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Intrinsic Socio-economic Factors Influencing Income From Petty Trade in Tanzania

Empirical Evidence from a Case Study of Petty Traders in Dar es Salaam and Mwanza Cities

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ABSTRACT

This study assessed intrinsic socio-economic factors affecting income of petty traders in Dar es Salaam region, Tanzania. The study unpacked socio-economic factor from Institutional Analysis and Development (IAD) framework to illustrate how it would influence income growth of petty traders in Tanzania. Convenience sampling technique was used to select 200 petty traders. Data were collected by using administered questionnaire approach. Regression model was applied in analyzing intrinsic factors that influence income growth. Results show that business experience, education, and assets (wealth) positively and significantly influence income growth of the petty traders in big cities, *ceteris paribus*. On the other hand, there are other factors which found to slowdown income growth of petty traders. Such factors include lack of government support, petty traders being chased and goods damaged by Municipal auxiliary police/militia, lack of adequate working capital, and lack of entrepreneurship skills. Based on the key results, the study therefore recommends that the government should intervene in the reduction of marketing exchanging costs and all the risks of doing petty business specifically by improving economic and institutional factors including provision of business training, marketing information, and allocating conducive and attractive business areas for petty trade. There is also the need to ensure that there is friendly business environment for petty traders to do business in Tanzania.. If all these recommendations are implemented, then improvement in the income from petty trade would ultimately be realized.

Keywords: Intrinsic socio-economic factors, Petty trade, and Household Income from petty trade.

1. INTRODUCTION

The Tanzanian economy has largely been depends on the agricultural sector since independence 1961; where majority of labour force employed therein. As noted by URT (2014) that at least 80% of the Tanzanian labour force has been employed in agricultural sector; large part of this labour force is available in rural areas. In Tanzanian urban area, the situation is vice versa. Majority of urban people have been employed in non-agricultural sector. Such as in services industry, manufacturing industry, tourism industry, and other business sectors including petty trading.

Petty trading can be referred to as an economic activity that involves selling (and buying) of goods and services in small scale, ranging from agricultural produce to imported consumer goods. In this study context, petty trading constitutes a collection of individual sellers with small capital and buyers operating in a group of small spaces. Petty trading has got increasingly attention as one of the important activities in urban development processes.

Petty trading appears to reveal its spatial patterns in the urban form. The petty trading activities and spaces they occupy can, ideally, be categorised into three main groups. The first group consists of *permanently fixed* spaces that are found attached to designated marketplaces or within the formal building systems along a street. The common activities characterizing this group include food vending (*mama lishe*), selling second-hand clothes (*mitumba*), wristwatches and sweets. Secondly, there are those constituting *semi-fixed* features such as cabins or stalls whose components are easily assembled, modified and stationed particularly on streets/roadsides, edges of public space and are easily demounted when they have to be shifted. In this case, goods that are sold include household items, shoes and food items such as fruits and vegetables which may be displayed on a fixed space within the stall's territory such as a dwelling's verandah or walkways. The last group encompasses *non-fixed* trading operations whereby petty traders have no fixed spaces. They may occupy a public space over a specified period of time, occupy an area along a street or form clusters on an open spaces. Items sold in the *non-fixed* petty trading operations can be similar to those in the *semi-fixed* group.

In the Tanzanian context, petty trading has often been perceived by politicians, city authorities and many city dwellers as a nuisance, temporary, illegal, disorderly and incompatible activity within the formal urban space arrangements. This is evidenced by the forced evictions and relocation of petty traders from the city centres to designated places, as experienced in Dar es Salaam and Mwanza City, often leading to loss of properties and livelihoods (Sergio, 1999). Respective government authorities in Dar es Salaam and in some instances private individuals would choose location and design marketplaces without involving the ultimate users (traders and customers). Processes of eviction and relocation of traders would mainly be based on the prevailing political interests, rather than technical rationality. This is in line with the argument of Audretsch (2010) that, contribution of petty trade been ignored by many governments.

Petty business is one of the business activities seems to grow very rapidly in big cities including Dar es Salaam and Mwanza, in Tanzania. As noted in the study done by Moses and Amos (2015) that, there is high influx of petty trade activities in Ilala and Nyamagana municipals¹ in Dar es Salaam and Mwanza

¹ Many petty trade activities are done in Makoroboi and Tanganyika areas (in Nyamagana Municipal); and Kariakoo area (in Ilala Municipal).

regions respectively. According to Fungo, (2011), Ka' Bange, (2000), and Kazimoto, (2007), petty businesses largely have been done by youth who majority are economic labour force group compared. Their life depends on such economic activities. In spite of depending in petty trading activities, yet empirical evidences show that majority of petty traders are economically poor. This led many questions to the policy maker and economists (academicians).

