



# Small Business Entrepreneurship in Dar es salaam –Tanzania: Exploring Problems and Prospects for Future Development

Rashid M. Mfaume and Wilhelm Leonard

## **African Development and Poverty Reduction: The Macro-Micro Linkage**

Forum Paper 2004

13 - 15 October 2004  
Lord Charles Hotel, Somerset West, South Africa

 Development Policy Research Unit  Trade and Industrial Policy Strategies  
 Cornell University

**Sponsors**



## **Small Business Entrepreneurship in Dar es salaam -Tanzania: Exploring Problems and Prospects for Future Development<sup>S</sup>**

Rashid M. Mfaume  
And  
Wilhelm Leonard<sup>®</sup>  
Institute of Public Administration  
Mzumbe University  
P.O.Box 5  
Mzumbe  
Tanzania

### **Abstract**

Small Business Entrepreneurship has been seen as a hub in generating income for the majority of urban dwellers with no formal paid employment. In Tanzania, entry into small business entrepreneurship is usually not seen as a problem. One can start small business at any time and in any place. However, the development of this informal sector has been profoundly characterized by two parallel phenomena which are perhaps contradictory in character. One is the increasing politicization effort encouraging people to engage in Small and Medium Entrepreneurship (SME). This has led to the proliferation and mushrooming of small business most of which are in the form of petty trading, at least everywhere in the urban centres. The second is the parallel increase in events suggesting prevalence of crime and bureaucratic hurdles which affect SME and counter reaction from the small traders. While the second can be characterized as due to the increasing repressive action by city authority over vendors, the counter reaction behaviour of itinerant and small traders toward city authority is also evident in most urban areas. Generally, the sector is characterized by constant tension and feuds between small traders and urban authorities. Drawing on research findings, the present paper challenges the possibility of reducing poverty in Tanzania using the strategy of developing the small business entrepreneurship under the situation where there is an increasing level of petty crime and bureaucratic hurdles. It is argued and indeed, concluded that if the present intricate and controversial situation surrounding SME and small business is not reversed, if not brought to rest, the development of SME is on slippery slope. The option suggested to tame the conundrum includes, developing discourse portfolio between small traders and bureaucratic authority and authorities formulating policies that can promote development of small business entrepreneurship.

**Keywords:** Entrepreneurship, Crime, Small business, abject poverty, Bureaucratic malice

---

\* Initial research upon which this paper is based was conducted jointly by the author of the present paper and Mr. Wilhelm Leonard of Mzumbe University. The author is grateful to Entrepreneurship and Small Business Research Cluster – Mzumbe University for supporting the initial study; also the anonymous referees for their constructive comments for improvement of this paper.

<sup>®</sup> Correspondence to: Rashid Mfaume, Lecturer, Institute of Public Administration. Mzumbe University: P.O. Box 5 Mzumbe – Tanzania, Email: ramfaume@yahoo.co.uk

## **1. Introduction**

Over the past fifteen years, Tanzania has embarked on an ambitious and long process of economic, social, and political reforms to improve the business environment and to increase economic growth and reduce poverty. In the past five years, despite adverse weather conditions and deteriorating terms of trade, the economy of Tanzania has been growing at an annual average rate of more than 4% (UNDAF, 2002-2006). For example in 2003, the economy grew by 5.6% in real terms. Inflation had been reduced to 4.6% by March, 2004 (Budget speech, 2004/2005). The balance of payments position has also improved substantially with foreign exchange reserves rising and maintained at a sustainable level (UNDAF, 2002-2006). Despite all these success stories, the challenge facing the government of Tanzania is to translate these achievements into tangible human development. The depth and extent of poverty is still high with 50% of the population living below poverty line (ibid). The task of reducing poverty and improving the living standards of the Tanzanian population is huge. The rate of growth of national economy has not been high enough to generate the number of jobs required. That brings up the issue of the majority to enter into private sector in the form of entrepreneurship and small business, thus expanding the private and informal sector of the economy from 23.9% in 1971 to 79.6% in 1996. Correspondingly, the share of Public sector in the economy decreased from 76.1% in 1971 to 18.8% in 1996. At the same time the share of Public Sector employment in the formal sector increased from 23% in 1984 to 65% in 1994.

Given the fact that Tanzania is one of the most rapidly growing population and urbanizing countries in Africa, with total population of 34.56 million people, annual population growth rate of 2.9% and urban population growth rate of 4.5% per annum (National census, 2002), the implications of this rapid population growth are enormous. Firstly, young people will shortly constitute two thirds of the country's urban population. The entry into labour markets is expected to more than double, thus causing a further strain on already worsening unemployment situation. It is estimated that the number of new entrants to the labour force is between 600,000 and 700,000 annually, comparing unfavourably with the less than 300,000 new jobs that are created each year, most of them generated by

informal sector (UNDP, 2003). According to the last labour force survey of 1991, the unemployment rate was 10.6% (UNDP, 2002; Bureau of Statistics, 1999). The retrenchment exercise and the collapsing of most state enterprises that have thrown most energetic people out of sustainable and reliable income all add to the problem of unemployment. It is the fact of the day that majority of retrenches remain in town trying to pursue other means of earning income. They resort to self-employment ventures in the form of entrepreneurship and small business.

Agricultural sector, according to official data, provides employment for four-fifth of the labour force. However, as both United Republic of Tanzania and World Bank admit, the performance of agricultural sector has been sluggish in the past decade and virtually stagnant. The *“level of growth achieved during the last decade is certainly not commensurate with the huge potential in agriculture”* (ASDS, 2001). The levels of agricultural growth achieved during the last decade are too low to pull the majority of the rural poor out of abject poverty. Instead, they serve to perpetuate the existing pervasive poverty among the farming communities (ibid). The cumulative resultant outcome is that the sector is unattractive especially to young people, and when lack of other social services in rural areas are added, the rural-urban migration increases and reluctance of people to migrate from urban to rural areas becomes high. Secondly, the excessive population is expected to live in overcrowded slum and squatter settlements, characterized by inadequate infrastructure and services, low security system, thus harbouring crime and violent practices. What is apparent is that the question of entrepreneurship, small business and crime in urban centres presents a long standing conundrum at least recently when there is high prevalence of poverty. The proliferation of crime has been fuelled by several issues including raising the level of unemployment and underemployment among young people (see later sections in this paper).

