PTF, PRIDE TZ and FINCA. Institutions like SIDO, SELFINA, YOSEFO, Zanzibar based Women Development Trust Fund and Poverty Africa also fall under this category. The second category is cooperative institutions, these are MFIs which provide micro credits that are mainly savings based i.e. SACCOs and SACAs. Lastly the third category is banks, even though banks provide large credits, they also offer a series of microcredit products. Banks such as CRDB bank, National Microfinance Bank (NMB) and Akiba Commercial Bank (ACB) provide microcredits countrywide, while banks like Kagera Cooperative Bank, Mwanga Community Bank, Mufindi Community Bank, Kilimanjaro Cooperative Bank and Dar es Salaam Community Bank provide microcredits at their regional level.

Informal groups consist of Rotating Savings and Credit Associations (ROSCAs), Accumulated Savings and Credit Association (ASCAs) and Village Community Banks (VICOBA). Lastly, the Individual financiers implies to the moneylenders, business angels, donors, friends and relatives.

Table 2.5: Landscape of the Tanzania's microfinancial sector

Formal financing	Semi-formal financing	Informal financing
Development banks	Saving and Credit Associations (SACAs)	Rotating Savings and Credit Associations (ROSCAs)
Commercial banks	Microfinance NGOs	Accumulated Savings and Credit Association (ASCAs)
Insurance companies	Savings & Credit Cooperative Societies (SACCOs).	Village Community Banks (VICOBA)
		Moneylenders
		Business angels
		Venture capitalists
		Donors
		Friends and relatives

As stated above and shown in the table 2.5 above, the Tanzanian microfinance system has three categories i.e. formal, semi-formal and informal financing. It was therefore imperative to have a deep discussion on these three categories in Tanzanian perspective. However for the purpose of this study, only informal and semi-formal financing in Tanzania is fully elaborated.

2.4.5 Informal and Semi-formal financing system in Tanzania

As stated above informal and semi-formal financing implies to the financiers who are not regulated by the Central bank of Tanzania (BOT). Semi-formal financing is a type of financing regulated by authorities other than BOT. Currently they include Ministry of Finance (MoF), Ministry of Home Affairs, Ministry of industry trade and marketing (MoITM) and Registrar of Cooperatives under Ministry of Agriculture, Food Security and Co-operatives. The main source of finance in semi-formal financing is government, donor funds and share capital.

The informal financing implies to non-bank financiers who are legally operating but not regulated by any authority. Informal financiers as mentioned above include ROSCAs, ASCAs, VICOBA And Moneylenders. It also includes direct funds from donors, friends, families, business angels and venture capitalists.

2.4.5.1 Informal financiers

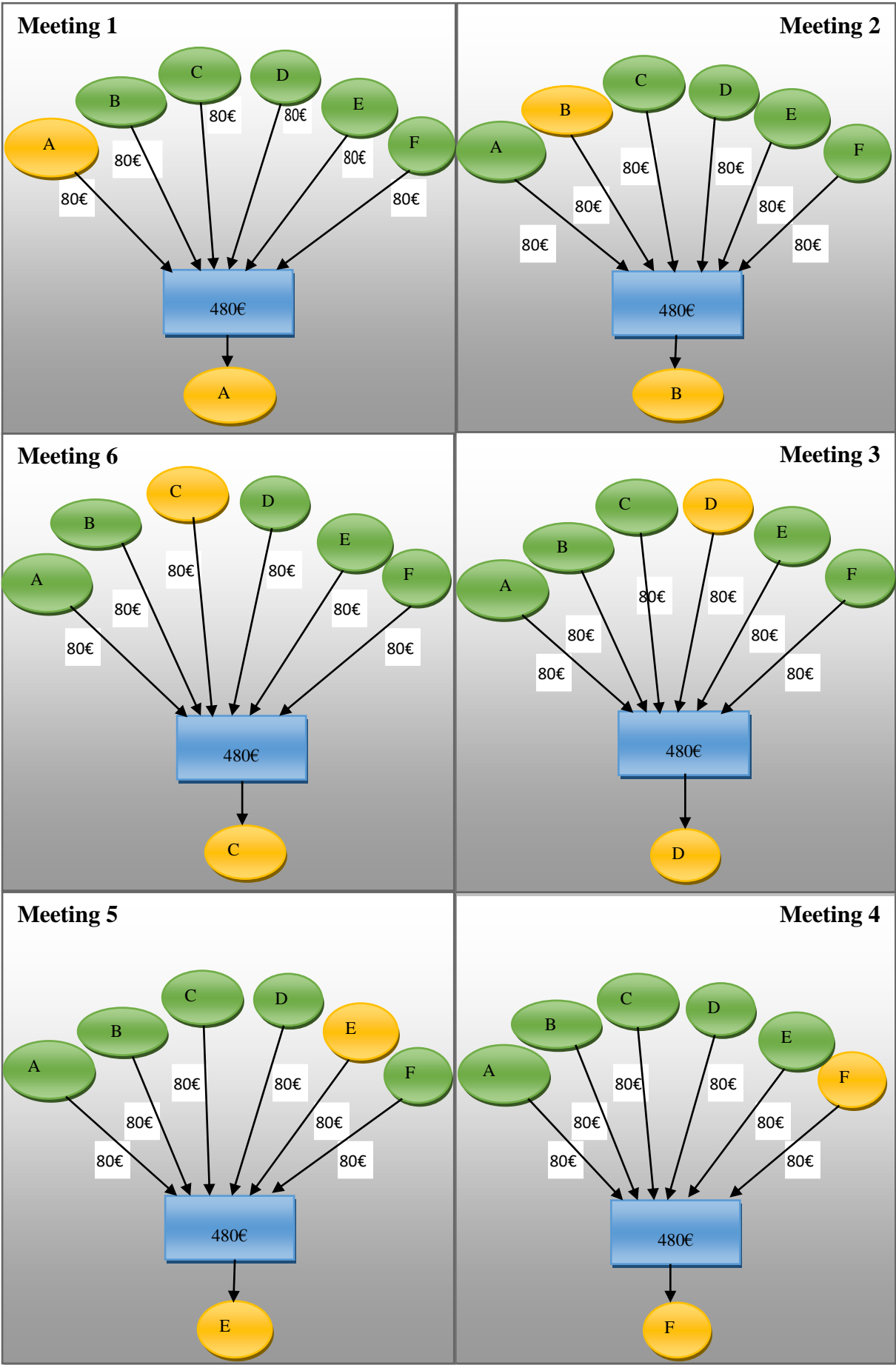
ROSCAs (Upatu)

A ROSCA is a financial device that involves several people each of whom agrees to contribute a pre-determined amount of money at every meeting. The periodic collection is pooled together and given to one person in turn until every person has got a lump sum equivalent to the total periodic contribution they made. This marks the end of the cycle and normally marks the beginning of a new one unless the members choose not to start a new cycle. ROSCAs are commonly known as Upatu in Tanzania and take many forms, they may exist among rural farmers, traders, urban businesses, women associations etc. A ROSCA is formed by a small number of individuals normally 5 to 35 individuals, a group selects a leader who collects a pre-determined amount (share) of money at every meeting from each member, and the money collected is rotationally given to each member of the group. Generally a ROSCA is fundamentally a savings-through device, but depending on the position the member has in the cycle, can either be saving down or saving up. "Saving down" means that a person receives a lumpsum money and he/she starts repaying it back through contributions, while "Saving up" implies that a person starts first contributing before he/she receives a lumpsum money. Basically, those members who receive first are successfully saving down while those who receive last are saving up. The contribution frequency depends on the meeting frequency, and meeting frequency ranges from daily meetings to monthly meetings. One cycle period of time may be as short as one week to as long as one year depending on the number of group members and the meeting frequency. The amount of money contributed by each of the group members ranges from the minimum of Tanzanian Shillings (TZS) 10,000 (4.50 Euro) to the maximum of TZS 200,000 (82.00 Euro).

Basically, a ROSCA is founded on trust, which is developed over time, that is why ROSCAs have a mixed composition i.e. groups are based on blood relations, close friendship, shared locality and secondary relationships. Normally the eligibility for a person to be a member of a ROSCA requires that; first, a person must be well known by other group members, which automatically implies that a person either comes from the same locality, is a close friend, a relative or a colleague of the group members. Second, group members must be sure that a person is able to raise the required contribution. These two eligibility criteria are vital to the survival of the group and extra care must be taken in admitting members because in case of default there is no legally binding agreement.

ROSCAs have relatively low transaction costs because most of them are conducted at the place of work, home or same locality therefore need no specially long journeys for meetings and coordination is usually less expensive. Apart from the transaction costs, money acquired through ROSCAs has no interest. However the risks associated with ROSCAs are defaulting members due to income's decline, death, member relocation and a frank dishonest. But generally, ROSCAs' risks are comparatively low perhaps due to the rigorous selection criteria as explained above. The figure 2.9 below graphically indicates how a ROSCA is coordinated.

Figure 2.9: ROSCA's cycle



The figure 2.9 above illustrates how the ROSCA's cycle works and in this case a group of six people is used as an example. A cycle of this ROSCA needs six meetings to complete and in every meeting, each member contributes 80 Euro, then a lumpsum of 480 Euro is collected and given to one member. The next meeting's 480 Euro is provided to the next member, the routine continues until the last member has received money to complete the cycle. Normally after completing the cycle, another cycle starts, but it should be noted that the first person to receive money in the first cycle will be the last in the coming cycle and vice versa. For instance in the cycle above, A was the first to receive money, followed by B, D, F, E and the last was C. In the next cycle, C has to start receiving money, followed by E, F, D, B and the last should be A.

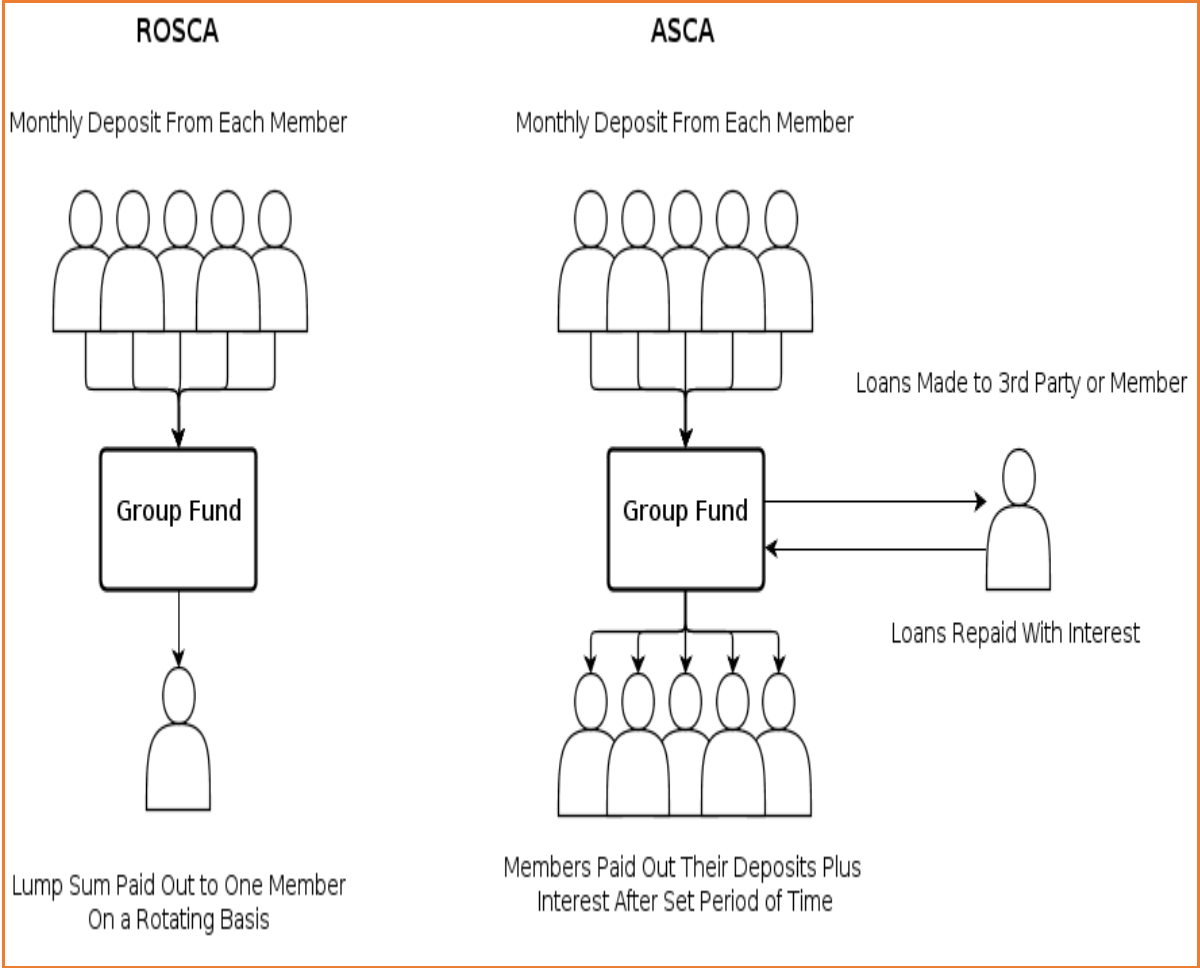
ASCAs

Accumulating Savings and Credit Association (ASCA) is an organisation that offers both a saving up and saving down types of saving. Unlike ROSCAs, ASCAs need more accounting skills, and due to the fact that such skills are usually missing among the majority poor and small entrepreneurs, ASCAs are relatively less prevalent in Tanzania compared to ROSCAs. In most cases ASCAs emerge from some successful ROSCAs, where after efficiently operating a ROSCA, the group members decide to go one step more. They change their ROSCA into an ASCA where the money collected from the group is lent to one of the member or a person outside the group with the agreed interest rate and repayment period. After the lent money is paid back with interest, members are paid back their deposits plus interest. It should be noted here that in ASCAs the periodic contributions of each member accumulate unlike in ROSCAs where contributions are given to a member at the end of every meeting. In ASCAs, each group member makes periodic deposits but only some group members and other people outside the ASCA borrow from the accumulated money. Some members accumulate deposits but they are not interested in borrowing, they just wait for their deposits plus interest. The contributions among the ASCA's members are usually made on monthly bases, weekly contribution in ASCAs is rare probably due to their amount of contributions which are usually slightly higher than contributions made in ROSCAs.

Based on their nature of operation, contributions are not immediately disbursed due to the fact that members deposit their contributions and therefore the contributions have to be kept briefly before borrowers come and borrow, ASCAs are relatively more risky and complex

compared to the ROSCAs. ASCA’s management is more challenging because comparatively they deal with larger amount of money than ROSCAs.

Figure 2.10: A comparison between ROSCA and ASCA



Source: Invested Development report, 2012

The above illustration clearly indicates the difference between a ROSCA and an ASCA. Both of them make contributions on monthly bases and both are made by a group of five group members. In both of the two, members contribute money to have a group fund, but then in a ROSCA a group fund is paid in lumpsum to one member on a rotating basis. In an ASCA a group fund is lent to a person outside the group (3rd party) or a group member, then a borrower pays back the loan with interest. After a set period of time, group members are paid out their deposits plus interest.

VICOBA

Village Commercial Banks (VICOBA) is a financing model that was implemented by the government of Tanzania in collaboration with Social and Economic Development Initiative in

Tanzania (SEDI) in order to promote financial accessibility to the poor who are mainly located in the rural areas. Nevertheless, this model has spread throughout the cities as well. VICOBA model includes four basic elements: group formation, governance, bank operations, and capacity building. VICOBA are normally established as part of bigger projects which are run by different institutions. When a project wants to form VICOBA the first step is to identify interested people who want to be members of VICOBA and then find experts for the training program. In their program, these experts usually start with the training program which will go along with VICOBA formation. VICOBA training program has four phases; introductory phase, intensive training phase, development phase and maturity phase. It should be kept in mind that the introductory training phase is crucially important because it is part of the establishment process of a VICOBA. The rest phases come after the establishment, therefore they are just part and parcel of continuous capacity building and they take relatively longer time i.e. intensive phase (4 months), development phase (4 months) and maturity phase (3 months). Therefore in this section a deep explanation of an introductory phase is provided.

The introductory phase takes about 16 days, within these days a trainer meets three times with interested people. In the first meeting, the trainer introduces the project, its benefits and responsibilities of the group members to the local leaders and other government officers. When the project is understood and accepted by the local leaders and government officers, the second meeting is arranged. In the second meeting, a trainer meets with the interested people and introduces to them a general concept of VICOBA and how it works. At the end of the second meeting, people who are still interested in the project are required to arrange and participate in the third meeting. In the third meeting, the groups of 25 to 30 members are formed and each group implies to a VICOBA, therefore group members must agree on the name of the group, rules and regulations of how their community bank should operate, and they must arrange for the group intensive training. The group members also select their leaders who foresee the daily operations of the VICOBA. Structurally, a VICOBA's leadership consists of the chairperson, the secretary, treasurer, key holders, money counters and the discipline master.

The main obligation of the leaders is to ensure the survival and goal attainment of the group, where a chairperson is responsible for the overall supervision of the group's management of shares, discipline, loan management and ensure reciprocal responsibility between the group and its members. Secretary supervises the group's banks, while treasurer is obliged to collection of shares, custody of the credit kits and overseeing the operation of the group's

bank account. Discipline master oversees the adherence of the group members to the rules and regulations of the group. Money counters deal with money counting after collection from different contributions, while the key holders ensure the safety of the keys of the credit kits and opening and closing the kits during the contribution process and after the contribution event.

After the agreement is made among group members, the formation of the VICOBA formation is completed by registering a VICOBA name at the Business Registration and Licensing Agency (BRELA) and then notifying a department of social development under a district or municipal or city council in a particular area because the VICOBA's are supervised by the local governments (councils). The group's fund rising (savings) is usually done but not limited to weekly bases or in two weeks time, these savings are mobilized through share collections from the members. The value of the share is determined by the group members depending on their financial status. Each member is usually allowed to buy not less than one share and not more than three shares, and the minimum value of one share has been changing over the years. When VICOBA were established in 2002, the minimum value of share was 100 TZS and a maximum value was 1,000 TZS. Currently the value of a share ranges from 500 TZS to 50,000 TZS depending on the members financial capacity. The members' shares accumulated are then used as revolving credit finance among the group members. The members apart from having shares in the VICOBA, they also enjoy easy access to the credits. The interest rate of the loan provided by the VICOBA is comparatively low, ranging from 5 to 10% compared to commercial banks' interest rates which are as high as 20%. Up to now, there are 912 VICOBA groups in Tanzania with an average of 28 members each. The total value of shares bought since 2002 in Tanzania amounts to 2,298,780,000 TZS from an average of 70,000 shares, and a total of amount of 3,065,040,000 TZS has been provided to the members as credits.

Moneylenders

The moneylenders or private lenders are the individuals who provide credits to borrowers on bilateral agreement bases. Even though they operate legally, they have no laid down rules and regulations, therefore the security of their funds mainly depends on collaterals. As a result, private lenders have the highest collateral-credit ratio. Their interest rates are in some cases higher than that of commercial banks, but on the other side these credits are the easiest to

acquire. To the borrowers, these credits have no complications, you only need a collateral to obtain one, it is the least bureaucratic form of credits.

Business Angels

Business angels are people who put their own money into the growth of a small business at an early stage, and also providing their business experience to these businesses through advice. They are usually wealthy and successful people in the business who decide to put money in startups. They take shares in small businesses and the amount of money they invest can either be small or large amount. Nevertheless the money they invest is regulated by neither BoT nor any other authority, thus such finance is categorized as informal finance. Business angels are comparatively the more preferred type of informal financiers because along with the larger amounts of money they can provide, they also provide their business experience to the entrepreneurs who in most cases face the challenges from their business learning curve. But this kind of financiers is too limited in Tanzania particularly to small businesses, very few economically successful people are willing to invest in the start-ups, probably due to the poor business environment and weak legal framework which leads to high failure rates of the start-ups.

Venture capitalists

Venture capitalists are the financiers who provide funds to small businesses which have shown high growth in terms of revenue and profit. They invest in start-ups but unlike business angels, they don't provide seed funding. Venture capital is a recent phenomena in Tanzania, so it is not familiar to most of the small business and the venture capitalists are incredibly very few. Therefore even some startups that become aware of the venture capital finance, still find it very difficult to access such type of finance due to limited number of people who are willing to provide venture capital. The venture capitalists' money provided to the small businesses is not regulated by BOT or any authority. The venture capitalists decide on their own whom to finance and what amount to finance, therefore it is considered an informal type of financing.

2.4.5.2 Semi-formal financiers

As stated above, semi-formal financiers in Tanzania are regulated by Ministry of Finance, Ministry of Home Affairs and Registrar of Cooperatives under Ministry of Agriculture, Food Security and Co-operatives. These authorities regulate semi-formal financiers by reviewing external audits prior to authorizing disbursement of funds provided by Government or donors and granting accreditation to the financiers. The table 2.5 below summarizes the responsibilities of the regulatory authorities on specific financial institutions.

Table 2.6: Semi-formal financial institutions and regulatory authorities

Type of financial institution	Number of institutions	Regulatory Authority	Authority responsibilities
Micro finance NGOs	62	Ministry of Finance	<ul style="list-style-type: none"> Review external audits before disbursement of funds provided by the government and/or donors In coordination with the National Board of Accountants and Auditors (NBAA) review external audit reports and conduct examinations of audit firms monitoring the NGOs Accreditation of the financial NGOs as Micro finance institutions
SACAs	48	Ministry of Home affairs	<ul style="list-style-type: none"> Register SACAs Collect annual fee from SACAs Review SACAs' annual reports
SACCOs	5,559	Registrar of Cooperatives	<ul style="list-style-type: none"> Register SACCOs Conduct on-site and off-site examinations of SACCOs Review external audit reports and conduct examinations of audit firms

The table 2.5 above indicates that microfinance NGOs such as Poverty Africa, YOSEFO, PRIDE Tanzania, CREW, SIDO, SELFINA, FINCA, Tanzania Gatsby Trust and Mennonite Economic Development Association are registered and regulated by the ministry of finance. Savings & credit associations (SACAs) are registered and regulated by the ministry of home affairs. Registrar of cooperatives under the ministry of agriculture, food security and co-operatives registers and regulates Savings & Credit Cooperative Societies (SACCOs).

Microfinance NGOs

A substantial number of NGOs provide microfinance services to the MSMEs in Tanzania. None of the NGOs are subject to BOT regulation with respect to the micro financing activities they carry out. The microfinance NGOs are registered legal entities, either as societies under the provisions of the Societies Ordinance or as companies limited by guarantee (non-stock

companies) under the provisions of the Companies Act, or as trusts under the provisions of the Trustees Incorporation Ordinance. Microfinance NGOs' operations are in most cases centered around areas selected by the management or their donors and they are categorized into two categories based on the microlending methodology: Individual lending NGOs and group-based lending NGOs.

Individual lending NGOs are those which provide credits to individuals who own small businesses for the purpose of increasing the working capital of the business. Regularly, the minimum amount of credit provided to borrowers on individual basis is 500,000 TZS while the maximum amount is 20,000,000 TZS. Loans can be repayed over a period of six months to two years. Loan repayment instalments are usually made monthly. Individual business loans are reliable and quickly processed, and unlike the group-based loans, a top up loan can be provided. For a borrower to secure a loan on individual basis, he/she must have business that possesses a Tax Identification Number, business license, collateral, and two year business experience. The collateral must be inspected before the loan is approved so as to be sure of the legal status of the collateral. The common collateral used include vehicles, business assets and land.

On the other hand, group-based lending NGOs provide credits to the groups, each group consists between 5 and 35 individuals with the experience of working together who have formed a group for the purpose of accessing credits. The group normally has a simple structure of only a group chairperson and secretary. Officially the credit is given to a group but the NGO divides the amount of credit to the number of group members and deposit direct to each group member's personal bank account. This arrangement is beneficial to both sides, the NGO is assured of its finance security because the group provide guarantee to each member, while a member can possibly access credit without collateral. Group loans provided by microfinance NGOs are generally for business development and therefore expected to generate income in an existing business. To reduce the risk of borrowers failing to repay credit, some of the NGOs provide training to the groups. The NGOs loan officers provide training covering all areas of the NGO's lending methodology, loan use, and business plan. The initial amount of loan for every member in the groups is usually small and is determined by the size of the individual group member's business. The initial amount normally ranges from 100,000 TZS to 350,000 TZS. Then the amount of loans gradually increase based on the borrower's repayment history, the amount of savings put in and general conduct. The maximum amount provided by the microfinance NGOs ranges from 2,000,000 TZS to

5,000,000 TZS. The repayment period of loans provided by microfinance NGOs ranges from three months to two years and in most cases instalments are normally paid on weekly, monthly or two weeks time basis. The table 2.6 below summarizes the nature and how microfinance NGOs operate in Tanzania.

Table 2.7: Types Microfinance NGOs in Tanzania

Type of a microfinance NGOs	Saving condition	Name of a financial NGO	Product offered	Source of fund
Group-based lending microfinance NGOs	Mandatory saving	<ul style="list-style-type: none"> • Presidential Trust Fund • Poverty Africa • CREW • FINCA 	Group-based loans	Donor funds
	No saving	<ul style="list-style-type: none"> • YOSEFO • PRIDE Tanzania • SIDO • SELFINA 	Group-based loans	Donor funds
Individual lending microfinance NGOs	Mandatory saving	<ul style="list-style-type: none"> • Poverty Africa 	Individual loans	Donor funds
	No saving	<ul style="list-style-type: none"> • SIDO • Tanzania Gatsby Trust • MEDA 	Individual loans	Donor funds

The table above shows that, group-based lending microfinance NGOs provide services in two different ways; some of them provide credit to groups but under the condition that group members must have made some savings before they process loans. The notable NGOs of this kind are Presidential Trust Fund, Poverty Africa, CREW and FINCA. Other group-based lending NGOs provide loans to the group members without necessarily making savings. NGOs such as YOSEFO, PRIDE Tanzania and SELFINA provide loans without requiring borrowers to make savings prior to the loans approval.

The individual lending microfinance NGOs also provide loans in two ways; some individual-lending microfinance NGOs provide loans to borrowers on individual basis, but borrowers must have made savings to a certain amount before loans are approved. NGOs like Poverty Africa provide loans under this condition. Other individual-lending microfinance NGOs provide loans to the borrowers on individual basis without requiring them to make savings prior to loan approval. The common examples on this kind of individual-lending microfinance NGOs are Tanzania Gatsby Trust and MEDA. Finally there some microfinance NGOs that provide both group-based and individual loans. They provide loans to individual borrowers and also to the groups however the conditions to the types of borrowers are different. Organisations like SIDO provide loan services in this way.

SACCOs

SACCOs are the most widespread semi-formal savings devices in Tanzania and they share a lot in common with ASCAs. Just like in an ASCA, in SACCOs people make savings and use the savings to provide loans with interest to the borrowers, which in turn are used to reward the savers. In recent years, the SACCOs have also been receiving external capital support from donors. SACCOs can be categorized into three categories based on the nature of their areas of operations. They are either Urban SACCOs, Rural SACCOs and Urban-Rural SACCOs.

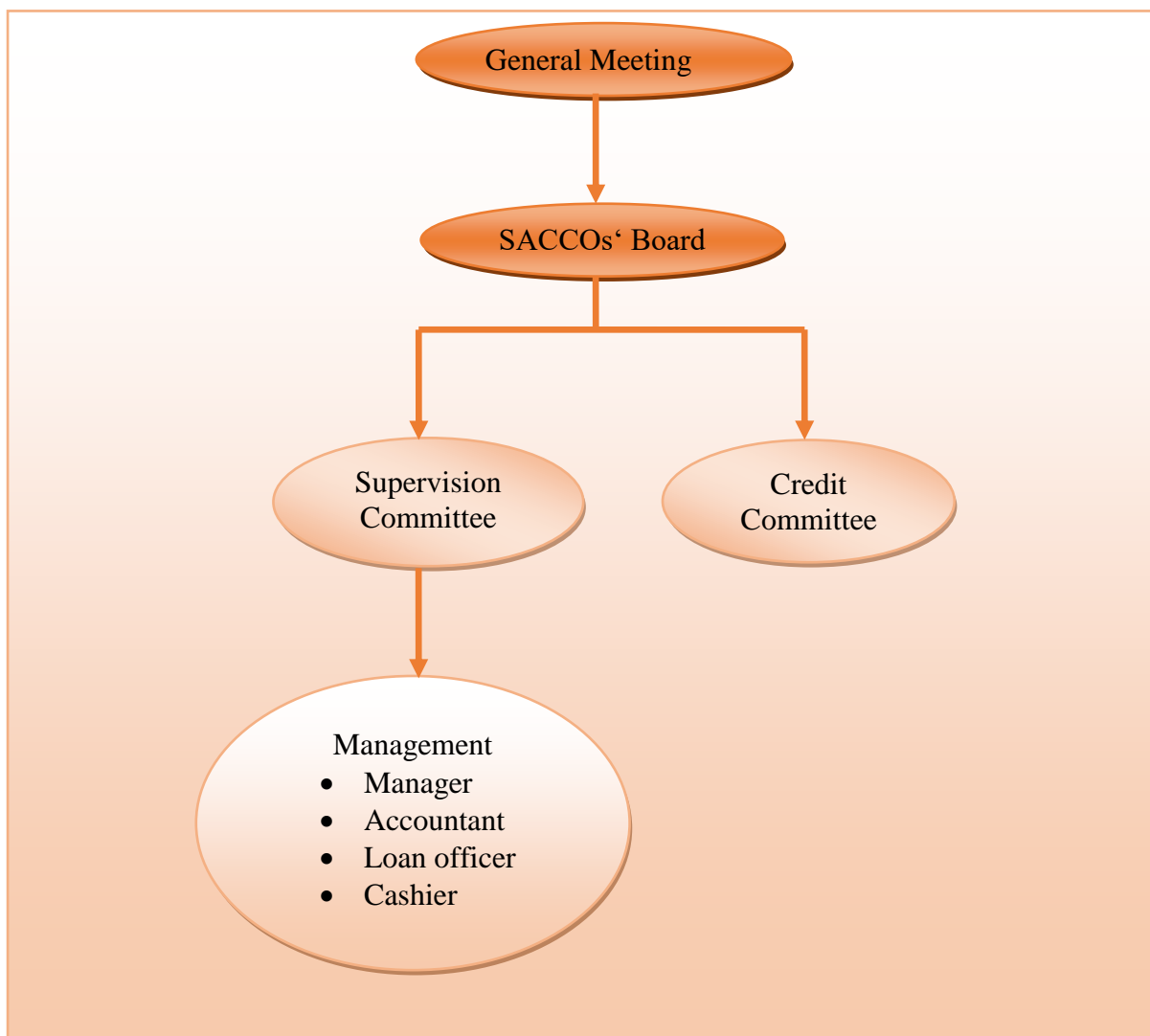
Table 2.8: Types of SACCOs

Type of SACCOs	Area of Operation	Microfinance Products Offered	Main Source of Funds
Urban SACCOs	Urban areas	Member loans only	Share capital, loans, grants
Rural SACCOs	Rural areas	Member savings deposits & loans	Share capital, loans, grants
Urban-Rural SACCOs	Both urban and rural	Voluntary savings and withdrawals Only	Share capital, loans, grants

Urban SACCOs are those which are established in urban areas. In these SACCOs, the savings made by members are usually non returnable. Members are not given back their savings deposits, but only access to loans. The main source of funds to these SACCOs are share capital, loans and grants from donors. Rural SACCOs are those which are established and operate in rural areas. These SACCOs provide loans to the members but unlike the urban SACCOs, they also provide savings deposits to the members i.e the savings are returnable. However just like the urban SACCOs, their main source of funds are share capital, loans and grants from donors. Lastly the Urban-Rural SACCOs are established and operate in either urban or rural areas. In these SACCOs, savings is not mandatory, a member is allowed to either make savings or not. A member is also allowed to withdraw his/her savings at any time. A member with no savings can still be a member but can not access loans. Like urban and rural SACCOs, urban-rural SACCOs also mobilize funds from share capital, grants and loans.

The SACCOs organisational structure consist of the following: General Meeting, Supervision Committee, Credit Committee, SACCOs' Board and Management. The structure has been illustrated in the figure 2.11 below.

Figure 2.11: SACCOs' Organisational structure in Tanzania



General meeting has the highest authority of leading the SACCOs, it supervises all development activities of the cooperative. All SACCOs members are members to the general meeting and they have the last say about how the SACCOs should be led. The general meeting is usually done annually, and members must be notified 21 days before the day of the meeting. Sometimes there can be an extraordinary general meeting particularly when there is a special issue needs to be addressed urgently, and the meeting is convened when one third of the members agree in writing that an extraordinary meeting should be convened. The major duties of the general meeting are; to appoint and fire the SACCOs' board members, to discuss the financial and external auditors' reports, to approve annual budget and the strategic plan, to approve purchases and sales of the SACCOs' assets and to discuss and approve amount of dividends to be provided to members.

Below the general meeting is the SACCOs' board, the board consists of 5 to 9 board members who are appointed by the general meeting. They are supposed to meet four times per year. Their duty is to lay down financial rules and regulations of the SACCOs, to ensure financial and other records of the SACCOs are kept properly, to present audited financial report and budget to the general meeting, to suggest to the general meeting the amount of dividends to be provided to the members, to approve credits and discuss reports from the credit and supervision committees, to prepare business strategic plan and to hire employees who carry daily activities of the SACCOs and to foresee the overall performance of the SACCOs.

Below the board are the two committees i.e. credits and supervision committees. The supervision committee is made of three members who are also appointed by the general meeting but they must be not the members of the board nor the credit committee. Their duty is to check if rules and regulations are observed, to advise the board, credits committee and the management. The credits committee manages all credit related issues in the SACCOs i.e. application and use of credits, collateral issues and behaviours of the borrowers. Under the supervision committee there is a management of SACCOs, it consists of a manager, accountant, loan officer and cashier. These people in the management are employed based on their expertism.

SACAs

Savings and Credit Associations (SACAs) are the associations that offer both saving up and saving down types of saving. Most people confuse SACAs and ASCAs but there are slight differences between the two. Unlike ASCAs, SACAs must be registered by the Ministry of Home Affairs (MoHA). While the main source of funds in ASCAs is savings from members, the main source of funds in SACAs is funds from donors. This is mainly due to the fact that, donors feel that funds are more secure in SACAs than in ASCAs because SACAs are relatively closely watched by the government through MoHA. SACAs are registered with MoHA under the 1954 Societies Act. MoHA has no deep involvement on promoting SACAs development in Tanzania, its major role is to register and make sure registered SACAs pay the required annual fees and submission of their annual reports. Promotion of SACAs' development is done by the Ministry of Community Development, Gender and Children (MoCDGC) at the country level, while regional and district community development officers promote SACAs' development at regional and district level respectively. It should however be noted that even though promotion of SACAs' growth and development is done by regional

and district community development officers, they have no authority of providing registration to the new SACAs. As a result, SACAs can only be registered in Dar es Salaam at the MoHA and may be in near future it will be Dodoma, as the government is currently shifting to a new capital city.

In Tanzania, SACAs are unevenly distributed, they are more visible in the regions where regional administrations opted to promote SACAs as a strategy to facilitate access of microfinance to small economic groups and small businesses. Regions such as Mbeya opted to promote SACAs, as a result they are relatively more prevalent there. Some SACAs in Tanzania have evolved from the solidarity groups, members in some solidarity groups that operated successfully decided to register as SACAs so as to tap other credit opportunities such as those offered by international organisations, government agencies and local NGOs. Therefore depending on how people are informed about SACAs’ credit opportunities in particular area, some regions have comparatively high SACAs visibility while others have very limited number of SACAs. As stated above, SACAs’ main source of funds is donors, nevertheless SACAs also mobilize finances through members’ shares and deposits. Some SACAs deposit their funds in commercial banks so as to earn interest and be able to borrow from the particular banks, but generally the main focus is to provide credits with low interest to the borrowers. Members receive dividends based on their shares. Based on their lending nature, SACAs can be categorized into two categories; Group-based lending SACAs and Individual lending SACAs. Group-based lending SACAs are the SACAs that provide credits to the borrowers on group bases i.e. a group of borrowers is given the loan, then the group members share equally the loan and repayment instalments as well. Each group member is guaranteed by other group members and in case one fails to pay his/her instalment, the whole group is responsible. Individual lending SACAs provide loans to the individual borrowers, in this case a borrower must provide a collateral prior to loan approval.

Table 2.9: Types of SACAs

Type of SACAs	Product offered	Main source of fund
Group-based lending SACAs	Group-based loans	Donor funds & Members’ savings
Individual lending SACAs	Individual loans	Donor funds & Members’ savings

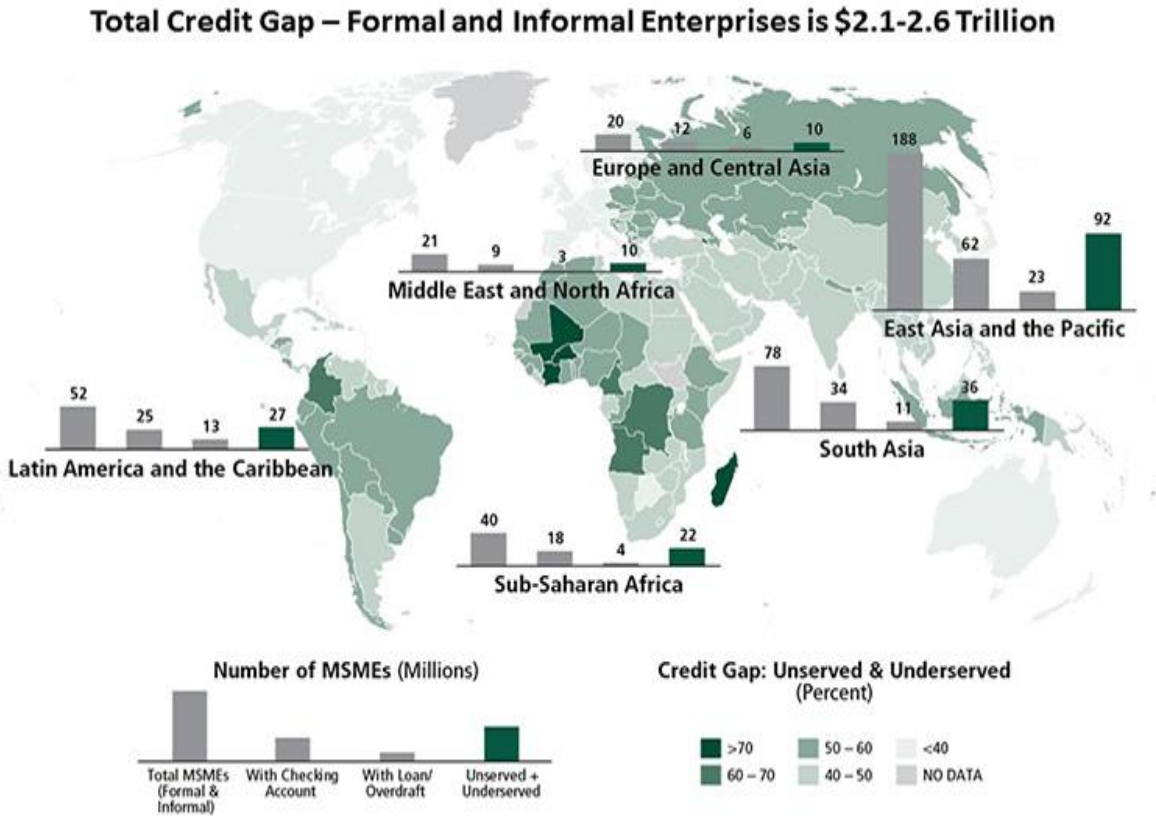
2.5 MSMEs' financial accessibility

After understanding how financial system works, it is now imperative that the MSMEs financial accessibility is also intensively reviewed. Financial accessibility is a broad concept, it does not only mean to people accessing financial services but also enhancing the quality and easing payments, savings, insurance and the access of credits. It also implies to an absence of price and non-price barriers in the use of financial services. It is difficult to perfectly define and measure financial accessibility because the concept has many dimensions, however this research focuses on the MSMEs' access to financial credits. In this study, MSMEs financial accessibility is the ability of MSMEs to obtain finance in terms of loans. Finance is at the center of the economic development process and the studies show that an effective financial system is crucial in channeling finances to the enterprises. But in most countries especially the developing ones, access to finance is limited and therefore many enterprises are left with serious inaccessibility (IFC, 2011). In relation to the empirical evidence, a main obstacle to the development of the MSMEs is a shortage of financing. Without finance, MSMEs cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms (Idowu, 2010). The existence of a finance gap in small businesses has been at the center of a hot debate for decades. The discussion about the existence of small businesses' finance gap was provoked by Macmillan report of 1931. Macmillan argued that a major obstacle to the small firms growth is finance gap. Small firms in most cases are under-capitalized due to the reason that loans granted to MSMEs do not suit their needs (Blanton and Dorman, 1994). Normally when MSMEs are given loans, they are often granted short-term loans rather than long-term loans, therefore they have no option but to depend on short-term while in fact they need long-term loans to face early stage challenges.

Mills and McCarthy (2014) in their paper answering whether the gap in small businesses credit hold back the American economy, they found that the small business financing gap still exist and poses a major setback towards small business growth. Worldwide, the total MSMEs' credit gap is estimated between 2.1 to 2.6 trillion USD (IFC, 2011). But as shown in the figure 2.12 below, the access to credit in developing countries is much more limited. In majority of the developing countries, between 40% and 50% of the MSMEs either receive less amount of credits than they need or rejected at all. But in some of the developing countries more than 70% of MSMEs are either underserved or unserved. The map further indicates that MSMEs' access to finance in African countries is proportionally worse, a significant number of African

countries have around 50% to above 70% of MSMEs not in a position to access finance to their full satisfaction. According to IFC report (2013) on “Closing the credit gap for formal and informal micro, small and medium enterprises” about 77% of the MSMEs’ total credit gap in the world is experienced among businesses in developing countries. Also Calice et.al. (2012) have summarized studies which show that finance gap is the main barrier towards business growth particularly among the micro and small businesses.

Figure 2.12: MSMEs’ credit access



Source: IFC, 2011

The researcher’s interest on MSMEs’ access to finance is found on the fact that while MSMEs play important role in economic development, they experience more limitations to the access of finance than large enterprises. Many researches have revealed that MSMEs experience highly limited financial accessibility compared to large enterprises (Carpenter and Petersen, 2002). According to Kung’u (2011), due to their size MSMEs are in most cases operated by owner managers themselves, this contributes to the problem of limited accessibility to finance. Owner managers operate enterprises but many of them do not maintain audited

financial accounts, therefore the problem of information asymmetries is likely to arise. Similarly, MSMEs have comparatively smaller number of assets to use as collaterals which is a necessary requirement by financiers to reduce risk associated with the information asymmetries (Berger and Udell, 1998). There is a negative relationship between the size of an enterprise and the risk it poses for a financier (Schiffer and Weder 2001, Beck et.al. 2005). Another obstacle to MSMEs' financial accessibility is the high transaction costs (Beck et.al., 2006), since they have less collateral to offer and they face information asymmetries, MSMEs are subjected to high risk premiums and/or high interest rates. In general, MSMEs face greater financial constraints towards access to finance than large businesses (Oliveira and Fortunato, 2006). Previous studies have further more indicated that obstacles to financial accessibility are particularly severe in start-ups and relatively young enterprises. Studies by Levy (1993), Aryeetey et.al. (1994) and Fritsch et.al. (2006) have found that start-ups and young enterprises face relatively more difficulties in accessing bank finance. Czarnitzki and Kraft (2007) argues that young enterprises face severe limitation to financial accessibility because they lack track record and have uncertain prospects. This leads banks to rate such enterprises low, resulting to expensive bank loans to them.

MSMEs financial accessibility is measured through the level of satisfaction on the following dimensions: amount of loan obtained, interest rate, the loan repayment time, general credit contract agreements, required collateral, necessary managerial background, credit services offered by the financiers to MSMEs, length of the credit process and credit process as a whole (Berrones, 2010). Satisfaction on the mentioned aspects of financial accessibility is a reliable measurement because most of the MSMEs have identified these issues as the major obstacles to the access to finance (Beck et.al., 2005). Some scholars have studied on the causes for persistant existance of MSMEs' finance gap and have revealed several reasons: The perceived risks by the financiers leads to MSMEs' limited access to finance because financiers have a perception that MSMEs are high risk borrowers (Akerlof, 1970). Another reason for MSMEs' finance gap is lack of collateral (Worldbank, 2001), this hampers access to loans and is normally related to poorly defined property, rights on land use and weak property markets. Strict collateral requirements of financiers often rule out a large segment of MSMEs. Even when MSMEs have assets that can be used as collateral, they are usually not accepted by the financiers because of high cost and long delays in using jurisdictional enforcement mechanism (Fafchamps, 1996). MSMEs' finance gap also prevail due to reputational effects (Kon and Storey, 2003) i.e. MSMEs owners perceive that loan access is difficult due to

bureaucracy before being given a loan, or they are discouraged by the previous loan request rejections. However the main cause for existence of MSMEs' finance gap is the information asymmetries between the financiers and MSMEs (Stiglitz and Weis, 1981; Bester, 1987).

In current financing systems, financiers prefer to channel finance through intermediaries so as to avoid risks associated with the information asymmetries between them and MSMEs. The process of financial intermediation is about bridging the information gap between financiers and borrowers i.e. MSMEs. According to Hall (1996) and Sharon (2013), financial intermediaries have a positive impact on MSMEs financing. However the intensity of their impact vary from one type of intermediaries to the other. The most common financial intermediaries are the commercial banks and other financial institutions. Most of the researchers have researched on these traditional financial intermediaries. Nevertheless recent models of intermediaries such as business incubators have a limited empirical literature but studies have revealed that these programs play an important role on MSMEs' access to finance.

The reviewed studies above have either focused on the MSMEs' access to formal finance or generally access to finance. However, access to formal finance in developing countries is extremely limited, therefore non-formal finance has become dominant. For instance, 98% of MSMEs in China have no access to formal finance (Lin, 2007) and according to Shen et.al. (2009), Chinese MSMEs obtain only 12% of their capital from banks, 88% of capital is obtained from non-formal financiers. 21% of Malaysian MSMEs' capital comes from banks, while the Indonesian ones obtain 24% only. According to Denis (2004), the reason why MSMEs in developing countries rely on non-formal finance, is the fact that these firms are not yet profitable at this stage. Banks do not prefer to finance such enterprises because of the perceived risk that such businesses are not able to payback the credits. Due to the fact that non-formal finance is more dominant in developing countries, this study has focused on the MSMEs' access to non-formal finance i.e. informal and semi-formal finance.

2.5.1 MSMEs' financial accessibility in Tanzania

Just like the rest of the world, MSMEs in Tanzania cite lack of external finance as the main cause for the collapse of businesses (ESRF, 2015). According to the survey conducted in 2013 by the National Bureau of Statistics in collaboration with FinScope, 83% of the Tanzanian entrepreneurs have no access to bank finance. Also FinScope survey in 2014 found that 13.9% of entrepreneurs in Tanzania access formal finance, while 86.1% rely on non-formal

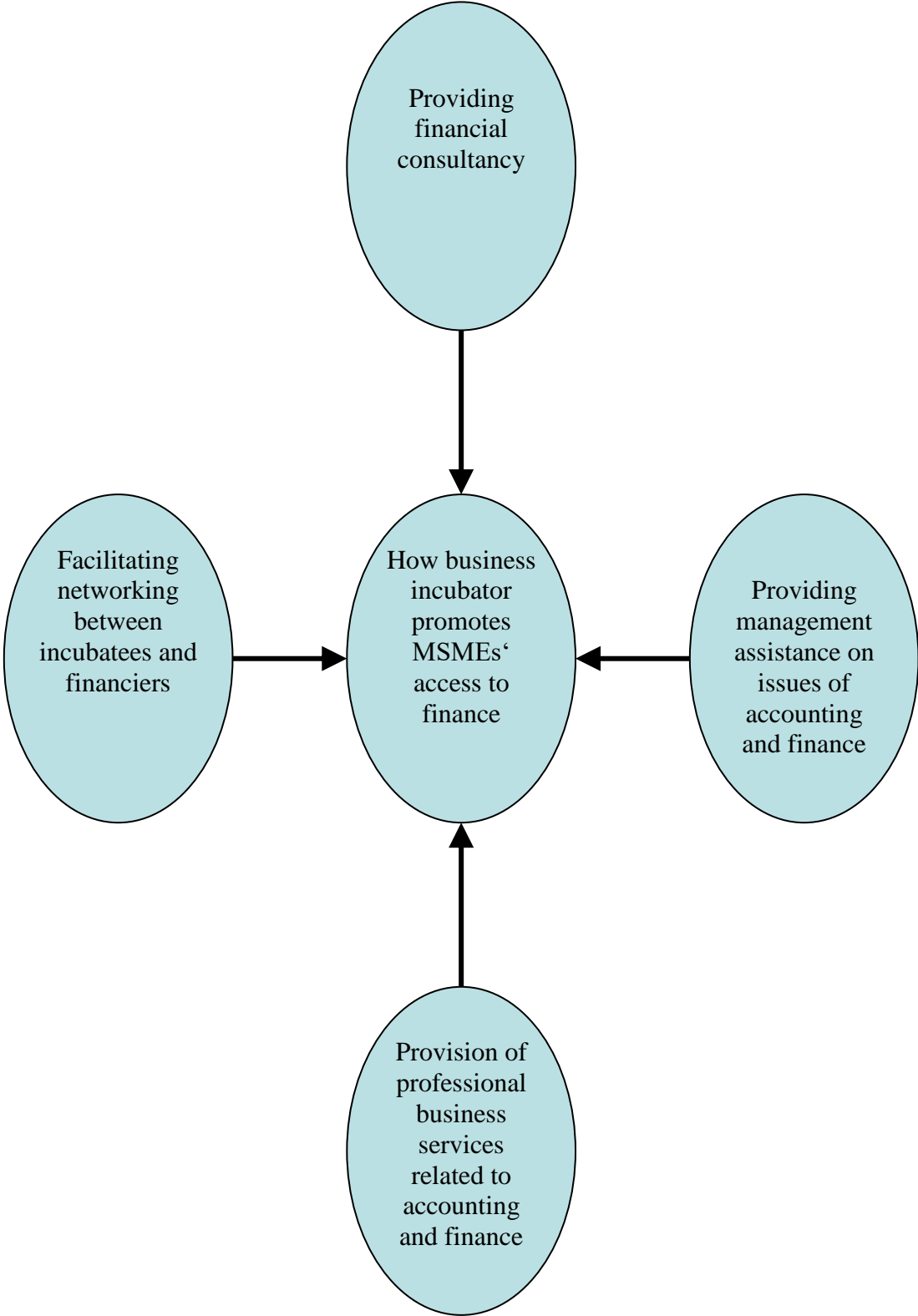
finance. Around 90% of MSMEs have no access to formal finance and about 22% of these enterprises are served by informal financiers while 69% of them have no access to any form of credit (MSMEs baseline survey, 2010). According to Ellis et.al. (2010) out of the MSMEs that access finance, 62% access informal finance, 40% semi-formal finance and 20% formal finance.

Due to this acutely limited access to finance, surveys have been done to understand the reasons for this limited accessibility to finance. FSDT annual report (2014) identified obstacles to entrepreneurs' access to finance as lack of collateral, lack of verifiable information, poor loan repayment history and poor record keeping. High loan interest rates and lack of financial management education are also key obstacles to the MSMEs' access to finance (FinScope 2014, Magembe 2017). According to Magembe (2017), 74% of the MSMEs in Tanzania that apply loan are required to have collateral and 26% of them use either individual guarantors or group guarantee. For the issue of interest rate, Magembe (2017) found that MSMEs are subjected to an average interest rate of 17%, some of them enjoy as low interest rate as 2% while others are subjected to as high as 56% interest. Averagely MSMEs owners and/or managers perceive the interest rate as too high for their business to grow. The stated obstacles such as lack of verifiable information, poor loan repayment history and poor record keeping lead to a major problem of information asymmetries between MSMEs and financiers.

2.5.2 The role of business incubators in promoting MSMEs' access to finance

As discussed in section 2.2, business incubators provide various services to the incubated MSMEs. Among other things, the services provided intend to promote financial accessibility to incubated MSMEs. These services play a monitoring role where they address the problem of information asymmetries. It should be kept in mind that not all services provided by business incubators intend to promote financial accessibility. Therefore only services that address the information gap between incubatees and financiers are considered to be the business incubator's monitoring services. The monitoring services include financial consultancy, management assistance, professional business services and networking (Smilor 1987, Verma 2004).

Figure 2.13: Role of business incubators on MSMEs' access to finance



Financial consultancy services comprise of advisory services on the preparation of the financial information (e.g., financial statements) required to obtain credit and advice about specific potential sources of finance. An incubator provides a financial expert who advises and assists the incubatees on the issues of access to loans and train them on how to prepare contracts and financial statements. Incubators also provide experts who train the incubatees on how to prepare business plans and who are the possible financiers. Management assistance services involve provision of materials for facilitating activities related to accounting and finance. Incubators provide material things such as training manuals, excel files and other materials that can be important in accounting and finance activities. Professional business services entails practical counselling in issues related to accounting and finance and providing courses related to accounting and finance in special training sessions. Incubators also organise events which facilitate networking between incubatees and financiers.

Various studies have been done to investigate the impact of these services on promotion of incubated MSMEs' access to finance. They have found that the business incubators have a significant positive impact on MSMEs' access to finance. According to Berrones (2010) who studied on the financing of incubated and non-incubated young MSMEs in Mexico, found that the business incubators play an active role in professionalization of incubated MSMEs, and she argued that professionalization of financial system within MSMEs was an important criterion to acquire fund from financiers. On the other hand, Wanyoko (2013) who studied on the influence of business incubation services on growth of small and medium enterprises in Kenya, found that business incubators contributed to the incubatees' financial accessibility by 47%. Generally the study showed a positive relationship between the business incubation and financial accessibility. Similarly, Jones and Parry (2011) who studied business support for new technology-based firms in north Wales, found that 50% of the respondents who were located in incubation units said incubation units linked them to key people who provided them information about new funding opportunities. They also said that they had received grants which improved their financial capabilities.

Bruneel et.al (2012) in their study on "The evolution of business incubators" on the aspect of seed capital or venture capital found that more than 66% of third generation incubators' tenants were able to access financial resources, and about 50% of the second generation incubators' tenants accessed financial resources. Likewise, Seruga (2012) in her study on managerial practices in the business incubation process in Netherlands, she found positive

relationship between business incubation and financial access. 30% of the respondents said they were provided with direct access to finance by an incubator and 67% they received help from incubators on financial expertise in the search for financial resources. Mahmood et.al. (2015) also found that business incubators significantly facilitate the MSMEs access to finance. The studies by Berrones, Wanyoko, Jones and Parry, Bruneel et.al, Mahmood et.al, and Seruga as explained above have shown the positive impact of business incubators towards MSMEs' financial accessibility but they were focusing on either formal financing or they could not show specifically the impact of business incubators towards MSMEs access of informal and semi-formal financing. So this also signifies the necessity of this proposed research because the study specifically show the impact of business incubators on MSMEs' informal and semi-formal financial accessibility. It investigates how business incubators can address the problem of information asymmetries between MSMEs and informal and semi-formal financiers.

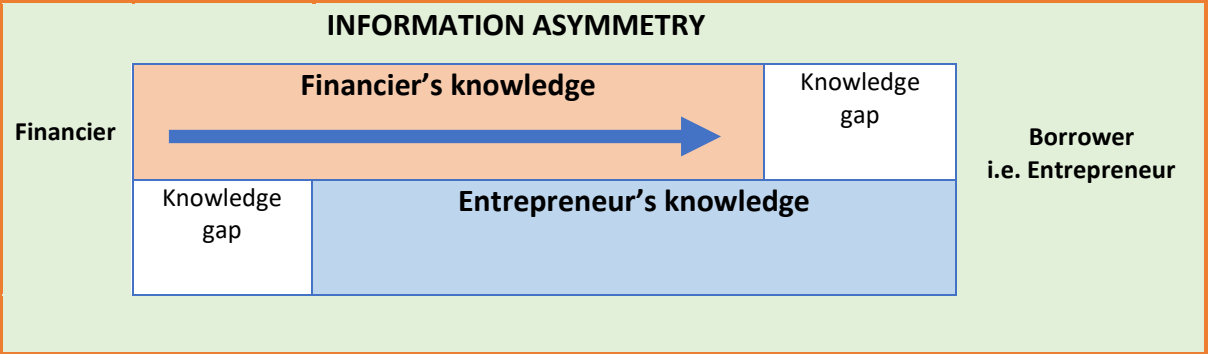
2.6 Information asymmetries between MSMEs and financiers

Information asymmetry is a situation where some relevant information is known to some but not to all parties involved in a transaction. It also implies to the situation where one party in a transaction has more information than the other. With reference to fast growing small business financing literature, this study was particularly focused on business incubators and informal and semi-formal financing of MSMEs. MSMEs have usually faced difficulties when approaching financiers for finance to support investment and operations. The existence of a finance gap in MSMEs has been discussed by different scholars for years. The papers by Deakins et.al. (2008), Kon and Storey (2003), Fraser (2005) and Cruickshank (2000) and reports by Macmillan (1931) and Henry and Craig (2013) have intensively discussed on finance gap in MSMEs. The main cause for the finance gap in MSMEs is the problem of information asymmetry (Lean and Tucker 2001). The problems resulting from information asymmetry can be either moral hazard or adverse selection (Holmstrom, 1984). Financiers have incomplete information regarding the quality of the project and the capability and efficiency of the management of a small business, resulting into the problem of adverse selection (Stiglitz and Weiss, 1981). On the other hand the management of a small business may poorly perform to its capacity level and therefore resulting into the problem of moral hazard (Lean and Tucker 2001). Both adverse selection and moral hazard problems can result into financiers either rejecting small businesses' good and qualified projects or accepting the

poor and disqualified projects. According to Atman (1968) the former is the Type II Error and the later is the Type I Error.