According to profit maximization theoretical modal, often traders (entrepreneur) prefer business that has less risk and can significantly generate lucrative profit and enhance petty traders' incomes. Based on the aforementioned theoretical modal, this does not confirm with the study done by Kazimoto, (2007) despite there is an increasing rate of petty traders in big cities; they are still facing income poverty.

Due to this ascertain, this is seen that, there is a need to study intrinsic socio-economic factors affecting household incomes of petty traders in Dare-es-Salaam and Mwanza, in Tanzania; and give out recommends for improving incomes for this group of traders in Tanzania.

1.1. Significance of Study

This paper first and foremost helps to show whether the transaction cost theory concur with the findings or not. While empirically the paper provides more insights and understanding to policy makers on which factors significantly influence petty traders' household income in urban areas.

Furthermore, the paper gives more understanding and insights to petty traders on the better ways of improving their petty business and how to reduce marketing uncertainty associated with high exchanging or transaction costs. Nevertheless, it helps in knowing whether these petty businesses have significant contribution to the household income.

2. CONCEPTUAL FRAMEWORK

The conceptual framework is governed by the theory of transaction costs. Transaction cost economics, unlike traditional neoclassical economic theory, recognizes that commercial activities do not occur in frictionless economic environment (Williamson, 2000). Instead, it posits that there is costs top carrying out any exchange. However, the theory insists that exchanging costs must be reduced for traders to earn lucrative profit.

In this view, the study applied the theory of transaction costs to see if the study would support or divert the theory. According to institutional analysis and development² (IAD) framework, socio-economic factor is one of the institutional factors associated with marketing or exchanging costs. According to Kirsten *et. al.*, (2008), economic actors who have unfavorable intrinsic socio-economic factors in term of business, also chances of such actors to incur high transaction costs is high and consequently may fetch low income.

Based on the aforementioned factors, the study illustrates that there is existing relationship between income growth and intrinsic socio-economic factors of petty traders as shown in conceptual framework in Figure 3.1. The conceptual framework further shows that the growth of household income of a petty trader depends on socio-economic factors and key trade constraints as can be seen in the Figure 3.1 below:

² Socio-economic factor is among three institutional factors unpacked from the Institutional Analysis and Development (IAD) Framework as can be seen in the book written by (Kirsten *et. al.*, 2008).

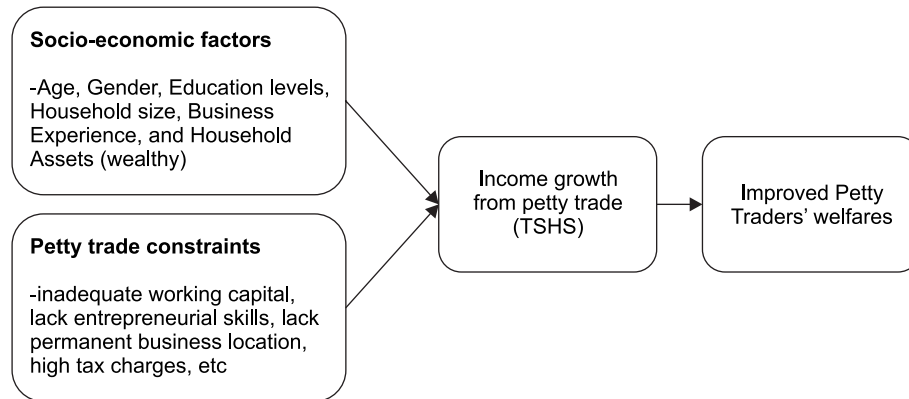


Figure 3.1: Conceptual Framework
Source: Researcher (2016)

According to conceptual framework (Figure 3.1) socio-economic factors is one of the intrinsic factors that influence income of petty traders (Kirsten *et. al.*, 2008; Mnyawi and Benedict, 2014). Based on the socio-economic factors, income growth is directly related with age, education level, wealth, and household size. For instance, “the smaller the household size the higher the growth of household income” (Msoka, 2007; Lyne, 2001). Empirical evidences show that gender determines the growth of household income and hence improves income of petty traders (Poulton, 2008; Bailey and Hunnicult, 2002).

Despite these social economic factors influencing income growth, also trade constraints is one of the key factors affecting income growth of petty traders (Mnyawi, and Benedict, 2014). If there are unfavorable socio-economic factors and trade constraints, it is obvious that the trader may incur high marketing or exchanging costs and ultimately fetching low revenues. According to transaction costs theory, income can be improved if marketing exchanging costs would be reduced. Such marketing exchanging costs would be divided into two side-tangible and intangible costs.

