



An assessment of entrepreneurial activities done around mererani tanzanite mines, determinants and challenges

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Abstract

An establishment of Tanzanite mining activity in Mererani has made the area significant for entrepreneurial activities as a result of migration of people from different parts of Tanzania and East Africa who came to work in the mining or to offer services to miners surround the area. Entrepreneurial activities around mines sites has number of advantages such as providing necessary requirements to the people who works in mining pits like, food, clothes, communications equipment, medications and other important services. These activities also are sources of local government revenue as it collects revenue and tariffs from products and services rendered. A study was conducted purposely to understand the nature of entrepreneurial activities done by community surroundings mines, determinants factors influencing the choices of doing entrepreneurial activities around mines and the challenges facing entrepreneurial activities in Mrererani Tanzanite mining sites. A sample of 128 respondents (surrounding communities) were sampled for the study from the sampling frame of 693 community members in Mererani township authority area. Both quantitative and qualitative information were gathered by using interview, observations and review of available documents related to the subject matter. Data were analyzed using descriptive statistics. Findings show that major entrepreneurial activities in the study area is gemstones brokering, followed by restaurants operations. The study also noted that the major challenge was unavailability of minerals which leads to inadequate purchasing power among customers. Other challenges are frequent increase of house rent, and payment of tax. Therefore, the study concludes that entrepreneurial activities in the study area depend on availability of minerals, when there are minerals even the other economic activities increase. This study recommends that the government have to reduce tax from Mererani mines surrounding communities who conduct entrepreneurial activities such as bars and restaurants operations. Also, the government has to give a transitional time for example 3 years for business owners before starting collecting tax.

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1. Introduction

Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. The entrepreneur is endeavoring to create value in undertaking such entrepreneurial activities (Seymour and Ahmad, 2008) ^[4]. This study therefore defines entrepreneurial activities as set of activities and practices by which individuals at multiple levels autonomously generate and use innovative resource combinations to identify and pursue opportunities.

Mining surrounding communities generate their livelihoods from the industry by engaging directly in mining activities and or by opening parallel auxiliary activities that benefit from the booming population in the area (Bond, 2012).

Evidence exists that entrepreneurial activities around mining areas benefits the society and household, for example in terms of job creation or economic growth, asset acquisition, and increased ability to provide basic services for survive (Carree and Thurik, 2010) ^[13]. An establishment of Tanzanite mining activity in Mererani has made the area significant for entrepreneurial activities as a result of migration of people from different parts of Tanzania and East Africa who came to work in the mining or to offer services to miners surround the area (Helliesen, 2012) ^[1]. Entrepreneurial activities around mines sites has number of advantages such as providing necessary requirements to the people who works in mining pits like, food, clothes, communications equipment, medications and other important services. These activities also are sources of local government revenue as it collects revenue and tariffs from products and services rendered (Rukonge 2006). Since the beginning of mining activities in Mererani, surrounding communities has been doing various entrepreneurial activities, unfortunately their ventures don't graduate. It is common to see an individual doing the same petty business for years with stagnant or little progress but they don't quit. This call for the study to understand the nature of entrepreneurial activities done by community surroundings mines, determinants factors influencing the choices of doing entrepreneurial activities around mines and the challenges facing entrepreneurial activities in Mererani Tanzanite mining sites.

2. Research Methodology

2.1 Research Design

This study employed a cross-sectional survey research design. The design involved collecting data from a single point at a time on the impact on household welfare through entrepreneurial activities done by the surrounding Mererani mining communities. This type of study design utilizes different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational background, and ethnicity. The design is considered as the most appropriate for descriptive purposes and determination of relationship between variables.