Theoretically, the financier can reduce risk of both type I and type II errors by carefully screening the businesses before funding and intensifying monitoring of the funded projects. Nevertheless due to high costs for screening and monitoring, financiers impose high interests and fixed collaterals and given the fact that MSMEs have no sufficient valuable fixed collaterals and experience diseconomies of scale, most of their projects are rejected by the financiers and it's from this problem arises the necessity of intermediaries, business incubators being one of them.

Figure 2.14: Information asymmetry



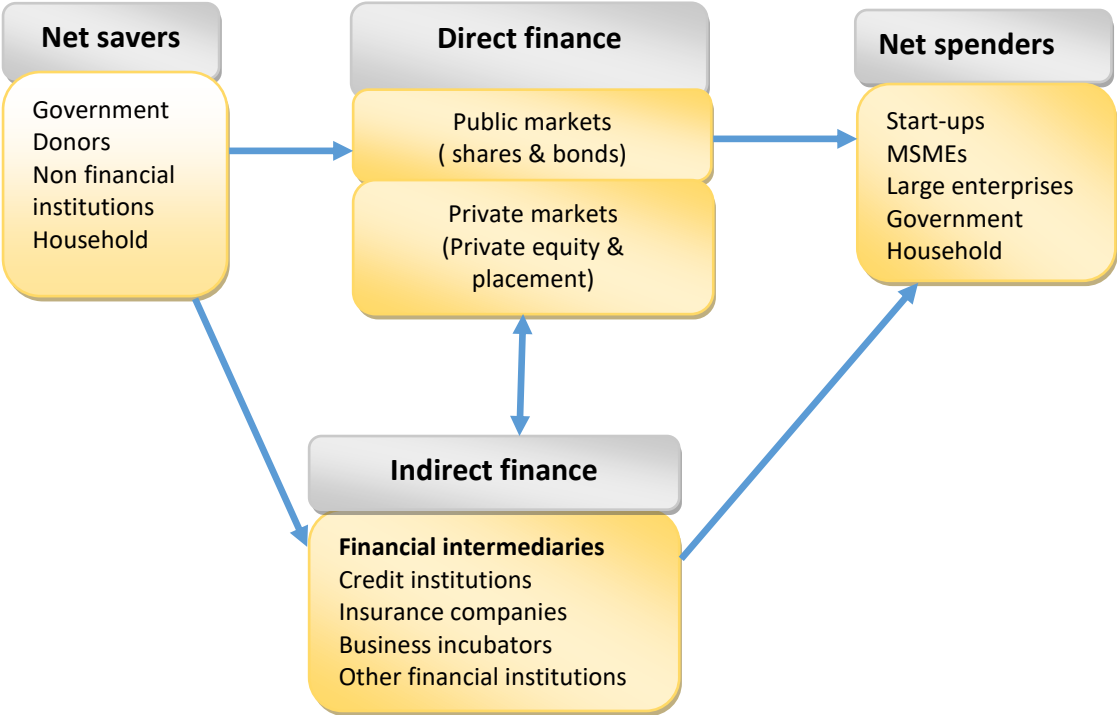
Modified from Anderson Lyall consulting group's model

Now having discussed how information asymmetries lead to finance gap among the MSMEs, it can therefore be stated that the main approach towards closing this finance gap is by addressing the problem of information asymmetries. As stated above information asymmetries can result into either adverse selection or moral hazards. A problem of lack of information on the quality of MSME's project (adverse selection) is addressed by strict screening of the projects before loan is provided. After loan is provided, then a continuous monitoring is required during the whole period of loan repayment so as to prevent the emergence of moral hazards. Screening and monitoring are extra expenses to the financiers, therefore financiers prefer to work with financial intermediaries or else they prefer to provide finance to the entrepreneurs who they have prior knowledge about them (social network links). Having understood about information asymmetries, it is important to also discuss about financial intermediation and social capital. Social capital is equally important because social networks can bridge the information gap between entrepreneurs and financiers especially the informal and semi-formal financiers.

2.7 Theory of financial intermediation

The theory of financial intermediation shows the relationship between entrepreneurs and financial intermediaries (Stiglitz, 1985). The theory is founded on the view that financial intermediaries undertake the monitoring role (Kaplan and Strömberg 2001), reduce transaction costs and informational asymmetries. Financial intermediaries can absorb risk to the tolerable level required by the financiers. They use their reputation and status to act as cover for risk and therefore encouraging financiers to provide funds to the entrepreneurs.

Figure 2.15: Financial intermediation



The figure 2.15 above summarizes a general financial system, it indicates that finances come from net savers to net spenders. Net savers are the source of finance in the financial system, and government, donors, non financial institutions and households are usually the net savers. Net spenders are the borrowers because they spend more than they save, so they have financial deficit and they have to fill the deficit by borrowing funds from somewhere else. Borrowers are usually start-ups, MSMEs, government, large enterprises and households. Finance from net savers can be accessed by the borrowers either directly or indirectly i.e. they can access direct finance through shares, bonds, private equity and private placement, and indirect finance through financial intermediaries. However the focus of this study is on the

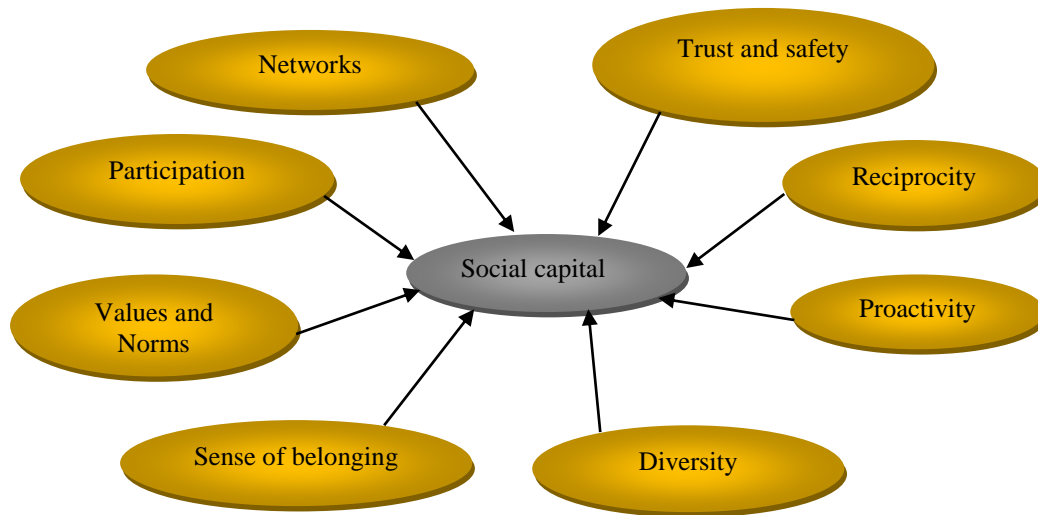
aspect of indirect finance where finance from net savers goes through financial intermediaries such as credit institutions, insurance companies, business incubators and other financial institutions.

Studies done by Fama and Jensen (1983), Gorman and Sahlman (1989), Kaplan and Strömberg (2001), Berrones (2010), Adusei and Afrane (2013) and Hellman and Puri (2002) have shown clear evidence towards positive impact of financial intermediaries to the MSMEs' financial accessibility. The studies show that financial intermediation through credit institutions and business incubators improves the accessibility of funds to the MSMEs. Even though many scholars have studied and written on the theory of financial intermediation, most of them have concentrated on the formal financing and the intermediation role of venture capitalists, credit unions and other financial institutions and therefore creating the information gap on the MSMEs informal and semi-formal financing and the role of intermediaries particularly the business incubators. So the researcher found it important to study on how the monitoring role of business incubators influences the MSMEs informal and semi-formal financial accessibility. Nevertheless, from empirical point of view informal and semi-formal aspects of finance are highly influenced by social capital. Therefore, the impact of social capital is put into consideration as well.

2.8 Social capital

Social capital has been defined by several scholars in different ways. According to OECD, social capital constitutes networks together with shared norms, values and understandings that facilitate cooperation among or within groups. Social capital implies to benefits that are derived from preferential treatment and cooperation between groups and individuals. In other ways it refers to social contacts which influence positively the productivity of individuals or groups. Naturally, the idea of social capital means one's asset that arises from his/her links with family, friends and/or associates. A person with high social capital has many links to the people whom he/she shares values and norms. These people must be of high diversity so as to increase opportunities to a particular person and both parties should have a sense of belonging. Both parties have to be proactive and participatory and have a feeling of trust and safety among each other. Reciprocity is an important aspect of social capital, there must be reciprocity between the people in the network because most people give something in return of something.

Figure 2.16: Elements of social capital



Source: Deragon (2010)

As indicated in the illustration in figure 2.16 above, social capital entails the following; networks, norms and values, trust and safety, reciprocity, participation, proactivity, sense of belonging and diversity. Social norms are generally unwritten but commonly understood rules for defining the patterns of behaviour expected in a particular social context. Therefore a strong network group must bring together people who share the same social norms and values. Participation is an important element for sustainable social capital as well. People have to engage with others through different associations voluntarily and equally. Along with participation, network members have to be proactive i.e. to be active and committed to the relationship. Social capital can not be created among people who act on their own. In social networks, an individual provide support to others at a personal cost but with the expectation that this sympathy will be returned at some time in future in case of need and this is what is known as reciprocity (Taylor, 1982). Another necessary ingredient in social capital is trust, without trust among the network members then no social capital. Trust involve taking risk in social context based on the confidence that others will reciprocate (Fukuyama, 1995) and normally trust arise due to existence of strong social linkages among the people (Guiso et.al., 2004). The collective effect of networks, norms, participation, reciprocity and trust creates a

sense of belonging among the members. Sense of belonging is very vital in social networks because it makes networks very strong which in turn result into high social capital.

For the networks to be beneficial they have to be associated with norms and values that promote coordination, cooperation and reciprocity for the mutual benefit of network members. These norms coupled with participation enable the social groups to deal easily and efficiently with multiple social and economic issues (Portes and Landolt, 1996). Along with reciprocity and participation, strong social networks depend on proactivity of network members, their high sense of belonging and trust among members. Lack or decrease of proactivity, sense of belonging and trust may have adverse consequences for other members (Portes and Landolt 1996, Fukuyama 1995) or for themselves (Akerlof 1976, Basu 1986). Barr (1998) argues that diversity is another important element for the strong social capital, people who are in more diverse social network groups have relatively high social capital.

In academic literature, social capital is debated in two ways; the first view is that of Burt (2000), Burt (2001), Lin (2001), and Portes (1998) which refers to the resources such as ideas, information and support that people are able to obtain through their relationships with other people. According to the above sociologists, social capital resources can only be accessed through relationships with other people. Individuals who have ties with important groups have more social capital because their network position provides them with access to more resources (Burt 2000). The second view is that of Putnam (1995) which refers to the nature and extent of one's involvement in both informal and formal networks. Joining political parties and/or any other organisations, chatting with neighbours and making more friends implies to more social capital.

For the purpose of this study, both views were adopted because this study observes the impact of business incubators' monitoring role to MSMEs informal and semi-formal financing while social capital is a moderating factor. The major interest here was to know how far have the incubatees been satisfied with the loan accessibility and the whole credit process while keeping in mind that the incubatees' access to informal and semi-formal finance is also influenced by the ideas, information and support from both incubatees' and incubator managers' links to relatives, friends and key people in the finance related institutions. So it was important to put into account the moderating role of social capital when studying the intermediary role of business incubators towards MSMEs access of informal and semi-formal financing. To facilitate the measurement of social capital here, the view that refers to "social

capital as the resources which individuals are able to secure from the relationship with other people” was adopted. Three perspectives of social capital as categorized by Babaei et.al (2012) were considered; the first perspective is the ideas, information and support from family members, close friends, and members of primary groups (bonding social capital). The second perspective is the ideas, information and support from casual friends, colleagues and members of secondary association (bridging social capital). The third perspective is the ideas, information and support from people with key positions in civil society organizations, government agencies, representatives of the public and the private sector (linking social capital).

2.8.1 Role of social capital on MSMEs’ access to finance

Various researches have been done to investigate the role of social capital to the entrepreneurs’ access to finance, and they have revealed that social capital play a significant role in facilitating entrepreneurs’ access to finance. People with many social networks are in better position to identify and utilize new opportunities (Isham, 1999) and to reduce poverty (Moser, 1996). On the other hand, people with lack of social ties feel isolated and find it difficult to utilize opportunities and confront poverty. According to Wilson (1996), lack of social networks is a defining feature of being poor. Lack of social networks results into difficulties in getting employment and accessing finance and other resources (Woolcock, 1998). Generally, social networks provide informal insurance mechanisms (Townsend 1994, Coate and Ravallion 1993). Researches have revealed that poor performing entrepreneurs in Africa have limited and confined social networks while the good performing ones have more and diversified social networks (Barr 1998, Fafchamps and Minten 1999). Correspondingly, Barr (2000) argues that entrepreneurs with large and more diverse network links have more prolific enterprises which result in easy access to credits. The network links these entrepreneurs have with financiers reduce transaction costs (Boot, 2000) and facilitate the transfer of information between entrepreneurs and financiers (Uzzi, 1999).

Calderon et.al. (2002) using the trust dimension of social capital from World Values Surveys to elaborate measures of financial development, they found positive relationship between trust and financial development. The influence of social capital has also been witnessed in microfinance accessibility particularly group lending and repayments (van Bastelaer and Leathers 2006, Cassar et.al. 2007). Ghatak and Guinnane (1999) have argued that financial access from group lending institutions is highly influenced by social capital.

Additionally, Guiso et.al. (2000), Ronning (2011) and Kim et.al. (2009) have studied on the impact of social capital to the business financing and they have found positive impact of social capital towards business financing. According to Swierczek (1994) social networks have higher influence on entrepreneurs' access to finance in developing countries where collectivism and group membership is culturally the more preferred way of life than individualism. This is also the case in African countries where people rely very much on their families, friends, ethnicity and links to influential people to succeed in their businesses. According to Barr (1998), similar trends of entrepreneurs relying on social networks for their business success have been observed in African countries.

This study focuses on revealing how social links of incubatees and incubator managers play role towards incubatees' access to informal and semi-formal finance in Tanzania. It is therefore important to highlight social capital in Tanzania. According to Wakkee et.al. (2017), social capital facilitates entrepreneurs' access to finance. In their study they found that graduates with powerful connections are able to access finance, while those who lack social capital face difficulties in overcoming financial challenges. This research intends to understand the significance of each of the type of social capital towards MSMEs' informal and semi-formal financing because it is not clear what type of social capital plays a major role. Even though social capital can be categorized into various forms but the most common approach in recent times categorizes social capital into three categories: Bonding social capital, bridging social capital and linking social capital (Babaei et.al 2012). This is based on the type of people and the nature of the relationship one has with them.

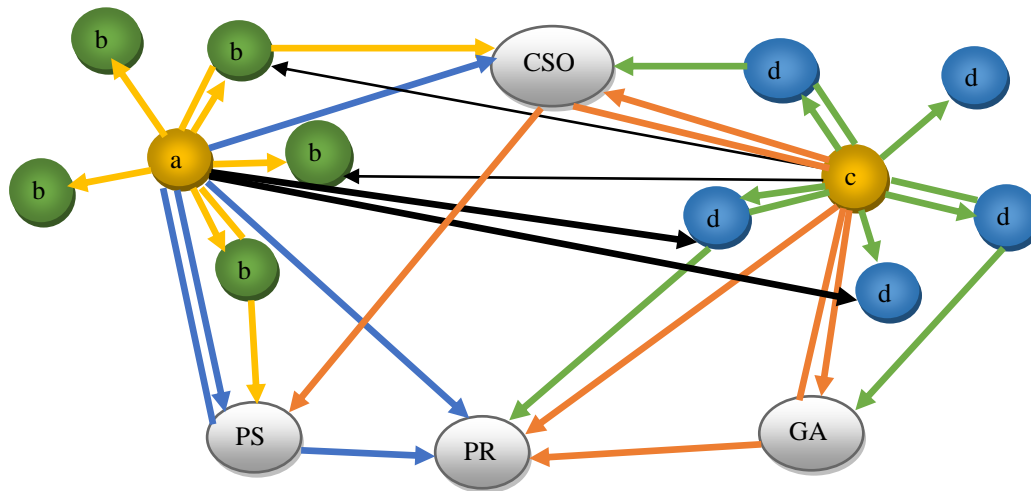
Bonding social capital refers to the benefits that are derived from the links to people based on the sense of common identity such as family, close friends, neighbours and people of the same culture or ethnicity (Babaei et.al 2012);. In Tanzania a family is a community of people with blood ties. It includes parents, siblings, grandparents, grandchildren and other relatives who share the blood ties even if the ties are not so much strong. A close friend is a person with frequent personal contact with another person, someone who does not have personal interests in the other person's welfare, someone who is fully responsible to relationship with the other person without any kind of remuneration. He or she must be a person who understands clearly the behaviour and nature of another person. People of the same ethnicity are those who share beliefs, values, habits, customs and norms. They are people who also have common language, religion, history, geography and race. A neighbour is a person who lives in a community and

is close to another person. On the other hand a person who is living in a nearby house to another person's house. In Tanzania, most entrepreneurs get support from close friends and family members in the course of starting their businesses (Rooks et al. 2009). The support at this level includes of encouragement of ideas and financial support. This study has focused on the financial support provided by among others, the close friends and family members. Entrepreneurs (start-ups) normally are given interest-free credits by the family members and close friends. In some rare cases close friends and/or family members provide credits to entrepreneurs with very low interests.

Bridging social capital refers to the benefits derived from the links to people who are beyond the sense of identity (Babaei et.al 2012) i.e. people such as distant friends (loose friendships), colleagues and members of secondary groups. A distant friend is a person with rare personal contact with another person, someone who may have personal interests in the other person's welfare. He/she is a person who does not understand fully the behaviour and nature of another person. A colleague is a person with whom one works in a profession or business. He/she is a person with whom one is at the same level or rank at their job. Secondary groups refer to the groups which interact people on a less personal level and their personal relationships are temporary. These groups are based on interests and activities.

Linking social capital refers to the benefits derived from the links to the people with key positions in civil society organizations, government agencies, representatives of the public and the private sector. On the other hand linking social capital reaches out to influential people in different situations such as those who are completely outside the community, thus assisting members to access a far broader range of resources than are accessible in the community (Woolcock 2001). For the purpose of this research, civil society organisation (CSO) refers to the non-governmental organisations (NGOs), trusts, charities, foundations, advocacy groups, national and international non-state associations (Hutter and O'Mahony, 2004). A government agency implies to a permanent or semi-permanent organisation which is established by the central government. A public representative refers to a person who has been elected by the people to represent them in decision making bodies. People from the private sector mean successful businessmen and influential individuals in private for profit companies. The illustration in figure 2.10 below shows the three types of social capital and their interrelation.

Figure 2.17: Bonding, bridging and linking social capital



Legend

- Entrepreneur 'a'
- Entrepreneur 'c'
- close friend or family member of 'a'
- Close friend or family member of 'c'
- GA Influential people in government agencies
- PR Public representatives
- PS Influential people in private sector
- CSO Influential people in civil society organisations
- Bonding social capital for a
- Bonding social capital for c
- Bridging social capital for a
- Bridging social capital for c
- Linking social capital for a
- Linking social capital for c

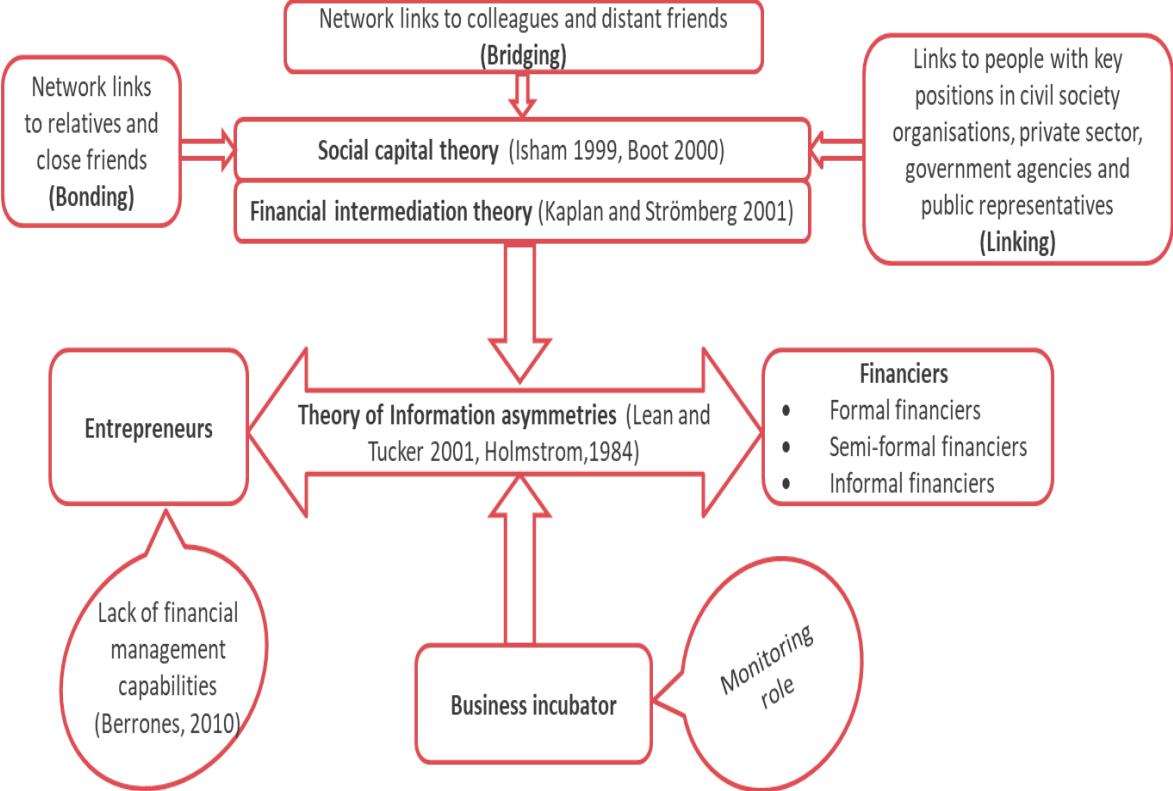
The above illustration indicates all three types of social capital i.e. bonding, bridging and linking social capital. In this illustration, the concept of indirect links social capital is shown. In some cases the entrepreneurs receive support from people whom they have no direct links with them, but these people have links with people within entrepreneur's networks. For instance bonding social capital implies to the benefits arising from close friends, family members and neighbours but sometimes an entrepreneur can receive support from people who

are close friends of his/her family members, neighbours or close friends. This is also the case in other types of social capital i.e. bridging and linking social capital.

2.9 Summary of the theoretical framework

This dissertation is founded on the existence of finance gap among MSMEs and the three theories that explain the reason and solution to the existing MSMEs' finance gap. In their researches Deakins et.al. (2008), Fraser (2005), Schiffer and Weder (2001) and Henry and Craig (2013) have intensively discussed on the existence of finance gap in MSMEs and stated that it is one of the major causes for their high failure rates. Lean and Tucker (2001), Holmstrom (1984) and Stiglitz and Weiss (1981) have argued that the main reason for the existing finance gap among MSMEs is the information asymmetries between entrepreneurs and financiers. On the other hand, Stiglitz (1985) and Kaplan and Strömberg (2001) have discussed on how financial intermediation can address the problem of information asymmetries and therefore bridge the MSMEs' finance gap. Likewise, Isham (1999), Barr (1998) and Boot (2000) have stated that social capital has significant influence on MSMEs' access to finance. They argue that social capital help entrepreneurs to overcome information gap between them and financiers. This dissertation focuses on understanding whether business incubators play a financial intermediary role to address the information asymmetries between incubated entrepreneurs and financiers. The study focuses specifically on informal and semi-formal financiers, and therefore the impact of social capital has also been investigated because various studies show that social capital is usually highly involved in informal and semi-formal finance. The summary of this theoretical framework is indicated in the figure 2.18 below.

Figure 2.18: summary of the theoretical review

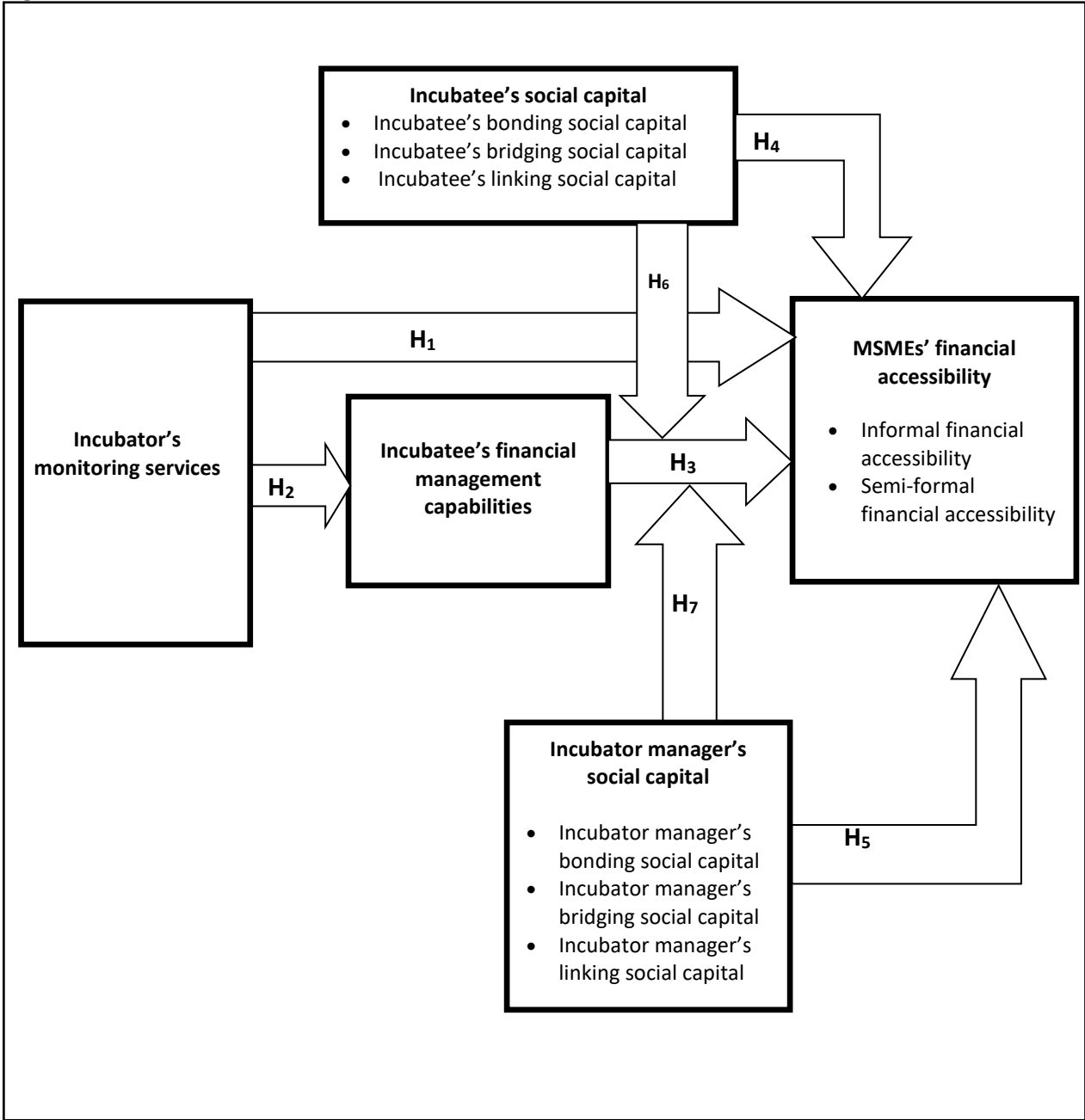


2.10 Proposed model

Based on the literature review the proposed model below is developed for the study and it represents the theoretical framework of this study. The variable of major interest (dependent variable) is MSMEs’ informal and semi-formal financial accessibility and an attempt is made to show the impact of incubators’ monitoring role on the financial management capabilities of incubatees. The study then shows the influence of incubatee’s financial management capabilities towards MSMEs’ informal and semi-formal financial accessibility.

Furthermore the moderating effect of both incubatee’s and incubator manager’s social capital on the relationship between the incubatees’ financial management capabilities and MSMEs’ informal and semi-formal financial accessibility was studied. Both incubatee’s and incubator manager’s social capital were categorized into three categories each: Bonding social capital, bridging social capital and linking social capital.

Figure 2.19: Theoretical Framework



Hypotheses of the study

Hypothesis one (H₁)

The Incubator's monitoring services have a positive impact on the MSMEs' financial accessibility.

H_{1.1}: The Incubator's monitoring services have a positive impact on the MSMEs' informal financial accessibility

H_{1.2}: The Incubator's monitoring services have a positive impact on the MSMEs' semi-formal financial accessibility

Hypothesis two (H₂)

The Incubator's monitoring services have a positive impact on the incubatee's financial management capabilities

Hypothesis three (H₃)

The incubatee's financial management capabilities have a positive impact to the MSMEs' financial accessibility

H_{3.1}: The incubatee's financial management capabilities have positive impact to the MSMEs' informal financial accessibility.

H_{3.2}: The incubatee's financial management capabilities have positive impact to the MSMEs' semi-formal financial accessibility.

Hypothesis four (H₄)

Incubatee's social capital has a positive impact on the MSMEs' financial accessibility.

H_{4.1}: The incubatee's bonding social capital has a positive impact on the MSMEs' informal financial accessibility.

H_{4.2}: The incubatee's bridging social capital has a positive impact on the MSMEs' informal financial accessibility.

H_{4.3}: The incubatee's linking social capital has a positive impact on the MSMEs' informal financial accessibility.

H_{4.4}: The incubatee's bonding social capital has a positive impact on the MSMEs' semi-formal financial accessibility.

H_{4.5}: The incubatee's bridging social capital has a positive impact on the MSMEs' semi-formal financial accessibility.

H_{4.6}: The incubatee's linking social capital has a positive impact on the MSMEs' semi-formal financial accessibility

Hypothesis five (H₅)

Incubator manager's social capital has a positive impact on the MSMEs' financial accessibility.

H_{5.1}: The incubator manager's bonding social capital has a positive impact on the MSMEs' informal financial accessibility.

H_{5.2}: The incubator manager's bridging social capital has a positive impact on the MSMEs' informal financial accessibility.

H_{5.3}: The incubator manager's linking social capital has a positive impact on the MSMEs' informal financial accessibility.

H_{5.4}: The incubator manager's bonding social capital has a positive impact on the MSMEs' semi-formal financial accessibility.

H_{5.5}: The incubator manager's bridging social capital has a positive impact on the MSMEs' semi-formal financial accessibility.

H_{5.6}: The incubator manager's linking social capital has a positive impact on the MSMEs' semi-formal financial accessibility.

Hypothesis six (H₆)

The incubatee's social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' financial accessibility.

H_{6.1}: The incubatee's bonding social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' informal financial accessibility.

H_{6.2}: The incubatee's bridging social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' informal financial accessibility.

H_{6.3}: The incubatee's linking social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' informal financial accessibility.

H_{6.4}: The incubatee's bonding social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' semi-formal financial accessibility.

H_{6.5}: The incubatee's bridging social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' semi-formal financial accessibility.

H_{6.6}: The incubatee's linking social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' semi-formal financial accessibility.

Hypothesis seven (H₇)

The incubator manager's social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' financial accessibility.

H_{7.1}: The incubator manager's bonding social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' informal financial accessibility.

H_{7.2}: The incubator manager's bridging social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' informal financial accessibility.

H_{7.3}: The incubator manager's linking social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' informal financial accessibility.

H_{7.4}: The incubator manager's bonding social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' semi-formal financial accessibility.

H_{7.5}: The incubator manager's bridging social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' semi-formal financial accessibility.

H_{7.6}: The incubator manager's linking social capital has a significant moderating impact on the relationship between incubatee's financial management capabilities and MSMEs' semi-formal financial accessibility.

CHAPTER THREE

RESEARCH METHODOLOGY

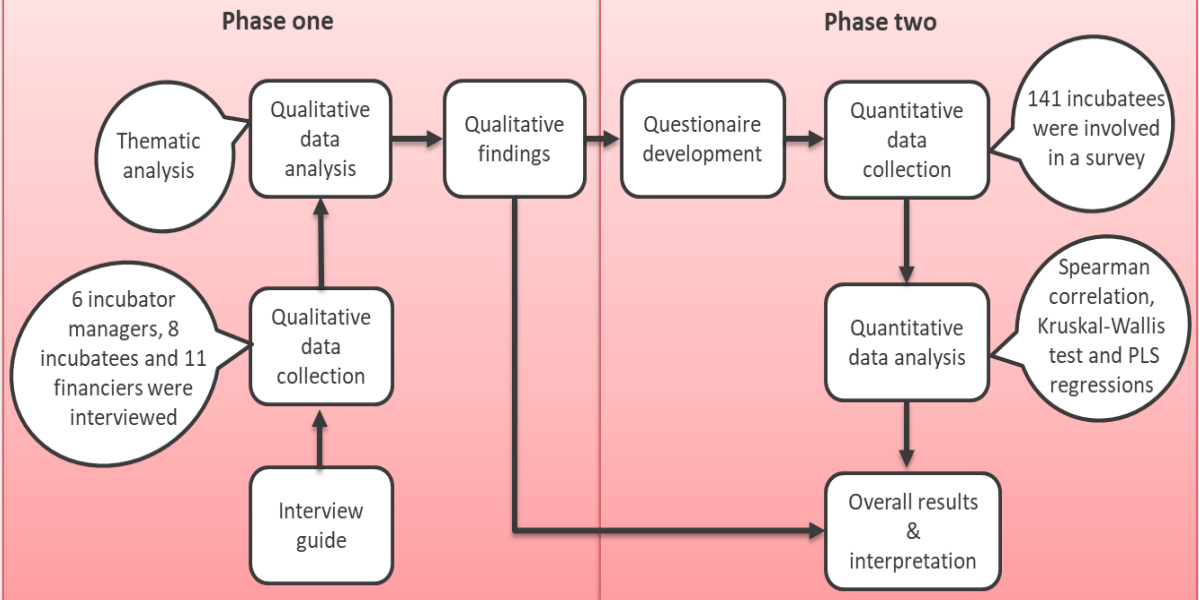
3.1 Research Design

The study employed mixed method research designs. This type of research design has become more popular in recent years due to limitations of qualitative and quantitative methods (Creswell and Clark, 2007). Mixed method design involve both qualitative and quantitative data collections (Tashakkori and Teddlie, 2003). This kind of research design is particularly required when a researcher wants one of the following; to use one method to validate the other, to clarify unexpected findings, to use one method to inform the other method and to build a theory and test it. For the purpose of this study, the researcher opted to use mixed method so as to use qualitative method to inform the quantitative meethod. This is because the knowledge about the topic of this study was limited. Although literature has been reviewed about business incubators and MSMEs' access to finance, little is known about the role of business incubators to the MSMEs' access to informal and semi-formal finance in Tanzania. Therefore it was necessary to first understand if business incubators have any role to play on MSMEs access to informal and semi-formal finance through qualitative research, and then study the variable relationships with large sample of incubated MSMEs using quantitative research.

Depending on the goal of each component of mixed method research, data can be collected either concurrently or sequentially (Morse, 1991). Concurrent data collection means collecting both qualitative and quantitative data at the same time, while sequential data collection means data are collected in separate phases i.e. starting with one method data then collecting the other method data (Myers and Oetzel, 2003). For the mixed methods that collect data sequentially, the weights of the phases can be equal, but usually researches emphasize one phase more than the other depending on the goal of the study. The deductive studies tend to give more weight to the quantitative phase than qualitative phase, while inductive studies give more weight to qualitative phase than quantitative phase. In other ways, mixed method approach can be either sequential explanatory approach or sequential exploratory approach (Myers and Oetzel, 2003). In sequential explanatory approach, quantitative data are collected and analysed first and then the results are used to inform the following qualitative phase. Sequential exploratory approach starts with initial qualitative data collection and analysis, then the results provide insight into an understudied phenomenon.

After qualitative phase, quantitative phase is done so as examine the phenomenon in a more generalized way. Based on the explanation, this research used mixed method sequential exploratory approach. The research was undertaken in two main phases; in the first phase the qualitative study was done basing on key informants among incubatees, business incubators' officials and financial institutions. The face to face interviews were conducted between January and March 2015 and qualitative data were gathered. These data showed the links between business incubators and MSMEs and between MSMEs and financiers. The theoretical framework was developed from the revealed links and hypotheses were formulated. From these hypotheses, the research model was developed where relationship among variables is displayed. In second phase, the quantitative data were gathered through the survey of incubatees which was conducted from December 2015 to April 2016. The survey was conducted through guided questionnaire, and before the full scale survey, a pilot study was conducted to 12 incubatees at SIDO Dar es salaam business incubator. After the pilot study showed no problem with respondents' understanding of the questions, then full scale survey was conducted.

Figure 3.1: Mixed method research process adopted in the research

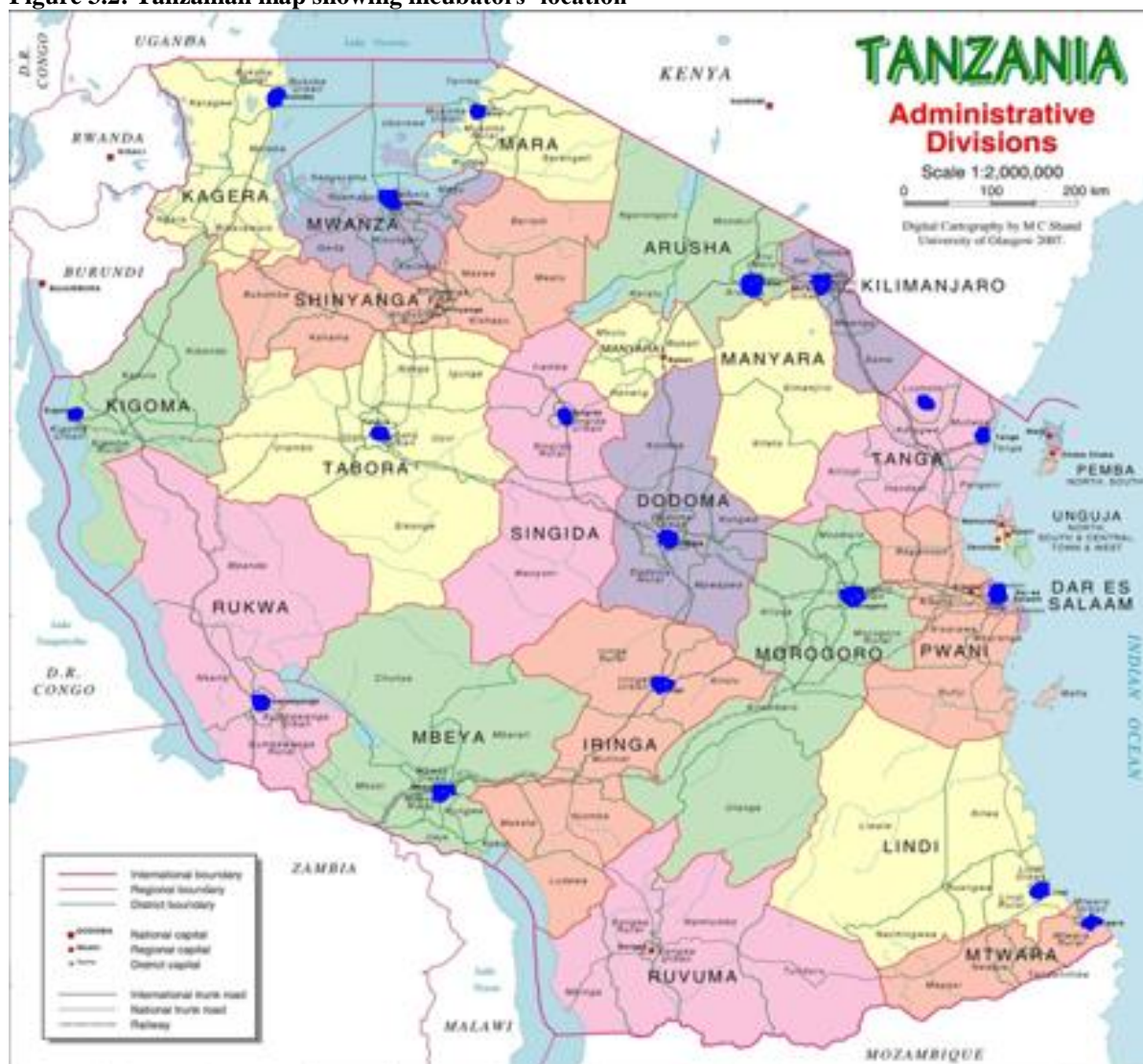


3.2 Study Area

The study was conducted in Tanzania, particularly the areas with incubation programs in different parts of the country. Specifically the pilot study in phase two was conducted in Dar es Salaam, while the major part of the study was conducted in Arusha, Dar es Salaam, Mbeya,

Mwanza, Morogoro, Iringa, Moshi (Kilimanjaro), Sumbawanga (Rukwa), Tanga, Singida and Dodoma. The targeted incubators in these areas were the ones hosted by Tanzania Engineering and Manufacturing Designs Organisation (TEMDO), The Tanzania Commission for Science and Technology (COSTECH), Small Industries Development Organisation (SIDO), and Private institutions. Dar es Salaam is the largest city by any Tanzanian standard and the commercial capital of Tanzania, currently with the population of more than 5 million people. It is located in eastern Tanzania along the coast of Indian Ocean and it is in the same zone as Morogoro municipality i.e. Eastern zone. While Morogoro has two incubation programs, Dar es Salaam has 5 notable incubation programs. Mwanza is the second largest city in Tanzania with the population of around 1 million people, it is located in northwest Tanzania i.e. Lake zone and has one business incubator. Mbeya is one of five major Tanzanian cities, it is located in southwest Tanzania. It is a major commercial center in the southern highland zone which also include Iringa municipality. Both Mbeya and Iringa have one business incubator each. Arusha is also one among the five major Tanzanian cities it is located in the northern Tanzania, it is a Tanzanian center for tourism and the commercial center in the northern zone which include also Moshi municipality in Kilimanjaro. Arusha has three business incubators while Moshi has one business incubator. Dodoma is currently the political and administrative capital of Tanzania, It is located in the central part of Tanzania along with Singida. Dodoma and Singida both have one business incubator each. Tanga is one of the five major cities in Tanzania, it is located in the northeast Tanzania along the Indian Ocean coast, it has one business incubator, but the second incubator in Tanga region is in Lushoto . Other areas are Sumbawanga (Rukwa) in southwest Tanzania, Kigoma and Tabora in western Tanzania, Shinyanga, Bukoba (Kagera) and Musoma (Mara) in Lake Victoria zone and Lindi and Mtwara in southern Tanzania

Figure 3.2: Tanzanian map showing incubators' location



The blue dots indicate business incubators' location

3.3 Targeted population

As explained in the research design above the study employed mixed method design which included two phases. Phase one was a qualitative research where the target population consisted of the Tanzanian business incubator managers, key informant incubatees and financiers who provide informal or semi-formal finance to the incubatees. Phase two was a quantitative research where the target population was 593 incubatees who were present in the notable Tanzanian incubators i.e. in with-wall incubators, without-wall incubators and co-working spaces. In with-wall incubators there were 89 incubatees in total. Arusha TEMDO business incubator (14 incubatees), Dar es Salaam Teknohama business incubator (DTBi) (15 incubatees), Dar es Salaam SIDO business incubator (16 incubatees), Arusha SIDO business

incubator (7 incubatees), Singida SIDO business incubator (3 incubatees), Mbeya SIDO business incubator (13 incubatees), Mwanza SIDO business incubator (14 incubatees), Rukwa SIDO business incubator (7 incubatees).

In without wall incubators there were 467 incubatees in total: Tanga SIDO business incubator (6 incubatees), Lindi SIDO business incubator (12 incubatees), Dodoma SIDO business incubator (6 incubatees), Morogoro SIDO business incubator (5 incubatees), Lushoto business incubator (385 incubatees), Tabora SIDO business incubator (8 incubatees), Moshi SIDO business incubator (7 incubatees), Iringa SIDO business incubator (4 incubatees), Kigoma SIDO business incubator (5 incubatees), Shinyanga SIDO business incubator (9 Incubatees) , Mara SIDO business incubator (11 incubatees), Kagera SIDO business incubator (6 incubatees) and Mtwara SIDO business incubator (3 incubatees)

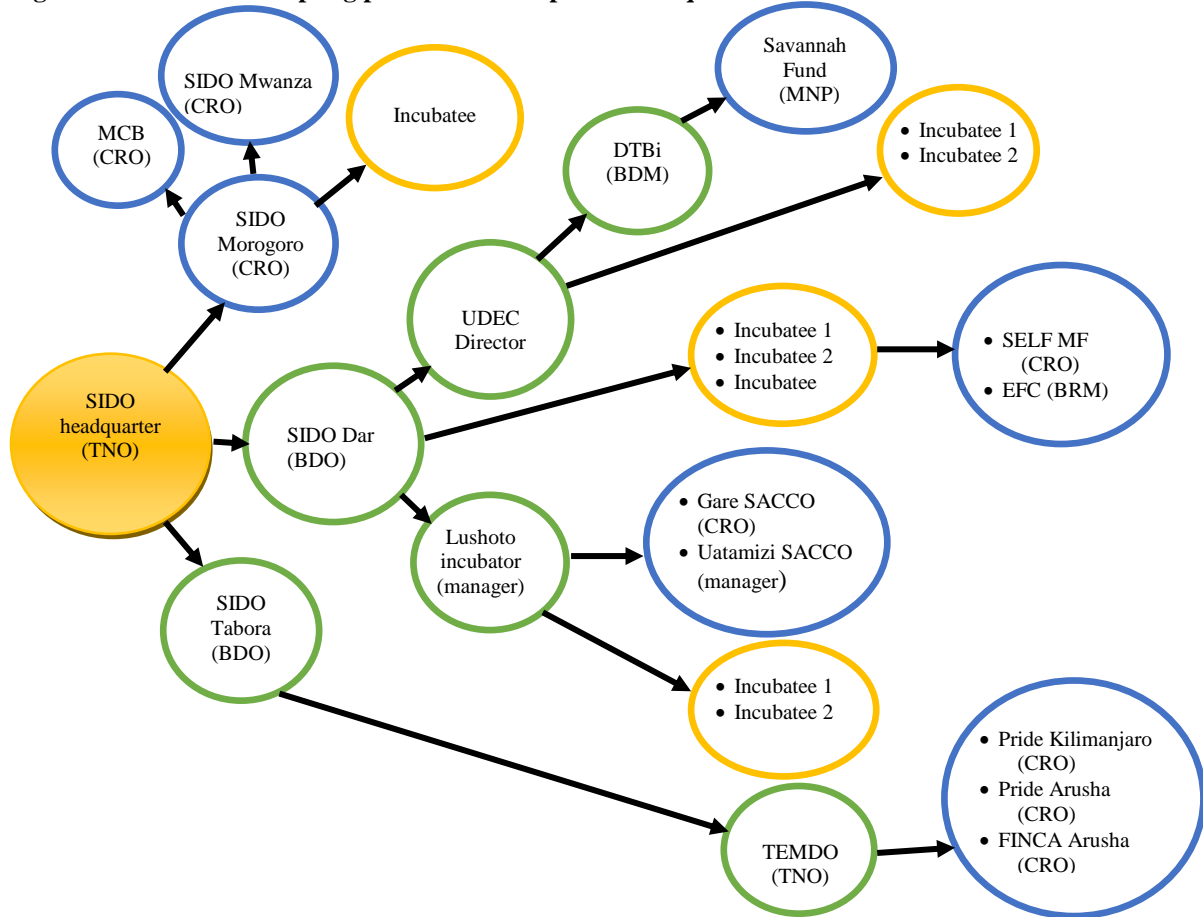
In co-working spaces there were 37 incubatees; UDEC incubator (8 incubatees), KINU (7 incubatees), Mara foundation (10 incubatees), TANZICT (12 incubatees)

3.4 Sample

The study used probability and non-probability sampling procedures. The choice was highly dependent on the type of information required. In phase one of the research, only non-probability sampling was employed, but in phase two both probability and non-probability sampling procedures were used.

In phase one of the study, the researcher used Snowball sampling technique, where he identified and conducted interviews with 11 financiers/financial institutions managers, 6 incubator managers and 8 well informed incubatees (in most cases incubatees' leaders). The process of identifying the interviewees started first by finding contacts of the incubator managers. For the incubators hosted by SIDO, contacts were easily found by communicating with the SIDO headquarters' technical officer. He provided contacts for all managers of the SIDO incubators. Then the contacts for other incubator managers were provided by some SIDO incubator managers. 6 incubator managers were interviewed. After the interviews, incubator managers were also asked to suggest the informal and semi-formal financiers and the well informed incubatees to be interviewed. Through the contacts provided by incubator managers, 8 incubatees were interviewed and also asked to mention financiers who provide loans to them. The incubator managers and incubatees provided contacts and information about financiers, and 11 financiers were interviewed. The figure below shows how data was collected through Snowballing.

Figure 3.3: Snowball sampling process and sample size for qualitative research



Legend

- | | |
|------------------------------------|------------------------------|
| BDO = Business Development Officer | MNP = Manager Partner |
| BDM = Business Development Manager | MCB = Mufindi Community Bank |
| TNO = Technical Officer | ○ = Incubator managers |
| CRO = Credit Officer | ○ = Incubatees |
| BRM = Branch Manager | ○ = Financiers |

In phase two, the study used stratified and purposive sampling techniques. For probability sampling, a stratified sampling technique was used because of the diversity of the business incubation programs. The business incubators were categorised into three categories (strata), with-wall incubators, without-wall incubators and co-working spaces. In each stratum, incubators had equal chance of being selected. In with-wall business incubators' stratum, six business incubators were selected; TEMDO Arusha, DTBi, SIDO Dar es Salaam, SIDO

Mbeya, SIDO Mwanza and SIDO Arusha. In without-wall business incubators stratum, six business incubators were selected; SIDO Tanga, Lushoto incubator, SIDO Dodoma, SIDO Iringa, SIDO Kilimanjaro and SIDO Morogoro, and in co-working spaces, four were selected; TANZICT, Mara foundation, KINU and UDEC. For non probability sampling, purposive sampling was employed. Here, all incubatees with not less than one year of incubation period in selected business incubators were selected. Purposive sampling was required here because normally the newly incubated enterprises are first provided with trainings and advisory services in order to improve their financial management capabilities, especially in the aspects of financial record keeping, preparing financial statements and sound financial planning. Business incubator management need some time to impart financial discipline to the new incubatees before starting to link them to financiers. Therefore incubatees with less than one year were excluded in this study because they have a high possibility of having not yet accessed loans with the help of business incubator. The sampling process has been summarized in the table below, where 67 with-wall incubatees, 120 without-wall incubatees and 30 co-working space incubatees were selected to form a sample size of 217 incubatees.

Table 3.1: Sampling process and Sample size for quantitative research

Sampling process						
Stratified Sampling					Purposive Sampling	
Strata	Incubators	Population	Selected incubators	No. of incubatees	Incubated for one year and above	Sample size
With-wall Incubators	TEMDO	14	TEMDO	14	14	
	DTBi	15	DTBi	15	11	
	SIDO Dar	16	SIDO Dar	16	16	
	SIDO Arusha	7	SIDO Arusha	7	5	
	SIDO Mbeya	13	SIDO Mbeya	13	10	
	SIDO Mwanza	14	SIDO Mwanza	14	11	
	SIDO Rukwa	7				
	SIDO Singida	3				
	Total with-wall incubatees	89	Total selected with-wall incubatees			67
Without-wall Incubators	SIDO Tanga	6	SIDO Tanga	6	4	
	SIDO Dodoma	6	SIDO Dodoma	6	5	
	SIDO Morogoro	5	SIDO Morogoro	5	5	
	Lushoto Incubator	385	Lushoto Incubator	385	98	
	SIDO Kilimanjaro	7	SIDO Kilimanjaro	7	5	
	SIDO Iringa	4	SIDO Iringa	4	3	
	SIDO Tabora	8				
	SIDO Lindi	12				
	SIDO Kigoma	5				
	SIDO Shinyanga	9				
	SIDO Mara	11				
	SIDO Kagera	6				
	SIDO Mtwara	3				
		Total without-wall incubatees	467	Total selected without-wall incubatees		
Co-working space	UDEC	8	UDEC	8	6	
	KINU	7	KINU	7	6	
	Mara foundation	10	Mara foundation	10	7	
	TANZICT (Buni)	12	TANZICT (Buni)	12	11	
		Total co-working space incubatees	37	Total selected co-working space incubatees		
Targeted population		593	Total Sample size			217

Although 217 incubatees were sampled for survey, not all of them participated or responded properly to the questionnaire. The table 3.2 below presents the distribution of respondents with relative to the types of business incubation models who participated fully in the survey.

Table 3.2: Number of respondents who completed the questionnaire

Incubation model	Frequency	Percent
With-wall incubators	54	38,3
Without-wall incubators	68	48,2
Co-working spaces	19	13,5
Total	141	100,0

As shown in the table above, 80.6% of the 67 sampled incubatees in with-wall incubators responded to all questions and completed the questionnaire. 56.7% of the 120 selected incubatees in without-wall incubators fill and completed the whole questionnaire. 63.3% of the 30 selected incubatees in co-working spaces.

3.5 Operational definitions and measurement of the variables

3.5.1 Variable indicators

Variable indicator is an item that provides reliable way to reflect change of a variable. Variable indicators enable the researchers to measure change, improvement or development of a variable. A variable can be measured through a set of indicators which together reflect a particular variable change. In this study each variable's information was grasped through a set of indicators which were established based on the literature review.

3.5.2 Business incubators' monitoring services

Business incubator's monitoring services are the services provided by the business incubator to the incubated MSMEs, intentionally to improve the business management capabilities particularly the financial management capabilities. In this study, business incubator's monitoring services is an independent variable measured through five (5) items/indicators. Six (6) items/indicators were established mainly based on the studies by Allen (1985), Allen and Rahman (1985), Smilor (1987), Verma (2004) and Berrones (2010), but after factor analysis one item i.e. "quality of tutors who run special training sessions in accounting and finance" was eliminated. The following table below shows the indicators of the business incubator's monitoring services in this study.

Table 3.3: Variables: Business incubator's monitoring services

Independent variable	Indicators
Business incubator 's monitoring services	Advisory services on the preparation of the financial information (e.g., financial statements) required to obtain credit
	Advice about specific potential sources of finance
	Quality of the Training materials for accounting and finance (manuals, excel files, etc.)
	Practical counselling in issues related to accounting and finance
	Quality of the courses related to accounting and finance in special training sessions

3.5.3 Financial management capabilities

Financial management capabilities is the most pivotal variable in this study. It was treated as both independent and dependent variable. It was a dependent variable when the influence of incubator's monitoring services on it was analyzed, and it was treated as independent variable when its influence on MSMEs' financial accessibility was analyzed. This variable was measured by eighteen (18) indicators as shown in the table below, nevertheless the indicators were subjected to factor analysis. Factor analysis eliminated six (6) variables i.e. preparation of yearly income statement, preparation of yearly capital and retained earnings statement, preparation of yearly balance sheet, accounting of incubatee's business prepared by external accountants, investment decisions made by owner-manager alone and financial decisions made by owner-manager alone. After elimination of six indicators, twelve (12) were retained for the financial management capabilities in this research as indicated in the table below.

Table 3.4: Variable indicators: Financial management capabilities

Dependent and Independent Variable	Indicators
Financial management capabilities	Preparation of monthly Cash flow statement
	Preparation of monthly Balance sheet
	Preparation of monthly Capital and retained earnings statement
	Developed special financial & accounting guidelines for a business
	Preparation of yearly Cash flow statement
	Preparation of monthly income statement
	Regular meetings (at least monthly) to make investment decisions
	Investment decisions made by owner-manager in collaboration with staff
	Financial decisions made by owner-manager in collaboration with staff
	We have regular meetings (at least monthly) to make financial decisions
	Preparation of a financial plan for the year 2016
	Preparation of an additional financial plan for the year 2017

3.5.4 Incubatee's bonding social capital

Incubatee's bonding social capital is an incubatee's social benefits arising from the incubatee's network links to family members, people from the same ethnicity, close friends and neighbours. This social capital influences the incubatees financial accessibility and even the incubatee's financial management capabilities. In this study, incubatee's bonding social capital was a moderating variable and was measured by six (6) indicators. These indicators were established based on the studies by Putman (2001), Cohen and Prusak (2001), Lin (2005), Adams et.al. (2005) and Babaei et.al 2012. However after factor analysis one item i.e. "Financial advice from incubatee's people of same culture/ethnicity" was eliminated and

therefore five (5) items/indicators were retained for analysis in this study. The table below summarizes the indicators of the incubatee's bonding social capital.

Table 3.5: Variable indicators: Incubatee's bonding social capital

Moderating variable	Indicators
Incubatee's bonding social capital	Financial advice from incubatee's family members
	Financial support from incubatee's family members
	Financial advice from incubatee's close friends & neighbours
	Finance from incubatee's close friends & neighbours
	Finance from incubatee's people of same culture/ethnicity

3.5.5 Incubatee's bridging social capital

Incubatee's bridging social capital is an incubatee's social benefits arising from the incubatee's network links to secondary groups, distant friends and colleagues. This social capital also influences the incubatees' financial accessibility and even the incubatee's financial management capabilities. In this research, incubatee's bridging social capital was also a moderating variable and was measured by four (4) indicators. These indicators were established based on the studies by Putman (2001), Cohen and Prusak (2001), Lin (2005), Babaei et.al (2012) and Cooley (1909). Even after factor analysis, all four items/indicators were retained. The following table below summarizes the indicators of the incubatee's bridging social capital.

