

Assessment of the Impact of Bank Loans on Financial Accessibility and Business Growth in Tanzania Shipping Industry.

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Abstract

This study examines how bank financial affect accessibility and business growth in Dar es salaam maritime sector, focusing on both convectional and Islamic loans product. Using a, mixed approach, the research combines quantitative data of 18 shipping companies and bank officers with qualitative interviews of the key stakeholders to provide comprehensive insight into financial patterns and challenges.

Study findings demonstrate that the access to bank loans sustainability enhance business performance, enabling companies to invest in critical area like fleet modernizations (48% growth with Islamic banking financing Vs 35% of convection financing), infrastructure development and operational improvement. Notably banking financial shows particular effectiveness contributing to high revenue growth (32% Vs28) and greater market expansions (53% success rates Vs 41%), likely due to their profit -sharing models aligning better with maritime cash flows.

However, significant barriers persist. Stringent collateral demand (150-200) of loan value, prolonged approval timelines (average 67 days) and limited understanding of financial product constrains many firms, particularly SMEs. These challenges are compounded by Tanzania comparatives lending environment relatives to regional peers like Kenya and south Africa.

Additional, study recommended three key innervations includes developing maritime-specific loan product with flexible terms, implementing digital platforms to accelerate approval and expanding financial literacy programs particularly regarding banking financial options. These measures could enhance financial inclusion while addressing the sector unique operational characteristic, potentially boosting industry growth by 20-30% policy reforms to reduce collateral requirements and specialized banking units for maritime financial would father support this effort, positioning Tanzania shipping sector for sustainable expansions in line with regional competitors.

Keywords: Bank loans, Financial Accessibility, Business Growth, Tanzania Shipping Industries

1. Introduction

The shipping industries serves as the vital component of the global trade with its operational efficiency directly influencing international commerce (UNCTAD,2019). In emerging economy like Tanzania, this sector is facing substantial financial challenges that constraints

its development potential. Financial accessibility through bank loans encompassing both conventional and Islamic loans become increasingly recognized as a crucial factor in maritime business growth and competitiveness (Khan & Dhukaram, 2022).

Islamic financial providing essential capital for shipping enterprises facilitating fleet modernizations, infrastructure development and trade operations (Harada, 2019). While conventional loans offer traditional interest-based financing, banking financing instruments such as *Murahaba* (cost-plus financing) and *Ijarah* (leasing) presents alternative solutions that comply with the ethical banking principles (Khan & Bhatti, 2020) despite these available options, shipping companies frequently face obstacles including rigorous lending requirements, excessive collateral demands and protracted approval procedures all of which restrict their capacity to fully utilize financial services (Rashid & Omar, 2021).

Contemporary research demonstrates the significant impact of banking financial on maritime sector performance. Studies by Ahmed and Hussein (2022) reveal that customized loans product substantially enhance operations efficiency among southern Asia shipping firms while Khalid and Farooq (2023) documented how banking trade finance mechanism effectively reduce risk in international shipping transactions. Nevertheless, comprehensive analysis of Tanzania shipping industry remains scarce, particularly regarding the relations between loans structure, financing accessibility, and sustainable business expansions, (Salman & Yusoff).

These investigations focus on the three key aspects of bank financing in Tanzania's shipping sector, the range of conventional and banking financing products accessible to maritime business in Dar es Salaam, the measurable effects of these financial instruments on business expansions, operations improvements, and market positions, the systemic barriers that limit effective utilizations of banking services by shipping enterprises.

Grounded in financial intermediation theory (Gurley & Shaw, 1960; Diamond, 1984), this study examines how financial institutions can optimize capital allocations to shipping business while accounting for industry-specific operations cycles and risk factors, the research outcomes are designed to contribute to policy development, financial sectors reforms, and specialized banking solutions that promote sustainable growth in Tanzania maritime industry

2. Methodology

This study adopted a mixed-methods research approach to comprehensively examine the impact of banking loans on financial accessibility and business growth within Tanzania's shipping industry. The methodology was designed to assess accessibility and business growth within Tanzania shipping industry. The methodology was designed to capture both quantitative data on loans utilization patterns and qualitative insight into the challenges and opportunities faced by maritime business in accessing financing services. The research was conducted in Dar es Salaam, Tanzania primary maritime hub, over six-month period from March to August 2024, ensuring sufficient time for thorough data collections and analysis.

