

**DEMOGRAPHIC AND SOCIAL-ECONOMIC DESCRIPTORS OF  
FORMALISATION OF FOOD VENDING BUSINESS IN DAR ES SALAAM,  
TANZANIA**

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**2022**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania a dissertation entitled: **“Demographic and Social-Economic Descriptors of Formalisation of Food Vending Business in Dar es Salaam, Tanzania”** in partial fulfilment of the requirements for the Degree of Master of Human Resource Management (MHRM) of the Open University of Tanzania.

.....

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.....

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I, **Swai Patrick**, declare that the work presented in this report is original. It has never been presented to any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is now presented in partial fulfilment of the requirement for the Master's Degree in Human resource management (MHRM).

.....

Signature

.....

Date

**DEDICATION**

This Report is dedicated to the Almighty God for blessing my efforts and family, especially my parents, wife and kids. Likewise, I am very dedicated to my relatives for their moral and material support during my study.

## **ACKNOWLEDGEMENT**

Above all, the researcher has to grant my gratitude to Almighty God for his blessing and for granting me great care through taking this research; without him, nothing good could happen to me as it is.

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## ABSTRACT

Food vending supports the livelihoods of many households as they depend on this business for sustenance. Recent studies uncovered overlapping empirical findings regarding factors that hinder food vending business formalization. To address this puzzle, this study determined the effect of demographic variables such as age, sex, marital status, and household size on formalization of the foods vending business in Dar es salaam, Tanzania. It also examined the social factors such as education, peer pressure, ethnicity and experience on the formalisation of food vending, in addition, economic factors such as income, tax fees, registration fees, licence fees, capital, and networking on the formalisation of food vending were studied. Lastly it determined whether prior-exposure such as attending seminars, workshop and conference to business education is associated with formalising food vending in the study area. Data were collected from 210 respondents through semi-structured questionnaire and through interview with five (5) key informants. Descriptive statistics and binary logistic regression were employed in data analysis. The results confirm the hypothesis that age, sex, marital status, education level, experience, household size, income, working capital, peer pressure were the key descriptors of formalising of business at a  $p < 0.05$  which we reject null hypothesis. The study concluded that Formalisation of business can be stimulated by providing education, improving access to removing cumbersome pre-condition for business formalization. The study recommends that programmes that encourage food vendors to participate in formalising business should be in place in order to overcome the income bias and micro-level interventions should deliver financial and business support services to the food vendors and small business holder to reduce informal operations.

**Keywords:** *Business formalization, socio-economic factors, demographic factors, food vending*

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## LIST OF ABBREVIATIONS AND ACRONYMS

BRELA	Business Registration and Licensing Agency
ECA	Ethnographic Content Analysis
GDP	Gross Domestic Product
GNI	Gross National Income
IFC	International Finance Corporation
ILO	International Labour Organisation
MKURABITA	Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania
MoCU	Moshi Co-operative University
NGO's	Non-Governmental Organizations
NSGPR	National Strategy for Growth and Poverty Reduction
OECD	Organization for Economic Co-operation and Development
PAYE	Pay As You Earn
PBFT	Property and Business Formalization Program
RITA	Registration Insolvency and Trusteeship Agency
RUM	Random Utility Model
SIDP	Sustainable Industrial Development Policy
SMEs	Small and Medium Enterprises
SPSS	Statistical Product and Service Solutions
TIN	Taxpayer Identification Number
TZS	Tanzania Shillings
UPE	Universal Primary Education Programme

VAT	Value Added Tax
VIF	Variance Inflation Factor



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Overview**

This chapter introduced the background of the study, the statement of the problem, the research objectives and its questions, mainly general and specific, the relevance of the research, and lastly organization structure of the research.

#### **1.2 Introduction and Background**

Responses to food vending as a notable urban informality worldwide continue to receive significant attention (Madaki & Miroslava, 2021). However, less attention has been paid to formalising food vending to incorporate this informality into a formal regulatory system. Formalised businesses are critical in developing countries whose economies largely depend on business sectors and have limited new policies on handling business formalisation. Studies conducted in different countries, including Colombia, Vietnam, Peru, Nigeria, Kenya, Vietnam, and Tanzania, have shown that encouraging businesses to formalize is a top government agenda for individuals and collective well-being to achieve economic growth targets (Adenwala *et al.*, 2020; Giraldo *et al.*, 2020; Madaki & Miroslava, 2021; Munishi, & Kirumirah, 2020).

Formalizing entities and activities, including food vendors, allows a permissive approach to an effective and competitive economy. It has been a significant agenda item worldwide and adds to the country's social and economic development (ILO, 2018). In addition, it is used to increase informal employment as a response to unemployment caused by the COVID-19 pandemic (Zhong, 2020).

Formalizing business, mainly food vending is crucial in determining the business climate and political accountability systems. However, most technical support has focused on building revenue-generating mechanisms with little consideration paid to the system's effects on investment and economic growth (long-run) or on enhancing political stability, which is necessary for a culture of compliance, investment climate, and growth. Simultaneously, tax practitioners agree that one of the most important long-term goals of tax policy is to broaden the base to generate more revenue and, ultimately, lessen the burden on individual taxpayers and strengthen political accountability mechanisms (Adenwala *et al.*, 2020).

According to the OECD, only 5% of the taxable base in emerging nations adheres to fiscal duties. As a result, governments rely on this small income base to meet their needs; as a result, the financial and time costs of meeting these duties are high, discouraging investment and traditional food vending operations. As a result, governments can lower the obstacles to entry for businesses, attract foreign and domestic formal investment, broaden the tax base, and provide the conditions for lower per-business burdens through streamlining tax systems (Adenwala *et al.*, 2020).

According to statistics, 60-80% of food vending operations in developing countries are unlicensed (IFC, 2018). For example, Bangladesh has around three-quarters of businesses that are not registered with the tax office, resulting in significantly lower tax bases and, as a result, a negative impact on the supply of public goods (IFC, 2018). Similarly, small businesses in Tanzania are characterized by in formalization and underperformance, as many prefer to remain in the informal sector due to limited capital (Karondo and Tumaini, 2021). Small business formalization in Tanzania is

defined and quantified in terms of having a recognized legal standing, obtaining a license, and opening a bank account.

Tanzania has made several direct and indirect interventions in the informal sector. The direct interventions include the formalization of training, information provision, and the allocation, construction, and management of workspace; simplification of policies; and enforcement of regulations (URT 2012; 2013). In 2018, the government made identity cards available to petty traders ('machinga'). These enable them to do business without incurring government taxes for the year the cards are issued. The government indirectly assists the informal sector to form groups that improve their traceability and business control.

It further provides access to services such as market infrastructures. For instance, the government supported the establishment of the Machinga Business Complex of Ilala Municipal in Dar es Salaam. The establishment of the Complex was expected to solve everyday sector challenges. However, it has failed to the extent that most traders and consumers are unwilling to use the space. The complex building is structured in such a way that it does not provide easy access and convenience to petty traders and their customers.

Regulations should consider the interests and ideas of street food vendors and relevant policymakers to build a long-term model of street food selling that would protect and strengthen the vendors' livelihoods. In tandem with formalisation, action-oriented research should focus on compiling data to identify and profile the nature of street

food vendors (mobile, semi-mobile, static and footpath vendors) and establish the number of people who depend on street food vending for their livelihoods (ILO, 2018).

However, this study focuses on the food vending industry in Dar es Salaam since around 80% of food vending businesses are unlicensed, and the Tanzanian government's policies and programs, which have been in place since 2007, have failed to properly operate, particularly food vendors (ILO, 2018). Given the importance of business formalization to the expansion of food vending, this study determines why food vending is not formalized and continues to operate even though it generates a significant amount of revenue.

### **1.3 Problem Statement**

Food vending businesses in Tanzania are often characterized by underperformance. Many prefer to remain in the informal sector as it requires small capital to start and a source of reasonable income to meet their daily requirements (Karondo and Tumaini, 2021).

The global and financial crisis in the 1980s led to unemployment, especially in developing countries such as Tanzania in the 2000s. Many youth and women were forced to engage in the informal/street food vending business. Although the business Act of 2003 abolished peddling licence (Nguvu Kazi), informal food vending became illegal. Hence formalization of the food vending business attracted much emphasis since it employs millions of people. However, official statistics are unavailable (Mhando *et al.*, 2021).

For governments and society, the formalization of food vending goes hand in hand with a conducive business environment, economic growth and better working conditions. It also increases tax revenues needed to provide public goods and services (Msoka *et al.*, 2022). Formalizing enterprises gain access to finance, business development services and technologies and reduce their exposure to government fines. Formal firms are assumed to have high productivity as compared to very similar levels to informal firms (Ishengoma, 2018). It calls for a sorting mechanism on assessing the demographic and social-economic descriptors of formalization of food vending.

Utouh (2011) suggest that the key driver of motivation, decision and process of formalization is an operator's perceived meaning and value or "conceptualization of formalization" which is determined by demographic and economic factors embodied with operator's awareness of role, benefits and procedures for formalizing a business.

Landa (2012) assessed factors for the formalisation of informal food processing in Dar es Salaam and found that Access to money, onerous pre-conditions for formalization, and strict tax requirements from tax enforcers and compliance authorities are all issues that hinder formalization. The author suggested that more research be done on the variables that hampered the formalization and efficiency of small business operations.

Since previous studies lack consensus on categorising the determinants for formalization, this study seeks to establish social, economic and demographic descriptors of formalization of food vending business in Tanzania. This study aimed to close this gap by defining descriptors for the formalization of the food vending industry in the study domain.

## **1.4 Objectives of the Study**

### **1.4.1 Main Objective**

This study aimed at determining demographic and social-economic descriptors of formalisation of food vending business in Dar es Salaam, Tanzania.

### **1.4.2 Specific Objective**

The specific objectives of the study are:

- (i) Determine the effect of demographic variables such as age, sex, marital status, and household size on formalising food vending in the study area;
- (ii) Examine the social factors such as education, peer pressure, ethnicity and experience in the formalisation of food vending in the study area;
- (iii) Assess the economic factors such as income, tax fees, registration fees, licence fees, capital, and networking on the Formalisation of food vending in the study area; and
- (iv) Determine whether prior exposure such as attending seminars, workshops and conferences to business education, is associated with formalising food vending in the study area.

## **1.5 Research Questions**

The following research questions guided the study:

- (i) To what extent do demographic variables affect the formalization of the food vending business in Tanzania?
- (ii) How do social factors influence the formalization of the food vending business in Tanzania?

- (iii) How do economic factors influence the formalization of the food vending business in Tanzania?
- (iv) To what extent is prior exposure such as attending seminars, workshops and conferences to business education associated with the formalization of food vending in Tanzania?

### **1.6 Significance of the Study**

The study findings provide a better understanding of the contribution of formalisation business, especially food vending. By determining the effect of demographic variables such as age, sex, marital status, the household size on formalising food vending in the study area, it is hoped that the study will contribute to the policy of Sustainable Industrial Development Policy (SIDP) (1996 - 2025) which emphasizes on the promotion of small and medium industries through the following measures: supporting existing and new promotion institutions, simplification of taxation, licensing and registration of business and improve access to financial services.

