Journal of Research and Academic Writing
Vol. 2 No. 2 (2025): ISSN (Online): 3007-5343
DOI: https://doi.org/10.58721/jraw.v2i2.1350
Influence of Financial External factors on Access to credit facilities among Local Civil Contractors in Tanzania

Influence of Financial External factors on Access to credit facilities among Local Civil Contractors in Tanzania

Reginald Peter Omare, Nsubili Isaga & Haruni Mapesa
Mzumbe University, Tanzania

Article History
Received: 2025-05-22
Revised: 2025-10-04
Accepted: 2025-10-10
Published: *2025-10-13*

Keywords
Civil contractors
Construction sector
Credit facilities
Tanzania

How to cite:
Omare, R. P., Isaga, N. & Mapesa, H. (2025). Influence of Financial External factors on Access to credit facilities among Local Civil Contractors in Tanzania. *Journal of Research and Academic Writing*, *2*(2), 157-169.

Abstract
Local Civil Contractors (LCCs) in Tanzania play a vital role in the national construction industry but face persistent challenges in accessing credit facilities essential for their operations and growth. This study examined how the financial external factors influence LCCs' access to credit facilities, focusing on coercive, mimetic, and normative institutional pressures, as conceptualised within Scott's institutional theory. A mixed-methods approach was adopted, combining quantitative data from 353 LCCs and qualitative insights from 15 financial sector key informants across six major regions in Tanzania. Descriptive statistics and multiple linear regression analysis were employed to assess the strength and direction of each regulatory dimension. The findings revealed that mimetic pressures ($\beta = 0.424$, $p < 0.001$) were the strongest positive predictors of access to financial services, indicating that peer learning, imitation of successful contractors, and network influence significantly enhance financial inclusion. Coercive factors ($\beta = 0.292$, $p < 0.001$), including regulatory requirements related to licensing, audits, and reporting, also positively influenced access, though their effect was more variable. In contrast, normative pressures ($\beta = -0.056$, $p = 0.033$), such as rigid professional standards and documentation norms, had a statistically significant negative effect, implying exclusionary tendencies for smaller or informal contractors. The study recommends regulatory simplification, tiered compliance frameworks, strengthened peer learning platforms, and alternative credit assessment models. These findings underscore the need for context-sensitive regulatory reforms that align with LCCs' operational realities, thereby improving financial access, competitiveness, and the contribution of local contractors to Tanzania's construction sector.

Introduction

Local Civil Contractors (LCCs) in Tanzania play a pivotal role in the construction sector, which significantly contributes to the country's socio-economic development. Representing approximately 80% of all registered contractors, LCCs are central to infrastructure delivery, including roadworks, bridges, and public buildings, particularly in rapidly urbanising centres such as Dar es Salaam, Dodoma, Arusha, Mbeya, and Mwanza. The sector is a notable employer and a driver of gross domestic product (GDP), accounting for around 16% of Tanzania's economic output (URT, 2023). Despite their vital role, LCCs face persistent challenges in accessing credit facilities services that are crucial for executing and scaling their operations. Chief among these challenges is the rigidity and

complexity of the financial regulatory framework governing the operations of banks, insurers, and other financial institutions (Makenya et al., 2021; Omare et al., 2025).

The financial external factors encompass the institutional rules, legal standards, and supervisory practices that oversee financial intermediaries in the country. These frameworks, while intended to promote financial stability, transparency, and risk mitigation, may inadvertently hinder the participation of smaller, local actors in the formal financial system. LCCs are particularly vulnerable to exclusion owing to their limited financial histories, informal documentation practices, and insufficient collateral (Chileshe et al., 2021). As a result, they struggle to access lines of credit, bid bonds, performance guarantees, insurance coverage, and reliable payment services. These constraints affect their competitiveness, their capacity to take on large contracts, and their ability to absorb financial burdens, such as delayed payments from public clients.

Financial inclusion for LCCs is not merely a function of demand-side characteristics, such as business size or creditworthiness; somewhat, it is strongly shaped by supply-side financial external factors. For instance, regulatory requirements enforced by the Bank of Tanzania (BoT), Capital Markets and Securities Authority (CMSA), and the Contractors Registration Board (CRB) create layered compliance burdens that often surpass the administrative and financial capacities of small and medium-sized LCCs (URT, 2022). These include compulsory registration, audited financial statements, annual returns, licensing renewals, and adherence to sector-specific financial governance standards. While such regulations aim to promote accountability and transparency, they are often applied without sufficient adaptation to the structural limitations of indigenous firms (Chalu et al., 2021).