The purpose of this paper therefore is three fold. Firstly it present some empirical evidence, albeit, in a nutshell, of the prevalence and impact of crime on entrepreneurship and small business based on the findings of the exploratory study conducted in the city of Dar es salaam. Secondly, it gives inductive discussion on the magnitude, forms of crime

and how it impacts on small business in Tanzania. The thirdly is to highlight some Policy implications of the crime situation and how we can forge macro – micro linkage as a strategy for poverty reduction. The central argument of the paper is that, high prevalence of petty crime surrounding informal sector particularly small business is problems that can frustrate the growth of informal sector and even making the vision of poverty reduction foil. Also we note the difficulty of drawing clear boundary between repressive acts of bureaucrats (city law enforcers) on the one hand and the acts of small business proprietors on the other hand. Again, we question the possibility of Tanzania eradicating poverty by year 2025 as envisioned in the country's development vision 2025, under the present situation where Macro – Micro linkage is very minimal. As we unearth the problems inflicting the sector, we also note some strategic options to bring the constraining problems to rest and also suggest Policy oriented action to make the small business sector to prosper.

The paper is divided in five main parts. This introduction is the first part. In the second and third part we present general and normative description of the past and recent intricacies of crime and petty trading in Dar es salaam. The intention here is to try to give some chronological insights, albeit briefly, into empirical facts underpinning crime and entrepreneurship in our urban centres. It can depicted that all along the linkage of macro and micro enterprises is very minimal, with micro regarded as just endeavour for poor people and those with no education. In the fourth part, presents some theoretical conceptualization and analytical framework. The fifth part is context, methodology that underpinned the main study The sixth part presents various empirical evidences and discusses the implications of the high prevalence of crime and its impact on entrepreneurship and small business. This again gives us an insight into bureaucratic behaviours and how the official authority conceives of the issue of crime and entrepreneurship and small business development in context. The fifth and final part is conclusion and some suggestions for Policy makers.

## **1. Historical perspective of Crime and Entrepreneurship in Tanzania's Urban Centres**

The rise of the urban informal sector in Africa is particularly associated with the post-colonial period, when rapid urbanisation tended not to be accompanied by concomitant growth in urban formal economies. The urban people adopted diverse self-help initiatives to create employment and incomes. However, both rapid urbanisation and this entrepreneurial response have their roots in the late-colonial period.

For example, the planned solution to what was seen as the problem of urban growth was to attempt to limit it. Restricted numbers of more skilled employees – being paid salaries which were for the first time high enough to make permanent urban residence an option – were to replace scores of indigenous and temporary migrant labourers. Such thinking plainly failed to address what was evident in towns and cities throughout the continent, that ever-growing numbers of people were opting to move to the urban areas. By so doing, these migrants flagrantly contradicted colonial schemes aimed at restricting urban growth. Faced with what was often contracting employment in the formal sector, these migrants turned to the informal economy to get by, in contravention of both municipal by-laws and the colonial ideals of a restricted urban African class engaged in privileged formal employment. Faced with the unruly ingenuity of their subject populations, colonial authorities vainly attempted to enforce their urban vision through the criminalisation of the informal sector, and the later colonial period was characterised by periodic campaigns in which Municipal Administrations vainly attempted to clean the streets of unsightly vendors and hawkers. Despite the manifest inadequacy of such a policy, those African officials who assumed responsibility for the administration of urban centres after independence maintained this approach.

It is comparatively recently that those policies, that are more tolerant of informal economic activities, have been adopted in sub-Saharan Africa. However, even today those active in the informal sector are still highly vulnerable to the whims of Municipal officials and politicians, as is only too evident in the wave of demolitions of informal trading areas which

occurred in many towns throughout the country on the pretence of the so called cleaning the city and make it safer!

In Tanzania, Dar es Salaam in particular, the question of entrepreneurship and small business especially itinerant trading were evident even during colonial period. Hawking and peddling were, according to Leslie (1967) 'the standard expedients of those unable to find paid employment.' Few of these petty traders were licensed: 'the casual peddlers', observed Leslie, 'seldom bother to comply with the law.' Despite the obvious inefficacy of municipal policy, the attempt to control itinerant trading through restricting the number of licences persisted. Unlicensed hawkers continued to be apprehended and taken to court. In 1959, as ever-growing numbers of migrants were entering the township – many of whom were resorting to petty trade to get by – the Municipal Council deliberately decided to reduce the amount of trading licenses available. Illegal tapping of palm wine (*tembo*) with its attendant evils of illegal selling of liquor is very prevalent in the neighbourhood of Dar es Salaam. Drunkenness and hooliganism were, as a result, on the increase especially among the youths of the suburban areas who patronised illegal '*tembo*' clubs and '*marjuana*' to a very large extent

Municipal and district officials viewed unlicensed street trading as either a public health threat and/or an activity which undermined the licensed and controlled trade conducted in the official markets. Despite the shortage of work, the numbers of trading licenses were highly restricted as the town council maintained their long-held policy 'to keep street trading to an absolute minimum'. According to narration by Burton (2001), in 1955 special police squad was set up to apprehend, amongst other so-called undesirables, unlicensed hawkers. In the first quarter of 1955, 111 were prosecuted for trading without a licence as a result of police raids. In the next quarter 31 were apprehended for the same offence.

It was not until the election of Dar es Salaam's first African mayor, Amri Abedi, that there was a reconsideration of the long-held municipal policy of restriction. On coming to office in early 1960, Mayor Abedi proposed that '*street tea and food sellers should be given licenses to trade freely and hawkers' licences to move freely.*' By this time, ever growing

numbers were resorting to informal trade as a means of getting by. Some councillors opposed the move, by mere reason that the act would harbour health problems and jeopardize the interest of licensed traders. Councillor Jaffer of Indian origin spearheaded the opposition.

The outcome of these exchanges was a compromise in which itinerant fruit and vegetable traders were allowed to operate unlicensed as long as they had acquired written permission to trade, whilst regulations were introduced restricting traders of other goods to operate from approved sites. 192 licenses were made available to such traders. Meanwhile the Police were '*requested to take action against any such traders operating on the streets or sidewalks and against any other persons trading on the streets with no permit.*' '*The new controls*', announced a satisfied Councillor Jaffer, '*should go a long way towards solving the indiscriminate trading which was going on ... in Dar es Salaam.*' This approach was maintained after independence in December 1961. Once African politicians and officials assumed responsibility for managing the town, their response to the problems of rapid urban growth bore marked similarities to that of their colonial counterparts. The ideal of a restricted urban population engaged in formal wage-earning employment persisted in the official rhetoric<sup>1</sup>.

