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Social Capital's Impact on Informal Financial Accessibility among Incubated Small and Medium Entrepreneurs in Tanzania

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Abstract

Social capital is expected to contribute positively to entrepreneurs' access to finance. The study in this article investigates the impact of incubated entrepreneurs' social capital on their informal financial accessibility. Social capital was measured by benefits emanating from bonding, bridging and linking social networks. The study uses dependent variables such as informal financial accessibility and independent variables such as bonding social capital, bridging social capital, and linking social capital, employing relevant information from 117 Tanzanian incubated entrepreneurs. Using SPSS Version 20, multiple regression analysis was employed to test the impact of bonding social capital, bridging social capital and linking social capital on access to informal finance. The findings suggest that bonding and bridging social capitals have a positive impact on access to informal finance. Linking social capital has insignificant effects on access to informal finance. This paper suggests policymakers and other stakeholders should focus on building and improving bonding and bridging social networks of incubated small and medium entrepreneurs to increase their informal financial accessibility.

Keywords: *Social Capital, Incubated entrepreneurs, Informal financial accessibility, Small and Medium Entrepreneurs, Tanzania*

1.0 INTRODUCTION

In the context of access to informal finance, social capital plays a significant role. Social networks facilitate the exchange of information about available financial opportunities and risks (Alvarez-Botas & Gonzalez, 2021). People with extensive social capital are better positioned to receive information about informal financial services. It should be noted that trust is paramount in access to informal finance, and social capital built through personal relationships and community connections can enhance trust between borrowers and lenders (Boumlik et al., 2021). Individuals with strong social networks and positive reputations are more likely to access informal financial services. Accessing informal finance often involves lower transaction costs compared to formal financial institutions. Social capital can further reduce these costs by streamlining the lending process through informal agreements and personal connections (Hasan et al., 2022). Informal financial transactions often need more

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formal contracts and collateral. Social capital can mitigate the risk of default through social pressure, norms of reciprocity, and collective responsibility within communities.

While social capital can enhance access to informal finance within specific communities, it can also create barriers for outsiders or marginalized groups who lack social connections or are excluded from existing networks (Alvarez-Botas & Gonzalez, 2021). The impact of social capital on access to informal finance varies across cultures and contexts. In some societies, strong kinship ties and community solidarity enhance social capital, while in others, factors such as gender, ethnicity, and class may influence access to financial resources within social networks (Hasan et al., 2022). The relationship between informal financial accessibility and social capital is complex. Social capital, characterized by trust and reciprocity within social networks, nurtures informal financial accessibility. Individuals are more likely to lend or borrow within their social circles where trust is established, reducing the need for formal contracts and collateral (Bedendo et al., 2020). Social networks serve as channels for information dissemination regarding informal financial opportunities and risks. Social solid ties enable individuals to access information about rotating savings and credit associations, community lending groups, and other informal financial mechanisms, enhancing their accessibility (Dudley, 2021).

The impact of social capital on access to informal finances among incubated small and medium entrepreneurs has drawn the attention of many scholars. The attention is partly due to small and medium entrepreneurs accounting for most of the enterprise sector, contributing significantly to economic development. Small and medium enterprises (SMEs) contribute to economic growth by promoting new ideas and the use of resources through their involvement in production activities and payment of taxes (Eye & Lose 2023). SMEs also create a very crucial source of employment (Zhao et al., 2023).
Despite the contribution of these businesses' economic growth and development, SMEs still need to survive long (Gherghina et al., 2020). The rate of these businesses failing to grow, stagnating, and finally dying is very high; the literature that has been reviewed shows a higher rate of SMEs' failure compared to large enterprises. Comparatively, the rate of business failure is relatively higher in developing economies than in developed ones. Researchers have stated the reasons for the high failure rates of SMEs. Limited financial accessibility has been pointed out as a significant obstacle to the growth of these businesses (Gherghina et al., 2020), and the economic gap is relatively more important in poor countries than in rich countries. This is because developing countries have weak financial systems and poor or non-existent infrastructure. Therefore, entrepreneurs find it challenging to get money from banks (Fouejieu et al., 2020). As a result, most of them rely on informal finance, and this is why many entrepreneurs in developing countries are considering pursuing informal finance.