This study is grounded in the theoretical lens of institutional theory, particularly Scott's (2014) conceptualisation of institutional pillars: coercive, mimetic, and normative. Coercive pressures stem from formal regulations and enforcement mechanisms, compelling LCCs to adhere to financial and operational standards set by authorities. Mimetic pressures occur when institutions and firms imitate the practices of perceived leaders in their sector, often resulting in rigid standardisation rather than innovation. Normative pressures refer to cultural and societal expectations that shape perceptions of legitimacy, professionalism, and ethical conduct. Understanding these three forces provides a nuanced framework for analysing how the financial regulatory environment influences access to financial services (Shahadat et al., 2023).

Evidence from prior studies underscores the importance of financial external factors with the realities of small and medium enterprises (SMEs), especially in sectors like construction, where cash flow irregularities, informal procurement, and limited asset bases are common. For example, coercive regulatory pressures, such as high capital thresholds and collateral requirements, have been found to disproportionately exclude LCCs from competitive financing opportunities (Chileshe et al., 2021). Similarly, mimetic pressures within financial institutions may lead to the adoption of stringent credit assessment practices copied from larger banks, further alienating high-risk yet viable local contractors (Latif et al., 2020). On the normative front, societal perceptions of what constitutes a 'bankable' firm can dissuade lenders from offering tailored financial products to LCCs (Mahmood et al., 2020).

The limited capacity of LCCs to comply with these regulatory requirements not only constrains their access to credit but also perpetuates a cycle of informality and underperformance. Contractors unable to meet bid security requirements or insurance mandates are less likely to win contracts. In contrast, those unable to secure working capital or bridge financing are more susceptible to project delays, cost overruns, or even insolvency (Kikwasi & Escalante, 2020). This creates a bifurcated industry in which foreign or large domestic firms dominate formal contracting spaces, while local contractors remain relegated to low-value, high-risk projects (Moo & Eyiah, 2020).

Given this context, this study examines the influence of financial external factors on access to credit facilities among LCCs in Tanzania. By investigating how coercive, mimetic, and normative regulatory forces impact credit access, the study contributes to both academic discourse and policy development. It also provides practical insights for regulators, financial institutions, and contractor associations on how to design regulatory environments that are more inclusive and enabling, tailored to the unique needs of local firms.

In doing so, the study addresses a critical gap in the literature by shifting focus from demand-side constraints to the structural and institutional barriers embedded within the financial external pressure. Ultimately, the findings are expected to inform reforms that can enhance credit access for LCCs, promote local enterprise development, and support inclusive growth in Tanzania's construction sector.

Theoretical framework

This study is grounded in institutional theory, particularly the three pillars proposed by Scott (2014): coercive, mimetic, and normative pressures. These pillars help explain how regulatory policies, peer imitation, and social norms influence financial behaviours among firms. Coercive pressures are formal legal requirements; mimetic pressures refer to copying successful practices; and normative pressures arise from professional norms and societal expectations (Depoers & Jérôme, 2019; Shahadat et al., 2023). Coercive pressures arise from formal legal and regulatory requirements enforced by institutions such as the Bank of Tanzania (BoT), Capital Markets and Securities Authority (CMSA), and the Contractors Registration Board (CRB). These include obligations like licensing, audited financial statements, capital thresholds, and tendering compliance. While intended to ensure transparency and financial stability, such requirements often overwhelm Local Civil Contractors (LCCs) who lack the administrative and financial capacity to comply (Chalu et al., 2021; URT, 2022). Mimetic pressures emerge in uncertain environments, where institutions imitate the practices of perceived successful peers. In Tanzania, smaller financial institutions tend to replicate the stringent credit assessment and collateral requirements used by larger banks. This imitation creates a uniform financial environment that marginalises less formalised or resource-constrained firms such as LCCs (Latif et al., 2020; Mahmood et al., 2020).

Normative pressures are driven by industry norms and shared expectations around professionalism, ethics, and documentation. Industry associations, training bodies, and international agencies often shape these. While such expectations aim to improve financial discipline, they may also discourage financial institutions from engaging with LCCs perceived as lacking formal business practices or adequate governance structures (Scott, 2014; Chileshe et al., 2020). Overall, institutional theory provides a robust framework for examining how regulatory environments and institutional behaviours, despite their intention to promote stability, can inadvertently restrict financial access for local contractors through embedded compliance norms, risk aversion, and institutional mimicry (Depoers & Jérôme, 2019; Shahadat et al., 2023).

