International Journal of Multidisciplinary Research and Growth Evaluation.

Contribution of petty traders on revenue collection in local government authorities: A case of Mburahati Ward in Ubungo Municipality

James Godfrey Mkumbo [1*], **Dr. Castor Mfugale** [2]
[1-2] Department of Business and Commerce, St. Augustine University of Tanzania (SAUT), Tanzania

* Corresponding Author: **James Godfrey Mkumbo**

Article Info

ISSN (online): 2582-7138
Volume: 05
Issue: 03
May-June 2024
Received: 24-04-2024;
Accepted: 26-05-2024
Page No: 49-60

Abstract
This study sought to analyze contribution of Petty Traders (commonly known as *Machinga* on Revenue Collection using Mburahati Ward of Ubungo Municipality Dar es Salaam. The study studied on how Machinga businesses are done, how much revenue is generated by these businesses and effects of Machinga businesses on revenue collection. The study used an exploratory research design where Statistical Package for Social Scientists (SPSS) version 20.0 software was used to analyze data and presented them in the form of tables, charts, and graphs which helped to draw conclusions.
The findings were obtained from a total of 99 respondents , one(1) trade officer and one (1) machinga leader were interviewed. Findings shows that huge number of Machinga at Mburahati are selling vegetables (36.1%) followed by 23.7% who are selling fruits and 74.2% does their business in Machinga market due government restrictions as 87.6 % of respondents said they are not allowed to business in any place. Also finding show 78.4% of Machinga they are unaware of policy that governs them and 86.6% argued that Tanzania policy doesn't favor growth of their business. Findings show that huge number of respondents 67% their monthly sales turnover is approximately ranges 50,000-100,000 and only 4 respondents, (4.1%) indicated that their sales monthly sales revenue is over 360,000. Findings show that huge number of respondents 53.6 % they don't pay taxes on their daily business operations and the remaining 46.4% claimed that they pay taxes on their daily business operations. Findings show 97.9% of respondents they don't own shares in any institution, only 2 respondents (2.1%) indicated that they own shares. However, 21 respondents, 21.6%, suggested government should offer free interest loans,19 respondents, 19.6% suggested government should offer free capital to boost their businesses, 16 respondents, 16.5% suggest government should offer low interest loan. Hence Machinga businesses do not contribute to directly Revenue collection.

Keywords: Petty Traders (commonly known as Machinga), Revenue Collection

1. Introduction

Petty traders, who in Tanzania are named *Machinga*, are not a new phenomenon in African culture. The journey of petty traders in Tanzania (Tanganyika by then) can be traced back to the colonial era, where laws and by-laws served to regulate and restrict petty trade, a phenomenon associated with unwanted rural-urban migration as well as with unemployment and underemployment, and importantly, with strict hierarchies of race, gender, and class. In Dar es Salaam, street trade grew rapidly in the wake of the Depression in the 1930s, and the municipal authorities were eager to curb the number of traders by issuing few licenses and rounding up the unlicensed ones.
During the 1970s and early 1980s, the government clamped down on "*clandestine employment*", which was perceived as unfair competition to formal trade (Maliyamkono & Bagachwa 1990: 32) [26], and "*Operation Kila Mtu Afanye Kazi*" (every person

must work) was put in place.

With the goal of keeping urban poverty at low levels, unemployed residents were deported back to rural areas, sometimes by the use of force (Mwaiselage & Mponzi 1999) [31].

Amidst severe economic crisis and high levels of unemployment, the 1983 "*Sera ya Nguvu Kazi*", known as the Human Resources Deployment Act, followed previous attempts to engage every able-bodied person in "*productive work*", certified by registration with local authorities and a labor identification card. The decision on the lawfulness of income-generation was left to local authorities, and in the Dar es Salaam region, hawkers and petty traders were criminalized as "*loiterers*", arrested and evicted from the city (Shaidi 1984: 85). However, the Act successively allowed for small-scale businesses to become recognized as a means to combat unemployment, and by-laws were changed so traders could obtain the so-called "*Nguvu Kazi*" licenses.

