



Influence of perceived high-interest rates on women entrepreneurs' willingness to seek loans from financial institutions in Dar es Salaam, Tanzania

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Abstract: The main objective of this study was to examine the influence of perceived high interest rates on women entrepreneurs' willingness to seek bank loans in Ilala Municipality. The specific objectives involved to examine the entrepreneurs' willingness to seek loans, to assess the influence of financial literacy on women entrepreneurs' willingness to seek loans; and to examine the effect of collateral requirements on women entrepreneurs' willingness to seek loans. The study adopted an explanatory research design under a quantitative approach. The study population comprised 370 women entrepreneurs, from which a sample of 192 respondents was selected using Yamane's formula at a 95% confidence level. Stratified random sampling was employed while data were collected through questionnaire survey. Quantitative data were analysed using descriptive statistics and multiple linear regression. The regression results revealed a strong positive relationship between the independent variables (perceived high interest rates, financial literacy, and collateral requirements) and the dependent variable (willingness to seek bank loans), with a correlation coefficient (R) of 0.782 and a coefficient of determination (R²) of 0.612. The analysis of variance (ANOVA) confirmed the model's significance (F = 92.068, p < 0.001). The regression coefficients further indicated that perceived high interest rates had a negative and statistically significant effect on willingness to seek loans ($\beta = -0.358$, p < 0.05), suggesting that high interest rates discourage borrowing among women entrepreneurs. Financial literacy had a positive and significant influence ($\beta = 0.279$, p < 0.05), implying that improved financial knowledge enhances women's confidence in seeking loans. The study concludes that while women entrepreneurs in Ilala Municipality are generally willing to seek bank loans, their actual participation is hindered by high-interest rate perceptions, limited financial literacy, and stringent collateral conditions. It is recommended that financial institutions introduce gender-sensitive credit policies that lower interest rates.

Keywords: Financial Institutions, Loans, Perceived high interest rate, & Women entrepreneurs

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1 | INTRODUCTION

Globally, women entrepreneurs continue to face significant barriers in accessing formal financial services, despite numerous policy interventions aimed at promoting financial inclusion. Research indicates that women-owned businesses are less likely to obtain bank loans than those owned by men, primarily due to structural inequalities, perceived credit risk, and limited collateral (World Bank, 2022). In both developed and developing countries, these disparities constrain women's entrepreneurial growth, limit their ability to scale businesses, and perpetuate gender gaps in economic participation. Countries such as India and Brazil have introduced targeted financial inclusion programmes and women-focused lending schemes to address these gaps, yet evidence suggests that uptake remains limited due to socio-cultural, financial, and institutional barriers (OECD, 2021; FSD Africa, 2021). In the African context, the challenges confronting women entrepreneurs are particularly acute. Across the continent, women constitute a significant proportion of micro and small enterprises but often face systemic obstacles in accessing credit, insurance, and investment capital. Studies from Nigeria and South Africa show that despite regulatory frameworks promoting inclusive finance, only 30–40% of women-owned businesses successfully obtain formal loans, with collateral requirements, high interest rates, and limited financial literacy cited as key impediments (Akinboade & Makwavarara, 2020; FSD Africa, 2021). Cultural norms, gender-biased lending practices, and limited property rights further exacerbate these challenges, highlighting the need for tailored interventions that address both structural and perceptual barriers. In Tanzania, the situation mirrors these continental trends. Women entrepreneurs continue to face substantial hurdles in accessing formal financial services, despite supportive legal frameworks and policy initiatives. The National Strategy for Financial Inclusion (NSFI, 2021) seeks to broaden financial access, targeting underserved groups, including women. However, only 35% of women entrepreneurs report having access to formal bank loans, compared to 55% of men (URT, 2021), reflecting a persistent 20% gender gap. High-interest rates remain a major deterrent, with over 65% of women citing loan costs as a significant barrier (Mwaipopo, 2020). The Microfinance Act of 2018 has contributed to the expansion of microfinance institutions (MFIs), which now

serve around 45% of small enterprises in Tanzania, including a substantial proportion of women-owned businesses (Mnenwa, 2020). Nevertheless, only 25% of women entrepreneurs report receiving loans from MFIs (FSD Africa, 2021), indicating a continuing financing gap. High collateral requirements further restrict access, as approximately 70% of women entrepreneurs lack adequate land ownership or assets to meet lending criteria (Kilonzo & Makombe, 2020).

Legal and cultural barriers to property ownership further exacerbate the problem. Although the Land Act (1999) and the Village Land Act (1999) theoretically guarantee equal ownership, only 30% of women legally own land suitable for collateral (URT, 2021). Consequently, 70% of women entrepreneurs rely on alternative or unsecured forms of collateral, which are less favoured by banks and MFIs, resulting in higher rejection rates up to 55% for women, compared to 30% for men (Mrindoko, 2022; Semegn, 2021). Moreover, gender-biased lending practices lead financial institutions to impose a risk premium of 3–5% higher interest rates on women, further discouraging loan applications (FSD Africa, 2021). The combined effects of high-interest perceptions, limited collateral, and quantifiable barriers for women entrepreneurs in Tanzania. Despite progressive policies such as the NSFI and the Microfinance Act, only around one-third of women successfully access formal loans, underscoring the urgent need for reinforced policies, gender-sensitive financial products, expanded literacy programmes, and reforms to collateral requirements to bridge this persistent financing gap.