### **3. Synopsis of Recent Intricacy of Small Business and Crime in the City of Dar es Salaam**

Crime in Dar es Salaam is a topical issue which is not a new one. Although there is widespread agreement that crime has worsened significantly in the last few years at every level from petty street crime to large-scale government corruption with many stops in between. It is worrying that even *Bureau de change* no longer guarantees the safe exchange of their customers' money due to widespread malfeasance by employees in connection with fake notes! Indeed, much of the crime which occurs in Dar es Salaam, could be described as what historians of western societies have termed 'social crime'

---

<sup>1</sup> The great part of this narration is taken from the writings of Andrew Burton (2002) 'Crime and Entrepreneurship in Dar es Salaam'. British Institute of East Africa – Nairobi.

In Dar es Salaam, the ideological antipathy towards the informal sector is buttressed by social conflict. One can witness the arrest of itinerant traders and other small business people setting up their merchandize along the pavements of busiest streets such as *Azikiwe, New post office, Telephone house, Samora Avenue and Kivukoni front*. In September 2003, for example, a hawker popularly known as '*machinga*' was seriously bitten by '*city askaris*' to unconscious state and thrown at the back of Municipal lorry, along Azikiwe Street. The fracas started after the group of '*machingas*' selling clothes attempted to bypass the city order of eviction along the street following the staging of SADC meeting for the first time in Dar es salaam. Many others were arrested and escorted to unidentified destination. The arrests were being conducted by a new tier of Municipal *askaris*. The tier had been introduced to enforce by-laws as part of the Dar es Salaam Safer Cities Programme. However, many analysts believe that such an action of city '*askaris*' only serves to foster crime in the city rather than reducing it. In the act of their apprehension, *machingas* and other vendors are criminalised, which the some analysts might argue that the acts could set them on a path leading to more serious defiance. For example, in November 2003 a big brawl occurred whereby a group of about 50 city hawkers invaded the Ilala Municipal Godown along Nyerere Road and killed the head of the city auxiliary police one Habibu Mwanga (*The express Dec. 11 – 17, 2003*). This event implies that small business undertakers and vendors are more likely to become hard recalcitrant and view the government as their enemy or obstacle for their development instead of being their facilitator. An additional tier of municipal officials results in the proliferation of corruption, as those officials empowered with policing responsibilities seek to benefit from their position. Opinion about question of evicting and harassing hawkers differs with most analysts inclining to the side of the hawkers! They question the legitimacy of the city authority to harass hawkers while it becomes difficulty for the same authority to provide basic services such as garbage collection and filling of potholes along the street roads. After all, what the hawkers are doing – selling neckties and hand watches to the urban consumers is harmless.

#### 4. Theoretical Conceptualization and Analytical Framework

Entrepreneurship is considered as the driving force behind changes in the economy as well as business environment. The term entrepreneur has evolved over the years to be used to mean an individual (group of individuals) who has the ability to see and evaluate the business opportunity existing in the environment and take advantage of it. An entrepreneur is considered to be a person with ability to take risk of organizing resources into business venture and manage it with the aim of being successful. The question of success here becomes *axis mundi* and the prime goal and vision of every entrepreneur. Entrepreneurship can operationally be defined as the ability or attempt to create and manage a new venture. It is linked with the qualities and activities of entrepreneur i.e. to see an opportunity and being able to benefit from it.

Discourse on entrepreneurship and small business subject can take us long to pursue. However, practitioners share some common understanding when they describe entrepreneurship. For example, Thomas Zimmer and Norman (1996:52) describe entrepreneurship as a result of being disciplined and systematic in the process of applying creativity and innovation to needs and opportunities in the market place. It involves not only applying focused strategies to new ideas and new insights but also creating a product or a service that satisfies customers' needs or their problems (ibid). Schumpeterian takes a rather traditional view when he describes entrepreneur as a person who identifies a market opportunity and transforms it into a profitable economic value. In his view, entrepreneurship is seen as quality of a person, which includes both attitudes (disposition), takes responsibility for risk outcomes and behaviour i.e. set of action necessary to implement a venture. Other traditions such as those of Morris and Lewis regard entrepreneurship as something that requires both an entrepreneurial event and an entrepreneurship agent.

The wrangle in definition over much complicated when even authoritative institutions like Lome Convention lack a clear cut definition and categorization of 'small' and 'medium' enterprises; with categorization varying depending on the focus of analysis, degree and formality in operations, thus dividing them in to three categories.

According to Lome Convetion, SME employ more than 10 persons operating mainly in the formal sector. Craft enterprises are mainly found in the semi formal sector carrying out simple transformation of primary products; while Micro enterprises are normally formal sectors with as many as 10 workers although the usual number is one or two with or without some part-time assistants. Even with this categorization, yet one can face difficulty in identifying the locus of itinerant hawker (*machinga*) who buys and walks long distance with few finished merchandize. The difficulty in fitting the *machinga* within the prescribed spectrum is probably what presents a conundrum even when the issue of eviction along city streets and road pavements is concerned (we have explored this issue in the preceding section and we will present empirical evidence in the later sections). All in all we offer our pessimistic and subscribe to other analysts the view that defining and fitting petty traders within the defined realm of SME is hard!

The space limits us to expound the long list of traditions and schools prescribing what entrepreneurship is and is not. Suffice it to conclude that entrepreneur is a person or group of persons who compete through innovation; discover through networks; persuade resource owner and indeed bear risk. While it is important to define and identify who is an entrepreneur, it is unfortunate that the question of factors and environment necessary for entrepreneurship especially small business to prosper has not attracted much attention from scholars. One probable reason is that many people including scholars take entrepreneurial activity as given and probably activity involving informal sector and private sector.