The populations were carefully selected to represent key stakeholders in maritime financing, including banking institutions, shipping companies, and industry regulator. A purpose sampling technique was employed to identify 18 participants who could provide the most relevant insight, consisting of bank loans officers, shipping executives, logistic operators, and clearing agent. The sample size was determined using Yamane's formulae to ensure statistical reliability while accounting for the specialized nature of the maritime finance sector. Data collections utilized two complementary instruments, structured questionnaire and semi-structured interviews. The questionnaire, featuring the Likert-scale items, were administered to all participants to gather standardized data on loan accessibility and

business growth indicators. Meanwhile, in-depth interviews while selected respondents provide nuanced perspectives on financial challenges and policy recommendations.

Quantitative data from the questionnaire were analyzed using SPSS software, employing descriptive statistics to identify trend and correlations analysis to examine relationship between loans access and business performance metrics. Qualitative data from interviews underwent thematic coding using NVivo software, allowing for systematic identification of recurring patterns and key insight. To ensuring methodological rigor, the study incorporated data triangulations by comparing questionnaire results with interview findings and policy documents. Ethical considerations were strictly observed throughout the research process, including obtaining informed consent, maintaining participating anonymity, and securing all collected data. The financing intermediations theory served as the theoretical foundation for analyzing how banks facilitate capital flow to the shipping sectors while managing associated risks. This comprehensive methodological approach enables the study to produce both statistically significant findings and rich contextual understanding of Maritimes financing dynamics in Tanzania.

The mixed-methods design proved particularly valuable for capturing the complexity of financial accessibility issue in the shipping industry. While the quantitative data revealed measurable patterns in loans utilizations and business growth, the qualitative components provided deeper understanding of the systemic barriers faced by maritime operators. These dual perspectives allowed for more robust conclusions and practical recommendations that address both numerical trends and real-world operations challenges in Tanzania maritime sector. The methodology strength lies in its ability to ability to ability to bridge the gap between financial theory and industry practice, offering insights that are both academically sound and practically relevant for policymakers and banking institutions.

3. Results and discussions

3.1 types of banking loans products offered

The study aims at identify the bank loan product available to shipping companies in Dar es salaam. The findings reveal a diverse financial product ecosystem as shown in table 1. Convectional working capital loans (55.6% accessibility) and banking financial product like Murabaha (44.4%)

formed the core offerings. The study's first objective sought to identify the bank loan products available to shipping companies in Dar es Salaam. The findings revealed a diverse financial product ecosystem as shown in Table 1. Conventional working capital loans (55.6% accessibility) and banking financing products like Murabaha (44.4% accessibility) formed the core offerings. Significantly, 72.2% of respondents confirmed their organizations understood the differences between conventional and Islamic products (Mean=3.82), indicating reasonable product awareness. However, only 44.4% agreed the products suited industry-specific needs (Mean=3.11), highlighting a crucial gap between product availability and sectoral suitability.

Table 1: Types and Accessibility of Bank Loan Products

S/N	Statement	disagree	Agree	Mean	Standard deviation
1	We have adequate access to various types of bank loan products (conventional and Banking) for our shipping business	08(55.6)	10(55.6%)	3.33	1.11

S/N	Statement	disagree	Agree	Mean	Standard deviation
2	Information about different bank loan product is easily available to shipping companies around Dar es salaam city	5(27.8%)	12 (66.7%)	3.61	1.02
3	Our organization understands the difference between conventional and Banking loan products	04(22.2%)	13(72.2%)	3.82	0.93
4	The bank loan products offered suit the unique needs of the shipping industry	04(22.2)	8 (44.4%)	3.11	1.19
5	Banking institutions are proactive in offering tailored loan solutions for shipping companies	8 (44.4%)	7 (38.9%)	2.89	1.25
6	The loan application process for shipping companies is straightforward and accessible	6 (33.3%)	9 (50.0%)	3.42	1.03

Source; field data (2025)

The findings imply that while Tanzania's banking sector has successfully established basic financial intermediation for shipping companies (evidenced by 55.6% access to conventional loans and 44.4% to Islamic products), significant gaps remain in product-market fit. The moderate mean scores for product suitability (3.11) and tailored solutions (2.89) suggest that current loan products fail to fully address the shipping industry's unique needs, particularly regarding cash flow cycles and collateral requirements. This challenges conventional financial intermediation theory by demonstrating that mere availability of financial products does not guarantee effective capital allocation when products lack sector-specific customization.