Table 3.6: Variable indicators: Incubatee's bridging social capital

Moderating variable	Indicators
Incubatee's bridging social capital	Financial advice from incubatee's fellow members in secondary groups
	Finance from incubatee's distant friends and colleagues
	Financial advice from incubatee's distant friends & colleagues
	Financial support from incubatee's fellow members in secondary groups

3.5.6 Incubatee's linking social capital

Incubatee's linking social capital is an incubatee's social benefits arising from the incubatee's network links to people with key positions in civil societies organisations, private sector, government agencies and public representatives. This type of social capital similarly influences the incubatees' financial accessibility and even the incubatee's financial management capabilities. In this research, incubatee's linking social capital was likewise a moderating variable and was also measured by four (4) indicators. These indicators were established based on the studies by Putman (2001), Cohen and Prusak (2001), Lin (2005), Babaei et.al (2012), Woolcock (2001) and Hutter and O'Mahony (2004). Even after factor

analysis, all four items/indicators were retained. The table below shows the indicators of the incubatee's linking social capital

Table 3.7: Variable indicators: Incubatee's linking social capital

Moderating variable	Indicators
Incubatee's linking social capital	Finance from incubatee's people in CSOs & PS
	Financial advice from incubatee's people in CSOs & PS
	Financial advice from incubatee's people in GAs & PRs
	Finance from incubatee's people in GAs & PRs

GAs = government agencies, PRs = Public representatives, CSOs = Civil society organizations, PS = private sector

3.5.7 Incubator manager's bonding social capital

Incubator manager's bonding social capital is an incubatee's social benefits arising from the incubator manager's network links to family members, people from the same ethnicity, close friends and neighbours. This social capital also affects the incubatees' financial accessibility and incubatee's financial management capabilities. In this study, incubator manager's bonding social capital was a moderating variable and was measured by six (6) indicators. These indicators were also established based on the studies by Putman (2001), Cohen and Prusak (2001), Lin (2005), Adams et.al. (2005) and Babaei et.al 2012. After factor analysis, all six items/indicators were retained. The following table below summarizes the indicators of the incubator manager's bonding social capital.

Table 3.8: Variable indicators: Incubator manager's bonding social capital

Moderating variable	Indicators
Incubator manager's bonding social capital	Finance from incubator manager's close friends & neighbours
	Financial advice from incubator manager's family members
	Financial advice from incubator manager's people of same cult/ethnicity
	Finance from incubator manager's family members
	Financial advice from incubator manager's close friends & neighbours
	Finance from incubator manager's people of same culture/ethnicity

3.5.8 Incubator manager's bridging social capital

Incubator manager's bridging social capital is an incubatee's social benefits arising from the incubator manager's network links to secondary groups, distant friends and colleagues. Incubator manager's bridging social capital likewise impacts the incubatees' financial accessibility and even the incubatee's financial management capabilities. In this study, incubator manager's bridging social capital was similarly a moderating variable and was measured by four (4) indicators as well. These indicators were also established based on the

studies by Putman (2001), Cohen and Prusak (2001), Lin (2005), Babaei et.al (2012) and Cooley (1909). Even after factor analysis, all four items/indicators were retained. The following table below summarizes the indicators of the incubator manager's bridging social capital.

Table 3.9: Variable indicators: Incubator manager's bridging social capital

Moderating variable	Indicators
Incubatee's bridging social capital	Finance from incubator manager's distant friends & colleagues
	Financial advice from incubator manager's members in sec. groups
	Finance from incubator manager's members in secondary groups
	Financial advice from incubator manager's distant friends & colleagues

3.5.9 Incubator manager's linking social capital

Incubator manager's linking social capital is an incubatee's social benefits arising from the incubator manager's network links to people with key positions in civil societies organisations, private sector, government agencies and public representatives. This type of social capital correspondingly influences the incubatees' financial accessibility and the incubatee's financial management capabilities. In this research, incubator manager's linking social capital was also a moderating variable and was similarly measured by four (4) indicators. These indicators were established based on the studies by Putman (2001), Cohen and Prusak (2001), Lin (2001a), Babaei et.al (2012), Woolcock (2001) and Hutter and O'Mahony (2004). Even after factor analysis, all four items/indicators were also retained. The following table below summarizes the indicators of the incubator manager's linking social capital.

Table 3.10: Variable indicators: Incubator manager's linking social capital

Moderating variable	Indicators
Incubator manager's linking social capital	Financial advice from incubator manager's people in GAs & PRs
	Financial advice from incubator manager's people in CSOs & PS
	Finance from incubator manager's people in CSOs & PS
	Finance from incubator manager's people in GAs & PRs

GAs = government agencies, PRs = Public representatives, CSOs = Civil society organizations, PS = private sector

3.5.10 MSMEs' Financial accessibility

MSMEs' financial accessibility is the ability of MSMEs to obtain financial services such as insurance, deposit, payment and credit. Nevertheless in this study, MSMEs' financial accessibility implies to the ability of the MSMEs to obtain non-formal finance (semi-formal and informal finance) in terms of loans. MSMEs' financial accessibility is a dependent

variable measured through eight (8) indicators. These indicators were established mainly based on the study by Berrones (2010). After factor analysis all eight indicators were retained. The following table below shows the indicators of the MSMEs' financial accessibility variable.

Table 3.11: Variable indicators: MSMEs Financial accessibility

Dependent variable	Indicators
MSMEs financial accessibility	Level of satisfaction regarding the interest rate agreed upon
	Level of satisfaction regarding the loan repayment term (short/medium/long term)
	Level of satisfaction regarding the overall conditions of the Credit Contract
	Level of satisfaction regarding the required collateral
	Level of satisfaction regarding the necessary managerial background (i.e. experience)
	Level of satisfaction regarding the procedure of the credit offered by the financiers to
	Level of satisfaction regarding the length of the credit process
	Level of satisfaction regarding the amount of capital obtained

Based on both theoretical and empirical literature review, variables were selected and used to construct a research model basing on the theoretical framework. The main variables are incubator's monitoring services, financial management capabilities, incubatee's social capital, incubator manager's social capital and MSMEs' financial accessibility. The table 3.12 below shows the variables as reviewed in other studies. It shows the types of variables which reflect the relationships that were tested in this research. The table also shows the sub-variables however after factor analysis and construct reliability test some sub-variables were ignored while others were treated as independent constructs.

Table 3.12: Summary of variables used in the conceptual framework

Variable	Sub-Variable	Literature
MSEs financial accessibility	External finance conditions	Berrones (2010)
	External finance procedures	Berrones (2010)
	Percentage obtained of capital required	Berrones (2010)
Financial management capabilities	Financial decision making	Nieman et al. (2006), Atrill and Mclaney (2006) and Gitman (2010)
	Financial statements analysis	Atrill and Mclaney (2006)
	Financial planning	Walker and Petty (2001)
Business incubator 's monitoring services	Financial consulting services	Allen (1985), Allen and Rahman (1985), Smilor (1987), Verma (2004) and Berrones (2010)
	Management assistance	Allen (1985), Allen and Rahman (1985), Smilor (1987), Verma (2004) and Berrones (2010)
	Professional business services	Allen (1985), Allen and Rahman (1985), Smilor (1987), Verma (2004) and Berrones (2010)
Incubatee's social capital	Bonding social capital	Putman (2001), Cohen and Prusak (2001), Lin (2001a), Adams et.al. (2005) and Babaei et.al 2012
	Bridging social capital	Putman (2001), Cohen and Prusak (2001), Lin (2001a), Babaei et.al (2012) and Cooley (1909)
	Linking social capital	Putman (2001), Cohen and Prusak (2001), Lin (2005), Babaei et.al (2012), Woolcock (2001), Hutter and O'Mahony (2004)
Incubator manager's social capital	Bonding social capital	Putman (2001), Cohen and Prusak (2001) and Adams et.al. (2005) Babaei et.al 2012
	Bridging social capital	Putman (2001), Cohen and Prusak (2001), Babaei et.al (2012), Cooley (1909)
	Linking social capital	Putman (2001), Cohen and Prusak (2001), Babaei et.al (2012), Woolcock (2001), Hutter and O'Mahony (2004)

As shown in the section above, the variables for this research were MSMEs' financial accessibility, financial management capabilities, business incubator 's monitoring services, incubatee's social capital and incubator manager's social capital. Each of these variables had three sub variables, but while some sub-variables were ignored, others were retained and treated as constructs. Based on factor analysis as shown in appendix 3, three sub-variables of MSMEs' financial accessibility i.e. external finance conditions, external finance procedures and percentage obtained of capital required were ignored. This is because all of them were grouped together in the first factor and there was no convincing explanation to why they should be treated as different constructs. Three sub-variables of business incubator's monitoring services were also grouped together in the fifth factor. Therefore they were also ignored and one construct for business incubator 's monitoring services was preferred. The three sub-variables of financial management capabilities i.e financial decision making capabilities, financial information analysis capabilities and financial planning capabilities

were grouped differently in factor analysis. Items related to financial information analysis capabilities were grouped in third factor, those related to financial decision making capabilities were grouped in seventh factor, while those related to financial planning capabilities were grouped in eighth factor. Therefore it was possible to treat them as three different constructs, however for the simplicity of data analysis in this research, the sub-variables were ignored. The sub-variables of both incubatee and incubator manager's social capital i.e. bonding, bridging and linking social capitals were treated as constructs in this research. The variable constructs along with their measurement scales in this research have been shown in the table below.

Table 3.13: Variable measurement scales

Variable	Scale to measure the variable
MFA – MSMEs' financial accessibility	Ordinal (1 - 5 Likert scale)
FMC – Financial management capabilities	Nominal (YES/NO)
IMS – Business incubator 's monitoring services	Ordinal (1 - 5 Likert scale)
FMC – Financial management capability	Nominal (YES/NO)
IBS – Incubatee's bonding social capital	Ordinal (1 - 5 Likert scale)
IRS – Incubatee's bridging social capital	Ordinal (1 - 5 Likert scale)
ILS – Incubatee's linking social capital	Ordinal (1 - 5 Likert scale)
MBS – Incubator manager's bonding social capital	Ordinal (1 - 5 Likert scale)
MRS – Incubator manager's bridging social capital	Ordinal (1 - 5 Likert scale)
MLS – Incubator manager's linking social capital	Ordinal (1 - 5 Likert scale)

In this study, independent variable based on the hypotheses one and two was business incubator's monitoring services (IMS), it was measured through the level of support emanating from five (5) items/indicators. IMS was calculated as an average of its five indicators which are ordinal data i.e. respondents replied by ranking the indicators in 1-5 Likert scale as indicated in the table 3.2 above. The IMS average values were categorized and ranked i.e. 4.1-5.0 implies very high IMS, 3.1-4.0 means high IMS, 2.1-3.0 indicates average IMS, 1.1-2.0 shows low IMS and 0.0-1.0 means very low IMS. Financial management capabilities (FMC) was a dependent variable in hypothesis two but also an independent variable in hypotheses three, six and seven. Its measurement was adopted from Berrones (2010) where it was measured based on the number of YES scores on the YES/NO answers in a set of 12 questions that were retained by factor analysis out of 18 questions designed to capture information on aspects of financial management capabilities. The scores are categorized and ranked i.e. 11-12 scores mean very high FMC, 9-10 scores show high FMC, 7-8 imply average FMC, 4-6 indicate low FMC and 0-3 imply very low FMC.

The dependent variable in hypotheses three, four, five, six and seven was MSMEs' financial accessibility (MFA) and was measured through the level of satisfaction on eight (8) items/indicators. MFA was calculated as an average of the indicators which are ordinal data i.e. respondents replied by ranking the indicators in 1-5 Likert scale. The MFA average values were categorized and ranked i.e. 4.1-5.0 implies very high MFA, 3.1-4.0 means high MFA, 2.1-3.0 indicates average MFA, 1.1-2.0 shows low MFA and 0.0-1.0 means very low MFA. Incubatee's bonding social capital (IBS) was a moderating variable in hypothesis six and independent variable in hypothesis four. It was calculated as average value of its five (5) indicators which are ordinal data i.e. respondents replied by ranking the indicators in 1-5 Likert scale. The IBS average values were also categorized and ranked i.e. 4.1-5.0 implies very high IBS, 3.1-4.0 means high IBS, 2.1-3.0 indicates average IBS, 1.1-2.0 shows low IBS and 0.0-1.0 means very low IBS. Incubatee's bridging social capital (IRS) was also a moderating variable in hypothesis six and an independent variable in hypothesis four. It was calculated as average value of its four (4) indicators which are ordinal data i.e. indicators were ranked in 1-5 Likert scale. The IRS average values were also categorized and ranked i.e. 4.1-5.0 implies very high IRS, 3.1-4.0 means high IRS, 2.1-3.0 indicates average IRS, 1.1-2.0 shows low IRS and 0.0-1.0 means very low IRS.

Incubatee's linking social capital (ILS) was a moderating variable in hypothesis six and independent variable in hypothesis four as well. It was calculated as average value of its four (4) indicators as well which are also ordinal data i.e. indicators were ranked in 1-5 Likert scale. The ILS average values were also categorized and ranked i.e. 4.1-5.0 implies very high ILS, 3.1-4.0 means high ILS, 2.1-3.0 indicates average ILS, 1.1-2.0 shows low ILS and 0.0-1.0 means very low ILS. Incubator manager's bonding social capital (MBS) was a moderating variable in hypothesis seven and independent variable in hypothesis five. It was calculated as average value of its six (6) indicators which are likewise ordinal data i.e. indicators were ranked in 1-5 Likert scale. The MBS average values were also categorized and ranked i.e. 4.1-5.0 implies very high MBS, 3.1-4.0 means high MBS, 2.1-3.0 indicates average MBS, 1.1-2.0 shows low MBS and 0.0-1.0 means very low MBS. Incubator manager's bridging social capital (MRS) was likewise a moderating variable in hypothesis seven and independent variable in hypothesis five. It was calculated as average value of its four (4) indicators which are similarly ordinal data i.e. indicators were ranked in 1-5 Likert scale. The MRS average values were also categorized and ranked i.e. 4.1-5.0 implies very high MRS, 3.1-4.0 means high MRS, 2.1-3.0 indicates average MRS, 1.1-2.0 shows low MRS and 0.0-1.0 means very low MRS.

Incubator manager's linking social capital (MLS) was a moderating variable in hypothesis seven and independent variable in hypothesis five as well. It was also calculated as an average value of its four (4) indicators which are likewise ordinal data i.e. indicators were ranked in 1-5 Likert scale. The MLS average values were also categorized and ranked i.e. 4.1-5.0 implies very high MLS, 3.1-4.0 means high MLS, 2.1-3.0 indicates average MLS, 1.1-2.0 shows low MLS and 0.0-1.0 means very low MLS.

3.6 Data collection instrument

Depending on the nature of the data to be collected, different tools can be used to conduct data collection. For the purpose of this research, self administered survey and personal interviews were employed. Self administered survey was used for the large part of this research, while personal interviews was used to collect information for the purpose of clearly elaborating the arising issues from the self administered survey and fill any arising knowledge gaps. Self administered survey is preferred in explaining the characteristics of large population and make large samples viable. Also it is flexible in the sense that, it is possible to ask many questions on the same subject and therefore providing flexibility in the response analysis also. The surveys are conducted by using questionnaires and in this study the questionnaire had six sections.

3.6.1 Questionnaire

The questionnaire for this study was designed based on the literature review and the variable indicators shown above. It had six sections: First section captured the profile of the incubated MSMEs, the second section captured information on business incubator's monitoring services, the third section grasped information on incubated MSMEs' financial management capabilities, the fourth section took hold of information on incubatee's social capital. The fifth section gripped information on incubator manager's social capital and lastly the sixth section captured information on MSMEs' financial accessibility. In the first section of a questionnaire, information on the aspects of business age, business legal form, business activity, number of employees, business capital, incubation period, type of financier and amount of loan sought. In the second section of the questionnaire, information on the aspects of financial consultancy services, management assistance and professional business services provided by an incubator to the incubated MSMEs was collected.

The third section captured information on the aspects of financial decision making capabilities, financial information analysis capabilities and financial planning capabilities.

The fourth section categorically took hold of information on incubatee's bonding, bridging and linking social capital. On the other hand the fifth section grasped the information on the aspects of incubator manager's bonding, bridging and linking social capital. The sixth section captured the information on the aspects of external finance conditions, external finance procedures and external finance amount obtained. Most of the questions in this questionnaire were answered in ordinal scale but few others were answered in nominal scale and metric scale. To address the issue of validity, repeated reading on the developed questionnaire was carried out to check on the correctness of the wording, whether the questions measure what they are supposed to measure and if there is any biasness, as well as knowing if the respondents can understand the questions as the researcher intends. A pilot study was conducted to make sure the questionnaire yield valid information and fortunately the pilot study showed that respondents understood clearly the questions, therefore the questionnaire was used for data collection without any adjustments

3.6.2 Personal interviews

Semi-structured interviews were used in the first place especially to business incubator managers, financiers and key informants among the incubatees in order to understand fully the context in which the business incubation programs operate in the country. This first interview showed the links between business incubators and MSMEs and between MSMEs and financiers. As stated above from the revealed links, the theoretical framework was developed and hypotheses were formulated. Another interview was conducted after the survey so as to seek more elaboration on the arising information gaps so as to fill these gaps and have a well covered findings discussion. Repeated reading on the interview guide was carried out to check on the correctness of the wording, whether the questions measure what they are supposed to measure and if there is any biasness, as well as knowing if the respondents can understand the questions as the researcher intends. This was done so as to ensure validity of the interview guide.

3.7 Data collection

The first personal interviews were conducted between January and March 2015, the incubator managers for SIDO incubators in Mbeya, Morogoro, Kilimanjaro, Dar es Salaam and Arusha, TEMDO and NTBi , the incubatees' leaders in the same incubators were interviewed on the face to face bases. On the other hand incubator managers for SIDO incubators in Iringa, Tabora and Mwanza, and also manager for Lushoto incubator and the leaders of the

incubatees in these incubators were interviewed through telephone. In total 25 key informants were interviewed by either face to face or through telephone calls and qualitative data were gathered. These data disclosed the relationships between business incubators and MSMEs and between MSMEs and financiers. These variable relationships laid a foundation for the questionnaire development. The main part of data collection gathered quantitative data by using a questionnaire to the incubatees, and it was conducted from December 2015 to April 2016. The developed questionnaire had 75 questions: the first section consisted of 8 questions, the second section consisted of 7 questions, the third section had 18 questions, the fourth section had 14 questions. On the other hand, the fifth section consisted of 14 questions, the sixth section consisted of 14 questions. For the purpose of this survey 217 questionnaires were prepared to collect data from 217 respondents, however 191 incubated MSMEs responded and return back the questionnaires. 26 respondents did not return back the questionnaires.

3.8 Data Analysis

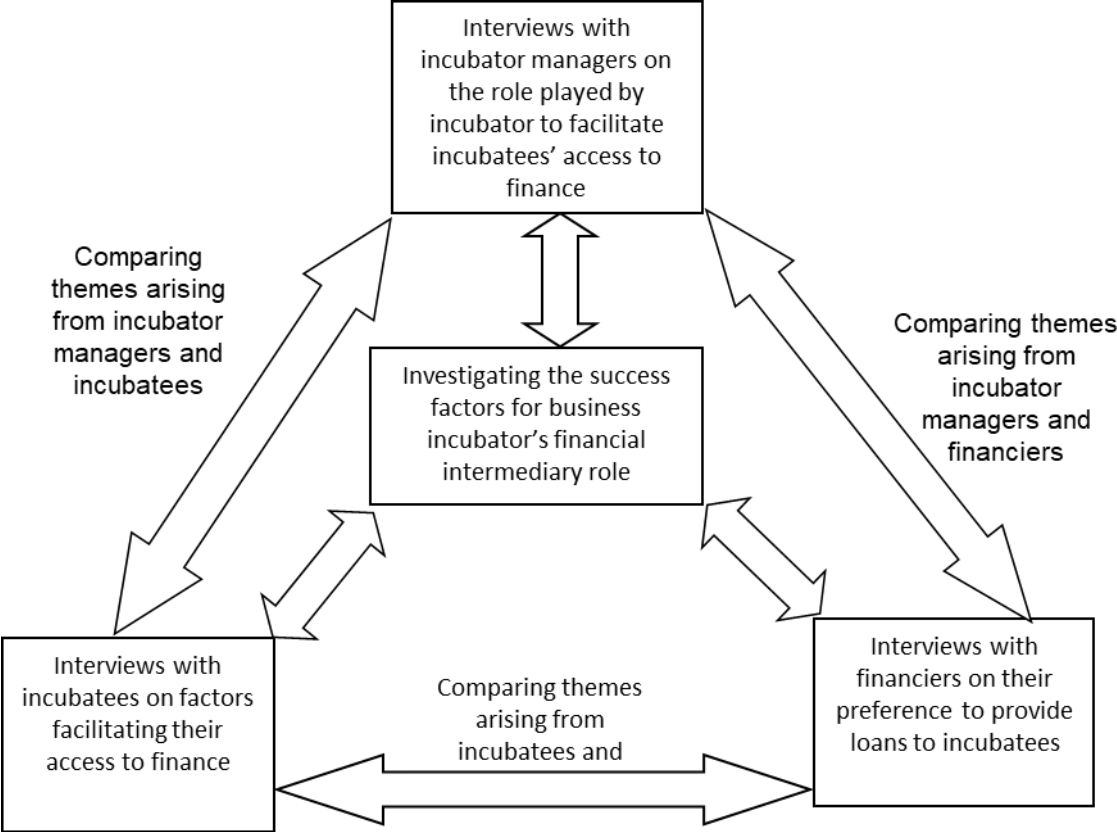
The data analysis process starts from data preparation, then descriptive statistics and finally inferential statistics. In this study data analysis was done in two phases, phase one is a qualitative data analysis while phase two is a quantitative data analysis.

3.8.1 Qualitative data analysis

The method used to analyse qualitative data in this study was thematic analysis. This is a method of identifying, analysing and reporting themes within data (Braun and Clarke, 2006). This method was chosen due to its flexibility, easy to use and its ability to show similarities and differences among the data (Braun and Clarke, 2006). In this study the qualitative data were collected by recording answers using digital voice recorder, therefore an interpretive analytic approach as explained by van Manen (1990) was used. Each interviewee's recorded answer was listened and re-listened for several times and then the process of writing started. As part of writing process, meaningful units were grouped together and then categorized into themes. These themes were then categorized into categories, similar themes were combined into one category. Triangulation was employed to improve the results of this part of the study, and there are four types of triangulation; theoretical triangulation, methods triangulation, investigator triangulation and data triangulation (Patton, 1999). Based on the source of data in this research i.e. incubator managers, incubatees and financiers, data triangulation was preferred because it was the easiest one to implement from a researcher's perspective and

relevant to the data collected (Denzin et.al., 2006). Data triangulation involved comparing the themes-categories of the three groups of interviewees in order to determine areas of agreement and those of divergence.

Figure 3.4: Data triangulation for qualitative analysis



The comparison of themes from the three sources of data revealed some common concepts that arose from grouping vaarious themes with similar meanings. These concepts were the factors that contribute to the successful role of business incubators towards MSMEs’ access to informal and semi-formal finance.

3.8.2 Quantitative analysis

Quantitative data analysis was in the second phase of data analysis, where the quantitative data from the survey instrument (questionnaire) were analysed. The analysis consisted four steps; data preparation, descriptive statistics, factor analysis and inferential statistics.

3.8.2.1 Data preparation

The first step in data preparation is data editing, followed by coding and entry. Data editing is a process of checking and adjusting data for omissions, consistency and legibility. In this

study both field editing and in-house editing were done. Field editing is the editing that is done in the field immediately after the interviews. In this case the questions which had been unnecessarily not answered, the respondents were asked to complete the questionnaires. For the errors that could not be detected in the field, then the in-house editing was done. After editing, coding was the next step. Coding in this study is the process of assigning numerical symbols to represent the meaning of data in the data collection tool. This process permits the transfer of data from questionnaire to the computer. The ordinal variables were coded according 1-5 Likert scale, while the nominal variables with YES/NO were coded with YES = 1 and NO = 0. After the coding step, the data entry was then done. Using the codes data were entered into SPSS version 22 and the dataset was developed ready for data analysis.

3.8.2.2 Descriptive statistics

After editing, coding and entering data into SPSS, the following step was the analysis of descriptive statistics. Here, the collected data were described so as to understand a general information arising from data of each variable item. Descriptive statistics describes the basic characteristics such as central tendency, distribution and variability. They provide simple summary about the sample and measures, and together with simple graphics analysis, they form a basis of inferential analysis. In this study the descriptive statistics in frequencies and percentages have been presented in histograms, pie-charts and tabular form, and where relevant, mean and mode were shown to describe central tendency, while standard deviation showed variability.

3.8.2.3 Factor analysis

Factor analysis is a helpful tool for investigating variable relationships particularly for the concepts that are complex to measure. It helps researchers reduce large number of variables into few factors that can be easily interpreted. This study involved 60 variable items and therefore 60 factors which could be complicated to analyse. Factor analysis was employed to reduce the variable items and define clearly the number of factors that could reflect the number of constructs and sub-constructs.

Factor analysis in this study had five steps:

- The first step was to justify the sample size and chosen variables for the factor analysis.
- The second step was to conduct preliminary analysis so as to test whether the sample size is suitable for factor analysis or not.

- The third step was to extract factors by using the factor loadings.
- The fourth step was to rotate the factors in order to identify the variables that should be removed in the intended constructs.

Sample size and choice of variables: Only variables which were subject to perceptive opinion of the respondents were chosen. As a result subjective variables like respondents opinions on incubators' monitoring services, financial management capabilities, incubatee's social capital, incubator manager's social capital and MSMEs' financial accessibility were included. While the objective variables such as business age, incubation period, amount of loan requested and amount of loan provided were not included. Selecting only variables that are subject to subjective opinions made it possible to create constructs out of multiple items from the questionnaire. Based on the argument above and literature review, the table below shows the expected constructs and the number of variables for the factor analysis in the constructs.

Table 3.14: Constructs and number of variable items

Construct	Type	Number of variable items
Incubator's Monitoring services	Independent	6
Financial management capabilities	Independent/Dependent	18
Incubatee's Social capital	Moderating	14
Incubator manager's social capital	Moderating	14
MSMEs financial accessibility	Dependent	8
Total variable items		60

For the reliability of sample size in factor analysis, Kass and Tinsley (1979) recommended that each variable should have participants between 5 to 10. On the other hand Tabachnick and Fidell (2001) argued that a good comforting sample should have at least 300 respondents and they further stated that 100 respondents and less is a poor sample size. However the reliability of sample size for factor analysis can also be measured by using Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) which is the ratio of the squared correlation between variables to the squared partial correlation between variables. A KMO value that is greater than 0.5 is acceptable (Keiser 1974), so in this study the factor analysis was reliably acceptable because the KMO value was 0.686.

Preliminary analysis: To know whether factor analysis is poor or good, the researcher checked at the variable correlation, KMO measure, Bartlett's test of sphericity and covariance

matrices. Checking at the variables correlation in a correlation matrix , it was observed that more than 10% correlations were above 0.3 and this was in line with Pallant (2005) who recommended that for a good factor analysis several variable correlations should be at least above 0.3. On the other hand KMO measure tests if the partial correlations among variables are small (Field 2005). According to Kaiser (1974) the KMO measure above 0.5 is acceptable. In this factor analysis, the value of KMO was 0.69 which means the factor analysis was acceptable. The last test is Bartlett's test of sphericity, in this study the test was highly significant ($p < 0.001$) and this was good for factor analysis because according to Field (2005) Bartlett's test measures whether the variable correlations are large enough for factor analysis. Therefore putting into consideration all tests in the preliminary analysis above, it was concluded that all variables should be included for further factor analysis because they have satisfactory characters for the next steps.

Factor extraction: After choosing the items to be analysed and confirming the reliability of a sample size, the next step was to determine the number of factors to be extracted. To do so, the principal component analysis was employed as an extraction method. Normally in any factor analysis, the number of factors is equal to the number of items that are subjected to factor analysis. So in this factor analysis the number of items is 60 and therefore the maximum possible number of factors is 60. Nevertheless most of the factors do not significantly contribute to the data's variance. Therefore it is necessary to determine and extract the factors that have significant contribution to data's variance.

It is important to note that there are several factor retention strategies used to determine the number of factors to be retained. The most common strategy is retaining all factors that have eigenvalue greater than 1.0 (Field 2005). Other strategies are Bartlett's χ^2 test (Bartlett, 1951), RMSEA-based maximum-likelihood method (Park et.al. 2002), Minimum-average partial correlation (Velicer, 1976), Scree test (Cattell, 1966) and Parallel analysis (Turner, 1998).

Unfortunately these strategies in most cases lead to different outcomes with regard to number of factors to be retained. This was also the case in this study, there were 16 factors with eigenvalue more than 1.0, on the other hand the scree plot showed that 3 or 4 factors should be retained. Parallel analysis showed 9 factors should be retained.

However the literature state that of all the above mentioned factor retention strategies, Parallel analysis is the most accurate strategy (Henson and Roberts, 2006). Thus Parallel analysis strategy was adopted for the purpose of this research and therefore 9 factors were retained.

Parallel analysis was done through Parallel Analysis Engine which is directly accessed through the link in the footnote¹. This engine requires only the number of variables for factor analysis and the sample size, then the eigenvalue of each factor is generated. The graphs for both principle component analysis total variance explained and parallel analysis are drawn on the same eigenvalue vs factor plane. In this study the parallel analysis graph line cross-cut the principle component analysis scree plot line between the ninth factor and the tenth factor which implies that the first up to the ninth factor have significant influence on data's variance, and therefore 9 factors were adopted. The number of factors in SPSS was fixed to 9 factors and the results showed that the 9 factors contributed 62.2% of the data's variance. The first factor had the highest contribution, contributing 18.76% then the contribution kept decreasing to the lowest contribution of 3.05% by the ninth factor.

Determining the factor loadings Patterns: After identifying the number of factors or components in this factor analysis, the next step was to show the relative contribution of each of the 60 variables/items included in the factor analysis to each of the nine retained factors. The principle component analysis was re-done with the fixed number of factors to nine, and the factor loadings of less than 0.5 were suppressed. From the literature it is recommended that factor loadings with value greater than 0.4 can be retained for interpretation (Stevens 1992, Field 2000). However it depends on the sample size, the larger the sample the lower the factor loading cut-off point. So 0.4 loading is the minimum value and its favourable for large samples. If the sample is not large enough then factor loading cut off of 0.5 is recommended (Field 2000).

The following observations were made from the component matrix as shown in appendix II:

- All variable items with factor loadings less than 0.5 were suppressed. Based on the sample size of 141, this is in line with Field (2000) who stated that, if the sample is not large enough then factor loading cut off of 0.5 is recommended.
- In the first factor; there are 3 variable items related to MSMEs financial accessibility, 4 variable items related to incubator manager's linking social capital, 4 variable items related to incubatee's bonding social capital, 3 variable items related to incubatee's bridging social capital, 3 variable items related to financial management capabilities and 1 variable item related to business incubator's monitoring services.
- In the second factor; there is 1 variable item related to MSMEs financial accessibility, 4 variable items related to incubator manager's bridging social capital and 1 variable item related to incubatee's bonding social capital.

¹ <http://ires.ku.edu/~smishra/parallelengine.htm>

- In the third factor; there are 2 variable items related to incubator manager's bonding social capital and 1 variable item related to financial management capabilities.
- In the fourth factor; there are 3 variable items and all are related to financial management capabilities.
- In the fifth factor; there are 2 variable items, all related to incubatee's linking social capital.
- In the sixth factor; there are no variable items
- In the seventh factor; there is 1 variable item related to financial management capabilities.
- In the eighth factor; there are 2 variable items, all related to financial management capabilities.
- In the ninth factor; there are no variable items

Therefore looking at the distribution of the variable items in the factors, it is incredibly complicated to interpret the factors in the component matrix. Variable items of the same construct are located in different factors and some factors have no any variable items. This vague alignment makes the interpretation of the factors nearly impossible, thus factor rotation is inevitable.

Factor rotation: It should be noted that a criterion of principle component analysis where the first factor accounts for the maximum portion of variance, often ensure that most items have high loadings on the most important factor and relatively small loadings on the relatively less important factors (Field, 2000). This leads to vague orientation of items such that interpretation of the factors becomes very difficult. To address this problem, factor rotation was employed. Factor rotation alters the pattern of the factor loadings, therefore showing which items come together. This improves and simplifies the interpretation. There are two main approaches to rotation: rotation that results into correlated factor solution and the one that results into uncorrelated factor solution. Uncorrelated factor rotation normally produces results that are easier to interpret, however it requires a researcher to assume that no correlation among the underlying factors. Correlated factor rotation allows correlation among the underlying constructs, but the results are difficult to interpret. In this study, the correlated factor rotation was adopted and Promax method was employed under the assumption that the underlying factors are correlated.

After factor rotation, the observations were made from the Pattern matrix as shown in appendix III. Having extracted these variable indicators from the literature of various studies

in different environment, some variable items in incubatee's bonding social capital, financial management capabilities and incubator's monitoring services constructs were eliminated.

All 8 variable items related to MSMEs financial accessibility recorded the highest factor loadings in the first factor and they have factor loading above 0.5. Therefore they were all retained in the construct. Similarly, all 4 variable items related to incubatee's bridging social capital recorded the highest factor loadings in the first factor and they have factor loading above 0.5. Therefore they were all retained in the construct. 4 of the six variable items related to incubatee's bonding social capital recorded the highest factor loading in the first factor and the loadings were above 0.5. One variable item i.e. "Financial support from family members" posted the highest factor loading of 0.517 in the second factor. But it also has a factor loading of 0.510 in first factor. Therefore this variable item can be retained in the construct because it has an acceptable factor loading in the first factor where other items of the same construct are located. On variable item related to incubatee's bonding social capital i.e. "Advisory support from people of the same culture or ethnicity on the financial matters" has less than 0.5 factor loading in all factors. Therefore it was eliminated from the set of variable items in the incubatee's bonding social capital construct. This reflects the fact that affiliation to ethnicity in Tanzania is relatively low. As argued by Weber (2009), the nation building policies just after independence have led to low ethnic salience up to this day. This can be echoed even among groups formed among small entrepreneurs, in most cases they are not ethnically based i.e. financial services acquired are not on ethnic basis, even though based on the environment it happens that people of the same ethnicity help each other, but that will be mainly because of their shared geographic location and not because of their similar ethnicity. So the factor analysis results in this aspect are in line with other studies on the Tanzanian ethnicity.

All 4 variable items related to incubator manager's bridging social capital recorded the highest factor loadings in the second factor and they have factor loading above 0.5. Therefore they were all retained in the construct. Likewise, all 4 variable items related to incubator manager's linking social capital recorded the highest factor loadings in the second factor and they have factor loading above 0.5. Therefore they were all retained in the construct. 6 of the 10 variable items related to financial information analysis capabilities sub-construct recorded the highest factor loading in the third factor and the loadings were above 0.5 and therefore they were retained in the sub-construct. Two variable items related to financial information analysis capabilities sub-construct i.e. "Preparation of yearly income statement" and "Preparation of yearly Capital and retained earnings statement" posted the highest factor loading of -0.659 and -0.523 respectively in the fifth factor. Two variable items related to

financial information analysis capabilities sub-construct i.e. “Preparation of yearly balance sheet” and “ Business accounting prepared by external accountants” posted the factor loadings of less than 0.5 in all factors and hence suppressed. Therefore these four variable items i.e. “Preparation of yearly income statement”, “Preparation of yearly Capital and retained earnings statement”, “Preparation of yearly balance sheet” and “ Business accounting prepared by external accountants” were eliminated from the set of variable items in the financial information analysis capabilities sub-construct. For the three yearly financial statements items, were eliminated because for the incubatees annual financial statements is necessary requirement by most of the incubators so as to assess the incubatees progress. Therefore based on this requirement, incubatees are forced to prepare annual statements and that does not necessarily indicate their financial capabilities. Instead monthly statements carry more weight as indicators for incubatee’s financial management capabilities because these by those who understand the importance of such statements. correspondingly, Tanzanian incubatees do not use external accountants for their business accounting because given the size of their businesses, external accountants are too expensive to hire them. Therefore this item is irrelevant to be used as an indicator for the incubatee’s financial management capabilities.

All 6 variable items related to incubator manager’s bonding social capital recorded the highest factor loadings in the fourth factor and they have factor loading above 0.5. Therefore they were all retained in the construct. 5 of 6 variable items related to business incubator’s monitoring services recorded the highest factor loadings in the fifth factor and they have factor loading above 0.5. Therefore they were all retained in the business incubator’s monitoring services construct. One variable item i.e. “Quality of tutors who run special training sessions in accounting and finance” recorded factor loadings less than 0.5 in all factors and therefore it was suppressed and eliminated from the set of business incubator’s monitoring services construct. Also, all 4 variable items related to incubatee’s linking social capital recorded the highest factor loadings in the sixth factor and they have factor loading above 0.5. Therefore they were all retained in the construct.

5 of 6 variable items related to financial decision making capabilities recorded the highest factor loadings in the seventh factor and they have factor loading above 0.5. One of the variable items related to financial decision making capabilities i.e. “Investment decisions are made by owner-manager alone” posted the factor loading less than 0.5 in all factors, thus it was suppressed and eliminated in the financial decision making capabilities sub-construct. On

the other hand, even though “Financial decisions are made by owner-manager alone” variable recorded the highest factor loading above 0.5 and just like other items in the sub-variable it was in seventh factor, but unlike other variable items it has a positive factor loading. So for the construct reliability reasons, it was also eliminated because it behaves contrary to other variable items in the factor.. Therefore 4 variable items were retained in the construct. The two items i.e. Financial decisions made by owner-manager alone and investment decisions made by owner-manager alone are contrary to the rest of the items in the financial management capabilities construct. In Tanzania, the two items are not the indicators of high financial management capabilities, rather they are strong indicators of low financial management capabilities. Thus including them in a construct could compromise the reliability of a construct. The 2 variable items related to financial planning capabilities recorded the highest factor loadings in the eighth factor and they have factor loading above 0.5. Therefore they were all retained in the sub-construct.

Generally, factor analysis in this study has retained 8 items related to MSMEs financial accessibility, 4 items related incubatee’s bridging social capital, 5 items related to incubatee’s bonding social capital, 4 items related to incubator manager’s bridging social capital, 4 items related to incubator manager’s linking social capital, 12 items related to financial management capabilities, 6 items related to incubator manager’s bonding social capital, 5 items related to business incubator’s monitoring services and 4 items related to incubatee’s linking social capital. In total 52 out of 60 variable items were retained. On the other hand 1 item related to incubatee’s bonding social capital, 6 items related to financial management capabilities and 1 item related to business incubator’s monitoring services were eliminated.

Factor analysis has revealed another important information in this study. In the pattern matrix as shown in Appendix III, incubatee’s bonding social capital, incubatee’s bridging social capital and incubatee’s financial accessibility constructs all fall under one component/factor, the first component. This reveals that even though these are three separate constructs, but there is interaction among them. It usually happens that incubatee’s family members, close friends or neighbours turn into financiers i.e moneylenders to the incubatee, or incubatees form groups with their family members, close friends, neighbours, distant friends and colleagues to establish ASCAs, VICOBA or even SACCOs. In other cases, incubatees can form small groups with their family members, close friends, neighbours, distant friends or colleagues so as to guarantee each other to the financiers such as Microfinance NGOs, SACAs, SACCOs, ASCAs or even start a ROSCA. In some few cases, family members, close

friends, neighbours, distant friends or colleagues can turn into business angels. This interaction is the reason why these three constructs are located in one component.

Likewise, incubator manager's bridging social capital and incubator manager's linking social capital also fall under one component, the second component. This reveals the basis for the relationship between incubator manager and people with key positions in the Tanzanian society. First it should be noted that unlike incubatees, incubator managers are the people who have been educationally advanced, and in their way to the advanced level of education they have made distant friends and colleagues. These are the people who advanced along with the incubator manager. Therefore in most cases the links the incubator manager has in private sector, government agencies, civil society organisations and public representatives are school-mates, class-mates, hostel-mates and university-mates. This shows how far there is an interrelation between incubator manager's bridging and linking social capital. On the other hand, factor analysis has revealed that, even though ability to make good financial decisions, to analyse financial information and to make financial plan are the important indicators of financial management capabilities as shown by Nieman et.al. (2006), Atrill and McLaney (2006) and Walker and Petty (2001), but these are three different sub constructs and they carry different weight in the reflection of financial management capabilities of an incubatee. Ability to prepare and analyse financial information is relatively a stronger indicator of incubatee's financial management capabilities, it is then followed by the ability to make good financial decisions and lastly ability to make realistic financial plan.

3.8.2.4 Inferential Statistics

The next part of data analysis after descriptive statistics is inferential statistics. Factor analysis is just a step done to ensure validity and reliability of the inferential results. Normally factor analysis is not necessary to every study, it depends on the nature of data and variable measurement complexity. Inferential analysis results show the relationships among the variables in the study and hypotheses are tested in this stage. The inferential statistics determine the population behaviour through analysis of sample taken from a particular population. In this study a sample of 217 incubated MSMEs was taken from a population of 593 incubated MSMEs, 191 incubated MSMEs returned the questionnaires and 141 completed the questionnaire. Therefore for the purpose of inferential analysis 141 questionnaires were used. Before the process of inferential analysis, normality test was done and most of the variables have non-normally distributed data. Due to these results, the non-parametric tests are the most reliable in this study. Spearman correlation, Kruskal Wallis test and Partial Least Squares (PLS) regressions analysis were employed to analyse various variable relations

including the relationships between business incubator's monitoring services and financial management capabilities, the moderating effect of social capital on the relationship between incubated MSMEs' financial management capabilities and financial accessibility.

3.8.2.4.1 Spearman correlations analysis

Spearman correlation is a non-parametric rank correlation that measures the relationship among variables. This type of correlation analysis can be employed in most cases where Pearson correlation assumptions do not hold. With regard to the nature of data in this study, Spearman correlation (ρ) was used instead of Pearson correlation. It was employed to the relationship between some demographic characteristics of incubatees and access to finance. It tested the relation between characters such as business age, incubation period, number of employees, and amount of loan requested with access to informal and semi-formal finance. However it should be kept in mind that Spearman correlation just shows the relationship between the variables but not predictive impact of independent variables on a dependent variable.

3.8.2.4.2 Kruskal-Wallis test

The Kruskal-Wallis test is a non-parametric method for testing whether samples originate from the same distribution. It is used for comparing two or more independent samples of equal or different sample sizes. Kruskal-Wallis test is a version of one-way ANOVA in non-parametric data analysis, therefore unlike one-way ANOVA, it does not assume normal distribution of data. Therefore, Kruskal-Wallis test is used when the assumptions of one-way ANOVA are not met to the fullest. The test just like one-way ANOVA, indicates whether there is a significant difference between two groups or more. For instance this test has been used to show if there is a significant difference between with-wall, without-wall and co-working spaces incubators when it comes to the accessibility of informal and semi-formal finance. It has also been used to show the significant difference among the incubatees' sectors in relation to financial accessibility.

3.8.2.4.3 Partial Least Squares regressions analysis

The Partial Least Squares Regression (PLS a.k.a projection to latent structure) is a recent technique that generalizes and combines features from principal component analysis and multiple regression. It is a predictive technique that is an alternative to ordinary least squares (OLS) regression, canonical correlation, or structural equation modeling, and it is particularly

useful when predictor variables are highly correlated or when the number of predictors exceeds the number of cases. PLS goal is to predict or analyze a set of dependent variables from a set of independent variables or predictors. This prediction is achieved by taking out from the predictors a set of latent variables that show as much of the covariance as possible between the independent and dependent variables. Then a regression step predicts values of the dependent variables based on the decomposition of the independent variables. PLS regression analysis is employed when data are non normally distributed, and in this study it was employed to predict the impact of business incubators' monitoring services on incubatee's financial management capability and the impact of incubatee's financial management capability and social capital on accessibility to informal and semi-formal finance.

3.9 Validity and Reliability

Data validity refers to the appropriateness, meaningfulness, and usefulness of the specific inferences made from measures (Dooley, 1990). That means the effectiveness of the research instruments to measure what is intending to measure. Thus validity belongs not just to a measure but depends on the relationship between the measure and its level. Validity can be content validity (validity of the measuring instrument) or construct validity (the degree of relationship between the study problem, instruments and variables). Reliability refers to the degree to which observed scores are "free from errors of measurement" (Dooley, 1990). Reliability can be estimated by the constant of scores. For example, the agreement between different items of the same questionnaire or between different raters using a measure can be checked. The value of measure depends not only on its reliability and validity but also on its specific purpose. Thus a measure with modest reliability and validity may prove adequate for initial study but too crude for making an important decision about particular phenomena. In order to reduce bias and in a view of reliability, multiple methods were employed in this study namely interviews and questionnaires. With the fact that this study is a mixed research i.e both qualitative and quantitative research were carried out, it is important to note that there is a significant difference between approaches of ensuring reliability and validity of the two researches.

3.9.1 Validity and reliability of qualitative research

In qualitative research, the appropriateness of validity and reliability is a hot topic of discussion. Some authors argue that validity and reliability in qualitative research are

inappropriate, while others say these terms are relevant to qualitative research just as they are in quantitative research. For instance Yardley (2008) argues that qualitative research accepts and works with the influence of errors caused by researcher's influence but quantitative research depends on elimination of such errors. He therefore concludes that validity and reliability are irrelevant to the qualitative research. However this argument contradicts the concept of rigour as elaborated by Aroni et.al. (1999) which insist that a rigorous research process results in more trustworthy data. Some researchers have even explained how to improve rigour of the qualitative research and therefore ensuring validity and reliability of qualitative findings. Elliot et.al. (1999) states that validity and reliability in qualitative research can be improved by credibility checks through feedback, coherence of a story , triangulation and verification.

Phase one of this study has adopted some of the methods mentioned by Elliot et.al. (1999) to improve validity and reliability. The qualitative data were collected from three different sources, the incubator managers, the well informed incubatees and the financiers. The provides an opportunity to establish the validity and reliability of data from one source against the other source. For instance the incubatees were asked what makes them in a better position to access finance, financiers were asked what makes them prefer to provide finance to incubatees, and incubator manager were asked what makes incubatees in a better position to access finance. After data triangulation, the answers showed similar pattern i.e. there were many concepts from different sources in agreement, this ensures reliability of the data, contrary to if the data were very different from one source to another.

3.9.2 Validity and reliability in quantitative research

In quantitative research, validity and reliability are the very important measurements of research quality. To ensure that the quantitative research is valid and reliable, the following things were done; repeated reading on the developed questionnaire was carried out to check on the correctness of the wording, whether the questions measure what they are supposed to measure and if there is any biasness, as well as knowing if the respondents can understand the questions as the researcher intends. A pilot study was conducted to make sure the questionnaire yield valid information and fortunately the pilot study showed that respondents understood clearly the questions, therefore the questionnaire was used for data collection. Factor analysis and reliability testing were done to ensure construct validity and reliability.

To ensure validity of a survey in phase two of this study, before data collection the questionnaire was developed by the researcher and two experts in the area of the study evaluated and agreed that the questions were effectively capturing the topic under investigation. Secondly, a pilot study was done to see if the respondents were understanding questions and provide relevant answers to the questions. Thirdly, the collected data were subjected to the factor analysis

The reliability of constructs was tested before and after factor analysis so as to ensure the reliability of the constructs and therefore improving the reliability of the inferential results. Below is the table presenting constructs reliability results for all nine constructs in this study before and after.

Table 3.15: Constructs reliabilities before and after factor analysis

Construct	Before factor analysis		After factor analysis	
	No. of Variable items	Cronbach's Alpha	No. of Variable items	Cronbach's Alpha
Business incubator's monitoring services	6	0.713	5	0.732
Incubatee's financial management capabilities	18	0.646	12	0.714
Incubatee's bonding social capital	6	0.736	5	0.742
Incubatee's bridging social capital	4	0.641	4	0.641
Incubatee's linking social capital	4	0.888	4	0.888
Incubator manager's bonding social capital	6	0.828	6	0.828
Incubator manager's bridging social capital	4	0.913	4	0.913
Incubator manager's linking social capital	4	0.864	4	0.864
MSMEs financial accessibility	8	0.840	8	0.840

The Cronbach's alpha results in the table above are all at an acceptable level. However, comparing Cronbach's Alpha before and after factor analysis there are slight differences. As stated in the factor analysis section, some variable items were eliminated by the factor analysis and therefore the reliability of constructs where items were reduced has been effected. Now, if compared the construct reliabilities before and after factor analysis as presented in table 3.15, it shows that factor analysis has improved some constructs reliabilities.

The reliability of business incubator's monitoring services has slightly increased after factor analysis. This is because of the reduction of one variable item i.e. "Provision of qualified trainers". Correspondingly, the reliability of incubatee's financial management capabilities has significantly increased after factor analysis. This is due to the reduction of variable items from 18 to 12. Also, the reliability of Incubatee's bonding social capital has also slightly increased after factor analysis. This is due to the reduction of variable items from 6 to 5. In the rest of the constructs, there was no changes. The number of variable items remained the same and also the reliability of constructs remained the same, before and after factor analysis.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter focuses on analysis of data and presentation of research findings. The study is designed to discuss the role of business incubators on MSMEs' informal and semi-formal financial accessibility. The findings are based on questionnaires and interview guides as established and used in chapter three. The findings from both qualitative (phase one) and quantitative (phase two) researches are presented in this chapter. The findings in phase one establish the factors contributing to successful financial intermediary role played by business incubators in MSMEs' access to finance. Presentation of findings in phase two is based on the four research objectives that aimed to find answers to the projected research questions. The findings are presented in descriptive statistics and inferential statistics forms. The descriptive statistics are generally presented in tables, graphs, charts, frequencies and percentages while inferential statistics are presented in tables.

4.2 Qualitative results

In this phase of the study data were collected from 6 incubator managers, 8 well informed incubatees and 11 financiers. The incubator managers responded to the questions among others, about how many incubators currently exist in Tanzania, how many incubatees do each incubator have, what type of incubator it is and the factors that enable business incubators to successfully play a financial intermediation role between incubatees and financiers. Incubatees responded to the question about the factors that facilitate their access to finance, while the financiers were asked why factors attract them to provide credits to incubated businesses. The aim of this phase of the research is to reveal the current status of business incubators in Tanzania and the factors that lead to business incubators successful financial intermediation between incubated enterprises and financiers.

4.2.1 Current status of business incubation programs in Tanzania

Through interviews, the researcher identified 25 active business incubators. Out of these incubators, 8 of them are with-wall incubators, 13 are without-wall incubators and 4 are co-working spaces. Through the interviews with the incubator managers and incubatees, the number of incubatees in each of the incubator was revealed. Currently there are more than 593 incubatees in Tanzania incubators. Most of the business incubation programs are hosted

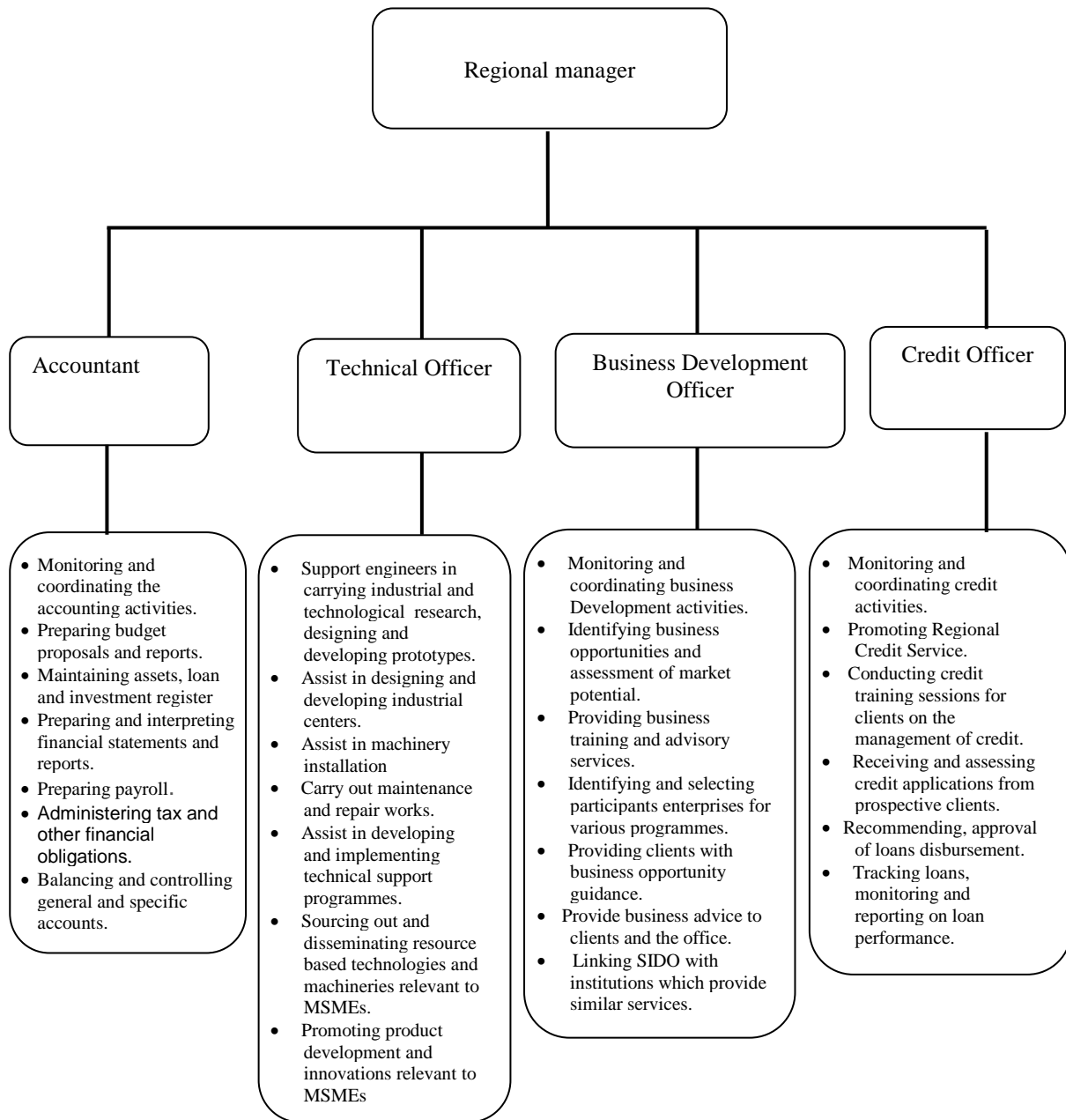
by government parastatals, but there are few of them hosted by private organisations. The large number of business incubators is hosted by SIDO which has six with-wall incubators and twelve without-wall incubators. Other incubation programs are hosted by COSTECH, TEMDO, University of Dar es Salaam and Mara Group.

SIDO

Small Industries Development Organisation (SIDO) was established in 1973 as a government parastatal under Ministry of Trade, Industry and Marketing. The objective was to develop a public small industry sector in Tanzania in response to the government policy of *Ujamaa na Kujitegemea* (loosely translated as “Socialism and self reliance”). It was expected to cover a range of functions including policy formulation to direct support industries, to promote the establishment of public MSMEs in rural and urban areas. SIDO was strongly supported by the government and donors such as the World Bank, SIDA and the governments of India, the Netherlands and Hungary. With this support managed to expand its activities to every region of Tanzania. After the Declaration of Zanzibar where Tanzania opened its economy to the private sector, SIDO started a process of restructuring aiming at improved effectiveness and efficiency as well as long -term sustainability. SIDO started positioning itself as a major player in promoting private enterprises. Each SIDO regional office is headed by regional manager who is assisted by departmental officers i.e. Technical officer, Accountant, Loan officer and Business development officers.

When the SME development policy was introduced in early 2000s, SIDO started establishing the business incubators as one of the strategies to promote MSMEs growth. All regional offices were encouraged to establish incubation programs so as to promote MSMEs growth and development. Due to the already existing regional offices network, SIDO has managed to establish the largest number of business incubators compared to other incubation hosting organisations. Those regional offices with sufficient supporting infrastructure have established with-wall business incubators. The regional offices in Dar es Salaam, Mbeya, Arusha, Mwanza, Rukwa and Singida have enough space and other premises to provide to the incubatees. SIDO regional offices in Morogoro, Dodoma, Tanga, Kilimanjaro, Iringa, Tabora, Lindi, Kigoma, Shinyanga, Mara, Kagera and Mtwara are not in a position to provide space and required premises, however they provide other services to MSMEs. They run without-wall incubation programs

Figure 4.1: SIDO regional organization structure



Usually, the incubation programs in SIDO regional offices are supervised by business development officer who is responsible for the management of the incubation program. He/she is also responsible for the provision of most of the management assistance, training and consultancy to the incubatees. But some services are provided by other officer, for instance training on loan management is provided by credit officer, financial management trainings are sometimes provided by credit officer or Accountant. Trainings on issues of innovations and technologies are done by technical officer. Therefore business incubators

under SIDO are part of the many SIDO activities, they are not autonomous entities. They have no Boards and separate management. This kind of business incubation management has enabled SIDO to accommodate many business incubators because the already present staff in the regional offices are being used. Currently there are around 142 incubatees in SIDO business incubators out of which 60 incubatees are in with-wall incubators and 82 incubatees are in without-wall incubators. The number of incubatees in each SIDO business incubator has been indicated in the table below.