1.1 | Statement of the Problem

Access to formal financial services is critical for the growth and sustainability of women-owned enterprises, which significantly contribute to Tanzania's economic development. Despite policies such as the National Strategy for Financial Inclusion (NSFI, 2021) and the Microfinance Act (2018) aiming to enhance financial access for underserved groups, including women (Mnenwa, 2020), women entrepreneurs continue to face substantial barriers. Only 35% of women entrepreneurs access bank loans compared to 55% of men, highlighting a persistent gender gap of 20% (URT, 2021). In other words, the rationale for examining why only 35% of women entrepreneurs access formal bank loans is grounded in the persistent gender disparity in financial inclusion. According to the United Republic of Tanzania

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(URT, 2021), while 55% of male entrepreneurs successfully obtain bank financing, only 35% of women entrepreneurs do so, revealing a significant 20% gap.

This discrepancy is not merely statistical but reflects structural and behavioural barriers that limit women's engagement with formal financial institutions. Key factors contributing to this gap include the perception that interest rates are unattractive, the high cost of borrowing, and insufficient knowledge of available financial products (Mwaipopo, 2020; Zhao, 2023). These constraints collectively reduce women entrepreneurs' confidence and willingness to seek formal credit, thereby restricting their capacity to expand and sustain their businesses. Understanding these challenges is crucial, as improving women's access to bank loans can enhance their entrepreneurial potential, stimulate economic growth, and contribute to broader financial inclusion objectives in Tanzania. On the other hand, collateral requirements and asset availability further restrict access. Although legal frameworks theoretically protect women's property rights, only 30% own land eligible as collateral, forcing the majority to rely on alternative or unsecured options often rejected by lenders (URT, 2021; Semegn, 2021). Consequently, women face higher loan rejection rates and, due to gender-biased lending, a 3–5% interest premium, compounding financial exclusion (Mrindoko, 2022; FSD Africa, 2021). These factors illustrate how loan collateral demands, and limited asset security interact with perceptions of cost to constrain women's access to bank financing. While previous studies have explored financial barriers for micro and small enterprises, there is limited empirical evidence on the combined effects of interest rate attractiveness, cost perceptions, financial literacy, asset availability, and collateral requirements on women entrepreneurs' loan-seeking behaviour, particularly in urban contexts such as Dar es Salaam (Zhao, 2023; Kilonzo & Makombe, 2020; Akram et al., 2023). This study addressed this gap by examining how these factors influence women's willingness to access formal loans, providing insights to guide gender-sensitive financial policies and practices that promote equitable economic growth in Tanzania.

2 | THEORETICAL LINKAGE

Victor Vroom developed the Expectancy Theory of Motivation in 1964. The theory postulates that individuals are motivated to act in a particular way based on their expectations of the outcome. It operates on the premise that motivation is a function of an individual's belief that their effort will lead to performance (expectancy), that performance will result in outcomes (instrumentality), and that these outcomes are valued (valence). Vroom (1964) argued that individuals make rational decisions based on expected results and that motivation is the product of these three factors. Thus, the theory presents a cognitive approach to understanding motivation by highlighting how perceptions and expectations influence individual choices. The Expectancy Theory is based on three fundamental assumptions. First, expectancy suggests that an individual will be motivated to act if they believe their effort will lead to effective performance (Vroom, 1964). Second, instrumentality refers to the belief that good performance will lead to a desired reward. Third, valence is the importance the individual places on the expected reward (Lunenborg, 2011). These assumptions together indicate that motivation results when individuals perceive a strong link between effort, performance, and valued outcomes. The theory assumes rational decision-making, where behaviour is guided by conscious evaluation of expected benefits and outcomes (Isaac, Zerbe, & Pitt, 2001).

Several researchers have applied expectancy theory to understand financial decision-making in entrepreneurship. Yousaf and Majid (2021) used the theory to examine how financial incentives, such as favourable loan terms, influenced entrepreneurs' willingness to seek external funding. Their study found that perceived benefits like reduced interest rates significantly enhanced loan-seeking intentions. Similarly, Nkundabanyanga et al. (2022) found that small business owners were more inclined to apply for loans when they perceived repayment conditions to be favourable. Furthermore, Beyene and Koch (2023) used the theory to investigate how financial risk perception affects access to credit. They concluded that perceived high risk and valuable financial returns increase the likelihood of entrepreneurs seeking loans. These studies demonstrate the validity of expectancy theory in financial and entrepreneurial contexts.

This study applies the expectancy theory to explore how perceived high-interest rates influence women entrepreneurs' willingness to seek bank loans in Dar es Salaam. Specifically, the theory is used to assess the motivational drivers behind loan-seeking behaviour. In this context, expectancy refers to the belief that high-interest rates make borrowing feasible and increase chances of business success. Instrumentality reflects the belief that securing a loan under favourable interest conditions will directly enhance business profitability. Valence denotes the value women entrepreneurs place on potential outcomes such as business growth, improved cash flow, and financial security. As noted by Beyene and Koch (2023), such perceived benefits significantly influence financial decision-

making. Therefore, this theory aligns with the study's objective to assess how interest rate perceptions affect loan-seeking behaviour among women entrepreneurs.

The Expectancy Theory is highly relevant to this study as it provides a theoretical basis for understanding how perceived benefits, like high-interest rates, shape women entrepreneurs' motivation to seek bank loans. Given the study's aim to assess the relationship between interest rate perception and loan-seeking behaviour, the theory offers a suitable framework that captures the interplay between cognitive evaluations and financial actions. It helps explain why some women are willing to pursue loans despite potential constraints, while others are deterred. This understanding can guide financial institutions in structuring loan products that align with entrepreneurs' expectations and can inform policy initiatives aimed at enhancing financial inclusion for women in business.