Nevertheless, entrepreneurs also need more access to informal finance. The limited informal financial accessibility is associated with a lack of social capital. It is argued that individuals lacking strong social networks find it challenging to access informal finance (Boumlik et al., 2021). Social capital is crucial for building trust and reciprocity within communities, which are essential for engaging in informal financial transactions. Informal financial networks

sometimes exhibit exclusionary practices, favouring specific individuals or groups over others (Bedendo et al., 2020). Entrepreneurs with no social networks face barriers to accessing informal finance due to discriminatory practices or social biases. Informal financial systems often need more formal regulations and oversight, leading to uncertainty and risk for lenders and borrowers (Dudley, 2021). Sometimes, individuals hesitate to engage in informal financial transactions due to concerns about fraud, exploitation, or lack of recourse in case of disputes. Addressing limited accessibility to informal finance requires efforts to promote inclusive social networks, enhance financial literacy, address discriminatory practices, and provide support for the development of sustainable and transparent informal financial systems.

Social capital among incubated entrepreneurs refers to the resources embedded within their social networks, which can include mentors, advisors, fellow entrepreneurs, investors, and other stakeholders associated with the incubation process. Incubated entrepreneurs often have access to mentors and advisors who provide guidance, expertise, and support (Azadnia et al., 2022). These mentors contribute to the entrepreneurs' social capital by sharing knowledge, offering advice, and facilitating access to valuable resources and networks (Iqbal et al., 2023). Incubation programs provide networking opportunities for entrepreneurs to connect with peers, industry experts, investors, and potential collaborators. These networking interactions enhance the entrepreneurs' social capital by expanding their professional contacts, fostering collaboration, and facilitating access to new opportunities. Interactions with fellow entrepreneurs within incubation programs, friends and relatives create opportunities for peer learning, collaboration, and mutual support (Msimango-Galawe & Hlatswayo, 2021). Through shared experiences and challenges, entrepreneurs build trust, friendship, and a sense of community, which contributes to their social capital (Li & Hua, 2023). Generally, Social capital plays a crucial role in accessing funding for incubated entrepreneurs. Relationships with investors, venture capitalists, and other funding sources cultivated through incubation networks can increase entrepreneurs' credibility and attractiveness to potential investors, thereby facilitating access to capital.

Theoretically, social capital for incubated small and medium entrepreneurs is grouped into three types: bridging, bonding, and linking social (Kyne & Aldrich, 2020). Incubated entrepreneur's bonding social capital refers to the incubated entrepreneur's paybacks, which result from a mutual relationship between an incubated entrepreneur and people of shared identity like neighbours, close friends, family and other blood relatives, and people of shared ethnicity (Dudley, 2021). Incubated entrepreneur's bridging social capital implies the incubated entrepreneur's paybacks, which result from a mutual relationship between an incubated entrepreneur and people who don't share identity with them, for instance, colleagues, distant friends and fellow members in secondary groups (Hasan et al., 2022). Incubated entrepreneurs' linking social capital implies the incubated entrepreneur's paybacks, which result from a mutual relationship between an incubated entrepreneur and public figures, i.e. people who hold important positions in the government and its agencies, civil society organisations and public and/or private sector representatives (Kyne & Aldrich, 2020).

Informal financial accessibility in this article is measured through the entrepreneur's level of satisfaction with required collateral, amount of loan obtained, loan repayment time, interest rate, general credit contract agreements, length of credit process, necessary managerial background, and credit process as a whole (Berrones, 2010). Satisfaction on these aspects is considered a reliable measurement because the majority of entrepreneurs argue that those aspects are the major burning issues towards financial accessibility (Li & Hua, 2023), and access to informal finance is sustainable when financial consumers are satisfied as their financial needs are met (Bui et al., 2021). Financial satisfaction involves happiness and indicates that a person's financial condition is good and they are free from anxiety about their financial condition (Owusu, 2023). Therefore, entrepreneurs' level of satisfaction with indicators of access to finance reflects the level of financial accessibility of an entrepreneur. In this paper, the measurement of access to informal finance has been adopted from Berrones (2010), who used an entrepreneur's level of satisfaction with the amount of loan obtained, credit conditions, and credit processing procedures to measure access to finance. This explains why, in this paper, the level of satisfaction has been used to measure access to informal finance.