Table 4.1: Number of incubatees in SIDO incubators

Type of incubator	Name of incubator	Number of incubatees	Total
With-wall Incubator	SIDO Dar	16	60
	SIDO Arusha	7	
	SIDO Mbeya	13	
	SIDO Mwanza	14	
	SIDO Rukwa	7	
	SIDO Singida	3	
Without-wall Incubators	SIDO Tanga	6	82
	SIDO Dodoma	6	
	SIDO Morogoro	5	
	SIDO Kilimanjaro	7	
	SIDO Iringa	4	
	SIDO Tabora	8	
	SIDO Lindi	12	
	SIDO Kigoma	5	
	SIDO Shinyanga	9	
	SIDO Kagera	6	
	SIDO Mara	11	
SIDO Mtwara	3		
Grand total			142

Based on its structure, it is not expensive for SIDO to establish an incubator but on the other hand, the commitment of the staff to the business incubators is compromised because they have so many activities to deal with. As a result they can not focus on the business incubation activities alone. A similar approach of running business incubation programs is used by TEMDO. TEMDO host one business incubator in Arusha which has 14 incubatees and they manage it in a similar way as SIDO. The incubator has The business incubation activities are part of the activities that are done by TEMDO as a strategy to achieve its objectives. Therefore TEMDO staff are carry activities related to incubator management as part of their job responsibilities. Technical officer is the mainly responsible person for the overall oversight of the incubator, but also he/she is responsible for other technical related activities. This prohibit technical officer from focusing particularly on incubation program and therefore his/her performance on incubation management is affected.

Some interviewees from SIDO and TEMDO stated categorically that business incubators lack serious attention from the government. They argued that business incubators have no their own managements, instead they rely on the managements of the host organisations which assign few staff to oversee the incubation activities.

COSTECH

The Commission for Science and Technology (COSTECH) is a Tanzanian government parastatal which was established in 1986 to succeed the Tanzania National Scientific Research Council. The commission is under the Ministry of Communications, Science and Technology. The main objective of the commission is to promote scientific research and technology and advise the government on all matters of science and technology. Its main duty is to administer research and information related issues and creating incentives for invention and innovation. For the purpose of promoting science and technology, COSTECH is among other strategies promoting the establishment of incubation programs mainly in the sector of ICT. The first incubation programs to be hosted by COSTECH are Dar Teknohama Business incubator (DTBi) and TANZICT co-working space. Unlike those hosted by SIDO, the incubators hosted by COSTECH are autonomous entities. DTBi has its own board made up of members from public sector, private sector, non-governmental organisations and civil societies organisations. It is a tech-incubator that promotes the growth of ICT technology-based emerging companies, start-ups and those with innovative ideas contributing to job creation. Currently, the incubator hosts 15 with-wall incubatees. DTBi provides business development services and assists early stage ICT companies by lowering the cost of business and increasing the chances of business survival by providing access to shared resources, facilitating access to finance and markets through support, guidance and networking for technical opportunities.

TANZICT co-working space which is commonly known as Buni is a technology hub which foster innovation and technology entrepreneurship through capacity building and mentoring programs. It focuses on discovering, nurturing and mentoring youths with innovative technological solutions to problems in Tanzanian environment. Since its establishment in 2011, Buni has managed to incubate successfully some well known start-up brands in the countries e.g. Time-Tickets and Soka App. Currently it has 12 incubatees. Buni also works closely with another co-working space called KINU which by the time of the research it had 7 incubatees who are specifically in the ICT sector. Another newly established co-working

space is Mara foundation which has been established by Mara Group. It also focuses on the ICT sector entrepreneurs.

University of Dar es Salaam

The University of Dar es Salaam (UDSM) hosts one working space incubation program and has championed the establishment of three other business incubators through Business and Technology incubation project under the College of Engineering and Technology (CoET). The working incubation program is hosted by University of Dar es Salaam Entrepreneurship Center (UDEC), it provides affordable working offices for the incubatees. The objective is to encourage and facilitates graduates who intend to go direct to entrepreneurship and not searching for employment. According to UDEC director, currently the incubation program hosts 8 incubatees. For the business incubation project under CoET, incubators are not hosted at the university. The project established three without-wall incubators in Kibaha, Lushoto and Morogoro, but Kibaha and Morogoro incubators did not survive. Only Lushoto incubator has survived and expanded successfully. Lushoto incubator is an autonomous organization, it has its own Board and management.

Lushoto business incubator

Looking at the identified incubation programs in Tanzania, all business incubators have no more than 15 incubatees except Lushoto business incubator which has 385 incubatees. Unlike other incubators in Tanzania, this incubator hosts huge number of incubatees. Therefore, deep understanding of this business incubator is required. The Lushoto Business Incubator was established in 2004 as part of the University of Dar es Salaam Business and Technology Incubation Project. During its early stage i.e. from 2004 to 2008, the incubator was being co-financed by the Carnegie Corporation of New York, the Tanzania Gatsby Trust (TGT) and the Tanzanian Government through the University of Dar es Salaam project. Although the Lushoto incubator was established in 2004, the fully fledged incubator office with equipment, staff, facilities for meetings and training and provision of incubator services to incubatees started in in January 2006. After the financing of the above financiers had ended in 2008, the incubator introduced the internal financing arrangement. Every incubatee was required to provide to the incubator 50 Tanzanian Shillings per kilogram of products. This ensured sustainability of the incubator in absence of donor finance.

Lushoto business incubator is a without-walls incubator which until in 2015 had 385 incubatees, each incubatee being a member of a group or cooperative society. The groups are located in areas of Mgwashi, Lushoto, Bombo, Gare, Byoheloi , Soni, Mazumbai and Mkuzi, all located in Lushoto district. Another group is in Bungu area in Korogwe district. The number of members in groups ranges from 19 to 72, and each group has its leaders who ensure smooth coordination between the incubator management and the incubatees.

Table 4.2: Lushoto incubator's groups location

Group location	District	No. of group members
Mgwashi	Lushoto	72
Lushoto town	Lushoto	54
Bombo	Lushoto	72
Gare	Lushoto	47
Byoheloi	Lushoto	21
Soni	Lushoto	33
Mazumbai	Lushoto	19
Mkuzi	Lushoto	24
Bungu	Korogwe	43
Total		385

The incubator provides services to the incubatees based on these groups. Each group includes incubatees of similar businesses for instance there are groups for incubatees who produce and supply fresh potatoes, fruits and vegetables; groups of those who produce and dry fruits, vegetables and spices; groups of those who process fruits and vegetables into juice, jam and pickle. Lushoto business incubator provides its clients with a range of services i.e. shared services such as the secretarial support, communication (telephone, fax, email), common reception and mailing facilities, access to computers and other office equipment, as well as meeting rooms. Other services provided to incubatees are technical support including: training in basic processing skills, assistance in management and certification by various statutory bodies such as TBS and TFDA. Assist clients in accessing loans from micro-finance institutions like banks, micro credit institutions and SACCOS, as well as promote internal and external networking. Some services are provided to incubatees depending on the nature of their businesses, for example for those who produce and supply fresh potatoes, fruits and vegetables are provided with sharing pack house. Every incubatee produce vegetables, fruits and potatoes at his/her own place but before these fresh products go to the market, they must be sorted, graded and packed according to customers requirements. This process require

knowledge on the customers specifics and it is the incubator experts who understand the requirements of the market. Therefore, incubatees have to use the incubator pack house which is favourable for good sorting, grading and packing, the incubator experts ensure that the process is properly done to meet the requirements of the market.

Lushoto business incubator also provide a storage facility for those incubatees who deal with perishable products. Those who produce fresh potatoes, fruits and vegetables, process fruits and vegetables into juice, jam and pickle are provided a service to store their products temporarily at the incubator facility before the products are supplied to the market. The facility consist of three huge refrigerated containers, two of which were provided by Oxfam, one by the government through ministry of agriculture, food security and cooperatives. Therefore it can store these perishable goods for a reasonable time before they are supplied to the customers. Two of the refrigerated containers are located at the main office in Lushoto town while the third is located at an area called Bungu. The incubator also has two buildings used as cooling centers. Each building has two rooms which are used to store these perishable products, however they are not as effective as the refrigerated containers. Therefore they are usually used when containers are full.

In 2012, Lushoto business incubator secured finance from Oxfam GB to implement a three years project that was designed to overcome poverty through supporting the development of market led enterprises, enabling incubatees' engagement in market chains, and influencing the wider policy environment in favour of small producers .The Scottish government through Oxfam provided financial support to implement the project for three years for 2012/13 to 2014/15 among the incubated small fruit and vegetable growers and processors in Lushoto and Korogwe districts in Tanga region. One of the ojectives of the project was to facilitate incubatees' access to finance through establishment and promotion of VICOBA and SACCOs among the incubatees in their groups. This role of facilitating informal and semi-formal finance through VICOBA and SACCOs respectively created great interest to the researcher because the interest of this study is to understand the role of business incubators to incubatees' access to informal and semi-formal finance.

Generally, it can be stated that COSTECH and TANZICT programs focus on incubating ICT sector enterprises, while SIDO, TEMDO and other mentioned projects focus on other business sectors. However all business incubators have one most common requirement for an enterprise to be incubated. All of them insist that entrepreneurs must have an innovative idea

or a business must be based on the innovative idea that adds value and has multiplier effect to the economic development. On the question of business incubators' sustainability, the interviewees argued that business incubators rely mainly on the government and donor finance. This is a challenge to most of incubation programs because donor finance come as projects which are only intending to establish or boost their growth . Projects provide funding for just a specific time, therefore ensuring sustainability to business incubators especially to those incubators which are not hosted by government parastatals. Also the interview revealed that, business incubators do not access best business experts due to financial constraints, but also due to lack of collaborations with academic institutions. Some financiers argue that there is limited information about the business incubators. Therefore even if business incubators are doing a good job in screening and monitoring the incubatees, the challenge is to assess the efficiency of incubation programs in absence of clear information about each incubator.

4.2.2 Factors for business incubators' successful financial intermediary role

Despite the revelation of status of the business incubators in Tanzania, the major focus of this part of research was to identify the factors that enable business incubators to successfully play the financial intermediary role between incubatees and financiers. One of the aspects of interview guide was to know the factors associated with successful financial intermediary role of a business incubator. Each interviewee's recorded answer was listened and re-listened for several times and then the process of writing started. As part of writing process, coding was done by highlighting and grouping meaningful units together and then categorized into themes. Similar themes were combined into one category. Data triangulation was employed to improve the reliability of results, it involved comparing the themes-categories of the three groups of interviewees (i.e. incubator managers, incubatees and financiers) in order to determine areas of agreement and those of divergence.

Majority of the interviewees mentioned the quality of incubatees' financial information as one of the reason why financiers consider incubatees as better candidates for loans provision. They argued that incubatees have proper financial record keeping because of the trainings and counselling they receive from the business experts provided by the incubators.

".....the financial trainings provided to our incubatees as part of our support for their growth improve their financial record keeping and financial statements. This enable them to provide quality financial information to credit providers" (Incubator manager, Lushoto business incubator)

Due to these financial trainings and counselling from business experts at the incubator, incubatees display higher financial management capabilities than non-incubated entrepreneurs. They relatively have proper financial records and their financial statements are well prepared.

“We have a better chance of accessing credits because we have business experts who guide us during preparation of financial statements and other documents required by financiers.....They usually tell us the importance of proper record keeping of our financial information, this enables us to easily produce financial information whenever required” (incubatee, Dar es Salaam SIDO incubator)

The incubatees are also in better position to produce sound business plans because in the whole process of writing a business plan they have guidance from incubator experts at their disposal, unlike the non-incubated entrepreneurs who have no access to such services and even if they access, the consulting services are very expensive.

“Incubators have business experts dedicated to providing advice on financial matters and assisting incubatees to prepare business plans and other financial documents required by the financiers. This helps incubatees to have higher quality information than non-incubated entrepreneurs” (Credit officer, SIDO Morogoro)

The respondents also revealed, the special agreements between incubators and financiers where a financier is required to provide credit to the incubatee while an incubator guarantees the incubatee. In case an incubatee fails to repay the loan then the incubator will have to pay. Such agreements address the problem of lack of collaterals because incubatees are given loans without requiring them to have any collateral.

“To facilitate the easy access to credits, we have special agreements with some financiers. In such agreements, the financiers provide credits to incubatees but in case an incubatee fails to repay then an incubator has to pay. Our responsibility as an incubator is to make sure incubatees honour the repayment schedules” (Business development manager, Dar Teknohama incubator)

“When you are in incubation program, it is easy to get loans from financiers because the incubator guarantees you to the financiers. Financiers feel their money is much safer when incubators guarantee the incubatees” (Incubatee, Dar SIDO incubator)

But even if there is no any special agreement between an incubator and a financier, still incubated entrepreneurs enjoy an indirect incubator guarantee. Having an office at the incubator facility makes financiers feel secure to provide credits to incubatees because it is very easy to make follow-ups on the incubatees. An incubator has all the information about incubatees and it is difficult for an entrepreneur to abandon the affordable office at the incubator to avoid repaying the loan, because to get a chance of being incubated is not easy.

“Incubated entrepreneurs are good borrowers because unlike many other borrowers, they can easily be traced, they are under incubator management supervision all the time and therefore the probability of honouring the repayment schedules is very high” (Credit officer, Pride Arusha)

Financiers’ trust on incubator managers and incubatees has been stated as an important factor that enables incubatees to easily access credits from financiers. Most of the respondents have mentioned this factor but in various ways. Some have argued that frequent trainings on financial matters, workshops and meetings with financiers play an important role in promoting incubatees access to financial loans.

“We frequently provide financial trainings to our incubatees as part of our support for their growth. The trainings improve their financial management capabilities and therefore enabling them to easily meet the conditions set by credit providers” (Business development officer, Tabora SIDO incubator)

“The incubator management organises workshops and meetings at least twice in a year, in these events representatives from various institutions are invited including those from financial institutions. Through these events financiers get an opportunity to know incubatees’ financial knowledge, but on the other hand incubatees get a chance to understand the expectations of financiers” (Business development officer, Morogoro SIDO incubator)

Other interviewees pointed out that good credit repayment history and genuine information provided by incubatees have built trust among financiers. Some financiers are also convinced that incubators provide serious supervision and therefore they consider incubatees as better candidates for the loans.

“Incubatees can easily access loans because of the financiers’ trust on incubators, some of the financiers have been providing credits incubatees for some years so they know how we supervise the incubatees” (Business development officer, Dar es Salaam SIDO incubator)

“I prefer the incubated entrepreneurs over non-incubated ones because in most cases they pay instalments as scheduled without any disturbance. Majority of the non-incubated entrepreneurs require extra efforts to make them honour the repayment schedules...this could be because incubatees are under the supervision of the incubators” (Branch manager, EFC Temeke)

The reputation of the incubator managers also facilitates the incubatees’ access to credits. Some interviewees argue that financiers are influenced by the reputation of incubator managers. Financiers believe that the information provided by the incubatees is genuine just because they are under the incubator managers who can allow their reputation to be damaged by incubatees wrong information.

“I personally think it is not only about the services that we are provided with an incubator, the reputation of the incubator managers also matters. I believe there entrepreneurs out of incubators who have high financial management capabilities but still they struggle very much to access loans” (Incubatee, UDEC incubator)

Below are the tables that present the summarized responses of the interviewees on the question that wanted to know the factors for successful financial intermediary role of an incubator. This information was very important for the quantitative part of the research because the argument whether business incubators play financial intermediation role was now clear. Quantitative research needed only to test the significance of the relationships among the variables. The tables 4.3, 4.4 and 4.5 below presents reponses from interviewed incubatees, incubator managers and financiers respectively. While each respondent provided answers in

his/her own explanation, the researcher was summarizing the concepts that arose from the respondent's answer on why financiers prefer to provide finance to incubatees.

Table 4.3: Factors for successful financial intermediary role of an incubator

Question	Well informed incubatees	Answers
<p><i>Do you consider yourself as a better candidate for a credit (in comparison to a non-incubated MSME)? And Why?</i></p>	1	Honoring repayment schedule Good credit repayment history of incubatees Well prepared financial statements Incubator manager's reputation
	2	Honoring repayment schedule Workshops and meetings with financiers Good business plan Official address
	3	Honoring repayment schedule Many financial trainings provided to incubatees Genuine information about incubatees
	4	Genuine information about incubatees Good credit repayment history of incubatees Good business plan Incubator manager's reputation
	5	Genuine information about incubatees Well prepared financial statements Many financial trainings provided to incubatees Incubator manager's reputation
	6	Good business plan Workshops and meetings with financiers Incubators credit guarantee schemes
	7	Good credit repayment history of incubatees Incubators credit guarantee schemes Well prepared financial statements
	8	Honoring repayment schedule Good business plan Incubators credit guarantee schemes

The table 4.3 above indicate the factor concepts associated with successful financial intermediary role of an incubator. It shows the concepts that were extracted from each of the eight well informed incubatees' recorded explanation.

- “Honoring repayment schedule” has literally been mentioned by four well informed incubatees.
- “Good credit repayment history of incubatees” has literally been mentioned by three of them.
- “Well prepared financial statements” has also been mentioned by three of them.
- “Incubator manager's reputation” has also been mentioned by three well informed incubatees.
- “Workshops and meetings with financiers” has been mentioned by two of them.
- “Good business plan” has been mentioned by four of the well informed incubatees.

- “Official address” has been mentioned by one well informed incubatee.
- “Many financial trainings provided to incubatees” has been mentioned by two well informed incubatees.
- “Genuine information about incubatees” has been mentioned by three well informed incubatees.
- “Incubators credit guarantee schemes” has been mentioned by five well informed incubatees.

Table 4.4: Factors for successful financial intermediary role of an incubator

Question	Incubator manager	Answers
<i>Do you consider an incubated MSME as a better candidate for a credit (in comparison to a non-incubated MSME)? And Why?</i>	9	Honoring repayment schedule Good financial record keeping of incubatees Genuine information about incubatees Incubators credit guarantee schemes
	10	Honoring repayment schedule Many financial trainings provided to incubatees Good financial record keeping of incubatees Incubators credit guarantee schemes
	11	Genuine information about incubatees Incubatees’ financial knowledge Many financial trainings provided to incubatees
	12	Good credit repayment history of incubatees Workshops and meetings with financiers Incubators credit guarantee schemes
	13	Good credit repayment history of incubatees Good business plan Incubators credit guarantee schemes Incubator manager’s reputation
	14	Genuine information about incubatees Incubators credit guarantee schemes Workshops and meetings with financiers

Similarly, the table 4.4 above indicate the factor concepts associated with successful financial intermediary role of an incubator. The concepts were extracted from each of the six incubator managers’ recorded explanation.

- “Honoring repayment schedule” has factually been mentioned by two incubator managers.
- “Good credit repayment history of incubatees” has literally been mentioned by two of them.
- “Incubator manager’s reputation” has been mentioned by one incubator manager.
- “Workshops and meetings with financiers” has been mentioned by two of them.
- “Good business plan” has been mentioned by one of the incubator managers.

- “Many financial trainings provided to incubatees” has been mentioned by two of the incubator managers.
- “Genuine information about incubatees” has been mentioned by three of them.
- “Incubators credit guarantee schemes” has been mentioned by five incubator managers.
- “Good financial record keeping of incubatees” has been mentioned by two of them.
- “Incubatees’ financial knowledge” has been mentioned by one of the incubator managers.

Table 4.5: Factors for successful financial intermediary role of an incubator

Question	Financial managers	Answers
<i>Do you consider an incubated MSME as a better candidate for a credit (in comparison to a non-incubated MSME)? And Why?</i>	1	Good financial record keeping of incubatees Incubators credit guarantee schemes Well prepared financial statements
	2	Genuine information about incubatees Incubators credit guarantee schemes Good business plan
	3	Good credit repayment history of incubatees Well prepared financial statements Incubators credit guarantee schemes
	4	Good financial record keeping of incubatees Well prepared financial statements Incubatees’ financial knowledge
	5	Good business plan Many financial trainings provided to incubatees
	6	Genuine information about incubatees Incubators credit guarantee schemes Well prepared financial statements
	7	Honoring repayment schedule Incubators credit guarantee schemes Good credit repayment history of incubatees Well prepared financial statements
	8	Honoring repayment schedule Incubators credit guarantee schemes Incubatees’ financial knowledge Workshops and meetings with financiers Well prepared financial statements
	9	Honoring repayment schedule Many financial trainings provided to incubatees Incubators credit guarantee schemes
	10	Honoring repayment schedule Well prepared financial statements Incubators credit guarantee schemes
	11	Good financial record keeping of incubatees Incubators credit guarantee schemes Many financial trainings provided to incubatees Incubatees’ financial knowledge

Likewise, the table 4.5 above indicate the factor concepts associated with successful financial intermediary role of an incubator. The concepts were extracted from each of the eleven financiers/financial institutions managers' recorded explanation.

- “Honoring repayment schedule” has been mentioned by four of the financiers/financial institutions managers.
- “Good credit repayment history of incubatees” has literally been mentioned by two of them.
- “Well prepared financial statements” has also been mentioned by seven of them.
- “Workshops and meetings with financiers” has been mentioned by one of the financiers/financial institutions managers.
- “Good business plan” has been mentioned by two of the financiers/financial institutions managers.
- “Many financial trainings provided to incubatees” has been mentioned by three of the financiers/financial institutions managers.
- “Genuine information about incubatees” has been mentioned by two of them.
- “Incubators credit guarantee schemes” has been mentioned by nine of the financiers/financial institutions managers.
- “Good financial record keeping of incubatees” has been mentioned by three of them.
- “Incubatees’ financial knowledge” has been mentioned by three of the financiers/financial institutions managers.

All the above three tables, can be summarized into one table so as to observe the frequency with which the respondents have mentioned each concept. Generally, the following concepts have been mentioned by the respondents; good financial record keeping of incubatees, Incubators credit guarantee schemes, Many financial trainings provided to incubatees, Incubatees’ financial knowledge, Honoring repayment schedule, Well prepared financial statements, Workshops and meetings with financiers, Good credit repayment history of incubatees, Genuine information about incubatees, Official address, Good business plan and Incubator manager’s reputation.

Table 4.6: Concepts arising from interviewees' answers

CP	Interviewees' answers																									TN
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
GI			x	X	X				x		x			X		x				x						8
GB		x		X		x		x					x			x				x						7
GC	x			X			x					x	x				x				x					7
GF									x	x						x			x						x	5
HR	x	x	x					x	x	x											x	x	x	x		10
IF												x							x				x			4
IM	x			X	X									x												4
IC						x	x	x	x	x		x	x	X	x	x	x			x	x	x	x	x	x	17
MF			x		X					x	x									x				x		7
OF		x																								1
WF	x				X		x									x		x	x		x	x	x		x	10
WM		x				x						x		X									x			5

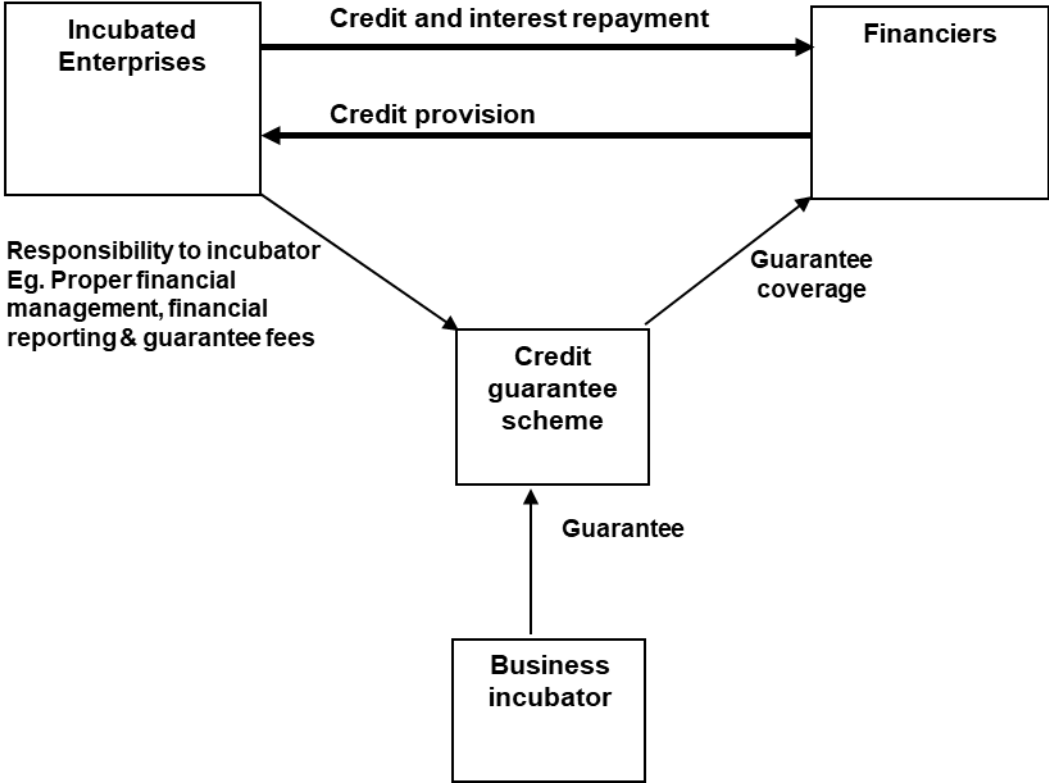
Legend

- CP = Concept arising from interviewees' responses
GI = Genuine information about incubatees
GB = Good business plan
GC = Good credit repayment history of incubatees
GF = Good financial record keeping of incubatees
HR = Honoring repayment schedule
IF = Incubatees' financial knowledge
IM = Incubator manager's reputation
IC = Incubators credit guarantee schemes
MF = Many financial trainings provided to incubatees
OF = Official address
TN = Total number of interviewees who mentioned the concept
WF = Well prepared financial statements
WM = Workshops and meetings with financiers

From the table above, incubator credit guarantee schemes was the most mentioned activity by the interviewees, with seventeen out of twenty five interviewees saying that this is one of the reasons why incubatees are relatively preferred by financiers compared non incubated MSMEs. Incubator credit guarantee schemes are the special arrangements where a business incubator provides guarantee for the credit provided by the financier to the incubatee. This means that in case an incubatee fails to payback the credit or he/she fails to honor repayment schedule, the incubator will have to pay on behalf of the incubatee. On the other side, an incubatee must be endorsed by the incubator before financier provides credit. Notable examples here are the special arrangements between Mufindi community bank and SIDO Iringa and CRDB and SIDO Morogoro. Other special arrangements only require incubators to

endorse the incubatees who can be trusted to provide them credits but in case of failure to payback a credit, an incubator will not be required to pay on behalf of the incubatee. Agreements between Lushoto business incubator and Gare Horticulture SACCO, Mara foundation co-working space and Mara Group, TANZICT and COSTECH and KINU and Savanna Fund.

Figure 4.2: Credit guarantee scheme



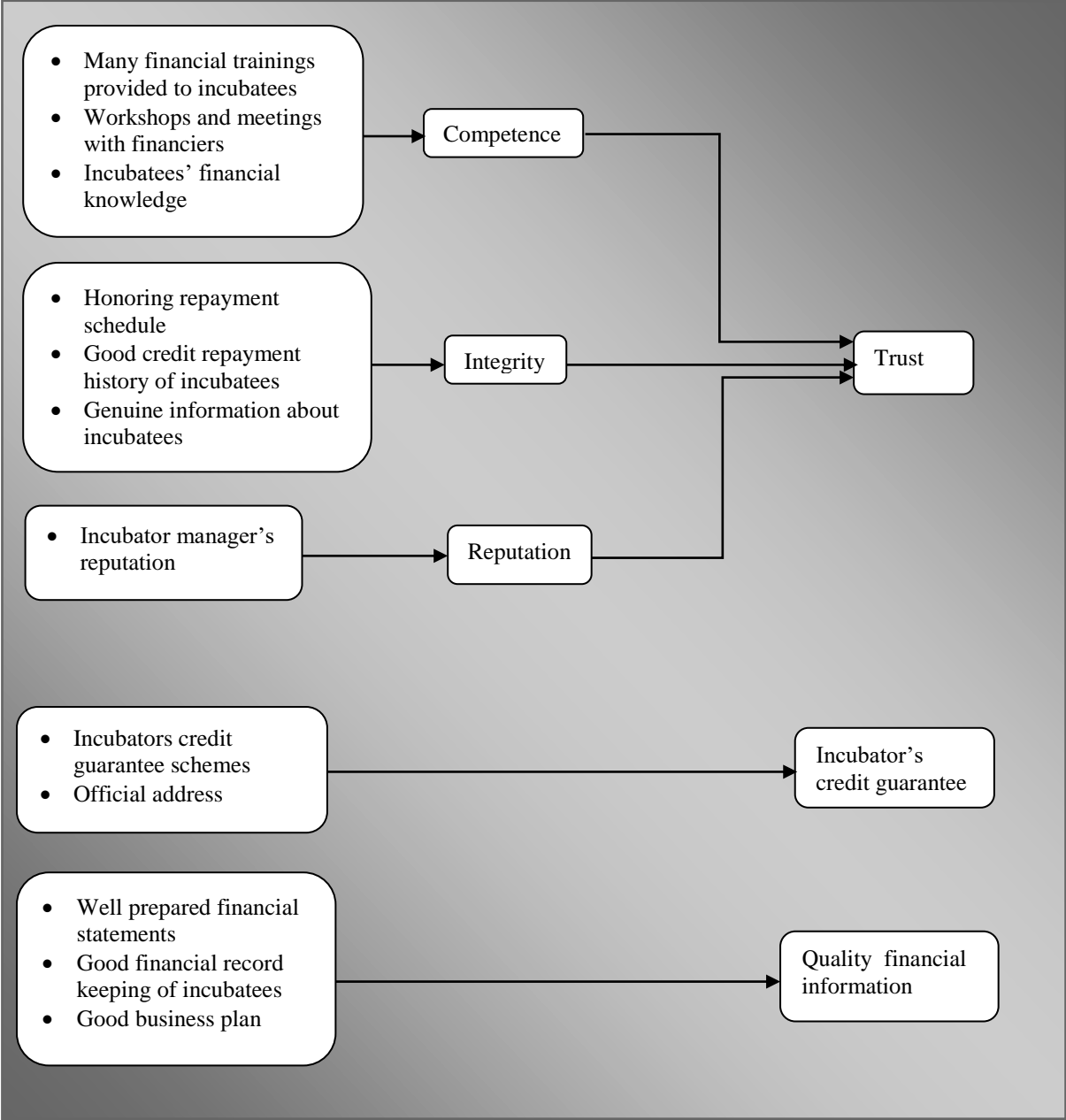
Honoring repayment schedule and well prepared financial statements were the next most frequently mentioned factors by the interviewees as the reasons for incubatees easy access to finance. The two factors were each mentined by ten out of twenty five respondents. Well prepared financial statements include income statements, balance sheets, cashflow statements and capital and earnings statements. The repondents said, the incubatees are provided by the incubators the trainings and assistance in preparing the financial statements and incubator managers encourage and make sure incubators have at least annual financial statements. Incubatees also have a good trend of honoring repayment schedule. This is due to close follow-up by incubator management for the incubatees who have acquired credits. Eight respondents argued that incubatees are relatively better candidates for financiers’ credit provision because they provide genuine information about themselves. The close monitoring

by incubators ensures that incubatees information provided to financiers is correct. Good business plan, good credit repayment history of incubatees and financial trainings provided to incubatees were each mentioned by seven interviewees. With the monitoring services provided by the incubators, incubatees receive many financial trainings and consultancy which result in ability of incubatees to keep financial records. Having financial trainings, incubatees are in a better position to prepare good business plans. Similarly, incubator monitoring services help incubatees to create good credit repayment history. Through these monitoring services, incubators ensure that every time the incubatees have secured credit, they honor the repayment of credit as agreed with financier.

Good financial record keeping of incubatees was stated by five interviewees as a reason for incubatees being in a better chance to acquire loans from financiers. Incubatees are usually encouraged and emphasized by incubator experts to keep records and also trained how to keep them properly. Lastly, Incubatees' financial knowledge and Incubator manager's reputation were mentioned by four respondents, while only one mentioned official address as the reason for incubatees being better candidates for financiers' credits.

After identifying the concepts as shown in the table 4.6 above, the next step was to categorize these concepts by putting together those with related meaning. The figure below shows how these concepts were grouped

Figure 4.3: categorization of concepts



From the figure 4.3 above, the concepts have been categorized into three main factors for the successful financial intermediary role of a business incubator i.e. high quality financial information of incubatees, incubator’s credit guarantee and financiers’ trust on incubator managers and incubatees. After listening and re-listening the recorded interview of each interviewee, twelve themes were identified and written down. Out of these themes, three of them were grouped into a category of competence. The categorization was based on the definition of competence from various authors. According to Dubois (1998), competence

entails characteristics that results into successful performance e.g. skills, knowledge and mindsets. Gilbert (1996) argue that competent people are those who can produce valuable results without excessively costly behaviour. The focus of these definitions is on the skills, knowledge and behaviour associated with people's success. In the figure 4.5 above, the three themes which were categorized under the concept of competence, are either characteristics associated with competence or actions of acquiring competence related characters. For instance, incubatees' financial knowledge is a character which is associated with financial performance. Therefore it is a character that is an indicator of competence. The other two themes i.e. many financial trainings provided to incubatees and workshops and meetings with financiers are not characteristics, but they are actions which facilitate the process of acquiring the competence related characteristics such as skills and knowledge. This argument justifies the grouping of these three themes into a competence category.

Three of themes were grouped into a category of integrity. Similarly, they were grouped in this category because they reflect the definition of integrity. Integrity is usually defined based on the accepted set of values and norms (Fijnaut and Huberts, 2002). Although the norms and values vary from one place to another, there are some values and norms that universally accepted to be right for a particular circumstance. On the other hand, Dobel (1999) argues that integrity means attending to the relevant promises and obligations in each setting. Based on this definition, the themes like honoring repayment schedule, good credit repayment history of incubatees and genuine information about incubatees are grouped as acts of integrity. Providing genuine financial information and honoring repayment schedules are indicators of a person who fulfills his/her promises and obligations. Consistency in providing genuine information and honoring agreements is an indication of high integrity, that is why in this case good credit repayment history is also part of integrity elements.

Some interviewees mentioned incubator manager's reputation as the reason for business incubators' successful financial intermediation role. Reputation is a measurement of how the community trusts an individual. It is acquired by an individual convincing people around him/her that he/she knows what he/she is doing or talking about. Reputation is linked to a person's identity, performance and the way others respond to his/her behaviour. It involves individual's positive relationships with all people around him/her. High reputation is built by displaying good performance consistently over a period of time in aspects of delivering on promises, this creates trust to an individual by everyone (Murray and White, 2004). Basing on

the meaning of reputation explained here, it shows that reputation stands as a separate concept from competence and integrity. But the three concepts have been grouped into one concept “Trust”. Trust is defined as a behavioral product based on positive expectations which allow the trustor to choose a risky course of action (Gambetta 1988a, Coleman 1990). Defining trust as a choice behavior implies that the trusting act is an outcome of rational decision-making process (Fehr 2009). The decision making of whether to trust someone or not is highly influenced by his/her competence, integrity and reputation. In other ways the three concepts are the main causes for someone to be trusted, that is why in this study they constitute trust.

Interviewees also mentioned incubators credit guarantee schemes official address as the reasons for incubatees being better candidates for financial credits. A guarantee is a form of contract to answer for the payment of some debt, or the performance of some duty by a third person who is primarily liable for that payment or performance. It is a collateral contract, that does not extinguish the original obligation for payment or performance. The liabilities of a guarantor depend on those of the principal debtor, and when the principal's obligations cease the guarantor's do too. The explained meaning of guarantee is displayed in the credit guarantee schemes where a business incubator assumes responsibilities of making sure incubatees repay the credits as agreed. Having official address guarantee security of the financiers' money in the sense that financiers can easily make follow-ups of their money and contracts between incubatees and incubator that bound both parties to the incubation program indirectly makes it difficult for incubatees to run away deliberately to avoid repayment of credits, and if it happen an incubator is responsible to assist tracking of a particular incubatee. Credit guarantee is not about trust, financiers provide credits only because there is a third party guarantee. Therefore in this study it has been considered as a separate factor that enable business incubators to successfully play a financial intermediation role between incubatees and financiers.

Three themes i.e. well prepared financial statements, good financial record keeping of incubatees and good business plan have been grouped into one category of quality. Quality is a separate concept from guarantee and trust. According to Garvin (1984) quality can be defined in five different approaches; the value-based approach, product-based approach, manufacturing-based approach, transcendent approach and user-based approach. Leffler (1982) described quality as based on the existence or absence of a particular attribute. The more desirable attributes a product has, the higher the quality it has. According to Garvin

(1984), this Leffler's definition of quality is a product based definition. Quality has also been defined as excellence (Tuchman 1980, Sebastianelli and Tamimi 2002). In this transcendent approach, quality is equivalent with distinctive excellence (Seawright and Young, 1996). Similarly, another definition of quality was introduced by Shewhart (1931) and Levitt (1972), where quality is defined as conformance to specification. Quality of conformance reflects the degree to which a product meets certain design standards. This definition was described by Garvin (1984) as the manufacturing approach. Due to weaknesses in above definitions of quality, Juran (1951) and Juran and Godfrey (1999) defined quality as a fit for use. This is a user-based definition where the word use is associated with customer requirements, and fitness suggests conformance to measurable product or service characteristics (Nanda, 2005). This definition was then refined by Ishikawa and Lu (1985) to be fitness for use at an acceptable price. This refined definition considered value of a product or service. Now based on the definitions of quality, the above three themes were group under the concept of quality because, they reflect the excellence, conformance and fitness of the incubatees' financial information to financiers.

After identifying these three factors through qualitative analysis, they were then incorporated in the questionnaire and respondents were asked to state whether they agree or not if each of the three factors plays an important role to the incubator's financial intermediton between the financiers and the incubatees.

4.3 Quantitative results

In this phase of the study data were collected from 141 incubatees. The aim of this phase of the research is to reveal the relationship between business incubator's monitoring services and incubatees' financial management capabilities, and between incubatees' financial management capabilities and their access to non-formal finance. this phase also investigates the influence of incubatee and incubator manager's social capital in the process of incubatees' accessing non-formal finance.

4.3.1 Descriptive results

Descriptive statistics are basically the first stage of data analysis, at this stage data are summarized and simplified. In this section, quantitative descriptive statistics on profile of enterprises and those showing the contribution of incubators to the increasing MSMEs' financial accessibility, the relationship between different business incubation models and different models of financial accessibility, the key factors for successful intermediary role of

an incubator and the moderating effect of the Incubatee's and incubator manager's social capital on the relationship between Incubatee's financial management capabilities and MSMEs' financial accessibility are presented.

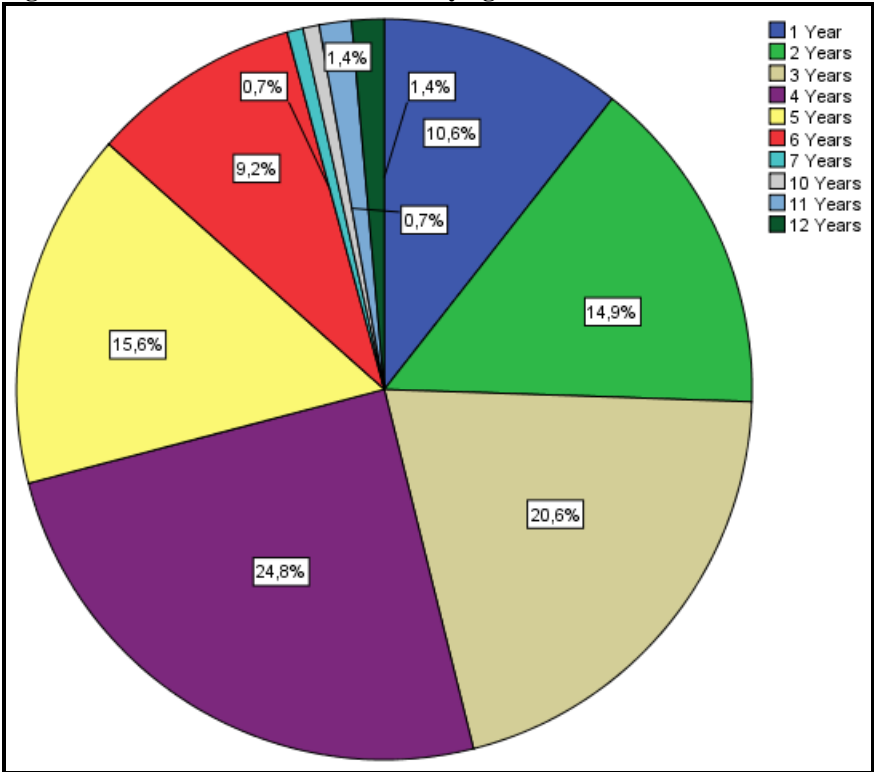
4.3.1.1 Sample demography

As described in the methodology, the first part of questionnaire intended to capture general information of the respondents. The data in this part were collected based on the following elements; age, number of employees, incubation period, business capital, enterprise activity and business ownership. These elements were captured through the following indicators; number of years of business existence, number of years of being incubated in the incubator (incubation period), number of people employed by the enterprise, current amount of capital of an enterprise, a type of a enterprise activity and a form of business ownership of an enterprise.

4.3.1.1.1 Relationship between age and incubation period of incubated MSMEs

Below are two pie-charts, figure 4.4 and 4.5 showing descriptive results on business age and business incubation period respectively.

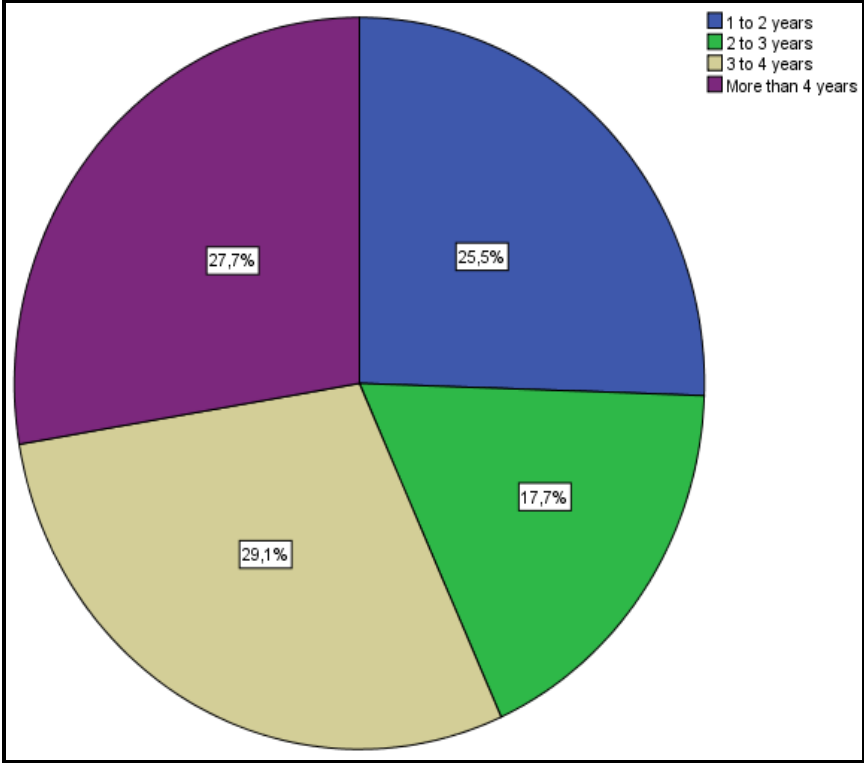
Figure 4.4: Distribution of incubatees by age



From the figure 4.4 above, the following observations can be made:

The results indicate that a large number of incubatees (about 24.8% of incubatees) have age of 4 years, however some few incubatees have until 12 years of existence. These results reveal some interesting information because usually business incubators focus on start-ups and/or young MSMEs. For instance studies by Hannon (2004), Berrones (2010), Jones and Parry (2011) and Bruneel .et.al (2012) all show the focus business incubators on the newly established enterpreses. But these results show that Tanzanian business incubators do not necessarily target young MSMEs. It shows that some incubators can incubate any enterprise regardless of age as long as it is MSME.

Figure 4.5: Incubation period



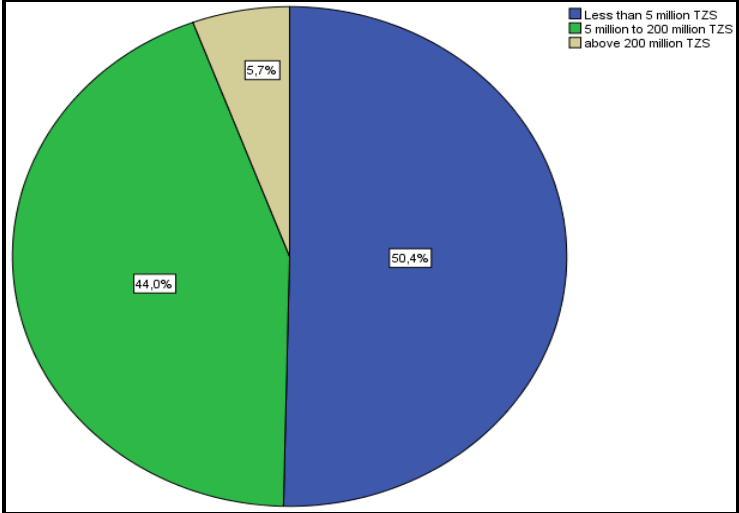
From the two Pie-charts (4.4 and 4.5) above it can be observed that, figure 4.4 indicates that majority of incubated MSMEs have an age of 3 and 4 years. Those with these ages combined, comprise 45.4% of the incubated MSMEs. About 10.6% of the incubated MSMEs have an age of 1 year and as stated in methodology, only the incubatees with one or more years of being incubated were selected for this study. So this implies that these incubatees joined the incubators immediately after being established and in real sense these are the entrepreneurs who joined the business incubators on the criterion of innovative ideas i.e. they presented

their ideas to the incubator management and they impressed the incubator managers and therefore they were granted a chance to be incubated and that is when they started their business career. But on the other side, there are businesses which had to operate for years with no any tangible success but survived until when they got a chance to be incubated. Such businesses however are a minute fraction of the incubated MSMEs as it is indicated in figure 4.4 where those with 7 and 12 years of existence are just 4.3%. Figure 4.5 shows that, majority of enterprises have stayed in incubators for more than 3 years, with 29.1% of incubated MSMEs having stayed in business incubator for 3 to 4 years and 27.7% of the incubated MSMEs having stayed in business incubator for more than 4 years. This reflects the reality that most of Tanzanian business incubators have no clear exit policy. For instance TEMDO incubator have no exist policy, incubatees have been incubated for as long as eight years and still they are there to stay. For all SIDO incubators have no exit policy but by the time of data collection of this research, an exit policy was just being introduced. Likewise, Lushoto business incubator has no defined incubation period, as a result there are incubatees who have been incubated for about six years but there is no any plan for exit.

4.3.1.1.2 Categorizing incubated MSMEs by number of employees and business capital

These two variable items are very important when the concept of MSMEs is concerned. Number of employees and amount of capital of an enterprise are the major criteria used to categorise enterprises into micro, small, medium and large enterprises. Therefore basing on the fact that, this study focuses on the MSMEs financing, number of employees and capital of the respondents were captured during data collection. Below are the descriptive results of the two variables presented in bar-charts 4.6 and 4.7.

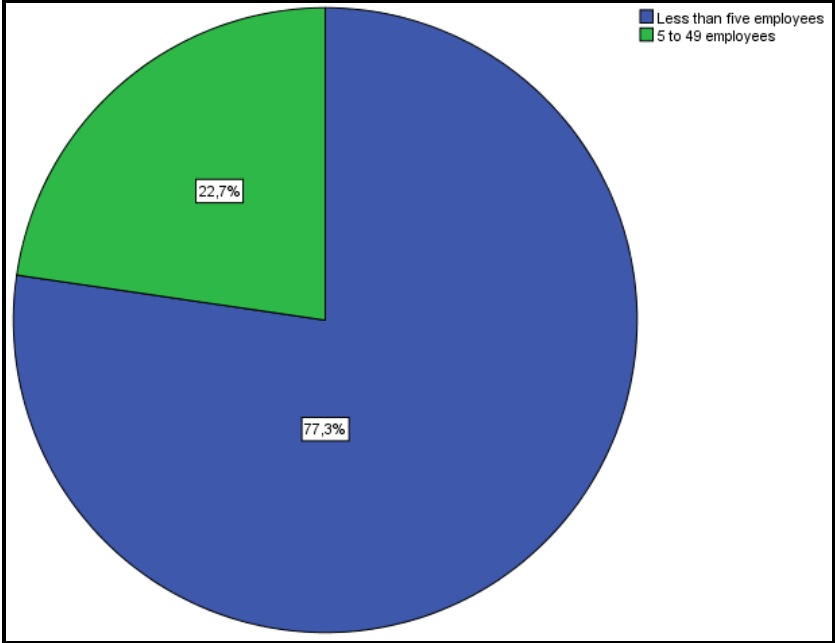
Figure 4.6: Distribution of incubated MSMEs by business capital



From the pie-chart 4.6 above the following observations can be made:

The chart above indicates that about a half of incubatees in Tanzanian incubators are micro enterprises i.e. businesses with less than 5 million Tanzania shillings capital. This reflects the entrepreneurship sector in the country where around 98% of enterprises are micro enterprises (Riedijk 2010). Very few enterprises are medium enterprises in Tanzania and this is reflected in business incubators as well, with only 5.6% of the incubatees being medium enterprises.

Figure 4.7: Distribution of incubated MSMEs by number of employees

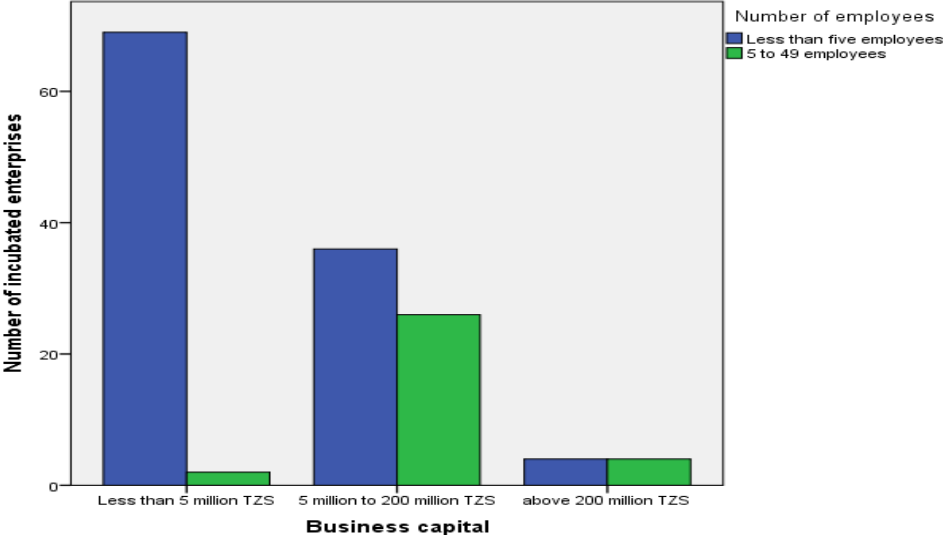


The observations made from figure 4.7 can be disturbing, the figure shows that majority of the incubatees are micro enterprises. It should be noted that as reviewed in chapter two, enterprises in Tanzania are categorized based on two criteria i.e. business capital and number of employees. Nevertheless, when results in figure 4.6 and figure 4.7 are compared they show contrary results.

From the two figures, majority of the incubated enterprises are micro enterprises have less than 5 employees and a capital of less than 5 million TZS. In this study it can categorically be stated that around 50% of the incubated enterprises in Tanzania are micro enterprises. One could wonder why not 77.3% of them being considered micro enterprises, the fact is, even though there are several criteria used to categorise enterprises, if different criteria lead to different conclusions then capital of an enterprises should be considered first. For instance due to technological advancement, number of employees does not necessary reflect the size of

the business because with technology an entrepreneur can operate a business of a huge capital but with just relatively employees. Therefore with the above results, it can be argued that 50.4% of incubated enterprises are micro enterprises, 44% are small enterprises and 5.6% are medium enterprises.

Figure 4.8: Relationship between business capital and number of employees in incubated enterprises



In the figure 4.8 above, a relationship between number of employees of an enterprise and its capital is exposed. Out of 141 respondents, 69 incubated entrepreneurs said they have less than 5 employees and have a capital of less than 5 million TZS. 36 of them said they have less than 5 employees but their businesses have capital ranging between 5 million to 200 million TZS. 4 of the respondents have less than 5 employees but their businesses have capital above 200 million TZS. 2 enterprises said, they have a business capital of less than 5 million TZS but their number of employees is between 5 and 49. 26 of them said they are small enterprises and 4 of them are medium enterprises. So from these results, it shows that around 63.3% of incubated businesses fit the Tanzanian definition of micro enterprises as explained in SMEDP 2003 i.e. they have less than 5 employees and have less than 5 million TZS capital. Around 81.3% of incubatees are small enterprises i.e. they have 5 to 49 employees and have a business capital ranging between 5 to 200 million TZS. However, the results also indicate that, some few businesses have relatively large capital but have few employees, while some other few businesses have 5 employees and above but with less than 5 million capital.

4.3.1.1.3 Distribution of incubatees by their nature of ownership and business activity

The legal form of an enterprise and its activity also influence the financiers, so even though these two variables are not of interest to this study, it is still important to grasp information of the incubated MSMEs in these aspects so as to understand their distribution when it comes to these criteria.

Table 4.7: Types of business ownerships among incubated MSMEs

Business legal form	Frequency	Percentage
Sole Proprietor	99	70,2
Partnership	28	19,9
Limited company	14	9,9
Total	141	100,0

From the table 4.7 above, it indicates that more than two thirds of incubated enterprises are sole proprietors, while slightly less than 10% are registered companies. This is mainly due to the fact that, most of the entrepreneurs in Tanzania do not prefer to register companies so as to avoid taxation. In comparison with companies, sole proprietors are in better position to avoid many taxes subjected on the businesses because a government does not have very close follow-ups on sole-proprietors. Other entrepreneurs prefer sole proprietorship so as to have maximum freedom in decisions, they feel that registering a company will reduce their freedom and authority on managing a business because decision making in companies is more complex than in sole proprietorships.

Table 4.8: Business sectors of incubated enterprises

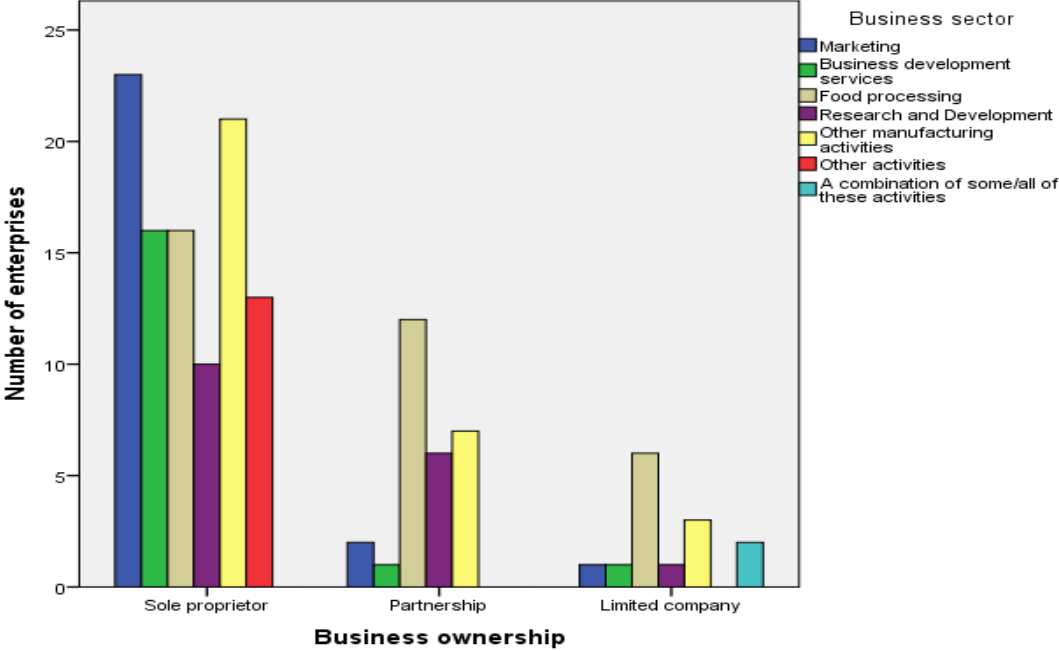
Business sector	Frequency	Percentage
Marketing	26	18,4
Business development services	18	12,8
Food processing	34	24,1
Research and Development	17	12,1
Other manufacturing activities	31	22,0
Other activities	13	9,2
A combination of some/all of these activities	2	1,4
Total	141	100,0

From the table 4.8, the following observations were made:

Although incubated MSMEs are found in various sectors, a significant number of them are in food processing and other manufacturing activities. Around 46% of the incubated enterprises in Tanzania are either food processors or dealing with other manufacturing activities such as making simple mashines and detergents. The results do not reflect the enterprises' activities in the whole entrepreneurship sector in the country. Majority of the MSMEs in Tanzania (54%) are in trade sector followed by services (34%) (URT, 2003). These results reveal that business incubators prefer enterprises which deal with value addition, in line with the government focus of promoting value addition of the agricultural products.

From these two tables, the relationship between the two factors can be revealed and it is clearly shown in the figure 4.9 below.