2.2 Description of the Study Area

Mererani Town is a multiethnic mining area, composed of a

conglomerate of people from Tanzania and neighboring countries (Lange, 2006). Mererani is located 150 kilometers from Orkesmet, the Simanjiro District Headquarters, 70 kilometers from Arusha and Moshi Municipalities. The original inhabitants of Mererani are Maasai and Meru. However, due to immigration, immigrants are estimated to occupy a big portion of the population (URT, 2012). Mererani consists of five villages which are Songambele A, Songambele B, Zaire, Kazamoyo and Endiyamutu. Mererani is the only place in the world that put Tanzania on the map of Tanzanite producer. There is almost every tribe presented in the area such as Wachaga, Waarusha, Wameru and Maasai who score highest percentage in the area. The presence of mining activities and entrepreneurial activities in Mererani has influenced the researcher to conduct this study in the area. The study assumed that the views of respondents in Mererani will presents the views of other mining areas surround communities in Tanzania.

2.3 Sample size and Sampling techniques

2.3.1 Research sample selection

A total of 128 entrepreneurs were sampled for the study from the sampling frame of 693 entrepreneurs in Mererani township authority area. The total number of Entrepreneurs was obtained from the register of Township Executive Officer (TEO). The researcher calculated the required sample (n) depending on the total number of the entrepreneurs (N) in each village using Boyd *et al.* (1981) formula for known population.

$$n = C/100 \times N$$

Where C= figure greater than or equal to five percent of village household population.

N= the total number of households in the villages.

n= the number of selected households.

Four villages were selected from two wards (Mererani and Endiyamtu) from which a representative sample was selected. A total of 128 respondents were identified from Songambele (34), Zaire (30), Kazamoyo (34), and Endiyamutu (30). This is shown in Table 1.

Table 1: The number of respondents from ward and village

Ward	Village	Total number of entrepreneurs (N)	Percent of entrepreneurs involved in the study	Number of entrepreneurs involved in study(n)
Mererani	Songambele	226	15	34
	Zaire	200	15	30
Endiyamuu	Kazamoyo	342	10	34
	Endiyamutu	195	15	30
Total		693	55	128

Source: Mererani Township Authority (2017)

2.3.2 Sampling techniques

Both non-probability and probability sampling procedures were used in this study. Probability sampling (simple random sampling) was used to select respondents in each village for the study. A list of respondents (entrepreneurs) were obtained from Mererani township authority office in which entrepreneurs were randomly selected from lists provided whereby each name were written in an individual piece of paper and the pieces were placed in a box (lottery technique) then names of entrepreneurs to be interviewed were picked

whereby each respondent had the chance of being included. Random sampling is an appropriate strategy, when one wants to generalize from the sample studied to a large population (Saunders *et al.*, 2009). Non probability (purposive) sampling was used to select 13 key informants, which include two ward Councilors, one township executive officer, one district business registration officer, one division officer, two ward executive officer, four village chairperson and two leaders of Mererani business owners association. The reason for their inclusion is the fact that as leaders and officers, they are

sufficiently place to know better the subject matter of this study, especially on issues related to policies and entrepreneurial activities. They are also well informed and experienced in all issues related entrepreneurial activities done around. This technique is useful when sample element and locations are chosen to fulfill certain criteria or characteristics or have attributes under study (Saunders *et al.*, 2009).

2.4 Data Collection Methods

This study used several methods of data collection. The researchers opted to use different methods in order to ensure validity and reliability, suitability and adequacy of data. The researcher also, assumed that, no single technique is necessarily superior to any other while a combination of two or three methods would make data highly reliable. Data were gathered from both primary and secondary sources. Both quantitative and qualitative information were gathered by using interview, observations and review of available documents related to the subject matter.

2.4.1 Interview

An interview is a data collection technique that involves oral questioning of respondents (Saunders *et al.*, 2009). In research interview is a prominent data collection strategy in both qualitative and quantitative research (Bryman, 2008) ^[7]. For the case of getting more detailed and accuracy information interviews is also suggested to be used in the study. In this study therefore, face to face interview was used whereby structured questionnaire which included both closed and opened ended questions were used. Structured questionnaires were used to guide the interviews with respondents during collection of quantitative primary data. Questionnaires were prepared based on the study research objectives. Qualitative data were gathered by using face to face interviews with 13 key informants. To ensure validity and credibility of the collected data the interview were recorded by writing them down and tape-recording the responses in relation to the study specific objectives.