Petty traders fail to raise their household income due to high transaction costs. For instance, lack of adequate market information on the prices of products influence petty traders to fetch low prices from opportunistic buyers and hence affecting growth of their income.

According to literature, petty trader who has inadequate petty trade experience may incur high transaction costs and hence fetch low revenues, *ceteris paribus*. As noted by Sergio, (1999) that petty trader with adequate business experience may enjoy lucrative profit due to high business skills and knowledge compared with those with less business experience.

Furthermore, education reduces marketing ignorance especially when it comes to reasoning prior to make decision (Temu, 2008). As a result, market uncertainty would be reduced by entering into supply agreement i.e. sales contract. Business education helps in determine various approaches which influence high prices and enhancing income growth of a trader.

Based on the available empirical evidence, most of the studies done in Tanzania assessed on the factors affecting household income growth in rural areas and forgot to assess in urban areas especially in big cities. While in urban areas especially in big cities there are poor households and their survival is largely depend on petty trade activities. A number of studies have been done on the determinants of household income in rural area, in Tanzania. They include Aikaeli, (2010); Fungo, (2011); Lyne, (2002); and Poultan, (2008)

just to mention a few. Both studies found that education level, household size, acreage of land use (as part of assets) had positive and significant contribution to the income growth of rural households. However, the empirical study done by Doward *et. al.*, (2005) shows access to price information and marketing infrastructures positively and significantly associated with rural income growth.

Despite all these studies, still little is known on the intrinsic socio-economic factors influencing income growth from petty trade activities in big cities especially in the in Tanzania. In this view, it is therefore important to understand intrinsic socio-economic factors affecting income growth of petty traders using transaction cost theory and institutional Analysis and Development (IAD) framework approach.

3. MATERIALS AND METHODS

3.1. Area of the Study

The study was conducted in Nyamagana (Mwanza region) and Ilala (Dar-es-Salaam Region) Municipals, in Tanzania. These municipals were selected because they have more petty traders; and the municipals have petty trade constraints that influence income poverty to household petty traders (Kirama, 2015).

3.2. Sampling and Data Collection Method

The target population of the study involved petty traders who are doing petty trade in Ilala and Nyamagana Municipals. In this study, convenience sampling procedure was used to get representative sample of 200 petty traders for this study. The sampling procedure used is that, petty traders were visited at their working places and the selection procedure was based on convenience procedures. The selection procedure was as follows; traders were visited at their trade places and were informed of the purpose of the study so as to get their consent of participating in the study before being selected. After getting their consent, traders were requested to participate in this study.

Through this selection procedure, the researcher managed to select a sample size of 200 petty traders for inclusion in this study. However, the criterion the researcher used to arrive at this number is borrowed from Bailey (1994), that a sample or sub-sample of 30 respondents is bare minimum for studies in which statistical data analysis is to be done for a study like this regardless of population size, hence the study fulfilled Bailey's (1994) requirement.

The data collection process comes after the sampling stage in the research process (Churchill and Iacobucci, 2002). In this particular study, a survey method involving administered questionnaires was used for data collection. Self-administered questionnaire as an approach of data collection was used for guaranteeing a high response rate from the respondents (petty traders).

One set of a questionnaire was prepared and pre-tested as the main data collection instrument to petty traders. Technically, the researcher asked the consent of the sampled petty traders to participate in the study and afterwards the sampled petty traders (respondents) were informed about the objectives of the study and were then required to confirm their willingness and availability to participate in the study. Eligible petty traders included in this particular study are those petty traders who are head of household.

The study measured validity of data collected to testify authenticity of the data collected to verify that the findings are safe for consumption. Pilot study was carried out before field survey to measure data collection instruments. During pilot study, the study tested the ability of the instrument to measure

the constructs as validity measurement. Based on the outcome of the pilot study, some questions were restructured while others were dropped out. This procedure was done to the questions which were seen to be vague and not practical in the questionnaire.

Nevertheless, reliability was not tested during pilot study, but was taken care during data collection phase since validity³ is a precondition of reliability (Gujirati, 2006; Pindyck and Rubinfeld, 2010; Creswell, 2011); Tatham *et. al.*, 2007). Moreover, everything that is valid is reliable, but not everything that is reliable is valid (Creswell, 2011; Tatham *et. al.*, 2007).

During the field survey, the study took some measures to control validity during data collection phase as stated earlier. *First*, “training” was conducted to the research assistant before the start of the field survey. The training was intended to make the enumerator more familiar with the constructs used in the questions in the questionnaires. This helped the researcher to address the problem of validity in the study. *Second* every day after field survey, the researcher and the research assistant “cross-checked” the filled questionnaires to see if the constructs were clearly understood and measured. *Three*, the study used “administered questionnaire procedure to control mis-interpretation of questions that might have occurred among the petty traders (respondents).