Figure 4.9: Distribution of incubated enterprises by type of ownership and sector of operation

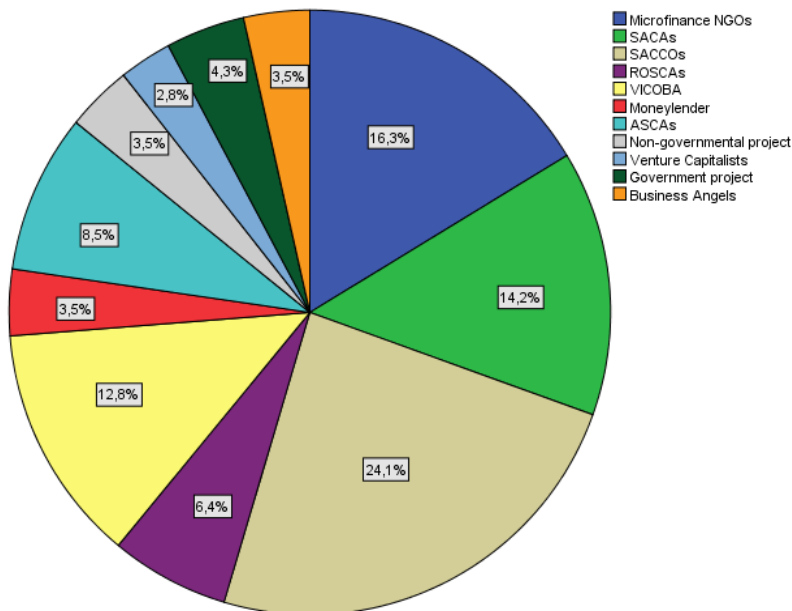


The bar-chart above shows the distribution of the incubated MSMEs by their sectors of operation with relative to their type of ownership. Most of the business sectors are dominated by sole proprietors and in most of the sectors, companies and partnerships are very few. For instance out of 26 incubatees who are in marketing sector, 23 are sole proprietors while only 2 are partnerships and 1 is a limited company. Business development services, research development, food processing and other manufacturing sectors indicate a similar trend where majority of the enterprises are sole proprietors. But comparatively, food processing and manufacturing in general has a significant number of limited companies and partnerships. However there are some few sectors which have displayed unique results. Enterprises which deal with other activities were all sole proprietors. Most of the incubatees who were in the category of other activities are those who deal with fresh fruits and vegetables. They farm the fruits and vegetables under the supervision of incubator and they are assisted to grade, pack and storage. All of these incubatees are sole proprietors, no one is operating as a company or a partnership. There also some few incubatees who manage to deal with more than one kind of activities, these incubatees are all companies. In this research they are only 2 out of 141 incubatees, such results indicate that incubatees who engage in more than one activity are incredibly few and they are in most cases registered companies.

4.3.1.1.4 Financiers' provision of requested amount of loans to incubatees

This study focused on informal and semi-formal financing, therefore only respondents who accessed finance in either informal or semi-formal financiers, were picked for analysis. The respondents generally accessed loans from Microfinance NGOs, SACAs, SACCOs, ROSCAs, VICOBA, Moneylenders, ASCAs, Non-governmental projects, Venture capitalists, Government projects and Business angels. The first three i.e. Microfinance NGOs, SACAs and SACCOs are semi-formal finance institutions, while the rest are informal financiers. The pie-chart below shows the incubatees distribution on the access to credit from the above mentioned financiers.

Figure 4.10: Incubatees' informal and semi-formal financiers



From the figure 4.10, the following observations were made:

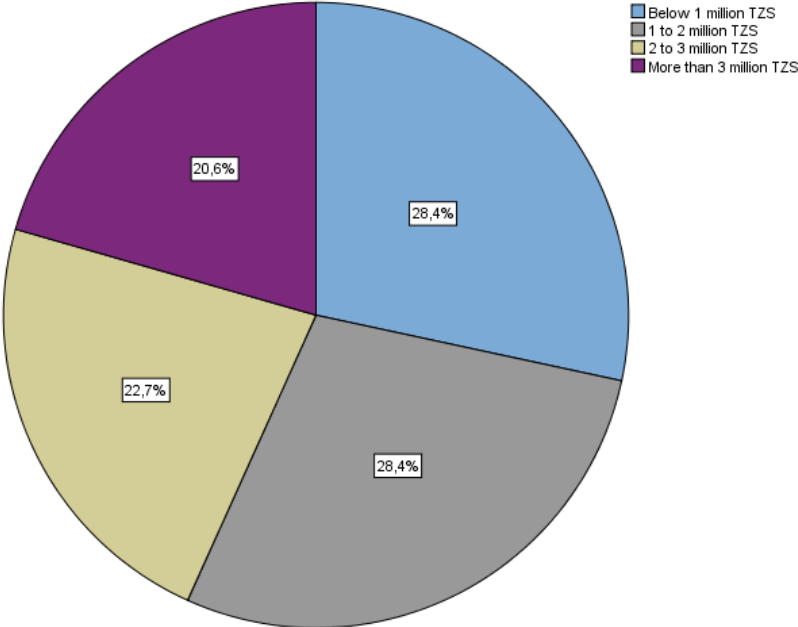
More than a half of incubated MSMEs accessed credit from semi-formal financiers, mainly from SACCOs. Most of the incubatees access credits from SACCOs because comparing with microfinance NGOs, SACCOs and SACAs have lower interest rates. But unlike SACAs, SACCOs are the most widespread form of semi-formal finance in the country. SACAs are prevalent just in some areas like Mbeya region.

A significant number of the incubated MSMEs who access credits from informal financiers, access specifically from VICOBA. This is because some incubators apart from monitoring services they provide to incubatees, they also focus on promoting formation of VICOBA

among the incubatees. For example Lushoto business incubator has an arrangement of assisting the incubatees’ groups to establish VICOBA. The incubator undergoes annual assessment to all established VICOBA, and those who prove to be performing better in terms of providing credits to incubatees are transformed into SACCOs.

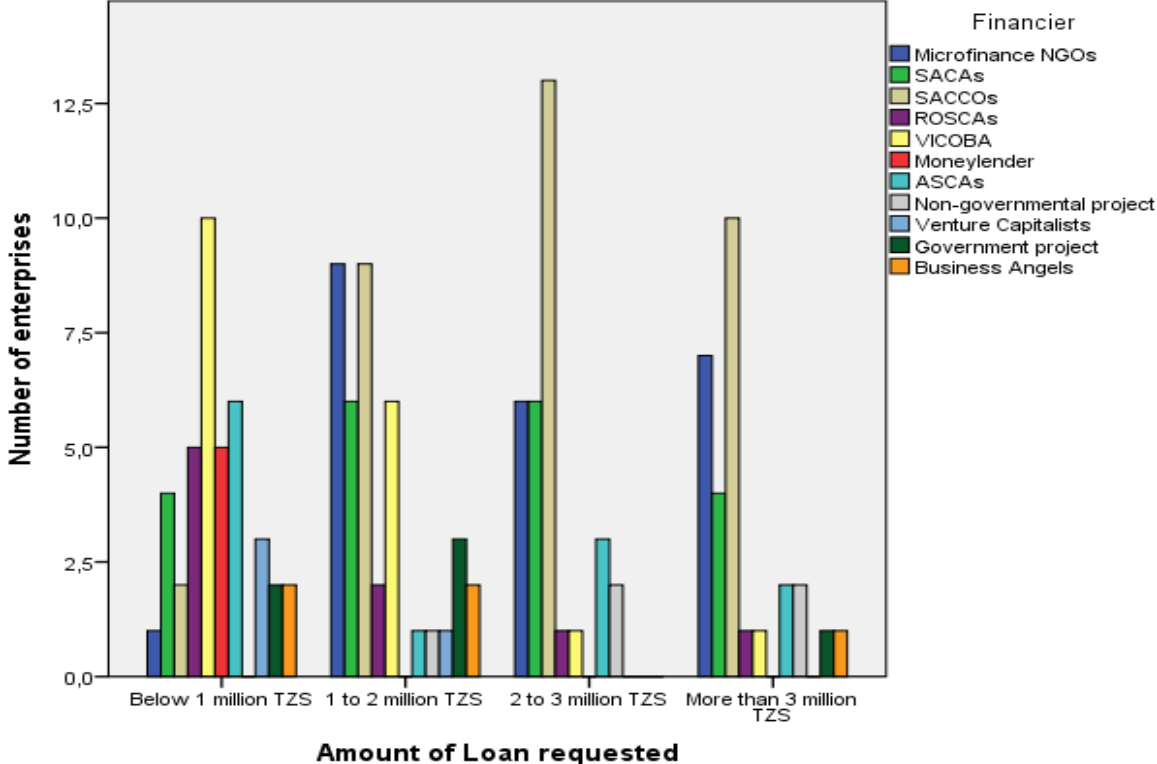
Based on these results, The very rare option to incubatees’ financing is the venture capital, very limited number of incubatees access venture capitalists finance. The number of incubatees who access finance from moneylenders, non-governmental projects and business angels is also relatively small.

Figure 4.11: Categorization of incubated enterprises by amounts of loan requested to financiers



From the figure 4.11 above, it can be observed that more than 56% of the incubatees request credit amount of not more than 2 million TZS. This is understandable because semi-formal and informal financiers usually have a limit of the credit amount to be provided to the borrower. The situation is even much worse when an enterprise apply loan for the first time. While in figure 4.10 it has been indicated that many incubatees access finance from microfinance NGOs and SACCOs, the maximum amount of credit provided by these the two financiers ranges from 2 million TZS up to 5 million TZS. Therefore it is not surprising to find out that a large number of incubatees request a credit not more than 2 million TZS.

Figure 4.12: Relationship between financiers and the incubatees' amount of loan requested



The bar-chart in figure 4.12 above shows the distribution of the incubated MSMEs' amount of loan requested with relative to the type of financiers.

A significant number of the incubated MSMEs which access credits from microfinance NGOs request credit ranging from 1 million to 2 million TZS. But majority of them request amount of loan ranging of more than 2 million TZS. Similar trend is observed in other semi-formal financiers i.e. SACAs and SACCOS. They also receive majority of the applications requesting more than 2 million TZS.

Unlike the semi-formal financiers, informal financiers receive most of the incubatees' applications requesting less than 2 million TZS amount of credit. For instance more than three quarters of the incubatees who participate in ROSCAs are involved in ROSCAs which can mobilize not more 2 million TZS for a participant, while about 88% of the incubatees who request credits from VICOBA apply for less than 2 million TZS. ASCAs, venture capitalists, government projects and business angels also show similar trend as shown by ROSCAs and VICOBA. Nevertheless, moneylenders and non-governmental projects have shown unique trends. All of the incubated MSMEs which accessed credits from moneylenders had requested credit amount of less than 1 million TZS, while non-governmental projects received 80% of applications requesting credit amount of more than 2 million TZS. Private moneylenders in Tanzania have a reputation of providing loans with high interest rates but with very low

bureaucracy. Therefore their credits are very easy to access but expensive, this makes the moneylenders' credits not a first priority but in case of no alternative then incubatees go for these loans. However to avoid the impact of high expenses they request as small amount of credit as possible. This is the reason why all of the incubatees who requested credits to the moneylenders asked less than 1 million TZS.

On the other hand, non-governmental projects are more flexible to maximum limit of loan amount to be provided. Depending on the interest of the project financiers, these projects can provide a maximum amount of loan similar to the limit of the microfinance NGOs. Incubatees prefer loans from these projects but the problem is that they are very few and that is why only a small number of incubatees manage to secure credits from the non-governmental projects.

Generally, results above indicate that incubatees who request credits from non-governments projects, request relatively larger amounts of credits. Around 40% of the credits requested by incubatees to non-governmental projects were above 3 million TZS. Microfinance NGOs and SACCOs are the next financiers after non-governmental projects who are requested larger amounts of credits by incubatees. Around 30% and 29% of credits requested by incubatees from microfinance NGOs and SACCOs respectively were above 3 million TZS.

On the other hand, moneylenders, venture capitalists, ROSCAs, VICOBA and ASCAs in that order are requested the least amounts of credits by the incubatees.

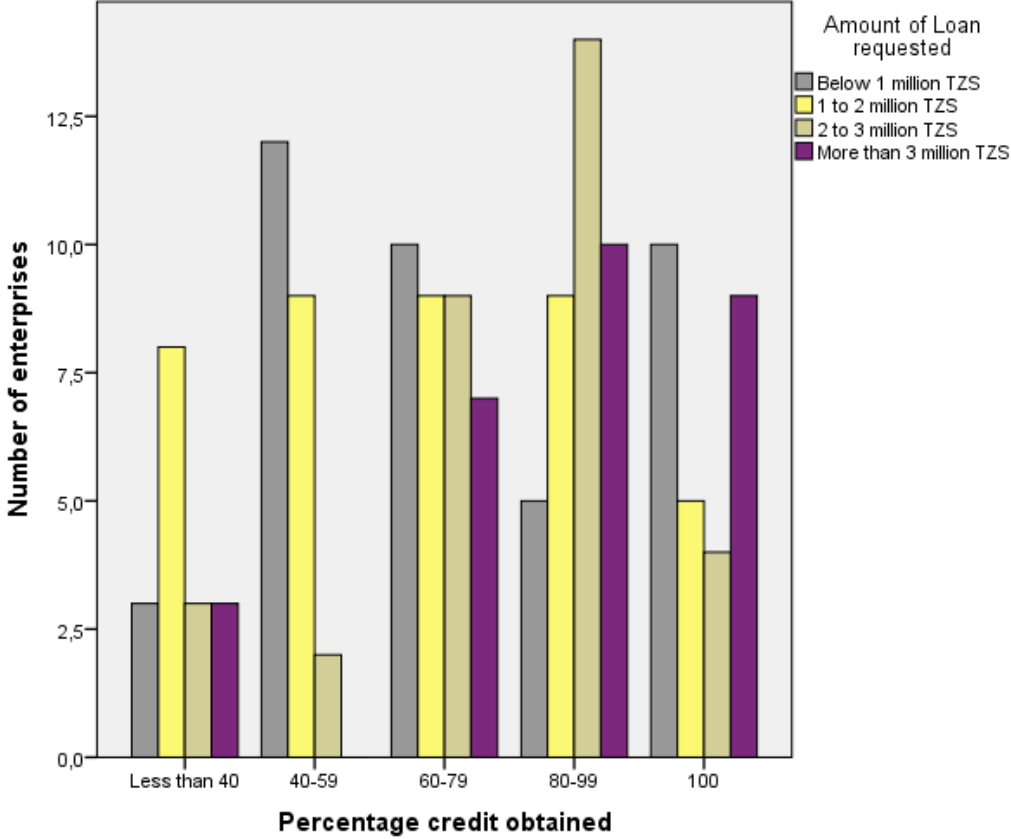
Table 4.9: Percentage credit obtained by the incubatees

Percentage obtained	Frequency	Percent
Less than 40	17	12,1
40-59	23	16,3
60-79	35	24,8
80-99	38	27,0
100	28	19,9
Total	141	100,0

The table 4.9 above display the following observations :

Slightly less than 20% of the incubated MSMEs are provide the full amount of loan they request, the rest are given less amount of credit than they need. According to Richard and Mori (2012) financiers provide less amount of credits to enterprises because based on financiers' applications evaluation, enterprises usually ask larger amount of loans than their businesses need. The results indicate that incubatees also face the same problem as those enterprises which are not incubated.

Figure 4.13: Relationship between the amount of loan requested and the percentage obtained



The figure 4.13 shows the relationship between the amount of credit requested by incubated MSMEs and the percentage credit obtained. The results display a trend which indicates that nearly a third of incubated MSMEs who apply for the credits amounting to more than 3 million TZS, are given the full amount of credit they request. About 58% of them are given between 60% and 99% of the requested amount. Few of them are given less than 40% of the requested amount. Majority of incubated MSMEs who request credit amount of between 2 million and 3 million TZS are given between 80% and 99% of the requested amount. About 45% of incubated MSMEs who request credit amount of between 1 million and 2 million TZS are given between 40% and 79% of the requested amount, while 55% of those who apply for a credit amount of less than 1 million TZS secure between 40% and 79% of the applied amount.

The observation on these results reveal that, incubatees who request a relatively larger amount of loan, obtain relatively higher percentage credit compared to those who request smaller amount of credit. This implies that, incubatees who seek larger amount of loans normally are those with comparatively higher financial management capabilities, therefore they usually meet most of the financiers requirements. On the other hand, those who request small

amounts of loans are those with low financial management capabilities, so they do not meet most of the financiers requirements. Another reason is that, incubatees who seek larger amounts of loans have relatively larger business compared to those who seek small loans, this gives those seeking larger amounts an advantage to the financiers because in most cases financiers have more trust on larger businesses than smaller ones.

4.3.1.2 The contribution of business incubators to MSMEs financial accessibility

With reference to the literature review in chapter two, an argument is made that business incubators play a monitoring role in MSMEs financing. The incubator provides monitoring services which then develop and improve the financial management capabilities of the MSMEs. It is argued that higher financial management capabilities lead to high financial accessibility. The argument is founded on two theories, the theory of information asymmetries and the theory of financial intermediation. In this case incubators assume an intermediary role by providing a monitoring role which addresses the problem of information asymmetry and in this way contributing to the MSMEs financial accessibility. So in this part of descriptive statistics, the data on business incubator's monitoring services, financial management capabilities and MSMEs financial accessibility are presented and the relationships between monitoring services and financial management capabilities and between financial management capabilities and MSMEs financial accessibility are studied so as to show the contribution of business incubators to MSMEs financial accessibility.

4.3.1.2.1 The Business Incubator's Monitoring services

The monitoring services information have in this study been grasped through six variable items, and as described in the methodology, these variable items cover various dimensions of tutoring and guidance in the area of accounting and finance

Table 4.10: Business incubator's monitoring services provided to incubated enterprises

Variable Name	Responses in percentages						Mode	Mean	S.D
	Rating scale								
	No support received	Support received							
		0	1	2	3	4			
Advisory services in preparing the financial information required to obtain credit	13.5	2.8	8.5	32.6	27	15.6	3.0	3.0	1.4
Advisory services on financiers who are interested in financing the incubatees	9.9	2.8	15.6	32.6	20.6	18.4	3.0	3.0	1.4
Training materials for accounting and finance	12.1	4.3	12.1	40.4	19.9	11.3	3.0	2.8	1.4
Practical counselling in issues related to accounting and finance	3.5	3.5	17	42.6	20.6	12.8	3.0	3.1	1.3
Quality of the courses related to accounting and finance	4.3	13.5	22.7	32.6	14.2	12.8	3.0	2.8	1.3

Where: 0 = I did not receive this support, 1 = Bad, 2 = Poor, 3 = Average, 4 = Good, 5 = Excellent

The table above shows how the respondents have rated each of the indicators of business incubator's monitoring services. It can be observed that all the incubator's monitoring services are considered average by incubatees, many of them see the services as neither poor nor good. However there is a significant number of incubatees who perceive as good or excellent, services like financial counselling, advice in preparing the financial information required to obtain credit and advice on financiers who are interested in financing the incubatees.

Apart from ranking each of the services provided by the business incubator, respondents were also asked to evaluate and rank the role played by the business incubator in general in obtaining external finance i.e. loans. Their responses have been presented in the table below.

Table 4.11: General evaluation of incubator role in obtaining external finance

How do you evaluate the role played by the business incubator centre in obtaining external finance			
	Frequency	Percent	Cumulative Percent
Inexistent	5	3,5	3,5
Very Passive	20	14,2	17,7
Passive	42	29,8	47,5
Active	63	44,7	92,2
Very Active	11	7,8	100,0
Total	141	100,0	

As shown in the table 4.11 above, majority of the incubated MSMEs experience active participation of business incubator in their process of obtaining external finance. the incubator train the incubatees how to prepare the financial statements and business plans, advices and links them to the financiers. Some incubatees feel that the contribution of business incubator towards their access to finance is minimal. This is associated with the fact that, incubator’management degree of commitment towards helping incubatees in the process of accessing finance varies from one incubator to another. That is why some incubatees see active participation of business incubator while others see passive participation.

4.3.1.2.2 Financial Management capabilities of incubatees

The financial management capabilities data have in this study been collected through 18 variable items that captured aspects of financial decision making capabilities, financial information analysis capabilities and financial planning capabilities.

Table 4.12: Incubatees’ financial management capabilities

Variable item	Responses in percentages	
	Yes	No
Financial decision making capabilities		
Financial decisions are made by owner-manager in collaboration with other staff (e.g., accounting and finance staff)	58.2	41.8
We have regular meetings (at least monthly) to make financial decisions	46.8	53.2
Investment decisions are made by owner-manager in collaboration with other staff (e.g., accounting and finance staff)	51.8	48.2
We have regular meetings to make investment decisions	41.8	58.2
Financial Information analysis capabilities		
Do you prepare yearly Cash flow statement	44	56
Do you prepare monthly income statement	64.5	35.5
Do you prepare monthly Capital and retained earnings statement	42.6	57.4
Do you prepare monthly Balance sheet	42.6	57.4
Do you prepare monthly Cash flow statement	41.1	58.9
Have you developed special financial and accounting guidelines/standards for your business	51.1	48.9
Financial planning capabilities		
Do you have a financial plan for the year 2016	80.1	19.9
Do you have an additional financial plan for the year 2017	70.9	29.1

The table 4.12 above shows how the respondents have responded to each of the indicators of financial management capabilities. From this table the main observations are:

In the aspect of financial decision making capabilities, the respondents showed highest approval on the item which stated that enterprise’s financial decisions are made by owner-manager in collaboration with other staff. This shows that in majority of the incubated MSMEs owner managers understand the importance of involving employees particularly those with financial expertism in making financial decisions. The table also indicates that

incubatees have highest disapproval on the item which stated that enterprises have regular meetings to make investment decisions. This is understandable because usually investment decisions are not made regularly. Normally they are made after the financial cycle is completed. In the aspect of financial information analysis capabilities, the respondents showed highest approval on the item which asked that " Do you prepare monthly income statement ". This means that the largest number of the incubated MSMEs are able and prepare income statements. While at the same time they showed highest disapproval on the item which asked that "Do you prepare monthly Cash flow statement" where nearly 60% of the respondents said 'No' implying that most of them do not prepare the monthly cash-flow statements. This reflects the fact that usually small entrepreneurs in Tanzania can prepare income statement but it is not common for majority of them to prepare cash-flow statements, much worse on monthly bases.

In the aspect of financial planning capabilities, the respondents showed high approval in both two items of financial planning. The highest approval was on the item which asked that " Do you have a financial plan for the year 2016", which means that the largest number of the incubated MSMEs had a financial plan for the year 2016 and it should be noted that this was the current year by the time of data collection. Likewise, they showed high approval on the item which asked that " Do you have an additional financial plan for the year 2017". This shows, majority of them have a financial plan for the year 2017 which by that time, it was the next year. Therefore it can be stated that, incubatees mostly have a financial plan for the current year and majority have a plan for the following year as well.

Despite this clear observation from the above table 4.12, describing the relations between financial management capabilities and monitoring services would be very complex given the fact that 12 variable items are too much to enable a simple description. Therefore for simplicity purpose, the number of YES' out of the 12 variable items was considered as the score of a respondent showing his/her level of financial management capabilities. These scores were categorized into categories ranging from the lowest level of financial management capabilities to the highest one as shown in chapter three.

4.3.1.2.3 MSMEs' financial accessibility

The MSMEs financial accessibility information was captured through eight parameters and as described in the methodology, these parameters captured data in the aspects of external finance conditions, external finance processing procedures and the amount of external finance

obtained. The table 4.13 below show the level of satisfaction of the respondents towards the above mentioned aspects.

Table 4.13: MSMEs financial accessibility

Variable Name	Responses in percentages					Mode	Mean	S.D
	Rating Scale							
	1	2	3	4	5			
Level of satisfaction regarding the interest rate agreed	11.3	16.3	44.0	20.6	7.8	3.0	2.9	1.1
Level of satisfaction regarding the loan repayment term	3.5	19.9	48.9	20.6	7.1	3.0	3.1	0.9
Level of satisfaction regarding the overall conditions of the credit contract	6.4	18.4	48.2	24.8	2.1	3.0	3.0	0.9
Level of satisfaction regarding the requirement of collateral	22.7	13.5	36.9	21.3	5.7	3.0	2.7	1.2
Level of satisfaction regarding the requirement of managerial background	22.0	12.8	36.2	20.6	8.5	3.0	2.8	1.2
Level of satisfaction regarding procedure of the credit services offered	7.1	24.8	34.8	26.2	7.1	3.0	3.0	1.0
Level of satisfaction regarding the length of the credit processing time	8.5	19.1	29.8	33.3	9.2	4.0	3.2	1.1
Level of satisfaction regarding the amount of credit obtained	12.1	14.2	38.3	25.5	9.9	3.0	3.1	1.1

Where: 1 = Very Dissatisfied, 2 = Dissatisfied, 3 = Moderately satisfied, 4 = Satisfied, 5 = Very Satisfied

The table 4.13 above presents the rating responses of the selected incubated MSMEs on the level of satisfaction on the services related to their businesses access to external finance.

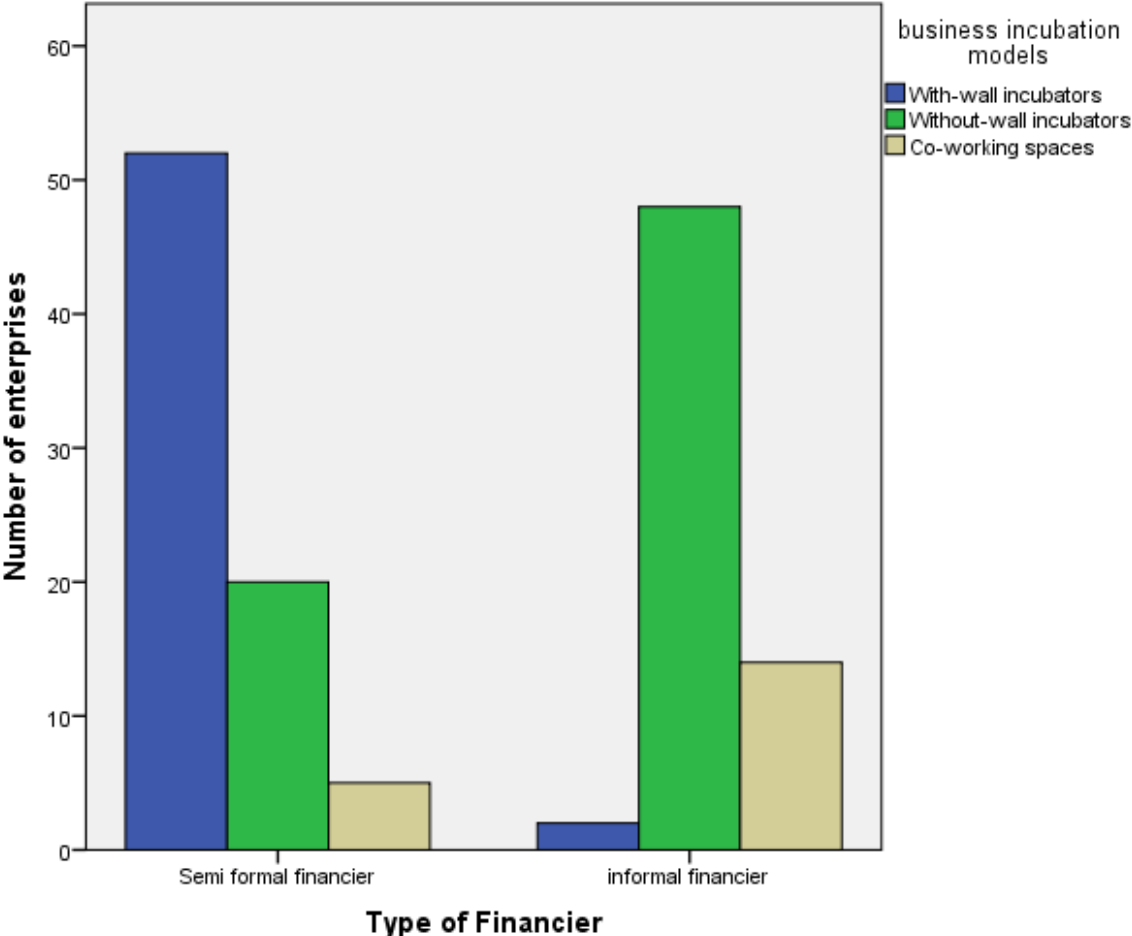
Comparing their responses to the eight parameters, incubatees had relatively higher level of satisfaction on length of the credit processing time. This can be observed by looking at the means of the parameters. Level of satisfaction with regard to the length of the credit processing time recorded relatively higher mean than other parameters. On the other hand the respondents showed higher level of dissatisfaction on requirement of collateral.

4.3.1.3 Relationship between business incubation models and models of MSMEs financing

In this study three incubation models are of great interest. As they have been mentioned and elaborated in literature review, they are With-wall incubators, Without-wall incubators and Co-working spaces. On the other hand this study focuses on the non-formal financing of MSMEs which is categorised into two models i.e. semi-formal financing and informal financing. This part of descriptive analysis intends to present the descriptive statistics in relation to the above mentioned incubation and financing models and investigate if there is any relationship between the incubation models and financing models.

Below is a bar-chart presented in figure 4.14 showing the relationship between business incubation models and financing models.

Figure 4.14: Relationship between business incubation models and MSMEs financing models



The bar-chart above shows the distribution of the incubatees on the type of business incubation model in which they are incubated in relation to the type of financing they accessed. Out of 141 surveyed incubatees, 54 incubatees are incubated in With-wall incubators, 68 of them are incubated in Without-wall incubators and 19 are incubated in Co-working spaces. Looking at figure 3.2 in page 78, out of 54 with-wall incubatees, 96.3% (52 incubatees) secured credit from semi-formal financiers and only 3.7% (2 incubatees) secured credit from informal financiers. This suggests that, With-wall incubators have stronger relationship with semi-formal financing. Out of 68 without-wall incubatees, 29.4% (20 incubatees) said that, they received credit from semi-formal financiers while 70.6% (48 incubatees) were financed by informal financiers. This shows that Without-wall incubators have relatively stronger relationship with informal financing than semi-formal financing. Last but not least, out of 19 co-working space incubatees, 26.3% (5 incubatees) secured loan from semi-formal financiers while 73.7% (14 incubatees) were financed by informal financiers.

This indicates that Co-working spaces have relatively stronger relationship with informal financing than with semi-formal financing. And the relationship between co-working spaces and informal financing is slightly much stronger than the relationship between without-wall incubators and informal financing.

From the above explanation it can be argued that, there is a relationship between the business incubation models and the financing models i.e. there is a tendency that MSMEs incubated in with-wall business incubators most likely access finance from semi-formal financiers, MSMEs incubated in without-wall business incubators most likely access finance from informal financiers similar to the incubatees in co-working spaces who also are most probable to access finance from informal financiers.

4.3.1.4 Factors for successful intermediary role of an incubator

In the descriptive statistics presented above, it has been already shown that business incubators play a financial intermediary role through their monitoring role. Business incubators develop and improve financial management capabilities of the incubatees and this reduces the problem of information asymmetry between MSMEs and financiers. Nevertheless, This part of descriptive analysis identifies the factors that enable business incubators to successfully play this financial intermediary role. In the interview done in phase one, one of the aspects of interview guide was to know the factors associated with successful financial intermediary role of a business incubator. The qualitative results revealed three major factors which contribute to successful financial intermediation role by business incubators. The factors are high quality financial information of incubatees, financiers' trust to the incubator managers and incubator guarantee on Incubated MSMEs' credits

After identifying these three factors through qualitative analysis, they were then incorporated in the questionnaire and respondents were asked to state whether they agree or not if each of the three factors plays an important role to the incubator's financial intermediton between the financiers and the incubatees. The table 4.14 below presents the results on the respondents rating on the quality of incubated MSMEs' financial information.

Table 4.14: Incubatees' rating of the quality of financial information

Type of Financier		Frequency	Percent	Cumulative Percent
Semi formal financier	Strongly agree	26	33,8	33,8
	Agree	30	39,0	72,7
	Uncertain	11	14,3	87,0
	Disagree	3	3,9	90,9
	Strongly disagree	7	9,1	100,0
	Total	77	100,0	
Informal financier	Strongly Agree	17	26,6	26,6
	Agree	20	31,3	57,8
	Uncertain	11	17,2	75,0
	Disagree	5	7,8	82,8
	Strongly disagree	11	17,2	100,0
	Total	64	100,0	

The table 4.14 above has two sections; the first section presents the results of the respondents who accessed semi-formal finance, while the second section presents results of the respondents who accessed informal finance. The following are the observations made from the first section of table 4.14.

Around 72% of the semi-formal financed incubatees believe that their high quality financial information is one of important factors that contribute to their access to finance. About 57% of the informal financed incubatees also say they are in a position to access finance because of their high quality financial information. Comparatively, it shows that semi-formal financiers are more attracted by high quality financial information of the incubatees than informal financiers.

The table 4.15 below shows the results on the respondents rating on the financiers' trust to the incubator managers as the success factor for business incubators financial intermediary role.

Table 4.15: Financiers' trust to the incubator managers

Type of Financier		Frequency	Percent	Cumulative Percent
Semi- formal Financier	Strongly Agree	25	32,5	32,5
	Agree	25	32,5	64,9
	Uncertain	21	27,3	92,2
	Disagree	5	6,5	98,7
	Strongly disagree	1	1,3	100,0
	Total	77	100,0	
Informal financier	Strongly Agree	16	25,0	25,0
	Agree	19	29,7	54,7
	Uncertain	11	17,2	71,9
	Disagree	9	14,1	85,9
	Strongly disagree	9	14,1	100,0
	Total	64	100,0	

The table 4.15 above has two sections; the first section presents the results of the respondents who accessed semi-formal finance, while the second section presents results of the respondents who accessed informal finance. The following are the observations made from the first section of table 4.15:

Around 65% of the semi-formal financed incubatees believe that the financiers' trust on the incubator managers is one of the factors that contribute to their access to finance. About 55% of the informal financed incubatees also say they are in a position to access finance because of the financiers' trust on the incubator managers. Looking at the result, it shows that there is larger number of semi-formal financiers who rely on their trust on incubator managers to provide loans to incubatees than the number of informal financiers.

The table 4.16 below shows the results on the respondents rating on whether incubated MSMEs are guaranteed by the incubators when they seek credits from financiers

Table 4.16: Incubator guarantee on Incubated MSMEs' credit

Type of Financier		Frequency	Percent	Cumulative Percent
Semi formal financier	Strongly Agree	16	20,8	20,8
	Agree	27	35,1	55,8
	Uncertain	21	27,3	83,1
	Disagree	9	11,7	94,8
	Strongly disagree	4	5,2	100,0
	Total	77	100,0	
Informal financier	Strongly Agree	10	15,6	15,6
	Agree	19	29,7	45,3
	Uncertain	17	26,6	71,9
	Disagree	6	9,4	81,3
	Strongly disagree	12	18,8	100,0
	Total	64	100,0	

The table 4.16 above similarly has also two sections; the first section also presents the results of the respondents who accessed semi-formal finance, and the second section presents results of the respondents who accessed informal finance. 55.8% of the semi-formal financed incubatees believe that the incubator guarantee on Incubated MSMEs' credit is an important contributing factor to their access to finance. About 45% of the informal financed incubatees also say they are in a position to access finance because of the incubator guarantee on incubated MSMEs' credit. The results show relatively larger number of incubatees who access semi-formal finance through incubator guarantee than those access informal finance.

4.3.1.5 Incubatees and incubator managers' social capital on Incubatees' financial accessibility

This section presents the descriptive results of both incubatee's and incubator manager's social capital, and show their relationships with incubatee's informal and semi-formal financial accessibility. In the literature review, it is argued that social capital is an important factor that influence financial accessibility particularly the non-formal financial accessibility. It is argued that even though there are laid down procedures on how to access finance, but entrepreneur's net-works can influence the accessibility to finance of an entrepreneur. Below is the table 4.17 which presents the descriptive statistics of incubatee's social capital in percentages and frequencies.

Table 4.17: Incubatee's Social capital

Variable	Responses						Mode	Mean	S.D
	Rating Scale								
	No support received	Support received							
0	1	2	3	4	5				
Bonding social capital									
Financial advice from family members	5.7	8.5	14.9	28.4	19.9	22.7	3.0	3.16	1.4
Financial support from family members	9.2	7.8	14.9	35.5	26.2	6.4	3.0	2.81	1.3
Financial advice from close friends and neighbours	2.8	8.5	18.4	33.3	27.7	9.2	3.0	3.02	1.2
Financial support from close friends and neighbours	9.2	7.1	15.6	41.1	18.4	8.5	3.0	2.78	1.3
Financial support from people of the same culture or ethnicity	7.8	6.4	14.9	44.7	16.3	9.9	3.0	2.85	1.3
Bridging social capital									
Financial advice from distant friends and colleagues	2.1	12.1	26.2	30.5	17.7	11.3	3.0	2.84	1.2
Financial support from distant friends and colleagues	5.0	9.9	34.0	35.5	10.6	5.0	3.0	2.52	1.1
Financial advice from fellow members in secondary groups	1.4	14.2	19.9	31.9	15.6	17.0	3.0	2.97	1.3
Financial support from fellow members in secondary groups	2.8	9.9	14.2	26.2	34.0	12.8	4.0	3.17	1.3
Linking social capital									
Financial advice from people with key positions in CSOs and PS	14.9	7.8	12.1	32.6	11.3	21.3	3.0	2.82	1.7
Financial support from people with key positions in CSOs and PS	13.5	5.7	14.2	34.0	12.8	19.9	3.0	2.87	1.6
Financial advice from people with key positions in GAs and PRs	19.1	9.2	15.6	22.0	16.3	17.7	3.0	2.60	1.7
Finance from with key positions in GAs and PRs	18.4	8.5	12.1	21.3	19.1	20.6	3.0	2.76	1.8

Where: 0 = I did not receive this support, 1 = Very little support, 2 = Little Support, 3 = Average, 4 = High support, 5 = Very high support, GAs = Government agencies, PRs = Public representatives, CSOs = Civil society organizations, PS = Private sector

The table 4.17 above presents the rating responses of the selected incubated MSMEs on the contribution of the network links they have to their businesses' access to external finance. The following are the observations made:

Linking social capital has four parameters i.e. Advisory support from people with key positions in civil society organizations, private sector, people with key positions in government agencies and representatives of the public on the financial matters. Financial support from people with key positions in civil society organizations, private sector, people

with key positions in government agencies and representatives of the public. Comparing responses to the linking social capital four parameters, incubatees had relatively higher rating on the "financial support from people with key positions in civil society organizations and private sector" parameter. The advisory support from people with key positions in government agencies and representatives of the public on the financial matters was rated the lowest of the four parameters. The average mean of these parameters is 2.8.

Bonding social capital has five parameters i.e. financial advice from family members, close friends and neighbours. Financial support from family members, close friends, neighbours and people of the same culture/ethnicity. Comparing responses to the bonding social capital five parameters, incubatees had relatively higher rating on the "Advisory support from family members on the financial matters" parameter. While financial support from close friends and neighbours was rated the lowest among the bonding social capital parameters. However, the average mean of all six parameters is 2.9, which is slightly higher than linking social capital.

Bridging social capital has four parameters i.e. Advice from distant friends, colleagues and fellow members in secondary groups on the financial matters. Financial support from distant friends, colleagues and fellow members in secondary groups. Comparing responses to the bridging social capital four parameters, incubatees had relatively higher rating on the "Financial support from fellow members in secondary groups" parameter. But financial support from distant friends and colleagues was rated the lowest of the four bridging parameters. The average mean of the four parameters is 2.9, which is higher than linking social capital but the same as bonding social capital.

In overall comparison, "financial support from fellow members in secondary groups" parameter was rated the highest, while "financial support from distant friends and colleagues" parameter was rated the lowest. Looking at the construct average means, it indicates that bonding and bridging social networks provide much more support to the incubatees than linking social networks.

The same parameters used in incubatee's social capital were also used to capture the incubator manager's social capital information. And the table 4.18 below presents the results of the respondents reaction on these parameters.

Table 4.18: Incubator manager's social capital

Variable Name	Responses in percentages						Mode	Mean	S.D
	Rating Scale								
	No support received	Support received							
0	1	2	3	4	5				
Bonding social capital									
Financial advice from incubator manager's family members	2.8	11.3	12.8	31.2	19.1	22.7	3.0	3.21	1.4
Financial support from incubator manager's family members	9.2	7.1	19.9	31.2	16.3	16.3	3.0	2.89	1.5
Financial advice from incubator manager's close friends and neighbours	4.3	9.2	29.1	22.7	22.7	12.1	2.0	2.87	1.3
Financial support from incubator manager's close friends and neighbours	2.8	7.8	24.8	27.0	27.0	10.6	3.0	2.99	1.2
Financial advice from incubator manager's people of the same ethnicity	4.3	11.3	19.9	38.3	14.9	11.3	3.0	2.82	1.3
Financial support from incubator manager's people of the same ethnicity	5.7	7.8	23.4	35.5	19.1	8.5	3.0	2.80	1.2
Bridging social capital									
Financial advice from incubator manager's distant friends and colleagues	14.9	5.7	10.6	27.0	24.8	17.0	3.0	2.92	1.6
Financial support from incubator manager's distant friends and colleagues	16.3	5.0	22.0	22.0	22.7	12.1	4.0	2.66	1.6
Financial advice from incubator manager's fellow members in secondary groups	14.9	8.5	14.9	16.3	24.8	20.6	4.0	2.89	1.7
Financial support from incubator manager's fellow members in secondary groups	19.1	7.1	7.8	24.1	23.4	18.4	3.0	2.81	1.7
Linking social capital									
Financial advice from incubator manager's people with key positions in CSOs and PS	7.8	7.1	15.6	21.3	20.6	27.7	5.0	3.23	1.6
Financial support from incubator manager's people with key positions in CSOs and PS	12.1	5.0	20.6	32.6	14.9	14.9	3.0	2.78	1.5
Financial advice from incubator manager's people with key positions in GAs and PRs	7.1	6.4	18.4	27.7	22.7	17.7	3.0	3.06	1.4
Financial support from incubator manager's people with key positions in GAs and PRs	7.8	8.5	13.5	31.9	22.0	16.3	3.0	3.01	1.4

Where: 0 = I did not receive this support, 1 = Very little support, 2 = Little Support, 3 = Average, 4 = High support, 5 = Very high support, GAs = Government agencies, PRs = Public representatives, CSOs = Civil society organizations, PS = Private sector

The table 4.18 above presents the rating responses of the selected incubated MSMEs on the contribution of the incubator managers' network links to their businesses' access to external finance. The following are the observations made:

Bridging social capital has four parameters i.e. advisory support from incubator manager's distant friends and colleagues on the financial matters, financial support from incubator manager's distant friends and colleagues, advisory support from incubator manager's fellow members in secondary groups on the financial matters and financial support from incubator manager's fellow members in secondary groups. Incubatees have relatively higher rating on the "advisory support from incubator manager's distant friends and colleagues on the financial matters" parameter. They rate financial support from incubator manager's distant friends and colleagues relatively low. The average mean of the incubator manager's bridging social capital construct 2.8. Bonding social capital has six parameters i.e. advisory support from incubator manager's family members on the financial matters, financial support from incubator manager's family members, advisory support from incubator manager's close friends and neighbours on the financial matters, financial support from incubator manager's close friends and neighbours, advisory support from incubator manager's people of the same culture or ethnicity on the financial matters and financial support from incubator manager's people of the same culture or ethnicity. Incubatees have relatively higher rating on the "advisory support from incubator manager's family members on the financial matters" parameter. The average mean of incubator manager's bonding social capital is 2.9, which is comparatively higher than incubator manager's bridging social capital.

Linking social capital has four parameters i.e. advisory support from incubator manager's people with key positions in civil society organizations and private sector on the financial matters, financial support from incubator manager's people with key positions in civil society organizations and private sector, advisory support from incubator manager's people with key positions in government agencies and representatives of the public on the financial matters and financial support from incubator manager's people with key positions in government agencies and representatives of the public. Comparing responses to the four parameters, incubatees have relatively higher rating on the "advisory support from incubator manager's people with key positions in civil society organizations and private sector on the financial matters" parameter. "Financial support from incubator manager's people with key positions in

civil society organizations and private sector” is rated relatively low. The average mean of incubator manager’s linking social capital is 3.0, which is relatively higher than incubator manager’s bridging and bonding social capital.

In overall comparison, "advisory support from incubator manager’s people with key positions in civil society organizations and private sector on the financial matters" parameter is rated the highest, while "financial support from incubator manager's distant friends and colleagues" parameter is rated the lowest. Looking at the construct average means, it indicates that incubator manager’s linking social networks provide much more support to the incubatees than bridging and bonding social networks.

4.3.2 The impact of business incubation on MSMEs access to informal and semi-formal finance

This part of research analysis intends to test the predictive impact of business incubator’s monitoring services on incubatee’s financial management capabilities, but also to assess the direct impact of these services on MSMEs informal and semi-formal formal financial accessibility. The analysis also intends to assess the impact of incubatee’s financial management capabilities on both informal and semi-formal financial accessibility. Also the moderating impact of bonding, bridging and linking social capital of both incubatee and incubator manager has to be put into consideration. Nevertheless while this is a focus, there are some other variables that are not of research interest but it is necessary to put them into consideration because they are part and parcel of the respondents environment and behaviour. These variables constitute the profile of an incubated enterprises .

Before the process of inferential analysis starts, it is necessary to know the data distribution i.e. to know if data are normally or non-normally distributed. This enable the researcher to know whether he should use parametric or non-parametric tests. The normality test was undertaken by using Kolmogorov-Smirnov and Shapiro-Wilk tests as shown in the table below.

Table 4.19: Testing the Data normality

Variable	Kolmogorov-Smirnov		Shapiro-Wilk	
	Statistic	Sig.	Statistic	Sig.
IMS	0.102	0.002	0.951	0.000
FMC	0.181	0.000	0.897	0.000
IBS	0.071	0.076	0.987	0.187
IRS	0.111	0.000	0.983	0.077
ILS	0.140	0.000	0.936	0.000
MBS	0.108	0.000	0.973	0.007
MRS	0.144	0.000	0.917	0.000
MLS	0.105	0.001	0.943	0.000
MFA	0.083	0.019	0.985	0.113

From the table above, Kolmogorov-Smirnov test shows that the data for incubatee's bonding social capital (IBS) are normally distributed, while the rest are non-normally distributed. Shapiro-Wilk test suggests that data for incubatee's bonding social capital (IBS), incubatee's bridging social capital (IRS) and MSMEs financial accessibility (MFA) are normally distributed, while the rest are non-normally distributed. There is a contradiction between Kolmogorov-Smirnov test and Shapiro-Wilk test in the data distribution of IRS and MFA, while Kolmogorov-Smirnov test shows that IRS and MFA data are non-normally distributed, Shapiro-Wilk test indicates that they are normally distributed. When this circumstance happen, then Shapiro-Wilk test prevail because it is the most recent and more accurate test of normality. Due to these results, the non-parametric tests are recommended because parametric tests are used under the assumption that the data are normally distributed, and because there are variables which have non-normally distributed data, then non-parametric tests are reliable for this study. Spearman correlation, Kruskal Wallis test and Partial Least Squares (PLS) regressions analysis were employed to analyse various variable relations including the relationships between business incubator's monitoring services and financial management capabilities, the moderating effect of social capital on the relationship between incubated MSMEs' financial management capabilities and incubated MSMEs' financial accessibility.

4.3.2.1 Demographic characteristics of incubated enterprises

Variables with which the data were collected along with variables of interest are incubation period, incubatee's business age, incubatee's business sector (enterprise activity) type of business incubators, incubatee's business capital, incubatee's business number of employees, incubatee's type of business ownership, amount of loan requested by the incubatee. Before focusing on the research objectives, Kruskal-Wallis has been employed to test if these variables have any influence on the incubatees' type of financiers. Those variables with significant influence must be included in the PLS regressions models as control variable so as to ensure the reliability of the PLS results. The Kruskal-Wallis results are presented in the table below.

Table 4.20: Influence of business ownership on incubatee's access to finance

Difference between types of ownership (a) & (b) With regard to type of financier		Chi-square
Type of ownership (a)	Type of ownership (b)	
SPR	PTN	6.596*
SPR	LCP	1.374
PTN	LCP	0.512

Based on the results in the table above, it shows that business ownership has a significant influence on the incubatees' access to finance. There is a significant difference between incubated sole proprietors (SPR) and partnerships (PTN) with regard to type of finance the incubatees access, but there is no significant difference between limited companies (LCP) and either partnerships or sole proprietors. This reflects what happens in Tanzania finance sector, in fact all types of financiers highly prefer limited companies over other forms of business ownerships. Limited companies can easily access finance from informal, semi-formal and formal finance because they are considered the safest customers and therefore the risk associated with loans provision is considered low. The findings are in line with those of Cassar (2004), Coleman and Cohn (2000) and Kira and He (2012) who found that financiers observe incorporation as a good indicator for firm's trustworthiness and commitment to operational laws. They have revealed that there is a significant relationship between the firm incorporation and credit accessibility.

Now when the type of finance is concerned, majority of sole proprietors access finance from semi-formal financiers through mainly group lending strategy but there is also a significant

number of companies which access finance from semi-formal financiers. However companies do not use group lending strategy because they are trusted enough to be given loans on individual basis. Likewise, a significant number of companies access finance from informal financiers. This is especially the case for business in ICT sector where large number of incubatees are registered small companies and they access finance from project funds that focus on promoting the enterprises in the sector. The difference between companies and partnerships is insignificant because large percentage of the few partnerships access credits from informal financiers. This explains why there is a significant difference on type of finance between sole proprietors and partnerships, but no difference between limited companies and either partnerships or sole proprietors.

Table 4.21: Influence of business sector on financial accessibility

Difference between types of sector (a) & (b) With regard to type of financier		Chi-square
Type of sector (a)	Type of sector (b)	
MRK	BDS	6.996*
MRK	FPC	1.289
MRK	RDP	1.749
MRK	OMF	1.817
MRK	ICT	6.743*
BDS	FPC	13.341*
BDS	RDP	12.519*
BDS	OMF	14.364*
BDS	ICT	1.236
FPC	RDP	0.173
FPC	OMF	0.066
FPC	ICT	11.647*
RDP	OMF	0.041
RDP	ICT	10.324*
OMF	ICT	7.239*

Also, the type of business sector in which incubatees operate influences the access to finance. The results correspond with the findings by Kira and He (2012) which revealed that the industry of the firm significantly influence the firm's accessibility to financial loans. Some sectors are more preferred by the financiers mostly due to their policies or influenced by government policies. The Kruskal-Wallis results in the table above supports the findings of Kira and He (2012), the results suggest that enterprises operating in the sectors of marketing

(MRK), food processing (FPC), research and development (RDP) and manufacturing (OMF) tend to access finance from more or less the same type of financiers, in this study majority of them access finance from semi-formal financiers. While those operating in business development services (BDS) and information and communication technology (ICT) tend to access finance from another type of finance mainly from informal financiers particularly from projects which focus on supporting the entrepreneurs in BDS and ICT sectors.

Table 4.22: Demographic characteristics of incubated enterprises and financial accessibility

	BA	NE	BC	IP	AL	MFA
BA	1.000	0.241**	0.335**	0.668**	0.181*	0.019
NE		1.000	0.476**	0.278**	0.218**	0.018
BC			1.000	0.121	0.287**	0.228**
IP				1.000	0.003	-0.010
AL					1.000	0.437**
MFA						1.000

* p < 0.05 (2-tailed).

** p < 0.01 (2-tailed).

The table above presents the Spearman correlation results, it shows that the amount of capital of enterprises affects their access to finance as well. business capital has a positive relationship with the financial accessibility. The larger the incubatee's amount of business capital, the higher the incubatee's financial accessibility. These results coincide with those of Honhyan (2009) and Balogun et.al. (2016) who argue that the size of the firm is a significant factor for MSMEs' loan accessibility According to them, larger firms have higher access to debt financing than smaller and medium sized firms because of economies of scale. Larger firms find it easier to borrow money from financiers than small firms which are in most cases experiencing diseconomies of scale. Correspondingly, Amount of loan requested by incubatees influences their decision on what type of financiers to apply the loan. Usually incubatees asking for larger amount of loan target the financiers who have a reputation of providing relatively large amounts of loans.

Incubation period has displayed insignificant influence on incubatee's financial accessibility This means that the length of incubation period has nothing to do with the type of finance an incubatee accesses in Tanzania. Neither informal nor semi-formal financiers consider length of time an incubatee has stayed in the business incubator as a criterion for providing credits to the incubatees. Likewise, number of employees has an insignificant influence on the

incubatee’s financial accessibility as well. This implies that the number of employees has nothing to do with the incubatee’s financial accessibility. Age of an incubated enterprise has nothing to do with the type of finance an incubatee accesses as well. However this is unexpected result because according to Chandler (2009), Klapper et al. (2010) and Kira and He (2012) argue that, firms at their early stage of operation experience incredibly limited access to finance, but as the financial accessibility improves as they grow.

Based on these results, business ownership, business sector, business capital and amount of loan are included in the PLS regressions analysis as control variables. PLS has been employed to test most of the hypotheses in this study.

4.3.2.2 Relationship between business incubation models and models of financial accessibility

In this section, the relationship between business incubation models and models of financial accessibility is assessed. The intention is to understand whether incubatees in either of the three models of incubation i.e. with-wall incubators, without-wall incubators and co-working spaces have a tendency of securing loans in a specific model of financing i.e. semi-formal financing or informal financing

Table 4.23 presents results from Kruskal-Wallis test. Here the Kruskal-Wallis shows the chi-square value when incubation models are compared in relation to incubatees responses to the type of financier.

Table 4.23: Relationship between incubation and financial models

Difference between model (a) & (b) With regard to type of financier		Chi-square
Incubation model (a)	Incubation model (b)	
WWI	WOI	55.212*
WWI	CWS	39.668*
WOI	CWS	0.069

* $p < 0.01$, WWI = With-wall incubators, WOI = Without-wall incubators, CWS = Co-working spaces

The following observation can be made from the table above: There is a significant difference between with-wall incubatees and without-wall incubatees in relation to the type financiers. This concurs and vindicates the descriptive results in figure 4.11 which show that majority of with-wall incubatees secure credits from semi-formal financiers while majority of without-

wall incubatees secure credits from informal financiers. The results also indicate that, there is a significant difference between with-wall incubatees and co-working spaces incubatees in relation to the type financiers. These findings also concur with the descriptive results in figure 4.11 which show that majority of with-wall incubatees secure credits from semi-formal financiers while majority of co-working spaces incubatees secure credits from informal financiers. The table above shows, insignificant difference between co-working spaces incubatees and without-wall incubatees in relation to the type financiers. This is in line with the descriptive results in figure 4.11 as well, which indicate that majority of both co-working spaces incubatees and without-wall incubatees secure credits from informal financiers.

4.3.2.3 Contribution of incubators to the MSMEs informal and semi-formal financial accessibility

This section of inferential results intended to investigate the contribution of business incubators to the MSMEs' access to informal and semi-formal financing. This was done by first determining the direct impact of business incubator's monitoring services on MSMEs' informal and semi-formal financial accessibility. Secondly, investigating if business incubators play a financial intermediation role between incubatees and financiers. Business incubator's financial intermediation role was observed by testing if business incubator's monitoring services have a significant impact on incubatee's financial management capabilities, and then testing if incubatee's financial management capabilities have a significant impact on MSMEs' informal and semi-formal financial accessibility. All hypotheses are tested in this part of the study by PLS regression.

The PLS was assessed by using five criteria i.e. path coefficients, f-square, t-statistics and p-values. The validation of structural models were achieved using SmartPLS3, the models were designed in PLS according to the guidelines given in the SmartPLS Guide (Ringle et.al. 2005). Bootstrapping was employed to test the statistical significance of each path coefficient, normally for the path coefficient in the structural model to be statistically significant it must result in t-value greater than 1.96 and a path coefficient with t-value above 1.96 has a p-value of less than 0.05. Therefore in all the PLS regression models results presented in tables below, the relationships between the variables are considered significant if the t-value is greater or equal to 1.96 and the p-value is less or equal to 0.05. Another criterion used is effect size (F^2), this is a measure of strength of each independent variable in explaining a dependent variable. According to Chin (1998b), F^2 -values ranging between 0.02 to 0.15 mean, independent variable represent a weak effect on a dependent variable, those ranging between from 0.15 to

0.35 suggest the independent variable has a moderate effect on a dependent variable. F^2 -values above 0.35 mean that an independent variable has a substantial effect on a dependent variable. F^2 -values of less than 0.02 indicate that the independent variable has no significant effect on the dependent variable. Therefore in this study any variable relationship with the F^2 -value less than 0.02 is considered insignificant.

Another criterion used in assessing the PLS results is the R^2 which is also called a coefficient of determination is a proportion of variance in the dependent variable that can be explained by the independent variables included in a model. According Moore et.al. (2013) if R^2 -value is less than 0.3 the predictors variables are generally considered to have none or very weak effect on the dependent variable, if R^2 -value ranges between 0.3 and 0.5 the predictors variables are generally considered to have weak effect on the dependent variable. If R^2 -value ranges between 0.5 and 0.7 the predictors variables are generally considered to have moderate effect on the dependent variable. Lastly, if R^2 -value is greater than 0.7 the predictors variables are generally considered to have strong effect on the dependent variable.

4.3.2.3.1 Impact of business incubator’s monitoring services on MSMEs’ informal and semi-formal financial accessibility

This sub-section highlights the direct impact of business incubator’s monitoring services (IMS) on MSMEs’ informal financial accessibility (iMFA) and MSMEs’ semi-formal financial accessibility (sMFA). Based on the literature review, if IMS relatively increase over a period of time, MSMEs financial accessibility also increases. Consequently, positive relationship is expected between IMS and MSMEs financial accessibility. The two tables below present results from PLS regressions analysis which indicate the impact of IMS on iMFA and sMFA.

