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Consumer Preferences for Local Retail Shops versus Supermarkets in Tanzania: The Role of Social Capital and Financial Constraints

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Abstract
This study examines consumer preference for local retail shops relative to supermarkets in Tanzania by integrating insights from social capital theory and behavioral economics. It develops a conceptual framework in which trust based relationships, social ties, financial constraints, and convenience jointly shape retail choice in informal market settings. Using cross-sectional survey data from 400 consumers in urban and semi-urban areas of Dar es Salaam, the results show that trust, social embeddedness, and convenience significantly reinforce preference for local shops, while financial constraints reduce preference, suggesting that severe liquidity limitations suppress consumption rather than increase reliance on local shops. The analysis further indicates that trust moderates the effect of financial constraints, and highlights the interaction between relational and behavioral mechanisms. The study contributes to the literature by providing an integrated explanation of consumer decision-making in informal retail contexts and by offering empirical evidence from an underrepresented Sub-Saharan African setting. The findings also emphasize the importance of strengthening community based financial mechanisms and supporting small-scale retailers' capacity to sustain trust-based and flexible transactions in rapidly evolving urban markets.

Keywords: Convenience, Financial Constraints, Local Shops, Social Interaction, Supermarkets, Trust Based Relationship, Tanzania

Introduction

Retail systems in developing economies are increasingly characterized by the coexistence of modern supermarkets and long-established informal retail networks. In Sub-Saharan Africa, and particularly in Tanzania, the expansion of supermarkets has been driven by urbanization, income growth, and changing consumption patterns (Muya et al., 2022; Nandonde, 2019). Despite these structural shifts, local shops, kiosks, and open markets continue to dominate everyday grocery purchases for a large share of households (Ambikapathi et al., 2021; Crush et al., 2023; Skinner, 2016). This persistence raises an important question: why do consumers continue to rely on local shops even as modern retail formats become more accessible? Existing literature offers two main explanations. One stream emphasizes economic and practical considerations, arguing that local shops remain competitive because they offer proximity, flexible purchasing quantities, and lower transaction costs, which are particularly important for households facing liquidity constraints and income volatility (Blekking et al., 2023; Chege et al., 2021; Fobi et al., 2024). In many African urban contexts, consumers purchase groceries in small quantities on a daily or near daily basis, a pattern that may be associated with limited cash flow and the need to smooth consumption (Olabisi & Persaud, 2026). These conditions make local shops more accessible than supermarkets, which typically require larger and less frequent purchases.

A second stream of research highlights the role of social and relational factors in shaping consumer behavior. Transactions in local shops are often embedded within networks of trust, familiarity, and repeated social interaction (Kibona, 2025; Nandonde, 2019; Nyaki et al., 2025). These relationships facilitate informal credit arrangements, personalized service, and reciprocal exchanges that extend beyond purely market based transactions (Muze & Kihanga, 2025; Sirdeshmukh et al., 2002). Social capital theory suggests that such relational mechanisms reduce transaction uncertainty and strengthen long-term exchange relationships, particularly in contexts where formal institutions are weak (Coleman, 1992; Putnam, 1995; Tsounis & Xanthopoulou, 2024).

While both perspectives provide important insights, they have largely been examined in isolation. Economic approaches tend to treat retail choice as a function of prices, income, and accessibility (Fobi et al., 2024; Frantz et al., 2016; Global Alliance for Improved Nutrition (GAIN), 2020; Skinner, 2016), whereas relational perspectives emphasize trust and social embeddedness (Kibona, 2025; Luoga et al., 2026; Nyaki et al., 2025) without fully accounting for financial constraints. This separation limits the ability of existing models to explain how consumers simultaneously navigate economic limitations and social relationships in their everyday purchasing decisions. More importantly, it overlooks the possibility that these mechanisms may interact in shaping consumer behavior rather than operating independently.

In contexts such as Tanzania, where liquidity constraints and socially embedded exchange systems coexist, trust based relationships may influence not only consumer preferences directly but also the extent to which financial constraints affects purchasing decisions. Specifically, trust may enable access to informal credit and flexible payment arrangements, thereby mitigating the adverse effects of liquidity limitations. This suggests that social capital may function as a mechanism that partially relaxes financial constraints, allowing consumers to sustain consumption despite limited financial resources. However, empirical evidence examining this interaction remains limited.

This study addresses this gap by integrating insights from behavioral economics and social capital theory to examine consumers' preference for local shops in Tanzania. Behavioral economics provides a framework for understanding decision-making under liquidity constraints, bounded rationality, and income uncertainty (de Clippel & Rozen, 2024), while social capital theory explains how trust and social networks facilitate economic exchange (Coleman, 1992; Putnam, 1995). By combining these perspectives, this study conceptualizes consumer choice as the outcome of both the direct and interactive effects of financial constraints and socially embedded relationships.

This integrated perspective is particularly relevant in Tanzania, where access to formal financial services remains limited and informal institutions continue to play a central role in economic life (Nyaki et al., 2025). Local shops frequently provide informal credit and flexible purchasing arrangements that enable households to maintain consumption despite short-term liquidity constraints (Muze & Kihanga, 2025). At the same time, trust based relationships between consumers and shopkeepers reduce perceived risk and influence purchasing decisions, suggesting that social capital may actively reshape economic behavior rather than merely complement it (Nyaki et al., 2025).

Empirically, this study examines how trust based relationships, social interactions, financial constraints, and convenience jointly influence consumers' preference for local shops over supermarkets. Crucially, it investigates whether trust moderates the effect of financial constraints on retail choice, thereby testing the interaction between relational and economic mechanisms.