It is important to note that ventures exist and operate in the environment that is characterized by many variables/factors. Such factors are like legal requirements in force at a particular administrative area, security and safety reliability in the business area, customer and consumer attitude toward the merchandize and environment, pricing and capitalization structure of the venture and many more. These variables may determine the

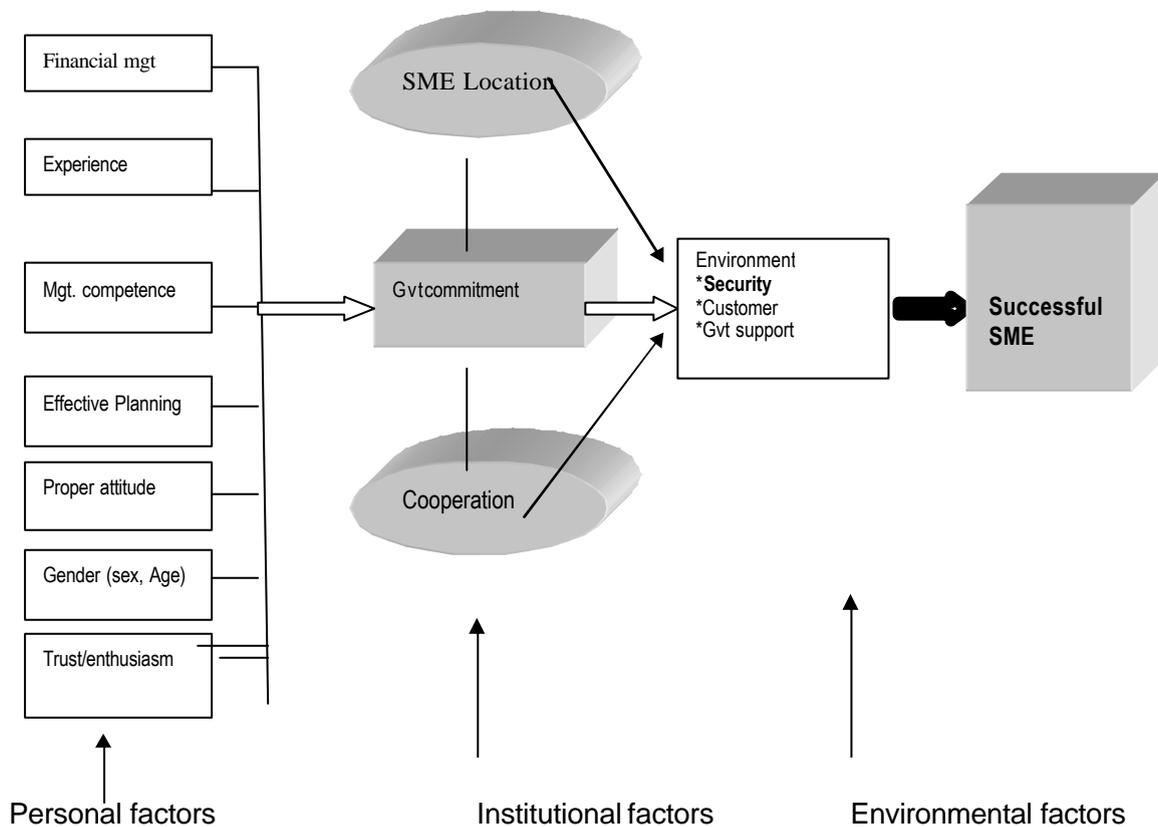
success, growth and failure of any business establishment. It is essential that entrepreneur set forth the effort to understand these factors by using various approaches like scanning the environment. The entrepreneur should as far as possible identify strengths, weaknesses, opportunity and threats of his venture before and after he has started the enterprise. On the factors that lead to success of entrepreneurship and business venture, various analysts provide different framework and factors. The critical examination and analysis of them provide the following as common factors: Formation of business organization, developing training programme for individual entrepreneur, mechanism to enhance availability of capital fund to entrepreneurs and small business (access to credit?), linking entrepreneurs to information and technology (cf: Kimeme et al: forthcoming) and provision of access to market (UN Economic Commission for Africa).

Other studies suggest that any one can become an entrepreneur! However there is slight difference in terms of age, sex, competence and level of capital leverage as some of the distinctive features among the groups of entrepreneurs when placed together. It can be argued that when capital, managerial and financial competence, planning, (market?) information, customers are put together, small business ventures can prosper. At the apex, there seems to be factors linked to individual entrepreneur and those linked to environment and institution. The latter can be regarded as supportive/facilitative factors. Generally, the concept of crime has become ambiguous (Leon, 1996).

The petty crime described in this context should be construed to encompass all that 'mal ethical acts' that are in contrast and are in breach of law of the land. They may also range from infringement of human natural right to the breach of the state and societal order. The crime we discuss in this paper is mostly limited to social crime mainly petty crime. In East African cities, crime and violence especially that affecting the equation of human security and mutual vulnerability, is on the rise. Depressed economic conditions make crime a lucrative opportunity for some and the only opportunity for many. Once internalised as a social practice, crime becomes part of the culture and a persistent systemic condition. The numerous consequences of urban violence include lost investment and urban decay, fear

and insecurity and the link between petty and organized crime and violence. Crime in Dar es salaam is a large topic but not a new one, although there is widespread agreement that crime has worsened significantly in the last few years at every level from petty street crime to large-scale government corruption with many stops in between. Sometimes it is worrying that even *Bureau de change* no longer guarantees the safe exchange of their customers' money due to widespread malfeasance by employees in connection with fake notes! Indeed much of the crime which occurred in Dar es Salaam, could be described as what historians of western societies have termed 'social crime'

**Fig.1 Analytical Modal of Factors essential for Entrepreneurship success**



Source: Adopted and modified from Accuchino, 2002

## 5. The Study Context, Data and Methodology

The context of the case upon which this article is based is the ongoing move of the government of Tanzania to express its endeavour and commitment to fight abject poverty. The commitment has been expressed in the 'United Nation Development Assistance Framework (UNDAF)', which has its roots in the two national development strategies, the Tanzania Assistance Strategy (TAS), and the Poverty Reduction Strategy Paper (PRSP I and II).