Table 4.24: The impact of IMS on iMFA

Dependent variable: iMFA

($R^2 = 0.41$)

Variables	Path coefficient	Effect sizes (F^2)	t-values	p-values
IMS – Incubator’s monitoring services	0.326	0.131	2.481	0.013
BO – Business ownership	-0.266	0.069	1.555	0.120
BS – Business sector	-0.200	0.049	1.435	0.151
BC – Business capital	-0.051	0.002	0.290	0.772
AL – Amount of loan requested	0.097	0.011	0.756	0.450

Table 4.24 above presents results on impact of IMS on iMFA. This PLS regression model analyses the impact of IMS on iMFA while the impacts of BO, BS, BC and AL are put under control. The results indicate that the R^2 is less than 0.5 which means the variables included in the model have low effect on informal financial accessibility. Results also show that IMS has F^2 of less than 0.15, a t-value greater than 1.96 and a p-value of less than 0.05. This means that IMS has relatively low effect but has significant positive impact on iMFA i.e. when IMS increases by 1 unit, iMFA increases 32.6% and vice versa. Therefore, hypothesis 1.1 is accepted. On the other hand the results indicate that BO, BS, BC and AL have an insignificant impact on iMFA. This means that for those enterprises which are provided with supporting services by business incubators, their type of business ownership, the sector in which they operate, the amount of capital of their business and the amount of loan they request do not have a substantial impact on their informal financial accessibility. These results are contrary to those in tables 4.20 and 4.22 above which indicate that business ownership, business sector, business capital and amount of loan requested have significant influence on the incubatees' access to finance. The results are also contrary to findings by Kira and He (2012), Balogun et.al. (2016) and Fatoki and Asah (2011) which revealed significant relationship between the mentioned characteristics of enterprises and their financial accessibility. The variation of the results could be attributed to the following reason; the analysis for both the results in table 4.20 and the studies by above mentioned authors focused specifically on the characteristics of the enterprises alone. The results reflect the influence of business ownership, business sector, business capital and amount of loan requested on financial accessibility under normal circumstance. This is understandable because if there are no any special factors that can address the issue of financiers' money security, then financiers start relying on other general factors like enterprise's characteristics to assess the risk associated with loans' provision. But in the results in table 4.24 above, a special circumstance is created by the business incubator's monitoring services. The informal financiers here have to consider along with characteristics of an enterprise, the services provided by an incubator. As a result characteristics become of less importance to the financiers because the services provided by business incubators reduce significantly the financial risk arising from financiers' provision of credits to small enterprises.

Table 4.25: The impact of IMS on sMFA*Dependent variable: sMFA**(R²= 0.46)*

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
IMS – Incubator’s monitoring services	0.241	0.065	1.993	0.049
BO – Business ownership	-0.130	0.016	1.030	0.303
BS – Business sector	-0.135	0.019	1.211	0.226
BC – Business capital	0.012	0.002	0.086	0.818
AL – Amount of loan requested	0.050	0.003	0.413	0.679

Table 4.25 above presents results on the impact of IMS on sMFA. This PLS regression model analyses the impact of IMS on sMFA while the impacts of BO, BS, BC and AL are put under control. The results indicate that the R² is less than 0.5 which means the variables included in the model have low effect on semi-formal financial accessibility. Results also show that IMS has F² of less than 0.15, t-value greater than 1.96 and a p-value of less than 0.05. The results show that IMS has a low effect but significant positive impact on sMFA i.e. when IMS increases by 1 unit, sMFA increases 24.1% and vice versa. Therefore, hypothesis 1.2 is accepted. On the other hand the results indicate that BO, BS, BC and AL have an insignificant impact on sMFA which suggests that incubatees’ type of business ownership, amount of loan requested, business capital and the sector in which they operate do not have a considerable impact on their access to semi-formal finance. These findings concur with those in table 4.22 and therefore contradicting those of Kira and He (2012), Balogun et.al. (2016) and Fatoki and Asah (2011) for similar reasons. However when the results in tables 4.24 and 4.25 are compared, an argument can be made that the direct impact of business incubators’ services on incubatees’ access to finance is stronger in informal finance than semi-formal finance. This can be observed by comparing the path coefficients and effect sizes. This echoes what is happening in Tanzanian financial environment. Based on the qualitative findings, non-formal financiers prefer incubated enterprises partly due to the trust they have on business incubators’ managements. The trust has been built on the services provided to incubatees which have consistently proved to be helpful to the improvement of incubatees’ financial management. Now due to this trust to incubators, financiers have started reducing weight of other criteria for assessing loan applicants. But this happens in most cases among informal financiers because these financiers are not subjected to any serious regulatory framework, therefore they are not bound to any framework of loan provision. Under such circumstance, it

is not surprising that some informal financiers like the innovation fund project run in collaboration between TANZICT and COSTECH has recently provided loans under the condition that an applicant must be hosted by an incubator. This explains why IMS has a relatively strong impact on incubatees' access to informal finance.

For semi-formal financiers, they are subjected to relatively strong regulatory framework. Financiers like microfinance NGOs and SACCOs can not be flexible to an extent of introducing the selection criteria that suit the understanding of the current management. Therefore even if they have trust on business incubators but the applicants will be required to meet other requirements as per regulatory authorities. This explains why the impact of IMS on incubatees' access to semi-formal finance is significant but less strong than in informal finance.

4.3.2.3.2 Business incubators' financial intermediation role between incubated MSMEs and financiers.

The intention here was to investigate if business incubators act as financial intermediaries between MSMEs and non-formal financiers i.e. informal and semi-formal financiers. This was done by first determining the impact of business incubator's monitoring services (IMS) on incubatee's financial management capabilities (FMC), then assessing the impact of FMC on informal and semi-formal financial accessibility. As stated in literature review, if business incubator's monitoring services relatively increase over a period of time they lead to increase in incubatees' financial management capabilities. Therefore positive relationship was expected between IMS and FMC. Also the reviewed studies show that when FMC increases over a period of time, MSMEs financial accessibility (MFA) also increases. Thus positive relationship was expected between FMC and MFA.

Table 4.26: The impact of IMS on FMC

Dependent: FMC

(R² = 0.73)

Variables	Path Coefficients	Effect Sizes (F ²)	t-values	p-values
IMS – Incubator's monitoring services	0.346	0.137	4.712	0.000
BO – Business ownership	-0.101	0.010	1.164	0.244
BS – Business sector	0.073	0.006	0.927	0.354
BC – Business capital	0.023	0.001	0.312	0.755
AL – Amount of loan requested	0.156	0.025	1.875	0.061

Table 4.26 presents results from PLS regressions analysis which analyses the impact of IMS on FMC. Based on the results in the table above, it shows that the R^2 is greater than 0.7 which means the variables included in the model have strong effect on FMC. Results also show that IMS has F^2 of less than 0.15, a t-value greater than 1.96 and a p-value of less than 0.05. This means that IMS has a low effect but significant positive impact on FMC i.e. when IMS increases by 1 unit, FMC increases 34.6% and the other way round. Therefore, the hypothesis 2 is accepted. This means that the business incubator services like management assistance, professional business services and financial consultancy provided to incubatees increase the incubatees' financial management capabilities. On the other hand, BO, BS, BC and AL have insignificant impact on FMC indicating that the type of ownership an incubatee has on his/her business has nothing to do with his/her financial management capabilities. The business sector in which an incubatee's business operates also has no influence on incubatee's financial management capabilities. Similarly the amount of loan requested by the incubatee has nothing to do with his/her financial management capabilities. BC has no influence on financial management capabilities as well. Generally, the findings are in line with the arguments made by Nieman et.al. (2006) and Gitman (2010) who argued that to have good financial management, entrepreneurs must have capabilities to make sound financial and investment decisions, to effectively make sound financial plans and manage cash flow. The findings also concur with the results by Berrones (2010) who found that services provided by business incubators to young enterprises improve professionalization of their financial management.

Table 4.27: The impact of FMC on iMFA

Dependent: iMFA

$(R^2 = 0.44)$

Variables	Path coefficients	Effect sizes (F^2)	t-values	p-values
FMC - Financial management capabilities	0.034	0.001	0.222	0.824
BO – Business ownership	-0.307	0.096	1.761	0.079
BS – Business sector	-0.327	0.135	2.867	0.004
BC – Business capital	0.354	0.148	2.809	0.005
AL – Amount of loan	-0.090	0.009	0.648	0.517

Table 4.27 presents results for PLS regressions analysis that analyses the impact of FMC on MSMEs informal financial accessibility (iMFA). The findings show that the R^2 is less than 0.5 which means the variables included in the model have low effect on iMFA. Findings also show that FMC has F^2 of less than 0.02, a t-value less than 1.96 and a p-value greater than 0.05. This suggests that FMC has a no effect and has insignificant impact on iMFA. This

implies that enterprises' financial management capabilities have no influence on their access to informal finance. Therefore, hypothesis 3.1 is rejected. Similarly, BO and AL have insignificant impact on iMFA, which suggests that the type of ownership an enterprise has on his/her business has no significant influence on his/her access to informal finance. Also, the amount of loan requested by an enterprise has insignificant influence on his/her access to informal finance. On the other side, BC and BS have significant effect on enterprises' access to informal finance which reveals that the size of a business in terms of capital and the sector in which a business operates are more considered by informal financiers than financial management capabilities. Generally the results contradict the findings by Berrones (2010) and Nauwelaers and Walburn (2013) who disclose that financial management capabilities have significant impact on SMEs' access to finance, it could be expected that because IMS has significant positive impact on financial accessibility and financial management capabilities, and because the qualitative findings show that financiers have high trust on incubator managers, then financial management capabilities is an important criterion for financiers to provide loans. But results here suggest otherwise, this is associated with two reasons; first strong informal financiers who can easily assess the financial management capabilities level of the enterprises, they mainly focus on their priorities. For instance project funds from organisations like COSTECH, TANZICT focus on enterprises in ICT sector, so no matter the financial management capabilities an applicant must in most cases be related to ICT sector. Secondly, for the small informal financiers who do not focus in a specific sectors rely mainly in collaterals. These two facts undermine the role of financial management capabilities on enterprises' access to informal finance, rather elevating the influence of business sector and business capital.

Table 4.28: The impact of FMC on sMFA

Dependent: sMFA

$(R^2 = 0.56)$

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.757	1.248	12.326	0.000
BO – Business ownership	0.047	0.004	0.807	0.420
BS – Business sector	-0.093	0.020	1.381	0.167
BC – Business capital	-0.074	0.011	1.123	0.261
AL – Amount of loan	-0.108	0.025	1.537	0.124

Table 4.28 presents results for PLS regressions analysis that analyses the impact of FMC on sMFA. The results indicate that the R² is less than 0.7 which imply, variables included in the model have moderate effect on sMFA. They also show that FMC has F² of more than 0.35, a

t-value slightly above 12 and a p-value of less than 0.05. This reveals that FMC has a substantial effect and strongly significant positive impact on sMFA. The findings infer that high incubatee's financial management capabilities leads to incubatee's high accessibility of semi-formal finance. Therefore, hypothesis 3.2 is accepted. The results also show that, the control variables i.e. BO, BS, BC and AL have insignificant impact on sMFA. This means that, the type of ownership an entrepreneur has on his/her business has no significant influence on his/her access to semi-formal finance. Similarly, the business sector in which an entrepreneur's business operates also has nothing to do with his/her access to semi-formal finance. Likewise, the business capital of an entrepreneur has no significant influence on entrepreneur's access to semi-formal finance. Also amount of loan sought by the entrepreneur has no significant influence on entrepreneur's access to semi-formal finance.

These findings contradict the results in table 4.26, but concur with the findings by Berrones (2010) and Nauwelaers and Walburn (2013). This reflects the fact that semi-formal financiers significantly focus on the financial management capabilities as one of the requirements for the enterprises to be given loans. It is also observed through the effect size that financial management capabilities is a very important factor for accessing semi-formal finance. This is mainly because semi-formal finance regulatory authorities consider good financial management as an important factor that enable enterprises to successfully run the businesses and hence in a position to pay back the credits. Therefore based on the regulatory framework, semi-formal financiers automatically put more emphasis on financial management capabilities than other characteristics of enterprises.

4.3.2.4 Impact of incubatee and incubator manager's social capital on iMFA and sMFA

This part of inferential analysis intended to determine the direct impacts of incubatee's and incubator manager's social capitals on both informal and semi-formal financial accessibility. This was done by first determining the impact of incubatee's bonding, bridging and linking social capitals on informal financial accessibility (iMFA) and semi-formal financial accessibility (sMFA). As stated in literature review, social capital has a positive impact on financial accessibility. So incubatee's social capital positive impact was expected on iMFA and sMFA. Also the impact of incubator manager's bonding, bridging and linking social capitals on iMFA and sMFA was assessed. Similarly it was expected that incubator manager's social capital has a positive impact on iMFA and sMFA.

Table 4.29: The impact of incubatee and incubator manager's bonding social capital on iMFA*Dependent: iMFA**(R² = 0.69)*

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.081	0.013	0.989	0.323
IBS - Incubatee's bonding social capital	0.723	1.066	7.130	0.000
MBS – Incubator manager's bonding social capital	-0.106	0.027	0.960	0.338
BO – Business ownership	-0.221	0.102	1.740	0.082
BS – Business sector	-0.177	0.078	1.692	0.091
BC – Business capital	0.124	0.028	1.299	0.194
AL – Amount of loan	-0.025	0.001	0.259	0.795

Table 4.29 above presents results from PLS regressions analysing the impact of FMC, IBS and MBS on iMFA. It shows that the R² is less than 0.7 which means the variables included in the model have moderate effect on iMFA. Results also suggest that FMC has F² of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05. It means that FMC has no effect and has an insignificant impact on iMFA. However such results have already been presented in the section above. Furthermore, findings show that IBS has F² greater than 0.35, a t-value of around and a p-value of less than 0.05. This indicates that IBS has a strong effect and significant positive impact on iMFA, which means that, incubatee's close friends, family members and neighbours help an incubatee in one way or another to access informal finance. Therefore, hypothesis 4.1 is accepted. The findings also indicate that MBS has F² of less than 0.15, a t-value less than 1.96 and a p-value of greater than 0.05. It suggests that MBS has no effect and has an insignificant impact on iMFA, which implies that the incubator manager's close friends, family members and neighbours have nothing to do with the incubatee's access to informal finance. Consequently, hypothesis 5.1 is rejected. In this regression model, the results of the control variables i.e. BO, BS, BC and AL are also shown and they all have insignificant influence on the iMFA. The findings are partly in line and partly contrary to the findings by Bollingtoft and Ulhoi (2005), Ronning (2011) and Kim et.al. (2009) who found that social capital has a significant positive relationship with financial accessibility.

Based on these results, informal financiers easily provide loans to the incubatee through social network links. They feel more secure when the borrowers are well known or related to the people they (financiers) have connection with. The disclosure is also made that incubator

managers do not involve their family members, close friends and neighbours on issues of incubatees' financial accessibility.

Table 4.30: The impact of incubatee and incubator manager's bridging social capital on iMFA
Dependent: iMFA $(R^2 = 0.66)$

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.075	0.014	0.841	0.400
IRS - Incubatee's bridging social capital	0.693	1.215	7.245	0.000
MRS – Incubator manager's bridging social capital	-0.112	0.034	1.173	0.241
BO – Business ownership	-0.125	0.038	0.994	0.321
BS – Business sector	-0.269	0.194	2.360	0.018
BC – Business capital	0.005	0.000	0.054	0.957
AL – Amount of loan	-0.036	0.003	0.381	0.704

The table above presents findings on the impact of FMC, IRS and MRS on iMFA. The findings show, the R^2 is less than 0.7 meaning that the variables included in the model have moderate effect on iMFA. They also show that FMC has F^2 of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05, which means that FMC has no effect and has an insignificant impact on iMFA. The results further show that IRS has F^2 quite above 0.35, t-value more than 1.96 (above 7.0) and a p-value of less than 0.05. It suggests that IRS has strong effect and has a significant positive impact on iMFA, which means that incubatee's distant friends, colleagues and secondary groups help an incubatee to access informal finance. Therefore, hypothesis 4.2 is accepted. The findings also indicate that MRS has F^2 of less than 0.15, t-value less than 1.96 and a p-value of greater than 0.05. It means that MRS has low effect and its impact on iMFA is insignificant, which reveals that the incubator manager's distant friends, colleagues and secondary groups have no any significant influence on the incubatee's access to informal finance. Thus, hypothesis 5.2 is rejected. The results of the control variables i.e. BO, BS, BC and AL are also indicated. AL, BO and BC have insignificant influence on the iMFA in this model, while BS positively influences the iMFA. The results expose the fact that informal financiers also prefer to provide loans to the incubatees through social groups. They feel more secure when the borrowers belong to secondary groups which provide guarantee to every member of a group. The disclosure is also made that incubator managers do not involve their distant friends, colleagues and fellow members in secondary groups on issues of incubatees' financial accessibility. Like in

informal finance, these findings also partly concur and partly contradict with the findings by Bollingtoft and Ulhoi (2005), Ronning (2011) and Kim et.al. (2009).

Table 4.31: The impact of incubatee and incubator manager’s linking social capital on iMFA
Dependent: iMFA $(R^2 = 0.58)$

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.338	0.097	1.709	0.088
ILS - Incubatee’s linking social capital	-0.014	0.000	0.129	0.897
MLS – Incubator manager’s linking social capital	0.092	0.008	0.691	0.490
BO – Business ownership	0.324	0.095	1.977	0.048
BS – Business sector	-0.313	0.113	2.719	0.007
BC – Business capital	0.047	0.002	0.310	0.757
AL – Amount of loan	-0.062	0.004	0.411	0.681

Table 4.31 presents the impact of FMC, ILS and MLS on iMFA. It shows that FMC has an insignificant impact on iMFA. The results indicate that the R² is less than 0.7 m that the variables included in the model have moderate effect on iMFA. They also show that FMC has F² of more than 0.02 but less than 0.15, a t-value less than 1.96 and a p-value of greater than 0.05, which means that FMC has low effect and insignificant impact on iMFA. Results also indicate that ILS and MLS have F² values of less than 0.02, t-values less than 1.96 and p-values of greater than 0.05. This shows that both ILS and MLS have no effect and have insignificant impact on iMFA, which suggests, both incubatee’s and incubator manager’s links to people with key positions in government agencies, private sector, civil societies organisations and public representatives have no substantial influence on incubatee’s access to informal finance. Thus, both hypotheses 4.3 and 5.3 are rejected. The findings also indicate that BC and AL have also insignificant impact on incubatee’s access to informal finance, while BO and BS have significant influence on incubatee’s access to informal finance. The findings are totally contrary to those of Bollingtoft and Ulhoi (2005), Ronning (2011) and Kim et.al. (2009).

The results expose the fact that incubatees have very limited connection to people with key positions in the society. The revelation is also made that incubator managers either have limited connections to people with key positions in the societies or they do not involve their connections on issues of incubatees’ financial accessibility.

Table 4.32: The impact of incubatee and incubator manager’s bonding social capital on sMFA
Dependent: sMFA ($R^2 = 0.65$)

Variables	Path coefficients	Effect sizes (F^2)	t-values	p-values
FMC - Financial management capabilities	0.267	0.092	2.566	0.010
IBS - Incubatee’s bonding social capital	0.398	0.163	3.454	0.001
MBS – Incubator manager’s bonding social capital	0.015	0.000	0.108	0.914
BO – Business ownership	-0.034	0.001	0.296	0.767
BS – Business sector	-0.059	0.005	0.583	0.560
BC – Business capital	0.038	0.002	0.364	0.716
AL – Amount of loan	-0.056	0.006	0.632	0.527

Table 4.32 above also presents PLS regressions results on the impact of FMC, IBS and MBS on sMFA. Results show, the R^2 value falls between 0.5 and 0.7 which means that the variables included in the model have moderate effect on sMFA. Also it is indicated that FMC has F^2 value falling between 0.02 and 0.15, a t-value of above 1.96 and a p-value of less than 0.05, which implies that FMC has low effect and has significant impact on sMFA. However these results have also already been presented in the section above. The presented results in this particular table also show that IBS has F^2 value falling between 0.15 and 0.35, a t-value of above 1.96 and a p-value of less than 0.05. This suggests that IBS has a moderate effect and a significant impact on sMFA, which means that, incubatee’s close friends, family members and neighbours help an incubatee to access semi-formal finance. Therefore, hypothesis 4.4 is accepted. The findings also indicate that MBS has F^2 of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05. It shows that MBS has no effect and has an insignificant impact on sMFA, which implies that the incubator manager’s close friends, family members and neighbours have nothing to do with the incubatee’s access to semi-formal finance. Consequently, hypothesis 5.4 is rejected. In this regression model, the results of the control variables i.e. BO, BS, BC and AL are also shown and they all have insignificant influence on the sMFA in this model. The findings are partly in line with the reviewed in the which found that social capital has a significant positive relationship with financial accessibility.

Based on these results just like informal financiers, semi-formal financiers also easily provide loans to the incubatee through social network links. They feel more secure when the borrowers are well known or related to the people they (semi-formal financiers) have connection with. The results also vindicate the findings presented in table 4.28 which show

that incubator managers do not involve their family members, close friends and neighbours on issues of incubatees' financial accessibility.

Table 4.33: The impact of incubatee and incubator manager's bridging social capital on sMFA
Dependent: sMFA ($R^2 = 0.68$)

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.253	0.125	2.679	0.007
IRS - Incubatee's bridging social capital	0.683	0.910	9.815	0.000
MRS – Incubator manager's bridging social capital	-0.127	0.031	1.240	0.215
BO – Business ownership	0.015	0.000	0.179	0.858
BS – Business sector	-0.100	0.022	1.313	0.189
BC – Business capital	0.090	0.016	1.117	0.264
AL – Amount of loan	0.006	0.000	0.066	0.948

Table 4.33 presents findings on the impact of FMC, IRS and MRS on sMFA. The findings indicate that the R^2 is within the range of 0.5 to 0.7 meaning that the variables included in the model have moderate effect on sMFA. The findings also show that FMC has F^2 value of slightly less than 0.15, a t-value of more than 1.96 and a p-value of less than 0.05, which means that FMC has weak effect but has a significant impact on sMFA. The findings show, IRS has F^2 value above 0.35, a t-value of more than 1.96 and a p-value of less than 0.05. This indicates that IRS has strong effect and significant impact on sMFA which means, incubatee's distant friends, colleagues and secondary groups help an incubatee to access semi-formal finance. Therefore, hypothesis 4.5 is accepted. The findings also show that MRS has F^2 value slightly above 0.02, a t-value less than 1.96 and a p-value of greater than 0.05. This indicate that MRS has weak effect and has an insignificant impact on sMFA, which implies that the incubator manager's distant friends, colleagues and secondary groups have no any significant influence on the incubatee's access to semi-formal finance. Thus, hypothesis 5.5 is rejected. The control variables i.e. BO, BS, BC and AL have insignificant influence on the sMFA in this model as well.

The results echoes the fact that semi-formal financiers in Tanzania prefer to provide loans to the incubatees through social groups than giving individual entrepreneurs with no sufficient collateral. Their finance is more secure when the entrepreneurs belong to secondary groups which provide guarantee to every member of a group. The results have also cemented finding that incubator managers do not involve their distant friends, colleagues and fellow members in secondary groups on issues of incubatees' financial accessibility. Like in informal finance, these findings also partly concur and partly concur with the findings reviewed in the literature.

Table 4.34: The impact of incubatee and incubator manager’s linking social capital on sMFA
Dependent: sMFA $(R^2 = 0.60)$

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.218	0.039	1.989	0.048
ILS - Incubatee’s linking social capital	0.023	0.000	0.161	0.872
MLS – Incubator manager’s linking social capital	0.329	0.063	2.088	0.037
BO – Business ownership	-0.116	0.016	1.115	0.265
BS – Business sector	-0.105	0.014	1.045	0.296
BC – Business capital	0.020	0.000	0.184	0.854
AL – Amount of loan	-0.089	0.010	0.733	0.464

Table 4.34 presents findings on the impact of FMC, ILS and MLS on sMFA. The results indicate that the R^2 is less than 0.7 meaning that the variables included in the model have moderate effect on sMFA. They also show that FMC has F^2 value of slightly above 0.02, a t-value of more than 1.96 and a p-value of less than 0.05. It means that FMC has weak effect and has a significant impact on sMFA. Also findings indicate that ILS has F^2 of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05. This suggests that ILS has no effect and has an insignificant impact on sMFA, meaning that incubatee’s links to people with key positions in government agencies, private sector, civil societies organisations and public representatives have no substantial influence on incubatee’s access to semi-formal finance. So, the hypothesis 4.6 is rejected. On the other hand, MLS has F^2 of more than 0.02, a t-value of more than 1.96 and a p-value of less than 0.05, which means that MLS has weak effect and a significant impact on sMFA, suggesting that incubator manager’s links to people with key positions in government agencies, private sector, civil societies organisations and public representatives have a substantial influence on incubatee’s access to semi-formal finance. Thus, hypothesis 5.6 is accepted. The findings also indicate that, the control variables in the model have also insignificant impact on incubatee’s access to semi-formal finance.

The result maintain the findings above that incubatees have very limited connection to people with key positions in the society. But it reveals that incubator managers use their connections to people with key positions in the societies to assist incubatees to access semi-formal finance.

4.3.2.5 Moderating impact of Incubatee's and incubator manager's social capital on the FMC-MFA relationship

This section intended to determine the moderating impact of incubatee's and incubator manager's social capitals on the relationship between FMC and both informal and semi-formal financial accessibility. This was done by determining the direct impact of IBS, IRS and ILS on informal financial accessibility (iMFA) and semi-formal financial accessibility (sMFA). Then investigating the interactive impact of incubatee's bonding social capital (FMC-IBS), incubatee's bridging social capital (FMC-IRS), incubatee's linking social capital (FMC-ILS), incubator manager's bonding social capital (FMC-MBS), incubator manager's bridging social capital (FMC-MRS) and incubator manager's linking social capital (FMC-MLS) on iMFA and sMFA. The significant interactive impact shows that a particular social capital moderates the particular FMC-MFA relationship, while insignificant interactive impact means no moderation.

Table 4.35: Moderating effect of Incubatee and incubator manager's bonding social capital on FMC-iMFA relationship

Dependent: iMFA

(R² = 0.49)

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	-0.040	0.003	0.410	0.682
IBS – Incubatee's bonding social capital	0.747	1.146	9.130	0.000
MBS – Incubator manager's bonding social capital	-0.099	0.022	1.048	0.295
FMC_IBS	0.182	0.075	2.147	0.032
FMC_MBS	-0.072	0.009	0.652	0.514

Table 4.35 above presents PLS regression results . Model 1 analyses the impact of FMC, IBS, MBS, FMC-IBS and FMC-MBS on iMFA. The findings show, the R² is less than 0.5 meaning that the variables included in the model have relatively weak effect on iMFA. They also show that FMC has F² of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05, which means that FMC has no effect and has an insignificant impact on iMFA. The findings show, IBS has F² of more than 0.35, a t-value of more than 1.96 and a p-value of less than 0.05, which means that IBS has strong effect and a significant impact on iMFA. While MBS has F² of around 0.02, a t-value less than 1.96 and a p-value of greater than 0.05, which indicates that MBS has weak effect and insignificant impact on iMFA. The part of major interest in this model indicates that FMC-MBS has insignificant impact on iMF while FMC-MBS has a significant positive impact on iMFA. This means that incubator manager's bonding social capital has insignificant moderating impact on the relationship between

incubatee’s financial management capabilities and informal financial accessibility. The significance of FMC_IBS was supposed to indicate that incubatee’s bonding social capital has a significant positive moderating impact on the relationship between incubatee’s financial management capabilities and informal financial accessibility. However because financial management capabilities have no significant impact on informal finance, the FMC_IBS significance is meaningless due to the fact that there is no relationship to moderate. Subsequently, hypotheses 6.1 and 7.1 are rejected.

Table 4.36: Moderating effect of Incubatee and incubator manager's bridging social capital on FMC-iMFA relationship

Dependent: iMFA (R² = 0.54)

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	-0.081	0.015	1.081	0.280
IRS – Incubatee’s bridging social capital	0.763	1.231	8.478	0.000
MRS – Incubator manager’s bridging social capital	-0.036	0.003	0.499	0.618
FMC_IRS	0.125	0.047	1.888	0.059
FMC_MRS	-0.013	0.001	0.237	0.813

The table 4.36 presents results on the impact of FMC, IRS, MRS, FMC-IRS and FMC-MRS on iMFA. The results in this regression model show that the R² is less than 0.7 meaning that the variables included in the model have moderate effect on iMFA. Results also show that FMC and MRS have F² of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05, which means that both FMC and MRS have no effect and have insignificant impact on iMFA. On the other hand, IRS has F² of above 0.35, a t-value of more than 1.96 and a p-value of less than 0.05, which suggests that IRS have strong effect and have insignificant impact on iMFA. The interactive variables in this model indicates that both FMC-IRS and FMC-MRS have insignificant impact on iMFA. This implies that incubatee’s bridging social capital and incubator manager’s bridging social capital have no moderating impact on the relationship between incubatee’s financial management capabilities and informal financial accessibility. Thus, hypotheses 6.2 and 7.2 are rejected.

Table 4.37: Moderating effect of Incubatee and incubator manager's linking social capital on FMC-iMFA relationship

Dependent: iMFA

(R² = 0.46)

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.106	0.010	0.693	0.489
ILS – Incubatee’s linking social capital	-0.140	0.021	1.222	0.222
MLS – Incubator manager’s linking social capital	0.135	0.036	1.920	0.059
FMC_ILS	-0.113	0.018	0.933	0.351
FMC_MLS	0.261	0.069	1.902	0.057

Table 4.37 presents findings on the impact of FMC, ILS, MLS, FMC-ILS and FMC-MLS on iMFA. The findings show that the R² is less than 0.5 indicating that the variables included in the model have weak effect on iMFA. Results also show that FMC has F² of less than 0.02, a t-value less than 1.96 and a p-value of greater than 0.05, which means that FMC has no effect and has insignificant impact on iMFA. ILS and MLS have F² values falling between 0.02 and 0.15, a t-value less than 1.96 and a p-value of greater than 0.05. This suggests that both ILS and MLS have weak effect and insignificant impact on iMFA. The interactive variables to this model indicate that FMC-ILS has an insignificant impact on iMFA which means that incubatee’s linking social capital has no moderating impact on the relationship between incubatee’s financial management capabilities and informal financial accessibility. Therefore, hypothesis 6.3 is rejected. FMC-MLS has similarly insignificant positive impact on iMFA. This means that incubator manager’s linking social capital has no moderating impact on the relationship between incubatee’s financial management capabilities and informal financial accessibility. Therefore, hypotheses 7.3 is rejected.

Table 4.38: Moderating effect of Incubatee and incubator manager's bonding social capital on FMC-sMFA relationship

Dependent: sMFA

(R² = 0.60)

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.288	0.104	2.651	0.008
IBS – Incubatee’s bonding social capital	0.388	0.166	3.306	0.001
MBS – Incubator manager’s bonding social capital	0.035	0.001	0.217	0.828
FMC_IBS	-0.090	0.013	0.709	0.479
FMC_MBS	0.016	0.000	0.108	0.914

Table 4.38 presents results from PLS regression analysis on the impact of FMC, IBS, MBS, FMC-IBS and FMC-MBS on sMFA, and the results show that the R² is less than 0.7 which

means that the variables included in the model have moderate effect on sMFA. Results also show that FMC and IRS have F^2 values of 0.10 and 0.17 respectively, t-values greater than 1.96 and p-values less than 0.05. This shows that FMC and IRS have weak and moderate effect respectively on sMFA, they both have significant impact on sMFA. This implies that, incubatee's close friends, family members and neighbours have a significant positive influence on incubatee's access to semi-formal finance. MBS' F^2 value, t-value and p-value indicate that MBS has insignificant impact on sMFA. The interesting part of this model indicates that FMC-IRS and FMC-MBS have insignificant impact on sMFA, which means that both incubatee's bonding social capital and incubator manager's bonding social capital have no significant moderating impact on the relationship between incubatee's financial management capabilities and semi-formal financial accessibility. So, hypotheses 6.4 and 7.4 are rejected.

Table 4.39: Moderating effect of Incubatee and incubator manager's bridging social capital on FMC-sMFA relationship

Dependent: sMFA ($R^2 = 0.62$)

Variables	Path coefficients	Effect sizes (F^2)	t-values	p-values
FMC - Financial management capabilities	0.270	0.117	2.669	0.008
IRS – Incubatee's bridging social capital	0.661	0.905	8.904	0.000
MRS – Incubator manager's bridging social capital	-0.041	0.004	0.431	0.666
FMC_IRS	-0.227	0.097	2.046	0.024
FMC_MRS	0.004	0.000	0.034	0.973

Table 4.39 presents findings on the impact of FMC, IRS, MRS, FMC-IRS and FMC-MRS on sMFA. The results show that the R^2 value falls between 0.5 and 0.7 which means that the variables included in the model have moderate effect on sMFA. Results also show that FMC and IRS have F^2 values of 0.12 and 0.91 respectively, t-values greater than 1.96 and p-values less than 0.05. This shows that FMC and IRS have weak and strong effect respectively on sMFA, they both have significant impact on sMFA. The findings suggest that FMC has a significant positive impact on sMFA. Likewise, IRS has a significant positive impact on sMFA. MRS' F^2 value, t-value and p-value indicate that MRS has insignificant impact on sMFA. The interactive variables in this model (FMC-IRS) has F^2 value of less than 0.15, a t-value of greater than 1.96 and p-value of less than 0.05. this reveals that IRS has a significant negative impact on the FMC-sMFA relationship. has a significant negative impact on sMFA. This means that incubatee's bridging social capital negatively moderates the relationship between incubatee's financial management capabilities and semi-formal financial

accessibility. Consequently, hypothesis 6.5 is accepted. FMC-MRS has insignificant impact on sMFA, which means that incubator manager's bridging social capital has no significant moderating impact on the relationship between incubatee's financial management capabilities and semi-formal financial accessibility. Therefore hypothesis 7.5 is rejected.

Table 4.40: Moderating effect of Incubatee and incubator manager's linking social capital on FMC-sMFA relationship

Dependent: sMFA $(R^2 = 0.51)$

Variables	Path coefficients	Effect sizes (F ²)	t-values	p-values
FMC - Financial management capabilities	0.239	0.063	2.126	0.038
ILS – Incubatee's linking social capital	0.030	0.001	0.207	0.836
MLS – Incubator manager's linking social capital	0.301	0.079	2.871	0.006
FMC_ILS	-0.017	0.000	0.095	0.925
FMC_MLS	-0.028	0.000	0.148	0.883

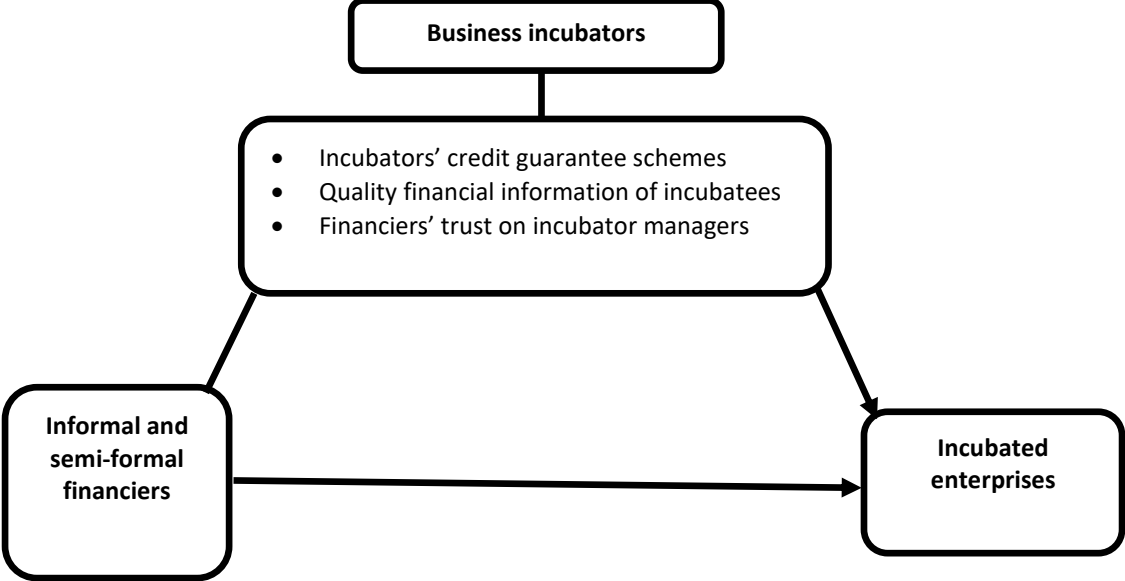
The table 4.40 above presents results on the impact of FMC, ILS, MLS, FMC-ILS and FMC-MLS on sMFA. . The results show that the R² value (0.51) falls between 0.5 and 0.7 which implies that the variables included in the model have moderate effect on sMFA. Results also show that FMC and MLS have F² values falling between 0.02 and 0.15, t-values greater than 1.96 and p-values less than 0.05. This shows that FMC and MLS have weak effect but both have significant impact on sMFA. ILS' F² value, t-value and p-value indicate that ILS has insignificant impact on sMFA. On the other hand, the F² values, t-values and p-values of interactive variables i.e. FMC-ILS and FMC-MLS indicate that both ILS and MLS have insignificant moderating impact on FMC-sMFA relationship. This means that both incubatee's linking social capital and incubator manager's linking social capital have no moderating impacts on the relationship between incubatee's financial management capabilities and semi-formal financial accessibility. Therefore, hypotheses 6.6 and 7.6 are rejected.

4.4 Summary of chapter four

Consistent with a mixed sequential exploratory design, this chapter has presented both qualitative and quantitative findings of the study. In qualitative findings the research has revealed the current status of business incubators in Tanzania. There are about twenty five incubation programs in Tanzania, majority of them being without-wall incubators. There are also with-wall incubators and co-working spaces. Most of the business incubators are hosted by SIDO. Other notable hosts of business incubators are COSTECH, University of Dar es

Salaam and TEMDO. COSTECH focuses specifically on the ICT sector business incubators. The qualitative findings also show that currently there are around 593 incubated MSMEs. The factors for the successful intermediation role of these business incubators have also been identified. The three major factors are incubators’ credit guarantee schemes, relatively high quality information of incubatees and financiers’ trust on incubator managers.

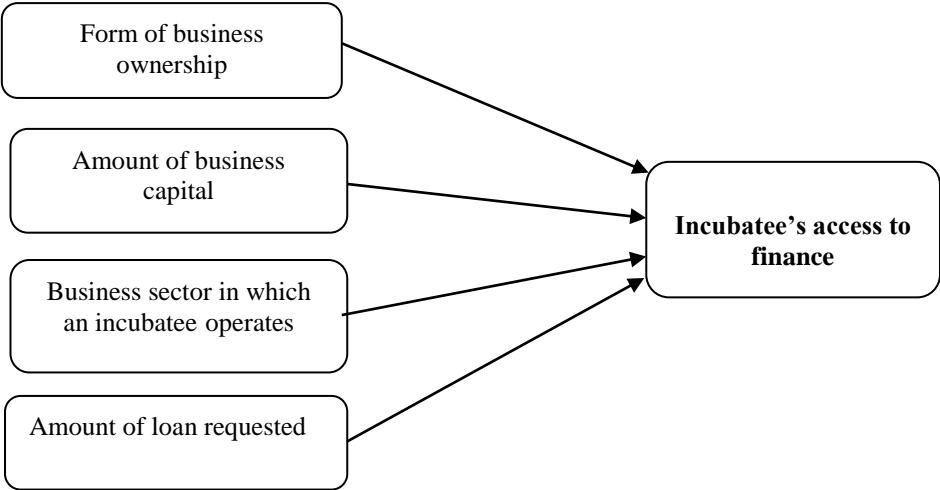
Figure 4.15: Factors for incubators successful financial intermediation



As shown in the figure above some incubators have special agreements with the financiers (Credit guarantee schemes) where the financiers provide credits to incubatees but in case an incubatee fails to repay then an incubator has to pay. Under such arrangement financiers feel safe to provide credits to incubatees without requiring collateral which is otherwise one of the main obstacles to enterprises’ access to finance. Quality financial information is also one of the reason that promote financiers’ provision of loans to incubatees. Incubator managers and some financiers argue that incubatees have proper financial record keeping because of the trainings and counselling they receive from the business experts provided by the incubators. Last but not least, Financiers’ trust on incubator managers and incubatees has also been stated as an important factor that enables incubatees to easily access credits from financiers. Some incubator managers argue that frequent trainings on financial matters, workshops and meetings with financiers play an important role in promoting incubatees access to financial loans. Some financiers are also convinced that incubators provide serious supervision and therefore they consider incubatees as better candidates for the loans.

Quantitative findings have suggested that some demographic characteristics have influence on the MSMEs informal and semi-formal financial accessibility. Characteristics like age, number of employees and incubation period have no influence on incubatees’ access to finance. But as indicated in the figure below, business sector in which an incubatee operates, amount of business capital, form of business ownership and amount of loan requested have significant influence on incubatees’ access to finance.

Figure 4.16: Incubatees’ demographic characteristics influencing their access to finance



The results have also showed that there is a significant relationship between business incubation models and financing models. Majority of with-wall incubatees access finance from semi-formal financiers, while majority of without-wall co-working space incubatees access finance from informal financiers. The table below indicates the dominant financiers in each incubation model.

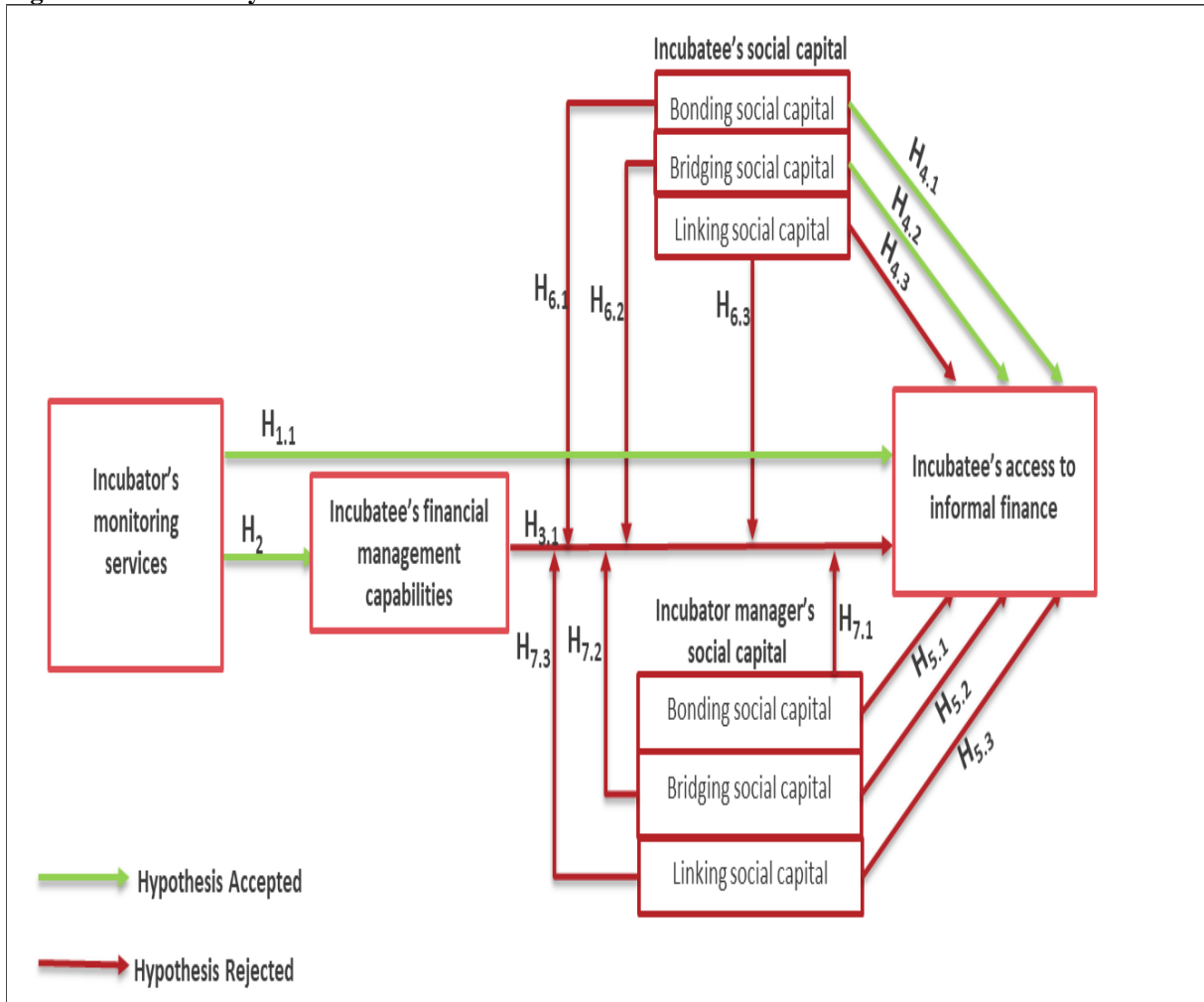
Table 4.41: Incubation models and types of finance

Incubation model	Dominant type of finance	Dominant financiers
With-wall incubators	Semi-formal finance	Microfinance NGOs SACCOs
Without-wall incubators	Informal finance	VICOBA ASCAs Moneylenders
Co-working spaces	Informal finance	Project funds Business angels Moneylenders

However, it should be noted that the table only shows the type of financiers from which majority of the incubatees in each model access finance. Some incubatees in a particular model can access finance from various types of financiers. For instance, some incubatees from without-wall and co-working spaces access finance from microfinance NGOs and SACCOs, while some with-wall incubatees access finance from project funds, moneylenders, VICOBA, ASCAs and business angels.

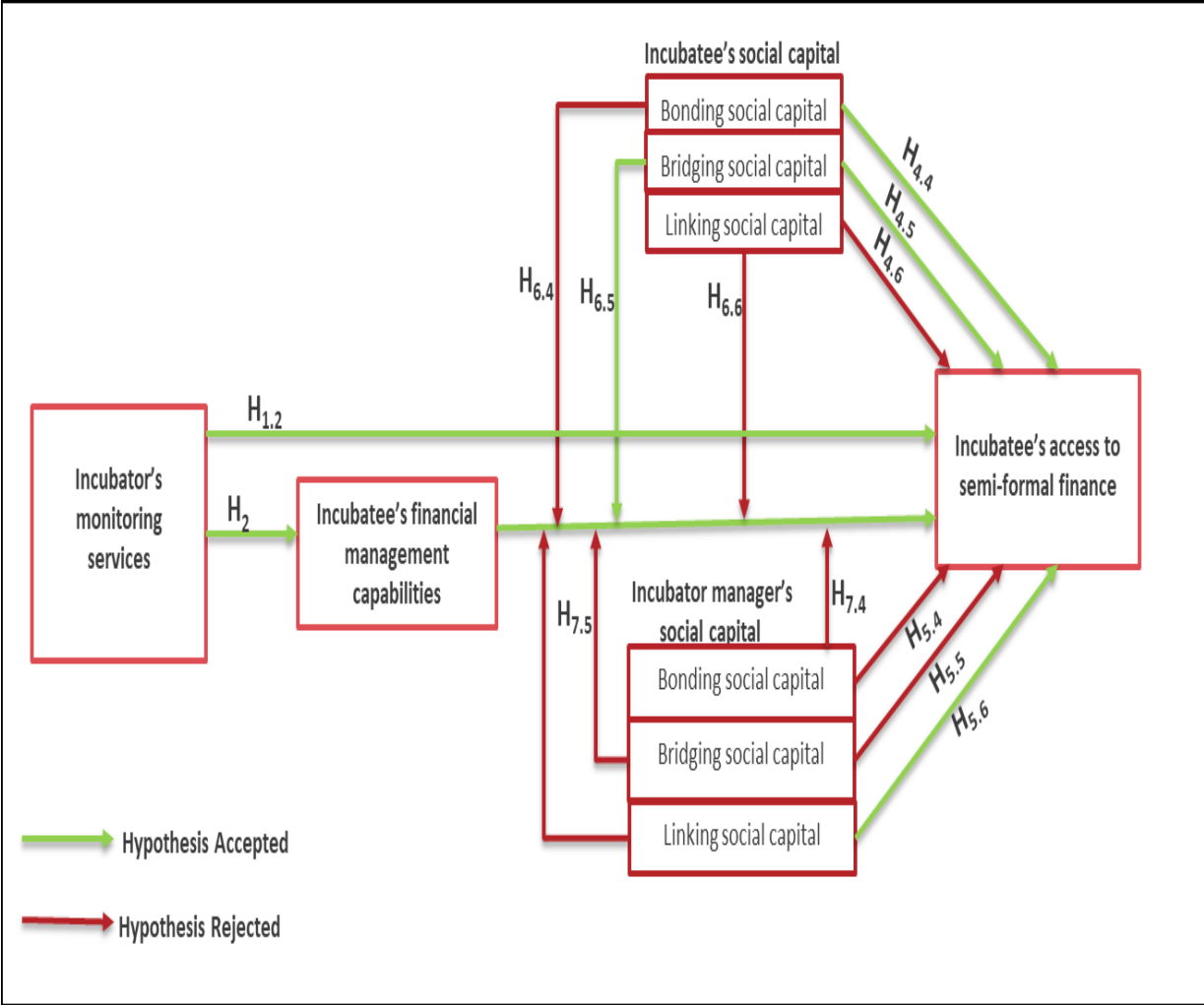
The empirical results as summarized in the figures below indicate that, business incubators generally contribute to MSMEs informal and semi-formal financial accessibility. From the summarized results in the figures 4.17 and 4.18 below, it can be concluded that business incubator's monitoring services have a positive influence on incubatee's financial management capabilities, which means that; advice, training, and counselling services on aspects of accounting and finance, play a significant role in developing and/or improving ability of incubatees to make good financial decisions, prepare quality financial statements and good financial planning. It can also be concluded that improved incubatee's capabilities on aspects of financial decision making, financial information analysis and financial planning leads to increase in incubatee's access to semi-formal financing but not access to informal financing. Likewise advice, training, and counselling services on aspects of accounting and finance have a direct significant positive impact on credit conditions, processing procedures and amount of credit in both informal and semi-formal financing. This implies that regardless of their influence on financial management capabilities, they also have direct influence on incubatees' informal and semi-formal financial accessibility. On the other hand, incubatees' family members, close friends and neighbours play a significant role on incubatees' informal financial accessibility as well as semi-formal financial accessibility. Similarly, incubatees's distant friends, colleagues and secondary group members have significant positive impact on both informal and semi-formal financial accessibility, while incubatees' people with key positions in civil society organizations, private sector, government agencies, and public representatives have no significant impact on both incubatees' informal and semi-formal financial accessibility.

Figure 4.17: Summary of results on informal finance



Incubator managers' family members, close friends and neighbours play no significant role on both incubatees' informal and semi-formal financial accessibility. Similarly, incubator managers' distant friends, colleagues and secondary group members have insignificant impact on both informal and semi-formal financial accessibility. Nevertheless, incubator managers' people with key positions in civil society organizations, private sector, government agencies, and public representatives have a significant positive impact on incubatees' semi-formal financial accessibility, but they have insignificant impact on incubatees' informal financial accessibility.

Figure 4.18: Summary of results on semi-formal finance



As summarized in figures 4.17 and 4.18 above, incubatees’ family members, close friends and neighbours have no significant influence on the relationship between incubatees’ financial management capabilities and both informal and semi-formal financial accessibility. Likewise, incubatees’ people with key positions in civil society organizations, private sector, government agencies, and public representatives have no significant impact on the relationship between incubatees’ financial management capabilities and both informal and semi-formal financial accessibility. However, incubatees’s distant friends, colleagues and secondary group members have a significant influence on the relationship between incubatees’ financial management capabilities and semi-formal financial accessibility. Incubatees with strong network links to distant friends, colleagues and secondary groups can easily access semi-formal finance and therefore they do not need high financial management capabilities to access semi-formal finance. But those with weak or no links to distant friends,

colleagues and secondary groups desperately need high FMC to access semi-formal finance. This implies that; as the network links to distant friends, colleagues and secondary groups increases, the relationship between financial management capabilities and semi-formal financial accessibility decreases and vice versa.

Incubator managers' family members, close friends and neighbours have no significant influence on the relationship between incubator managers' financial management capabilities and both incubatees' informal and semi-formal financial. Similarly, incubator managers' distant friends, colleagues and secondary group members have insignificant impact on the relationship between incubatees' financial management capabilities and both informal and semi-formal financial accessibility. Also, incubator managers' people with key positions in civil society organizations, private sector, government agencies, and public representatives have insignificant influence on the relationship between incubatees' financial management capabilities and both informal and semi-formal financial accessibility.

Generally, these results first motivate the incubator managers to provide more monitoring services to the incubatees in order to promote incubatees' informal and semi-formal financial accessibility. Secondly inspire the MSMEs to improve their financial management capabilities to increase their accessibility to semi-formal finance. Thirdly the results, encourage financiers to provide more finance to MSMEs within incubation programs based on the financial intermediation role of these programs. Fourthly, the results enable MSMEs to understand how and what kind of social networks are vitally important to their development particularly when their financial management capabilities are not high enough to guarantee their access to finance.

4.4.1 Developing a model on incubated MSMEs' access to informal and semi-formal finance.

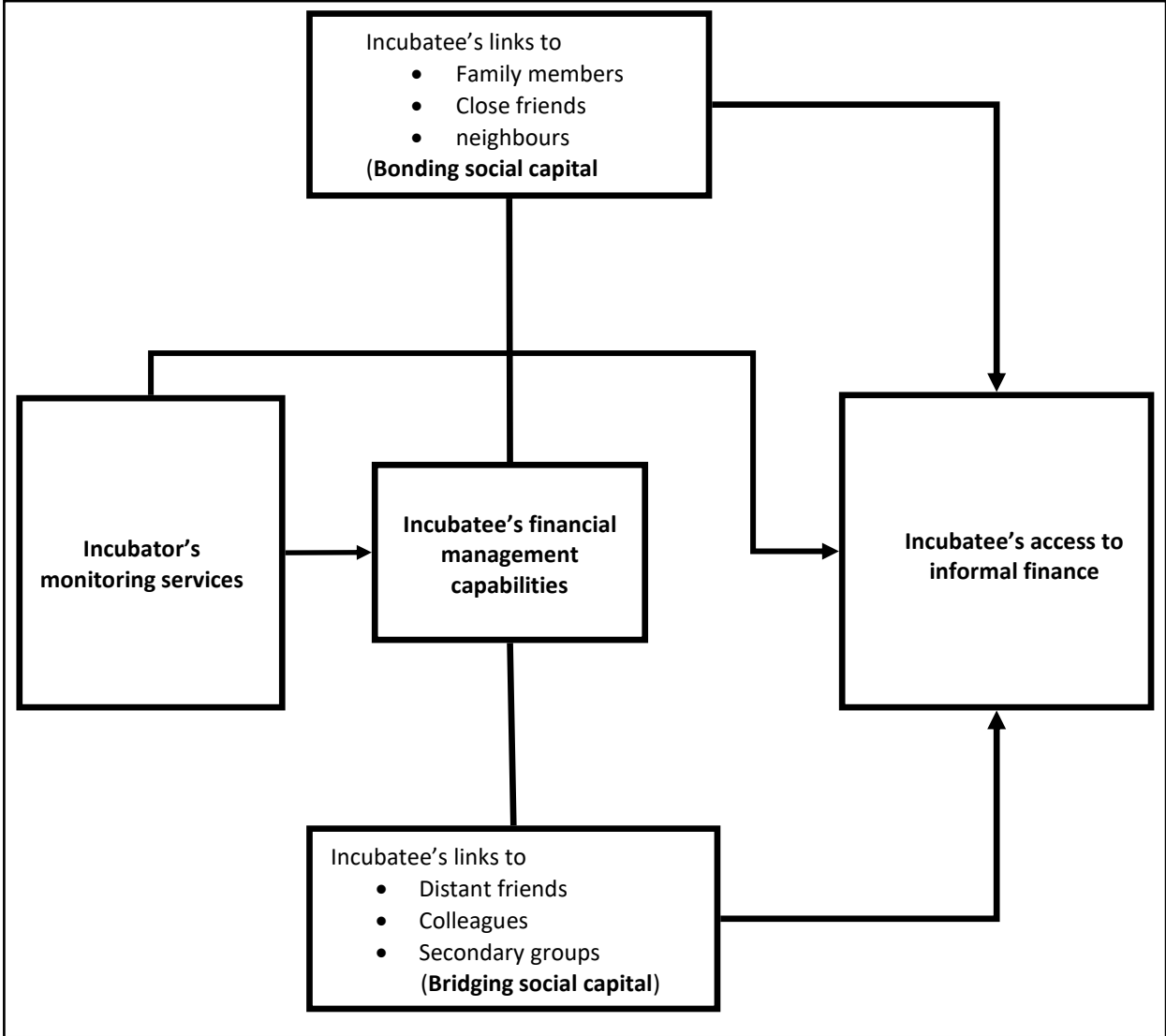
Most scholars use the terms framework and model interchangeably, but there is a significant difference between them. A framework explains the relevant variables for the study of a particular topic and proposes a set of hypotheses. It denotes a system, structure or plan consisting of different descriptive categories such as constructs or variables, and the relationships between them that are thought to account for a phenomenon (Sabatier 2007). Framework is a prior form of a model which has flexibility in improvement and can be tested after it is developed. A model is developed from a framework after testing the hypotheses, it is a final form of a study and can be described as a theory with a more narrowly defined scope of explanation (Frankfort-Nachmias and Nachmias 1996). In this study a framework was developed from literature in chapter two, it suggested the relationship between incubator's monitoring services and incubatees' financial management capabilities, incubatees' financial management capabilities and access to informal and semi-formal finance. It also suggested the relationship between incubatee and incubator manager's social capital and incubatee's access to informal and semi-formal finance.

However after testing these relationships some have shown to be significant while others being insignificant. Based on the results summarized above, models have been developed in relation to incubated MSMEs' access to informal and semi-formal finance.

4.4.1.1 A model on incubated MSMEs' access to informal finance

Based on the results presented above, a model below is developed and it represents the influencing variables in promoting incubatees' access to informal finance. The model shows that incubator's monitoring services have significant contribution to incubatees' access to informal finance. Furthermore it shows incubatees' links to family members, neighbours, close and distant friends, colleagues and secondary groups have significant positive influence on their access to informal finance.