Also, the finding from this study, especially on identifying the Social-economic descriptors impacting the formalisation of business among food vendors, will help the government of Tanzania to create a conducive environment for food vendors to formalize, which will lead to an increase in the Gross Domestic Product of the country.

### **1.7 Organisation of the Report**

This proposal is organised into five chapters. Chapter one introduces the study; chapter two presents a literature review that includes definition of concept and terms,

construction project theory, and a conceptual model. Chapter three explains the research methodology that presents the research methods and techniques used in the data collection and analysis of the study. Chapter four will present the research findings and analysis. In contrast, chapter five will discuss the summary of the study, conclusion and recommendation concerning the research questions and objectives, proving the problem's existence and support from the literature review and future studies.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter dealt with the study of different published materials conducted in different knowledge areas by evaluating, and comparing different studies from different authors. The proposed study contained the definition of key terms used, the theories related to the study followed by an empirical review of the study, and finally, the conceptual framework, which carried variables from the study.

#### **2.2 Definition of Key Terms**

The purpose of this section is to provide definitions of key concepts used throughout this study. Whenever necessary, detailed explanations of such concepts have been provided in the relevant chapters.

##### **2.2.1 Business Formalisation**

Business formalisation transforms a business from operating informally into formal operations (Dolfsma, 2017). Many scholars have pointed out business formalisation to mean the transformation of informalities. Informality is commonly understood in a legal context as those activities falling (structure, processes, systems, methods, and procedures of an enterprise) or (the acquisition of legal status) out of the reach of the law. But it is also an issue of governance, i.e. the capacity to implement existing laws (Nelson, 2015). In this sense, institutions' institutional context and capacity are vitally crucial for good laws, and regulations are useless without strong and effective institutions to implement them. Three types of legal and institutional frameworks are

of particular importance vis-à-vis the informal economy. These are labour legislation, commercial laws, and legal frameworks to secure property rights (including land rights) (ILO, 2018). In this study, a business formalisation shall mean a business with a registered name, TIN, and business license.

### **2.2.2 Food Vending**

Food vending is broadly defined as a business that offers foodstuffs for sale to the public without a permanent built-up structure but with a temporary static structure or mobile stall-head load/wheelbarrow (Madaki & Miroslava, 2021). Many households buy food from vendors to save the cost of food ingredients, cooking fuel, and preparation time to experience the new tastes and varieties and get away from monotonous diets. This is mainly observed in the low-income groups, especially among men. However, the higher Social-economic groups also eat western types of fast foods such as Steers and burgers points. In this study, food vending means a business that makes ready-to-eat food or drinks sold by a vendor, which are formalised or not formalised.

### **2.2.3 Formalisation Process**

Formalisation means operating according to rules and procedures constituted by outside authorities, which accordingly recognise the enterprise as a business. Increasing formalisation is not only an outcome of growth but also of increased sophistication and business acumen on the part of owners/managers of the enterprise (Nelson, 2015). However, in this study formalisation process means operating the enterprise more systematically in a more disciplined fashion according to those procedures (Table 2.1).

**Table 2.1: Formalisation Process**

<b>Formal Status</b>	<b>Legal Form</b>	<b>Description and Sub categories</b>
Illicit	None	An enterprise is elicited when it is no legally permitted licensed or registered counterpart
Informal	None	An activity for which there is a formal counterpart, that does not comply with the requirements of the regulatory system regarding licenses, permits, certificates, notifications or registration of the activity is licit but Informal
Semi-formal	Local	An activity carried on by an operator who appears on a local authority list of licensed Food Processors of enterprises but is not registered with the state registrar is semi-formal
	Licensed Enterprise	for example, two forms exist in Tanzania, Hawkers license and business license
	Registered Enterprise	Person(s) registered to conduct business activities under a registered business name for example, enumerated on a state registrar as a sole ownership enterprise, a private limited company or a joint stock company open to public subscription shareholding

**Source:** Nelson, (2015)

### **2.3 Theory Related to Formalisation of Food Vending**

This section explains various theories as developed by different profounder. It includes Random Utility theory, Binomial distribution, which describes, explains, and predicts choices between two or more discrete alternatives, such as registering or not registering a business.

#### **2.3.1 Random Utility Models**

Random Utility Model or RUM is a model widely applied in marketing, it was established by McFadden (1974), it is used to link the deterministic model with a

statistical model of human behavior. The randomness of the utility function suggests that only analysis of the probability of choosing one alternative over another is possible. Estimable choice models require a distributional assumption for the random component. Assumption one is that choice is a discrete event. What this means is that choice is all-or-nothing (Hofacker, 2011). The application of this model will be used in the Formalisation process. Business owners can formalize or not formalize business; thus, there is no chance for half Formalisation. Since the dependent variable is binary that takes only two values: business formalised or not business formalised. A logit regression model was used. Logit regression measures the relationship between the categorical dependent variable (registered business or unregistered business) and one or more independent variables by estimating probabilities using a logistic function, the cumulative logistic distribution. In this study, the business owner will be awarded 1 if he/she has formalised and 0 if not formalised.

### **2.3.2 Mechanisms for Formalisation**

Enterprises in the informal sector have an entrepreneurial potential that could flourish if some significant obstacles to growth were to be removed (De Soto, 2010). Furthermore, even if only a fraction of informal enterprises would have the possibility to upgrade, it would probably contribute substantially to increased economic growth (Kuchta, 2010). However, the formalisation of enterprises in many developing countries is cumbersome mainly due to heavy regulations, which generally bring longer delays and higher costs of public services, higher corruption and less investment. It is a fact that developing countries not only have more regulations, but have more difficulties in enforcing these than developed countries (Nelson, 2015).

In developing countries, the checks and balances in government are also the weakest and the possibility of using regulation to harass entrepreneurs and extract bribes is high. There are numerous examples to describe the difficulties encountered by entrepreneurs. For example, in many developing countries, it could take up to a decade to go through the procedure of declaring bankruptcy (De Soto, 2010). However, many reforms undertaken in developed countries could also be implemented in developing countries. Hernando, a renowned Peruvian development economist, works directly with governments to tackle the problems of the informal economy. De Soto's vision is to develop proper legal frameworks that recognise the informal economy's assets and create a system of protecting and giving value to the property of the poor so they can access capital from financial institutions. De Soto's approach involves a complete re-examination of the existing regulatory framework and a further understanding of the notion of "dead capital".

These, according to De Soto are presented in the following ways. First, actors such as the World Bank have also defined some main reform areas that could be addressed to facilitate the transition from informality to formality and are viewed as "win-win changes for governments and businesses alike". The second way is to reduce the number of business licenses, permits, and approvals. The third way is by streamlining administrative processes. The fourth way is by adopting uniform taxes and enhancing capital access.

### **2.3.3 Formalisation Aspects**

In general, in the formalisation process, as it is, negative factors appear to outweigh positive ones. The values of government incentives (such as legitimacy and rights) are

unquantifiable, and long-term, and food processors can discount them in the face of immediate financial costs. In the cases examined, the other main formalisation transaction factors (information, cooperation, coordination and trust) also have negative values. The factor that can redress the balance is a business opportunity and a strong prospect of profit dependent on legal status. In this context, whether to formalize or not and when and how are decisions about strategy, which is to say, about how an operator intends to interact with the institutional environment, taking into consideration formalisation incentives, transaction costs and opportunities.

Under these conditions, formalisation can be regarded as a rational course of action only when an enterprise has begun to grow or when there is a near certain growth opportunity in prospect and the operator will be able to meet increased transaction costs. In the event that the realization of the opportunity falls short of compensating an operator for leaving the shelter of the informal sector, the alternative strategy is to evade formal obligations and associated costs in-formalisation encroaching on the formal sector. If the business environment does not provide opportunities and security for growth of one enterprise, then an operator may choose the option of remaining in the informal sector and growing horizontally with a portfolio of micro enterprises small enough to avoid attracting official attention. Thus, high formalisation costs can provoke reactive cost-avoidance strategies that perpetuate in-formalisation as a survival and development strategy.

#### **2.3.4 Tanzania Formalisation Ground-Breaking**

The government of Tanzania has been concerned with the issues of formalisation for a long time. In 2010, the government produced the draft Government Policy Paper on

Micro Enterprise and Informal Sector Promotion (URT, 2013). A draft policy paper on 'Micro enterprise and informal sector promotion' was produced in 2010, followed in by the Sustainable Industrial Development Policy, which stated that the government would assist the informal sector to gradually enter the formal sector so as to benefit from facilities available in the formal umbrella of Small and Medium Enterprises (SMEs). It was stated that this will be carried out within the framework of the government policy on the informal sector', but that policy was never ratified (Ferrell, 2014). Instead, a SME Policy was adopted in 2014; early drafts referred to the formalisation of informal enterprises, but were deleted from the final version.

Once the SME policy was adopted, the government commissioned an assessment of capacity development needed to implement it. One of the obstacles is the lack of capacity to co-ordinate ministerial activities in support of the policy (Chijoriga, 2012). Another obstacle is the lack of capacity to reform administrative culture and practices, especially at local government levels, but one exceptional indication of how this may be approached is provided by the Tanzanian Revenue Authority, which introduced proposals to train tax collectors in the principles of customer care interestingly giving enterprises the status of 'customers' to be cultivated rather than merely sources of revenue to be exploited (Olomi, 2013).

In 2000, a new Business Registration and Licensing Agency (BRELA) came into operation with a three year plan of action to review the policy and legal framework for regulating and facilitating business. In its own promotional leaflet, BRELA lists the incentives for formal registration: a business undertaking with a legal life, exclusive right to a company or business name, the right to enter the competitive business arena,

exclusive legal rights to inventions or innovations, the protection of intellectual property rights, the protection of marks and artistry against infringement and piracy, being able to enjoy the pride of being honest and the opportunity to contribute to national economic prosperity (Mlinga, 2004).

In 2005, the government of Tanzania commissioned the Institute of Liberty and Democracy (ILD) to explore and assess the legal and economic systems prevailing in Tanzania in order to expose obstacles that might impede the extra-legal economy to address Formalisation Formalisation. The government had an objective of transforming the Tanzanian economy to an inclusive economy that could empower all Tanzanians to take part in the economic growth (ESRF, 2007).

The formalisation programme in Tanzania was slated to be implemented in four phases. The phases were diagnosis phase, reform design phase, and implementation phase and capital formation. The specific objective of the diagnosis phase was to provide a comprehensive explanation of the nature and size of the country's extra-legal sector and an analysis of the advantages and disadvantages to stay outside the present legal sector. On the other hand, the objective of the reform design phase was to provide the government of Tanzania with detailed policy and key proposals, as well as a strategy to integrate extra-legal real estate and businesses into legal systems (Formalisation) in order to boost economic growth, reduce poverty and eventually expand the tax base (Ishengoma, 2006).

During the diagnosis phase the ILD identified some interesting facts. Among the facts were that 97% of all businesses in Tanzania (871.000 units) were extra-legal. The



second fact was that 86% of all urban property in Tanzania (1.435.000 units) was extra-legal. Furthermore, the ILD estimated the replacement value of Tanzania's extra-legal properties to be USD 11.6 billion (this is 57 times the external aid assistance in 2002). The last fact was that a typical process to obtain a registered legal land title deed can take typically up to 8 years and involved 68 bureaucratic steps that expected to cost a total of USD 2.252.