From an empirical point of view, the major barrier to entrepreneurs' business growth is the financing gap experienced by entrepreneurs. Several researchers have stated that the problem of limited access to finance among entrepreneurs can successfully be intervened by using business incubation programs. Msimango-Galawe Hlatswayo (2021) argue that business incubation programs play a significant role in incubating entrepreneurs' financial accessibility. Also, according to Berrones (2010), business incubation programs are effective in facilitating financial accessibility among entrepreneurs. Nevertheless, the majority of the studies reviewed have highlighted entrepreneurs' access to formal finance. In contrast, most small and medium entrepreneurs in developing countries access relatively more informal finance than formal finance (Bedendo et al., 2020).

Conversely, several researchers have argued that social capital has a significant influence on business access to finance. Boumlik et al. (2021) argue that social capital has a positive impact on business financing. In particular, Msimango-Galawe Hlatshwayo (2021) found that business incubators improve entrepreneurs' social capital by linking them to key people who provide them with information about new funding opportunities. This shows that incubated entrepreneurs' social networks facilitate access to finance. However, the studies have not gone further to test the influence of various types of social capital, i.e. bonding, bridging and linking, on access to finance. This has motivated the researcher to focus on determining the impact of bonding, bridging and linking social capital on access to informal finance.

From the theoretical and empirical literature reviewed above regarding social capital and informal financial accessibility, a conceptual framework is developed to summarize the variable relationships, which are presented through the following hypotheses:

H_1: Bonding social capital has a significant impact on informal financial accessibility.

H_2: Bridging social capital has a significant impact on informal financial accessibility

H_3: Linking social capital has a significant impact on informal financial accessibility.

2.0 METHODS

This section explains the research design of this study, including the research approach, sample size and sampling techniques, key variables and their measurements and data analysis methods.

2.1 Research design and sampling

In the study informing this paper, a quantitative analysis approach was adopted, and data collection was conducted through a questionnaire. The area of the study was the Tanzanian regions with business incubators, which are Arusha, Tanga, Dar es Salaam, Mbeya, Mwanza, Morogoro, Iringa, Kilimanjaro and Dodoma. A total of 593 entrepreneurs are incubated in different business incubators located in the mentioned regions. A stratified sampling technique was employed in this study because of the diversity of the business incubation programs; incubators were categorised into two categories: with-wall incubators and without-wall incubators.

In each category, incubators had an equal chance of being selected; six with-wall and six without-wall incubators were selected. Two hundred and seventeen (217) incubated entrepreneurs were selected out of 593 incubated entrepreneurs to form the sample size for the survey. A structured closed-ended questionnaire was provided to all 217 incubated entrepreneurs in the sample, but only 191 (88 per cent) of them completed the questionnaire. Out of 191, only 141 (73.8 per cent) of incubated entrepreneurs who responded to the questionnaire requested and secured loans from informal financiers. This sample size is in line with Jenkins (2020), who stated that a sample size of more than 100 respondents is convenient and reliable for studies involving inferential analysis, particularly multiple regression analysis, which is employed in this study.

The analysis in this study was based on 141 incubated entrepreneurs. The distribution of the collected data was tested by the Shapiro and Wilk test, which showed that the data was normally distributed. Therefore, multiple regression analysis was employed to test the impact of social capital on incubated entrepreneurs' access to informal finance. A multicollinearity test was done through tolerance and VIF, which indicated there is no problem of Multicollinearity between bonding, bridging, and linking social capital.

2.2 Key research variables

The critical variables in this study were bonding social capital, bridging social capital, linking social capital, informal financial accessibility, business age, business capital and incubation period. Out of these variables, bonding social capital, bridging social capital and linking social capital are independent variables, while informal financial accessibility is a dependent variable. The remaining business age, business capital and incubation period are control variables.

From the literature, bonding social capital is positively associated with informal financial accessibility, which means that as the bonding social capital of a borrower increases, their

informal financial accessibility also increases. Similarly, the literature suggests that bridging social capital is positively related to a borrower's informal financial accessibility, which shows that as the bridging social capital of an entrepreneur increases, their informal financial accessibility also increases.