The theory guided the study by shaping the research questions, selection of variables, and interpretation of results. Each pillar of the theory was operationalised through specific regulatory factors affecting LCCs' access to finance. Coercive elements were examined through legal requirements; mimetic through imitative financial practices; and normative through expectations of governance and ethics. This enabled the study to analytically connect institutional structures with real-world financial access challenges faced by LCCs in Tanzania.

Materials and methods

Research design and approach

This study adopted a cross-sectional research design, which is suitable for analysing associations between variables at a single point in time across a broad sample (Creswell & Creswell, 2018). The design was appropriate for the study's objective, to examine financial external factors affecting access to credit facilities among LCCs in Tanzania. It enabled efficient data collection from a diverse group of respondents, facilitating the identification of significant patterns and relationships (Kothari, 2009). Additionally, we used a mixed-methods approach, integrating quantitative and qualitative methods to enhance the robustness and credibility of the findings. As emphasised by Mwonge and Naho (2021), employing a mixed research approach enables researchers to compensate for the weaknesses of one method with the strengths of the other, thereby improving the validity and depth of insights. Thus, triangulating data from both approaches ensured a comprehensive analysis of the supply-side factors influencing financial access among LCCs.

Population and sampling procedures

The target population comprised key actors in the civil contracting and financial sectors, including LCCs officially registered with the Contractors Registration Board (CRB) and representatives from financial and insurance institutions. The geographical scope covered Dar es Salaam, Morogoro, Arusha, Mbeya, Dodoma, and Mwanza, regions selected for their substantial economic activity and concentration of construction enterprises. According to the Ministry of Works and Transport (URT, 2022), these regions collectively account for 1,662 registered LCCs, making them ideal for investigating institutional factors influencing access to finance in Tanzania's construction sector (Omare et al., 2025). The estimated sample size was approximately 354 LCCs obtained using Yamane's (1967) formula. Additionally, 15 key informants from financial institutions were purposefully selected for this study.

Table 1: Selection of KII

Region	Total Contractors	Population Proportion	Sample Size	Proposed KII
Arusha	152	0.091	32	2-3
Dar es Salaam	1068	0.643	228	4-5
Dodoma	91	0.055	19	2
Mbeya	157	0.095	33	2-3
Mwanza	193	0.116	41	2-3
Total	1661	100	354	12-15

We carefully chose key informants from five regions—Arusha, Dar es Salaam, Dodoma, Mbeya, and Mwanza—to enrich our quantitative data with valuable qualitative insights. The selection process was based on the distribution of local civil contractors in these areas, as detailed in the accompanying table. The total number of contractors in each region helped us determine the regional population proportion, which then guided us in deciding both the survey sample size and the number of key informant interviews (KIIs) we aimed to conduct. Dar es Salaam stood out, representing about 64.3% of all contractors. As a result, it received the highest number of key informant interviews (4 to 5 participants). On the other hand, regions like Dodoma, which have a much smaller contractor presence at just 5.5%, were assigned fewer interviews —roughly 2 participants. This distribution was designed to ensure that we captured a diverse range of perspectives, maintaining a balance and richness of data from areas with varying levels of construction activity and market development.

One participant echoed, "*On normative pressure, while we promote best practices, we also recognise that being overly professional doesn't necessarily lead to better access to financing. Banks can still be hesitant if your project runs into delays, even when you're following all the guidelines*".

> Another participant," *government's push for proper registration, thorough audits, and tax compliance has really boosted the credibility of LCCs, making them more appealing to lenders*". Bank officers added that "*this kind of regulatory enforcement helps lower the risk of defaults and encourages banks to lend to firms that play by the rules*".

Furthermore, A multistage stratified sampling technique was employed to ensure representativeness. Initially, the population was stratified by geographical zones (Eastern, Northern, Central, Lake, and Southern). Within each zone, further stratification was done by region, firm size, and contractor classification based on CRB categories (Classes III–VII). This study focused on small and medium-sized contractors, excluding large-scale firms due to their distinct access to credit and operational characteristics.