It can be argued that the advocacy system for small-scale enterprises is weak. The most firmly established private sector association draws its membership from large and medium-sized firms, which explains on the grounds that smaller firms cannot meet the membership criteria (Ishengoma, 2006).

### **2.3.5 Formalisation Status in Tanzania**

Tanzanian entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies from different countries differ greatly in how they regulate the entry of new businesses. In some businesses the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their business informally (World Bank, 2017).

In order to register a business in Tanzania, a business is required to abide to procedures and processes starting with the application for clearance of the propose company name at the Business Registration and Licensing Authority (BRELA), apply for a certificate of incorporation and of commencement to Registrar of Companies,

taxpayer identification number (TIN) with the Tanzania Revenue Authority, Pay As You Earn (PAYE) with the Tanzania Revenue Authority and Value Added Tax(VAT) certificate with the Tanzania Revenue Authority. After acquisition of the Taxpayer Identification Number (TIN) certificate and/or VAT, the business will apply for business license from the regional trade officer (depending on the nature of business). Other requirements will involve the business to be inspected by land and town-planning officer and health inspection.

Starting a Business in Tanzania requires 12 procedures, takes 29 days and costs 36.84 % GNI per capita to start a business in Tanzania (Table 2) and therefore ranking Tanzania at 135 out of 189 economies. Singapore is the top ranked economy in the Ease of Doing Business (World Bank, 2017).

**Table 2.2: World Bank Doing Business in Tanzania**

Starting a business Data	Doing Business		
	2015	2016	2017
Rank	124	127	135
Procedures (Number)	12	12	12
Time (days)	29	29	29
Cost (% of income per capita)	47.1	41.5	36.8
Min capital (% of income per capita)	-	-	-

**Source:** World Bank Doing Business (2017)

It can be seen from Table 2.2 that there has been a very insignificant improvement in starting a formal business. However the cost has been reduced in percentage from 47% to 36% empowering people in the informal sector through formalisation is among the main targets of Property and Business Formalisation in Tanzania (PBFT or

MKURABITA). The aim is to enable informal businesses to use assets to access capital, including using assets as collateral to access loans from banks (Mlinga, 2016). The objectives include identification for key barriers to business formalisation for example the administrative and legal barriers, identify best quality archetypes that can be adopted, design reform proposals for business formalisation, link with other on-going reforms and identify gaps for intervention by MKURABITA and as well identify and review polices and laws that need reforms (Fergus, 2016).

Government bodies at ministerial level determine the formal terms and rules, but the enactment of formalisation transactions is conducted mainly at local government level, sometimes informally, where food processors of enterprises recount the uncertainties and difficulties they experience, ranging from having to pay government officials to perform their registration duties or perform them diligently, to aggressive and unpredictable enforcement tactics often resulting in the enforced closure of enterprises or consequential cessation of activities (MKURABITA Report, 2015). Their experiences indicate that the central government, though possessing the necessary power to determine rules has so far failed to establish a facilitative formalisation environment (Nelson, 2015).

MKURABITA has assumed that the current legal framework, fiscal and financial systems and procedures are a hindrance to entrepreneurship development, especially for the informal sector, and the solution is to change them. The draft Work Plan of the Reform Design Phase includes a number of changes that aim to improve the enabling environment for growth of business. On complicated legal requirements for formation and drafting contracts, MKURABITA aims at simplification of documentation,

attestation and registration of contracts agreements at local government level (Mlinga, 2014).

The Property and Business Formalisation Programme (2009) highlights the reform proposal for formalisation consisting 260 activities classified under eight sub-components/ objectives (property/business, rural/urban) and two main components (property and business formalisation). Overall, they consist of three broad types of activities, these types are legal and procedural changes (revising existing and/or introducing new laws), capacity building measures for public institutions (like local governments) and development of support systems (like land registry).

MKURABITA targets property and business owners in the informal sector whose entry into the formal market economy would enhance their opportunities by using their assets to access capital and thus transform their productive activities and reduce individual poverty. When land formalisation and business formalisation are taken together, it is found that while the programme may help the petty traders to access credits by virtue of operating formally, the same could not be said to smallholder farmers, who may lose their attached land once they fail to service their loans.

### **2.3.6 Business License**

Tanzania Licensing Act (1972) requires every person doing business in Tanzania to possess the business license. Business licenses are the permits issued by the government that allow individuals or companies to conduct business within the government's geographical jurisdiction. In Tanzania, street vendor was served by Nguvu Kazi License since 1980s. It was issued by the local government authorities

under the Human Resources Development Act, and its purpose was to provide a limited legal status for microenterprises which were really too small to envisage what is often called the „big“ license (Nelson, 2015). Unluckily the Business Licensing Act, 2003, abolished the hawking license (Nguvu Kazi), hence making the SVB being illegal (Lyons and Msoka, 2010).

Furthermore, the Tanzania Business Registration Act 2007, aimed at simplifying doing business, didn't incorporate the aspect of SVB (URT, 2013). Basing on these explanations, street vendors in Tanzania don't have a business license, hence operate informally/illegally. In developed countries like the United Kingdom and United States, food vendors have identity cards and vending permits and they pay a specified amount of money as a fee. Business license is used as a tool for collecting tax and levies from the formal business by the local authorities.

### **2.3.7 Status of the Tanzania Food Processing Sector**

The economy of Tanzania is highly dependent on agriculture. It provides full time employment to over 70 % of the population as well as the bulk of the food we consume. It is estimated that Tanzania enjoys 55 % self-sufficiency in food and, in better years, is a net exporter of grains averages 50 % while bringing in approximately 66 % (that has been changed, use recent figure, read the Economic Survey) of foreign exchange apart from providing raw materials for local industries (Tiisekwa *et al.*, 2015).

Food processing activities comprise two major categories. These are primary and secondary operations. Primary processing operations involve activities such as crop

drying, shelling/threshing, cleaning, grading, and packaging. These activities are mainly carried out at the farm and only transform the commodity into a slightly different form prior to storage, marketing or further processing. Secondary processing operations entail increasing nutritional or market value of the commodity and the physical form or appearance of the commodity is often totally changed from the original. Some examples of secondary processing are milling grain into flour, grinding groundnuts into peanut butter, pressing oil out of vegetable seeds, pressing juice out of fruit, making cheese out of milk and manufacturing of mincemeat. Depending on type of commodity, equipment needed for primary processing is completely different from that used in secondary processing or major adjustments/modifications need to be done to suit either (Mosha, 2013).

Most of these food crops, fruit and vegetables are consumed in their primary condition without being processed due to lack of effective processing and preservation technologies as well as inadequate post-harvest storage resulting in high food crop wastage (Tiisekwa *et al.*, 2015). With regard to food processing, (Tiisekwa *et al.*, 2015) report that the food-processing industry in Tanzania is in its infancy even by the standards of the developing countries. Like any other operator in the informal sector, food processors face a number of challenges, which may constrain the ability to effectively grow and market processed food products.

On a macro level, many policies implemented by governments have served to hinder the development of small-scale industries. These policies are registration and licensing procedures, compliance and adherence rules (Simalenga, 2016). At the firm level, limited access to credit, limited access to foreign currency, lack of appropriate

technologies (McPherson, 2016), lack of technological capability, the unreliable supply of raw materials (Moshia, 2013), lack of management skills (Nelson, 2016), poor product quality control (Olomi, 2013), and poor markets, amongst other things, have constrained the development of small-scale food processors. Other factors include the taxes, infrastructure-related, market-related, Social-cultural, and other, in particular environment-related constraints.

#### **2.4 Empirical Literature Review**

A study done by Kulindwa (2007) on the contribution of the formalisation sector to poverty reduction in Dar es Salaam. The general objective of the study was on examining the contribution of formalisation of food vending business to poverty reduction. Study population of respondents was 453 respondents comprising of both formal and informal food vendors. The instrument used for data collection were questionnaires and interview. The study found out that income accrued from food vending had a positive contribution to poverty reduction among food vendors in the study area in terms of ensuring households foods accessibility. It was then recommended that both government and other stakeholders should promote the sustainability of food vending activities through the provision of soft bank loans, credit facilities, marketing skills and permanent working premises.

ILO (2018) reports that in the event that the objectives for formalisation are not met whereby an operator fails to formalise, an alternative move is to enforce formal obligations, which will force the informal operator to formalise. This will go hand in hand if the business environment provides opportunities to formalise. If not, then the operator may choose to remain operating in the informal status where the operator

grows horizontally with a portfolio of other micro and small enterprises to avoid attracting government attention. Thus, care should be taken during this transition in order to attract food vendor to the formal status.

Likewise, Spatig (2013) studied on the formalisation of business structure and firm performance in microbusinesses operating in stable contexts. The study was carried out in the United States its general objective was to assess how formalisation of business structure affects firms performance. Exploratory design was employed, 264 business owners participated in the survey and shared generously of their management practice. This study finds formalization, as defined by written documentation, is higher than anticipated based on small business literature. While the incidence of formalization is high, formalization fails to explain variance in firm performance. However, key management and organization structure variables do explain higher firm performance. Building an organization through staff emerged as critical, with three staffing variables positively related to performance including, (a) owner belief that staff provide a positive return on investment, (b) proactive hiring with the intent to grow, and (c) number of employees. It recommended that designing an organization utilizing both specialization and delegation bears significant positive relationship to performance.

In similar case Shyama *et al.* (2013) did a study on efficiency operation and formalisation of small business in Bangladesh. The critical question was: “Is formalisation the only solution for business sustainability? A quantitative data analysis was used to analyse the quantitative and qualitative data. The qualitative data analysis was analysed through thematic analysis while the quantitative analysis was used to



perform the descriptive analysis. From the findings it was revealed that the efficient operation and Formalisation of small business and business sustainability of women entrepreneurs in the informal economy depends upon their engagements or business partnerships with other women (and men) and women focussed intermediaries. The study recommended that further studies opt to be carried out so that it can focus on a broader perspective so as to complement on the general findings.

Another study by Olomi (2013) carried out a survey on determining the decision to transform from informal to formal status and firm performance. Linear regression analysis and error correlation model were employed to analyse the collected data. Also the unit root test using Augmented Dickey Fukker, Co intergration test using Johansen Co intergration test, Granger causality and structural break were employed. The study found out that this transition depends on how the operator intends to interact with the institutional environment, taking into consideration the incentives for formalisation, transaction costs and opportunities. It also found out that the decision to transform to formal status had significant positive influence on firm performance. Granger causality shows one direction relationship among the variables. The structural break reveals that the contribution of variables were stable over time. Under this context, the study recommends that formalisation is regarded as a rational course of action only when an enterprise has begun to grow or when there is a near-specific growth opportunity. The operator is assured of meeting the increased transactional costs.

Sibhat (2014) conducted a study on the limiting factors of the formalisation of small businesses in the economy of Ethiopia. The main aim of this study has been to

investigate the importance of the informal sector in Ethiopia's economy and identify constraints and risks in operation, specifically to examine the reason why informal operators become in the informal sector. To achieve this aim, construct a structured interview based on theories that the main research question associate with the four causal theories of informal sector that debates of different school of thoughts and indicator build on other related theories, and then interviewed 91 a sample of street vendors.