3.3. Analytical Technique

This particular study applied multiple regression method to analyze the socio-economic characteristics of household petty traders that influence household petty traders’ income growth from petty trade exchange in Dar es Salaam and Mwanza. The selection of this method in this study was influenced by the fact that multiple regression proved successful in determining socio-economic factors influencing income in many other previous studies such as Lyne (2002); Schwarze, (2004); Wanyama *et. al.*, (2010); Aikaeli (2010); Ugwumba *et. al.*, (2010); Olawapo (2010); Obike *et. al.*, (2011); Ugwumba (2011); and Talukder (2014). The variables for inclusion in this study were also selected from the past experience of studies based on their relevance in improving income of household petty traders.

Therefore, regression model was used to determine socio-economic factors that influence household income among petty traders in Tanzania. The model was employed to predict the power of predictors in explaining the dependent variable (income). The study assumed that the main source of income was sales of various items from petty trade. However, before carrying out regression analysis, assessment of relevant tests were firstly carried out to examine whether the data violated any of normality, linearity, and homoscedasticity assumptions. The tests were considered out include normality test, linearity test, and homoscedasticity test. The study also assessed collinearity of independent variables before conducting regression analyses.

Therefore, the specification of respective multivariate regression model is presented below:

$$\begin{aligned} \text{HINC} = & \beta_e + \beta_1\text{PTGEND} + \beta_2\text{PTAG} + \beta_3\text{PTEDUC} + \beta_4\text{PTBEXP} + \beta_5\text{PTBASS} \\ & + \beta_6\text{PTHS} + \epsilon_i \end{aligned} \quad (1)$$

Where by:

HINC = Household Petty Traders’ Income (Earnings from petty business items sold in Tanzanian shillings) as dependent variable

³ Validity is a precondition of reliability (Mwaipopo, 2006), but reliability is not a precondition of validity. This arguments implies that reliability is a necessary condition of validity, but it is not sufficient to establish validity (Gujirati, 2006); Pindyck and Rubinfeld, 2010).

- PTGEND = Petty trader’s Gender
- PTAG = Petty trader’s Age
- PTEDUC = Petty trader’s Education Levels
- PTBEXP = Petty trader’s Business Experiences
- PTBASS = Petty trader’s Business Assets (Wealthy)
- PTHS = Petty trader’s Household Size
- ϵ_i = Stochastic error term [$\mu_i \approx N(0, \delta^2)$]
- β_0 = Intercept
- $\beta_1, \dots, \beta_{10}$ = Regression coefficients

Based on the aforementioned regression model above, the study generally assumed that income of household petty traders is influenced by certain intrinsic factors which include gender of petty traders, age of petty traders, education levels of petty traders, business experiences of petty traders, business assets (Wealthy) of petty traders, and household size of petty traders.

- (a) **Measurement of dependent variable:** Dependent variable (DV) is average income earned by household traders from petty trade business exchanging in the area of study. In this study, household petty traders’ income is the sum of the net income raised from petty trade sub-sector. The net income of household petty traders is obtained by subtracting the total operating costs including buying costs of goods from distributors/suppliers from the gross income (Taylor and Turner, 1998). Based on this view above, data for calculating net income in this study were collected from household petty traders at the study area. The procedure was achieved through household petty traders (respondents) to recall quantities of items marketed, prices received, and the operating costs incurred in the last stocks sold.
- (b) **Measurement of the Independent Variables:** In this study, six independent variables were measured. Table 1 presents the summary of independent variables which influence income among petty traders in Dar es Salaam:

Table 3.1
Summary of Independent Variables Influencing income of petty traders in Dar es Salaam (n = 200)

<i>Variable Code</i>	<i>Variable Description</i>	<i>Nature of Variable</i>	<i>Unit of Measurement</i>	<i>Expected Sign</i>
PTAG	Petty traders’ Age	Continuous	Years of petty traders	+
PTGEND	Petty traders’ Gender	Binary	Dummy (1 = Male, 0 = otherwise)	-
PTEDUC	Petty traders’ Education Level	Continuous	Years of petty traders in schooling	+
PTBEXP	Petty traders’ Business Experience	Continuous	Years of traders in doing petty business	+
PTBASS	Petty traders’ Business Assets	Continuous	Numbers of assets trader owned	+
PTHS	Petty traders’ Household Size	Continuous	Number of people in the household	+

Source: Researcher (2016)

3.4. Technical Considerations

At the outset, this study assessed technical issues related to neoclassical regression assumptions, multicollinearity, and regression results validity. Meeting the assumptions of regression analysis is essential in ensuring that the results obtained are (Joseph *et. al.*, 2006) truly representative for the researcher to be able to generalize the results. Therefore, the following examinations of basic assumptions of regression analysis were done, namely linearity, homoscedasticity, and normality examinations, multicollinearity and further testing of the overall relationship after model estimation.