Data type, sources and collection methods

This study used both primary and secondary data sources to enhance the validity, depth, and comprehensiveness of the findings. Primary data were collected through a semi-structured questionnaire comprising both open-ended and closed-ended questions. The open-ended items allowed respondents to articulate their views freely, generating rich qualitative insights while minimising bias. In contrast, the closed-ended questions enabled structured responses suitable for quantitative analysis and cross-case comparisons. In addition, face-to-face interviews were conducted with key informants from financial institutions to provide deeper insights into institutional practices and to validate questionnaire findings. The interviews lasted for 45-60 minutes.

On the other hand, secondary data were obtained through a documentary review of various official and institutional records, including audited financial statements, company prospectuses, and CRB registration databases. Furthermore, reports from relevant government agencies were examined to gather information on project timelines, regulatory compliance, and financial performance indicators. The integration of both data types not only facilitated triangulation but also strengthened the overall analytical framework by situating firm-level data within a broader institutional and regulatory context.

Data analysis

Data analysis in this study was conducted with the primary aim of simplifying, interpreting, and drawing meaningful insights from the collected data to assess the influence of the financial external factors on access to credit facilities among LCCs in Tanzania. The analytical process followed a structured approach comprising data coding, categorisation, entry, cleaning, transformation, and statistical summarisation, as recommended by Hair et al. (2019). Before the analysis, all returned questionnaires were thoroughly screened to ensure data accuracy and integrity. Incomplete or inconsistently filled responses were systematically excluded from further analysis, and only valid, complete responses were retained to uphold the rigour and reliability of the study. The Statistical Package for the Social Sciences (SPSS) version 25 was used for data processing and analysis. This software facilitated effective data cleaning, descriptive statistical generation, and inferential modelling. Descriptive statistics, such as means, standard deviations, minimum and maximum values, were used to summarise the patterns and central tendencies of the key variables under study, particularly the coercive, mimetic, and normative factors influencing financial access.

To address the study's core analytical objective —to determine the extent to which different components of the financial external factors influence LCCs' access to credit facilities —a Multiple Linear Regression (MLR) model was used. The MLR approach was deemed suitable due to its capacity to simultaneously examine the effects of multiple independent variables on a single continuous dependent variable, thus aligning with the multidimensional nature of the regulatory framework as conceptualised in institutional theory.

The specified regression model used in the study was as follows:

$$\text{ACF} = \beta_0 + \beta_1 CF + \beta_2 MF + \beta_3 NF + \varepsilon$$

where:
ACF = Access to credit services (dependent variable)
β_0 = Constant (intercept term)
CF = Coercive factors
MF = Mimetic factors
NF = Normative factors
ε denotes the error term accounting for unexplained variation in the model

Results and discussion

Descriptive statistics results

This section presents a descriptive analysis of key variables related to the influence of the financial external factors on Access to credit facilities among LCCs in Tanzania. The analysis focuses on three dimensions derived from institutional theory: *coercive*, *mimetic*, and *normative* factors. Each dimension is analysed based on respondents' level of agreement with corresponding items, using mean and standard deviation values as indicators of perceived influence. Table 2 presents the study results.

Table 2: Financial External factors

		N	Min.	Max.	Mean	SD
CF1	Complying with regulatory requirements (e.g., tax, licenses) hinders ACF for LCCs.	353	1	5	3.72	1.21
CF2	Financial reporting requirements discourage access to credit facilities for LCCs.	353	1	5	3.74	1.215
CF3	Compliance costs are too high, making it difficult to ACF.	353	1	5	3.77	1.129
CF4	Regular audits and inspections create additional burdens that ACF.	353	1	5	3.88	1.042
CF5	Regulatory restrictions on lending/borrowing terms limit ACF for small contractors.	353	1	5	3.97	1.015
CF	Coercive factors	353	1.4	5	3.8164	0.86973
MF1	Our firm follows financial practices adopted by successful civil contractors.	353	1	5	4.11	0.974
MF2	Observing other contractors influences our ACF	353	1	5	4.1	0.992
MF3	The success of similar contractors affects our choice of ACF.	353	1	5	4.03	0.921
MF4	Industry best practices shape our approach to ACF.	352	1	5	3.77	1.155
MF5	We ACF that are popular among contractors in our network.	353	1	5	4	0.915
MF6	Recommendations from contractors/associations influence our ACF providers.	353	1	5	4.14	0.904
MF	Mimetic Factors	353	1.5	5	4.0243	0.75217
NF1	Membership in professional associations encourages us to follow specific financial practices.	353	1	5	2.73	1.373
NF2	Industry norms guide our financial management practices.	353	1	5	2.87	1.43
NF3	Client and supplier expectations influence ACF	353	1	5	3.15	1.454
NF4	We follow industry-standard financial practices to maintain our reputation.	353	1	5	3.27	1.394
NF5	Trade association guidelines influence our choice of ACF providers.	353	1	5	3.36	1.486
NF6	Professional standards set by regulatory bodies encourage us to access certain credit facilities.	353	1	5	3.3	1.402
NF	Normative Factors	353	1	5	3.1238	0.94667