Since rural-urban migration still outgrew the capacity to accommodate traders, distribution of the licenses stopped in 1993 (Mwaiselage & Mponzi 1999: 7) [31]. The peddling (street petty trader business) licenses were effectively abolished another ten years later with the passing of the Business Licensing Act of 2003 and the Finance Act of 2004, which restructured license categories and obliged businesses to be registered, thereby ending the legal tolerance towards traders running unregistered businesses in public space.

Although the objective of the latter two Acts was to simplify business formalization and encourage registration, obtaining a license under the new legislation remains tied to high costs that are insurmountable for most street traders (Lyons *et al*. 2010: 1602) [25].

In the early 2000s, facing a rapidly growing number of traders and the inadequacy of laws prohibiting street trade, the Tanzanian government under President Benjamin Mkapa decided to engage in a long-term reform process, with the goal of embedding and eventually integrating street trade activities into the *formal economy*. To this end, the government contracted the Institute for Liberty and Democracy (ILD). The plan was then institutionalized in the "Business and Property Formalization Programme," a planning unit under the President's office known by its Swahili acronym MKURABITA ("*Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge").* In the view of the ILD, the existence of an extra-legal economy, parallel to legal economic structures and institutions, hampers the development of an inclusive, modern market economy and perpetuates poverty.

Accordingly, the poor need to be given easier access to the law, particularly to property and business rights, in order to convert their assets into capital in the formal economy (de Soto 2001) [12]. The MKURABITA reform agenda presents informal street trade as incompatible with a modern economy and legal system by tying legality to formalization and formalization to a fixed business address. Laws and by-laws fail to recognize street trading and particularly hawking as income activities, which offer opportunities to many poor Tanzanians for the very reason that they are informal. Informal street trade is likely to stay an integral part of Tanzanian city life for some time to come.

According to Nwaka (2005) [42], since the 1980s, Nigerian policies have been repressive to the informal sector, with informal sector enterprises (dominated by women involved in hawking and other forms of street business) being harassed and compelled to relocate to remote and inaccessible outskirts of cities, and kiosks, illegal structures, and shanty towns in cities being raided and ruthlessly demolished.

A study by Ndikubwimana *et al.* (2020) [40], showed that street vending still exists in Kigali city, though number has reduced tremendously. This would be a response to measures taken by city council authorities. Based on the findings, street vendors have been given number of incentives. A handout of 60.000frw was given to some from Nyarugenge District. Free min-markets were constructed for street vendors, though some complain the areas were isolated from target customers. That is why few of the min-markets were closed and others are still operating. As a result, more political, educational, and economic strategies to reduce income inequality and create a more welcoming business environment are required for long-term solutions.

In December 2016, the political mood in Tanzania shifted in favor of traders when President Magufuli called for a nation-wide action to formalize *the Machinga* by handling those Machinga IDs. The last quota of 2018 was handled to the *Machinga* whose income did not exceed 4 million, with the assumption that the process would include the sector into the tax-paying system, hence boosting the revenue of the local government's collection. It is in that vein that this study intends to analyze the extent to which the sector indeed contributes to an increase in revenue collection, using Mburahati ward as a case.

1.2. Statement of the problem

The Tanzanian economy primarily depends on taxes on several transactions that are included in financial inclusion, which in this case refers to formalized transactions.

According to statistics from the World Bank (2017) [57], 38% of Tanzanians are excluded from financial inclusion. This can also be said that 38% of Tanzanian citizens perform several transactions that are not included in financial inclusion. For that matter, Tanzania's economy is greatly affected by 38% of its citizens who experience financial exclusion.

Street petty traders (Machinga) form a large part of the business population in cities. Informal economy provides low-cost labor, inputs, goods, and services to both formal and informal enterprises. Furthermore, it provides low-cost goods and services to the general public, especially poorer households, and its contribution to the informal workforce, both direct and indirect, is quite high in certain sectors and countries. The Quarterly report of TRA of 2019 has shown that by December 2018 a total of 670,000 IDs were handled to *Machinga* in Dar es Salaam, with the expectation that the process would increase the revenue of the region by 10% (George, & Olan'g, (2020) [15]. However, the process did not attract scholars and practitioners to analyze the effectiveness of the process in revenue collection. This study therefore intends to analyze the extent to which the formalization of the *Machinga* has contributed to the increase in revenue collection using Mburahati Ward as a case study.