We conducted an exploratory research in the city of Dar es salaam in Tanzania, between months of March and May 2003. The main purpose of the study was to explore and describe the prevalence and impact of crime on entrepreneurship and small in Dar es salaam. The study used case study methodology to benefit from the advantage of the 'actors' perspectives on societal context and dynamics. Primary data collecting strategies comprised qualitative in-depth Interview and close dialogue. This strategy allowed for empirical inquiry of unclear boundary between the phenomenon studies and context that is, Crime and its impact, Small business and entrepreneurship . A cross section of about 130 Small business vendors including 'food vendors (*mama/baba lishe*), second cloth vendors and itinerant hawkers (*machingas*)' were involved whereby guided questionnaires and unstructured in-depth interview were administered. Seven (7) officials from three districts which are at the same time Municipals of Kinondoni, Ilala and Temeke responded to interviews. Also leaders of small trader's organization (VIBINDO) were interviewed. The main study used qualitative data analysis approaches including 'Causal mapping techniques, content analysis and discourse analysis. The documentary sources of information drawn upon included generic literature on crime as well as other documents related to entrepreneurship and small business, poverty reduction strategies and situation of crime in developing countries. The latter included various reports, speeches and other written body of literature. Three limitations of the main study, consequently to this paper, have to be mentioned well before hand. One is the small size of the sample that responded to the data collection instruments. Compared with thousands of people

engaging in small business entrepreneurship country wide, 130 respondents are very minimal. However our conviction is that at least we have managed to get insightful information that is inside the sector. The second that is not sufficiently substantiated by evidence at least by this paper is the other side of the coin i.e. the remarks and opinion of bureaucrats including city fathers and city askari who are in any way insiders of the issues at hand. Probably the space does not allow showing their response and their position as far as small business entrepreneurship is concerned. Thirdly is our deliberate omission to show some statistical enumerations such significance levels etc.

## **6. The Findings, Discussions and Implication to SME Development in Tanzania**

### **6.1 Administrative Structure of Dar es salaam City Council**

The Administrative structure of Dar es Salaam City Council is such that, it has three municipal councils of Ilala, Kinondoni and Temeke. The city is headed by Honourable City Mayor, with an Executive Director appointed by the President. The City Council is hydra headed, meaning that the City Council is an umbrella housing three Municipal Councils of Ilala, Temeke and Kinondoni. Every Municipal Council is headed by politically elected Honourable Mayor and Presidential appointed Executive Director. All in all the councils are accountable and answerable to the Minister for Regional Administration and Local Government (PO-RALG). At lower tiers of the administrative structure are Ward and *Mtaa* or *Kitongoji* whose leaders are appointed and accountable to Municipal Director.

**Table 1: Dar es Salaam Administrative Structure**

District/ Municipal area	No. of Divisions	No Wards	of No. <i>Mitaa</i>	of No. of villages	No. <i>Vitongoji</i>	Population. mil. (est),.2002
KINONDONI (521.695Km <sup>-2</sup> )	4	27	113	14	14	1.08
TEMEKE (786.515 km <sup>-2</sup> )	3	24	97	15	62	0.78
ILALA (272.677 km <sup>-2</sup> )	3	22	65	9	27	0.62
<b>Total</b>	<b>10</b>	<b>73</b>	<b>275</b>	<b>38</b>	<b>103</b>	<b>2.49</b>

Source: Compiled from various resources including Ilala, Kinondoni and Temeke Municipal comprehensive Health Plan 2002/3; Dar es Salaam region profile 1999; Environmental Profile for Dar es salaam City 1998/99.

**Table 2: Socio-Demographic Characteristics of the Sample**

	<b>Temeke (n=68)</b>	<b>Kinondoni (n=19)</b>	<b>Ilala (n=43)</b>	<b>Total (130)</b>
<b>Sex</b>				
Male	40	16	18	74
Female	28	3	25	56
<b>Age group (Yrs)</b>				
14-25	12	6	16	34
26-36	50	12	25	87
Above 40	6	0	3	9
<b>Education Level</b>				
No schooling	3	0	16	19
Primary education	55	16	25	96
Secondary education.	9	3	3	15
Above sec. education.	0			
<b>Marital status</b>				
Married	34	6	25	65
Single	34	12	16	62
Widowed	0	0	0	0
Divorced	0	0	3	3
<b>Duration in venture</b>				
1-5 years	40	12	22	74
6-10 years	9	6	16	31
Above 10 years	19	0	6	25

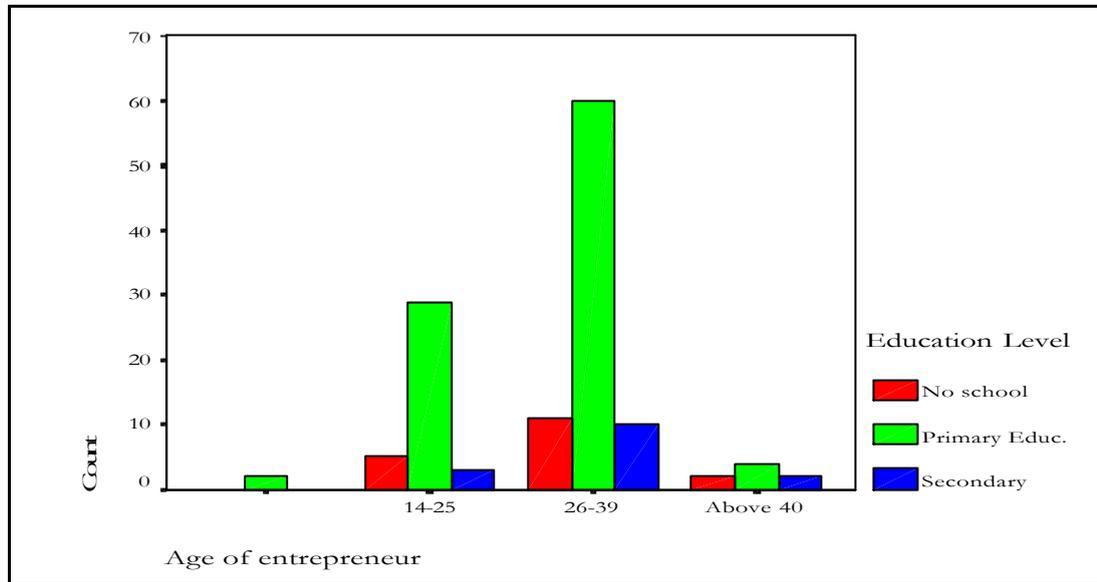
Source: Compiled by researchers from data collection instruments

## **6.2 Most People Enter into Small Business Entrepreneurship probably Because of Lack of Adequate Formal Education and Alternative Payable Employment**

Most people enter into small business because of lack of adequate education and difficulty of finding formal employment. There are very few who were formerly employed engaged in small business due to various reasons including retrenchment. The findings revealed that majority enter into entrepreneurship and small business because they do not have adequate education background and therefore it is difficult for them to find alternative paid jobs (36%). This findings is not new as they are supported by several other similar studies conducted in in Tanzania (cf: Kuzilwa, 2003, Mbwambo and Arbogast 2003). This implies majority of small traders responded during the study believes that small business entrepreneurship and other ventures as the last resort for them to earn livelihood.