2.4.2 Review of documents

This method was used to complement on the first-hand information obtained through interview. Available documents were reviewed in which reports and other relevant information from various documents such as Published and unpublished documents, books, journals and official reports from different sources supplied required data.

2.4.3 Observation

Observation is the systematic description of events, behaviors, and artifacts in the social setting chosen for study (Kawulich, 2005) ^[14]. Observations enable the researcher to describe existing situations using the five senses, providing a "written photograph" of the situation under study. Observations enable the researcher to observe events that informants may be unable or unwilling to share when doing so would be impolitic, impolite, or insensitive, and observe situations informants have described in interviews, thereby making them aware of distortions or inaccuracies in description provided by those informants (Kawulich, 2005) ^[14]. In this study therefore researcher spent enough time in the field where he managed to observe the entrepreneurial activities conducted by Mererani mines surrounding communities, and get a holistic understanding of other phenomena under study.

2.5 Data Analysis

The collected data were coded, summarized, and analyzed by using Statistical Packages for Social Sciences (SPSS) computer software in conformity with objectives of the study. SPSS has been applied because it takes data from almost any type of file and uses them to generate tabulated reports, charts, perform descriptive statistics and conduct complex statistical analysis (Collins, 2005). Frequency distribution tables were generated to summarize the data. A descriptive analysis used to analyze the collected quantitative data. The researcher provided a detailed description of the phenomena and provides their significant relationship based on the study objectives. Content analysis was used in analyzing qualitative data whereby data were transcribed into text and analyzed based on content and meaning of the text.

Multiple responses used in analyzing the of identification of the entrepreneurial activities done by communities surrounding the mining area, determinants and challenges. The respondents were asked to mention the entrepreneurial activities done in the study area, thereafter their responses were organized, coded and analyzed using descriptive analysis in the SPSS. Furthermore, tables were used to summarize data.

3. Results and Discussion

3.1 Entrepreneurial activities done by communities surrounding mines

Respondents were asked to mention entrepreneurial activities done by the surrounding mining communities. The findings show that entrepreneurial activities such as gemstones brokering, bars, restaurants, hardware, boutique, guest house/lodge operations were commonly operating in Mererani mining area. Table 7 shows that gemstone brokering was the leading entrepreneurial activity in Mererani area as pointed out by 21.6% of the respondents, contrary to boutique which was mentioned by 10.5%. Other activities are bars operations (18.1%) restaurants operations (17.4%), hardware operations (13.9%), and guesthouse/lodge operations 10.6%. The fact that gemstones brokering is the leading entrepreneurial activity in Mererani means that this is the major economic activities in the area, and other economic activity depends on availability of gemstones. These findings are not surprising because even Sosy (2013), noted that the majority of people in Mererani were highly dependent on mining activities so as to earn their living. It is clear that many households depend on mining activities, particularly the males. This study noted that communities surrounding the mine engaged in entrepreneurial activities because of the desire to improve their household income, asset and have a command over different household needs and thus improving their household welfare. Carree and Thurik (2010) ^[8] reported that entrepreneurial activity around mining areas benefits the household, for example in terms of job creation or economic growth, asset acquisition, and increased ability to provide basic services for survivals. Study by Bowen and De Clercq (2008) reported that entrepreneurial activity around mining, especially those which uses high technology has contributed largely to household welfare because majority of the surrounding communities get employment in the mining companies as a result they increase their income, but also the mining firms contributes to corporate social responsibility which leads to improved health services, education and infrastructures.