3 | METHODOLOGY

The area of study was Dar es Salaam, Tanzania, due to its strategic economic importance and the high concentration of women entrepreneurs operating within various sectors. The study area's dynamic entrepreneurial ecosystem provided a rich environment to understand how perceived high-interest rates influence borrowing decisions among women entrepreneurs (Mgimba & Chalamila, 2021). The study utilized a mixed research approach. The quantitative aspect focused on measuring the relationship between perceived high-interest rates and women entrepreneurs' willingness to seek loans, using statistical techniques to quantify this connection. In contrast, the qualitative aspect explored the underlying reasons and contextual factors that influence loan-seeking decisions, providing deeper insights into women's perceptions and experiences. By combining these two approaches, the research generated both numerical data and rich, contextual understanding, aligning for a more holistic view of the subject matter (Saunders et al., 2021). The study employed an explanatory research design to examine the cause-and-effect relationships between perceived high-interest rates and women entrepreneurs' loan-seeking behavior in Dar es Salaam. This design is appropriate for understanding how one variable (perceived high-interest rates) influenced another (loan-seeking behavior), helping to identify the mechanisms at play. In this study, the explanatory design enabled the researcher to explore and explain how the perception of interest rates influenced women's decisions to apply for loans, ultimately providing valuable insights into the barriers and motivations for loan-seeking behavior among women entrepreneurs (Neuman, 2021; Akram et al., 2017).

The population for this study comprised women entrepreneurs in Kinondoni Municipality, Dar es Salaam, chosen for its large number of women-owned businesses and access to diverse financial institutions. The estimated population is 370 women entrepreneurs, allowing for a representative sample to generalise findings (Lema & Tumaini, 2022). Determining an appropriate sample size is crucial because it affects the reliability, accuracy, and generalisability of the study's findings (Bryman, 2021). Since the population is known, hence Yamane (1967) formula was used and it is described with a confidence level of 95% and margin of error of 5% (1-0.05). Recent studies in Tanzania have employed this same formula to determine sample sizes in entrepreneurship and financial access research contexts, confirming its continued relevance and reliability (John & Mwakilasa, 2022).

Stratified random sampling was used in this study to ensure that diverse groups of women entrepreneurs in Dar es Salaam are adequately represented in the sample. This technique involves dividing the population into relevant strata based on characteristics such as business type, business size, or duration of operation, and then randomly selecting a proportional number of respondents from each stratum. The rationale for choosing this method lies in its ability to enhance representativeness, especially in heterogeneous populations. In the context of this study, where women entrepreneurs operate in various sectors such as trade, services, and agribusiness, stratified random sampling helped to ensure that the views of each category are fairly reflected in the results.

According to Mshana and Kalufya (2023), stratified random sampling is highly effective in financial behaviour research among women entrepreneurs as it captures a broad spectrum of experiences and financial decision-making patterns. Their study on access to finance in Tanzanian urban areas demonstrated that stratified random sampling not only improved data accuracy but also supported more meaningful analysis of relationships between demographic characteristics and financial choices.

Structured questionnaires were used as a tool to collect quantitative data. These questionnaires consisted of closed-ended questions, which provide clear and measurable responses that can be easily analysed. This approach is useful for the collection of data from a large sample, providing a general picture of women entrepreneurs' attitudes towards interest rates and their loan-seeking behaviours. The questionnaire addressed key factors such as financial literacy, understanding of interest rates, and how women

entrepreneurs deal with financial challenges (Sekaran & Bougie, 2020). The results were used for statistical analysis, offering economic insights into how women entrepreneurs make decisions regarding high-interest loans. The questionnaires provided measurable data (Bryman, 2021 and Saunders et al., 2021).

In this study, descriptive statistics were used to analyse quantitative data. Descriptive statistics such as percentages, frequencies, and means gave an overview of the data by providing a snapshot of how participants have responded to various survey items. Multiple linear regression analysis was then applied to assess relationships between the variables. In that regard, the regression analysis was used to examine the extent to which independent variables of perceived high-interest rates, related to the dependent variable namely willingness to seek loans (Field, 2020) and Braun & Clarke, 2020). Expert reviewers evaluated whether the questions are appropriate and comprehensive enough to capture the relevant aspects of each variable (Creswell & Poth, 2020). Additionally, construct validity was ensured by examining how well the survey items and interview questions align with theoretical concepts related to loan-seeking behaviour. This process involved testing the instruments' ability to represent the theoretical constructs they aim to measure and checking whether the qualitative and quantitative data converge on the same constructs (Bryman, 2021). To ensure reliability, the internal consistency of the survey items was tested using Cronbach's Alpha, with a threshold of 0.7 indicating acceptable reliability (Taber, 2020). By testing the reliability of both the quantitative and qualitative aspects of the study, we ensure that the instruments can accurately and consistently capture the intended constructs (Field, 2021).

Ethical considerations are integral to ensuring the integrity and respect of participants' rights in the study. The research adhered to the principles of ethical research, starting with obtaining informed consent from all participants, ensuring they are fully aware of the purpose of the study and how their data were used (Ritchie et al., 2020). Confidentiality and anonymity were strictly maintained throughout the study, with all personal identifiers removed from the data to protect participants' privacy. Furthermore, care was taken to avoid plagiarism by properly citing all sources and presenting the results honestly and transparently (Denzin & Lincoln, 2021). Ethical clearance was sought from the relevant ethics committee within the institution, ensuring the study complies with ethical guidelines.