Finally, used descriptive and logistic regression analyses method. The findings of the study showed the main factors determining the reason for informal operators to become in the informal sector are unable to fulfil the criteria of the formal sector and the lack of job opportunities in the formal sector. Also, it found out that the main reason was informal sector are unable to fulfil the criteria of the formal sector and lack job opportunity in the formal sector. The study also reveals that informal sectors are the source of income for the poor or means of employment, and it is a base of the formal sector. Also shows that the majority of the street vendor's constraint was a shortage of capital and problem faced by the Government field, and other incidents. The study recommends that further research on this subject should focus on the relationship between the criteria of registration of formal business and the reason for informal operators to become in the informal sector.

Lambert (2013) studied factors affecting the formalisation of business and the performance of women entrepreneurs in Dar es Salaam. The study assessed the factors affecting the performance of women entrepreneurs who are engaged in different types of income-generating activities projects like poultry production, soap making,

mushroom production, cassava farming, production of cassava flour, farming of vegetables and fruits, cooking of foodstuffs and processing of vegetables and fruits. The study applied a cross-sectional qualitative method for data collection, including open-ended questionnaires, focus group interviews and face-to-face interviews. A sample of total of 134 women entrepreneurs was involved in the study. From the findings, it seems that there is no policy or strategy from the government aiming at improving the performance of food vendors. The study recommends that there is a need for financial support from MFIs, education and technical support from NGOs, as well as the formalisation of the food vending business.

The studies reviewed above reveal that most scholars have concentrated much on researching the positive contribution to poverty reduction, how formalisation of small business result in the business sustainability of women entrepreneurs, formalisation is defined by written documentation and found that there is no policy or strategy from the government aiming at improving the performance of food vendors. Thus, it is evident that no known local study had been done on this observable fact. Based on this background, this study aimed to reduce the knowledge gap by assessing the Social-economic descriptors of business formalisation through a survey of selected food vending businesses in Dar es Salaam, Tanzania.

Nelson (2010) and De Bruijn (2010) argue that formalisation is graduating from the informal to the formal sector, either directly or via semi-formal status. They view the formal sector as enterprises registered with the state's Business Registration and Licensing Authority as a business name or company. Likewise, they view voluntary formalisation as resulting of decisions taken without the pressure of government

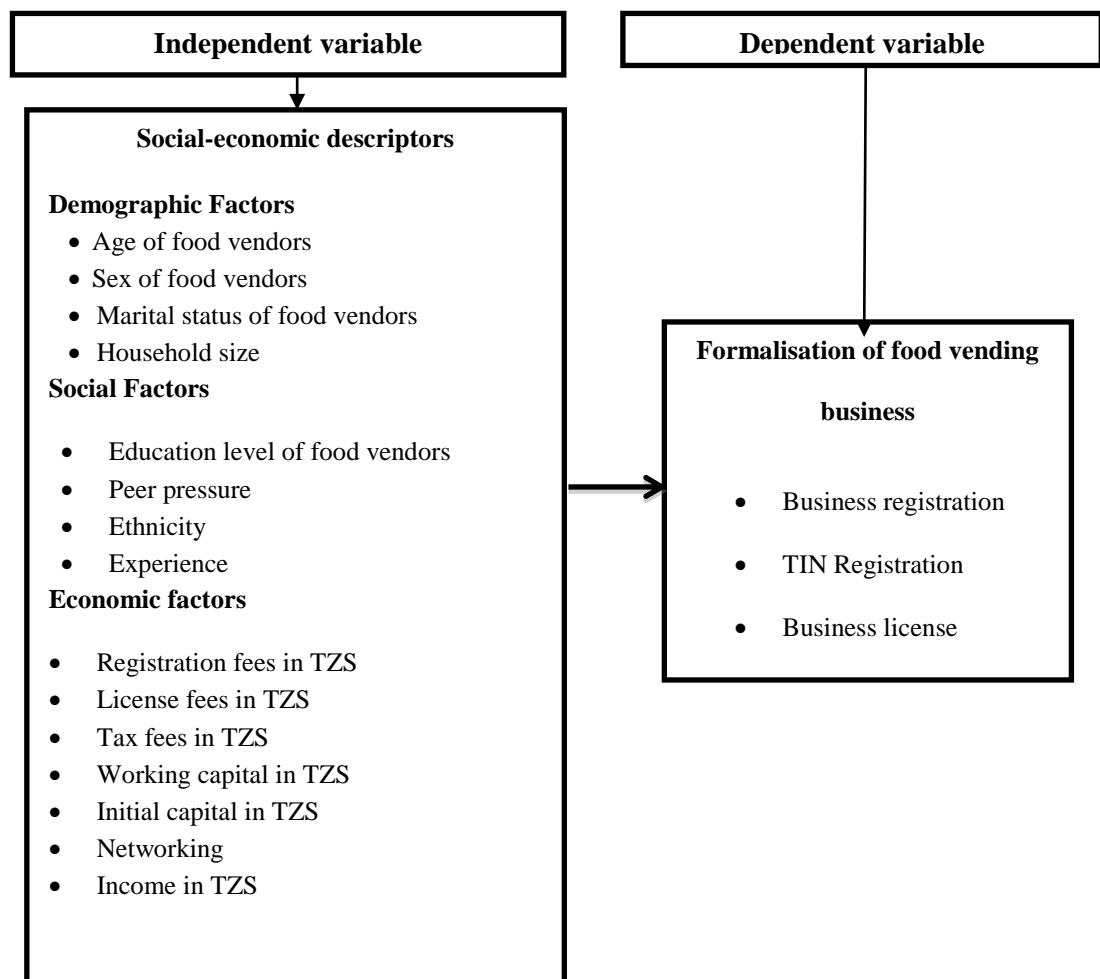
enforcement activities. ‘Non-voluntary’ formalisation is the formalisation which is coerced. ‘Involuntary’ formalisation is instinctive, without conscious thought, as when food processors act under a cultural compulsion to comply with the law. Forced formalisation could damage fragile enterprises and livelihoods for the minimal benefit and suppress business experimentation and development. The decision of a small-scale, informal operator to formalise should be a voluntary one (De Soto, 2010).

## **2.5 Research Gap**

Previous studies lack consensus on categorising the determinants for formalization of food vending business in Tanzania. This study seeks to establish social, economic and demographic descriptors of formalization of food vending business in Tanzania by defining descriptors for the formalization of the food vending industry.

## **2.6 Conceptual Framework**

Brooke (2012) argues that business formalization is a process in which the business owner specifies (in writing) procedures, TIN, business license, and business account but also specifies rules and responsibilities for the individual employees, organizational units, groups, teams and the organization as a whole, which leads to the development of processes, relationships, and operating procedure. The conceptual framework for this study is built based on the model of Random Utility of formalisation of business, which can help us show the relationship between the two sets of variables such that independent variables individually or collectively influence the dependent variable. For instance, the sex of food vendors, expensive license fees, too long registration procedures, and awareness have considered the significance of food vendors' operation, as shown in Figure 2.1.



**Figure 2.1: Conceptual Framework for the Study**

### 2.5.1 Operationalization of Variables

Social-economic descriptors have a direct impact on the formalisation of the food vending business, as argued by Aluko, 2013 who did a study on food safety and sanitary practices among food vendors at car parks in ILE Ife Southwestern Nigeria revealed. The results revealed that the mean age of respondents was  $32.9 \pm 8.4$  years.

The age of most respondents, 127 (79.3%), was between 20 and 40 years, while 7 (4.4%) respondents were teen-agers. The majority of the study respondents (127, 79.4%) were of Yoruba ethnicity. Moreover, most respondents, 147 (91.9%), were females and 144 (90%) had at least secondary school education. Also, 125 (78.1%)

were married. In addition, the study revealed that religion was significantly associated with the type of food vending businesses operated by respondents ( $p=0.008$ ).

Mahopo *et al.*, 2022, in their study *Operational Characteristics of Women Street Food Vendors in Rural South Africa*, highlighted the dominance of single middle-aged (35–44) women (63.1%) with some high school education. About 14% migrated from Zimbabwe. Most vendors were owners (86.1%), with 70.0% in business for at least 1–10 years. Food sold included mielie pap (stiff porridge) served with beef or chicken, sometimes with vegetables. Plate prices were R40.00 (2.6 USD) for a full plate and R30.00 (2 USD) for half a plate. The typical street food consumers were government officials, middlemen, and schoolchildren. Social media, such as Whatsapp, communicate between street food vendors and customers.

The results highlight poor managerial skills as only 15.5% kept records, most of which were sales records (59.5%). On average, street vendors made a monthly profit of R3200.00 (213 USD) while spending R1800.00 (120 USD) on daily running expenses. There were statistically significant variations in some operational characteristics of vendor variables and gender, age, marital status, and citizenship.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter explains how the study was conducted. It included research design, description of the study area, sampling procedures, types of data, and sources of data, data collection techniques, data analysis, limitation of the study, and ethical considerations.

#### **3.2 Research Philosophy**

The idea that there are different views of the world, and the processes that operate within it, is part of what is known as philosophy. Philosophy is concerned with views about how the world works and, as an academic subject, focuses primarily on reality, knowledge, and existence. Research philosophy is a belief about how data about a phenomenon should be gathered, analyzed, and used. The research philosophy reflected the author's essential assumptions, which serve as a base for the research strategy. According to Saunder *et al.* (2012), research philosophy is divided into four categories: Pragmatism, positivism, realism, and interpretivism.

This study adopted a pragmatism research philosophy because it comprises mixed or multiple method designs, which are quantitative and qualitative. Also, pragmatics can combine positivist and interpretivism positions within the scope of single research based on the nature of the research question.

#### **3.2 Research Design**

The study will employ cross sectional explanatory research design. Using a cross-sectional research design will enable the researcher to collect data just once at a given

time. It is also appropriate for this study, which extensively tested the analysis of the relationships between variables stated in the objectives. This design used quantitative and qualitative approaches, with the quantitative approach dominating the study.

The design enables spending relatively little time on conducting the study and hence reduce the work in consideration of limited time and resources available for carrying out the study. It is also evident that some articles reviewed in this study are predominantly cross-sectional studies focusing. As stated by Magigi, (2015), the cross-sectional design is data collected at one point in time, whereby one variable is examined in different groups that are similar in other characteristics.

### **3.3 Description of Study Area**

#### **3.3.1 Study Location**

This study was conducted at the firm's level of food vending in Dar es Salaam and at the Organisational level at the regulators' offices. According to the national population of household census 2012, Dar es Salaam region has a population of 4 364 541, with 2 125 786 males and 2 238 755 females. The region is selected because there is food vending in every two houses. Hence foods vending are highly concentrated in Dar es Salaam and about 80% of other small business (ILO, 2018).

#### **3.3.2 Economic Activities of Dar es Salaam Region**

##### **3.3.2.1 Internal Trade**

Wholesale, retail trade and hotels areas are the catalytic factors in the economic activities of the City, which is the commercial capital of the United Republic of Tanzania. This sector grew by 6.5 % in 2015 compared to 7.0% in 2014. The



contribution of the sector to the Gross Domestic Product was 16.8% in 2015 compared to 16.6% in 2014 (Economic Survey, 2015).