In doing so, the study makes three contributions. It advances theoretical understanding by demonstrating how relational and behavioral mechanisms interact to shape consumer decision-making in the informal retail sector, and thereby providing empirical evidence that trust can attenuate the negative effects of financial constraints. It also provides empirical evidence from Tanzania, a context that remains underrepresented in studies of retail transformation in developing economies (Barrett et al., 2001; Hannah et al., 2025). In addition, it offers practical insights into the role of informal credit and social embeddedness in sustaining local shops in rapidly changing market environments.

The remainder of the paper proceeds as follows. The next section reviews the relevant literature and develops the theoretical framework underpinning the study, with particular emphasis on the interaction between social capital and behavioral constraints in shaping consumer behavior in the informal retail sector.

Theoretical Foundations

Consumer behavior in the informal retail sector cannot be adequately explained by conventional models alone, which assume fully rational decision-making under stable preferences and complete information. In developing economies, including Tanzania, purchasing decisions are shaped by the interaction of economic constraints, cognitive limitations, and socially embedded exchange relationships (Flechtner, 2025; Mullainathan & Shafir, 2013). To capture these dynamics, this study draws on two complementary theoretical perspectives: social capital theory and behavioral economics.

Social Capital and Relational Exchange

Social capital theory provides a framework for understanding how economic transactions are embedded within social relationships. Foundational work by Bourdieu (1986), Coleman (1992) and Putnam (1995) conceptualizes social capital as the resources accessible through networks of trust, norms, and social interactions. In market contexts characterized by weak formal institutions, such as the informal retail sector, these relational mechanisms play a central role in facilitating exchange.

Empirical evidence shows that interactions in local shops are often governed by trust, familiarity, and repeated engagement rather than formal contracts (Nandonde, 2019; Skinner, 2016). Such relationships reduce transaction uncertainty, enable flexible arrangements, and promote long-term customer loyalty (Sirdeshmukh et al., 2002; Tettey et al., 2023). In particular, trust functions as a mechanism that supports informal credit arrangements that allow consumers to access goods despite temporary financial constraints (Cull et al., 2022; Muze & Kihanga, 2025).

Social capital is inherently multidimensional. The structural dimension reflects patterns of interaction and network embeddedness, whereas the relational dimension encompasses trust, norms, and shared expectations (Coleman, 1992; Tsounis & Xanthopoulou, 2024). In local shop settings, these dimensions jointly shape both access to goods and the terms of exchange. Distinguishing between trust as a relational mechanism and broader social interactions as manifestations of network structures is therefore critical for understanding how different dimensions of social capital influence consumer behavior.

Behavioral Economics and Decision Making

Behavioral economics provides a complementary perspective by examining how individuals make decisions under conditions of bounded rationality and resource constraints. Contrary to the assumptions of standard economic theory, individuals often rely on heuristics and context-dependent decision rules when faced with limited cognitive capacity, uncertain environments, and financial constraints (de Clippel & Rozen, 2024; Musslick & Masís, 2023).

In developing economies, these behavioral processes are closely linked to structural conditions such as income volatility and limited access to formal financial services. Liquidity constraints, in particular, influence both the timing and scale of consumption, leading households to prioritize short-term needs and adopt purchasing strategies that minimize immediate financial pressure (Flechtner, 2025; Olabisi & Persaud, 2026). This often results in small, frequent purchases rather than bulk buying, even when bulk purchases offer lower unit prices.

Non-monetary factors such as time, effort, and convenience also play a critical role in shaping consumer decisions. Convenience has been widely identified as a key determinant of retail choice, reflecting the extent to which a shopping option reduces transaction costs in terms of time and effort (Berry et al., 2002; Seiders et al., 2007). In urban African contexts, proximity to retail outlets significantly influences purchasing behavior because transportation costs and infrastructural limitations often constrain access to distant supermarkets (Blekking et al., 2023; Chege et al., 2021).

Taken together, behavioral economics suggests that consumer decisions in the informal retail sector are not solely driven by price optimization but are shaped by the interaction of financial constraints, cognitive limitations, and contextual factors.

Integrating Social and Behavioral Perspectives

Although social capital theory and behavioral economics originate from distinct intellectual traditions, they provide complementary insights into consumer behavior in the informal retail sector. Social capital theory emphasizes the role of relational mechanisms, such as trust and social interactions, in facilitating exchange, whereas behavioral economics highlights how financial constraints, bounded rationality, and contextual factors shape decision-making.

Importantly, these mechanisms are not independent but interact in meaningful ways. Trust based relationships may reduce transaction uncertainty and facilitate access to informal credit, thereby enhancing consumers' ability to cope with liquidity constraints. Conversely, persistent financial limitations may increase consumers' reliance on socially embedded exchange relationships. Social relationships therefore do not merely accompany economic behavior; they can actively shape it by altering the constraints under which decisions are made.

This interaction is particularly relevant in contexts where formal financial institutions are underdeveloped. Consumers experiencing temporary liquidity shortages may depend on trusted local shop operators for credit or flexible payment arrangements, while repeated social interactions sustain these exchange relationships over time. Consequently, understanding consumers' preference for local shops requires an integrated framework that simultaneously accounts for behavioral constraints and relational embeddedness.

Drawing on these complementary perspectives, this study proposes that financial constraints, convenience, trust, and social interactions jointly influence consumers' preference for local shops. Furthermore, it argues that trust moderates the relationship between financial constraints and retail choice by mitigating the adverse effects of liquidity limitations through informal credit and other relational mechanisms.