Deducing from table 2 above and figure 1 below, qualitative information would suggest that majority of entrepreneurs and small business stakeholders are predominantly male (56%) of middle age (mean age 30 years). In addition, the majority of respondents are primary school leavers (73%) which corresponds to other studies conducted in Tanzania (cf: Kuzilwa, 2003; Mbwambo, 2003) and majority have stayed in entrepreneurship for 1-5 years (57%).

**Fig. 2: Age and Education Level of Respondents**

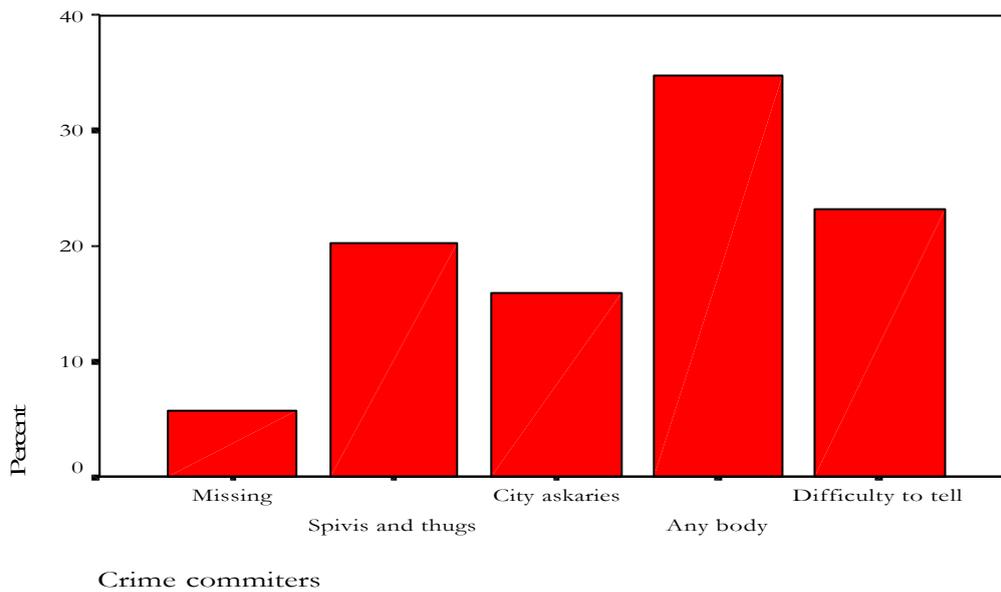


**6.3 Spivs, Thugs and City Askari are Among Crime Committers and Any Entrepreneur can be Victim of Criminal Acts:**

The figure 3 below shows results from survey of 130 respondents. The results indicated that 81.5% of the respondents had the opinion that any petty trader is a potential victim of criminal behaviour. The small business vendors are not certain of their safety and security. They believe that provided one is serving in this troubling sector, it is just a matter of time for any vendor to succumb to criminal related intricacy. When we asked as to who are really perpetrators of a crime against their venture, it was revealed that *spivs* and *thugs* are the main perpetrators (36.9%), other category are city *askaris* (24.6%). *Spiv* is acronymy standing for ‘*suspected person and itinerant vagrant*’. It was revealed also that any petty traders can suffer from criminal behaviour. Street vendors and itinerant hawkers as a category are seen to suffer more than their *mama/baba lische* counterpart’s. Echoing on the problem of city *askaris*; one street vendor Kevin Timoth has this to complain, “...we

are trying to make business, here, hadn't it been for the problems of city askaris who harass us every time, we could have been experiencing a boom in sales at this time close to Eid El Fitir and X-mas..." (ITV News, at 8.00 pm, Saturday 22, 2003). Therefore, the problem of crime is so prevalence to the extent that one is not certain as when he/she is going to suffer a loss.

**Fig. 3 Crime Committers**



**6.4 Destruction of Properties, Petty Theft is the Common Form and Type of Crime Facing Entrepreneurship and Small Business Proprietors**

Our interview with small traders as respondents indicated that the two forms of crime were rampant and the most leading forms of crime having longstanding negative impact to their venture. As it can be depicted from table 3 below, destruction of properties is the leading form and type of crime (45.5%). The second is Petty theft (36.2%).

*"...my business is paying, the big problem is city askaris, you know it is difficult to tell you (researcher) when and in what way they will come. They change tactics! When they come they can take everything including eating the food! So you have to buy new utensils now and then. I cannot reach any where; it is just wastage of time (mama lische – Kisutu)".*

It is evident that crime has a negative impact on entrepreneurship and small business development. This means that majority of small business owners suffer several types of losses. According to some studies conducted recently in the city of Dar es salaam, many people in small business sector get losses because of unrests between them and urban authorities (cf: Mbwambo and Arbogast, 2003). Some time the state authority has to intervene at least in words (politics!) in order to cool the situation. For example, Dar es salaam Regional Commissioner, Lt (rtd) Yusuf Makamba was harsh and vowed to deal with any law enforcers who could molest and take with them small business properties, such as foods, utensils when they staged city clearance operation (ITV New 8:00 pm, Tuesday, 29<sup>th</sup> July, 2003). According to Mbwambo and Arbogast, 52.7% of small business persons they interviewed were reported to have been harassed by city *askaris* and their properties destroyed or confiscated (op cit)

**Table 3: Types and Forms of Crime**

Type and Form of Crime	Frequency	Percent
Destruction of properties	59	45.4
Grabbing of properties	12	9.2
Petty theft	47	36.2
Open robbery	9	6.9
Ambush by thieves	3	2.3
<b>Total</b>	<b>130</b>	<b>100.0</b>

Source: Computed from survey data March/April 2003

### **6.5 The Motive to Conduct Business in particular Place and Not the Other is Mixed and Not Clear among Small Traders.**

Probably what makes entrepreneurship and small business much worrying to public health and city orderliness is the behaviour and practice of the undertakers to set their business any where in the city. In Dar es salaam and other towns in Tanzania, the small business merchandizes are everywhere! Along the road sidewalk, at bus stop waiting stalls, at major road junctions (at traffic lights) and even in public offices. It is possible to find clothes for

sale displayed at a place with a big placard reading 'It is prohibited to conduct business at this area'. The movable kiosk stalls are scattered everywhere. In most of these kiosks the proprietors usually sleep inside during the night. Some kiosks' owners attend natural call underneath parked trucks. These kiosks are usually moved and stalled during the night when city fathers have gone to sleep. Some times these kiosks pose threats to licensed big shops as they tend to have similar items sometimes with relatively cheaper prices. To reduce the threat, untrustworthy and incredible big business shop proprietors collude with kiosk and other itinerant hawkers. The vendors are given items from the shop and sale them outside. This tactics enable them to evade tax. The only benefit the vendors accrue is additional money when they happen to sale above what has been ordered by their boss (*kidogo dogo cha juu*). With all these problems, it can be argued that probably city authorities have good reasons to evict the small traders. As part of our specific objective, we wanted to get insight from entrepreneurs and small business undertakers themselves of their most preferred areas to conduct their business and reason(s).