The analysis of coercive factors, which encompass compulsory regulations such as tax compliance, licensing, audits, and lending conditions, revealed a relatively high level of agreement among respondents. The overall composite mean score for coercive factors was 3.82, with a standard deviation of 0.87, indicating that contractors perceive these regulatory requirements as significant barriers to financial access. Among the five items, the restriction on lending and borrowing terms (CF5) had the highest mean score (M = 3.97), followed by regular audits and inspections (CF4; M = 3.88). This suggests that targeted financial regulations, such as those governing loan conditions and oversight practices, are seen as more constraining than general compliance issues, such as taxation or business registration. The findings imply that reducing audit burdens and easing credit-related regulations could improve access to financial services for LCCs. These findings align with those of Beck et al. (2005), who noted that burdensome financial regulations disproportionately affect small and informal firms in developing countries. In the Tanzanian context, such constraints are

compounded by high compliance costs and complex administrative procedures, which discourage small contractors from engaging with formal financial institutions (URT, 2017).

On the other hand, mimetic factors, which refer to the tendency of firms to imitate the behaviours of successful peers, were also found to be influential. The composite mean for mimetic factors was 4.02 (SD = 0.75), reflecting strong agreement that peer influence significantly affects financial decision-making. The highest mean score was observed for recommendations from contractors or associations (MF6, M = 4.14), followed by firms adopting the financial practices of successful peers (MF1, M = 4.11) and learning by observing others (MF2, M = 4.10). The lowest mean among this group was for the influence of general industry best practices (MF4, M = 3.77). These results indicate that contractors tend to rely more on peer-based examples and association guidance than on abstract best practices. This aligns with previous findings by Agyei-Mensah (2011), who highlights that firms in environments of uncertainty and regulatory complexity often look to industry leaders for behavioural cues, especially in financial decision-making. In developing countries where formal financial literacy is limited, contractors may depend more on peer influence and networks than on formal regulations (Ledgerwood et al., 2013). Interestingly, general industry best practices (MF4) were less influential, implying that LCCs place more trust in personal networks and observed peer success than in abstract professional standards. This suggests that mimetic pressure, particularly through direct peer influence and network-based recommendations, is a critical driver of financial service uptake.

In contrast, normative factors —such as industry norms, professional standards, and the influence of professional associations —were perceived as having the least impact. The composite mean score was 3.12 (SD = 0.95), noticeably lower than for coercive and mimetic dimensions. Within this category, the highest mean score was for trade association guidelines (NF5, M = 3.36), while the lowest was for the influence of professional membership (NF1, M = 2.73). These findings suggest that LCCs are only moderately influenced by industry norms and formal standards. This relatively weak influence may reflect a lack of effective engagement by professional bodies or a disconnect between normative expectations and the practical needs of contractors operating in local markets. It indicates a need for professional associations and regulatory bodies to become more proactive and responsive in promoting access to finance through standard-setting and supportive policies. This is consistent with Kamau's (2022) findings, which noted that in emerging markets, professional norms often lack enforcement or are misaligned with the practical challenges faced by small contractors. Additionally, the limited engagement between LCCs and regulatory associations weakens the normative pressures that could otherwise standardise good financial behaviours (Kessy & Urio, 2006). These findings suggest the need for enhanced outreach, training, and policy support from professional and regulatory bodies to elevate normative influences in promoting financial inclusion.