4. RESULTS AND DISCUSSION

The paper aimed to assess the socio-economic factors influencing income of petty traders. Empirical evidences have been showing that majority of petty traders experience income poverty due to unfavorable socio-economic factors surrounding them. As noted by Bailey and Hunnicutt (2002), unfavourable socio-economic factors are associated with high transaction costs, which would reduce income of traders. Therefore, socio-economic characteristics of petty traders were reviewed prior the study applied multiple regression method to explain socio-economic factors that influence income of petty trader as can be seen in the next sub-section below:

4.1. Socio-economic Characteristics of Respondents

The paper sees it is relevant to examine socio-economic characteristics of petty traders to determine features of the respondents included in the study. Empirical evidences have been showing that socio-economic factor is one of the major factors influence income of any economic actors (Mnyawi and Benedict, 2014; Kirsten *et. al.*, 2008; Hobbs and Young, 2001). In this view, the following are the intrinsic socio-economic factors assed in the paper:

Table 3.2
Socio-economic characteristics of petty traders ($n = 200$)

<i>Socio-economic factors</i>	<i>Category</i>	<i>Frequency</i>	<i>Percentage</i>
Age of petty traders:	Less than 40 Years (Youth Age)	142	71
	41-54 Years (Adult Age)	46	23
	55+ Years (Old Age)	12	6
Gender of petty traders:	Male	102	51
	Female	98	49
Levels of Education:	Primary schooling	138	69
	Secondary Schooling	62	31
Petty Trade experience:	Less than 1 Year	40	20
	1-5 Years	58	29
	6+ Years	102	51
Nature of business:	Food and Beverages	39	19.5
	Clothes and Hand-bags	97	48.5
	Small items (General goods)	64	32
Income Average of Petty Traders:	Less than Tshs. 150,000	91	45.5
	Tshs. 150,001 – 500,000	75	37.5
	Tshs. 500,001 and above	34	17

4.1.1. Age of Petty Traders

The age of respondents was categorised into the following groups as can be seen in Table: less than 40 years, 41 to 54 years, and 55 years and above. According to Table 3.2, the highest age group is less than 40 years which is equivalent to 142 (71%) and the lowest age group 55+ which is equivalent to 12 (6%). The implication here is that majority of petty traders are youth who are economic labour force in the country.

Considering that empirical evidence shows that age has a significant relationship with the growth of income in petty business (Ma'ruf Redzuan, 2000). Theoretically it is believed that person who has higher age is someone with high business experience and knowledge, and consequently can generate more money using his/her business experience and knowledge.

4.1.2. Gender of Petty Traders

Table 3.2 shows that the study was not biased because gender balance i.e. male and female was seriously considered. For instance, the Table 3.2 shows that male were 102 (51%) and female were 98 (49%) participated in this study. However, empirical evidence shown that most of the petty traders were male; if you based to the African tradition, normally female are staying home to take care the family, fetch firewood and water while head of the house (male) is fetching bread for the family.

4.1.3. Level of education

The findings in Table 3.2 shows that 138(69%) respondents had primary education while 62(31%) had secondary education. Based on these findings, majority of petty traders have primary education. Theoretically, implies that these traders have limited entrepreneurial skills and business education. The level of illiteracy is very high. Therefore, level of influencing big deals is very minimal and hence getting low business income. Literature shows that low level of education might have affected growth of income of petty trader.

4.1.4. Petty Trade Experience

The study wished to reveal knowledge and business experience of petty traders in the study area. As Table 3.2 shows that 40 (20%) respondents had petty trade experience of less than 1 year, 58 (29%) respondents had 1-5 years, and 102(51%) had 6 years and above petty trade experience.

In this view, majority of petty traders have adequate business experience regardless of their business revenues earned individually. Theoretical business experience model shows that business might be successful if the business has been in operation for more than five years (Brockhaus, 2013), *ceteris paribus*.

4.1.5. Nature of Business

Based on the respondents' responses, 39(19.5%) respondents were food and beverages petty traders, 97(48.5%) were clothes and hand-bags petty traders, and 64(32%) were small items (general goods)⁴ petty traders as shown in Table 3.2. Petty traders have diversified into different businesses which play a crucial role in the economic improvement. Petty trade has been creating substantial job opportunities to majority

⁴ This includes children entertainment goods, household equipments, school equipments and facilities for pupils, and etc.

of youth in Tanzania especially in the area of the study and hence helping petty traders to reduce income poverty among petty traders' households.