Linking social capital has a positive association with an entrepreneur's informal financial accessibility, which shows that as the linking social capital of an entrepreneur increases, their informal financial accessibility also increases. Based on the literature, it is expected that business age, capital and incubation period have a positive relationship with the informal financial accessibility of incubated entrepreneurs. This implies that informal financiers consider age, the amount of capital an entrepreneur has, and their incubation period when providing credits.

2.3. Variable measurements

The dependent variable is incubated entrepreneurs' informal financial accessibility and was measured through the level of satisfaction on the following dimensions: the amount of loan obtained, interest rate, the loan repayment term, general credit contract agreements, required collateral, necessary managerial background, credit processing procedures and credit processing time. Informal financial accessibility was calculated as an average of the above indicators, which are ordinal data, i.e. respondents replied by ranking the indicators on a 1-5 Likert scale. Bonding social capital was measured by the level of support received by incubated entrepreneurs from their family members, close friends, and neighbours. In contrast, their bridging social capital was measured through the level of support from their distant friends and colleagues in secondary groups. Linking social capital was measured through the level of support from incubated entrepreneurs' connections to people with key positions in civil society organisations, the private sector, government agencies and public representatives.

2.4 Data analysis

The collected data were analysed using descriptive and inferential statistics from multiple regression analyses. A regression model was employed to predict informal financial accessibility through bonding social capital, bridging social capital, and linking social capital. To investigate the impact, the model used for the regression analysis is expressed generally as

All variable constructs were analysed, and the construct reliability of each of the variable constructs was tested using Cronbach's alpha. All of the constructs have Cronbach's alpha values above 0.70, which is a minimum acceptable Cronbach's alpha value for construct reliability (Cheung et al., 2023). The descriptive analysis was done through means and Standard deviations, while the inferential analysis was done through multiple regression analysis. A regression model predicted informal financial accessibility from bonding social capital, bridging social capital and linking social capital. To investigate the impact, the model used for the regression analysis is expressed generally as

$$IFA = f\ (BSC, RSC, LSC, BA, BC, IP).$$

In the equation above, the IFA is a dependent variable influenced by independent variables, i.e. BSC, RSC, LSC, BA, BC and IP.

Regression model

BSC – Bonding social capital positively influence IFA, i.e. as entrepreneur's bonding social capital increases, the IFA also increases and the vice versa is proper.

RSC – Bridging social capital positively influences IFA, i.e. when an entrepreneur's bridging social capital increases, the IFA also increases and vice versa.

LSC—Linking social capital positively influences IFA, i.e., as an entrepreneur's linking social capital increases, the IFA also increases, and vice versa.

$IFA = \alpha_0 + \alpha_1 BA + \alpha_2 BC + \alpha_3 IP + \alpha_4 BSC + \alpha_5 RSC + \alpha_6 LSC$

Where

α_0, α_1, α_2, α_3, α_4 α_5 and α_6 are regression parameters which stand for the coefficients of the independent variables

BA is the entrepreneur's business age.

BC is the entrepreneur's business capital

IP is the entrepreneur's incubation period

3.0 RESULTS

3.1 Descriptive analysis

To give basic idea about the variables used in this study their descriptive analysis are presented in table 1. Incubated entrepreneur's bonding social capital, incubated entrepreneur's bridging social capital and incubated entrepreneur's linking social capital and informal financial accessibility constructs were presented and all of them have Cronbach's alpha values above 0.70 which is a minimum acceptable Cronbach's alpha value for a construct reliability

As shown in Table 1, bonding social capital has recorded a mean value of 2.91, the highest of all social capitals. This indicates that incubated entrepreneurs have relatively more bonding social networks that are beneficial to them than bridging social networks and linking social networks. Among bonding social networks items, most incubated entrepreneurs showed the most bonding social networks benefits came in form of financial advice from close friends and neighbours. Linking social capital has recorded a mean value of 2.26, the lowest of all social capitals. This suggests that incubated entrepreneurs have relatively fewer linking social networks that are beneficial to them. Among linking social networks items, most incubated entrepreneurs showed the least linking social networks benefits came in form of financial advice from people with key positions in Government Agencies and Public Representatives. Informal financial accessibility shows a mode and a mean value of 3.00 and 2.98, respectively; based on the categorical rank shown in the methodology section; the incubated entrepreneurs have an average accessibility of informal finance.