Empirical Literature

Retail Transformation and Consumer Preferences

The transformation of food retail systems in developing economies has been widely documented, particularly in the context of the so-called "supermarket revolution" (Barrett et al., 2001; Hannah et al., 2025). Although modern retail formats have expanded rapidly in many urban areas, their penetration has been uneven, and the informal retail sector continues to dominate food distribution across much of Sub-Saharan Africa (Skinner, 2016; Young & Crush, 2020).

Empirical evidence suggests that supermarkets often coexist with resilient local shop networks rather than replacing them entirely (Balineau et al., 2021; Hannah et al., 2025). Local shops remain central to everyday consumption, particularly among low- and middle-income households, because of their convenience, flexibility, and alignment with local economic conditions. In many cases, supermarket use complements rather than substitutes purchases from local shops, with households relying on different retail formats for different consumption needs (Ambikapathi et al., 2021).

This coexistence reflects both structural and behavioral factors. Supermarkets typically offer lower prices for bulk purchases and greater product variety but often require higher upfront expenditures and longer travel distances (Muya et al., 2022; Skinner, 2016). In contrast, local shops provide smaller purchase quantities, immediate access, and flexible payment arrangements, making them particularly attractive to households facing liquidity constraints and time limitations (Chege et al., 2021; Olabisi & Persaud, 2026). These dynamics highlight the importance of examining the determinants of consumer preferences across alternative retail formats.

Determinants of Consumer Preference

Building on the integrated theoretical perspective outlined above, prior research identifies several key determinants of consumer preference in informal retail sector. The study considered four variables. The first was trust-based relationships, followed by financial constraints and informal credit, convenience, and social relationships.Trust is widely recognized as a central determinant of consumer behavior in informal retail environments, particularly in contexts where formal enforcement mechanisms are weak or absent (Isaeva et al., 2020). In such settings, consumers rely on interpersonal trust to assess product quality, pricing fairness, and the reliability of sellers (Isaeva et al., 2020; Sirdeshmukh et al., 2002). Trust reduces perceived transaction risk and uncertainty, thereby facilitating repeated exchange relationships and strengthening customer loyalty. In developing economy contexts, trust also facilitates informal credit arrangements, allowing consumers to access goods without immediate payment (Cull et al., 2022; Muze & Kihanga, 2025). These mechanisms suggest that trust operates not only as a relational construct but also as an economic mechanism influencing purchasing decisions. Moreover, trust can shape consumer preferences even in the presence of alternative retail options. Studies show that consumers may continue to patronize trusted retailers despite potentially higher prices or lower product variety, reflecting the value placed on reliability and relational assurance (Barnett, 2007; Wang & Tian, 2023). Overall, existing evidence suggests that trust-based relationships reduce transaction uncertainty, facilitate repeated exchange, and strengthen customer loyalty, making trust an important determinant of consumer preference for local shops.

Liquidity constraints are a central determinant of consumption behavior in developing economies where households often face irregular income flows and limited access to formal financial services (Demirguc-Kunt et al., 2018). Under such conditions, consumers frequently adopt purchasing strategies that minimize immediate cash outlays, leading to smaller, more frequent transactions rather than bulk purchases, even when bulk buying offers lower unit prices (Olabisi & Persaud, 2026). The informal retail sector is well adapted to these constraints. Local shops commonly provide flexible purchasing arrangements, including the sale of goods in small quantities and the extension of informal credit that enables consumers to smooth consumption during periods of short-term liquidity shortages (Odari et al., 2025). These mechanisms reduce immediate financial pressure and increase access to essential goods for low-income households. Empirical evidence from African and other developing economy contexts indicates that such flexibility is a key factor sustaining demand for local shops (Blekking et al., 2023; Chege et al., 2021). However, the relationship between financial constraints and retail preference is not unequivocally positive. While moderate liquidity constraints may increase reliance on local shops, severe financial limitations may reduce overall purchasing capacity and constrain consumption altogether (Odari et al., 2025; Olabisi & Persaud, 2026). Consequently, financial constraints may simultaneously encourage and restrict engagement with local shops. Taken together, the literature indicates that financial constraints, particularly when mediated through informal credit arrangements, play a significant role in shaping consumer preference for local shops.

Convenience is consistently identified as a key determinant of retail choice, particularly in environments characterized by infrastructural limitations and high transaction costs. Convenience refers to the extent to which a retail option minimizes the time and effort required to complete a purchase (Berry et al., 2002; Seiders et al., 2007). In developing economies, where transportation networks may be limited and travel costs relatively high, spatial proximity becomes a critical factor influencing consumer behavior. Local shops are typically located within or near residential areas, allowing consumers to access goods quickly and with minimal transportation costs. This proximity supports frequent, small-scale purchasing patterns that align with the liquidity constraints faced by many households (Blekking et al., 2023; Chege et al., 2021). In contrast, supermarkets are often situated in centralized commercial areas, requiring greater time and financial resources to access, which may discourage regular use (Chege et al., 2021). Empirical studies show that proximity to food retail outlets strongly influences purchasing decisions in Sub-Saharan African cities, where consumers tend to favor nearby outlets even when alternative retailers offer lower prices or greater variety (Blekking et al., 2023). From a behavioral perspective, individuals systematically prefer options that reduce cognitive and physical effort, reinforcing the importance of convenience in decision-making (Mullainathan & Shafir, 2013). Collectively, these findings suggest that convenience constitute an important determinant of consumer preferences across retail formats, particularly in contexts characterized by time and mobility constraints.