4.1.6. Income Average of Petty Traders

The study wished to understand income average of each petty trader who participated in the study. The study wished to understand average income level of petty traders in order to identify financial capacity of petty traders in term of working capital to determine business income generation as well as income of households.

As Table 3.2 shows that petty traders with less than 150,000 were 91 (45.5%), followed by Tshs. 150,001– 500,000 were 75(37.5%) and Tshs. 500,001 and above were 34(17%). This implies that majority of petty traders have experience problem of working capital and thus they experience income poverty.

4.2. Regression Analysis Results

In this study, multiple regression model specified socio-economic factors that influence income of petty traders. The regression output is shown in Table 3.3. The findings indicate that three out of six independent variables [i.e., petty traders' education level (PTEDUC), petty traders' business experience (PTBEXP), and petty traders' business assets (PTBASS)] had significant effect on the household petty traders' income growth as shown in Table 3.3.

Table 3.3
Results of OLS Regression Analysis on the Intrinsic Socio-Economic Factors Influence
Income Growth from Petty Trade (n = 200)

<i>Variables</i>	<i>Std Errors</i>	<i>Coefficients</i>	<i>T-ratios</i>	<i>Significance</i>
PTAG	0.557	-6.904	0.864	0.469
PTGEND	4.252	-3.737	-0.637	0.525
PTEDUC	2.613	1.289	0.388	0.003*
PTBEXP	0.313	3.309	0.515	0.021**
PTBASS	8.333	8.096	0.495	0.019**
PTHS	1.719	-6.157	-2.506	0.310
Constant	5.616	22.340	3.978	0.000*

R² = 96%

Adjusted R² = 68%

F-Value = 3.428

Durbin Watson = 1.897

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

Dependent Variable: Income growth of Petty Trader (Continuous variable)

Based on Table 3.3, the regression model fits the data quite well because the variables included jointly explained about 68% of the variation in the total income of household petty traders for the year 2016. The significant F-statistic value of 3.428 is an indication that the four variables (i.e. petty traders' age, petty traders' education level, petty traders' business experience, and petty traders' business assets) exerted joint significant impact on income of household petty traders.

Based on the survey results, the results of this study in Table 3.3 show that the coefficient of age of the petty trade was insignificant and negatively affected income of petty traders; this result was in contrast

with the prior expectation. This implies that income of petty traders is negatively influenced by age of the household petty trader. The notion here is that the older the age of trader, the less productive s/he gets and hence the low the income generated. This result disagree with theoretical view that older traders tend to have more personal contacts, allowing trading opportunities to be discovered at low cost, and are likely to experience lower transaction costs and use more marketing channels (Lyne, 2002), and get higher income.

Survey results in Table-3 indicate that coefficient of gender was insignificant and negatively affected income of household petty trade incomes; this result is in contrast with the prior expectation. But however, this result is in line with the result shown in the study done by Aikaeli (2010) and Ugumba *et. al.*, (2010) that, gender hag negative sign and insignificant as household income does not increase with more participation of men. Since the empowerment of women seems to be fundamental in achieving rural household income poverty reduction.

Education plays an interesting role as a determinant of activity income (Khalid, 2009). The coefficient of education level of petty traders was significant and positively affected household petty trade incomes as noted in Table 3.3. This result is in conformity with a priori expectation that the higher the level of education of the household head, the higher the household income in the petty trade exchange activities. This finding agreed with the finding in a study done by Ugwumba *et. al.*, (2010) who observed that traders who are educated can combine many viable enterprises and can be more efficient in items marketing and consequently realize more income.

In addition, the low level of education of petty traders, coupled with their inability to communicate in the business language (*e.g.* lack of bargaining skills or inability to identify poor contract), also contribute to high transaction costs among petty traders. High transaction costs in marketing of commodities often exclude poorer petty traders from participating in growth opportunities (Lyne, 2002).

Based on survey results, Table 3.3 indicates that the coefficient of business experiences of petty traders in doing petty trade was significant and positively affecting income of household petty traders, which do conform to the expectation. The notion was that, farmers who stay in petty business for a long time would have developed a cost-effective and profitable way of transacting and may have identified and conquered possible niche markets. The entrepreneurship theory links business experience (age) with the development of entrepreneurial skills through a myth of learning by doing. In this study, however, the study findings are in line with the findings of Adeoti (2007) and Chan (2004), which show that having adequate business experience increase production and income. Similarly, Joel, (2003) argue that experience of entrepreneurs has a positive significant influence on profitability (income). Old entrepreneurs are more likely to convert their experiences in the market places into economic returns than their younger counterparts.