Table 1: Descriptive results for social capital and informal financial accessibility

Variable	**Indicator**			**Construct**			
	Mode	**Mean**	**S.D**	**Mode**	**Mean**	**S.D**	**Cronbach's Alpha**
Incubated entrepreneur's bonding social capital				**3.00**	**2.91**	**0.87**	**0.73**
Financial advice from family members	3.00	3.16	1.45				
Financial support from family members	3.00	2.81	1.34				
Financial advice from close friends and neighbours	3.00	3.02	1.20				
Financial support from close friends and neighbours	3.00	2.78	1.33				
Financial advice from people of the same ethnicity	3.00	2.87	1.30				
Financial support from people of the same ethnicity	3.00	2.85	1.29				
Incubated entrepreneur's bridging social capital				**3.00**	**2.87**	**0.86**	**0.75**
Financial advice from distant friends and colleagues	3.00	2.84	1.25				
Financial support from distant friends and colleagues	3.00	2.52	1.13				
Financial advice from fellow members in secondary groups	3.00	2.97	1.32				
Financial support from fellow members in secondary groups	4.00	3.17	1.28				
Incubated entrepreneur's linking social capital				**1.00**	**2.26**	**1.46**	**0.88**
Financial advice from people with key positions in CSOs & PS	2.00	1.82	1.65				
Financial support from people with key positions in CSOs & PS	3.00	2.87	1.58				
Financial advice from people with key positions in GAs & PRs	2.00	1.60	1.73				
Financial support from people with key positions in GAs & PRs	3.00	2.76	1.76				
Informal financial accessibility				**3.00**	**2.98**	**0.74**	**0.84**
Level of satisfaction regarding interest rate agreed	3.00	2.97	1.07				
Level of satisfaction regarding loan repayment term	3.00	3.08	0.91				
Level of satisfaction on overall conditions of credit contract	3.00	2.98	0.88				
Level of satisfaction regarding requirement of collateral	3.00	2.74	1.19				
Level of satisfaction on requirement of managerial background	3.00	2.81	1.24				
Level of satisfaction on financier's credit services procedure	3.00	3.01	1.04				
Level of satisfaction on length of the credit processing time	4.00	3.16	1.10				
Level of satisfaction regarding amount of credit obtained	3.00	3.07	1.13				

CSOs = Civil Society Organisations, PS = Private Sector, GAs = Government Agencies, PRs = Public Representatives

3.2 Correlation between Variables

This study employs Pearson's coefficient of correlation analysis to attempt to find the relationship between the variables.

Table 2: Correlations results

	IFA	BA	BC	IP	IBS	IRS	ILS
IFA	1.000	-0.283**	-0.059	-0.110	0.355**	0.471**	0.152*
BA		1.000	0.290**	0.490	-0.178*	-0.238**	0.016
BC			1.000	0.104	-0.116	-0.045	0.115
IP				1.000	-0.123	-0.142*	-0.079
IBS					1.000	0.382**	0.276**
IRS						1.000	0.229**
ILS							1.000

** = $p \leq 0.01$, * = $p \leq 0.05$

BA = Business Age, BC = Business Capital, IP = Incubation Period, IBS = Incubated entrepreneur's bonding social capital, IRS = Incubated entrepreneur's bridging social capital, ILS = Incubated entrepreneur's linking social capital, IFA = Informal financial accessibility

From the analysis of the above table the following observations can be made: The correlation coefficient between incubated entrepreneur's bonding social capital and informal financial accessibility is 0.355 with $P \leq 0.01$, this shows that there is a significant positive relationship between incubated entrepreneur's bonding social capital and informal financial accessibility which means that as incubated entrepreneur's bonding social capital increases, informal financial accessibility also increases and the vice versa is true. The correlation between incubated entrepreneur's bridging social capital and informal financial accessibility is 0.471 with $P \leq 0.01$, this indicates that there is a significant positive relationship between incubated entrepreneur's bridging social capital and informal financial accessibility which means that when incubated entrepreneur's bridging social capital increases, informal financial accessibility increases as well, the vice versa is also true. The correlation coefficient between incubated entrepreneur's linking social capital and informal financial accessibility is 0.152 with $P \leq 0.05$, this implies that there is a significant positive relationship between incubated entrepreneur's linking social capital and informal financial accessibility which means, as incubated entrepreneur's linking social capital increases informal financial accessibility also increases and the vice versa is true.