Table 2: Entrepreneurial activities done by communities surrounding mines (n=128)

Entrepreneurial activities done by mining surrounding communities	Responses	
	Count	Percent (%)
Mineral brokers	128	21.6
Bars	107	18.1
Restaurant	103	17.4
Hardware	82	13.9
Boutique	62	10.5
Guesthouse/Lodge	63	10.6
Wholesale/Retail shops	47	7.9
Total	592	100.0

N. B. Respondents gave more than one answer categories, therefore the number of cases do not add to 128 (Data set was based on multiple responses)

3.2. Determinants of doing entrepreneurial activities in Mererani Mining area

In this study the researcher was interested to know the reasons that motivated the participants to conduct entrepreneurial activities in Mererani mining area. Respondents were requested to explain the reasons for doing their entrepreneurial activities in Mererani Tanzanite mining area. The findings show major reasons such as availability of market, family matters, influence from friends and improved infrastructure has influenced majority to conduct their activities in the area. This is shown in Table 8.

Table 3: Determinants of doing entrepreneurial activities in Mererani (n=128)

Determinants	Responses	
	Count	Percent
Availability of market	128	33.4
Improved infrastructures	128	33.4
Influence from friends	69	18.0
Family matters	58	15.1
Total	383	100.0

N. B. Respondents gave more than one answer categories, therefore the number of cases do not add to 128 (Data set was based on multiple responses)

3.2.1 Availability of Market

The findings showed that about 33.4% of the respondents selected Mererani as their entrepreneurial centre due to availability of market for their goods and services. The availability of market led to increasing population of energetic people with purchasing powers who work in the mining pits. Other potential customers were government officials and gemstones buyers. During the interview, one female respondent who owned a restaurant at Songambebe argued that.

“It is worth to do business in Mererani because people move from different parts of Tanzania to Mererani for various reasons, some for buying gemstones, and others are working in the mining pits and or providing technical services to pit owners. Many people who visit this area do not have time to prepare food for themselves therefore they depend on our ventures to satisfy their needs” (Interview, Songambebe, 24 July, 2017).

This statement reveals that communities surrounding Mererani mines use the advantages of booming population in Mererani to offer services that brings about positive earnings to their household. Rukonge (2006) noted that an

establishment of mining activity in Mererani has made the area significant for entrepreneurial activities as a result of migration of people from different parts of Tanzania who came to work in the mining or to offer services to miners surrounding the area.

3.2.2 Family Matters

The study established that 15.1% of respondents moved into the area due to family matters like marriage and started the enterprises in Mererani. Similarly during data collection one male respondent at Zaire village said:

“I was born in Mererani, this is my home land therefore I find it significant to do business here because I have an experience with the changes in business trends in this area. Also my family members like father mother and in laws live here” (Interview, Zaire, 25 July, 2017)

The quotation reveals that some of the communities surrounding Mererani mines have decided to do entrepreneurial activities in Mererani because probably they needed to be close to their family.

3.2.3 Influence from friends

This study found that other participants (18.0%) decided to do entrepreneurial activities in Mererani because they were influenced in different ways by their friends who did business in Mererani area and succeeded in terms of income and ownership of assets. During the interview, one male respondent at Kazamoyo village said:

“About five friends started to do business in Mererani four years ago, now they are successful people with various assets. For sure they have influenced me a lot, to do entrepreneurial activities in Mererani. I believe and hope that one day I will be at their level” (Interview, Kazamoyo, 26 July, 2017).

This quotation reveal that existing entrepreneurial activities in Mererani Tanzanite mining area has enabled surrounding communities in Mererani area to obtain tangible success that influence their colleague to establish activities. Another observation from the quotation is that surrounding communities in Mererani area conduct their activities with hope that they will achieve their dreams to become great and successfully business owners.

In most cases successful people tend to influence others to become succeed by either telling them to copy their motion or to share ideas on how they managed to achieve success in

different areas (Fransisco, 2015).