Table 3.3 shows that the coefficient of business assets (wealthy) of petty traders was significant and positively affected income of household petty traders. This means that an increase in the operating assets of petty traders would increase income of household petty traders, other things remaining constant. As noted by Khalid (2009), an increase in the value of productive assets (*e.g.* freezers or refrigerators etc) has the potential of increasing the intensity of productivity and hence would increase household income. In addition, distribution of assets has major implications in the distribution of income (Kirsten *et. al.*, 2008), implying that highly unequal distribution of assets reflects deeper income disparities among petty traders, other things remaining constant.

Survey results in Table 3.3 show that the coefficient of household size was insignificant but negatively affected income of household petty traders; this result was in line with the prior expectation. This implies that income of petty traders is negatively influenced by the number of household members (Table 3.3), all things being equal. This is referred to as the theory of economies of scale, which holds that (Dorward *et. al.*, 2009) the more the number of family dependants have been increasing, the higher the household expenditures and hence minimizes profit, *ceteris paribus*.

4.3. Other Intrinsic Factors Influence Income of Petty Traders from Petty Trade

The paper stressed to uncover non-socio-economic factors influence petty traders’ income from petty business in Mwanza and Dar es Salaam cities. By using administered questionnaire approach, the following factors were aired-out during the field survey: lack of government support especially in creating conducive business environment, disturbance from Mgambo (Municipal solders), and lack of adequate working capital, and lack of entrepreneurship skills as shown in Table 3.4 below:

Table 3.4
Other intrinsic factors slowdown household income growth from Petty business

<i>Constraints</i>	<i>Frequency (n = 200)</i>	<i>Percentage (%)</i>
Lack of government supports	48	24
Chased and goods damaged by Municipal auxiliary policy	46	23
Lack of adequate working capital	62	31
Lack of entrepreneurship skills	44	22

Source: Survey Data

(2016)

4.3.1. Lack of Government Support that Create Conducive business Environment

According to Table 3.4, 48 (24%) of the respondents surveyed air-out that business environment is poor in the study area due to inadequate business support initiatives made by the government to informal sectors. They miss business supports that would uplift the business environment and hence realizing more revenues from sales; and consequently influencing growth of household income among petty traders in the study area. In line with this, empirical evidences show that traders who are opportunistic often prefer to do businesses in a place where there are friendly marketing infrastructures (electricity, clean water, registered tables, *etc*) which would promote business revenues as well as attract more customers to pay visit into the business areas.

During the field survey, the researcher observed that there were customers who were not read to pay a visit in some places due to fear street robberies or theft. Following this behavior of fearing theft, traders have been losing a lot of revenues from customers who stopped to visit the areas just because they think their security is unsecured. Therefore, this factor seems to slowdown income growth of households of petty traders in the study area.

4.3.2. Lack of Entrepreneurship Skills and Education

Table 3.4 shows that majority of petty traders do not have entrepreneurship skills which could help them to raise the income from their business and enhance household income. For example, Table 3.4 shows that

out of 200 traders faced, 44(22%) of the traders had inadequate entrepreneurship skills in the study area. For the business to do better, traders need to have knowledge on financial management, sales, business strategy, logistic and risk management for business success (Biggs and Shah, 2006).

In the line with that, entrepreneurship skills and knowledge are very important for improving the performance of the business and raise the income. Most of traders particularly in the small enterprises sector do not have enough trade knowledge and skills for managing their business. As a result, many businesses have collapsed. Also, TNA Report (2010) shows that majority of SMEs in Tanzania are not doing well because of lacking business knowledge and skills among the entrepreneurs. In this view, knowledge on business education as well as entrepreneurship skills are also one of factors hindered growth of business income.

Moreover, Mahbub (2000) also noted that lack of business skills among petty traders reduced the capacity of production and exchange of their goods which also affects their income. For instance, one trader who were selling cereals products, in Makoroboi area, commented that;

Case One

“I have never gone to formal schools but I wish atleast to get business skills which will directly associate with what I am doing every day. One of my dream is to become big business woman but I know I will face lot of challenges to reach my dream without having entrepreneurial skills on my business. I wish to start attending business class even today, but I don't know where to start”.

In this view, local government authority should prepare tailor made special programmes that would geared to improve entrepreneurship skills among petty traders. This will impart them good knowledge on how to bargaining price, keeping business records, finding market and add value to their products. If all this will be in place then traders would increase income from petty business through sales.

4.3.3. Lack of Adequate Working Capital

Lack of adequate capital is one of the most critical challenges face small traders including petty traders and affecting the business return or income in developing countries including Tanzania. As noted in Table 3.4 that around 62 (31%) of petty trade had inadequate working capital for expanding the business. This findings supported by Kinsella *et. al.*, (2003) that small business enterprises including petty business do not have enough capital to invest and expand their business; the constraints have been lack of the trust by banks or financial institution to provide loans to small traders which do not have experience and knowledge to manage business. The findings are in line with Mambula (2002) that despite the existing policies on financial support for small businesses, very few entrepreneurs receive financial help when they need it. Also, Honohan and Beck, (2007) and Wallace (1999) confirm that small business assistance from governments of African countries is weak and inadequate.