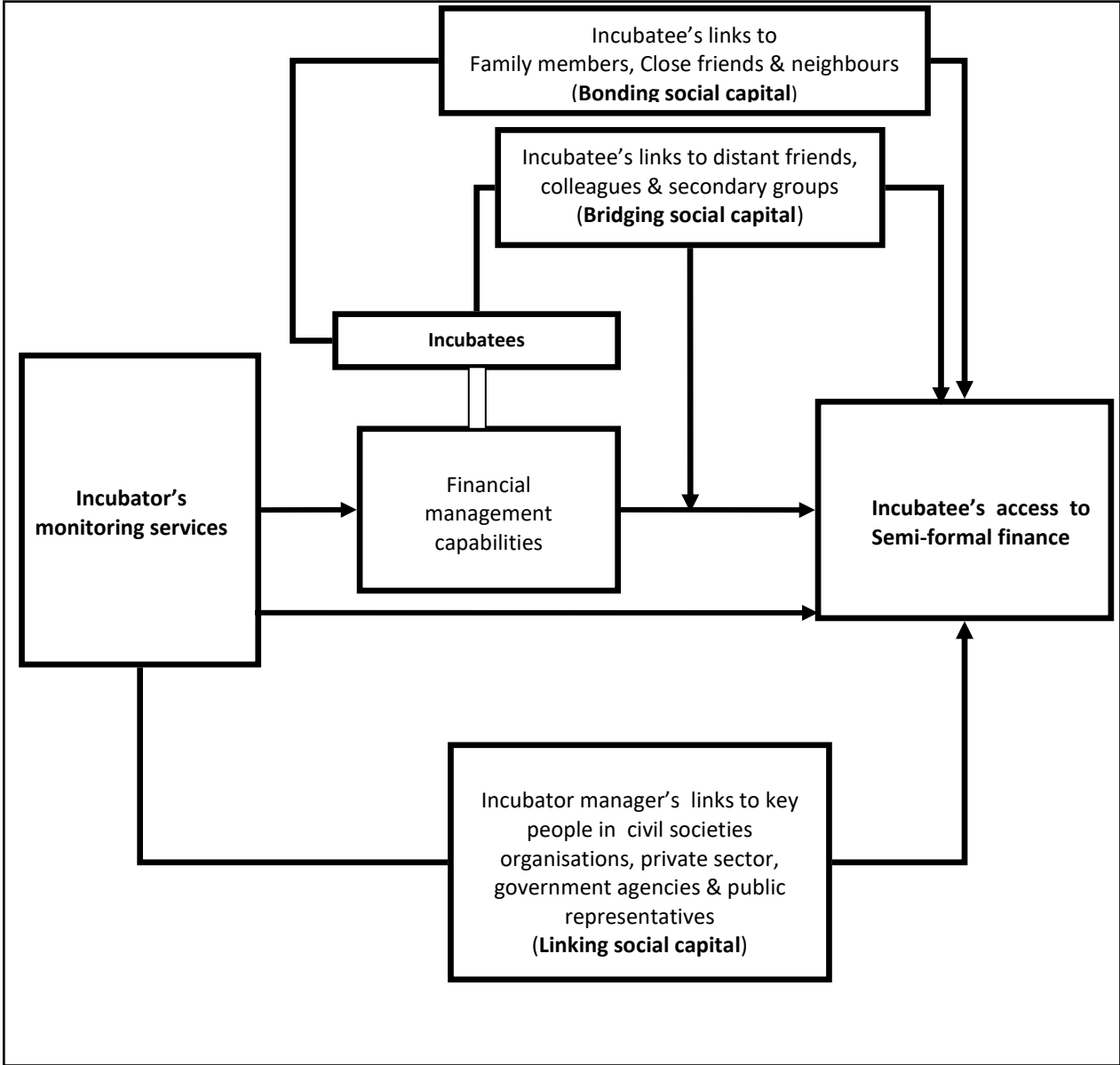
Figure 4.19: A model on incubated MSMEs’ access to informal finance



4.4.1.2 A model on incubated MSMEs’ access to semi-formal finance

From the empirical results presented above, the model below is developed and it presents the influencing variables in promoting incubatees’ access to semi-formal finance. The model shows that incubator’s monitoring services have significant contribution to incubatees’ access to semi-formal finance. They have positive impact on improvement of incubatees’ financial management capabilities, which influence positively the incubatees’ access to semi-formal finance. Furthermore it shows incubatees’ links to family members, neighbours, close and distant friends, colleagues and secondary groups have significant positive influence on their access to semi-formal finance. Similarly, incubator managers’ connections to influential people in civil society organisations, government agencies, private sector and public representatives significantly influence incubatees’ access to semi-formal finance.

Figure 4.20: A model on incubated MSMEs’ access to semi-formal finance



4.4.1.3 The influence of demographic characters on the relationship between social capital and financial accessibility.

As indicated in the subsection 4.3.2.1 of this chapter, some demographic characteristics have significant influence on incubatees’ access to finance, and the significant relationships revealed in this study have been shown in the two models above. At this stage it is possible to understand more on how demographic variables influence the revealed relationships especially between social capital and financial accessibility. It is important to know how

business ownership and business capital affect the social capital-financial accessibility relationship, so as to know better financing approach to each kind of incubatees. The table below indicates the correlations between social capital and financial accessibility based on the type of business ownership.

Table 4.44: Influence of type of business ownership on social capital-financial accessibility relationship

Business ownership		IBS	IRS	MLS	MFA
Sole proprietor	IBS	1,000	,501**	,425**	,458**
	IRS		1,000	,397**	,455**
	MLS			1,000	,335**
	MFA				1,000
Partnership	IBS	1,000	,301**	,536**	,439**
	IRS		1,000	,385*	,612**
	MLS			1,000	,444*
	MFA				1,000
Limited company	IBS	1,000	,620*	,679**	,461
	IRS		1,000	,265	,543**
	MLS			1,000	,281*
	MFA				1,000

*. $p < 0.05$ (2-tailed).

**.. $p < 0.01$ (2-tailed).

The results show that incubatee's bonding social capital (IBS) significantly influences access to finance among sole proprietors and partnerships but not among limited companies. Even though generally family members, close friends and neighbours help incubatees in accessing finance, these results suggest that such people do not provide significant help among limited company incubatees. This reflect the fact that there is a perception in Tanzanian society that establishing a business company requires a large capital, so a person who owns a business company is financially strong no matter how small the company is. They do not expect such person to ask for financial help and if he/she does they do not trust him/her and therefore lack the commitment to to help. Incubatee's bridging social capital (IRS) and incubator manager's linking social capital (MLS) significantly influence incubatee's access to finance among all forms of business ownership. This means, all types of incubatees receives some form of help from their colleagues, secondary groups and distant friends which significantly facilitate their access to finance. Incubator managers connect the incubatees to the influential people in the society regardless of their form of business ownership.

The table below shows the correlations between social capital and financial accessibility based on the size of a business.

Table 4.45: Influence of size of the business on social capital-financial accessibility relationship

Business capital		IBS	IRS	MLS	MFA
Micro Enterprises	IBS	1,000	,529**	,302*	,353**
	IRS		1,000	,222	,492**
	MLS			1,000	,232
	MFA				1,000
Small Enterprises	IBS	1,000	,363**	,587**	,215**
	IRS		1,000	,455**	,530**
	MLS			1,000	,346**
	MFA				1,000
Medium Enterprises	IBS	1,000	,279*	,139	,380
	IRS		1,000	,486**	,570**
	MLS			1,000	,522**
	MFA				1,000

*. $p < 0.05$ (2-tailed).

**.. $p < 0.01$ (2-tailed).

The results above indicate that incubatee's bonding social capital has a significant influence on access to finance among micro and small enterprises, but it has no influence among incubated medium enterprises. Bridging social capital positively influences access to finance among incubatees of all sizes, while incubator manager's linking social capital significantly influence incubatee's access to finance among small and medium enterprises, but its role among the micro enterprises is insignificant. This is associated with the fact that usually incubator managers prefer to link the incubatees who perform better to the influential people in the society, so as to build or maintain their reputation and the status of the incubator. It happens that most of incubatees who show good performance are those with relatively large amount capital and in this case they fall in the category of either small or medium businesses.

Figure 4.21: Social capital in relation to incubatee's size and type of business ownership

Limited Company	Incubatee's bridging networks	Incubatee's bridging networks Incubator manager's linking networks	Incubatee's bridging networks Incubator manager's linking networks
	Incubatee's bonding & bridging networks	Incubatee's bonding & bridging networks Incubator manager's linking networks	Incubatee's bridging networks Incubator manager's linking networks
	Incubatee's bonding & bridging networks	Incubatee's bonding & bridging networks Incubator manager's linking networks	Incubatee's bridging networks Incubator manager's linking networks
	Micro Enterprises	Small Enterprises	Medium Enterprises

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

Chapter five interpretes and discusses the relationships arising from the results presented in chapter four. This chapter has seven sections; the first section interpretes and discusses the implications of the results arising from factor analysis, the second section discusses the the influence of the incubatees' profile on the type of finance, the third section discusses the Relationship between business incubation models and models of financial accessibility. The fourth section interpretes and discusses the implications of the results on business incubators' financial intermediation role between MSMEs and financiers, the fifth section discusses about factors for successful business incubator's financial intermediary role. The sixth section interpretes and discusses the results on impact of incubatee's and incubator manager's social capital on incubated MSMEs informal and semi-formal financial accessibility. Lastly the seventh section discusses about moderating impact of Incubatee's and incubator manager's social capital on the relationship between financial management capabilities and financial accessibility

5.2 Demographic characteristics of incubatees

After presenting results on demographic characteristics in chapter four, it is also necessary to discuss these characteristics and their possible influence incubatees' access to informal and informal finance. Looking at the age of incubatees, about 46.1% have been in the business for three or less than three years. That means majority of the incubatees have been in their particular business for more than three years. Some are in their eleventh year of existance. This gives an implication that, unlike most business incubators which focus on the start-ups, Tanzanian business incubators do not specifically focus on the new businesses, any business can join regardless of their age. 43.26% of the Tanzanian incubatees are in their first to third year of incubation, while 56.74% of them are in their fourth year or more of incubation. This means that in most of the Tanzanian business incubators there are either no clear graduation policy or the policies are not strongly observed. 50.35% of the incubatees are microenterprises i.e. with the capital less than 5 milion TZS (2,000 Euro), 43.97% of them are small enterprises

i.e. their capital ranges between 5 million TZS (2000 Euro) and 200 million TZS (79,546 Euro) and 5.67% of them are medium enterprises i.e. their capital is more than 200 million TZS (79,546 Euro). This business capital distribution among the incubatees reveals that incubatees in Tanzania are mainly micro and small enterprises with little percentage of medium enterprises. Most of the incubated MSMEs (77.30%) have less than five employees, while 22.70% of the incubated MSMEs have between 5 and 49 employees. On the other hand, incubatees in Tanzanian business incubators are mainly sole proprietors, only 19.9% of incubatees are partnerships and 9.9% are limited companies. 46.1% of the incubatees are in food processing and other small manufacturing activities, the rest deal with sectors such as business development services, marketing, technology etc. This reflects the Tanzanian government policy of mainly supporting MSMEs that are in the sectors with higher multiplier effect to the economy i.e. small scale manufacturing sector.

The above stated incubatees' characteristics were expected from literature point of view to have influence on incubatees' financial accessibility. So it is necessary to discuss the results in relation to the influence of these characters and financial accessibility.

The findings show that age of incubatees has insignificant influence on their financial accessibility. The results are contrary to the study by Kira and He (2012) who studied on the impact of firm characteristics in SMEs' access of in Tanzania. In their research they found significant relationship between access to loan and age of the enterprise. They argued that older firms find easier to access loans than younger firms. According to their study, Tanzanian business environment demonstrates a positive relationship between access of loan and age of business which is a burden to young firms. However comparing with the findings of this research, it is interesting to find that among incubatees age has insignificant influence on enterprises' access to finance. This could be associated with the fact that financiers have more confidence on financing incubated enterprises such that they ignore the age factors. For the incubatees no matter their age, as long as they are incubated they enjoy other factors including incubator guarantee.

The results indicate, large number of incubatees are micro enterprises. This concurs with the findings by Riedijk (2010) who found that 98% of enterprises in Tanzania are micro enterprises employing less than 5 people. However, when compared, the results show that the percentage of micro enterprises among incubatees is relatively small than percentage of micro enterprises in the whole entrepreneurship sector. This reflects the fact that, incubated enterprises experience low failure rate compared to the non-incubated enterprises. As a result

significant number of incubatees survival to become small businesses and later medium businesses. Therefore the distribution by percentage shows micro enterprises score lower proportion in incubatees than in entrepreneurship sector as a whole.

The findings show that there is a significant difference between incubated sole proprietors, partnerships and limited companies with regard to type of finance the incubatees access. In other ways it means that, the type of business ownership influences the financiers to or not to provide credits to the incubatees. The results concur with the findings by Cassar (2004) and Fatoki and Asah (2011) who found that financiers observe incorporation as a good indicator for firm's trustworthiness and commitment to operational laws. They have concluded that there is a positive relationship between financing and the legal formation of a business. The results are also in line with the Coleman and Cohn (2000) and Kira and He (2012) findings on the existence of a significant positive relationship between the firm incorporation and credit accessibility. The studies found, most of the firms operating as a sole proprietorship or partnership face difficulties in accessing the credits from financiers because of high costs and lack of trust. While openness declared in the financial statements and limited liability make limited companies and corporations easy to access loans than partnership and sole proprietorship. This research reveals more information, semi-formal financiers are more comfortable with the limited companies and partnerships because, this type of financiers is more cautious to risk than informal financiers and therefore providing finance to companies and partnerships is much better for them because these businesses are relatively more regulated due to their legal status.

Business sectors in which incubatees operate have a significant influence on incubatees' access to finance. The results correspond with the findings by Kira and He (2012) which revealed that the industry of the firm significantly influence the firm's accessibility to financial loans. This could also be due to the focus of financial sources in specific sectors. The main sources of finance are the government and donors, and as stated above, the government policy is to promote more the MSMEs in the sectors that have high multiplier effect to the national economy. Sectors such as agriculture, manufacturing and technology are given a first priority. Donors also have their priority sectors although they are normally in line with the government priorities. Therefore based on these priorities, a sector can also determine the incubatee's financial accessibility. The influence of the business sectors can likewise be observed in the following example, in 2016 the innovation fund provided finance to local start-ups a total of 85 million TZS, but unlike the common criteria for accessing

finance, the start-ups were required to have commercially viable, innovative ideas addressing specific social and economic needs in Tanzania.

Now because of the criteria, out of 132 applicants in Tanzania Mainland, only 6 qualified and out of 6, 3 are in agricultural sector i.e. crop handling solution (Multi Crop Thresher), agri-tech startup (JamiiFarm) and bio-feed company (TABICO). 1 is in agro-processing sector i.e. Avocado oil product (AVOMERU). 1 is in health service sector i.e. child health solution (Totohealth Tanzania) and 1 is in ICT sector i.e. reading app (Hadithi App). Out of 106 applicants in Zanzibar, 5 qualified and out of 5, 3 are in manufacturing sector i.e. Solar phone-charging bag manufacturer (My Precious Bag), energy saving cooler fan and three-wheel scooter for disabled persons. 1 in food processing sector i.e. milk processing startup and 1 in ICT sector i.e. service provider app (WajasiriApp). Looking at the criteria and the type of enterprises that were given finance, it obvious that business sectors had significant influence on the financiers. Another example that provide clear evidence that business sector influence access to finance is loans provided by SIDO. This kind of finance is regulated by ministry of finance. looking at one of the features of these loans, they are provided at various interest rates depending on the type of the sector in which an enterprise operate. For the production sectors the interest rate is 18% per annum, while interest rate for non production sectors is 22% per annum. This provides evidence that business sector influences the financial accessibility of an enterprise.

Similarly, business capital has a significant positive influence on the incubatee's financial accessibility. This means that, the higher the amount of business capital, the higher the incubatee's financial accessibility. These results coincide with those of Honhyan (2009) and Fatoki and Asah (2011) who found that, amount of capital of an enterprise has a positive impact on the MSMEs access to finance. Balogun et.al. (2016) argue that the size of the firm is a significant factor for MSMEs' loan accessibility and therefore recommend that to get loans from financiers, it is necessary for the enterprise to have a significant amount of assets. Likewise, Kira and He (2012) found that size of a firm has a significantly positive impact on the firm's access to debt finance. According to them, larger firms have higher access to debt financing than smaller and medium sized firms because of economies of scale. Larger firms find it easier to borrow money from financiers than small firms which are in most cases experiencing diseconomies of scale. This is also the case for the incubated enterprises because, normally financiers provide large amount of loans to the enterprises with large

business capital, while providing small amount of loan to those with small business capital. Financiers feel more secure with large capital businesses than small capital business, because large capital is in most cases an indicator of a successful business. This argument can be observed in the manner, the financiers provide loans to MSMEs. For instance, microfinance NGOs provide credits to enterprises ranging from 500,000 TZS to 20,000,000 TZS. Now the amount of loan is determined based on the amount of business capital of an enterprise. If an enterprise has small business capital, will be provided with small amount of loan, but if the business capital is large enough, a large amount of loan will be provided. For the SACCOs, enterprises are provided with loans depending on their deposited savings. The larger the amount of savings, the larger the amount of is provided, therefore the implication is that the enterprises with larger businesses are in a position to deposit larger savings and therefore acquire larger amount of loans. It should be kept in mind that, saving is not mandatory, an enterprise is allowed to either make savings or not, but without savings no loan can be provided. SACAs also reflect a similar trend, they mobilize finances through members' shares and deposits. Some SACAs deposit their funds in commercial banks so as to earn interest and be able to borrow from the particular banks, but generally the main focus is to provide credits with low interest to the borrowers. Member enterprises with large amount of shares are provided with large amount of loans and the vice versa is also true.

On the other hand Incubation period has an insignificant impact on incubatee's financial accessibility in Tanzania. This implies that the length of incubation period has nothing to do with the type and amount of finance an incubatee accesses. Neither informal nor semi-formal financiers consider length of time an incubatee has stayed in the business incubator as a criterion for providing credits to the incubatees. Likewise, number of employees has an insignificant influence on the incubatee's financial accessibility. This suggests that the number of employees has nothing to do with the incubatee's financial accessibility. Also age of an incubated business has no influence on the type of finance a business accesses. However this is unexpected results because from the literature point of view, Chandler (2009) and Klapper et al. (2010) argue that, firms at early stage of operation experience difficulties in accessing finance due to informational disparities, but as the time goes firms create reputation and therefore access to finance becomes easy. But business incubators address the problem of informational disparities among the start-ups and financiers, as a results age of an incubated business becomes insignificant to the financiers.

Lastly the amount of loan requested by the incubatee has a significantly negative impact on the incubatee's financial accessibility. This is mainly associated with the risk on the financiers

side. Giving large amount loan to an incubatee needs more stringent requirements than small amount. So normally incubatees who request relatively small amount of credit have comparatively higher accessibility to finance than those who seek large amount of credits

5.3 Relationship between business incubation models and models of financial accessibility

The findings in this study indicate that, there is a relationship between a type of business incubation model and a kind of financing. The results show that with-wall incubatees and without-wall incubatees access finance from different types of financiers and the difference is significant. Most of the with-wall incubatees access credits to semi-formal financiers, while majority of the without-wall incubatees access credits to informal financiers. Similarly with-wall incubatees and co-working spaces incubatees access finance from different types of financiers and the difference is also significant. While most of the with-wall incubatees access credits to semi-formal financiers, majority of the co-working spaces incubatees access credits to informal financiers. However co-working spaces incubatees and without-wall incubatees access finance from the same type of financiers. i.e. the difference is insignificant. Most of the co-working spaces incubatees and without-wall incubatees access credits to informal financiers. These results can be supported by descriptive statistics which show that most of with-wall incubatees access credits from semi-formal financiers, while most of the without-wall incubatees and co-working space incubatees access credits from informal financiers.

These results could be due to the fact that semi-formal financiers have relatively stricter regulations than informal financiers and they provide relatively larger amount of credits than majority of informal financiers. So most of the incubatees regardless of the incubation model, they prefer semi-formal finance due to amount provided by these financiers. But with these regulations, majority of without-wall and co-working spaces can not access credit from semi-formal financiers. Issues of incubatees' financial management capabilities, incubator's credit guarantee and even close involvement of business incubator on incubatees activities are strictly observed by the semi-formal financiers before they provide credits to the incubatees. Another reason is that some informal financiers particularly the non governmental projects have different criteria for providing credits depending on financiers' interest and focus. For example, in 2016 the innovation fund run by Tanzanian ICT development organisations COSTECH and TANZICT has provided finance to local start-ups a total of 85 million TZS, but unlike the common criteria for accessing finance, the start-ups were required to have commercially viable, innovative ideas addressing specific social and economic needs in

Tanzania. The applicants were also required to be under a reputable Tanzanian organization supporting entrepreneurs, such as SIDO incubators, Dar Teknohama Business incubator, KINU and others of this nature. Especially for the ICT sector, several projects provide finance to incubatees but with different criteria. Now because most of the co-working spaces focus on ICT sector, most of the incubatees in these working spaces access informal finance.

Another example is loans provided by SIDO which extends credit facilities in two programs. These are the National Entrepreneurship Development Fund (NEDF) and Regional Revolving Fund (RRF) for individuals and group loans. This kind of finance is regulated by ministry of finance. The features of these loans are that they are provided depending on the type and size of the project, for the production sectors the interest rate is 18% per annum, while interest rate for non production sectors is 22% per annum. The criteria are, enterprises must have two guarantors, the collateral must cover at least 125% of the loan amount. For those within solidarity groups shall be guaranteed by the group and the collateral shall be a weely/monthly savings. The criteria as used by semi-formal financiers like SIDO favour the with-wall incubators because incubatees in these incubators can easily form groups and coordinate the group easily because unlike those in without-wall incubators, with-wall incubatees interact each other on daily bases.

As a result with-wall incubatees enjoy higher access to semi-formal finance than without-wall because the with-wall incubators are much close to their incubatees than the without-wall incubators they have established credit guarantee schemes to facilitate incubatees's access to finance. Credit guarantee schemes are special agreements between business incubators and financiers where business incubators guarantee the credits provided to the incubatees. However this service was observed among with-wall incubators but neither in without-wall incubators nor co-working spaces. The fact above can also be reflected in the study by Jones and Parry (2011) who found that start-ups which were located within the incubators (with-wall incubatees) enjoyed higher access to finance and even received more supporting services from the incubators.

Majority of without-wall and co-working spaces incubatees with limited access to semi-formal finance are left with no option but to seek informal financing. As stated above informal financiers have relatively loose regulations compared to semi-formal financiers, so they are not strict to observing incubatees' financial management capabilities and the involvement of the business incubators. This could be accounted to mainly small amount of credits they provide and the fact that informal financiers are not regulated by any regulatory authority. However as explained above, not all with-wall and co-working space incubatees

seek informal finance due to failure to access semi-formal finance. Some incubatees from all three types of incubators seek informal finance due to better loans provided by some of informal financier such as the non-governmental projects like Savanna Fund and Innovation Fund

5.4 Business incubators' financial intermediation role between MSMEs and financiers.

The existence of a finance gap in MSMEs as researched by Kon and Storey (2003), Fraser (2005), Deakins et.al. (2008), Cruickshank (2000) and Henry and Craig (2013), is mainly due to the problem of information asymmetry (Lean and Tucker 2001, Holmstrom 1984). Financiers have incomplete information regarding the quality of the project and the capability and efficiency of the management of a small business (Stiglitz and Weiss, 1981). Also, management of a small business may poorly perform to its stipulated capacity level (Lean and Tucker 2001, Atman 1968). To address the information gap between enterprises and financiers, business incubators provide monitoring services to the incubatees so as to improve their financial management capabilities. The intention is, if financial management capabilities of incubatees are improved, they will be able to provide quality financial information to the financiers. They will also be able to perform to the required capacity level.

The results from this study, indicate that monitoring services provided to the incubatees have a significant positive impact on on their financial management capabilities. In other ways, it means that financial consultancy, management assistance and professional business services provided by incubators significantly improve incubatees' ability to make good estimations on costs and revenues. They significantly improve incubatees' ability to analyse financial statements, make realistic financial plan, sound day to day financial decisions and good investment decision. These findings support the arguments made by Nieman et.al. (2006), Dayananda et.al. (2002), Gitman (2010) and Walker and Petty (2001) who argued that to have good financial management, entrepreneurs must have capabilities to make sound financial and investment decisions, to effectively make sound financial plans and manage cash flow. These findings also concur with the results from studies by West and Mottola (2014) and Berrones (2010) which have revealed that services provided by business incubators to young enterprises improve their financial management capabilities.

However results indicate that, services provided to the incubatees i.e. advice on financial information required to obtain credit, advice on financiers who are interested in financing the

incubatees, training and counselling on accounting and finance accounted to only 43.2% of financial management capabilities development. This implies that there are other factors out of our construct which contribute to the development of incubatees' financial management capabilities. The possible factors contributing to incubatees' financial management capabilities out of the incubator's monitoring services could be the following: formal education, social networks, other entrepreneurship and trainings, prio-employment. Even though this study did not capture the level of formal education of each incubatee, it is understood that majority of incubatees have some level of formal education. It is also understood that in elementary education people receive some forms of financial management education. Therefore this could also be an influencing factor on incubatees' financial management capabilities. Similarly, incubatees acquire financial management capabilities through other entrepreneurship trainings. Normally entrepreneurs do not depend on only on the trainings provided by business incubators' experts, the attend various entrepreneurship trainings which are provided by different independent business experts. Additionally, there are several organisations that organise workshops and trainings to entrepreneurs and on top of that private consultancy firms provide financial consultancy services. These services also have significant influence on development and/or improvement of incubatees' financial management capabilities. Social networks also could be influencing the improvement of incubatees' financial management capabilities positively. Some incubatees learn how to manage their finance properly from their fellow entrepreneurs. Therefore depending on who type of entrepreneurshipn colleagues they have they can acquire knowledge on how to improve their financial management. Likewise, the background of the incubatees also influences their level of financial management capabilities. some incubatees were employees before, and normally they were employed in the same sector of their current businesses. During their employment they acquired knowledge which is directly or indirectly related to financial management. This also effects their level of financial management capabilities.

Just like in large companies, the entrepreneur's financial management capabilities are grouped into financial decision making capabilities , financial information analysis capabilities and financial planning capabilities. Nevertheless, unlike in large businesses, capabilities in MSMEs are mostly displayed by the owner manager and the capabilities are at the level than in large businesses. But similar to large companies, financial management capabilities of small entrepreneurs inteil financial decision making, financial information analysis and financial planning capabilities. As reflected in this research's descriptive statistics, incubator's

monitoring services have relatively higher impact on financial information analysis capabilities compared to financial decision making and financial planning capabilities. This is mainly because both business incubator managers and incubatees put more emphasis on the ability of incubatees to provide high quality financial information to financiers. The financial statements are the ones that provide important information to financiers, they show the revenues earned and related expenses covering a period of time. They show a picture of an enterprise's assets and liabilities at a point in time, they also show the amount of cash generated for a period of time. It is therefore incredibly important for an incubatee to have accurate and timely financial statements to understand and run his/her business. It becomes even more necessary for an incubatee to access loan from financiers.

On the other hand, results expose that financial management capabilities have a significant impact on incubatee's semi-formal financial accessibility, and this is also an expected result as it is in line with the findings of Berrones (2010) and Nauwelaers and Walburn (2013) who found positive relationship between financial management capabilities and financial accessibility even though their studies were focused on the access to formal finance. The results in this research indicate that, ability to manage finance account to 47.8% of incubatee's semi-formal financial accessibility. This indicates that there are other factors out of the construct which contribute to the incubatees' access to semi-formal finance. Factors such as business incubators' reputation, incubatee's social capital, incubatees' guarantee schemes and incubator manager's social capital, are some of the factors that could be supplementing financial management capabilities on semi-formal financial accessibility. Semi-formal financiers like other financiers are more concerned with the security of their finance, that is why they want to finance enterprises which are capable of properly managing their finance. Now when they are convinced that the borrowers are capable of repaying the loans, they easily provide loans. To financiers, business incubators have a reputation of providing close supervision to their incubatees, this reputation influences financiers including semi-formal financiers to easily provide finance to incubatees. Correspondingly, some incubatees have connections to the financiers, such connections positively influences the decisions of the financiers to provide finance to the particular incubatees. In some cases, incubator managers have links to some financiers, this influences the financiers in their decisions to provide finance to incubatees.

However, incubatee's financial management capabilities have insignificant impact on incubatee's informal financial accessibility, the result which is unexpected. This could be attributed to the fact that informal financing is subjected to weak regulations compared to semi-formal financing, therefore incubatee's ability to manage finance is not necessarily strictly observed and in some cases not considered at all as a criterion for accessing loans credits. Due to lack of strong regulatory framework in informal finance, informal financiers have very different criteria for providing finance. Their criteria depend on their priority, therefore based on these priorities, criteria are established. For instance, the major criterion for providing finance to enterprises by Innovation Fund and Savanna Fund projects is for an entrepreneur to have commercially viable, innovative ideas addressing specific social and economic needs. But for moneylenders, the main criterion is collateral and VICOBA, ROSCAs and ASCAs require an individual to belong to the solidarity group. Looking at the criteria of informal financiers, it shows that financial management capabilities of entrepreneurs is not their priority.

As indicated in descriptive statistics, generally financial management capabilities have relatively higher impact on credit processing procedures than two other aspects of semi-formal financial accessibility i.e. credit conditions and credit amount. This is understandable because incubatees with higher financial management capabilities prepare high quality financial information, which results into reduced length of credit processing time. So financial management capabilities are important to semi-formal financiers because with their relatively strong regulatory framework, they need quality financial information from incubatees so as to assess if they meet the financing criteria. But that is not the case to informal financing. Some of informal financiers are just individual moneylenders who do not need to know the incubatees' financial management capabilities, they mainly depend on their relationship with the incubatees and incubatee's trust, reputation and guarantee. As a result incubatee's financial management capabilities becomes insignificant towards informal financing.

Based on the results explained above, it can argued that business incubators act as the financial intermediaries between incubatees and semi-formal financiers in the sense that through the monitoring services they provide, they develop and/or improve incubatees' ability to prepare quality financial information, to make realistic decisions and to make good financial planning. This reduces the problems of moral hazards and adverse selections, and thus the semi-formal financiers are encouraged to provide credits to the incubatees. These results concur with those of Berrones (2010) and Chandra and Silva (2012) who argued that business incubators play a financial intermediation role between incubatees and financiers.

The results are also in line with the arguments by Stiglitz (1985), Kaplan and Strömberg (2001), Fama and Jensen (1983), Gorman and Sahlman (1989) and Adusei and Afrane (2013) who argued that financial intermediaries play a significantly positive role to the MSMEs' financial accessibility. They explained that financial intermediation, but unlike this research their studies focused mostly on formal financial accessibility. The findings in this research reveal that financial intermediation has a significantly positive impact on MSMEs' semi-formal financial accessibility as well.

Nevertheless it has also been revealed that business incubators do not play a financial intermediation role between incubatees and informal financiers because in this case it shows that information asymmetries are not the major problem to majority of informal financiers towards financing the incubatees. Thus incubatees' financial management capabilities is not their priority criteria in financing incubatees.

5.5 Factors for successful business incubator's financial intermediary role

The results from qualitative analysis shows that the major factors for the successful business incubator financial intermediation between incubatees and both semi-formal and informal financiers are incubator's credit guarantee, incubatees' high quality financial information and financiers' trust to the incubator managers. These three factors were then subjected to the incubatees' rating of the factors influence on their access to finance. The incubatees rated incubator's credit guarantee the highest of the three factors, followed by the financiers' trust on the incubator managers and lastly the incubatee's high quality financial information. These descriptive results can be reflected in the qualitative results i.e. incubator's credit guarantee was directly stated as an important factor towards successful incubator's financial intermediation by most of the interviewees. 82% of the financiers interviewed mention incubator's credit guarantee as an important factor that attract them to finance the incubatees. 83% of the incubator managers also mentioned this factor, while 63% of the interviewed incubatees mentioned this factor as well.

Based on the results, incubator's credit guarantee is the most strong factor for that matter. This is mainly because, out of the three factors, incubator's credit guarantee is the most effective way of reducing risk to the financiers. The most effective way credit guarantee is done by business incubator, incubatee and financier establishing special arrangement where a financial is required to provide the amount of loan to the incubatee, and the incubator guarantees the incubatee, in case an incubatee fails to payback the credit, then the incubator will be responsible. The incubator is also required to come much closer to monitoring the incubatee's loan management. In some cases an incubator can even be involved in tracing the

incubatee's revenue and expenditure so as to ensure that paying back the loan is the first priority expenditure.

Financiers' trust on the incubator managers is founded on the fact that comparatively, incubatees show good trend of honoring repayment schedules and have well prepared financial statements. This is according to the interviewees' responses about the reasons for incubatees easy access to finance. Incubatees are relatively better candidates for financiers' credit provision because they provide genuine information about themselves. All these happen due to the close monitoring by incubators on the incubatees. Therefore with this trend being witnessed for sometimes, financiers have created trust on the incubator managers role of monitoring the incubatees. High quality of incubatees' financial information also is associated with the role of incubator managers. Provided with financial trainings and consultancy, incubatees are in a better position to prepare good business plans, good financial record keeping. Incubatees are usually encouraged and emphasized by incubator experts to keep records.

The financiers' high trust to incubator managers can be observed in the following example: Innovation Fund which is managed by COSTECH and TANZICT provides finance to the entrepreneurs, but one of the requirements is that applicants must be hosted by a reputable Tanzanian organisation which support the innovators and entrepreneurs. The stated organisations are incubators such as Dar Technohama business incubator, SIDO incubators, Twende, KINU, Buni, TEMDO, Kilihub and other incubators. The applicants should be hosted at such institutions capable of supporting them and monitoring their progress. Applicants submit written document from their incubation manager providing proof of the relationship or program participation. The supporting organization must be prepared to co-sign the grant agreement and to share with applicant the responsibility of ensuring the provided finance will be spent correctly. Now the requirement of an applicant being hosted by the incubator shows how the financiers have trust in incubator managements. Secondly, the requirement that "an applicant must submit a written document from incubator manager" shows how incubator guarantee is plays an important role in enabling financial intermediation between entrepreneurs and financiers.

The results also reveal that these three factors are much stronger in semi-formal financing than in informal financing. Incubatees who accessed semi-formal finance have relatively higher approval of the three factors than those who accessed informal finance. This is understandable because incubator managers in most cases establish special agreements for

incubatees' credit guarantee with semi-formal financiers due to the fact that semi-formal financiers are relatively more institutionalized than majority of the informal financiers. Incubator managers are too selective on the informal financiers to establish such agreements, few arrangements made with informal financiers have been made with government and non-governments projects. Based on these circumstances, incubatees who seek semi-formal finance are in better position to enjoy this incubator service than those who seek informal finance. On the other hand majority of semi-formal financiers are more cautious with borrowers' financial information than the informal financiers, this is due to the comparatively strong regulatory framework of semi-formal financiers compared with the informal financiers. Some few informal financiers are interested in and can analyse and interpret financial information of borrowers but to majority of informal financiers, high quality financial information is not a criterion for credit provision to the borrower, and some can not even interpret the financial information. Similarly, majority of informal financiers do not need to trust an incubator manager to provide credits because their model of operation enable them to have prior knowledge to most of the borrowers. For instance VICOBA, ROSCAs and ASCAs are group based financiers so they provide credits to the already known people. But for the semi-formal financiers they need to a more stringent process to provide credits because they are comparatively large organisation so they deal with majority of the borrowers who are not well known to the semi-formal financiers, that is why they need some trusted people like incubator managers to be sure of the information about the borrower. These above explained reasons are the basis for the relatively high approval of the three factors among the incubatees who accessed semi-formal finance, and relatively low approval for the incubatees who accessed informal finance. This can also be justified by the fact that, incubator's financial intermediation is significant in semi-formal finance but not in informal finance.

5.6 Impact of incubatee's and incubator manager's social capital on informal and semi-formal financial accessibility

The presented results in chapter four indicate that IBS has a significant positive impact on both iMFA and sMFA, and this is an expected result based on the reviewed studies. This could be due to the following reason: Incubatees' family members, close friends and neighbours are in most cases the people who closely surround the incubatee, therefore they have a high influence on the daily decision making of the incubatee particularly on the business related activities. The close people provide information to the incubatee on the financing alternatives, linking the incubatee to the financiers and sometimes they guarantee an incubatee to financiers. In some cases, family members, close friends and neighbour can form

a group with the incubatee and guarantee each other, so as to easily access finance. This argument is supported by the factor analysis results which indicate that financial advice from incubatee's close friends and neighbours has the highest impact in IBS. The results concur with studies by Bollingtoft and Ulhoi (2005), Guiso et.al. (2000), Ronning (2011) and Kim et.al. (2009) who found that social capital has a significant positive relationship with financial accessibility. The reviewed literature argue that social capital play a significant role in facilitating entrepreneurs' access to finance i.e. people with many social networks are in better position to identify and utilize new opportunities (Isham, 1999) while those with lack of social ties feel isolated and find it difficult to utilize opportunities and confront poverty (Wilson, 1996). Therefore this is also the case for the incubatees, those with many links to family members, close friends and even neighbours easily identify and utilize financial opportunities. The results also indicate that, the impact of IBS is relatively higher on iMFA than sMFA. This is mainly because semi-formal financiers are comparatively large financial institutions such that groups organised are likely to be secondary groups rather than primary ones. It should be noted that close friends, family members and neighbours are usually very influential to incubatee in primary group, but in secondary groups even if there are some close friends, their influence is compromised by distant friends and colleagues. As a result the influence of the close people to the incubatees is weak in secondary groups. Also some close friends, family members and neighbours can be informal financiers but it is very difficult for them to be semi-formal financiers.

On the other hand, MBS has no significant impact on both iMFA and sMFA, this could be due to the following reason: incubator manager's family members, close friends and neighbours are not necessarily influential people to be able to influence semi-formal financiers' financing decisions. Based on the Tanzanian socio-economic demographics, in most cases these people are of the same or lower social class than incubator manager, therefore they are likely to have no influence on semi-formal financiers. On top of that, these people have a direct relationship with incubator manager but not with incubatees, as a result they lack commitment to guarantee and help people (incubatees) who they do not know.

IRS has a significant positive impact on both iMFA and sMFA. The results are in line with the findings by Bollingtoft and Ulhoi (2005), Guiso et.al. (2000), Ronning (2011) and Kim et.al. (2009) who found that social capital has a significant positive relationship with financial accessibility. These results reflect the fact that, in Tanzania secondary groups provide guarantee to group members i.e. a member with no collateral is guaranteed by his/her group members. Semi-formal financiers easily provide finance in groups as they see their funds are

more secured in groups than individual incubatees. Thus, the higher the IRS, the higher the MFA. These findings echo the studies by Townsend (1994), Fafchamps and Minten (1999) Boot (2000) and Uzzi (1999) who suggest that social networks provide informal insurance mechanisms, and poor performing entrepreneurs have limited and confined social networks while the good performing ones have more and diversified social networks. The authors have also argued that entrepreneurs with large and more diverse network links have more prolific enterprises which result in easy access to credits. The links of these entrepreneurs with financiers reduce transaction costs and facilitate the transfer of information between entrepreneurs and financiers. Similarly, Ghatak and Guinnane (1999) and Cassar et.al. (2007) have categorically stated that the influence of social capital is very high in group lending and repayments.

Comparatively IRS has a slightly stronger impact on sMFA than on iMFA. This could be attributed to relatively more strict semi-formal financing regulations which lead to stronger observation and supervision of group guarantee strategy by semi-formal financiers than informal financiers. MRS has an insignificant impact on both iMFA and sMFA, mainly due to lack of insufficient influence by incubator manager's distant friends, colleagues and members in secondary groups to semi-formal financiers. It should be noted that incubator manager's bridging networks are loose links based on the common interests, therefore as far as incubatees' financing is not their common interest then they have low commitment towards helping the incubatees to access both informal and semi-formal finance.

ILS has an insignificant impact on both iMFA and sMFA mainly due to a big interaction gap between incubatees and people with key positions in civil societies organisations, private sector, government agencies and public representatives. This can be reflected in the descriptive statistics where it shows large number of incubatees do not have network links with these influential people in the society. This interaction gap can be accounted to two major reasons: first, these influential people are more associated with formal finance and secondly small entrepreneurs and the influential people belong to different social classes. On the other hand, MLS has a significant positive impact on sMFA. These are expected results as they are in line with findings from the reviewed studies above. These findings reflect the fact that, incubator managers have stronger connections with key people in civil society organizations, private sector, government agencies, and public representatives. These people have high influence on the semi-formal financiers, therefore incubator managers use these networks to influence the semi-formal financiers provide credits to incubatees. However that is not the case for informal financing. MLS has unexpectedly insignificant impact on iMFA,

which could be accounted to the reality that, people with key positions in civil societies organisations, private sector, government agencies and public representatives are more committed to work with strong regulatory frameworks. In this case they do not work with informal financiers, as a result MLS has insignificant impact on iMFA.

5.7 Moderating impact of Incubatee's and incubator manager's social capital on the FMC-MFA relationship

The results from PLS regressions analysis, indicate that IBS has no significant direct and moderating impact on sMFA. This implies that, incubatees' family members, close friends and neighbours are in most cases not influential people to be able to influence semi-formal financiers' financing decisions. In most cases these people are of weak social status such that they have no enough influence to make semi-formal financiers provide credits to incubatees without considering the level of incubatees' FMC. Therefore, even though IBS plays a significant role on incubatee's semi-formal financial accessibility, still semi-formal financiers' priority is the level of incubatee's FMC. Also, incubatee's close people provide mainly the advisory services to incubatee on how to access semi-formal finance, and also they provide valuable information about semi-formal financiers, therefore they improve incubatee's semi-formal finance but incubatees can not rely on IBS alone without FMC.

IBS has also insignificant moderating impact on iMFA, and like on sMFA, IBS has also significant positive impact on iMFA. As stated above, the IBS significant positive impact on iMFA could be due to the fact that, family members, close friends and neighbours have a high influence on the daily decision making of the incubatee particularly on the business related activities. The close people provide information to the incubatee on the financing alternatives, linking the incubatee to the financiers and sometimes they guarantee an incubatee to informal financiers. In some cases, family members, close friends and neighbour can form a primary group with the incubatee and guarantee each other, so as to easily access finance. On the other hand, IBS insignificant moderating impact on FMC-iMFA relationship is due to the fact that FMC-iMFA relationship is insignificant i.e. to most of the small informal financiers who are the majority in Tanzania, FMC is not their first priority requirement to borrowers. Based on this explanation, the IBS moderating effect is automatically insignificant regardless of its significant direct impact on iMFA. Similarly MBS has no significant moderating impact on both FMC-sMFA and FMC-iMFA relationship, this could be related to the fact that incubator manager's family members, close friends and neighbours have insignificant influence on both informal and semi-formal financiers.

IRS has a negative moderating impact on FMC-sMFA relationship, This is attributed to the fact that, network links to distant friends, colleagues and secondary groups have positive impact on semi-formal finance, therefore incubatees with strong network links to distant friends, colleagues and secondary groups can easily access semi-formal finance. It implies that, incubatees with strong links to distant friends, colleagues and secondary groups do not need high FMC to access semi-formal finance. But those with weak or no links to distant friends, colleagues and secondary groups desperately need high FMC to access semi-formal finance. Based on this explanation, it means that; as the IRS increases, the FMC-sMFA relationship decreases and vice versa. On the other hand IRS has insignificant moderating impact on FMC-iMFA, even though it has significant positive impact on iMFA. This is mainly due to the informal financiers' low consideration on FMC when providing credits to incubatees. Therefore while secondary groups play a great role towards informal financing in Tanzania, this has nothing to do with the incubatees' FMC. MRS has no significant moderating impact on both FMC-sMFA and FMC-iMFA relationships, this could be related to the fact that incubator manager's distant friends, colleagues and members in secondary groups have insignificant influence on both informal and semi-formal financiers.

ILS has an insignificant moderating impact on FMC-sMFA relationship, this is mainly due to an insignificant direct impact of ILS on sMFA which is a result of big interaction gap between incubatees and people with key positions in civil societies organisations, private sector, government agencies and public representatives. The findings have also revealed that ILS has an insignificant moderating impact on FMC-iMFA relationship, this is also due to an insignificant direct impact of ILS on iMFA which is similarly a result of big interaction gap between incubatees and people with key positions in civil societies organisations, private sector, government agencies and public representatives. The interaction gap is associated with: first, these influential people are more associated with formal finance and secondly small entrepreneurs and the influential people belong to different social classes. Comparatively, MLS has a significant positive moderating impact on FMC-iMFA relationship, however due insignificant relationship between FMC and iMFA, then moderating impact is meaningless and does not exist. This is because if the informal financiers do not consider FMC when providing credits to incubatees, then incubatees can not consider in anyway their level of FMC when they seek credits to informal financiers.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

In this chapter, conclusions are drawn from the empirical findings presented in the chapters above. This research focused on understanding the financial intermediation role played by business incubators between MSMEs and informal and semi-formal financiers, putting into consideration the influence of both incubatee and incubator manager's social capital. Specifically, the study investigated the factors that contribute to the successful business incubators' financial intermediation and it tested the significance of this business incubator's role to the MSMEs' informal and semi-formal financial accessibility. The research questions were aligned themselves with different phases of the research.

In phase one the following questions were answered:

Research question two: Do incubators really contribute to MSMEs informal and semi-formal financial accessibility?

Research question three: What are the key factors towards successful financial intermediary role of an incubator between incubatees and both informal and semi-formal financiers?

While in phase two, the following questions were answered:

Research question one: Do different incubation models result in the different models of MSMEs financial accessibility?

Research question four: Do both Incubatee's and incubator manager's social capital have significant impact MSMEs informal and semi-formal financial accessibility?

Research question five: Do both Incubatee's and incubator manager's social capital moderate the relationship between Incubatee's financial management capabilities and MSMEs financial accessibility?

This chapter takes the thesis to a conclusion by recapping the research processes performed to answer the research questions. The research hypotheses are addressed, important findings of the research are summarised.

Phase one required to understand the current status of business incubation in Tanzania and if business incubators contribute to the MSMEs access to informal and semi-formal finance. The phase also intended to determine the factors for successful business incubators' financial intermediation role between MSMEs and informal and semi-formal financiers. In this phase, six incubator managers, eight incubatees and eleven financiers were interviewed. The primary aim of the interviews was to establish the number and type of business incubators existing in Tanzania. The interview also intended to establish if and why incubated MSMEs were considered as better candidate for credit financing in comparison to non-incubated MSMEs.

The study has revealed that currently there are more than 593 incubatees in Tanzania incubators. Most of the business incubation programs are hosted by government parastatals and few private organisations. The largest business incubators' host is SIDO, other notable incubators' hosts are COSTECH, TEMDO, University of Dar es Salaam and Mara Group. SIDO has managed to establish the large number of business incubators compared to other incubation hosting organisations, because of its already established management structure. It has regional offices headed by regional managers who report to SIDO-director at the headquarters. Under each regional manager there is Credit Officer, Accountant, Technical Officer and Business Development Officer. Credit officer is responsible for monitoring and coordinating credit activities, promoting regional Credit Services, conducting credit training sessions for clients on the management of credit, receiving and assessing credit applications from prospective clients, recommending, approval of loans disbursement. tracking loans, monitoring and reporting on loan performance. An Accountant is monitoring and coordinating the accounting activities, preparing budget proposals and reports, maintaining assets, loan and investment register, preparing and interpreting financial statements and reports, preparing payroll, administering tax and other financial obligations, balancing and controlling general and specific accounts.

Technical Officer supports engineers in carrying industrial and technological research, designing and developing prototypes, assists in designing and developing industrial centers and machinery installation, carries out maintenance and repair works, assists in developing and implementing technical support programmes, sources out and disseminates resource

based technologies and machineries relevant to MSMEs and promotes product development and innovations relevant to MSMEs. Business Development Officer is responsible for monitoring and coordinating business Development activities, identifying business opportunities and assessment of market potential, providing business training and advisory services, identifying and selecting participants enterprises for various programmes, providing clients with business opportunity guidance, provide business advice to clients and the office and linking SIDO with institutions which provide similar services. Business incubation programs fall under the supervision of business development officer, however other officers are invited to provide professional services to incubatees based on their expertise. For instance training on loan management is provided by credit officer, financial management trainings are sometimes provided by credit officer or Accountant. Trainings on issues of innovations and technologies are done by technical officer. This kind of management structure has enabled SIDO to accommodate many business incubators because the already present staff in the regional offices are being used.

COSTECH focuses on ICT related incubation programs. Currently it hosts Dar Teknohama Business incubator (DTBi) and in collaboration with TANZICT project it hosts Buni co-working space. Unlike those hosted by SIDO, the incubators hosted by COSTECH are autonomous entities. TANZICT has further established a network of techlabs in various parts of the country. Other hosts like TEMDO and University of Dar es Salaam host one incubation program each. University of Dar es Salaam has also pioneered the establishment of Lushoto business incubator which has the largest number of incubatees by far. It has 385 incubatees, each incubatee being a member of a group. Each group has its leaders who ensure smooth coordination between the incubator management and the incubatees.

Apart from revealing the status of business incubation in Tanzania, phase one identified reasons to why incubated MSMEs are considered better candidate for credit financing in comparison to non-incubated MSMEs. The findings have shown that incubatees have relatively proper financial record keeping because of the trainings and counselling they receive from the business experts provided by the incubators. Financial trainings and counselling enable incubatees to display higher financial management capabilities than non-incubated entrepreneurs. They relatively have proper financial records and their financial statements are well prepared. The incubatees are also in better position to produce sound business plans because in the whole process of writing a business plan they have guidance from incubator experts at their disposal, unlike the

non-incubated entrepreneurs who have no access to such services and even if they access, the consulting services are very expensive.

The incubators also have credit guarantee schemes which are the special agreements between incubators and financiers where a financier is required to provide credit to the incubatee while an incubator guarantees the incubatee. Such agreements address the problem of lack of collaterals because incubatees are given loans without requiring them to have any collateral. Despite being mentioned by several respondents during the research, these programs are not being implemented by all business incubators. Many incubators do not have such arrangements, for instance among SIDO hosted incubators there are some of them such as the SIDO Morogoro and Iringa incubators which have guarantee schemes. But in a significant number of the incubators, such type of guarantee arrangements are either inactive or non-existent.

In some cases incubatees are guaranteed even if there is no special agreement between an incubator and a financier. An incubatee is required to provide a guarantee letter from an incubator management so as to be given credit. Even though this is also considered another form of guarantee, it is mainly born out of financiers' trust on incubator managements because in this case when an incubatee fails to repay a credit, an incubator will not be required to pay on behalf.

Frequent trainings on financial matters, workshops and meetings with financiers play an important role in promoting incubatees access to financial loans. Likewise, good credit repayment history and genuine information provided by incubatees have built trust among financiers. Some financiers are also convinced that incubators provide serious supervision and therefore they consider incubatees as better candidates for the loans. The reputation of the incubator managers also facilitates the incubatees' access to credits. Some interviewees argue that financiers are influenced by the reputation of incubator managers. Financiers believe that the information provided by the incubatees is genuine just because they are under the incubator managers who can allow their reputation to be damaged by incubatees wrong information.

Phase two of the research collected data from incubatees. The aim of the research was to test the significance of business incubators' financial intermediation role between incubatees and informal and semi-formal financiers. The research also investigated the influence of social capital in the

process of financial intermediation. The data was quantitative and was analysed statistically, searching essentially for significant relationships between incubation and financial models, business incubators' monitoring services and incubatees' financial management capabilities and incubatees' financial management capabilities and informal and semi-formal financial accessibility. Also determining the significant relationships between incubatee and incubator manager's social capital and informal and semi-formal financial accessibility. The study has also investigated the moderating effect of incubatee and incubator manager's social capital on the relationship between incubatees' financial management capabilities and informal and semi-formal financial accessibility.

The quantitative analysis results indicate that there is a significant difference between with-wall incubatees and without-wall incubatees in relation to the type financiers. There is also significant difference between with-wall incubatees and co-working spaces incubatees in relation to the type financiers. However, the difference between co-working spaces incubatees and without-wall incubatees in relation to the type financiers is insignificant.

Most of the with-wall incubatees access credits to semi-formal financiers, while majority of the without-wall incubatees access credits to informal financiers. Majority of the co-working spaces incubatees access credits to informal financiers. The results indicate that most of co-working spaces incubatees and without-wall incubatees access finance from the same type of financiers. i.e. informal financiers. These results are supported by descriptive statistics which show that most of with-wall incubatees access credits from semi-formal financiers, while most of the without-wall incubatees and co-working space incubatees access credits from informal financiers.

The study has revealed the significance of business incubators' financial intermediation role. The results indicate that business incubator's monitoring services have a significant positive impact on financial management capabilities of incubatees. As reflected in descriptive statistics, incubator's monitoring services have relatively higher impact on financial information analysis capabilities compared to financial decision making and financial planning capabilities. This is mainly because incubatees put more emphasis on an immediate requirement financiers which is financial information. Results also show that incubatees' financial management capabilities have a significant positive impact on semi-formal financial accessibility but insignificant impact on informal financial accessibility. this could be attributed to the fact that informal financing is subjected to weak regulations compared to

semi-formal financing, therefore incubatee's ability to manage finance is not strictly observed and in some cases not considered at all as a criterion for accessing loans credits.

The phase two of the research has also revealed that incubatee's bonding social capital has a significant positive impact on both informal financial accessibility and semi-formal financial accessibility. This is mainly because, incubatees' family members, close friends and neighbours are in most cases the people who have high influence on the daily decision making of the incubatee including decisions on business related activities. In some cases, family members, close friends and neighbours form groups with the incubatee and guarantee each other, so as to facilitate their access to finance. Incubator manager's bonding social capital has no significant impact on both informal financial accessibility and semi-formal financial accessibility, this is associated to the fact that incubator manager's family members, close friends and neighbours have a direct relationship with incubator manager but not with incubatees, as a result they lack commitment to guarantee and help people (incubatees) who they do not know.

Incubatee's bridging social capital has a significant positive impact on both informal financial accessibility and semi-formal financial accessibility. This is due to the fact that in Tanzania, secondary groups provide guarantee to group members so as to facilitate access to finance. Incubator manager's bridging social capital has an insignificant impact on both informal financial accessibility and semi-formal financial accessibility, mainly due to lack of commitment by incubator manager's distant friends, colleagues and members in secondary groups to help incubatees access informal and semi-formal finance.

Incubatee's linking social capital has an insignificant impact on both informal financial accessibility and semi-formal financial accessibility mainly due to a big interaction gap between incubatees and people with key positions in civil societies organisations, private sector, government agencies and public representatives. Incubator manager's linking social capital has a significant positive impact on semi-formal financial accessibility. These findings reflect the fact that, incubator managers have stronger connections with key people in civil society organizations, private sector, government agencies, and public representatives. Incubator manager's linking social capital has insignificant impact on informal financial accessibility, which could be accounted to the reality that, people with key positions in the society are more committed to work with strong regulatory frameworks. In this case they do not prefer to work with informal financiers.

The study has exposed that incubatee's bonding social capital has insignificant moderating impact on the relationship between incubatees' financial management capabilities and semi-formal financial accessibility. In most cases incubatees' family members, close friends and neighbours are of weak social status such that they have no enough influence to make semi-formal financiers provide credits to incubatees without considering the level of incubatees' financial management capabilities. Incubatee's bonding social capital has insignificant moderating impact on the relationship between incubatees' financial management capabilities and informal financial accessibility, but this is due to the fact that relationship between incubatees' financial management capabilities and informal financial accessibility is insignificant. Similarly, incubator manager's bonding social capital has insignificant moderating impact on the relationship between incubatees' financial management capabilities and informal financial accessibility as well as between incubatees' financial management capabilities and semi-formal financial accessibility. This is related to the fact that incubator manager's family members, close friends and neighbours have insignificant influence on both informal and semi-formal financiers.

Incubatee's bridging social capital has a negative moderating impact on the relationship between incubatees' financial management capabilities and semi-formal financial accessibility. It implies that, incubatees with strong links to distant friends, colleagues and secondary groups do not need high financial management capabilities to access semi-formal finance and vice versa is true. Incubatee's bridging social capital has insignificant moderating impact on the relationship between incubatees' financial management capabilities and informal financial accessibility because of the informal financiers' low consideration on financial management capabilities when providing credits to incubatees. The applies to incubator manager's bridging social capital. It has insignificant moderating impact on both informal financial accessibility and semi-formal financial accessibility. however, this could be related to the fact that incubator manager's distant friends, colleagues and members in secondary groups have insignificant influence on both informal and semi-formal financiers.

Incubatee's linking social capital has an insignificant moderating impact on the relationship between incubatees' financial management capabilities and informal and semi-formal financial accessibility. the insignificance is due to an insignificant direct impact of incubatee's linking social capital on informal and semi-formal financial accessibility. Incubator manager's linking social capital has a insignificant positive moderating impact in both informal and semi-formal financial accessibility.

Additionally, the research has revealed that Tanzanian business incubators have weak entry and exit policy i.e. businesses are admitted into incubation programs regardless of their age, which means that the focus of these business incubators is not specifically start-ups but rather small businesses. Some retarded businesses that have existed for as long as eleven years have also found a chance in Tanzanian business incubators. On the other hand, financiers prefer some business sectors over some others to provide loans. Financiers particularly microfinance NGOs, government and non-government projects predominantly focus on the food processing, small manufacturing and information technology sectors. Also, financiers prefer to finance limited companies and partnerships over sole proprietorships due to the security of their finances. They feel more secure with business partnerships and limited companies than with sole proprietors. The study has also shown that, number of employees of an incubated MSME has nothing to do with access to finance of a particular MSME.

The study has also revealed that, the amount of loan requested by the incubatee negatively influence the his/her accessibility to finance. Financiers normally tighten the credit processing regulations depending on the amount of loan requested, which implies that when an incubatee requests larger amount of loan, the probability of securing the loan decreases. Another revelation is that, incubatees with larger business capital are more likely to be given the requested than those with small amount of business capital. The research has also found the factors that lead to successful incubator's financial intermediation between incubatees and financiers. The factors are incubator's credit guarantee, financiers' trust on incubator managers and incubatee's high quality financial information.

6.2 Recommendations

Both qualitative and quantitative analyses presented in this report coupled with previous research about the business incubation and role of business incubators in MSMEs financing, provide information for policymakers, incubator managers, MSMEs financiers, incubatees and other stakeholders. Recommendations are made in this chapter so as to enable policymakers, incubator managers, financiers, incubatees and other stakeholders improve their performance.