### **3.3.2.2 Manufacturing Industry**

Industrialization on a small and large scale is a common feature in the city. The small-scale industry concentrates on domestic production sectors throughout the city and mainly residential areas. Individuals and groups of Tanzanians are engaged in producing a wide range of goods in the sector. Large-scale industries are located in designated industrial areas. Types of industries include textiles, chemicals, food processing, light manufacturing, aluminium and glass, plastic, rubber products, cement, etc. (CHP, 2016).

### **3.3.2.3 Urban Agriculture**

About 110 850 Ha of land, comprised of 52 000 Ha in Kinondoni, 45 000 Ha in Temeke, and 13 850 Ha in Ilala, are potential for agriculture practices especially crop cultivation (though the figure may differ due to rapid expansion of urban-related activities). Land under use for cash and food crops is estimated at 58 278 ha or 52.03% (13 600 ha in Kinondoni, Temeke 33 000ha, 11 678 ha in Ilala). Food crops are mainly cassava, sorghum, maize, rice, sweet potatoes, bananas, legumes etc.

As for cash crops, we have cashew nuts, coconuts, oranges, pineapples, mangoes, vegetables etc. Both rural and urban farmers engage in small- and large-scale farming, and they mostly till their land using hand equipment. A few use tractors and traditional upgraded technology. Agriculture provides the City with 354 657 tons of food (134 060 tons in Kinondoni, 55 597 tons in Ilala, and 164 100 tons in Temeke).

This information is available from the Municipal Council Profiles of Kinondoni, Ilala, and Temeke (RUAF, 2012).

#### **3.3.2.4 Fishing**

Locating along the Indian Ocean, fishing is one of the significant economic activities. The fishing business in the City is either for subsistence or commercial purposes and uses traditional fishing equipment like canoes and nets. The fisheries sector's contribution to GPD is about 29 % (2010, BOT). As a result of the fishing activities, the seashore is being degraded by misuse leading to environmental pollution and soil erosion. The Kinondoni Municipality, with the Swedish International Development Agency (SIDA) plan, implements the KICAMP project to develop resources to improve the lives of communities and people residing on the coastal belt. Also, Kinondoni Municipality is currently constructing a fish market at Msasani as a fish receiving station to supplement the famous receiving station at Magogoni, Kivukoni Front, in the Ilala Municipality (Bakker *et al.*, 2010; FAO, 2010).

#### **3.3.2.5 Recreation and Tourism**

The city, through its Municipalities of Ilala, Temeke, and Kinondoni, has parks and gardens as centers for agro-extension services and the selling of vegetables and tree seedlings. Also, the City has excellent and attractive beaches with a diversity of cultural and archaeological sites with potential for investment attraction. It has a coastal belt of about 100 kilometers occupied by many tourist attractions and hotels. However, the city is yet to promote this sector fully to make Ilala, Kinondoni, and Temeke coastline one of the favored tourist destinations. The primary recreational areas throughout the city enable the young to pay for and attend discotheques over the

weekends and during public holidays. Arts deal with theatres, handicrafts, and sign art. Theatre includes Traditional Dances, Choirs, and Taarab Music groups, Jazz Bands and Theatre Groups. Handcraft consists of crafting, weaving, painting, welding, hair saloon (Economic Survey, 2015).

### **3.4 Sampling Procedures**

This study's target population was food vendors in three municipalities of Dar es Salaam, i.e., Kinondoni, Ilala, and Temeke. Random sampling was more appropriate for this study in selecting the target population: all food vendors had an equal chance to be selected as a representative sample. This procedure was preferred because it keeps away bias and gives each of the units in the population the probability of being selected.

The researcher aims to obtain a sample of 400 food vendors from Kinondoni, Ilala, and Temeke by using the formula developed by Fisher *et al.* (1991) for a population that exceeds 10 000 (Appendix III). This is because of time and scarce resources that limit getting this food vendor. In addition to the sample of 400 respondents, Ten (10) Key Informants from customers, suppliers of food, and people with experience in food vending will be interviewed. The Key Informants who are conversant and knowledgeable were identified with knowledge on food vending activities and experience to describe the problems and coping strategies in place.

### **3.5 Types of Data**

Both qualitative and quantitative data were collected. Data included the respondent's education level, marital status, experience, respondent, sex of respondent, peer

pressure, ethnicity of vendors, networking such as the number of organisations involved. Further quantitative data will include household size, registration fees in TZS, license fees in TZS, Tax fees in TZS, initial capital in TZS, Revenue in TZS, and working capital in TZS.

### **3.6 Sources of Data**

Sources of data were a questionnaire, checklists, and documentary review guides. Primary information like the education level, age of respondent, sex of respondent, marital status of the respondent, the experience of respondents, number of assets, value of assets, and income of other sources will be collected using a questionnaire. In contrast, data on challenges facing food vendors and government support for food vendors will be collected using a checklist. Other secondary data, like the number of populations in the study area, were gathered using a documentary review guide.

### **3.7 Data Collection Methods**

Household survey using structured questionnaire and Key Informant structured interview using checklist and documentary review using documentary review guide. The questionnaire was the primary tool of data collection because it involved a large number of respondents and the nature of the study.

#### **3.7.1 Household Surveys Method**

Household survey using a self-administered questionnaire was the main tool for primary data collection in this study because surveys are a cost-effective and efficient means of gathering information about a population and also make it possible to accurately estimate the characteristics of a target population without interviewing all

members of the population. The questionnaire was designed and administered to 400 food vendors in Dar es Salaam (Appendix I).

### **3.7.2 Key Informants Interviews**

Ten key informants were interviewed in each district to collect information from a wide range of people. In selecting them, first, a few experts working in the field of chef/cooker were consulted to recommend the most informative, experienced, and analytical individuals. Then, informants whom more than one expert recommended were selected. This increased the likelihood that the informants would be useful for the study.

### **3.7.3 Documentary Review**

Documentary review guides were used to gather secondary information, which otherwise could not be gathered using other methods like the trend of food vending in Dar es Salaam and the level of income of food vendors in Dar es Salaam. This review is ILO annual reports on suggestions and recommendations, MKURABITA reports. In this study, documentary review was used because it is the most economical and easiest means of accessing information, having a good coverage of time, and providing high-quality information.

## **3.8 Data Analysis Procedures**

The study used qualitative and quantitative data collected in the field. Thus, qualitative and quantitative data analysis was employed in the study, using the previously explained variables about the food vending business. Also, Content Analysis and binary logistic regression were used to analyze the data collected

qualitative and quantitative data. Descriptive statistics were employed for data that have single distribution about the food vending business.

### **3.8.1 Qualitative Data Analysis Technique**

Qualitative data from the Key Informant Interviews were analyzed using Ethnographic Content Analysis (ECA). First qualitative information from verbal informant interviews was transcribed. Key themes, concepts or phrases related to Formalisation of business were identified from these transcriptions.

Abbreviated codes such as a few letters, words, or symbols were assigned to key themes such as the experience of food vendors, the status of food vending, barriers to business formalization, and awareness of the business licensing and formalization policy. This helped to organize the data into common themes that emerged in response to dealing with specific items.

### **3.8.2 Quantitative Data Analysis Technique**

Quantitative data like the age of food vendors, income of the food vendors, Tax fees, license fees, and size of working capital of food vendors will be analyzed using descriptive statistics because they contain single distribution but also binary logistic regression analysis were used through the help of Statistical Product and Service Solutions (SPSS) as well as Microsoft Office Excel. SPSS used because it has the ability to take data from almost any type of title and use to generate tabulated and Excel has ability to draw graphs from the data drawn by SPSS.

A binary regression technique was applied specifically on the objectives such as to determine the influence of demographic variables on formalising foods vendors in the

study area; determine the effect of demographic variables on formalising food vending, establish the social factors impacting formalisation of food vendors, establish the economic factors impacting formalisation of food vendors in the study area and the association between prior-exposure to business education and influence of formalisation of business were tested using the lambda and Goodman and Kruskal tau (based on chi-square approximation).

The binary logistic regression was preferred in analysing data because the dependent variable is dichotomous, that is, formalised business or not formalised business based on its merits compared to others. Therefore, the study used the following formula.

$$\text{Logit } [p(x)] = \log \left[ \frac{p(x)}{1-p(x)} \right] = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \dots \dots \dots \varepsilon \quad (i)$$

The above logistic equation (i) was used for analysing data from demographic, social and economic factors. This logistic regression involves fitting an equation of the following form to the data. Where by:

Logit ( $p_i$ ) = Y; is binary and represents the probability of being formalised business or not formalised business, coded as 0/1 respectively.

$\beta_1 - \beta_p$  = Regression coefficients

$\alpha$  = Intercept

$X_{1,1} - X_{p,1}$  = Independent variables or predictor variables

$\varepsilon$  = Error term

**Table 3.1: The Measurement and Definition of Variables**

Variable	Variables definition and unit of measurement
<b>Binary: Y= 0 if business is formalised</b>	
<b>Dependent variable</b>	
<b>Y= 1 if business is not formalised</b>	
Formalising food vending business	
<b>Independent variables</b>	
<b>AGE</b>	Age of the food vendors in years
<b>SEX</b>	Sex of the food vendors (binary variable: 1 if Male, 0 if Female)
<b>MRT</b>	Marital status of food vendors (dummy variable: 1 if married, 0 if otherwise)
<b>YSS</b>	Years spent schooling
<b>WC</b>	Size of working capital in TZS
<b>PEP</b>	Peer pressure of food vendors (dummy variable: 1 if Influenced by Peer, 0 Not)
<b>HHS</b>	Household size of food vendors (dummy variable 1 if The sponsor (yourself) you are currently married,0 if otherwise)
<b>HHI</b>	Household income of food vendors in TZS
<b>PRB</b>	Procedures for registering business (binary 0 if unfavourable, 1 if favourable)
<b>EXP</b>	Experience in food vending in years
<b>ETH</b>	Ethnicity of food vendors (dummy variable 1 if indian/chagga/Mkinga, 0 if otherwise)
<b>NT</b>	Networking of the food vendors(Number of other Organisation which the business interact with)
<b>TAX</b>	Tax fees of food vendors in TZS
<b>Li</b>	License fees of food vendors in TZS

### 3.9 Test of Validity, Reliability, Normality and Multicollinearity Effect

Goretti, (2011), whatever research methodology is adopted for particular research, validity and reliability issues have to be considered as test of trustworthiness of the measurements used in research. To ensure the validity and reliability of the proposed study, quantitative test was taken care.

#### 3.9.1 Validity of the Proposed Study

Validity is the magnitude to which the questions measure the presence of the variable one aims to measure (Saunders, Philip, & Andrian, 2009). Data validity in the



proposed research study will be assured by assessing questions for clarity through various professionals in this field. Also, questionnaires went through a pilot test to test the questions' understanding and correct misconceptions that may appear. Also, the proposed study tested the validity as explained by (Dunn, 2013) by testing a scale in terms of a theoretically developed hypothesis of an underlying construct. Chi-square and cross-tabulation were applied to test the validity of constructs

### **3.9.2 Reliability of the Proposed Study**

Reliability refers to the magnitude to which the measurement of data in the questionnaires is free from errors, consistent, and produces stable results despite the test taker, administrator, or condition under which the test is administered (Saunders, Philip, & Andrian 2009). The proposed study measured internal consistency by correlating the response to each question in the questionnaire with others. Cronbach's alpha coefficient was calculated to realize the reliability of questions and internal consistency. In testing internal consistency, Cronbach's coefficient Alpha was employed. Hair et al. (2016) recommend Alpha values of 0.7 and above. It was found that all constructs had Cronbach's coefficient Alpha values more significant than the recommended value of 0.7.