In other words, financial barrier has limited the level of investments or business expansion, which in turn, minimizes quality and quantity of products, and hence lowering business revenues from sales. This idea is in line with the comments given by one of respondents (from Kariakoo area) that:

“Capital is very important component for business success, without capital how your dream may come true. I believe that if we had enough capital, I would have already expanded my business for retail to wholesale. But capital has made me to step back in my business”.

Basing on the a for mentioned reality above, it is therefore high time now petty traders to secure business credits from financial institutions at a less transaction cots. Since majority of surveyed traders mentioned working capital is one of the key factor slowdown the growth of their businesses income in the study area. That is why, Hallberg, (2000) argues that lack of enough capital among petty traders lead to the poor business effectiveness and efficiency. evacuate.

4.3.4. Chased of Petty Traders and their Products being Damaged by Municipal Auxiliary Police

According to findings in Table-4, 42(23%) of the trader surveyed said that Municipal/police/militia as commonly known in Swahili as “*Mgambo wa Manispaa*” is one of the constraints affecting their income growth. Because the “*Mgambo*” have been chasing them without to following proper procedures and damaged their products unnecessarily. As a result, traders lost their product and accelerate household income poverty. For instance, most of petty traders were complaining that Municipal auxiliary police/militia have been catching them and some confiscate or damage their products Such behaviors have been affecting income growth of traders and step them back economically. As noted in the cases reported during the administered questionnaire interview at Makoroboi Area that:

Case Two

Mr. “X” is one of the petty traders in Makoroboi area, in Nyamagana District in Mwanza. During the interview, Mr. “X” had 36 years old and he was married. Mr. “X” had been selling small items such as clothes and hand-bags. He started petty trade activities in year 2012 with a business capital worth Tshs. 420,000.

In year 2016, Mr. “X” had working capital of Tshs. 950,000. Unfortunately, on 4th December, 2016 when he was doing business on the pedestrian roads, suddenly Municipal auxiliary police (militia) came and took all of his goods. At the same time, he was locked – up for violating municipal rules. After period of times, he was released out without been taken to court for the hearing of the accusation. However, at the Municipal office level, he was late called to pay fine for the same and he did.

After being released, he requested for his goods but unfortunately, he did not get all the goods from either the “*Mgambo*” or respective Municipal Office. In this regard, he lost part of his goods taken by the “*Mgambo*” plus money worth Tshs. 140,000 as sales from his pocket when he was under-arrested.

According to Mr. “X”, he lost goods worth Tshs. 380,000 and cash sales worth Tshs. 140,000; in total he lost Tshs. 520,000 over-one night. In this view, Mr. “X” and his household were affected by Tshs. 520,000 and hence experience income poverty by the same amount.

The following is case two showing how “*Mgambo*” may influence income poverty to women petty traders as well:

Case Three

Ms. “Y” is one of the petty traders who are selling foods in Kariakoo area, Dar es Salaam. She is very famous for her delicious food. She started food vending in Kariakoo with a capital worth Tshs 120,000/= . December, 2015, her capital was amounting to Tshs. 340,000.

Early December, 2015, Mgambo went to her business place and arrested her for failure to abide to the call that wanted them to stop selling foods in those areas. There was cholera disease during that time. However, later she managed to escape from the hands of Mgambo.

Following her escaping, Mgambo damaged her foods; and caused Ms “Y” to get loss of Tshs 260,000 as part of the food damaged.

Due to unnecessary action taken by Mgambo against voiceless petty traders, business income will never grow rapidly; and as a result, income poverty will perpetuate among petty traders in the study area.

4.4. Conclusions and Policy Recommendations

This paper stressed on the analysis of intrinsic socio-economic factors affecting the income of petty traders in Mwanza and Dar-es-Salaam as study areas, Tanzania. The overall conclusion is that, petty traders face a multiplicity of constraints study area. That is why, majority are still poor economically. Based on the key findings, *first*, the study recommends that the government should intervene specifically in the reduction of business constraints and the risks of doing petty business by improving marketing infrastructures and institutional factors. There is need to ensure that there are suitable business sites allocated for petty traders to do marketing in Tanzania friendly. This will enhance the government to collect levy easily from petty traders and increasing its revenues. Second, the government of Tanzania and other non-governmental organizations under public private partnership (PPP) should provide business training to petty traders for getting knowledge and skills on how to carry out and managing business. If all these recommendations are implemented, then improvement in the income from oranges would ultimately be realized.

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