While it is common to hear and read in the media about small traders complaining of the failure of city authority to provide and designate places for them to conduct their ventures and the difficulty situation they face from the acts of city authority the empirical situation suggests difference scenario. The findings are quite mixed and worrying. For example, when the results of the interview were cross-tabulated, the fact was easy to grasp. Many of the small traders interviewed indicated that they preferred to conduct business along the major road (42.2%). However it could be observed that the return on their capital and profit margin was relatively low (36.1%). Close examination revealed that the security threats along major road is comparatively as lower as (26.6%). The findings indicated that where the security was high (allocated places 46.1%), the places attracted very few traders, probably because of the low return on capital and low profit (7.2%) or probably because of other reasons. Why small traders will be prepared to face and absorb high risk and authority's consequences than refraining from conducting business in the areas they prefer remains unclear at least within the context of this study!

Empirical case was one respondent who through interactive discussion with the researcher aptly and confidently made the following statement:

*Since I started my business, I have never moved to any other place and I do not have any intention to do. The workers in these offices are my good customers. Yes I get good profit by just selling these neckties and mobile phone suits. Although this place is prohibited by city council and city askaries make constant raids. I survive because I can easily run and hide behind these buildings (he shows the buildings to researcher) and when picture gets caput (tactics fails) I lubricate them with something (kidogodogo) and then they leave me alone! Yes that's how we survive in the city (name - 22 years old – male, along Samora Avenue).*

**Table 4: Preferred Places for Business and Reason**

	Preferred place for business in the city areas		Motive to conduct business in the area (return on capital and profit gain)		Major concern in business (security and safety)	
	Count	%	Count	%	Count	%
City centre	31	24.2	<b>62</b>	<b>37.3</b>	35	27.3
Major roads	<b>54</b>	<b>42.2</b>	60	36.1	34	26.6
Alloc. Area	18	14.1	12	7.2	<b>59</b>	<b>46.1</b>
Any where	25	19.5	32	-	-	-

Source: Computed from Field data March – April 2003

**6.6 Un Bridging option! - Small business Proprietors Would Use Some Illegal Means to Protect Themselves from Criminal Acts.**

To the extent that small traders would like to conduct their ventures in places with good security, and where they can attract profit, they do also try to protect themselves from criminal threats. They protect themselves against *spivs* and any body attempting to jeopardize their endeavours. When vendors are confronted with any person for the

purpose of vandalizing and looting their merchandize, they try to use available means to protect themselves, irrespective of their legality. Sometime they engage in open fight with city *askaris*. In the course of doing that, they find themselves loosing their merchandize; sustaining body injury and even being criminalized. Sometimes small traders destroy properties including vehicles belonging to government as their retaliation.

The findings from interview with small traders indicated that small business vendors would be prepared to use any means possible to protect themselves. They use various strategies including staying in groups for ease of spotting the appearance of city *askaris*. According to them, the groups help them to pin down city *askaris*. The group is prepared use even confrontational means including fighting with law enforcers such as police and city militia. The fracas of 25<sup>th</sup> November 2003 whereby itinerant hawkers (*machinga*) engaged in heavy fights with city *askaris* is just one example. In that incidence, *machingas* used stones to defend themselves against city *askaris* who were trying to evict them from the city centre streets. Several properties including government vehicles were destroyed. City *askaris* reacted by beating small traders (*machinga*). They also disappeared with unaccounted merchandizes including food utensils used by *mama lishe* (*Majira* Wednesday 26<sup>th</sup> November, 2003). In 1995, operators of unlicensed backyard garages at *Kidongo Chekundi* in Dar es Salaam vowed to slice with *pangas* any city militia who could attempt to evict them in the place where they were operating their unlicensed garages (sic). In 2002 heavy fighting took place at *Mchikichini* small traders market between small traders and *spivs*. Again in 2002, fracas erupted at Kariokoo streets between small traders and city militia in the wake of an attempt to clear them from the streets of *Msimbazi*, *Kongo*, *Tandamti* and Girls schools in Dar es salaam. All these events suggest the existing and potential tension between small traders and city authority. Majority of small traders indicated that reporting to police (27.27%) was not the commonest used solution to them. However, it was not clear what sort of weapons small traders were using when encountering city militia or criminals although the researcher managed to spot a knife in one of the vendor's bag.

**Table 5: Means of Protection Among Small Traders**

Means of defence	Frequency	Percent (%)
Reporting to Authority	33	27.27
Fighting/other self defence	46	38.01
Staying with colleagues	34	28.09
Running away	18	14.87
Total	121	100.

Source: Computed from field data March/April 2003

## 7. Charting Conclusions and Ways Forward

In this paper we have tried to unfold various issues that cluster and affect the development of small business entrepreneurship in Tanzania. We have attempted to dwell on the challenges of sustaining and creating conducive environment for small business to grow and prosper. So far we have explicated evidence and arguments that highlight that we have a long way to go before informal sector, particularly small trading is brought into economic viable business. A lot of issues and challenges breath at the throat of the sector. Generally, it can be concluded that in Tanzania developing and sustaining small business entrepreneurship is uncertain and complex strategy. Most actions undertaken by and events connected to the entrepreneurs and small business traders on one side and city authority on the other, raise issues that are fundamental should attract the attention of Policy makers and that Micro Policy needs to address. Habits and styles of bureaucratic behaviour of bureaucrats responding to urban governance problems including small business order needs to be reassessed so that they don't constrain the endeavour to develop the sector which can otherwise contributes to a strategy of reducing abject poverty among the poor.