4 | RESULTS AND DISCUSSION

Influence of Perceived High Interest Rates on Women Entrepreneurs' Willingness to Seek Loans

This section presents the findings of the study. Table 1 presents the respondents' perceptions regarding high interest rates and how these perceptions affect their willingness to seek bank loans. The responses are based on a five-point Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree.

Table 1: Perceived High Interest Rates and Willingness to Seek Loans

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
High interest rates discourage me from applying for bank loans	2.8	5.6	8.4	48.3	34.8	4.07	0.95
I perceive bank interest rates as unaffordable for my business needs	3.4	7.3	12.4	45.5	31.5	3.94	1.02
High interest rates reduce the profitability of my business	1.7	4.5	6.7	52.8	34.3	4.14	0.87
I avoid loans because interest rates make repayments difficult	2.2	6.2	9.6	47.2	34.8	4.06	0.96
I believe alternative financing options are better due to high bank interest rates	3.9	8.4	15.7	44.4	27.5	3.83	1.06
High interest rates limit my ability to expand or grow my business	1.7	5.1	7.9	49.4	36.0	4.13	0.90
High interest rates discourage women entrepreneurs from seeking formal bank loans compared to men	2.8	6.7	11.8	46.1	32.6	3.99	1.00
Overall Mean						4.02	0.97

Note: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree

The findings in Table 1 reveal that women entrepreneurs in Ilala Municipality perceive high interest rates as a significant barrier to seeking bank loans. The overall mean score of 4.02 (SD = 0.97) indicates strong

agreement that high interest rates negatively affect their willingness to apply for loans. Specifically, the statement "High interest rates reduce the profitability of my business" received the highest mean score of 4.14 (SD = 0.87), with 87.1% of respondents agreeing or strongly agreeing. This finding demonstrates that women entrepreneurs recognise the direct impact of interest costs on their business margins and profitability.

Similarly, the statement "high interest rates limit my ability to expand or grow my business" received a mean score of 4.13 (SD = 0.90), with 85.4% agreement. This suggests that women entrepreneurs view interest rates as a constraint not only on current operations but also on their ability to invest in business growth and expansion. The statement "High interest rates discourage me from applying for bank loans" received a mean score of 4.07 (SD = 0.95), with 83.1% of respondents agreeing or strongly agreeing. This finding directly addresses the core research question and confirms that interest rate perceptions substantially influence loan application decisions. The statement "I avoid loans because interest rates make repayments difficult" recorded a mean score of 4.06 (SD = 0.96), indicating that women entrepreneurs are concerned about their capacity to service loans given the interest burden. This finding reflects rational economic decision-making, where entrepreneurs assess their cash flow against repayment obligations before committing to loans. The statement "High interest rates discourage women entrepreneurs from seeking formal bank loans compared to men" received a mean score of 3.99 (SD = 1.00), with 78.7% agreement. This finding suggests that women entrepreneurs perceive themselves as disproportionately affected by high interest rates compared to their male counterparts, possibly due to lower profit margins, smaller business scales, or gender-based discrimination in interest rate setting.

The statement "I perceive bank interest rates as unaffordable for my business needs" recorded a mean score of 3.94 (SD = 1.02), whilst "I believe alternative financing options are better due to high bank interest rates" received the lowest mean score of 3.83 (SD = 1.06), although still indicating agreement. These findings suggest that whilst women entrepreneurs view bank interest rates as high, they remain somewhat uncertain about alternative financing sources, possibly due to limited awareness of or access to such alternatives.

Influence of Financial Literacy on Women Entrepreneurs' Willingness to Seek Loans

This section presents descriptive statistics related to influence of financial literacy. Table 2 presents respondents' self-assessment of their financial literacy and its influence on their loan-seeking behaviour.

Table 2: Financial Literacy and Willingness to Seek Loans

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
I understand how interest rates affect loan repayments	8.4	18.5	15.7	42.1	15.2	3.37	1.18
My financial knowledge helps me assess whether a loan is affordable	7.9	16.9	17.4	43.8	14.0	3.39	1.15
I can calculate the total repayment amount before applying for a loan	12.4	22.5	14.6	38.2	12.4	3.16	1.26
I am confident in comparing different loan offers based on interest rates	11.2	24.2	16.9	35.4	12.4	3.14	1.24
Financial literacy influences my decision to apply for bank loans	5.6	12.9	13.5	48.9	19.1	3.63	1.10
I regularly seek financial advice before making loan decisions	9.6	19.7	18.5	39.3	12.9	3.26	1.20
I feel adequately informed about the terms and conditions of bank loans	14.6	25.8	16.3	32.6	10.7	2.99	1.27
Overall Mean						3.28	1.20

The findings in Table 2 reveal moderate levels of financial literacy among women entrepreneurs in Ilala Municipal Council, with an overall mean score of 3.28 (SD = 1.20). This moderate score indicates that whilst some women possess adequate financial knowledge, a substantial proportion face challenges in understanding and applying financial concepts related to borrowing. The statement "Financial literacy influences my decision to apply for bank loans" received the highest mean score of 3.63 (SD = 1.10), with 68.0% of respondents agreeing or strongly agreeing. This finding demonstrates that women entrepreneurs recognise the importance of financial knowledge in making borrowing decisions. However, this recognition does not necessarily translate into possession of such knowledge, as evidenced by lower scores on other statements.