### **3.10 Ethical Consideration**

This study involved human beings, and the researcher collected data per the respondents' willingness. Therefore, it was necessary to acquire the consent of the people involved in the study.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter provides a discussion of findings and interpretation based on the research objectives in determining Social-economic descriptors of formalisation of the food vending business in Dar es Salaam, Tanzania. The chapter starts by respondents' profile, whether demographic variables such as age, sex, marital status, household size determine formalising foods vending, whether social factors such as education, peer pressure, ethnicity and experience on the determine formalisation of food vending; whether economic factors such as income, tax fees, registration fees, licence fees, capital, and networking on the determine formalisation of food vending in the study area; and whether prior-exposure such as attending seminars, workshop and conference to business education is associated with formalising food vending in the study area.

#### **4.2 Demographic Variables of the Respondents**

Demographic variables such as age, sex, and marital status, household sizes are essential to determine formalising food vending when it comes to identifying Social-economic descriptors of formalisation of food vending business in the regions as indicated in Table 4.1.

Regarding age, it has been found that the median age of the population in the study area is 34.50, above that of Tanzania (17.4). This implies that a large number of the respondent are within the productive age. The finding indicates that the median age of

the food vendors of Kinondoni Ward, Temeke, and Ilala in Dar es Salaam region is working age group. This could mean that more mature food vendors perform their business work at the highest possible level and ensure that they deliver their best regarding rules and regulations that guide sustainable food vending.

**Table 4.1: Distribution of Demographic variable of the Respondents (n=100)**

Variables	Minimum	Maximum	Mean	Mode	Median	Variance	Standard deviation
Age of respondents	21	55	35.02	28	34.50	65.151	8.072
Experience in food vending in years	1	15	6.50	3	5	17.505	4.184
Household size*	1	13	5.15	3	5	5.482	2.341
Education level of respondents	7	7	7	7	7	0.000	0.000
Income in Tshs	32000	6720000	1155120	70	700000	1,403	1184555.368

\*About 2% of all children did not attend formalising business training.

The results on the age of food vending workers are reliable to the findings of Ikiaria (2011), who reported that food vendors in Nairobi, Kenya have an average age of 38 years, which is the age of the working group. Also, results from McPherson (2013) on the determinants of formal business among food vending businesses found that most food vendors (87.5%) were aged 31-50 years. It is believed that older people tend to adhere strictly to traditional methods of selling foods in the street, while young people tend to be more willing to adopt a new way of selling food: a formal hotel. All things have been equal, and labor productivity is a function of age.

Relating to experience in food vending, the study revealed that the median was five years of experience. On average, the food vendors in the survey have worked for

almost 6.5 years. Self-employed have more years of work experience than employees. Workers without a contract have the least years of work experience. The study results indicate that most food vendors have experience but lack awareness of business since they operate their business traditionally.

In other words, only a few (33%) food vendors have a high level of experience of between 6 and 15 years and formalise their business compared to many (77%) with experience but do not formalising. Therefore, food vendors might fall into the trap of formalising business due to awareness and knowledge of business formalisation. Similar findings were reported by Njaya (2014) with the assertion that street vending experience increases with the age of a household. However, this leads to a reduction in the food vending operations and a subsequent reduction in the food vendor's income and welfare.

Concerning marital status, the widow/widower food vendors had a high incidence of formalising business compared to those who were single. The significant effect of marriage may be because married couples can jointly generate income that meets their household consumption requirements but also significantly influence formalising business. Some married couples may want to stay together and, therefore, prefer undertaking food vending work collectively rather than undertaking different activities (which may mean staying apart).

This result is similar to the results from (Dardano, 2013) on estimating the determinants of formalising food vending among food vendors households in Mekelle and Dangila in Ethiopia. The marital status shows that most of the 210 respondents

(90%) are married. Marrying more than one wife is common in urban settings either to ensure a supply of additional family labor or to raise the status of the farmer in an illiterate setting.

Following the education level of respondents, the study results revealed that the median years spent schooling was 7, which is very low compared to the national school life expectancy of 9 years for both males and females. This indicates that food vendors in study areas never went to high school, which may be partly explained by the fact that about a hundred percent of food vendors dropped out of primary school to establish food vending. They begin establishing a food vending business soon after dropping out of school. As noted by Mrs. Subira (not her real name) who said: *“Karibia wafanyabiashara wadogo wote waMamantilie hapa Dar es Salaam elimu yao niyamsingi”* (nearly all small-scale food vendors in Dar es Salaam have primary education).

This finding is similar to the findings of Nelson (2010) on formalising food vendors in Zambia, and noted that the formal schooling for the food vendors averages is primary education which is less than 8 years, suggesting that the majority of the food vendors have finished a primary school level of education. The food vendor workers may have dropped out of primary school because education is not an essential requirement for a food vending business.

Concerning the income of food vendors, Table 4.2 shows that the median income of the population in the study area is Tshs. 700 000. The median monthly income for households in the study area is Tshs 58 333. In contrast, the median monthly incomes

in rural households (Tshs. 32 305) are still much lower than incomes among urban households (Tshs. 108 053 for Dar es Salaam, Tshs 98 063 for Other Urban Areas). In contrast, the median monthly income of Tanzania mainland is Tshs. 50 999. This indicates that Tshs. One thousand nine hundred forty-four is a meager income per household daily compared to the national median monthly income, which is 1 944. When divided by household size (5), it will be Tshs 388 (0.172 USD) as the current exchange rate which is 2245.20Tsh/USD a day living below the poverty line having per capita income of fewer than 2 USD a day.

Findings on household income and expenditure are consistent with the findings of Hogeveen and Ruhinduka (2011), who observed that household income have a strong relationship with business registration, whereby lower-income people are the one who operates food vending in the street as informal he also observed that those with subsistence income are operating informally. Those with middle income are operating formally.

Concerning the sex of respondents, the study observed that (31%) of respondents were male and (69%) of respondents were female. This indicates that men usually engage in a big hotel, whereby women are engaged in street vending, which are many compared with a hotel. The study area has 52 000 street food vending and 12 871 hotel (Msoka, 2016). The study has also revealed a predominance of men in formal enterprises and women in informal enterprises. The predominance of women in informal enterprises could be attributed to gender-related cultural stereotypes. However, previous informal economy surveys, including the National and Dar es Salaam Informal Sector Survey

carried out in 1990, 1995, and 2010 revealed more male entrepreneurs than females. There are two explanations for this situation.

First of all, the traditional division of labor still persists in society. Hence, most women, particularly housewives, are grounded within their households performing domestic chores. In most cases, they find themselves engaging in informal food vending businesses. Secondly, society's cultural practice whereby women were regarded as dependent on men persists. As a result, most women do not regard themselves as owners of formal food vending, even if they have been responsible for initiating or running them.

Concerning the level of education, the study result demonstrated that 25% of street food vendors are illiterate and cannot write their names and have no formal education and 75% of street food vendors are literate and can write but operate their business informally. The result shows that the level of education achieved by the street food vendors is comparatively low, and in the case of a majority, education levels varied between standard seven and form two, 5 and 8; however, most of them lied on operating business informally this is due to the lack of knowledge skill about the benefit of operating formal business. Therefore this was also a significant problem for the food vendors.

A similar study by Johnson (2014) on formalising food vending business in Zambia found that the average person who operates a food vending business has an education that ranges from standard 5 to standard 8, in 98% of street vending have lower education which results in operating business informally. This shows that these people

are lacking knowledge about benefit of having license, TIN and Business name. It was apparent that in a wider survey education could be hypothesis as a factor and motivation to formalisation because some respondents intimated that formalisation was an indication they have gone to school.

In 2011, Tanzania implemented the Universal Primary Education Programme (UPE) and eliminated public school fees to increase access to primary education. Although Tanzania implement this strategy, we can see the policy is poor. There is no traceability they make to make sure that this education is mandatory to every one perhaps it may result people to be educated and hence formalize their business which can result to collect Tax hence development.

### **4.3 Effect of Demographic Variables on Formalising Foods Vending**

The binary logistic regression model was used to estimate demographic determinant (age, sex, marital status, household size) of formalising foods vending. The overall significance of the model was assessed using an Omnibus tests of model coefficients which produced the Chi-square of 49.569 and p-value of 0.000 as well as the Hosmer and Lemeshow test with Chi-square equals to 4.787 and p-value equals to 0.668. The two measures together indicate that the model of formalising food vending was more suitable to the data. The Nagelkerke's R<sup>2</sup> was 0.512 indicating a moderate relationship between prediction and grouping as shown in the Table 4.2.

Nagelkerke's R Square = 0.512; Cox and Snell R Square = 35.043; Hosmer and Lemeshow Test (Chi-square = 4.787; Sig. = 0.668); Omnibus tests of model



Coefficients (Chi-square = 49.569; Sig. = 0.000); -2 Log likelihood = 274.905; the influence of sex on formalising food vendor's business.

**Table 4.2: Demographic Determinants of Formalising Food Vending**

Variable	B	S.E.	Wald	Df	Sig.	Exp(B)
Sex	2.910	1.136	10.289	1	0.002	27.624
Age	3.704	0.423	4.047	1	0.001	10.667
Household Size	3.143	0.404	4.547	1	0.034	0.153
Ethnic Origin	-0.311	0.331	0.467	1	0.556	1.278
Marital Status	3.433	1.045	10.711	1	0.005	27.346
Constant	3.237	1.265	9.841	1	0.021	0.023

#### 4.3.1 The Effect of Sex on the Formalisation of Food Vending Business

The Wald statistic demonstrated that sex made a significant contribution to predicting formalisation of food vending business ( $p < 0.05$ ; Wald = 10.289; Exp (B) = 27.624). The p-value in Table 6 is less than 0.05 indicating that there was a statistically significant association between sex of the food vendors and the formalisation of business hence the null hypothesis is rejected. This revealed that there is relationship between the sex of the food vendors and the formalisation of business where by male are operating in formal way than female. Exp (B) value indicates that males were 27 times more likely to formalize their business than females. The possible explanation here may be that female respondents are discouraged by household responsibilities while there are divorced such as taking care of children while operating under low income than males who by tradition are exempted of such duties and most of them capable in terms of having middle income hence formalising their business. Another explanation may be the fact that most of men operating in hotels restaurant and chips cookers this force them operating their business in formal way comparing to women though women operate food vending than men in the study area. Similar findings were

obtained by Jackson *et al.* (2010) that studied the determinants of formalisation of street vending business of Nairobi Street vending and found that most men who operate street vending such as chips cooker and restaurant have higher influence of formalising business than women who operate the same business.