3.2.4 Improved infrastructures

The study findings revealed that 33.4% of the respondents see an improvement in infrastructure for example tarmac road, electrification and financial infrastructures like commercial banks, contributes to as among factors that lead people to engage in entrepreneurial activities. During data collection the researcher observed that there is tarmac road which connects Mererani with Moshi Municipality and Arusha City. This finding implies that improvement in road infrastructure has simplified the movement of people, products and services from Moshi and Arusha to Mererani. Now it takes 50 minutes from Arusha to Mererani and 35 Minutes from Moshi to Mererani by using both private and public transport. These findings are similar to the study by Vanstel (2005) ^[12], which reported that good transport infrastructure reduces the cost of production and distributions which contributes to rapid growth of entrepreneurial activities due to smooth movements of products. At the same time the establishments of banks in the area have influenced many people to conduct entrepreneurial activities in the area. It was observed that Mererani area has three commercial banks branches for CRDB Ltd, NMB and Equity Bank which helps individual to save and withdraw their money hence entrepreneurs are comfortable with large transactions.

3.3 Challenges facing communities surrounding Mererani mines in doing their entrepreneurial activities

The researcher was interested to know the challenges facing communities surrounding mines in Mererani while doing their entrepreneurial activities. Respondents were asked to explain those challenges and the findings as shown in Table 9 indicated that challenge like gemstones scarcity as a leading challenge, frequent increase of house rent, unfaithfully customers, taxation, stiff competition, difficult customers, inadequate entrepreneurial skills are common. Few respondents indicated inadequate capital as a challenge.

Table 3: Challenges facing communities surrounding Mererani mines in doing their entrepreneurial activities (n=128)

Challenges	Responses	
	Count	Percent
Inadequate capital	41	8.2
Gemstones scarcity	128	24.2
Frequent increase of House rent	62	12.3
Income Tax	120	23.9
Unfaithful customers	38	7.6
Inadequate entrepreneurial skills	29	5.8
Increasing competition	66	13.1
Difficult customers	46	9.1
Total	503	100.0

N. B. Respondents gave more than one answer categories, therefore the number of cases do not add to 128 (Data set was based on multiple responses)

3.3.1 Gemstones scarcity

This study found that 24.2% of respondents complained that scarcity of gemstones supply was a major challenge to the entrepreneurial activities for the communities surrounding mines in Mererani. The findings imply that economic activities in Mererani, survives because of presence of minerals, therefore with the prolonged shortage of Tanzanite gemstones, the economic growth of Mererani is in danger.

This study observed that Mererani area is semi desert therefore no serious farming activities like crop cultivation is taking place, thus food and other most of the material for human consumption are imported from other part of Manyara region or Arusha city and Moshi municipality. Study by Sosy (2013) revealed that the landscape in Mererani is dominated by dry bushland and rocky hills. The area is dry due to shortage of water, deforestation and little rainfall, especially in the areas surrounding the mining sites. This study found that few people are involved in other activities, for example livestock keeping in a traditional mode of production which provides financial and natural capital to the Maasai population which were the original inhabitants of Mererani. Most of the energetic people (client of entrepreneurs) work as cheap labourers in mining sites therefore when they don't get game stones they lack purchasing power thus they don't buy products hence other entrepreneurial activities slow down.

3.3.2 Income Tax challenge

This study found that entrepreneurial activities done by communities surrounding Mererani mines are also challenged by payment of income tax. During Interview 23.9% of the respondents explained that they were negatively affected by paying tax. This indicates that majority of people doing entrepreneurial activities like, bars and restaurants operations in Mererani area do not get that much profit warranting them to pay income tax to the government. Current fifth government emphasizes the use of Electronic Fiscal Device (EFD) machine in each business. This affects many entrepreneurial activities especially bar and restaurants operations in two ways. Firstly is the fact that the cost of EFD machine is very high even greater than the capital invested by most of the Mererani mining communities in these entrepreneurial activities; and secondly the amount of money they submit to the revenue authority is also higher compared to the net profit balance they remain with when they pay other bills like electricity, rent and wages for the waiters. During interview, one female respondent at Endiyamutu village said:

"I invested 500 000 TZS but I have been ordered to buy and use EFD machine which cost more than seven hundred thousand shillings, without that the revenue authority will close my business. This is very unfair. Look at mineral brokers who get millions of shillings but they neither buy an EFD machine nor paying tax. Why the government is doing this to us?" (Interview, Endiyamutu, 27 July, 2017).