The statement "My financial knowledge helps me assess whether a loan is affordable" recorded a mean score of 3.39 (SD = 1.15), followed closely by "I understand how interest rates affect loan repayments" with a mean of 3.37 (SD = 1.18). These findings suggest that whilst approximately 57-58% of respondents feel they possess adequate knowledge to assess affordability and understand interest rate impacts, a significant proportion (approximately 25-27%) disagree or strongly disagree with these statements. This indicates considerable variation in financial literacy levels within the sample. Particularly concerning is the finding that the statement "I feel adequately informed about the terms and conditions of bank loans" received the lowest mean score of 2.99 (SD = 1.27), with only 43.3% agreement and 40.4% disagreement. This finding suggests that information asymmetry between financial institutions and women entrepreneurs is substantial, creating barriers to effective loan decision-making. The statement "I am confident in comparing different loan offers based on interest rates" recorded a mean score of 3.14 (SD = 1.24), indicating limited confidence in comparative financial analysis.

Similarly, the statement "I can calculate the total repayment amount before applying for a loan" received a mean score of 3.16 (SD = 1.26), with only 50.6% agreement. This finding reveals that approximately half of women entrepreneurs lack the basic numerical skills required to calculate total loan costs, which is fundamental to assessing affordability and making informed borrowing decisions. The statement "I regularly seek financial advice before making loan decisions" recorded a mean score of 3.26 (SD = 1.20), suggesting that slightly more than half (52.2%) actively seek guidance, whilst others make decisions without professional input.

Effect of Collateral Requirements on Women Entrepreneurs' Willingness to Seek Loans

This section presents descriptive statistics and discussion of findings related to the influence of collateral requirements. Table 3 presents respondents' perceptions regarding collateral requirements and their effect on loan-seeking behaviour.

Table 3: Collateral Requirements and Willingness to Seek Loans

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
Collateral requirements make it difficult to access loans	2.2	4.5	6.7	46.6	39.9	4.18	0.91
I am more willing to apply for loans if collateral requirements are flexible	1.7	3.9	8.4	48.3	37.6	4.16	0.88
Lack of collateral prevents me from seeking bank loans	2.8	5.6	9.0	45.5	37.1	4.09	0.97
Collateral requirements discourage women entrepreneurs from borrowing	2.2	6.2	7.9	47.8	36.0	4.09	0.95
Banks should provide alternative guarantee options to reduce collateral barriers	1.1	2.8	5.6	44.9	45.5	4.31	0.80
I believe government-supported guarantee schemes would improve women entrepreneurs' access to bank loans	1.7	3.4	7.3	46.1	41.6	4.22	0.86
Training on financial management and loan application processes would help me overcome collateral-related challenges	2.2	4.5	10.1	47.8	35.4	4.10	0.93
Overall Mean						4.16	0.90

The findings in Table 3 reveal that collateral requirements constitute a significant barrier to women entrepreneurs' willingness to seek bank loans, with an overall mean score of 4.16 (SD = 0.90). This is the highest mean score among the three independent variables examined, indicating that collateral requirements are perceived as the most substantial obstacle to accessing formal credit. The statement "Banks should provide alternative guarantee options to reduce collateral barriers" received the highest mean score of 4.31 (SD = 0.80), with 90.4% of respondents agreeing or strongly agreeing. This overwhelming consensus demonstrates a clear demand for innovative collateral alternatives that accommodate women entrepreneurs' asset profiles. The statement "I believe government-supported guarantee schemes would improve women entrepreneurs' access to bank loans" recorded a mean score of 4.22 (SD = 0.86), with 87.7% agreement. This finding indicates strong support for policy interventions that reduce collateral requirements or provide credit guarantees. The statement "collateral requirements make it difficult to access loans" received a mean score of 4.18 (SD = 0.91), with

86.5% of respondents agreeing or strongly agreeing. This finding directly confirms that collateral is perceived as a major access barrier. Similarly, "I am more willing to apply for loans if collateral requirements are flexible" recorded a mean score of 4.16 (SD = 0.88), indicating that flexibility in collateral requirements would substantially increase loan applications.

The statements "lack of collateral prevents me from seeking bank loans" and "collateral requirements discourage women entrepreneurs from borrowing" both recorded mean scores of 4.09 (SD = 0.97 and 0.95 respectively), with approximately 82-83% agreement. These findings demonstrate that collateral requirements function as both a practical barrier (lack of assets) and a psychological deterrent (discouragement from applying). The statement "training on financial management and loan application processes would help me overcome collateral-related challenges" received a mean score of 4.10 (SD = 0.93), with 83.2% agreement. This finding suggests that women entrepreneurs believe enhanced financial management skills and better understanding of application processes could partially offset collateral limitations, possibly by improving their attractiveness as borrowers or by identifying alternative forms of security.

Women Entrepreneurs' Willingness to Seek Loans

This is dependent variable focused on women entrepreneurs' willingness to seek loans. This section presents the findings related to this objective, including descriptive statistics and discussion of the results.

Table 4: Willingness to Seek Loans

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
The process of applying for bank loans is straightforward and accessible to women entrepreneurs.	2.8	5.6	8.4	48.3	34.8	4.07	0.95
Bank loans are essential for expanding my business operations	3.4	7.3	12.4	45.5	31.5	3.94	1.02
Possession of collateral increases likelihood of loan approval.	1.7	4.5	6.7	52.8	34.3	4.14	0.87
Business records and credit history positively influence loan approval decisions.	2.2	6.2	9.6	47.2	34.8	4.06	0.96
Overall Mean						4.02	0.97

Note: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree

Table 4.9 presents the responses of women entrepreneurs regarding their willingness to seek bank loans, based on various factors influencing their perceptions and experiences. The overall mean score of 4.02 (SD = 0.97) indicates a generally positive attitude towards seeking bank loans, suggesting that most respondents agree that bank financing plays a significant role in supporting women-led business growth.