Beyond individual trust, broader social relationships play an important role in shaping consumer behavior in local shop settings. Such retail spaces often function as socially embedded environments where economic transactions are intertwined with ongoing interpersonal interactions (Maisela, 2024; Skinner, 2016). Cultural norms emphasizing reciprocity and communal interactions further encourage consumers to maintain long-term relationships with local retailers (Mhando, 2018). These interactions contribute to the formation of social networks that influence purchasing decisions (Cordaro & Desdoigts, 2021). In many developing economy contexts, repeated interactions between consumers and shopkeepers foster strong relational ties that extend beyond transactional exchanges. These relationships create a sense of belonging and mutual support, which can reinforce customer loyalty and encourage continued patronage of local shops (Maisela, 2024; Nandonde, 2019). Empirical evidence suggests that consumers embedded within such networks are more likely to maintain consistent purchasing relationships, even when alternative retail options are available (Cordaro & Desdoigts, 2021; Maisela, 2024; Nandonde, 2019). From a social capital perspective, these dynamics reflect the structural dimension of social networks, which facilitates information flow, reinforces norms, and sustains repeated exchange relationships (Coleman, 1990). Network embeddedness can therefore influence consumer preferences by shaping both access to resources and the perceived value of maintaining relational ties within local communities.

Overall, social relationships contribute to the persistence of local shops by embedding economic behavior within broader social networks and reinforcing long term patronage. However, despite extensive research on consumer behavior in the informal retail sector, existing studies remain fragmented. Economic approaches emphasize financial constraints and convenience, whereas relational perspectives focus primarily on trust and social networks. However, limited attention has been devoted to understanding how these mechanisms interact, particularly in contexts where informal credit links social relationships to economic behavior. This study addresses this gap by examining both the direct and interactive effects of trust, social relationships, financial constraints, and convenience in shaping consumer preference for local shops over supermarkets.

Building on the reviewed literature, these factors are integrated into a conceptual framework to explain consumers' choice between local shops and supermarkets and to guide the formulation of the study hypotheses.

Conceptual Framework and Hypotheses Development

Figure 1 presents the conceptual framework guiding this study. The framework integrates insights from social capital theory and behavioral economics to explain consumers' preference for local shops over supermarkets. It proposes that consumer preferences are shaped by both relational and behavioral mechanisms operating simultaneously. Accordingly, five hypotheses are developed and tested in this study.

Specifically, trust based relationships and social relationships represent the relational dimensions of social capital, whereas financial constraints and convenience reflect behavioral responses to economic and contextual conditions. The framework further proposes that trust not only exerts a direct influence on consumer preference but also moderates the relationship between financial constraints and retail choice.

Drawing on social capital theory, trust based relationships are expected to reduce transaction uncertainty, facilitate informal credit arrangements, and strengthen long-term exchange relationships (Coleman, 1992; Sirdeshmukh et al., 2002). Empirical studies further demonstrate that consumers often maintain patronage relationships with trusted retailers even when alternative retail formats are available (Barnett, 2007; Wang & Tian, 2023). Consequently, strong trust based relationships are expected to increase consumers' preference for local shops. Hence, it is hypothesized that:

H1: Trust based relationships positively influence consumer preference for local shops over supermarkets.

Behavioral economics suggests that liquidity constraints shape consumption behavior by encouraging frequent, small-scale purchases and increasing reliance on flexible retail arrangements (Flechtner, 2025; Olabisi & Persaud, 2026). Since local shops frequently provide informal credit and permit purchases in small quantities, financially constrained consumers may exhibit stronger preferences for these outlets (Chege et al., 2021; Odari et al., 2025). From this perspective, it is hypothesized that:

H2: Financial constraints and access to informal credit positively influence consumer preference for local shops over supermarkets.

Convenience tends to reduce the time and effort associated with shopping and lower transaction costs (Berry et al., 2002; Seiders et al., 2007). Because local shops are typically located near residential areas, consumers who value convenience are expected to demonstrate stronger preferences for local shops (Blekking et al., 2023; Chege et al., 2021). Hence, it is hypothesized that:

H3: Convenience positively influences consumer preference for local shops over supermarkets.

From a social capital perspective, repeated social interactions and network embeddedness foster a sense of belonging, reinforce reciprocity norms, and encourage continued patronage (Coleman, 1992; Cordaro & Desdoigts, 2021). Consumers embedded within such social networks are therefore expected to show stronger preferences for local shops (Maisela, 2024; Nandonde, 2019). Consequently, it is hypothesized that:

H4: Social relationships positively influence consumer preference for local shops over supermarkets.