The informal sector is at a more critical point now than at any other time in the economic trajectory of the country. The government and donor's commitment to support informal sector has brought the issue to centre stage (see among others: UNDAF 2002, UNIDO

2002, PRSP I and II, of 2001 and 2004 respectively, and Tanzania Development Vision 2025). Given the economic forces at play and the demands from citizens for efficient and honest support from bureaucracy, one can expect that small business entrepreneurship development will continue to be on top priority. Disappointingly, and because the political stakes is high, there are constant conflict as we highlighted elsewhere, causing unhealthy future of the sector. It is even over shocking to note that at some point both city 'askaris' and 'machingas' can simply ignore the law by upholding open fight and brutality. Given the intensity of explicated events and data presented earlier in this paper, there is every reason to predict that the future development of small business entrepreneurship is on the slippery slope and that immediate Policy action is required. However, the demand and justification for entrepreneurship and small business endeavour as a strategy of reducing abject poverty in Tanzania are unavoidable.

The list of events and difference in opinions and view about the present and future of small business entrepreneurship in Tanzania is all such long and might be tedious to explicate at length. There has not been adequate space in this discussion to consider the situation in a wider and empirical context such as down to villages and other sub-townships. Suffice, as noted earlier, to point out that the pressure from citizens especially those with no formal employment who are aggrieved by malpractices of city authority law enforcers has on accession been so intense as to attract and call upon the government and policy makers to throw light on this sector.

While there are legitimate concerns about an unregulated informal sector – including those relating to public health – a balance has to be struck which takes more account of the needs of the urban poor – who form a majority in towns and cities in sub-Saharan Africa – as opposed to the interests of either the propertied classes, or the public order concerns of urban officials. Evidence from both the colonial and the post-colonial periods shows us that the criminalisation of the informal economy tends to lead to more crime and not less. Furthermore, it serves to weaken the legitimacy of the state and state institutions among the urban poor. The prevailing situation as we briefly diagnosed bring difficult in linking

Macro – Micro enterprises and thus frustrating the entire strategy of poverty reduction among the poor majority.

From the field evidence revealed relating to the demographic profile such as education background and age of people engaging in small business there is less doubt that these people might need some action oriented Policy. The Policy that will address such key archetypical issues constraining the development of informal sector. The minimum package of issues revolving around institutional issues such as regulations, authority dedicating designated customer availability places for their venture, environmental issues like creating safe environment for them to conduct their venture, and Policies and regulation concerning entrepreneur's personal factors such as business skill, planning and development programs and the like. It is important also that the state authorities entrusted to enforce law and order exercises the trust with some restraints. Even if there could be good reasons and justification for acting and sometime harassing the small traders, but balancing of interest is very important. Paradoxically, there are several alternative ways of improving the situation and making the micro sector impact specific and link with macro sector on poverty reduction. We can suggest that further to the adoption of the proactive Policies and regulations we suggested above; another new avenue can be adopted by the insiders of the sector. The important one is by fostering discourse platform between small traders and urban bureaucrats. This option will not only create conducive environment for informal sector to grow and sustain, but will also bring to rest the problem of open conflict and feuds between city authority and small traders. Key players such as ruling party leaders should translate their party policy into actions by providing continuous support to this micro sector much as it does to macro sector not only at periods close to elections but also at any other time.

## Selected References

- Anderson, C & Stavrou (2000) '**Youth Delinquency and the criminal Justice system in Dar es salaam**': Research report (UN-HABITAT). Nairobi.
- Assiago, J (2002) '**Youth and Crime in Nairobi**': Research report (UN-HABITAT).
- Cresswell, J.W (1994) **Research Design: Qualitative and Quantitative Approaches**, Sage publication-London.
- Kuzilwa, J. A (2003) '**The role of Credit for Small Business Success: A study of the National Entrepreneurship Development Fund in Tanzania**' A Paper presented at the MU/AUC International Conference on Entrepreneurship and Business Development. White Sands Hotel, Dar es salaam February 26-28 (Un published).
- ILO/UNDP/UNIDO (2002) **Road map for business in the informal Sector**
- Hellevik, O (1988) **Introduction to Casual Analysis**, Oslo
- Huff, A.S (1990) 'Mapping Strategic Thought' In A.S Huff (ed) **Mapping Strategic Thought**. Chichester: John Wiley
- Krippendorff, K. (1981) **Content Analysis: An Introduction to its methodology**; London: Sage
- Mfaume, R and W. Leonard (2003) 'Prevalence and Impact of Crime on Entrepreneurship and Small business in Dar es salaam city' Research Report Mzumbe University – Agder University College (Un Published)
- Morris, M.H and P.S Lewis 'Determinant of Entrepreneurship Activity: Implication for Marketing' **European Journal of Marketing**; xxix (1995) pp. 31-34
- Norman, M. S and T.W. Zimmer (1996) **Entrepreneurship and New Venture Formation**. Prentice Hall Publication. London
- Nkya, E. (1997) 'Institutional Economics and Economic Policy Reforms: Integrative Review and Research Possibilities in Tanzania' In **Uongozi Journal of Development Management**, 1(9).
- Painter, Martin (2002) 'Public administration Reform in Vietnam: Problems and Prospect' In The International Journal of Management and Research: 23(3), pp.259-270.
- Rutashobya, L.K (?) 'Women entrepreneurship and Performance Barriers' In [www.OSSREA.net/publications/htm/2pdf](http://www.OSSREA.net/publications/htm/2pdf)
- The Express** December 11-17, 2003 'Oppression drive *machinga* to violence'
- United Republic of Tanzania (2001), **Poverty Reduction Strategy Paper (PRSP)**, Dar es salaam govt. Printer.

Dar es salaam City Council '**Small Business Regulations**' (2002)

United Republic of Tanzania (2002) **Small and Medium Enterprise Policy.**

Govt. Printers Dar es salaam

United Republic of Tanzania '**Budget Speech 2003/4**'.

United Nations, Development Assistance Framework for Tanzania (2002 - 2006)

United Nations Economic Commission for Africa (updated), African Women and Economic Development: Investing in our future; In [http://www.uneca.org/eca\\_resource/Publications/ECA](http://www.uneca.org/eca_resource/Publications/ECA)

World Bank (2002) **World Development Report**, WB, Washington DC

Yin, R.K (1994) **Case Study Research: Design and Methods**; 2<sup>nd</sup> Ed (thousand Oaks, California); Sage,