The quotation reveals a worry that if the government through TRA keeps on selling the EFD machine expensively, most of surrounding mining communities who engage in entrepreneurial activities will not afford to purchase the machine as a result the government will be losing revenue. Another observation from the quotation is that the government has failed to put a centralized arrangement that will enable gemstone brokers to pay the government tax.

These findings are similar to those by Daffa (2012) ^[11], who also noted that payment of tax and the use of EFD machine was a major challenge among small scale entrepreneurs in Morogoro Municipality.

3.3.3 Frequent increase in house rent

This challenge was indicated by 12.3% of the respondents in

the study area. This study found that most of the surrounding mining communities doing entrepreneurial activities in Mererani did not have their own house in Mererani because most of them were outsiders' who have come to the area to find opportunities and then go back to their home places. This implies that in order for them to proceed with their business they must rent accommodation and again rent premises for doing their activities. Unfortunately, the house owners (landlords) have the behaviour of increasing house rent several times in a year or after every six months. The study found that this also challenges the growth of entrepreneurial activities for the surrounding community. The researcher asked the leaders in Mererani area on measures to rectify this situation and the leaders replied that they do not have the capacity to influence house owner to stop changing rent as they want.

3.3.4 Unfaithful customers

This is another challenge explained by 7.6% respondents in the study area. This study found that individuals offering services in Bars and restaurants in Mererani mining area have the tendency of allowing their potential customers to get food and take drinks especially when they don't have cash. The reasons behind this scenario is the fact that the majority of clients given food when they had no money come to pay extra when they sell their gemstones or they give money as grant to the owner of the business, that later can be used expand the business. Unfortunately this study found out that getting gemstone is a probability because others work in mining pits for even more than two years but they are not lucky, or others manage to get the gemstones but they don't go back to clear their bills. This implies that the service provider get loss that leads to closure of hi/her business.

3.3.5 Difficult customers

The challenge of difficult customers was explained by 9.1% of respondents. The study found out that some of the clients who received services in bars and restaurants tend to misbehave the services providers by sexually harassing ladies or communicating with use of abusive language that demean the image and status of the waiters. Despite all these challenges a service provider has to make sure that a customer is satisfied. Therefore, these kinds of customers, pose challenge the entrepreneurs in Mererani.

4. Conclusions and Recommendations

4.1 Conclusions

This study concludes that major entrepreneurial activities in the study area is gemstones brokering as mentioned by 21.6% of the respondents, followed by restaurants operations (18.1%) and bars operations (17.4%). This study found that the majority of respondents have a vision to engage in gemstones brokering, due to the fact that to do it requires having only capital and networking ability. Currently the gemstone brokering activities does not require paying office rent, neither payment of license nor payment of tax as other entrepreneurial activities in Mererani area. This study also identified challenges facing entrepreneurial activities, but the major challenge was unavailability of minerals which leads to inadequate purchasing power among customers. Other challenges are frequent increase of house rent, and payment of tax. Given the evidence in the findings it is further concluded that entrepreneurial activities in the study area depend on availability of minerals, when there are minerals

even the other economic activities increase. It is also concluded respondents selected Mererani as their entrepreneurial center due to availability of market for their goods and services. The availability of market led to increasing population of energetic people with purchasing powers who work in the mining pits

4.2 Recommendations

This study recommends that the government have to reduce tax from Mererani mines surrounding communities who conduct entrepreneurial activities such as bars and restaurants operations. Also the government has to give a transitional time for example 3 years for business owners before starting collecting tax. The study suggests the government to reduce the cost of EFD machine to individuals conducting entrepreneurial activities in order to enable all of them to buy and use the machine. The fact that all economic activities in the study area depend on minerals availability, implies that when mining activities stop economic activities in the study area will stop. Therefore, this study recommends the establishment and investments of industry to supplement the dependence in mining only. If other industries will be established Mererani mines surrounding communities who do not have entrepreneurial activities will access new jobs, but also individual doing entrepreneurial activities will have continuing income due to reliable market thus they will continue to improve their household welfare.

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