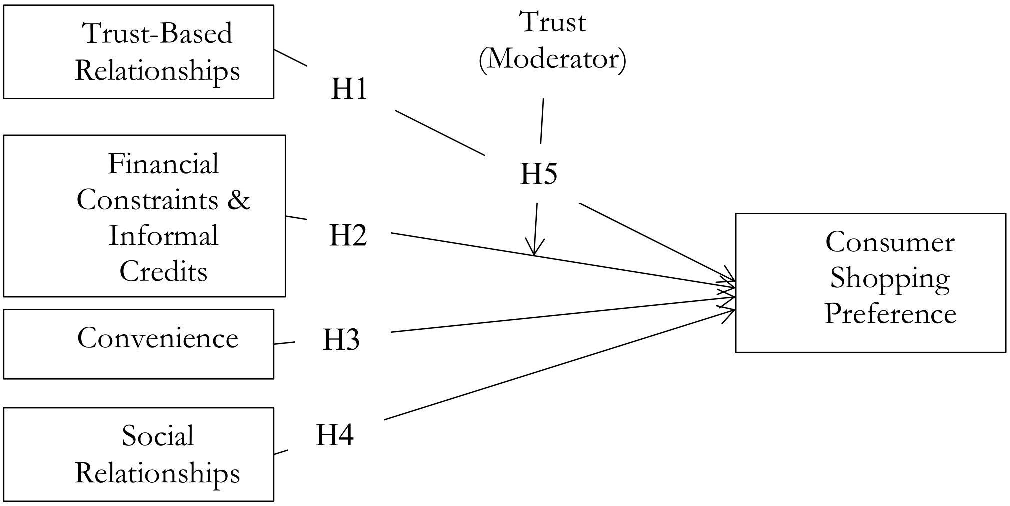

Figure 1: Conceptual Framework
Source: Author

Finally, integrating social capital theory and behavioral economics suggests that relational resources can alter the effects of economic constraints on decision-making (Coleman, 1992; de Clippel & Rozen, 2024). Trust based relationships facilitate access to informal credit and flexible payment arrangements, thereby mitigating the adverse effects of liquidity constraints (Muze & Kihanga, 2025; Sirdeshmukh et al., 2002). Consequently, the influence of financial constraints on consumer preference may vary according to the strength of trust based relationships. This study therefore hypothesizes that:

H5: Trust based relationships moderate the relationship between financial constraints and consumer preference for local shops over supermarkets.

The subsequent section presents the research methodology employed to empirically test the proposed relationships.

Research Methodology

Research Design

This study employed a quantitative cross-sectional research design to examine the determinants of consumers' preference for local shops over supermarkets in an urban developing economy context. The study was grounded in a deductive research approach, drawing on social capital theory and behavioral economics to develop and empirically test hypotheses regarding the roles of trust based relationships, social relationships, financial constraints, and convenience.

A survey based design was considered appropriate because it enabled the collection of standardized data on individual perceptions shopping behaviors from a diverse group of consumers. The cross-sectional nature of the design further facilitated the examination of relationships among study constructs at a specific point in time, consistent with prior consumer behavior and retail studies (Dabija et al., 2025).

Population and Sampling

The target population comprised adult consumers aged 18 years and above residing in urban and peri-urban areas of Dar es Salaam who regularly purchase groceries from both local shops and supermarkets. These consumers constitute an appropriate population for examining retail choice behavior in a context characterized by the coexistence of modern supermarkets and the informal retail sector.

Given the absence of a comprehensive sampling frame of grocery shoppers in Dar es Salaam, a non-probability intercept sampling technique was employed. Intercept sampling is widely used in retail and consumer behavior research because it enables researchers to capture active shoppers at or near the point of purchase, thereby improving the relevance and accuracy of responses regarding shopping preferences and behaviors (Li et al., 2023; Seiders et al., 2007).

The study sample size was estimated using Cochran's formula for large populations, which indicated a minimum requirement of 384 respondents at a 95% confidence level and a 5% margin of error. Although the study employed a non-probability intercept sampling approach, Cochran's formula was used as a practical benchmark for determining an adequate sample size, consistent with previous survey-based consumer studies conducted in contexts where comprehensive sampling frames are unavailable. A total of 423 questionnaires were administered, of which 400 were complete and suitable for analysis, yielding an effective response rate of 94.6%.

Research Instrument and Measurement of Variables

Data were collected using a structured questionnaire comprising multi-item scales adapted from established literature in consumer behavior, marketing, and retail studies. All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The dependent variable, consumer preference for local shops, was operationalized as a composite construct capturing the extent to which respondents favor local shops over supermarkets in their routine purchasing decisions. This construct was measured using multiple items reflecting frequency of patronage, perceived importance, and stated preference.

Independent variables were operationalized as follows. Trust based relationships captured perceived honesty, reliability, and confidence in local shopkeepers (Doney & Cannon, 1997; Morgan & Hunt, 1994). Financial constraints and informal credit reflected liquidity limitations, affordability pressures, and reliance on flexible payment arrangements (Cull et al., 2022; Wanzala & Obokoh, 2025). Convenience measured proximity, time savings, and ease of access to retail outlets (Muya et al., 2022; Rodríguez-Ardura et al., 2025; Seiders et al., 2007). Social relationships captured the extent of interpersonal interaction, familiarity, and embeddedness within local retail networks (Coleman, 1992; Sirdeshmukh et al., 2002; Turienzo, 2025).

Measurement items were adapted to reflect the Tanzanian retail context through careful wording adjustments. Prior to the main survey, a pilot test involving 25 respondents was conducted to assess clarity, relevance, and contextual appropriateness of the measurement items. Minor wording revisions were subsequently made based on participants' feedback.

Reliability and Validity

Reliability and validity of the measurement scales were assessed using established procedures. Internal consistency reliability was evaluated using Cronbach’s Alpha and Composite Reliability (CR), with all constructs exceeding the recommended threshold of 0.70. Construct validity was examined using exploratory and confirmatory factor analysis. Factor loadings for all items exceeded 0.50, indicating acceptable item reliability. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy exceeded 0.60, and Bartlett’s Test of Sphericity was statistically significant, confirming the suitability of the data for factor analysis. Convergent validity was assessed using Average Variance Extracted (AVE), with all constructs exceeding the threshold of 0.50. Discriminant validity was confirmed through the Fornell & Larcker (1981) criterion, to ensure that each construct was empirically distinct from others.