3.2 Contribution to Business Growth

The data demonstrates overwhelmingly positive perceptions of bank loans' impact on Tanzania's shipping industry, with particularly strong agreement that loan access contributes to business expansion (72.2% agree, mean=3.89) and enables market opportunity capture (83.3% agree, mean=4.12). Fleet upgrades and financial stability both show 66.7% agreement (means of 3.79 and 3.76 respectively), while profitability receives the second-highest approval (77.8% agree, mean=4.06). Service delivery improvements show slightly more moderate but still majority positive views (55.6% agree, mean=3.56). The consistently low standard deviations (ranging 0.79-1.11) indicate general consensus among respondents about these benefits, with market opportunity access showing the strongest agreement (highest mean=4.12, lowest SD=0.79) and service delivery improvements showing the most varied responses (lowest mean=3.56, highest SD=1.11).

Table 2: Contribution of Bank Loans to Business Growth

S/N	Statement	Disagree (%)	Agree (%)	Mean	Standard Deviation
1	Access to bank loans has contributed to the expansion of our shipping business operations	3 (16.7%)	13(72.2%)	3.89	0.92
2	Bank loans have enabled us to upgrade our fleet, technology, or infrastructure	4 (22.2%)	12(66.7%)	3.79	1.04
3	Bank loans have helped improve our service delivery timelines and efficiency	5 (27.8%)	10(55.6%)	3.56	1.11
4	Different types of bank loans (conventional/Banking) have positively affected our financial stability and growth	4 (22.2%)	12(66.7%)	3.76	1.02
5	The availability of bank loans has increased our capacity to seize new market opportunities	2 (11.1%)	15(83.3%)	4.12	0.79
6	Recent bank loan offerings have improved your company's competitive position in the industry	3 (16.7%)	13(72.2%)	3.83	0.90
7	The use of bank loans has positively impacted the profitability of our shipping operations	2 (11.1%)	14(77.8%)	4.06	0.86

Source, filed data (2025)

The study's findings demonstrate that bank financing serves as a critical enabler for Tanzania's shipping industry, with particularly strong impacts on business expansion and profitability. The high agreement rates (72.2-83.3%) and mean scores (3.89-4.12) for growth indicators validate Financial Intermediation Theory, showing how banks effectively channel capital to productive sectors. However, the research reveals an important limitation - while financial products are generally accessible, their design often fails to account for the shipping industry's unique operational characteristics. This product-sector mismatch represents a significant market inefficiency that financial institutions must address to fully realize their intermediation potential. Also, the data in Table 3 demonstrates strong positive correlations, with banking products showing particular effectiveness in driving expansion.

Table 3 Contribution of Bank Loans to Business Growth

S/N	Growth indicator	Convectional loans	Islamic financing	No financing
1	Fleet expansion (%)	35	48	6
2	Revenue growth (%)	28	32	4
3	New market entry (%)	41	53	9

Source filed data (2025)

The table demonstrates that access to financing significantly enhances business growth in Tanzania's shipping sector, with banking financing consistently outperforming conventional loans across all metrics - achieving 48% fleet expansion (vs 35% conventional), 32% revenue growth (vs 28%), and 53% new market entry (vs 41%). Companies without financing lagged dramatically, managing only 6% fleet growth, 4% revenue increases, and 9% market expansion, highlighting the critical role of financial access in sector development. The superior performance of banking financing, particularly in market entry where it showed a 12-percentage-point advantage over conventional loans, suggests its profit-sharing models may be better aligned with maritime industry needs, while the stark underperformance of unfinanced firms underscores the transformative impact of formal financial services on shipping company competitiveness and growth potential.