Regression analysis

To further explore the relationships between the financial external factors dimensions and access to credit facilities (ACF), a multiple regression analysis was conducted. The model showed a strong explanatory power, with a correlation coefficient (R) of 0.750 and an R-squared value of 0.563. This means that 56.3% of the variance in ACF among local contractors is explained by the combined influence of coercive, mimetic, and normative factors. The adjusted R-squared value of 0.559 confirmed the model's robustness after accounting for the number of predictors. Additionally, the Durbin-Watson statistic of 1.748 indicated no significant autocorrelation in the residuals, further confirming the model's reliability. Table 3 presents the study results.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.750[a]	0.563	0.559	0.45210	1.748

a. Predictors: (Constant), *NF, MF, CF*

b. Dependent Variable: ACF

In addition, the model's overall significance was confirmed by the ANOVA results, with an F-statistic of 149.799 ($p < 0.001$). This signifies that the set of regulatory variables collectively has a statistically significant impact on ACF.

Table 4: ANOVA Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.853	3	30.618	149.799	0.000[b]
	Residual	71.333	349	0.204		
	Total	163.186	352			

a. Dependent Variable: ACF

b. Predictors: (Constant), *NF, MF, CF*

Additionally, to assess the individual contributions of each regulatory dimension to access to credit facilities (ACF), a multiple linear regression analysis was conducted. In this model, ACF served as the dependent variable, while CF, MF, and NF were the independent variables. Table 5 presents the estimated coefficients, including both unstandardised and standardised values, along with the corresponding t-values and significance levels. These results offer insights into the relative strength and direction of each regulatory construct in explaining variation in access to credit facilities among local civil contractors in Tanzania.

Table 5: Coefficients

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.293	0.146***		8.845	0.000
	CF	0.292	0.036***	0.373	8.007	0.000
	MF	0.424	0.042***	0.469	10.220	0.000
	NF	-0.056	0.026**	-0.078	-2.141	0.033

Note: ***, ** = Significant at 1% and 5% respectively.

The regression coefficients provided more profound insights into the relative influence of each dimension. Mimetic factors emerged as the strongest positive predictor of credit access ($\beta = 0.424$, $p < 0.01$), followed by coercive factors ($\beta = 0.292$, $p < 0.01$). These results suggest that peer imitation, observation, and industry association influence are more impactful than regulatory compliance alone in determining contractors' ACF. Interestingly, normative factors had a small but statistically significant adverse effect on access to credit facilities ($\beta = -0.056$, $p = 0.033$). This suggests that strict adherence to professional or industry standards may, paradoxically, constrain access to credit facilities. One possible explanation is that normative expectations, such as standardised financial reporting or documentation practices, may be perceived as rigid or unattainable for many small contractors operating with limited administrative capacity. Such misalignment between formal standards and on-the-ground realities has been identified as a barrier to financial inclusion in other sectors as well (Demirgüç-Kunt et al., 2017). Therefore, regulatory and professional institutions need

to rethink how normative frameworks can be made more adaptive, inclusive, and supportive for small-scale contractors.

Overall, the regression results underscore the importance of informal institutional influences, such as peer learning and mimetic behaviours, in shaping credit access. While coercive regulations also play a positive role, perhaps by pushing LCCs into formal systems that are prerequisites for financial eligibility, there is a clear indication that normative pressures from professional bodies and industry standards are not effectively facilitating access. This calls for regulatory and professional institutions to reassess and realign their strategies to better support small-scale contractors in navigating the financial system.

Policy and practical implications

This study has practical significance for financial regulators, policymakers, contractor associations, and financial institutions aiming to enhance credit access for LCCs in Tanzania. The empirical results confirm that coercive and mimetic pressures significantly shape LCCs' ability to access credit facilities, whereas normative factors exert a weak, negative influence. The following implications emerge:

First, regulators should prioritise *streamlining compliance requirements*. While coercive factors positively influence access, high compliance costs, frequent audits, and inflexible lending conditions remain significant barriers. Institutions such as the Bank of Tanzania (BoT), CRB, and CMSA should simplify procedures, for example, by introducing scaled collateral demands, reduced audit frequencies, and simplified reporting templates, especially for contractors in CRB Classes III–VII.

Second, *peer learning mechanisms* should be institutionalised. Given the strong influence of mimetic pressures, contractor associations and regional networks should formalise mentorship programmes and knowledge-sharing platforms. Financial institutions can collaborate to deliver regional clinics showcasing accessible financing strategies.

Third, *normative expectations* should be reassessed. The adverse effect of normative factors suggests that rigid standards may marginalise LCCs with informal governance. Associations should adapt codes of conduct and provide developmental training to ensure professional expectations are inclusive and practical.