Recommendations for policymakers

Policies define institutional environment of each country and therefore create institutional support framework for entrepreneurship. Changing the whole institutional context in a short term is not easy, but policy makers in entrepreneurship sector are in position to implement changes and create a more appealing entrepreneurial ecosystem more rapidly. They should be involved in business incubation by sponsoring incubators and facilitating participation of other organisations in the incubation programmes. Below are the recommendations to them on how they can promote business incubation in the country.

They should analyse the existing state of institutional supports for business incubation to understand what are the critical obstacles for business incubation activities in the current setup and act accordingly. Some of incubator managers argued that limited financial resources is the major barrier to achieving their goals. Their sources of finance are not sustainable and sometimes not reliable. If financial resources is the main obstacle, policy makers should support business incubators either by directly providing financial assistance to the existing and/or aspiring business incubators or by facilitating incubators' access to sponsors.

They should adjust rules and regulations such that both non-profit and for-profit business incubators can legally exist and operate with no extensive bureaucratic obstacles. Most of the business incubators in Tanzania are non-profit business incubators so, they should put in place regulations that remove bureaucratic constrains and facilitate them to be incorporated as companies limited by guarantee i.e. non-profit organisations. This will improve the management of incubators, their performance and sustainability. They should also encourage the establishment of for-profit business incubators by adjusting regulations to enable them be easily incorporated as limited liability companies.

The incubation programs in Tanzania lack serious attention from the government. Although incubation programs have been mentioned in the SMEs policy as one of the strategies to promote entrepreneurship in the country, it is only a minute section of the policy and no special attention has been put to utilize incubation programs for entrepreneurship promotion. Incubation programs are only considered as activities to be implemented by some government parastatals, as a result parastatals like SIDO, TEMDO and COSTECH have many activities to do other than incubation programs. This compromises their commitment to incubation

programs. Therefore government should establish a special agency for business incubation which will be responsible to the promotion of MSMEs in various sectors such as agriculture, manufacturing, mining, trading and even tourism.

The agency will also be responsible for the sustainability of the business incubators. Most of the business incubators in Tanzania rely on the donor finance, for instance while Lushoto incubator holds the largest number of incubatees by far, it has been relying on donor finance such as Tanzania Gatsby Trust (TGT), the Carnegie Corporation of New York and Oxfam. This is a challenge to most of incubation programs because donor finance come as projects which are only intending to support establishment or boost their growth. But the finance is provided for a specific time, therefore to ensure sustainability it is imperative to have well defined public funding that will also be subjected to serious public auditing. The agency will also ensure the finance collected from incubatees' contribution or office rents are properly used for the intended purpose.

An agency should have a nationwide database of incubation programs, which makes sure that each program meets the minimum requirements for each of its characteristics set by the agency. For instance each incubator should have business experts with minimum qualifications set by the agency. The incubators should provide all necessary information for their incubation programs. The data should be made available online for public use. To encourage incubators to provide current information for the database, provision of fund to incubator should be tied to incubator provision and updating of data. For example, to receive funding from any funder incubation programs should be required to provide their entry/exit policy, services provision plan, and commitment to quarterly and annual reports provision to the agency. This will enable the agency to supervise the incubators so that they provide services to the targeted population. Currently some incubators have allowed incubatees to stay very long due to lack of clear exit policy, and because incubatees find the environment in incubators is much better than outside they do not want to exit. But due to limited accommodation, an incubator reduces the number of new entrants in the incubation program. If the agency will be established and have the database arrangement will ensure incubators have clear policies and adhere to them. The database will also facilitate business incubation activities in the country because information will be available to every stakeholder.

There is also a disconnection between important stakeholders to the business incubators. The notable stakeholders in business incubators are enterprises, business incubators' hosts, business experts and government . The major problem here starts with lack of government framework on how to implement business incubation. The government has just considered incubation program as one of the activities to be done by the mentioned parastatals, but it has not stipulated in which way. As a result these business incubators' hosts are left to do what they find it right. The problem is, these incubators' hosts or management are not necessarily the best experts in entrepreneurship and business incubation, secondly they do not link their incubation programs to the institutions like universities which are rich in researches and business expertism. Therefore, while incubation programs need best experts and researches to identify and solve real problems facing incubatees, academic institutions are full of unused researches and business experts. To address the problem, attempt should be made to establish clear linkage between the business incubators and academic institutions. For example, existing business incubators can partner with business schools or faculties in the near by university to bring in graduate students to help with market research for incubatees. But also the focus should be to establish university hosted business incubators and particularly should be hosted by business departments or business department in collaboration with other specific departments depending on the nature of incubatees.

The government should embark on improving microfinance sector especially by multiplying the number of microfinance NGOs. Although there is substantial number of these NGOs in Tanzania. There are still some areas where microfinance from NGOs is very limited and therefore forcing incubatees to rely on informal finance particularly VICOBA, ROSCAs and private moneylenders. Also the loan ceiling should be raised to even more than double, the current ceiling of 20,000,000 TZS is an obstacle to some small and medium entrepreneurs. While their business have grown enough they need much more larger amount of loans, and with this low loan ceiling most of them are forced to request loans from different microfinance NGOs. The situation is worse for those without collateral who rely on group lending because the ceiling very low, he/she can only be given not more than 2,000,000 TZS. The interest rates should be further reduced and credit guarantee schemes promoted. Even though interest rates are relatively lower than those of the banks, they can be lowered as much as those in the SACCOs and project funds. This will reduce the loan expenses and therefore improve financial accessibility. To address the problem of collateral to those who request loans on individual bases, credit guarantee schemes should be promoted to the wider extent.

The government through Ministry of finance in collaboration with the special department at BoT i.e SME-CGS should promote these programs as a strategy to address the problem of collateral. Collateral should no longer be taken as the only most important decisive factor on credit provision by the lenders to entrepreneurs. The Ministry of Industry, Trade and Investment and Ministry of Finance should make proper government policies to promote the use of credit guarantee schemes by entrepreneurs who want to access credits from microfinance NGOs

The governments should put much attention and efforts in supporting business incubators to enable them to incubate more MSMEs and hence develop and improve their financial management capabilities to facilitate financial accessibility. This study has revealed that business incubators significantly improve financial management capabilities of the incubated enterprises. Similarly it has been found that financial management capabilities of entrepreneurs have a significant positive influence of entrepreneurs' access to semi-formal finance. It is therefore imperative for the government to improve the ability of incubators to incubate larger number of enterprises.

Recommendations for incubators' hosts

Most of the business incubation programs are hosted by government parastatals and few private organisations. The largest business incubators' host is SIDO, other notable incubators' hosts are COSTECH, TEMDO, University of Dar es Salaam. Comparing the hosting modalities among the hosts, COSTECH has the most autonomous business incubators, both Dar Teknohama Business incubator and Buni co-working space have their own staff. They have their own board and management separate from COSTECH. As a result its incubators have relatively performed better in terms of graduates success.

SIDO which has managed to establish the large number of business incubators compared to other incubation hosting organisations, should now start empowering its incubators. They should have their own board and management. This will improve incubation services provided to incubatees. The current structure of the SIDO incubators compromises their performance because incubation programs are just part of many activities to promote enterprises.

TEMDO hosts one incubator in a similar structure like SIDO, but being faced with more challenges. Unlike SIDO, TEMDO lacks clear entry and exit policy and graduation policy. As a result there are incubatees have stayed in the incubator for eight years without graduating or exiting. So, TEMDO should establish clear graduation or entry and exit policy to remain relevant to the objective of business incubation program. There is also a challenge of sustainability. TEMDO has relied very much on donor funding through projects to run its incubator, however this type of funding is not reliable it is provided for period of time. In absence of this fund the incubator suffers. To address this problem, TEMDO should establish new ways of mobilizing funds like imposing reasonable incubation fees. It should also establish a separate board and management. This is will improve incubation services provided to incubatees and will help address other problems facing the incubator.

Universities should play much more role to promotion of business incubation activities in the country. Currently they do not contribute significantly to the sector, University of Dar es Salaam only hosts UDEC working space and has pioneered the establishment of Lushoto business incubator. Sokoine University of Agriculture has a one incubation program but it is very weak, other universities have no notable incubation programs. It seems Universities do not realise their entrepreneurial potentials. Their role to promote entrepreneurship mainly falls into their teaching and research but they have a huge reserve of professors and researchers, who can act as mentors for incubated entrepreneurs. University administrations should create synergies between education, research and entrepreneurship by establishing incubation programs. Through these programs they will be able to utilize professors expertise and provide more room for students to successfully enterprise.

Recommendations for business incubator managers

Incubator managers run incubators' operations on a daily basis, interact with the incubated entrepreneurs, coordinate relations with the external stakeholders, implement strategies of the sponsors and deal with many other activities. So, they are the most important agents in incubation programs. They play a vital role to the success of incubators. Below are the recommendations to them on how they can improve business incubators performance.

They should align their incubation models with the available resources and sponsor's mission. For the aspiring business incubators, manager should choose with-wall incubation model if

there is sufficient infrastructural, financial and human resources, choose without-wall incubation model if there is insufficient infrastructural resources and co-working space if there is sufficient infrastructural and financial resources. The manager should also choose co-working spaces if it is for-profit business incubator because their operating cost are relatively low and the management is simple.

He/she should continuously assess effectiveness of provided services by closely interacting with incubated entrepreneurs to understand if they are provided with an appropriate support, measuring their progress by comparing the real achievement and targeted milestones. This research has revealed services that have a significant impact on incubatees. They are advisory support in preparing financial statements required to obtain credit, provision of training facilities, advisory support on the financial opportunities, entrepreneurial training particularly on issues of financial management and business counselling. But incubatees say that the quality of experts who conduct training is low. Therefore it is important for business incubator managers to find high quality business experts so as to improve the services. The incubator managers should also institutionalize the secondary groups and establish special arrangement to promote these groups so as to improve the incubatees' access to semi-formal finance. The findings of this research indicate that secondary groups and other bridging networks have significant influence on incubatees access to informal and semi-formal finance. Business incubators can adopt the group guarantee strategy which is being applied among secondary groups, this strategy has proved to be successful in eliminating the obstacle of lack of collateral, a problem that has been singled out by MSMEs as the most burning obstacle towards financial accessibility.

Very few incubators in Tanzania have active incubation advisory boards and even those incubators which have active incubation boards, the composition of the boards is not the best. Therefore having active advisory boards with diverse expertise should be emphasized. The boards with diverse expertise usually help develop quality business assistance services for the incubation program, market the incubator, entrench the incubation program in the broader community and provide effective program oversight. The role of active boards can be observed when three incubation programs were established in Lushoto, Morogoro and Kibaha as part of the University of Dar es Salaam Business and Technology Incubation Project. However lack of active advisory boards in Morogoro and Kibaha incubators led to their collapse in first five years of existence, just after the end of the finance from Tanzania Gatsby

Trust and the Carnegie Corporation of New York. But due to presence of active and responsible advisory board, Lushoto incubator has survived to this day and has witnessed significant expansion.

Business incubators can also put emphasis on the incubator manager's links to key people in civil society organizations, private sector, government agencies, and public representatives as another aspect to be utilized for promotion of incubated MSMEs financing. This strategy brings the incubatees much closer to many semi-formal financiers which without incubator managers they could have not accessed them. Business incubators should expand their services to incubatees to include special credit guarantee schemes so as to strengthen their financial intermediation role by eliminating the obstacle of lack of collateral, a problem that has been singled out by MSMEs as the most burning obstacle towards financial accessibility.

Business incubator managers should strengthen their entry and exit policy by defining a clear incubation period and therefore the specific graduation time at the incubator. This is because this study has indicated that the length of the incubation period has no significant influence on the incubatee's access to informal and semi-formal finance. Likewise, the incubator managers should encourage the sole proprietor incubatees to turn their businesses into limited companies so as to increase their accessibility to finance. This is because the study has found that business legal form has a significant influence on the financial accessibility.

Recommendations for incubatees

Various types of informal and semi-formal financing approaches discussed in chapter two suit different types of enterprises. While some financiers are favourable to very small borrowers, others suit the large ones. Therefore, before incubatees decide which financing approach to follow, they should consider two criteria i.e. the size of their business and the form of business ownership. Based on these factors then they can assess a better financier for them as indicated in the figure below.

Sole proprietorship micro enterprises should focus on utilizing their bonding networks by accessing loans from family members and close friends. These are the cheapest form of credits because usually they are interest free. In case one can not access such kind of loans then he/she should opt for ROSCAs and ASCAs because they are also very cheap. However these kinds of finance rely very much on blood relations, close friendship, shared locality and secondary relationships. Normally for a person to be a member of a ROSCA or ASCA must

be well known by other group members, which automatically implies that a person either comes from the same locality, is a close friend, a relative or a colleague of the group members. Unlike micro enterprises, small and medium sole proprietors need large amount of credits which can not be provided by ROSCAs, ASCAs and VICOBA. Therefore they should seek credits from projects and microfinance NGOs because they provide relatively large amounts of credits. SACCOs can manage to provide loans required by small sole proprietors but not medium sole proprietors.

Partnership micro enterprises can also mobilize finance through loans from partners' family members and close friends. Correspondingly, they can access finance through VICOBA and SACCOs. These financiers provide slightly larger amount of credits than ROSCAs and ASCAs but their credits are more expensive. VICOBA and SACCOs credits are around 5% to 10% interest rate, this is expensive for a sole proprietor but for partnership it is tolerable especially because the repayment liability is carried by more than one person. For the small and medium partnerships should focus on microfinance NGOs, project funds and venture capital because these can afford to provide the amount of finance required. VICOBA, ASCAs and ROSCAs can not manage to provide amount of finance required by this level of partnerships. Similarly, partners' family members and close friends can not provide large credits due to either inability to do so or the perception that such businesses can only be owned by financially capable people.

Limited companies micro enterprises should focus on finance from business angels, SACCOs, SACAs and Credits from various projects because they are relatively cheaper than microfinance NGOs. Business angles are the most preferred type of financiers because they provide larger amounts of money along their business experience to the entrepreneurs who in most cases face the challenges from their business learning curve. However, unlike other financiers business angels take shares in small businesses therefore registered companies are preferred over sole proprietors and partnerships. Credits from SACCOs, SACAs and various projects are relatively more expensive than ASCAs, VICOBA, ROSCAs and credits from family members and close friends, but unfortunately limited company incubatees do not receive significant support from bonding networks. This is due to the perception among many people that a person who owns a business company is financially strong no matter how small the company is. They do not expect such person to ask for financial help and if he/she does they do not trust him/her and therefore lack the commitment to to help. Limited companies small and medium enterprises should focus on finance from business angels, microfinance

NGOs, project funds and venture capital. These financiers provide relatively large amounts of loan and prefer limited companies over other forms of business ownership. They feel more secure to finance limited companies because such businesses are strongly regulated by government authorities when compared with partnerships and sole proprietorships. Credits from SACCOs can accommodate small companies' financial requirements but no for medium companies.

Figure 6.1: Incubatees and their recommended financiers

Limited Company	<p>Business angels SACCOs Credits from various projects</p>	<p>Microfinance NGOs SACCOs Credits from various projects Venture capital Business angels</p>	<p>Microfinance NGOs Credits from various projects Venture capital Business angels</p>
Partnership	<p>SACCOs VICOBA Interest free loans from family members and close friends</p>	<p>Microfinance NGOs SACCOs Credits from various projects Venture capital</p>	<p>Microfinance NGOs Credits from various projects Venture capital</p>
Sole Proprietorship	<p>ROSCAs ASCAs Interest free loans from family members and close friends</p>	<p>Microfinance NGOs SACCOs Credits from various projects</p>	<p>Credits from various projects Microfinance NGOs</p>
	Micro Enterprises	Small Enterprises	Medium Enterprises

Incubated micro entrepreneurs can also opt for mobile microcredits to finance their businesses. It is most recent form finance in Tanzania and was launched in 2014. Entrepreneurs apply for microcredits via their mobile phones by simply texting a preferred amount of credit and proposed repayment terms. A borrower can choose to process his/her

repayments weekly or monthly, giving him/her more flexibility over credit service. The loan approval process is fast and within an hour he/she could have access to loan.

The notable mobile microfinanciers are Vodacom, Tigo and Airtel. Vodacom Tanzania partnered with the Commercial Bank of Africa Tanzania provide microcredits to their clients subscribed to the mobile payments system (M-Pesa) via their phones via the platform called M-Pawa. Customers can access credit of up to 500,000 TZS depending on the credit score, in a less-than-minute process, while incurring in a one-time fee of 9% of the borrowed amount. In order to access credit, Vodacom users are required to have used M-Pesa for at least six months. Tigo has Tigo Nivushe which allows Tigo-Pesa users to access small loans and when they build up their credit history they are able to borrow larger amounts with lower administrative fees.

6.3 Scope for further research

This section suggest the possible areas for any further research. The areas where this research did not highlight but which are still important to be well understood for the sake of the development of business incubation and incubatees' access to finance.

Since this study is confined to only impact of business incubators' monitoring services on incubatees' financial management capabilities, future research may also focus on investigating the impact of business monitoring services on different aspects of financial management capabilities i.e. financial decision making capabilities, financial information analysis capabilities and financial planning capabilities. This is important for the incubator managers to know which aspect of financial management capabilities is highly influenced by the services they provide to incubatees and which aspect is not or insufficiently influenced by the provided services. Knowing this will enable them decide on which other services should be provided to improve the less influenced aspects of financial management capabilities.

The scope of research may be also extended to the assessment of predictive impact of financial decision making capabilities, financial information analysis capabilities and financial planning capabilities on the financial accessibility. This is also important because the results will enable the stakeholders in business incubators to understand which aspect of financial management capabilities should be the major focus where financial accessibility is concerned. Future research may also focus on investigating the impact of financial management capabilities on three separate aspects of financial accessibility i.e. credit

conditions, credit processing procedures and amount of credit obtained. This will enable stakeholders understand better on how to promote MSMEs financial accessibility. They will be in a position to know whether the main problem is about the procedures towards accessing finance or the main obstacle is conditions associated with credit or it is the amount of loan required by enterprises which contribute limited access to finance.

Since this study is confined to only incubatee's and incubator manager's social capital direct and moderating impact on access to non-formal finance i.e. informal and semi-formal finance, it may be extended to investigating incubatee's and incubator manager's social capital direct and moderating impact on access to formal finance. Such study will reveal on how incubatees and incubator managers can utilize their social networks on improving incubatees' financial accessibility. Future research may also focus on investigating incubatee's and incubator manager's social capital direct impact on separate aspects of financial accessibility i.e. credit conditions, credit processing procedures and amount of credit obtained. This is important because such research will reveal on which type of social capital has higher impact in which aspect of financial accessibility. The results will simplify the decision making of both incubatees and incubator managers on the issues associated with how to utilize social capital so as to improve incubatee's financial accessibility.

The scope of research may be also extended to the assessment of incubatee's and incubator manager's social capital moderating impact on the relationship between financial management capabilities and separate aspects of financial accessibility i.e. credit conditions, credit processing procedures and amount of credit obtained. It is important to know the moderating influence of both incubatee's and incubator manager's social capitals on these relationships because such findings will reveal on which type of social capital has higher moderating effect on a particular aspect of financial accessibility. Therefore this will simplify the decision making of both incubatees and incubator managers on the issues associated with how to utilize social capital so as to improve incubatee's financial accessibility.

The future researches may also focus on specific business sectors to assess incubatee and incubator manager's social capital moderating impact on the relationship between financial management capabilities and separate aspects of financial accessibility i.e. credit conditions, credit processing procedures and amount of credit obtained. It is important to focus the study in specific sectors because this research has revealed that business sector has a significant

influence on enterprises access to finance. That means there are some sectors that are more preferred by some financiers than other sectors. Therefore it will interesting to carry a study in specific sectors because there is a probability of revealing different information that has not been revealed in this research.

Also future researches may also focus on specific categories of businesses to assess incubatee and incubator manager's social capital moderating impact on the relationship between financial management capabilities and informal and semi-formal financial accessibility. The researches can be done specifically among micro enterprises or small enterprises or medium enterprises. This is because it has been shown in this study that business capital (size of a business) significantly influences the enterprise's access to finance. Therefore it is imperative to investigate how financial management capabilities and social capital play role on access of finance among enterprises of a similar category of size.

Lastly, future research may also focus on investigating incubatee's and incubator manager's social capital direct impact on financial accessibility among particular type of business ownership. For instance the research may focus on either sole proprietors or partnerships or limited companies. This is important because the findings in this research indicate that business ownership influence enterprises' access to finance. financiers prefer more the limited companies than sole proprietors. So doing research by focusing in these groups of enterprises will help come up with extra knowledge on how to handle these groups of enterprises separately.

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Appendix I: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11,256	18,760	18,760	11,256	18,760	18,760
2	6,220	10,367	29,127	6,220	10,367	29,127
3	4,198	6,997	36,124	4,198	6,997	36,124
4	3,467	5,779	41,903	3,467	5,779	41,903
5	3,280	5,467	47,370	3,280	5,467	47,370
6	2,766	4,610	51,980	2,766	4,610	51,980
7	2,233	3,722	55,701	2,233	3,722	55,701
8	2,089	3,482	59,183	2,089	3,482	59,183
9	1,831	3,051	62,234	1,831	3,051	62,234
10	1,568	2,614	64,848			
11	1,488	2,481	67,328			
12	1,486	2,476	69,805			
13	1,353	2,255	72,059			
14	1,215	2,026	74,085			
15	1,176	1,959	76,044			
16	1,030	1,717	77,761			
17	,999	1,665	79,425			
18	,918	1,531	80,956			
19	,843	1,405	82,361			
20	,795	1,326	83,687			
21	,708	1,181	84,868			
22	,626	1,043	85,911			
23	,590	,984	86,894			
24	,551	,918	87,812			
25	,510	,850	88,662			
26	,490	,817	89,479			
27	,455	,759	90,237			
28	,420	,700	90,938			
29	,416	,693	91,631			
30	,368	,614	92,245			
31	,341	,568	92,813			
32	,326	,544	93,357			
33	,324	,539	93,896			
34	,298	,496	94,392			
35	,292	,487	94,880			
36	,271	,452	95,332			
37	,241	,402	95,734			
38	,226	,376	96,110			
39	,210	,350	96,461			
40	,193	,321	96,782			
41	,188	,313	97,095			
42	,176	,293	97,388			
43	,162	,270	97,658			
44	,156	,260	97,917			
45	,150	,249	98,167			
46	,128	,214	98,381			
47	,112	,187	98,568			
48	,107	,178	98,746			
49	,103	,172	98,919			
50	,090	,149	99,068			
51	,082	,136	99,204			
52	,074	,124	99,328			
53	,069	,115	99,443			
54	,066	,111	99,554			
55	,061	,102	99,656			
56	,056	,093	99,749			
57	,049	,082	99,831			
58	,043	,071	99,903			
59	,033	,054	99,957			
60	,026	,043	100,000			

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Appendix II: Component Matrix

	Component								
	1	2	3	4	5	6	7	8	9
Level of satisfaction on loan repayment term	,725								
Level of satisfaction on overall conditions of credit contract	,626								
Finance from incubator manager's people in CSOs & PS	,612								
Financial advice from incubatee's close friends & neighbours	,602								
Advice from incubatee's fellow members in secondary groups	,597								
Preparation of yearly Cash flow statement	-,570								
Financial advice from incubator manager's people in CSOs and PS	,569								
Financial advice from incubator manager's people in GAs and PRs	,563								
Financial support from incubatee's family members	,561								
Practical counselling in issues related to accounting and finance	,553								
Preparation of monthly Capital and retained earnings statement	-,550								
Financial advice from incubatee's distant friends & colleagues	,541								
Financial advice from incubatee's family members	,540								
Finance from incubatee's distant friends & colleagues	,538								
Level of satisfaction regarding the requirement of collateral	,538								
Tutors who run special training sessions in accounting and finance	,536								
Finance from incubator manager's people in GAs and PRs	,529								
Finance from incubatee's close friends and neighbours	,515								
Financial advice from incubator manager's close friends & neighbours									
Quality of the courses related to accounting and finance									
Level of satisfaction regarding the procedures of credit processing									
Finance from incubatee's people in GAs and PRs									
Financial advice from incubatee's people in GAs and PRs									
Advice in preparing the financial information required to obtain credit									
Training materials for accounting and finance									
Financial support from your fellow members in secondary groups									
Level of satisfaction regarding the amount of credit obtained									
Advice from incubator manager's family members on financial matters									
Financial advice from incubator manager's members in sec. groups		-,690							
Financial advice from incubator manager's distant friends & colleagues		-,670							
Finance from incubator manager's distant friends and colleagues		-,669							
Finance from incubator manager's members in sec. groups		-,643							
Level of satisfaction regarding requirement of managerial background	,548	,574							
Finance from incubatee's people of same culture or ethnicity		,566							
Financial advice from incubatee's people of same culture/ethnicity									
Level of satisfaction no the length of the credit processing time									
Level of satisfaction regarding the interest rate agreed									
Finance from incubator manager's close friends and neighbours			,529						
Financial advice from incubator manager's people of same cul/ethnicity			,507						
Investment decisions made by owner-manager alone			-,502						
Finance from incubator manager's people of same culture/ethnicity									
Financial decisions by owner-manager in collaboration with staff									
Investment decisions by owner-manager in collaboration with staff									
Financial decisions made by owner-manager alone									
Do you prepare monthly Cash flow statement				,649					
Do you prepare monthly Balance sheet				,574					
Developed special financial and accounting guidelines for a business				,540					
Financial support from people with key positions in CSOs and PS					,570				
Financial advice from incubatee's people in CSOs and PS					,565				
Advice on financiers who are interested in financing the incubatees									
Preparation of monthly income statement									
Regular meetings (at least monthly) to make financial decisions									
Preparation of yearly Balance sheet									
Preparation of yearly Capital and retained earnings statement									
Financial support from incubator manager's family members									
Preparation of yearly income statement							-,561		
Regular meetings (at least monthly) to make investment decisions									
Preparation of an additional financial plan for the year 2017								,635	
Preparation of a financial plan for the year 2016								,622	
Accounting of incubatee's business prepared by external accountants									

GAs = government agencies, PRs = Public representatives, CSOs = Civil society organizations, PS = private sector

Appendix III: Pattern Matrix

	Component								
	1	2	3	4	5	6	7	8	9
Level of satisfaction regarding requirement of managerial background	.783								
Level of satisfaction regarding the length of the credit processing time	.685								
Level of satisfaction regarding the interest rate agreed	.666								
Level of satisfaction regarding the overall conditions of the credit contract	.655								
Level of satisfaction regarding the loan repayment term	.654								
Level of satisfaction regarding the requirement of collateral	.629								
Level of satisfaction regarding the amount of credit obtained	.618								
Level of satisfaction regarding the procedure of credit processing	.540								
Financial advice from incubatee's fellow members in secondary groups	.707								
Finance from incubatee's distant friends and colleagues	.641								
Financial advice from incubatee's distant friends & colleagues	.605								
Financial support from incubatee's fellow members in secondary groups	.543								
Financial advice from incubatee's close friends & neighbours	.628								
Finance from incubatee's people of same culture/ethnicity	.589								
Finance from incubatee's close friends & neighbours	.572								
Financial advice from incubatee's family members	.566								
Financial support from incubatee's family members	.510	.517							
Financial advice from incubatee's people of same culture/ethnicity									
Finance from incubator manager's distant friends & colleagues		.858							
Financial advice from incubator manager's members in sec. groups		.801							
Finance from incubator manager's members in secondary groups		.783							
Financial advice from incubator manager's distant friends & colleagues		.755							
Financial advice from incubator manager's people in GAs & PRs		.663							
Financial advice from incubator manager's people in CSOs & PS		.642							
Finance from incubator manager's people in CSOs & PS		.633							
Finance from incubator manager's people in GAs & PRs		.578							
Preparation of monthly Cash flow statement			.898						
Preparation of monthly Balance sheet			.793						
Preparation of monthly Capital and retained earnings statement			.758						
Developed special financial & accounting guidelines for a business			.691						
Preparation of yearly Cash flow statement			.624						
Preparation of monthly income statement			.524						
Finance from incubator manager's close friends & neighbours				.771					
Financial advice from incubator manager's family members				.710					
Financial advice from incubator manager's people of same cult/ethnicity				.674					
Finance from incubator manager's family members				.651					
Financial advice from incubator manager's close friends & neighbours				.642					
Finance from incubator manager's people of same culture/ethnicity				.575					
Advice in preparing the financial information required to obtain credit					.714				
Training materials for accounting and finance					.699				
Advice on financiers who are interested in financing the incubatees					.657				
Quality of the courses related to accounting and finance					.608				
Practical counselling in issues related to accounting and finance					.587				
Preparation of yearly income statement					-.659				
Preparation of yearly Capital and retained earnings statement					-.523				
Tutors who run special training sessions in accounting and finance									
Finance from incubatee's people in CSOs & PS						.876			
Financial advice from incubatee's people in CSOs & PS						.766			
Financial advice from incubatee's people in GAs & PRs						.763			
Finance from incubatee's people in GAs & PRs						.743			
Regular meetings (at least monthly) to make investment decisions							-.714		
Financial decisions made by owner-manager alone							.709		
Investment decisions made by owner-manager in collaboration with staff							-.707		
Financial decisions made by owner-manager in collaboration with staff							-.638		
We have regular meetings (at least monthly) to make financial decisions							-.556		
Preparation of yearly Balance sheet									
Preparation of a financial plan for the year 2016								.935	
Preparation of an additional financial plan for the year 2017								.876	
Accounting of incubatee's business prepared by external accountants									
Investment decisions made by owner-manager alone									

Extract. Method: Principal Component Analysis, Rotation Method: Promax with Kaiser Normalization, Rotation converged in 13 iterations

GAs = government agencies, PRs = Public representatives, CSOs = Civil society organizations, PS = private sector

Appendix IV: Questionnaire

QUESTIONNAIRE FOR INCUBATED MSEs

Questionnaire number:.....

Name of the business incubator:.....

Name of the entrepreneur:.....

Tel No:.....

Email:.....

Date:.....

Researcher: Deogratias Kibona

Section I: General information about an Enterprise

1. When did you establish your business? _____
2. What type of an enterprise is your business?
 Sole proprietorship Partnership Limited company

3. What is your enterprise’s main business activity? (More than one answer is possible)

Business activity

- Sales, marketing and distribution
- Business and financial services
- Advanced/high tech manufacturing
- Information and communications technologies

Business activity

- Research and development
- Other manufacturing activities
- Other service activities
- A combination of some/all of these activities

4. Total number of employees: (Please tick where appropriate)
 Less than five employees Five and above employees
5. What is the current amount of capital for your business? (Please tick where appropriate)
 Less than 5 million TZS 5 to 200 million TZS above 200 million TZS

6. How long have you been incubated in this incubator? (Please tick where appropriate)

- (a) Less than 1 year
 - (b) 1 to 2 years
 - (c) 2 to 3 years
 - (d) More than 3 years
- | |
|--|
| |
| |
| |
| |

7. Since when you became incubated, have you ever sought financial loan from any source of funds to finance your business? (Please tick where appropriate)
 Yes No

8. If **Yes**, from which of the following financiers have you secured financial loans to finance your business?

Financier	Amount of loan in Tanzanian Shillings			
	(i)	(ii)	(iii)	(iv)
	Less than 1 million	1 to 2 million	2 to 3 million	More than 3 million
Micro finance NGOs				
Saving and Credit Associations (SACAs)				
Saving and Credit Cooperative Societies (SACCOs)				
Rotating Savings and Credit Groups (ROSCAs)				
Rural Savings and Credit Schemes				
Moneylenders				
Friends				
Family and relatives				
Business angels				
Venture capitalists.				
Business incubator				
Others (Specify) _____				

Section II: Business incubator's monitoring services

9. In your opinion, how is the quality of the following services of the business incubator centre? Please tick where appropriate to rate each service (where 1= Excellent, 2= Good, 3= Medium, 4= Poor and 5= Bad, Tick N/A if you did not receive this support).

Service/Support	1	2	3	4	5	N/A
How do you consider the support received in preparing the financial information required to obtain credit?						
How do you consider the support to get an external credit?						
How do you consider the quality of the support materials for accounting and finance (manuals, excel files, etc.)						
How do you consider the quality of the tutoring/guidance in accounting and finance?						
How do you consider the quality of special tutoring sessions in accounting and finance?						
How do you consider the quality of the specialized courses in Accounting and Finance?						

10. How do you evaluate the role played by the business incubator centre in obtaining external finance? Please tick where appropriate to rate the service (where 1= Very Active, 2= Active, 3= Passive, 4= Very Passive and 5= Inexistent).

	1	2	3	4	5
How do you evaluate the role played by the business incubator centre in obtaining external finance?					

Section III: Incubatee's financial management capability

11. Please answer the following questions regarding financial decision making in your business:

	Yes	No
Do you have regular meetings to make investment decisions?		
Investment decisions made by owner-manager in collaboration with staff		
Investment decisions made by owner-manager alone		
Do you have regular meetings (at least once a month) of the accounting and finance staff to make financial decisions?		
Financial decisions made by owner-manager in collaboration with staff		
Financial decisions made by owner-manager alone		

12. Please answer the following questions regarding financial information and planning in your business:

	Yes	No
Is the accounting of your business prepared by external accountants?		
Do you prepare yearly financial statements? (at least for the last year):		
i. Income statement		
ii. Capital and retained earnings statement		
iii. Balance sheet		
iv. Cash flow statement		
Do you prepare monthly financial statements? (at least for the last year):		
i. Income statement		
ii. Capital and retained earnings statement		
iii. Cash flow statement		
iv. Balance sheet		
Have you developed special financial and accounting guidelines/standards for your business?		
Do you have a financial plan for the year 2016?		
Do you have an additional financial plan for the following year 2017?		

Section IV: Incubatee's social capital

13. In your opinion, how do you rate the following statements on the level of support of the stakeholders to your business? Please tick where appropriate to rank each service (where 1= Very high support, 2= High Support, 3= Average, 4= Little support and 5= Very little support, Tick N/A if you did not receive this support).

Support	1	2	3	4	5	N/A
How do you consider the advisory support from your family members on the financial matters of your business?						
How do you consider the financial support from your family members to your business?						
How do you consider the advisory support from your close friends and neighbours on the financial matters of your business?						
How do you consider the financial support from your close friends and neighbours to your business?						
How do you consider the advisory support from your people of the same culture or ethnicity on the financial matters of your business?						
How do you consider the financial support from your people of the same culture or ethnicity to your business?						
How do you consider the advisory support from your distant friends and colleagues on the financial matters of your business?						
How do you consider the financial support from your distant friends and colleagues to your business?						
How do you consider the advisory support from your fellow members in secondary groups on the financial matters of your business?						
How do you consider the financial support from your fellow members in secondary groups to your business?						
How do you consider the advisory support from your people with key positions in civil society organizations and private sector on the financial matters of your business?						
How do you consider the financial support from your people with key positions in civil society organizations and private sector to your business?						
How do you consider the advisory support from your people with key positions in government agencies and representatives of the public on the financial matters of your business?						
How do you consider the financial support from your people with key positions in government agencies and representatives of the public to your business?						

Section V: Incubator manager's social capital

14. In your opinion, how do you rate the following statements on the level of support of the stakeholders to your business? Please tick where appropriate to rank each service (where 1= Very high support, 2= High Support, 3= Average, 4= Little support and 5= Very little support, Tick N/A if you did not receive this support).

Support	1	2	3	4	5	N/A
How do you consider the advisory support from incubator manager's family members on the financial matters of your business?						
How do you consider the financial support from incubator manager's family members to your business?						
How do you consider the advisory support from incubator manager's close friends and neighbours on the financial matters of your business?						
How do you consider the financial support from incubator manager's close friends and neighbours to your business?						
How do you consider the advisory support from incubator manager's people of the same culture or ethnicity on the financial matters of your business?						
How do you consider the financial support from incubator manager's people of the same culture or ethnicity to your business?						
How do you consider the advisory support from incubator manager's distant friends and colleagues on the financial matters of your business?						
How do you consider the financial support from incubator manager's distant friends and colleagues to your business?						
How do you consider the advisory support from incubator manager's fellow members in secondary groups on the financial matters of your business?						
How do you consider the financial support from incubator manager's fellow members in secondary groups to your business?						
How do you consider the advisory support from incubator manager's people with key positions in civil society organizations and private sector on the financial matters of your business?						
How do you consider the financial support from incubator manager's people with key positions in civil society organizations and private sector to your business?						
How do you consider the advisory support from incubator manager's people with key positions in government agencies and representatives of the public on the financial matters of your business?						
How do you consider the financial support from incubator manager's people with key positions in government agencies and representatives of the public to your business?						

Section VI: MSMEs financial accessibility

15. Regarding the external finance that you acquired (your first external finance after being incubated), which level of satisfaction do you have in the following aspects/credit terms agreed? Please tick where appropriate to rate the level of satisfaction (where 1= Very satisfied, 2= Satisfied, 3= Moderately satisfied, 4= Dissatisfied and 5= Very dissatisfied).

Aspects/ Credit Terms achieved	1	2	3	4	5
Which level of satisfaction do you have regarding the interest rate agreed?					
Which level of satisfaction do you have regarding the loan repayment term agreed?					
Which level of satisfaction do you have regarding the general credit contract conditions agreed?					
Which level of satisfaction do you have regarding the requirement of collateral (tangible assets)?					
Which level of satisfaction do you have regarding the requirement of necessary managerial background?					

16. Regarding the external finance that you acquired (your first external finance after being incubated), which level of satisfaction do you have with the following aspects of the process? Please tick where appropriate to rate the level of satisfaction (where 1= Very satisfied, 2= Satisfied, 3= Moderately satisfied, 4= Dissatisfied and 5= Very dissatisfied).

Aspects/ Credit Terms achieved	1	2	3	4	5
Level of satisfaction regarding the length of time for credit processing					
Level of satisfaction regarding the credit process as a whole?					

17. How long was the credit process since the MSME applied for the credit?

- (a) Less than 1 week
- (b) 1 to 2 weeks
- (c) 2 weeks to 1 month
- (d) 1 to 2 months
- (e) More than 2 months

18. Regarding the amount of loan that you acquired (your first loan after being incubated), which level of satisfaction do you have regarding the amount of loan obtained? Please tick where appropriate to rate the level of satisfaction (where 1= Very satisfied, 2= Satisfied, 3= Moderately satisfied, 4= Dissatisfied and 5= Very dissatisfied).

Aspects/ Credit Terms achieved	1	2	3	4	5
Level of satisfaction regarding the amount of loan obtained					

19. What is the percentage obtained from the expected required capital?

- (a) 100
- (b) 80 – 99
- (c) 60 – 79
- (d) 40 – 59
- (e) Less than 40

20. In your opinion, why are the financiers interested to finance the incubated MSMEs?

	1	2	3	4	5
Incubatees' high quality financial information					
Financiers' trust to incubator managers					
Incubators' credit guarantee					
Other reasons (Please, mention_____)					

Appendix V: Questionnaire (Swahili version)

DODOSO LA WAJASILIAMALI WALIO KATIKA VIATAMIZI

Jina la kiatamizi (incubator): _____

Jina la mjasiliamali: _____

Namba ya simu: _____

Barua pepe: _____

Tarehe ya mahojiano: _____

Mtafiti: Deogratias Kibona

Sehemu ya I: Taarifa juu ya mjasiliamali (Biashara)

1. Ulianzisha lini biashara yako? _____

2. Biashara yako ni ya aina gani?

- Biashara ya mmiliki mmoja Ubia Kampuni

3. Biashara yako inahusika na shughuli gani? (majibu zaidi ya moja yanawezekana)

- | | | | |
|---|--------------------------|--|--------------------------|
| (a) Masoko | <input type="checkbox"/> | (e) Utafiti na maendeleo | <input type="checkbox"/> |
| (b) Huduma za maendeleo ya biashara | <input type="checkbox"/> | (f) Shughuli zingine za viwanda | <input type="checkbox"/> |
| (c) Teknolojia ya uzalishaji wa viwandani | <input type="checkbox"/> | (g) Nyinginezo (tafadhali, taja) | <input type="checkbox"/> |
| (d) Teknolojia ya habari na mawasiliano | <input type="checkbox"/> | (h) Shughuli zote zilizotajwa | <input type="checkbox"/> |

4. Idadi ya wafanyakazi walioajiriwa na biashara yako (Weka vema panapostahili)

- Chini ya wafanyakazi watano Watano au zaidi

5. Biashara yako ina mtaji kiasi gani kwa sasa? (Weka vema panapostahili)

- chini ya shilingi million 5 Million 5 hadi million 200 Zaidi ya shilingi million 200

6. Umekuwa ndani ya kiatamizi (incubator) kwa muda gani?

- | | |
|----------------------|--------------------------|
| (a) Chini ya mwaka 1 | <input type="checkbox"/> |
| (b) Mwaka 1 hadi 2 | <input type="checkbox"/> |
| (c) Miaka 2 hadi 3 | <input type="checkbox"/> |
| (d) Zaidi ya miaka 3 | <input type="checkbox"/> |

7. Tangu ulipojiunga na kiatamizi, umeshawahi kuomba mkopo?

- Ndiyo Hapana

8. Kama jibu ni Ndiyo, oneshwa aina ya mkopeshaji, tarehe ya kuomba mkopo na kiasi cha mkopo katika jedwali lifuatalo? (majibu zaidi ya moja yanawezekana)

Aina ya Mkopeshaji	Kiasi cha mkopo katika shilingi za kitanzania			
	(i)	(ii)	(iii)	(iv)
	Chini ya milioni 1	Milioni 1 hadi 2	Milioni 2 hadi 3	Zaidi ya milioni 3
Taasisi ya fedha ndogondogo (Micro finance NGOs)				
Kikundi cha kuweka na kukopa (SACAs)				
Chama cha ushirika cha kuweka na kukopa (SACCOs)				
Upatu (ROSCAs)				
VICOBA				
Mkopeshaji binafsi				
Kampuni la mitaji				
a) Mradi usio wa kiserikali				
b) Kampuni la uwekezaji				
c) Mradi wa fedha wa kiserikali				
d) Kikundi cha kuweka na kukopesha (ASCAs)				

Sehemu ya II: Huduma za usimamizi zitolewazo na kiatamizi

9. Je unaonaje kiwango cha huduma zifuatazo zinazotolewa na kiatamizi? (1= Nzuri sana, 2= Nzuri, 3= Wastani, 4= dhaifu na 5= Mbaya sana, S/H = Sijapata huduma hii).

Huduma	1	2	3	4	5	S/H
a) Huduma za ushauri katika kuandaa taarifa za kifedha zinazohitajika katika kuomba mikopo						
b) Ushauri juu ya wakopeshaji waliopo na wanaoweza kukopesha						
c) Vifaa vya mafunzo ya uhasibu na fedha (mfano: manuals, excel files, etc.)						
d) Ushauri juu ya shughuli za kila siku za uhasibu na fedha						
e) Wataalam wanaotoa mafunzo ya uhasibu na fedha						
f) Mafunzo yanayotolewa juu ya uhasibu na fedha						

10. Nini tathmini yako juu ya mchango wa kiatamizi katika upatikana wa mikopo? (1= Upo kwa kiasi kikubwa, 2= Upo, 3= Upo kwa kiasi kidogo, 4= Upo kiasi kidogo sana, 5 = Haupo).

	1	2	3	4	5
Mchango wa kiatamizi katika upatikana wa mikopo					

Sehemu ya III: Uwezo wa mjasiriamali aliye kwenye kiatamizi katika usimamizi wa fedha

11. Tafadhali jibu maswali yafuatayo yanayohusiana na maamuzi ya kifedha na uwekezaji katika biashara yako:

	Ndiyo	Hapana
a) Tuna vikao vya mara kwa mara kwaajili ya kufanya maamuzi juu ya mambo yahasuyo fedha		
b) Maamuzi ya kifedha huwa yanafanywa na mmiliki pekee		
c) Maamuzi ya kifedha yanafanywa na mmiliki kwa kushirikiana na wafanyakazi aliowaajiri		
d) Tuna vikao vya mara kwa mara kwaajili ya kufanya maamuzi juu ya uwekezaji (Mfano: kupanua biashara, kuongeza Aseti n.k.)		
e) Maamuzi ya uwekezaji hufanywa na mmiliki wa biashara pekee		
f) Maamuzi ya uwekezaji hufanywa na mmiliki kwa kushirikiana na wafanyakazi aliowaajiri		

12. Tafadhali jibu maswali yafuatayo yahusianayo na mambo ya taarifa za fedha na mipango ya biashara yako:

	Ndiyo	Hapana
(a) Je mfumo wa uhasibu katika biashara yako umeandaliwa na wahasibu kutoka nje ya biashara yako?		
(b) Huwa unaandaa taarifa za fedha za kila mwaka? (walau kwa mwaka uliopita):		
(i) Taarifa ya mapato (Income statement)		
(ii) Taarifa ya mtaji na mapato baki (Capital and retained earnings statement)		
(iii) Karatasi salio (Balance sheet)		
(iv) Taarifa ya mzunguko wa fedha (Cash flow statement)		
(c) Huwa unaandaa taarifa za fedha za kila mwezi (Walau kwa mwaka uliopita):		
(i) Taarifa ya mapato (Income statement)		
(ii) Taarifa ya mtaji na mapato baki (Capital and retained earnings statement)		
(iii) Karatasi salio (Balance sheet)		
(iv) Taarifa ya mzunguko wa fedha (Cash flow statement)		
(d) Umeandaa viwango na mwongozo maalum wa mambo ya uhasibu kwaajili ya biashara yako		
(e) Umeshaandaa na unao mpango wa fedha wa mwaka 2016?		
(f) Umeshaandaa na una mpango wa fedha wa ziada wa mwaka 2017?		

Sehemu IV: Mtaji wa kijamii (social capital) wa mjasiliamali aliye kwenye kiatamizi

13. Je unadhani ni kwa kiasi gani mchango wa wadau wafuatao ni muhimu kwako mjasiliamali uliye katika kiatamizi katika mchakato wa kuomba na kupata mkopo? (Ambapo 1 = Muhimu sana, 2 = Muhimu, 3 = Sina uhakika, 4 = Sio muhimu, 5 = Sio muhimu kabisa, S/M = Sikupata mchango)

Mchango	1	2	3	4	5	S/M
A. BONDING SOCIAL CAPITAL						
(ai) Ushauri kutoka kwa ndugu juu ya masuala ya fedha						
(aii) Msaada wa kifedha kutoka kwa ndugu						
(aiii) Ushauri kutoka kwa majirani na marafiki wa karibu juu ya masuala ya fedha						
(aiv) Msaada wa kifedha kutoka kwa majirani na marafiki wa karibu						
(av)) Ushauri kutoka kwa watu wa jamii moja juu ya masuala ya fedha						
(avi) Msaada wa kifedha kutoka kwa watu wa jamii moja						
B. BRIDGING SOCIAL CAPITAL						
(bi) Ushauri juu ya masuala ya fedha kutoka kwa watu uliosoma au kufanya kazi pamoja nao						
(bii) Msaada wa kifedha kutoka kwa watu uliosoma au kufanya kazi pamoja nao						
(biii) Ushauri juu ya masuala ya fedha kutoka kwa Watu ambao mko pamoja katika vikundi vya kijamii						
(biv) Msaada wa kifedha kutoka kwa Watu ambao mko pamoja katika vikundi vya kijamii						
C. LINKING SOCIAL CAPITAL						
(ci) Ushauri juu ya masuala ya fedha kutoka kwa kwa watu wako ambao wana nyadhifa katika mashirika ya kijamii au sekta binafsi						
(cii) Msaada wa kifedha kutoka kwa watu wako ambao wana nyadhifa katika mashirika ya kijamii au sekta binafsi						
(ciii) Ushauri juu ya masuala ya fedha kutoka kwa watu wako ambao wana nyadhifa katika serikali au ni wawakilishi wa jamii						
(civ) Msaada wa kifedha kutoka kwa watu wako ambao wana nyadhifa katika serikali au ni wawakilishi wa jamii						

Sehemu ya V: Mtaji wa kijamii (social capital) wa kiongozi wa kiatamizi

14. Je unadhani ni kwa kiasi gani mchango wa wadau wafuatao ni muhimu kwako mjasiriamali uliye katika kiatamizi katika mchakato wa kuomba na kupata mkopo? (Ambapo 1 = Muhimu sana, 2 = Muhimu, 3 = Sina uhakika, 4 = Sio muhimu, 5 = Sio muhimu kabisa, S/M = Sikupata mchango)

Mchango wa wadau	1	2	3	4	5	S/M
A. BONDNG SOCIAL CAPITAL						
(ai) Ushauri juu ya masuala ya fedha kutoka kwa ndugu wa kiongozi wa kiatamizi						
(aii) Msaada wa kifedha kutoka kwa ndugu wa kiongozi wa kiatamizi						
(aiii) Ushauri juu ya masuala ya fedha kutoka kwa majirani na marafiki wa karibu wa kiongozi wa kiatamizi						
(aiv) Msaada wa kifedha kutoka kwa majirani na marafiki wa karibu wa kiongozi wa kiatamizi						
(av) Ushauri juu ya masuala ya fedha kutoka kwa watu wa jamii moja na kiongozi wa kiatamizi						
(avi) Msaada wa kifedha kutoka kwa watu wa jamii moja na kiongozi wa kiatamizi						
B. BRIDGING SOCIAL CAPITAL						
(bi) Ushauri juu ya masuala ya fedha kutoka kwa watu waliosoma au kufanya kazi pamoja na kiongozi wa kiatamizi						
(bii) Msaada wa kifedha kutoka kwa watu waliosoma au kufanya kazi pamoja na kiongozi wa kiatamizi						
(biii) Ushauri juu ya masuala ya fedha kutoka kwa Watu ambao wako pamoja na kiongozi wa kiatamizi katika vikundi vya kijamii						
(biv) Msaada wa kifedha kutoka kwa Watu ambao wako pamoja na kiongozi wa kiatamizi katika vikundi vya kijamii						
C. LINKING SOCIAL CAPITAL						
(ci) Ushauri juu ya masuala ya fedha kutoka kwa watu wa kiongozi wa kiatamizi ambao wana nyadhifa katika mashirika ya kijamii au sekta binafsi						
(cii) Msaada wa kifedha kutoka kwa watu wa kiongozi wa kiatamizi ambao wana nyadhifa katika mashirika ya kijamii au sekta binafsi						
(ciii) Ushauri juu ya masuala ya fedha kutoka kwa watu wa kiongozi wa kiatamizi ambao wana nyadhifa katika serikali au ni wawakilishi wa jamii						
(cv) Msaada wa kifedha kutoka kwa watu wa kiongozi wa kiatamizi ambao wana nyadhifa katika serikali au ni wawakilishi wa jamii						

Sehemu ya VI: Upatikanaji wa mikopo kwa wajasiriamali

15. Tafadhali jibu maswali yafuatayo kuhusu mkopo ulioupata kwa mara ya kwanza tangu ulipoingia katika kiatamizi (1= Nimeridhika sana, 2 = Nimeridhika, 3= Wastani, 4 = Sijaridhika 5 = Sijaridhika kabisa).

Masharti ya mkopo	1	2	3	4	5
a) Kiwango cha riba ya mkopo					
b) Kipindi kilichowekwa kulipa (kurudisha) mkopo					
c) Mkataba wote kwa ujumla juu ya mkopo husika					
d) Hitaji la dhamana (mfano: Kiasi cha dhamana ni cha haki)					
e) Hitaji la uzoefu katika uendeshaji wa biashara (mfano: uzoefu katika biashara kama sharti ili kupewa mkopo)					

16. Tafadhali jibu maswali yafuatayo kuhusu mkopo ulioupata kwa mara ya kwanza tangu ulipoingia katika kiatamizi (1= Nimeridhika sana, 2 = Nimeridhika, 3= Wastani, 4 = Sijaridhika, 5 = Sijaridhika kabisa).

	1	2	3	4	5
Taratibu za mkopo unaotolewa na wakopeshaji					
Muda unaotumika katika kushughulikia mkopo tangu kuomba mpaka kupata					

17. Ilichukua muda kiasi gani toka ulipoomba mkopo mpaka ulipopewa?

(a) Chini ya wiki 1

(b) Wiki 1 hadi 2

(c) Wiki 2 hadi mwezi 1

(d) Mwezi 1 hadi 2

(e) Zaidi ya miezi 2

18. Je uliridhika na kiasi cha mkopo ulichopewa ulipopata kwa mara ya kwanza tangu ulipojiunga na kiatamizi? (1= Niliridhika sana, 2= Niliridhika, 3 = Wastani, 4 = Sikuridhika, 5 = Sikuridhika kabisa).

	1	2	3	4	5
Kiasi cha mkopo ulichokipata					

19. Ni asilimia ngapi ya kiasi ulichoomba uliipata?

(a) 100

(b) 80-99

(c) 60-79

(d) 40-59

(e) Chini ya 40

20. Kwa maoni yako, unafikiri ni kwanini wakopeshaji wanavutiwa kukopesha wajasiriamali walio katika viatamizi? (1 =Nakubaliana sana, 2 = Nakubaliana, 3 = Sina uhakika , 4 = Sikubaliani, 5 = Sikubaliani kabisa)

	1	2	3	4	5
Wajasiriamali walio katika viatamizi wana taarifa bora za kifedha					
Imani kubwa waliyonayo kwa viongozi wa viatamizi					
Wajasiriamali walio katika viatamizi wanadhaminiwa na viatamizi					
Mengineyo (taja, tafadhali) _____					

Appendix VI: Interview guide for the financiers (English version)

Interview guide

1. What is your main target market (clients)?
2. What percentage of your clients are MSMEs?
3. What percentage of your clients are incubated MSMEs (MSMEs within a business incubator centre)?
4. Which are the common problems encountered on the MSMEs credit requests?
5. Do you consider an incubated MSME (MSME within a business incubator centre) as a better candidate for a credit (in comparison to a non-incubated MSME)? And Why?
6. What can you say about the role played by business incubator in facilitating the incubated MSMEs to secure credit?
7. Do you have important contacts within business incubators, in order to obtain relevant information from the incubated MSMEs during the credit process?

Appendix VII: Interview guide for the financiers (Swahili version)

Mwongozo wa mahojiano

1. Katika shughuli zako za kukopesha, huwa unawalenga wateja wa aina gani?
2. Ni asilimia ngapi ya wateja wako ni wafanyabiashara ndogondogo?
3. Ni asilimia ngapi ya wafanyabiashara ndogondogo uliowakopesha wanatoka katika viatamizi vya biashara?
4. Ni vikwazo gani unavyokabiliana navyo katika kushughulikia maombi ya mikopo kutoka kwa wafanyabiashara ndogondogo?
5. Je! Unafikiri wafanyabiashara ndogondogo walio katika viatamizi ni wateja wazuri kuliko wale wasio katika viatamizi? Kama jibu ni Ndiyo, eleza kwanini?
6. Unaweza kusema nini juu ya jukumu lililofanywa na viatamizi vya biashara katika kuwezesha wafanyabiashara ndogondogo walio katika viatamizi kupata mikopo?
7. Je, una mawasiliano muhimu ndani ya viatamizi vya biashara, ili kupata taarifa kutoka kwa wafanyabiashara ndogondogo katika kufuatilia maendeleo ya mikopo waliyopewa?

Appendix VIII: Interview guide for incubators' managers and key informants (English version)

Interview guide

1. When was this incubator established?
2. How many Incubatees do you have?
3. How would you best describe the type of this incubator in terms of profit making, ownership, and service provision?
4. What are the main objectives of the incubator?
5. Does your incubator really contribute to the Incubatees' financial accessibility?
6. If yes, how does your incubator facilitates the financial accessibility to incubatees?
7. What factors attract the informal financiers to finance the incubatees in your incubator?
8. What factors attract the semi-formal financiers to finance the incubatees in your incubator?
9. Comparing between informal and semi-formal financing, which of the two is more accessed by the incubatees in your incubator? And why?

Apendix IX: Interview guide for incubators' managers and key informants (Swahili version)

Mwongozo wa mahojiano

1. Kiatamizi chako kilianzishwa lini?
2. Je! Una ngapi wa Incubatees?
3. Katika kiatamizi chako kuna wafanyabiashara ndogondogo wangapi?
4. Kwa misingi ya faida, umiliki na utoaji huduma, unaweza kuelezea hiki kiatamizi chako kuwa ni aina gani ya Kiatamizi?
5. Malengo ya kiatamizi chako ni nini?
6. Je, unadhani kiatamizi chako kina mchango wowote katika kuwezesha upatikanaji wa mikopo kwa wafanyabiashara ndogondogo?
7. Kama jibu la swali namba sita ni Ndiyo, Ni namna gani kiatamizi chako kinasaidia upatikanaji wa mikopo kwa wafanyabiashara ndogondogo?
8. Unadhani ni sababu gani huwavutia wakopeshaji wasio rasmi kukopesha wafanyabiashara ndogondogo walio katika kiatamizi chako?
9. Unadhani ni sababu gani huvutia taasisi za fedha zisizo za kibenki kukopesha wafanyabiashara ndogondogo walio katika kiatamizi chako?
10. Kwa kulinganisha kati ya wakopeshaji wasio rasmi na taasisi za fedha zisizo za kibenki utoaji wa kifedha, ni lipi kati ya makundi hayo mawili ya wakopeshaji linakopesha zaidi wafanyabiashara ndogondogo walio katika kiatamizi chako? Na kwa nini?

Eigenständigkeitserklärung

Ich erkläre hiermit, dass ich zur Anfertigung der vorliegenden Arbeit keine anderen als die angegebenen Quellen und Hilfsmittel und keine nicht genannte fremde Hilfe in Anspruch genommen habe. Mir ist bekannt, dass eine unwahrheitsgemäße Erklärung als Täuschung im Sinne der Prüfungsordnung gilt.

Ort, Datum: **Leipzig, 12.07.2018**

Unterschrift:

A handwritten signature in blue ink, appearing to read 'D. Linn', is shown on a light blue rectangular background.