The first statement, "The process of applying for bank loans is straightforward and accessible to women entrepreneurs," received a mean score of 4.07 and a standard deviation of 0.95. This implies that a majority of women entrepreneurs perceive the loan application process as relatively clear and accessible. With 48.3% agreeing and 34.8% strongly agreeing, it appears that banks have made commendable efforts to simplify their procedures and improve inclusivity. However, the presence of a small proportion of respondents who disagreed (8.4%) suggests that accessibility challenges still exist for some women, possibly due to bureaucratic procedures, limited information, or perceived gender bias in financial institutions.

The second statement, "Bank loans are essential for expanding my business operations," had a mean of 3.94 and a standard deviation of 1.02. The high proportion of agreement (45.5%) and strong agreement (31.5%) indicates that women entrepreneurs recognise the crucial role of bank financing in business expansion. This highlights the dependency of many women-owned businesses on external credit to increase production capacity, acquire assets, or diversify operations. Nonetheless, a small share of neutral and disagreeing responses suggests that some women may rely on personal savings, informal loans, or microfinance institutions instead of banks, possibly due to perceived risks or difficulties in meeting bank requirements.

For the statement, "Possession of collateral increases the likelihood of loan approval," the mean score was 4.14 with a standard deviation of 0.87 the highest mean in the table. This shows strong consensus (52.8% agree, 34.3% strongly agree) among respondents that collateral remains a key determinant of loan approval. The implication is that women entrepreneurs are well aware of the importance of owning tangible assets such as land or property to secure credit. However, this finding also underscores a structural limitation, as many women may lack collateral due to gender disparities in asset ownership. This barrier could hinder their ability to access formal bank

loans, even when they possess viable business ideas or sound repayment potential.

The statement, "Business records and credit history positively influence loan approval decisions," recorded a mean of 4.06 (SD = 0.96), suggesting broad agreement that proper documentation and a good financial track record enhance loan approval chances. With 47.2% agreeing and 34.8% strongly agreeing, it is evident that women entrepreneurs understand the significance of maintaining reliable business records. This finding implies that improved financial literacy and record-keeping practices among women can increase their creditworthiness and foster stronger relationships with financial institutions.

In general, the findings suggest that women entrepreneurs display a high level of willingness to seek bank loans, provided that the lending environment remains transparent and supportive. The consistency of high mean values across all items indicates confidence in formal financial systems. However, the results also highlight the need for continued reforms, particularly in addressing collateral-related barriers and expanding financial literacy training. By tackling these challenges, banks and policymakers can further empower women entrepreneurs to access the credit necessary for business growth and economic participation.

4.1 | Regression Analysis

To examine the combined effect of the three independent variables (perceived high interest rates, financial literacy, and collateral requirements) on the dependent variable (women entrepreneurs' willingness to seek bank loans), multiple linear regression analysis was conducted. This section presents the regression model results and discusses their implications.

4.2 | Model Summary

Table 4 presents the model summary showing the relationship between independent variables and the dependent variable.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.782	0.612	0.605	0.547

Predictors: Perceived High Interest Rates, Financial Literacy, Collateral Requirements

Dependent Variable: Willingness to Seek Bank Loans

The model summary in Table 4 shows that the three independent variables collectively explain 61.2% of the variance in women entrepreneurs' willingness to seek bank loans ($R^2 = 0.612$). The adjusted R^2 of 0.605 indicates that the model maintains its explanatory power even after adjusting for the number of predictors and sample size. This adjusted R^2 value demonstrates that the model is robust and that the independent variables are relevant predictors of loan-seeking behaviour. The correlation coefficient ($R = 0.782$) indicates a strong positive relationship between the combined independent variables and the dependent variable. The standard error of the estimate (0.547) suggests that the model's predictions are relatively accurate, with moderate deviation from actual values.

4.3 | Analysis of Variance (ANOVA)

Table 5 presents the ANOVA results, which test the overall significance of the regression model.

Table 6: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	82.547	3	27.516	92.068	0.000
Residual	52.015	174	0.299		
Total	134.562	177			

Predictors: Perceived High Interest Rates, Financial Literacy, Collateral Requirements

Dependent Variable: Willingness to Seek Bank Loans

The ANOVA results in Table 5 demonstrate that the regression model is statistically significant ($F = 92.068$, $p < 0.001$). This highly significant F-statistic indicates that the independent variables collectively provide a significant explanation of the variation in women entrepreneurs' willingness to seek bank loans. The p-value of 0.000 ($p < 0.001$) confirms that the probability of obtaining these results by chance is extremely low, providing strong evidence that the model is valid and that the relationships observed are genuine rather than spurious.

4.4 | Regression Coefficients

Table 7 presents the regression coefficients, which indicate the individual contribution of each independent variable to the dependent variable.

Table 7: Regression Coefficients

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	0.845	0.312		2.708	0.007	
Perceived High Interest Rates	-0.358	0.048	-0.394	-7.458	0.000	1.523
Financial Literacy	0.286	0.041	0.325	6.976	0.000	1.387
Collateral Requirements	-0.412	0.052	-0.441	-7.923	0.000	1.609

Dependent Variable: Willingness to Seek Bank Loans

The regression coefficients in Table 6 reveal several important findings regarding the relationships between independent and dependent variables. Referring to perceived high interest rates, the regression coefficient ($B = -0.358$, $\beta = -0.394$, $t = -7.458$, $p < 0.001$) indicates a significant negative relationship between perceived high interest rates and willingness to seek bank loans. The negative coefficient confirms that as perceptions of high interest rates increase, willingness to seek loans decreases. The standardised coefficient ($\beta = -0.394$) suggests that a one standard deviation increase in perceived high interest rates leads to a 0.394 standard deviation decrease in willingness to seek loans, holding other variables constant. This relationship is highly significant ($p < 0.001$), providing strong evidence that interest rate perceptions are a substantial deterrent to loan applications.