#### **4.3.2 The Effect of Age on the Formalisation of Food Vending Business**

The results indicated that age was another strong predictor of formalising business. The results were statistically significant at  $p < 0.05$ ; with a Wald statistic of 4.047 and  $\text{Exp (B)} = 10.667$ , implying that when age increases by 1 year the odds ratio is 10.667 times meaning older food vendor were 10 times more likely to intend to engage in formalising business than younger food vendor. The  $p < 0.05$  indicate that there was statistically significant association between age of the food vendor and the formalisation of business.

This might be because old food vendor were having experience about the formalising business, having knowledge about benefit of formalization than young food vendor who were not having experience of business operation. So it is normal when one leave longer she or he would have acquired experiences, which assist in business. These findings confirm the findings by Carrion (2005) who observed that characteristics such as age of the business man or women influence the probability of formalising small scale business but not in large scale business. The findings correspond to those by Chen (2016) who found that age had a significant coefficient and marginal effect on the probability of operating formal business thus food vendor who have experience in more than year have probability of formalising business than one with less experience in year.

### **4.3.2 The Effect of Household Size on the Formalisation of Food Vending**

#### **Business**

The findings further indicated that household size was another strong predictor of formalising food vending business at  $p = 0.034$ , a Wald statistic of 4.547 and an Exp (B) of 0.153. P-value in Table 6 show that there are significant association between household size and the formalisation of food vending business hence the null hypothesis is vetoed. A Wald statistic of 4.547 demonstrates that number of children, contributed significantly to formalising food vending business. Exp (B) value indicates that when the number of children increases by 0.153 the odds ratio is 3.143 times as large, and therefore food vendors are 3.143 times more likely to have Tin number, business name and licence.

The findings correspond to those by Brown (2016) who found that household size had a significant coefficient and marginal effect on the probability of operating formal business which implied that food vendors with large household size the possibility of securing business are high compare to the one with small household this is due to the fact that he or she requires assurance of operating business but also allowing to get financial credit using his or her business for sustainable life with their household.

### **4.4 Effect of Economic Factors on the Formalisation of Food Vending**

The binary logistic regression model was used to determine the effect of economic factors such as income, tax fees, registration fees, licence fees, capital, and networking on the formalisation of food vending. The overall significance of the model was assessed using an Omnibus test of model coefficients which produced the Chi-square of 51.568 and p-value of 0.000 as well as the Hosmer and Lemeshow test with Chi-

square equals to 4.061 and p-value equals to 0.558. The two measures together indicate that the model of formalising food vending was more suitable to the data. The Nagelkerke's R<sup>2</sup> was 0.522 indicating a moderate relationship between prediction and grouping as shown in the Table 4.3.

**Table 4.3: Economic Descriptors of Formalising Food Vending**

<b>Variable</b>	<b>B</b>	<b>S.E.</b>	<b>Wald</b>	<b>Df</b>	<b>Sig.</b>	<b>Exp(B)</b>
Income	-3.910	1.233	11.289	1	0.002	22.624
Tax fees	3.704	0.423	3.043	1	0.001	9.667
Registration fees	-3.143	0.404	4.501	1	0.034	0.153
License fees	0.311	0.331	0.264	1	0.556	1.677
Constant	3.237	1.265	10.881	1	0.002	0.039

Nagelkerke R Square = 0.522; Cox and Snell R Square = 0.487; Hosmer and Lemeshow Test (Chi-square = 4.061; Sig. = 0.558); Omnibus tests of model Coefficients (Chi-square = 51.568; Sig. = 0.000); -2 Log likelihood = 288.991; the influence of sex on formalising food vendor's business.

#### **4.4.1 Effect of Household Income To Formalisation of Food Vending Business**

The binary logistic regression analysis was applied to assess the effect of household income to the formalisation of business. It was found that income is significantly contributed to predicting formalisation of food vending business. However this relationship was drawn from the model which demonstrate Wald statistic of 11.289 made a significant contribution to predict formalisation of business at  $p < 0.05$  indicating that there was statistically significant association between income /household income and formalisation of business hence the null hypothesis was rejected. Exp (B) value indicates that higher income earner were 22 times more likely to formalize their business than low income earner. The potential clarification here

may be those of low income earners are under pressure that once they start having license TIN and business name they will be no money for developing their self not only that but what they get are only subsistence to operate for themselves. This finding is similar to the finding of John (2014) who studies that determinates of household income in formalising business and found that most respondent who formalize their business are having high income and for those who are operating informal way are having subsistence income level this result demonstrate a significant relationship between household income and business formalisation.

#### 4.5 Prior-Exposure to Business Education and Formalisation

The findings showed that, among the food vendor who had studied a business education, 83.3% had clear intention of formalising business whereas only 14.6% of food vendors who had not studied business education had intention of formalising their business (Table 4.4).

**Table 4.4: Influence of Entrepreneurship Education on Business Formalisation**

<b>Business Education status</b>		<b>Operate business informally</b>	<b>Operate business formally</b>
	n	162	28
Had not studied business education	%	85.4	14.6
	n	19	117
Had studied business education	%	16.7	83.3

P-value = 0.000; Lambda = 0.811; Goodman and Kruskal tau = 0.589

Furthermore, the findings showed that there is a positive association between studying business education and formalisation of business. The lambda value of 0.811 and Goodman and Kruskal tau (based on chi-square approximation) of 0.589 showed a

strong relationship between studying business education and intention to formalize business in future. The results were statistically significant at  $p < 0.05$ . The findings imply that business education contributes significantly to improving food vendors formalize their business because the majority of food vendors who had studied business education in workshop or seminars had clear ambitions of formalize business than those who had not studied business education.

#### **4.6 Social-Economic Challenges Facing Food Vendors in Formulating their Business**

The study has found out that out of 10 factors, 71% of the food vendors who were interviewed have indicated that premises and working capital are most challenging factor for formalising business. This was justified by 46% of the food vendors from the study area who indicated that premises as a limiting factor for formalisation. However, formal food vendor did not indicate the factor as the limiting factor.

**Table 4.5: Social-economic Challenges Facing Food Vendors in Formulating Business (n=100)**

<b>Social economic factors</b>	<b>n</b>	<b>Percent (%)</b>	<b>Percent of Cases (%)</b>
No permanent premises	46	16	46
Limited Capital	53	19	53
Lack of knowledge on business formalisation	13	5	13
Complex Procedures	9	6	9
High Taxes and Fees	14	5	14
Poor Formalising Information	23	8	23
Formalisation Importance	25	9	25
Poor Pre-conditions of formalising business	33	12	33
Harsh Tax requirements	52	19	52
High Conformance Costs	12	4	12
<b>Total</b>	<b>280</b>	<b>100</b>	<b>280</b>

The informal food vendors revealed that harsh tax regulation is a factor limiting formalisation. This was revealed by 52% of informal food vendors. The study has also found that 33% of informal food vendors revealed that complicated pre-conditions set by regulators affect the formalisation process. Other factors with their corresponding response rates are as shown in Table 4.5.

**CHAPTER FIVE**  
**SUMMARY OF KEY FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**5.1 Summary of Key Findings**

This section presents a summary of the key findings following the study objectives. First, a summary of key findings on the determinant effect of demographic variables such as age, sex, marital status, and household size on formalising foods vending in the study area.

It is followed by examining the social factors such as education, peer pressure, ethnicity and experience on the formalisation of food vending in the study area; and ends with a summary of the key findings on determining whether prior-exposure such as attending seminars, workshop and conference to business education is associated with formalising food vending in the study area.

**5.1.1 Demographic Determinant of Business Formalising**

It was found that demographic determinants of formalising the food vending business, such as food vendors' sex, age, and marital status, significantly contributed to the business formalisation plan ( $p < 0.05$ ).

However, it was further found that women are more likely involved in food vending business than men; this implies that women have many house responsibilities care of the house care of children and most of the women food vendor were divorce such that they take all responsibility to take care of the family thus women are having stronger aspiration of becoming entrepreneurs (informal food vending) than men.



### **5.1.2 Social Determinants of Formalising Food Vending**

The study further found that education, peer pressure, ethnicity, and experience were the primary determinant of business formalisation. However, experience food vendors had the possibility of formalising their business more than those with no experience. The study also found that education was a strong predictor of business formalisation since the food vendor had knowledge about formalization benefits such as securing business and financial credit. The results were statistically significant at  $p < 0.05$ . Ethnicity and peer pressure were not significant predictors of business formalisation.

### **5.1.3 Economic Determinant on Formalising of Food Vending**

Concerning the determinants of formalisation of business, this study found that six factors contributed to predicting formalisation of the surveyed food vendor. These factors were: income, tax fees, registration fees, license fees, capital, and networking ( $p < 0.05$ ). It was also observed that all these six determinants of business formalisation played the greatest role in determining formalisation of food vending. However, the study found that income was a strong predictor of formalizing business. This implies that food vendors who were operating under high income were having possibility of formalising business than those with subsistence income.

## **5.2 Conclusions**

In light of the findings, it can be concluded and presented in accordance with the study objectives, and the summary of the significant findings is as follows:

It was concluded that the determinant effect of demographic variables such as age, sex, marital status, and household size are potential factors to be checked as the way out to formalize the food vending business in developing countries. It was observed

that women are more involved in food vending than men. This was due to divorce and household responsibilities, which forced them to engage in the food vending business. Contrary to what was hypothesized, it was observed that most of those who had formalised their business were associated with age, marital status household size and sex of the food vending. When studied alone, food vendors who live in a couple have a greater possibility of formalising business than those who live in a single similar to gender, whereby women seem to operate their business more informally than men due to either divorce, lower income, or household responsibility.

It is also concluded that social descriptors of business formalisation were contributed to predicting food vending formalisation. Diverse from what the stipulated hypotheses pointed out, education, peer pressure, ethnicity, and experience were found to be contributors to a high business formalisation of food vendors. However, it is also concluded that social factors had the greater contribution to determining the business formalisation of the surveyed food vendor.

Moreover, it is concluded that six factors contributed to predicting business formalisation of the surveyed food vendor. Unlike the stipulated hypotheses, income, tax, registration fees, license fees, capital, and networking contributed to a high business formalisation of food vendors. It is also concluded that, of all the factors, income had the greatest contribution to determining business formalisation of the surveyed food vendor.

It is also concluded that attending seminars, workshop and conference had greater influence to business formalisation as noted from surveyed food vendors. Contrary from what we were expecting. Thus there was a high association between food

vendors who attend training and seminars and formalisation of business. However, it is further concluded that attending seminar influences food vendor to formalise their business, as it was observed that food vendors who studied business education had reported different in formalising business from those reported by their counterparts.

### **5.3 Recommendations**

Concerning the above findings and conclusions, it is overbearing that food vending business and the government should ensure that food vendors get the support they require to put their business plans and ideas into action. To that effect, several recommendations for the food vendor, university educators, and administrators, as well as policymakers, are put forward as follows:

#### **5.3.1 Recommendations to Demographic Variable**

Since it has been observed that women engage more in food vending than men and operate informally, food vendors urged to get government support, i.e. establishing simple procedures to get a license to get TIN and business name for small business like creating special office that will handle over small business registration. Together, they can formalise their business and one will evade.

On demographic factors the government through Property and Business formalisation Program also known by its Swahili acronym (MKURABITA) is a community empowerment initiative of the Government of Tanzania which was established in 2004 mainly to economically empower the poor majority in the country, by increasing their access to property and business opportunities.