Table 2 also indicates that there is an insignificant relationship between business capital and informal financial accessibility and between incubation period and informal financial accessibility as both have $P \geq 0.05$ which means business capital and incubation period have nothing to do with incubated entrepreneurs' access to informal finance. But the correlation coefficient between business age and informal financial accessibility is -0.283 with $P \leq 0.01$ which means there is a significant negative relationship between business age and informal financial accessibility. This implies that as the business age increases, access to informal finance decreases.

3.3 Multiple Regressions Analysis

This section presents the empirical findings on the causal relationship between bonding social capital, bridging social capital, and linking social capital and informal financial accessibility of Tanzanian incubated entrepreneurs. The causal relationship between informal financial accessibility and the control variables business age, business capital, and incubation period is also presented.

Table 3: Results – Multiple regressions results

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	0.811	0.160		5.060	0.000		
BA	-0.042	0.017	-0.118	-2.412	0.017	0.670	1.492
BC	0.039	0.052	0.033	0.765	0.446	0.880	1.137
IP	0.041	0.029	0.065	1.402	0.163	0.751	1.331
IBS	0.186	0.056	0.218	3.321	0.001	0.659	1.713
IRS	0.596	0.056	0.698	10.664	0.000	0.642	1.687
ILS	-0.034	0.022	-0.065	-1.531	0.128	0.894	1.118
a. Dependent Variable: IFA							

BA = Business Age, BC = Business Capital, IP = Incubation Period, IBS = Incubated entrepreneur's bonding social capital, IRS = Incubated entrepreneur's bridging social capital, ILS = Incubated entrepreneur's linking social capital, IFA = Informal financial accessibility

Table 3 presents results for a multiple regression model. The Model analyses the impact of incubated entrepreneur's bonding social capital, bridging social capital and linking social capital and control variables i.e. business age, business capital and incubation period on informal financial accessibility. The incubated entrepreneur's bonding social capital has recorded a coefficient of 0.186 with P-value = 0.001, this suggest that incubated entrepreneur's bonding social capital has a significant positive impact on informal financial accessibility, which means that as the bonding social networks of an incubated entrepreneurs increase, their access to informal finance also increases. This is an expected result because incubated entrepreneur's close friends, family members and neighbours support them in accessing informal finance. They provide support in form of advice on where to access finance and in several cases these close people act as guarantors to enable incubated entrepreneurs secure microcredits from informal financiers. Also sometimes incubated entrepreneurs receive financial support from close friends, family members and/or neighbours in form of grants or loans with no interest rates.

Incubated entrepreneur's bridging social capital has a coefficient of 0.596 with P-value = 0.000, this suggest that incubated entrepreneur's bridging social capital has a significant positive impact on informal financial accessibility. This implies that as bridging social networks of incubated entrepreneurs increase, their access to informal finance also increases. This is also an expected result because incubated entrepreneur's distant friends, colleagues and secondary groups support them in accessing informal finance. Likewise, they provide support in form of advice on where to access finance and in some cases distant friends act as guarantors to enable incubated entrepreneurs secure microcredits from informal financiers.

Like close friends, distant friends provide financial support in form of grants or loans with no interest rates to the entrepreneurs. Similarly, secondary groups play an essential role in informal financial accessibility, they provide guarantee to a group member in the process of accessing loans from informal financiers and usually financiers prefer group guarantee over a guarantee from an individual.