1.3. Study Objectives

1. To establish the *modus operandi (mode of operating*) of the Machinga in Mburahati Ward
2. To analyze the increase in revenue associated with the formalization of *the Machinga*
3. To analyze the effects of Machinga businesses at Mburahati Ward, Ubungo Municipality on revenue collection

2. Literature Review

A recent study done by Constantine *et al* (2022) [60] on the formalization of street vending in Dar es Salaam by using Wamachinga ID reported that stakeholders viewed it as a step towards improving business freedom and access to improved earnings that will eventually improve government revenue collection from this informal sector. But the study also reveals that some formal business people employ young people and buy them Machinga ID so they can sell their products out of their formal business premises, which is a purely tax evasion strategy which affects government revenue collection.

A study done by Constantine on taxing the informal sector reported that street vendors do not pay taxes due to a lack of adequately designed business premises (physical address), which is a prerequisite for eligibility for a business license. The study continued to confirm that the initial formalization efforts by issuing Machinga ID have made formal business owners join the informal sector by buying Machinga ID from a group of petty traders so that they can sell their product, which affects the revenue collection of the country. Furthermore, the study indicated that petty traders are willing to pay a certain token to the government as a tax but lack proper regulatory framework accounts to hinder their intention.

A study done in Ukraine revealed that most studies have positioned petty traders in a negative manner as they don't pay taxes and hence do contribute to the national cake. In this regard, most governments discourage participation in the informal economy through strict controls through militia by enforcing fines and penalties. However, findings on how many entrepreneurs' start-up their business ventures by conducting some or all of their trade in the informal economy that included 600 respondents showed that out of these 331 individuals who started formal business within three years, 51 percent initially operated purely informally, wholly unregistered with no business license and have managed to graduate to operate formally. The findings showed interesting facts that there is a huge possibility of growth for businesses from operating informally to being formal, hence boosting the revenue collection efforts of Tanzania.

In their study on facilitation, inclusion, organization, and rights for street vendors (machinga) found that initially the introduction of IDs served as an increase in revenue collection for TRA but still remained a problem for local authorities, especially municipals, on management of this sub-sector as the revenue collected does not go to central government, hence the costs of managing these petty traders remain of great concern. The study also revealed that municipals failed to collect market levies effectively as machinga, from whom they are exempted through IDs, are also found in the market and therefore reduce revenue collection for municipals.

The informal sector and economic development

A study done by Estim and Daramora (2020) [13] on the Informal Sector and Economic Growth in South Africa and Nigeria revealed that although the informal sector is a source of income for a large number of people in Nigeria, it is difficult to determine its exact contribution to economic growth and development in the short run by using an Error Correction Model (ECM) to analyze data from 1985–2014. Furthermore, results showed that the informal sector has a long-running and positive relationship with economic growth, but that this is statistically insignificant.

Additionally, an endogenous growth model that incorporates variables such as official economy nominal GDP, informal economy nominal GDP, currency in circulation, demand deposit, the ratio of currency in circulation to demand deposit, narrow money, and the informal economy as a percentage of the official economy was used to determine the impact of the informal sector on Nigeria's economic growth. It was discovered that despite the commendable impact of the informal sector on economic growth, this relationship is not linear. Hence, it was recommended that the government integrate informal sector businesses into the formal sector and regulate the sector because of its potential to increase fiscal revenue through tax collection.

Taxation plays a crucial role in national budget preparation and implementation. It is one of the principal sources of government revenue. When citizens do not pay taxes, it affects budget planning, budget preparation, and government spending. That is why evasion of tax is linked directly to the budget deficit and hence lower revenue collection as well as investments in public goods. Tax evasion can be said to be inimical to a country's growth.

Moreover, several studies positioned informal employment as a help for the poor or as a genuine response to troublesome regulation, suggesting positive relationships between the informal sector and investment. In this case, the informal sector provides the economy with a dynamic and entrepreneurial spirit, which in turn can lead to more competition, innovation, higher efficiency, and increased investment, as suggested by Schneider and Klingmair (2004) [49].