Because data were collected through self-reported questionnaires, potential common method bias was addressed using both procedural and statistical remedies. Procedurally, respondents were assured of anonymity and confidentiality, and questionnaire items were carefully ordered to minimize response pattern bias. Statistically, Harman's single-factor test indicated that no single factor accounted for the majority of the variance, suggesting that common method bias was unlikely to pose a significant threat to the study findings.

Data Collection Procedure

Data collection was conducted between March and May 2024 across selected retail locations in Dar es Salaam. Dar es Salaam was selected because it is Tanzania's largest commercial city and exhibits a high concentration of both supermarkets and local shops. The city therefore provides an appropriate setting for examining consumer retail preferences in a context characterized by the coexistence of modern and informal retail formats.

Prior to data collection, permission was obtained from retail operators where necessary. Trained research assistants approached potential respondents in the vicinity of supermarkets and local shops and briefly explained the purpose of the study. Data collection was undertaken during different times of the day and on both weekdays and weekends to capture a diverse range of shoppers. Participation was entirely voluntary, and respondents were informed that the study was intended solely for academic purposes. Confidentiality and anonymity were assured, and no personally identifiable information was collected.

Data Analysis Techniques

Data analysis was conducted using IBM SPSS Statistics, Version 26.0. Both descriptive and inferential statistical techniques were employed. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize respondents' socio-demographic characteristics and describe the distribution of the study variables. Inferential analysis was then conducted to examine the relationships between the study variables and test the proposed hypotheses.

To test the study hypotheses, multiple regression analysis was employed. Before estimating the regression model, diagnostic tests were conducted to assess the assumptions underlying the analysis. Multicollinearity was assessed using Variance Inflation Factor (VIF) values, while the assumptions of normality, linearity, and homoscedasticity were evaluated using appropriate statistical and graphical procedures.

Consistent with the conceptual framework, hierarchical multiple regression analysis was employed to examine both direct and moderating effects. In the first stage, the direct effects of trust based relationships, financial constraints and informal credit, convenience, and social relationships on consumer preference for local shops were estimated. In the second stage, an interaction term between trust based relationships and financial constraints and informal credit was introduced to assess whether trust moderates the relationship between financial constraints and consumer preference for local shops.

Model Specification

The regression model of the study is specified as follows:

Model 1 (Direct effects): $Y = \beta_0 + \beta_1 TR + \beta_2 FC + \beta_3 CONV + \beta_4 SOC + \varepsilon$

Model 2 (Moderation model): $Y = \beta_0 + \beta_1 TR + \beta_2 FC + \beta_3 CONV + \beta_4 SOC + \beta_5 (TR \times FC) + \varepsilon$

Where:

Y = Shopping Preferences for Local Shops
TR = Trust Based Relationships
FC = Financial Constraints and Credits
CONV = Convenience
SOC = Social Relationships
TR x FC = Interaction term capturing moderation effect
ε = Error term

This specification allows for the estimation of both direct effects and interaction effects, thereby providing an empirical test of the integrated theoretical framework.

Results and Discussion

Respondent Profile

The final sample consisted of 400 respondents. As shown in Table 1, the average age of respondents was 30.7 years (SD = 8.17), with ages ranging from 18 to 44 years, indicating that the sample was largely composed of young and economically active consumers. Female respondents constituted 65.0% of the sample, reflecting the prominent role of women in household grocery purchasing decisions within the study context. Regarding place of residence, most respondents were drawn from urban (47.5%) and peri-urban areas (42.0%), while only 10.5% resided in rural urban. The income profile indicates that the majority of respondents belonged to low- and middle-income groups, with 77.3% earning below TZS 1,000,000 per month.

With respect to educational attainment, most respondents had completed secondary education (44.0%), followed by primary education (35.0%). Respondents holding diploma or certificate qualifications accounted for 15.5% of the sample, whereas university degree holders represented only 5.5%. The educational profile suggests that the majority of respondents possessed basic to intermediate levels of formal education which is useful for them to make informed retail choices.

Table 1: Demogaphic Characteristics of Respondents

Category	Details	N (%)
Age	Mean: 30.7, Min: 18, Max: 44, Std Dev: 8.17	
Gender	Female	260 (65.0)
	Male	140 (35.0)
Residence	Urban	190 (47.5)
	Peri-urban	168 (42.0)
	Rural-urban	42 (10.5)
Income Level	Below 500,000	155 (38.8)
	500,001 - 1000,000	154 (38.5)
	1000,001 - 2000,000	76 (19.0)
	Above 2000,000	15 (3.8)
Education Level	Primary Education	140 (35.0)
	Secondary Education	176 (44.0)
	Diploma/ Certificate	62 (15.5)
	University Degree	22 (5.5)

Source: Author's computation.

Descriptive Statistics

Descriptive analysis showed that the study variables exhibited acceptable distributional properties, with skewness values ranging from −0.833 to 0.026. Table 2 presents descriptive statistics for the main study variables. Preference for local retail shops recorded the highest mean (M = 4.02, SD = 1.04), indicating a strong overall inclination toward informal retail outlets. Independent variables exhibited moderate mean values, with convenience (M = 3.12) slightly higher than trust (M = 3.01), financial constraints (M = 2.97), and social relationships (M = 2.96). The distribution of responses shows sufficient variability across all constructs, and supports suitability of the data for multivariate analysis.