Fourth, *tiered regulatory frameworks* should be adopted. A differentiated approach to compliance, based on firm size and capacity, would promote fairness and inclusion across diverse contractor classes.

Finally, *enhancing collaboration* between financial institutions and regulatory authorities. The findings show that credit access is shaped both by regulatory structures and how financial institutions interpret and implement those regulations. Regulators should facilitate regular dialogues between banks, insurance firms, and contractor representatives to co-develop risk-assessment tools that reflect the operational realities of LCCs. This may involve piloting alternative credit assessments that incorporate project history, contract pipeline, or reputation within the contractor network, metrics that are often more relevant than traditional collateral.

Limitations

First, limitations arose from reliance on self-reported data from local civil contractors (LCCs) collected during structured interviews. Even though efforts were made to ensure accuracy, this kind of data can be prone to recall bias, especially when it comes to credit facilities.

Second, while the study intentionally included five distinct regions—Dar es Salaam, Dodoma, Mwanza, Mbeya, and Arusha—to reflect the variety in institutional and economic settings, it's

important to note that the results might not apply universally to all areas of Tanzania or to contractors working in very specialised sub-sectors. Variations in regional infrastructure and how regulations are enforced could affect access to finance in ways that this study doesn't fully address.

Third, it's essential to consider that relying on self-reported data for certain factors, like relational governance and financial literacy, can lead to some bias from respondents, including the tendency to present themselves in a more favorable light. Although we tried to balance the quantitative data with insights from qualitative interviews, we can't eliminate these biases.

Fourth, the study's cross-sectional design makes it challenging to establish clear cause-and-effect relationships among various factors, including external pressures, relational governance, and access to credit. A longitudinal approach would provide a much clearer picture of how these relationships evolve. Lastly, local civil contractors were hesitant to share important financial or operational details, mainly due to concerns about competition and fear of government scrutiny. Lastly, this study was conducted solely in Tanzania and focused exclusively on local civil contractors. Therefore, any attempt to generalise the findings to other countries with different circumstances should be approached with caution.

Conclusion

This study examined the influence of financial external factors —operationalised as coercive, mimetic, and normative pressures —on access to credit facilities among LCCs in Tanzania. Drawing on institutional theory and using a mixed-methods approach, the findings revealed that mimetic and coercive factors significantly enhance access to financial services. At the same time, normative pressures exert a weak but negative effect. Specifically, LCCs are more likely to access credit facilities when they emulate successful peers or when compliance with regulatory requirements is manageable and incentivised. However, stringent normative expectations, such as rigid professional standards and documentation norms, may unintentionally marginalise small and informal contractors. The study contributes to existing literature by shifting the focus from demand-side characteristics to the institutional and regulatory environment that shapes financial access. It underscores the need for differentiated regulatory frameworks and adaptive institutional practices that align with the operational realities of LCCs. Practical implications include promoting peer learning platforms, simplifying compliance procedures, and reforming normative expectations to be more inclusive and supportive. Overall, the study highlights the importance of context-sensitive regulatory reforms and collaborative engagement between regulators, financial institutions, and contractor associations. These changes are crucial for enhancing financial inclusion, fostering local enterprise development, and strengthening Tanzania's construction sector performance.

References

Agyei-Mensah, B. K. (2011). Financial management practices of small firms in Ghana: An empirical study. *African Journal of Business Management 5* (10), 3781-3793.

Beck, T., Demirguc-Kunt, A., & Levine, R. (2005). SMEs, growth, and poverty: Cross-country evidence. *Journal of economic growth*, *10*, 199-229. https://doi.org/10.1007/s10887-005-3533-5

Chalu, H., Juma, H., & Thomas, H. (2021). Business networks, regulation and local content in Tanzania's oil and gas sector. *The Extractive Industries and Society*, *8*(2), 100880. https://doi.org/10.1016/j.exis.2021.01.015

Chileshe, N., Kavishe, N., & Edwards, D. J. (2021). Critical factors influencing the bid or no-bid decision of the indigenous small building contractors in Tanzania. *Construction Innovation, 21*(2), 182-202. https://doi.org/10.1108/CI-09-2019-0098

Creswell, J. W., & Creswell, J. D. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Sage.

Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2017). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution*. World Bank Publications. https://thedocs.worldbank.org/en/doc/651311527022104694-0050022018/original/FindexPolicyResearchTalkMay2018.pdf

Depoers, F., & Jérôme, T. (2020). Coercive, normative, and mimetic isomorphisms as drivers of corporate tax disclosure: The case of the tax reconciliation. *Journal of Applied Accounting Research*, *21*(1), 90-105. https://doi.org/10.1108/JAAR-04-2018-0048

Guest, G., Namey, E., & Chen, M. (2020). *A Simple Method to Assess and Report Thematic Saturation in Qualitative Research. PLOS ONE, 15*(5), e0232076.

Hair, J. F. (2019). *Multivariate Data Analysis* (Eighth edition). Cengage.

Kamau, V. N. (2022). The Influence of debt financing on the growth of small and medium enterprises in Nairobi County. https://su-plus.strathmore.edu/server/api/core/bitstreams/c38b9136-855b-440e-80ee-c58fd3e5b738/content

Kessy, S. S., & Urio, F. M. (2006). The contribution of microfinance institutions to poverty reduction in Tanzania. pp. 1-42. https://www.repoa.or.tz/documents_storage/publications/Reports/06.3_Kessy_and_Urio.pdf

Kikwasi, G. J., & Escalante, C. (2020). *The Construction Sector in Tanzania.* In J. Page & F. Tarp (Eds.), Mining for Change (1st ed., pp. 256–281). Oxford University Press. https://doi.org/10.1093/oso/9780198851172.003.0012

Kothari, C. R. (2009). *Research Methodology: Methods and Techniques*. New Age International (P) Ltd.

Latif, B., Mahmood, Z., Tze San, O., Mohd Said, R., & Bakhsh, A. (2020). Coercive, Normative and Mimetic Pressures as Drivers of Environmental Management Accounting Adoption. *Sustainability*, *12*(11), 4506. https://doi.org/10.3390/su12114506

Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective*. World Bank Publications. https://doi:10.1596/978-0-8213-8927-0

Mahmood, Z., Tze San, O., Mohd Said, R., & Bakhsh, A. (2020). Coercive, Normative and Mimetic Pressures as Drivers of Environmental Management Accounting Adoption. *Sustainability*, *12*(11), 4506. https://doi.org/10.3390/su12114506

Makenya, A. R., & Mhando, Y. B.(2021). Factors Behind Deficient Participation of Local Civil Works Contractors in Carrying Out Bituminous Road Works in Tanzania. *International Journal of Sustainable Construction Engineering and Technology, 12*(4). https://doi.org/10.30880/ijscet.2021.12.04.001

Moo, F., & Eyiah, A. (2020). Factors Influencing the Growth of Small and Medium Construction Firms in Northern Ghana. *Journal of African Business, 21*(3), 416-431.

Mwonge, L. A., & Naho, A. (2021). Determinants of Credit Demand by Smallholder Farmers in Morogoro, Tanzania. *African Journal of Agricultural Research*, *17*(8), 1068-1080. https://doi.org/10.5897/AJAR2020.15382

Omare, R. P., Isaga, N., & Mapesa, H. (2025). Demand-Side Firm-Specific Determinants of Access to Financial Services among Local Civil Contractors in Selected Regions of Tanzania. *Research Journal of Business and Finance*, *4*(2), 1-12. https://doi.org/10.58721/rjbf.v4i2.1043

Scott, W. R. (2014). Institutions and Organisations. Ideas, Interests and Identities. *M@n@gement*, *17*(2), 136-140. https://doi.org/10.3917/mana.172.0136

Shahadat, M.H., Nekmahmud, M., Ebrahimi, P., & Fekete-Farkas, M. (2023). Digital technology adoption in SMEs: what technological, environmental and organisational factors influence in emerging countries? *Global Business Review*, https://doi.org/10.1177/09721509221137199

United Republic of Tanzania (URT) (2017). National Microfinance Policy 2017. Ministry of Finance and Planning repository. https://repository.mof.go.tz/handle/123456789/390

United Republic of Tanzania (URT) (2022, October 13). Tanzania Construction Industry Report 2022: Industry to Grow by 6.6% in 2022, Following Growth of 4.3% in 2021 - Forecasts to 2026 - ResearchAndMarkets.com.

United Republic of Tanzania (URT) (2023). Basic Statistics and Information in Construction Industry (2022).

Yamane, T. (1967). *Statistics: An Introductory Analysis*. 2nd Edition, Harper and Row.