Incubated entrepreneur's linking social capital has a coefficient of -0.034 with P-value = 0.128, this suggest that incubated entrepreneur's linking social capital has an insignificant impact on informal financial accessibility. The results suggest that as linking social networks of incubated entrepreneurs increase or decrease has nothing to do with access to informal finance. This is unexpected result because from the literature it was expected that incubated entrepreneur's links to people with key positions in government agencies, private sector, civil society organisations and public representatives have substantial influence on incubated entrepreneur's access to informal finance. The results could be associated to the fact that usually influential people in the society are busy with their responsibilities such that they have no enough time to interact with incubated entrepreneurs. They are also in most cases not ready to guarantee micro and small entrepreneurs to financiers for fear of tainting their reputation when entrepreneurs fail to repay loans.

Control variables have shown some exciting results, business age has a significant negative impact on informal financial accessibility. The findings suggest that as the number of years for an enterprise existence increases, access to informal finance decreases. This is an understandable result because it is expected that as time goes entrepreneurs grow and gradually build financial management capabilities to enable them access finance from formal financiers. As they grow they prefer formal finance over informal finance because formal financiers provide relatively large amount of finance compared to informal financiers. That is why as years of business operations increase, access to informal finance decreases.

Business capital and incubation period have insignificant impact on informal financial accessibility which means, amount of business capital and incubation period have nothing to do with access to informal finance. Such findings could be associated with the fact that informal financiers focus on providing microcredits to address the problem of limited financial capital among small entrepreneurs. This explains why they do not consider amount of business capital as a criterion for providing loans. Correspondingly, they do not consider a period of incubation as an added advantage because informal financiers deal with all entrepreneurs whether incubated or not, and because there is no any special arrangement between incubators and financier that could convince financiers to consider incubation period as criterion for loan provision to incubated entrepreneurs.

Generally the finding in table 3 can be summarised into the following regression equation:

IFA = 0.811 - 0.042BA + 0.039BC + 0.041IP + 0.186IBS + 0.596IRS – 0.034ILS

Key:
BA = Business age
BC = Business Capital
IP = Incubation Period
IBS = Incubated entrepreneur's bonding social capital
IRS = Incubated entrepreneur's bridging social capital

ILS = Incubated entrepreneur's linking social capital
IFA = Informal financial accessibility

In this multiple regressions other tests were used; the R-square test (R^2) and the F-test. The R^2 found to be = 0.787, which implies that the impact of incubated entrepreneur's bonding social capital, bridging social capital, linking social capital and the control variables included in the model was 78.7%, the rest 21.3% of the impact on informal financial accessibility was due to other factors out of the model. This is in line with F-test result of 82.3 with $P \leq 0.01$ which means the regression model is statistically significant.

4.0 DISCUSSION

The results presented in section 4 partly concur and partly contradict with the findings in reviewed literature. The results indicate that incubated entrepreneur's bonding social capital has a significant positive impact on informal financial accessibility, and it is an expected result based on the reviewed studies. This could be due to the following reason: Incubated entrepreneurs' family members, close friends and neighbours are in most cases the people who closely surround the incubated entrepreneurs, therefore they have a high influence on the daily decision making of the incubated entrepreneurs particularly on the business related activities. The close people provide information to the incubated entrepreneurs on the financing alternatives, linking them to the financiers and sometimes they guarantee them to financiers. In some cases, family members, close friends and neighbour can form a group with the incubated entrepreneur and guarantee each other, to quickly access finance. The results concur with studies by Boumlik et.al. (2021) and Kijkasiwat et. al. (2022) who found that social capital has a significant positive relationship with financial accessibility. The reviewed literature argue that social capital play a substantial role in facilitating entrepreneurs' access to finance i.e. people with many social networks are in better position to identify and utilize new opportunities (Lechner et.al., 2016) while those with lack of social ties feel isolated and find it challenging to use opportunities and confront poverty.

Incubated entrepreneur's bridging social capital has a significant positive impact on informal financial accessibility and it is an expected result as well. The results are in line with the findings by other researcher reviewed in literature who found that social capital has a significant positive relationship with financial accessibility. These results reflect that in Tanzania, secondary groups guarantee to group members i.e. a member with no collateral is guaranteed by their group members. Informal financiers efficiently provide finance in groups as they see the funds more secured than individual borrowers. Thus, the higher the incubated entrepreneur's bridging social capital, the higher the informal financial accessibility. These findings echo the studies by Msimango-Galawe & Hlatshwayo (2021) and Kijkasiwat et. al. (2022) who suggest that social networks provide informal insurance mechanisms, and poor performing entrepreneurs have limited and confined social networks while the good performing ones have more and diverse social networks. The links of these entrepreneurs with financiers reduce transaction costs and facilitate the transfer of information between entrepreneurs and financiers.