Table 2: Descriptive Statistics

Variable	Mean	SD	Min	Max
Trust based relationships	3.01	1.15	1	5
Financial constraints and informal credit	2.97	1.23	1	5
Convenience	3.12	1.23	1	5
Social relationships	2.96	1.22	1	5
Shopping preference	4.02	1.04	1	5

Source: Author's computation.

Correlation Analysis
Pearson correlation coefficients were computed to examine the relationships among the study variables (Table 3). The results indicate that trust based relationships were positively and significantly associated with shopping preference ($r = 0.523$, $p < 0.001$). Similarly, social relationships ($r = 0.488$, $p < 0.001$) and convenience ($r = 0.372$, $p < 0.001$) were positively and significantly related to shopping preference for local shops. In contrast, financial constraints and informal credit exhibited a significant negative relationship with shopping preference ($r = -0.320$, $p < 0.001$). Correlations among the independent variables were minimal, ranging from -0.027 to 0.089, indicating a low likelihood of multicollinearity among the predictor variables.

Table 3: Correlation Matrix

Variable	1	2	3	4	5
1. Trust based relationships	1.000				
2. Financial constraints	0.030	1.000			
3. Convenience	0.032	0.038	1.000		
4. Social relationships	-0.009	-0.027	0.089	1.000	
5. Shopping preference	0.523	-0.320	0.372	0.488	1.000

Source: Author's computation.

Regression Results
Table 4 presents the results of the multiple regression analysis examining the determinants of consumers' preference for local shops. The overall model was statistically significant ($F = 340.179$, $p < 0.001$), indicating that the independent variables jointly explained variations in shopping preference. The model accounted for 77.5% of the variance in shopping preference ($R^2 = 0.775$; Adjusted $R^2 = 0.773$).

Trust based relationships emerged as the strongest predictor of shopping preference ($\beta = 0.524$, $p < 0.001$), providing support for H1. This finding suggests that consumers who perceive local shopkeepers as honest, reliable, and trustworthy are more likely to prefer local shops over supermarkets. The result is consistent with previous studies emphasizing the importance of trust in sustaining customer loyalty and repeated patronage within informal retail settings (Sirdeshmukh et al., 2002; Tettey et al., 2023). In the Tanzanian context, where formal contractual mechanisms are limited, trust appears to reduce transaction uncertainty and strengthen long-term exchange relationships between consumers and shopkeepers.

Social relationships also exerted a positive and statistically significant influence on shopping preference ($\beta = 0.510$, $p < 0.001$), thereby supporting H4.

This finding indicates that interpersonal interactions, familiarity, and social embeddedness significantly encourage consumers to patronize local shops. The result corroborates studies by Maisela (2024) and Nandonde (2019), which demonstrate that social ties and community interactions play a central role in sustaining informal retail exchanges. The finding further supports social capital theory, which posits that social networks facilitate economic exchange by reinforcing norms of reciprocity and mutual support (Coleman, 1992).

Convenience was also found to positively and significantly influence shopping preference ($\beta = 0.411$, $p < 0.001$), thus supporting H3. This finding implies that consumers prefer local shops because they are geographically proximate, easily accessible, and reduce the time and effort associated with shopping. The result is consistent with previous studies by Blekking et al. (2023), Chege et al. (2021) and Seiders et al. (2007), which found that convenience and proximity remain important determinants of retail choice, particularly in contexts characterized by transportation constraints and irregular shopping patterns.

Contrary to expectations, financial constraints and informal credit had a statistically significant negative effect on shopping preference ($\beta = -0.311$, $p < 0.001$), therefore, H2 was rejected. This finding indicates that increasing financial constraints may reduce consumers' overall purchasing activity rather than increase their reliance on local shops. Under conditions of financial pressure, households may adopt more cautious consumption behaviour like defer purchases and reduce discretionary expenditure. Xie et al. (2022) similarly found that financial condition related risk aversion inhibits total household consumption behaviour among households in China. The finding further suggests that although local shops may provide informal credit and flexible purchasing arrangements, these mechanisms may be insufficient to offset the effects of severe economic hardship. In the Tanzanian context, extreme liquidity constraints may reduce consumers' overall purchasing capacity and thereby limit consumption even in relatively affordable retail environments. Accordingly, the negative coefficient suggests that severe financial constraints suppress overall consumption and shopping activity, including purchases from local retail outlets, rather than redirecting consumption toward local shops.

Interaction Effect

The moderation analysis was conducted to examine whether trust based relationships moderate the relationship between financial constraints and consumers' preference for local shops. As shown in Table 4, the interaction term between trust based relationships and financial constraints was positive and statistically significant ($\beta = 0.074$, $p < 0.001$), thereby providing support for H5. The positive interaction effect indicates that trust based relationships weaken the negative effect of financial constraints on consumers' preference for local shops. Specifically, although financial constraints independently reduce shopping preference, this adverse effect becomes less pronounced when consumers maintain stronger trust based relationships with local shopkeepers.

Table 4: Hypothesis Testing Results

Predictor	B	Std. Error	Standardized β	t-value	p-value	Decision
Constant	1.007	0.129	–	7.805	<0.001	–
Trust-based relationships	0.472	0.022	0.524	21.919	<0.001	H1 Supported
Financial constraints	-0.262	0.020	-0.311	-13.008	<0.001	H2 Not Supported
Convenience	0.348	0.020	0.411	17.146	<0.001	H3 Supported
Social relationships	0.434	0.020	0.510	21.211	<0.001	H4 Supported
Trust × Financial Constraints	0.070	0.017	0.074	3.979	<0.001	H5 Supported

Source: Author's computation.