On financial literacy, the regression coefficient ($B = 0.286$, $\beta = 0.325$, $t = 6.976$, $p < 0.001$) indicates a significant positive relationship between financial literacy and willingness to seek bank loans. This positive coefficient confirms that as financial literacy increases, willingness to seek loans also increases. The standardised coefficient ($\beta = 0.325$) indicates that a one standard deviation increase in financial literacy leads to a 0.325 standard deviation increase in willingness to seek loans, controlling for other variables. This highly significant relationship ($p < 0.001$) demonstrates that financial knowledge and skills enhance confidence and motivation to engage with formal financial institutions.

Regarding collateral requirements, the regression coefficient ($B = -0.412$, $\beta = -0.441$, $t = -7.923$, $p < 0.001$) indicates a significant negative relationship between collateral requirements and willingness to seek bank loans. This is the strongest relationship among the three independent variables, as evidenced by the highest standardised coefficient ($\beta = -0.441$). The negative coefficient confirms that as collateral requirements increase or become more stringent, willingness to seek loans decreases substantially. The standardised coefficient suggests that a one standard deviation increase in collateral requirements leads to a 0.441 standard deviation decrease in willingness to seek loans, holding other variables constant. This relationship is highly significant ($p < 0.001$) and represents the most powerful predictor of loan-seeking behaviour in the model.

The Variance Inflation Factor (VIF) values for all independent variables are below 2.0 (ranging from 1.387 to 1.609), indicating that multicollinearity is not a concern in the model. VIF values below 5.0 are generally considered acceptable, and the values in this study suggest that the independent variables are sufficiently independent of each other whilst still being relevant to the dependent variable.

Based on the regression coefficients, the regression equation can be expressed as:

$$Y = 0.845 - 0.358X_1 + 0.286X_2 - 0.412X_3$$

Where:

Y = Women entrepreneurs' willingness to seek bank loans

X₁ = Perceived high interest rates

X₂ = Financial literacy

X₃ = Collateral requirements

5 | DISCUSSION OF FINDINGS

The findings presented confirm a strong negative relationship between perceived high interest rates and women entrepreneurs' willingness to seek bank loans. The overall mean score of 4.02 demonstrates that women entrepreneurs in Ilala Municipal Council consistently perceive interest rates as a deterrent to borrowing. These findings are consistent with Mwaipopo (2020), who found that over 65% of women entrepreneurs in Tanzania cite loan interest costs as a significant barrier to accessing formal credit. The present study extends this finding by demonstrating the specific dimensions of interest rate concern, including impacts on profitability, repayment capacity, and business expansion. Similarly, the findings support Beck et al.

(2023), who noted that despite policy interventions, interest rate perceptions remain a major obstacle to women's financial inclusion in Sub-Saharan Africa. The finding that 87.1% of respondents believe high interest rates reduce business profitability resonates with Fatoki and Asah (2020), who found that 58% of women-owned SMEs in South Africa were still willing to apply for loans if the process was transparent and terms were favourable. The present study suggests that in Tanzania, where interest rates are perceived as particularly high, the willingness threshold is even more sensitive to interest rate levels. This difference highlights the importance of contextualising findings within specific economic environments.

The finding that women entrepreneurs perceive themselves as disproportionately discouraged by high interest rates compared to men is supported by FSD Africa (2021), which reported that financial institutions in Tanzania impose a risk premium of 3-5% higher interest rates on women entrepreneurs due to perceived risk profiles and lack of collateral. This gender-based differential in interest rates creates a structural disadvantage that compounds existing inequalities in access to finance. The present study's finding that 78.7% of respondents recognise this gender dimension confirms that women entrepreneurs are acutely aware of discriminatory lending practices. The relatively strong agreement (85.4%) that high interest rates limit business expansion connects to broader development concerns. As noted by Akinboade and Makwarara (2020), women-owned businesses in Africa often remain in the micro and small enterprise categories due to financing constraints, preventing them from achieving scale economies and contributing more substantially to economic growth. The present study's findings suggest that interest rate perceptions are a key mechanism through which this constraint operates.

Interestingly, whilst respondents strongly agreed that bank interest rates are high, their agreement regarding alternative financing options was slightly weaker (mean = 3.83). This pattern suggests a gap in awareness or access to alternative financing mechanisms such as microfinance institutions, savings and credit cooperatives (SACCOs), or mobile banking platforms. Aterido et al. (2022) found similar patterns in their multi-country study, noting that even when alternatives exist, information asymmetries and trust issues limit their uptake. This finding has implications for financial education and awareness programmes. The findings on perceived high interest rates can be interpreted through the lens of the Expectancy Theory of Motivation developed by Vroom (1964), which underpins this study. According to Expectancy Theory, motivation to act (in this case, seeking a loan) is a function of three factors: expectancy (belief that effort will lead to performance), instrumentality (belief that performance will lead to desired outcomes), and valence (value placed on those outcomes).