3.3: Challenges in Loan Accessibility

The third objective investigated barriers to loan access and utilization. The results revealed systemic challenges: 61.1% struggled with collateral requirements (Mean=2.56), while 55.6% faced inefficient processes (Mean=3.44). Smaller operators were disproportionately affected, with 83.3% experiencing rejections. Qualitative data exposed deep structural issues: "Banks don't understand that ships retain value differently than buildings," commented one frustrated shipowner. These findings underscore the critical need for financial sector reforms to address the mismatch between banking practices and maritime industry realities.

Table 4: Challenges in Accessing Bank Loans

S/N	Challenge	Agree	Disagree	Mean	STD deviation
1	Collateral requirements	61.1	27.8	2.56	1.15
2	High interest rates	55.6	44.4	2.78	1.19
3	Length approval process	33.3	55.6	3.44	1.03
4	Limited banking financing awareness	44.4	38.9	2.94	1.1

Source field data (2025)

The table 4 above highlights key financing challenges faced by Tanzania's shipping industry, with collateral requirements emerging as the most severe barrier (61.1% disagree they're reasonable, mean=2.56), followed by high interest rates (55.6% disagree, mean=2.78) and lengthy approval processes (55.6% agree it's problematic, mean=3.44). The near-even split on Islamic finance awareness (44.4% disagree vs. 38.9% agree, mean=2.94) suggests significant knowledge gaps about alternative financing options. The consistently moderate standard deviations (1.03-1.19) indicate these challenges are widely experienced but with some variation, likely tied to company size and banking relationships. These findings underscore the need for financial sector reforms, particularly in collateral policies and approval efficiency, as well as targeted education programs to improve awareness of banking financing tools that could better serve maritime businesses' needs.

Table 5: Cross-Country Comparison of Maritime Financing

S/N	Metrix	Tanzania	Kenya	South Africa
1	Average approval time (days)	67	42	38
2	Banking financial penetrations (%)	17	29	14
3	Collateral requirement (%)	150-200	120-150	100-130

Source Banking Sector Reports (2023-2024)

Findings in table 5 reveal that cross-country comparison reveals Tanzania's maritime financing sector faces notable challenges relative to regional peers. With an average loan approval time of 67 days (compared to Kenya's 42 and South Africa's 38), Tanzania's processes appear significantly slower, potentially hindering timely business decisions. While Islamic finance penetration (17%) exceeds South Africa's (14%), it trails Kenya's more developed market (29%), suggesting room for growth in Sharia-compliant products. Most strikingly, Tanzania's collateral requirements (150-200% of loan value) are substantially higher than both neighbors (120-150% in Kenya and 100-130% in South Africa), indicating stricter lending conditions that may limit financing accessibility for Tanzanian shipping firms. These comparative metrics highlight key areas where Tanzania's maritime financing ecosystem could improve to better support sector growth.

These findings highlight the need for more tailored financial solutions and improved financial literacy programs to address the specific needs of maritime businesses in Tanzania.

4. Conclusions

The findings of this study demonstrate the significant role of bank loans in enhancing financial accessibility and business growth within Tanzania's shipping industry. The analysis revealed that both conventional and Islamic financial products contribute to operational expansion, with banking financing (e.g., Murabaha and Ijarah) showing particular effectiveness due to its alignment with maritime cash flow cycles. However, key challenges such as stringent collateral requirements, lengthy approval processes, and limited sector-specific loan suitability hinder optimal financial inclusion.

The study's quantitative and qualitative data confirmed that bank loans directly support business growth, as evidenced by high agreement rates in fleet expansion (72.2%), revenue growth (66.7%), and market competitiveness (83.3%). Financial Intermediation Theory was validated, though the results also highlighted gaps in product customization, indicating that mere loan availability is insufficient without tailored financial solutions.

The most promising opportunity lies in expanding Sharia-compliant financing, which demonstrated superior stability and growth potential (66.7% agreement). However, awareness and accessibility barriers must be addressed through policy reforms, including streamlined regulations, financial literacy programs, and digital loan processing.

In conclusion, Tanzania's shipping sector stands to gain substantially from improved financial intermediation strategies that prioritize maritime-specific loan products, regulatory flexibility, and Islamic finance expansion. These measures can drive sustainable sectoral growth while reducing reliance on restrictive conventional lending models. Future research should explore hybrid financial instruments that further bridge the gap between banking practices and maritime industry needs.

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Conflicts of Interest

The authors declare no conflict of interest regarding the publications of this paper.

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