The Program is conceived within the National Strategy for Growth and Reduction of Poverty (MKUKUTA and MKUZA for Zanzibar) and specifically seeks to facilitate transformation of property and business entities in the informal sector, into legally held and formally operated entities in the formal sector of the economy. Finally, programmes that encourage food vendors to participate in formalising business, should be in place in order to overcome the gender bias, improve the household size of food vendor and marital status are necessary to enhance formalisation of business in the long run.

### **5.3.2 Recommendation of Social Factors Determining Business Formalisation**

Regarding social influence like peer pressure, education, experience and ethnicity it has been observed that major attention should be given to build social and physical infrastructures that help promoting food vending business to acquire necessary issue that will promote food vendors to formalize their business. Also, food vending business need to be incorporated in governmental plans and policies for balanced development by implementing some initiative that will support food vendors to formalize their business like creating a peer pressure which will facilitate formalisation of business.

### **5.3.3 Recommendation on Effect of Economic Factors of Formalising Business**

Based on effect of economic factors, the development actors including the government should provide initiative programme which will enable easy collection of Tax, removing difficulties in pre-condition of getting license, TIN and business name to all food vending business also training to food vending business concerning income diversification into food vendors which can be stimulated by providing business

networking so that food vendors can be aware of sustainable income after formalising business.

#### **5.3.4 Recommendation on Effect of Business Education on Determining Formalisation of Business**

In accordance with whether prior-exposure such as attending seminars, workshop and conference to business education is associated with formalising food vending. The government should provide training program, initiating workshop and seminar to the food vendor so that they will get the benefit of formalising their business, awareness of the importance of the business to formalize and other compliance issue.

#### **5.4 Limitations and Areas for Future Studies**

The current study recommends several areas where future research can be conducted. This study has studied the demographic and social-economic descriptors of formalisation of the food vending business in Tanzania. However, other scholars may research the association of these constructs to other parts of the country since the coverage of this study was limited in Dar es Salaam. By doing so, insights for generalization might be developed. Moreover, this study is cross-sectional and collected data at a single time. It is suggested that other researchers may consider conducting a longitudinal study to ascertain the influence of demographic and social-economic descriptors on formalisation of the food vending business.

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## APPENDICES

A questionnaire on Social-economic descriptors of Formalisation of food vending business in Dar es Salaam, Tanzania

### **Appendix I: Questionnaire**

My name is Swai Patrick a Master degree student at The Open University of Tanzania (OUT). I am conducting a study on “**Social-economic descriptors of Formalisation of food vending business in Dar es Salaam, Tanzania**”. I have identified you as potential respondent because you fall within the sample of my study and you possess valuable information, which will help me finish this study. Much as I would like you to fill all question in the questionnaire, you are free not respond to all or any question you feel not ethically suitable to you. Your information will be treated with highest respect of confidentiality they deserve. I am happy to ask you few questions as follows:

Questionnaire number: .....

Date of interview: .....

District: .....

Ward: .....

Street: .....

Email address or Phone Number.....

A: Business Formalisation

A1: Demographic Variables

**1. Sex (tick the appropriate):**0 = Female 1 = Male 

2. Your age in years.....

3. How many years spent schooling? .....

4. When you start operating your business in years?

5. Marital status (tick the appropriate):

0= Single; .....

1= Married; .....

2= Widow/Widower; .....

3= Divorced; .....

4= Living together.....

5=others (specify).....

**6. Household Composition****Please indicate your household composition**

Age	Sex		Total
	Female	Male	
<18 years			
18-60 Ears			
> 60			
<b>Total</b>			

7. Ethnic origin (Tick one):

0 =Tanzanian 

1= others (specify).....

8. Have you ever opt for or studied entrepreneurship?

0= No

1= Yes

9. If yes in 8 above, how long did the course take in Days or Month?.....

10. If No in 8 above, Why? Give reasons

1.....

2.....

3.....

11. How many Organisation/ people do you network with?.....

12. Indicate the status of your business you belong among the following by ticking the appropriate box.

Registered Business name		Having TIN number		Having License	
Yes		Yes		Yes	
No		No		No	

13. If No in above 12, why? Give reason why you don't have TIN, Business name and License?

1.....

2.....

3.....

14. If yes in above13, who advise you to register your business? (Tick One).

0= advised by Peer [ ]

1= Not advised by Peer

15. Did you face any challenges in getting license, business name and TIN number?

0= No [ ]

1= Yes

16. If yes in above 15, what are the challenges?

1.....

2.....

3.....

17. Did you know any benefit that you can get from having TIN, business name, business account and business licenses?

0= No [ ]

1= Yes

18. If yes in the above 17, then what are the benefits?

1.....

2.....

3.....

19. How did you see the numbers procedure?

0= Simple [ ]

1= Complex

20. How much amount of money did you pay for licence in TSH .....

21. How much money do you pay as Tax per year in TSH? .....

22. If No in 17 above, why? Give 3 reasons.

1 .....

2 .....

23. Household Income

Please describe the approximate average amount of household income from various sources during the year 2016

<b>S/No.</b>	<b>Sources of Income</b>	<b>Amount</b>
<b>1</b>	<b>Sales of Livestock</b>	
	Cattle	
	Birds e.g. Chicken, Duck e.tc	
	Goat	
	Rabbit	
	Sheep	
	Others if any	
	<b>Sub total</b>	
<b>2</b>	<b>Sales of livestock products</b>	
	Milk	
	Meat	
	Eggs	
	Hide	
	Other (Specify)	
	<b>Sub total</b>	
<b>Total income from livestock and livestock products</b>		
<b>3</b>	<b>Annual income from crop sale</b>	
	Maize	
	Cassava	
	Sweet Potatoes	
	Irish Potatoes	
	Fruits	
	Vegetables	
	Beans	
	Other (specify)	
<b>Total cash income from crop production</b>		
<b>4</b>	<b>Income from difference sources (Off-farm income)</b>	

	Fishing	
	Salaries/wages/payment from casual labour	
	Income from other sources e.g. Bicycle, Motorcycle	
	Income from pet-trading	
	Remittance	
	Pension	
	Masonry	
	Carpentry	
	Other (Specify)	
	<b>Total income from other sources</b>	
	<b>Total annual income from all other sources</b>	

**Thank You**



**Appendix II: Checklist for Key Informative Interview of Food Vendors**

1. Name of the key informant/education/institution/title and responsibilities
2. Please provide a brief status of food vending activities in your area?
3. Have you been supported by the government?
4. If yes in (3 above), what kind of support you have received?
5. If no in (3 above) what do you think is the reason?
6. What do you consider to be barriers for business Formalisation in your area?
7. What can be done to minimize the barrier?
8. Do you think that food vendors in Dar es Salaam are aware of the business licencing and Formalisation policy?
9. What is the basis for your argument in (8 above)?
10. What background skills, knowledge and experiences you feel food vendors are lacking, that could help them formalize their own businesses?

**Thank you**

**Appendix III: The Documentary Review Guide**

<b>Data</b>	<b>Description</b>	<b>Documents</b>
The number of food vendor in the study area.	Determined the total number of food vendors in study area which is 610.	ILO annual reports 2016 here food vendor have been demonstrated in number, location and capacity in terms of income.
The number of informal food vendor in the study area.	People who engaged in food vending and related business who were 20 110 people.	MKURABITA report of 2015 <ul style="list-style-type: none"> <li>• Formalised food vendor</li> <li>• Informal food vendor</li> <li>• Procedure of formalising business</li> </ul>
The trend of informal food vending business.	Informal food vending is increasing as the number of business increases in the study area.	MKURABIRA report of 2013 <ul style="list-style-type: none"> <li>• Demonstration of number of formalised business during the year</li> <li>• Allocation of formalisation resources</li> </ul>

#### Appendix IV: Sample Size Determination

A: Based on a sample size formula by Fisher *et al.*, (1991) as described hereunder:

When population is greater than 10,000

Sample size n of a population P is given by:  $n = \frac{Z^2 Pq}{d^2}$

Where,

Z = Standard normal deviation set at 1.96 (or 2.0) corresponding to 95 confidence level

P= Percentage of target population estimated to have a particular characteristics if not known use 50%

q= 1.0-P

d=Degree of accuracy desired set at 0.05 or 0.02

Given:

P= Percentage of food vendors we use 50%

Z= 2.0

q=1.0-.5

d=0.05 the sample size for the study is given by:  $\frac{2^2 \times 0.5 \times 0.5}{0.05^2} = 400$  respondents.

**Appendix V: Research Clearance Letter****THE OPEN UNIVERSITY OF TANZANIA*****DIRECTORATE OF POSTGRADUATE STUDIES***

P.O.BOX 23409  
DAR ES SALAAM, Tanzania  
<http://www.openuniversity.ac.tz>



Tel: 255-22-2668992/2668445  
Ext.2101  
Fax:255-22-2668759  
E-mail: [dpgs@out.ac.tz](mailto:dpgs@out.ac.tz)

**REF: PG201801169****26<sup>th</sup> August, 2021****TO WHOM IT MAY CONCERN****RE: RESEARCH CLERANCE LETTER**

The Open University of Tanzania was established by an act of Parliament No. 17 of 1992, which become operational on the 1<sup>st</sup> March 1993 by public notice No. 55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1<sup>st</sup> January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Patrick Swai, Reg No: Pg201801169**, pursuing Master of Human Resource Management (MHRM) We hereby grant this clearance to conduct a research titled: **“Demographic and Social-Economic Descriptors of Formalisation of Food Vending Business in Dar es Salaam, Tanzania”**. He will collect his data in your Council between 1st to 17th September, 2021.

In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.BOX 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours Sincerely.

Prof. Magreth Bushesha  
**DIRECTOR OF POSTGRADUATE STUDIES**  
**THE OPEN UNIVERSITY OF TANZANIA**

# JAMHURI YA MUUNGANO TANZANIA

## OFISI YA RAIS



### TAWALA ZA MIKOA NA SERIKALI ZA MITAA HALMASHAURI YA JIJI LA DAR ES SALAAM



Kumb: Na: DCC/

Tarehe: 18/8/2021

Makamo Mkuu wa Chuo  
Chuo Kikuu Huria Cha Tanzania  
S.L.P 23409  
**DAR ES SALAAM**

#### Yah: RUHUSA YA NDUGU PATRICK SWAI YA KUFANYA UTAFITI

Tafadhali rejea somo tajwa hapo juu.

Halmashauri ya Jiji la Dar es Salaam imemruhusu ndugu **Patrick Swai** kutoka **Chuo Kikuu Huria cha Tanzania** kufanya utafiti kwenye Mkoa wako, kuanzia tarehe 1/09/2021 hadi 17/9/2021.

Hivyo amepokelewa na kumpa ushirikiano kulingana na mahitaji yake

Nakutakia utekelezaji mwema

**Nakala.**

- Mkurugenzi,  
Halmashauri ya Jiji la Dar es Salaam (alione kwenye jalada).
- Patrick Swai

Mwl. Mussa Ally  
Kny: MKURUGENZI WA JIJI LA DAR ES SALAAM  
Mkurugenzi wa Jiji la Dar es Salaam