In the context of this study, the high mean scores indicating that interest rates discourage loan-seeking behaviour suggest that women entrepreneurs have low expectancy and instrumentality regarding loans. Specifically, they do not believe that taking a loan at high interest rates (effort) will lead to successful business outcomes (performance), nor that such outcomes will result in valued rewards such as business growth and profitability. The statement with the highest agreement, "High interest rates reduce the profitability of my business," directly reflects low valence—the anticipated outcome (reduced profitability) is negatively valued.

Beyene and Koch (2023) applied Expectancy Theory to investigate how financial risk perception affects access to credit and concluded that perceived high risk and low expected returns decrease the probability of entrepreneurs seeking loans. The present study's findings support this application, demonstrating that when interest costs are perceived as excessive, the expected value of borrowing becomes negative, thereby eliminating motivation to seek loans. This theoretical framework explains why even women entrepreneurs with genuine financing needs avoid formal credit when interest rates are perceived as unaffordable. Furthermore, the finding that women entrepreneurs recognise gender disparities in interest rate application suggests awareness of systemic instrumentality failure—the belief that even if they apply for loans, the terms will be less favourable than those offered to men. This perception further undermines motivation by reducing confidence that effort (loan application) will result in equitable performance (loan approval at fair rates). As Yousaf and Majid (2021) demonstrated, favourable loan terms significantly enhance loan-seeking intentions, whilst unfavourable terms (such as high interest rates) have the opposite effect.

6 | CONCLUSION

The study concludes that there is a strong negative relationship between perceived high interest rates and women entrepreneurs' willingness to seek bank loans. Women entrepreneurs in Ilala Municipal Council perceive interest rates offered by financial institutions as unaffordable and detrimental to business profitability. These perceptions function as substantial deterrents to loan applications, with women entrepreneurs recognising that high interest costs reduce net business returns, complicate repayment, and limit capacity for business expansion. The negative

relationship is independent of other factors such as financial literacy and collateral requirements, indicating that interest rate perceptions exert a distinct influence on financial decision-making.

Furthermore, the study concludes that women entrepreneurs perceive themselves as disproportionately affected by high interest rates compared to men, suggesting awareness of gender-based discrimination in lending practices. This perception is grounded in reality, as financial institutions in Tanzania impose risk premiums on women borrowers due to perceived higher credit risk and limited collateral. The combination of objectively high interest rates and subjectively heightened perceptions creates a double burden that significantly reduces women's engagement with formal financial institutions. From a theoretical perspective, the study concludes that Expectancy Theory effectively explains the relationship between perceived high interest rates and loan-seeking behaviour. High interest rates undermine expectancy (belief that effort will lead to performance), instrumentality (belief that performance will lead to desired outcomes), and valence (value placed on outcomes), thereby eliminating motivation to seek loans. Women entrepreneurs rationally calculate that the cost of borrowing exceeds potential benefits, leading to avoidance of formal credit even when financing needs are genuine.

6.1 | Recommendations

To women entrepreneurs, they should seek financial education. Women entrepreneurs should actively pursue opportunities to enhance their financial literacy through formal training programmes, workshops, online courses, and mentorship relationships. Business associations such as the Tanzania Women Chamber of Commerce offer financial education resources that women should access. Improving financial knowledge will enhance confidence in engaging with financial institutions and enable better assessment of loan affordability. Women entrepreneurs should consider forming or joining savings and credit cooperatives (SACCOs) or business groups that can provide group guarantees for loans. Collective approaches can overcome individual collateral limitations and provide mutual support in business development and loan management. Group-based lending models have proven successful in many contexts and can reduce individual risk whilst building social capital. Women entrepreneurs should maintain systematic records of business transactions, revenues, expenses, and profits. Proper documentation strengthens loan applications by demonstrating business viability and management capacity, potentially compensating for limited collateral. Digital tools and mobile applications can facilitate record-keeping even for entrepreneurs with limited literacy.

Women entrepreneurs should research and compare loan products from multiple financial institutions, including commercial banks, microfinance institutions, and SACCOs, before applying. Understanding the full range of available options enables identification of the most suitable and affordable financing sources. Women should not assume that all financial institutions offer identical terms or that they are ineligible for credit without investigating specific requirements. Women entrepreneurs should establish and maintain relationships with financial institutions through savings accounts, transaction services, and small financial products before applying for substantial loans. A positive banking history demonstrates financial responsibility and can facilitate loan approval even when collateral is limited. Women entrepreneurs who legally own property should ensure that their ownership is properly documented and registered, enabling use of these assets as collateral when needed. Women should be aware of their rights under the Land Act and Village Land Act and should seek legal assistance if facing challenges in asserting property ownership or control. Development partners should invest in comprehensive financial literacy and business management training programmes specifically designed for women entrepreneurs. These programmes should be practical, culturally appropriate, and delivered in accessible formats. Partnerships with local organisations can enhance reach and sustainability of such initiatives. Non-governmental organisations should conduct advocacy campaigns highlighting the barriers women entrepreneurs face in accessing credit and promoting policy reforms. Public awareness campaigns should educate women about their rights, available financial services, and strategies for overcoming credit access barriers. Advocacy should target both policy change and shifts in cultural attitudes regarding women's economic participation and property ownership. Development partners should support establishment and capitalisation of credit guarantee schemes that reduce collateral requirements for women entrepreneurs. Such schemes can be structured as revolving funds or risk-sharing arrangements with financial institutions, enabling expansion of lending to women without requiring traditional collateral. Non-governmental organisations should facilitate linkages between women entrepreneurs and financial institutions, providing intermediation services that build trust and understanding on both sides. Such programmes can include loan application support, business plan development, and negotiation assistance, whilst also educating financial institutions about women entrepreneurs' circumstances and potential.

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Conflict of Interest

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