Incubated entrepreneur's linking social capital has an insignificant impact on informal financial accessibility mainly due to a big interaction gap between incubated entrepreneurs and people with key positions in civil societies organisations, private sector, government agencies and public representatives. This can be reflected in the descriptive statistics where it shows significant number of incubated entrepreneurs do not have network links with these influential people in the society. The results contradict the results by Boumlik et.al. (2021), Msimango-Galawe & Hlatshwayo (2021), Kijkasiwat et. al. (2022) and reviewed literature in general as they suggest that incubated entrepreneur's connections with influential people in the society have no any significant contribution to the incubated entrepreneur's informal financial accessibility. This can be accounted to two primary reasons: first, these influential people are more associated with formal finance and secondly small entrepreneurs and the influential people belong to different social classes.

5.0 CONCLUSION

Incubated entrepreneurs' social networks related to family members, neighbours, close and distant friends, colleagues and secondary groups are essential to their access to informal finance. These results create awareness for incubator managers and other stakeholders to motivate the incubated entrepreneurs to expand and utilize their bonding and bridging social networks, to increase their informal financial accessibility. Regarding these findings, the following suggestions can be made: Firstly, the governments and other stakeholders should still put much efforts in supporting business incubators facilitate the incubated entrepreneurs' access to informal finance. Secondly, business incubators and other interventions can adopt the group guarantee strategy which is being applied among secondary groups. This strategy can be adopted and institutionalized by the business incubators to eliminate the lack of collateral, a problem that entrepreneurs have singled out as the most burning obstacle towards financial accessibility.

The research findings presented in this paper coupled with previous research about the business incubation and entrepreneurs' financing, provide information for policymakers. Recommendations are made in this paper to enable policymakers and other stakeholders improve their performance. The governments should put much attention and efforts in supporting business incubators to enable them incubate more entrepreneurs and hence develop and enhance their financial accessibility. This study has revealed that business incubators significantly improve informal financial accessibility through utilization of social networks. Specifically, it has been found that bridging and bonding social networks of entrepreneurs have a significant favourable influence of entrepreneurs' access to informal finance. It is therefore imperative for the government to improve the ability of incubated entrepreneurs to utilize their bonding and social networks to improve their informal finance.

Policy making should focus on promoting the use of group guarantee strategy as a strategy to address the problem of lack of collateral among entrepreneurs. This is because the study has revealed the role played by secondary groups in entrepreneurs' access to informal finance. Most of the informal financiers rely very much on group guarantee strategy. The modality of

operation of financiers like PRIDE, SIDO, VICOBA, ASCAs and ROSCAs is mainly based on group guarantee.

Since this paper is confined to the impact of an incubated entrepreneur's social capital on informal financial accessibility, it may be extended to investigating the impact of an incubated entrepreneur's social capital on access to formal finance as well. Such a study will reveal how incubators can utilize their social networks to improve incubated entrepreneurs' financial accessibility.

The scope of research may be also extended to the assessment of incubated entrepreneur's social capital moderating impact on the relationship between financial management capabilities. It is essential to know the moderating influence of incubated entrepreneur's social capital on these relationships because financial management capabilities is a requirement to most of the financiers, so it is essential to know how social capital influences the relationship between incubated entrepreneur's financial management capabilities and their financial accessibility. Such findings will also reveal which type of social capital has higher moderating effect on a particular aspect of financial accessibility. This will simplify the decision making of incubatees on the issues associated with how to utilize social capital to improve incubatee's financial accessibility.

The future researches may also focus on specific business sectors to assess incubated entrepreneur's social capital impact on financial accessibility. This paper involved incubated entrepreneurs from various business sectors like ICT, food processing, other manufacturing activities, marketing services and business development services. It is essential to check if social networks have a role to play in each business sector about financial accessibility of incubated entrepreneurs.

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