This finding suggests that trust functions as an important relational resource that enables consumers to cope with financial hardship. Consumers who trust local shopkeepers may have greater access to informal credit, flexible payment arrangements, and personalized support, thereby mitigating the adverse consequences of liquidity constraints on shopping behavior.

The finding supports the integrated theoretical framework underpinning this study by demonstrating that economic constraints and social relationships do not operate independently. Rather, relational mechanisms actively reshape the manner in which financial constraints influence consumer decision-making. The result is consistent with social capital theory, which posits that trust facilitates economic exchange by reducing uncertainty and enabling access to valuable resources (Coleman, 1992; Putnam, 1995). It also corroborates previous studies emphasizing the importance of trust and informal credit arrangements in sustaining retail exchanges in developing economies (Muze & Kihanga, 2025; Nandonde, 2019).

Overall, the significant interaction effect indicates that trust based relationships buffer the negative effects of financial constraints, and highlights the critical role of social capital in sustaining consumers' preference for local shops during periods of economic hardship.

Implications of the Study

The findings of this study have several theoretical, managerial and policy implications for understanding consumer behavior in informal retail contexts. From a theoretical perspective, the study advances the integration of social capital theory and behavioral economics by demonstrating that consumer decisions in informal retail markets are shaped by the interaction between relational and economic mechanisms. While financial constraints alone were found to reduce consumers' preference for local shops, the significant moderating effect of trust indicates that social relationships can partially mitigate the adverse consequences of economic hardship. These findings move beyond additive explanations of consumer behavior and provide empirical support for the argument that social capital actively reshapes the constraints under which economic decisions are made. As such, the study contributes to existing literature by showing that economic constraints and social relationships should not be examined independently in contexts characterized by socially embedded exchange systems.

From a managerial perspective, the findings suggest that the competitive advantage of local shops is primarily relational rather than purely price-based. Trust based relationships emerged as the strongest determinant of consumer preference, indicating that local shopkeepers can enhance customer loyalty by investing in relationship-building practices such as transparent pricing, consistent product quality, honest transactions, and personalized customer service. The significance of social relationships further suggests that local shopkeepers should actively cultivate community ties and position themselves as socially embedded actors within their neighborhoods rather than merely transactional vendors. In addition, the positive effect of convenience highlights the importance of maintaining proximity, flexible operating hours, and efficient service delivery. The moderating role of trust further implies that strong customer relationships can help sustain patronage even during periods of financial hardship.

Finally, from a policy perspective, the findings highlight the importance of recognizing local shops as socially embedded economic institutions that contribute to household welfare and community resilience. Rather than focusing exclusively on formalization, policymakers could consider interventions that strengthen the sustainability and competitiveness of local shops. Although informal credit arrangements offered by local shops provide short-term financial relief, the negative effect of financial constraints suggests that such mechanisms are insufficient to address severe economic hardship. This highlights the need for broader financial inclusion initiatives, including improved access to microfinance services and affordable credit facilities for both consumers and small retailers. Furthermore, investments in urban infrastructure, transportation systems, and supply chain efficiency could enhance the convenience advantages of local shops and support their continued role within rapidly transforming retail environments.

Conclusion

This study examined the determinants of consumers' preference for local shops in Tanzania by focusing on the roles of trust based relationships, social relationships, financial constraints and informal credit, and convenience. The findings reveal that consumers' preference for local shops is shaped by both relational and economic factors, although these factors influence consumer behavior in different ways.

Among the determinants examined, trust based relationships emerged as the strongest predictor of consumer preference, followed by social relationships and convenience. These findings underline the central role of social capital in shaping consumer behavior within informal retail markets. Consumers are more likely to prefer local shops when they perceive shopkeepers as trustworthy, maintain strong interpersonal relationships with them, and perceive local shops as convenient and easily accessible.

Contrary to expectations, financial constraints and informal credit were found to exert a significant negative effect on consumer preference. This finding suggests that severe financial hardship may suppress overall consumption rather than increase reliance on local shops. While local shops provide informal credit and flexible purchasing arrangements, such mechanisms may be insufficient to offset the effects of deep economic hardship.

Importantly, the study demonstrates that trust significantly moderate the relationship between financial constraints and consumer preference. Specifically, trust was found to mitigate the adverse effect of financial constraints, indicating that consumers with stronger trust relationships are better able to cope with economic difficulties through access to informal credit and flexible payment arrangements. This finding highlights that economic constraints and social relationships do not operate independently. Rather, social relationships actively reshape the manner in which financial constraints influence consumer decision-making.

The study advances theoretical understanding by empirically integrating social capital theory and behavioral economics to explain consumer behavior in informal retail markets. It also provides context-specific evidence from Tanzania, and thereby addressing the limited empirical literature on informal retail systems in Sub-Saharan Africa. In addition, the study highlights the importance of interaction effects in explaining consumer behavior by moving beyond single factor explanations and showing how trust can buffer the adverse effects of financial constraints.

Despite these contributions, the study has several limitations. The cross-sectional design limits causal inference, while the use of self-reported measures may introduce response bias. Furthermore, the study focused on consumers in urban and peri-urban areas of Dar es Salaam, which may limit the generalizability of the findings to other geographical contexts. Future studies could employ longitudinal designs, examine additional behavioral and contextual factors, and explore how digital retail innovations influence consumer preferences within informal retail environments.

Overall, the findings demonstrate that local shops remain a vital component of urban consumption systems in Tanzania, sustained not only by convenience and social embeddedness but also by trust based relationships that enable consumers to navigate economic uncertainty.

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