A study done by Barro (2000) [4] suggests that the presence of the informal market makes it possible for agents to be involved in private enterprise or to acquire scarce goods and services that otherwise would not exist. Barro (2000) [4] argues that corruption may be preferable to honest enforcement of bad rules.

Few of the studies that have been done on Machinga in Tanzania have shown that this is an informal sector and has few linkages to the formal economy (Chen, 2007); hence, their contribution to the national cake is literally not appreciated. Some studies show that there is a negative relationship between the government and Machinga businesses, such that the government of Tanzania, through its police force and security guards, spends millions of dollars to remove Machinga from Dar es Salaam city.

A study done by Willemse (2011) [61] in South Africa showed that inability of the government and formal sector to provide enough employment opportunities especially in the most active age group, is the main reason why many people join informal businesses in South Africa. Due to this situation, the informal street trading sector acts as an important part in providing a security net for millions of the unemployed in the South African economy.

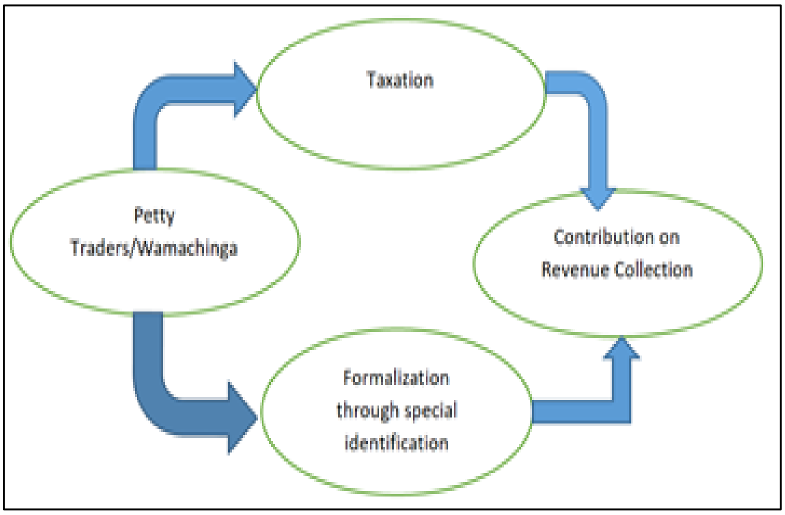
In addition to that, Semboja (2007) [48] argues that apart from that, this situation entails preparation of the youth for work: guaranteeing quality basic education for all young men and women, and creating informed vocational and technical education training system; providing quality jobs through a supporting environment for changing the traditional agricultural and informal sector activities into formal modern commercial activities; sponsoring equal youth employment opportunities for men and women and taking care of specific needs of defenseless groups in society such as youth with disabilities; nurturing entrepreneurship and empowering youth and facilitating their entry into business; and promoting youth employment strategies that increase labor mobility, social security, and income and prevent social exclusion. Therefore, policies and strategies should be designed to facilitate the creation of an effective, well-organized and clear service for the promotion of youth mobility and employment.

Recently, around 2015(late November), there have been many initiatives by the government of Tanzania (fifth regime) under His Excellency Dr. John Pombe Joseph Magufuli such that his government advocates serving the poor and rejected/disregarded (by previous regimes) such that he initiated to recognize this informal sector by issuing 675,000 Machinga Identity Cards to Regional Commissioners of Tanzania Mainland for distributing them to Machingas in their localities for a token of 20,000 TZS as an annual fee that will be sent to TRA. (Mwananchi Newspaper, December 10, 2018) [52]. However, it is not evident whether the process of formalizing the *Machinga* and including them in the formal tax would lead to an increase in revenue collection. This study intends to fill that gap, using Mburahati ward as a case.

2.1. Conceptual Structure

Ndunguru (2007) [41] defined conceptual framework as an assembled set of research concepts-cum-variables together with their logical relationships, often presented in the form of diagrams, charts, graphs, pictographs, flow charts, organ grammatical or mathematical equations. The same author continues to explain that the conceptual framework reveals a studied phenomenon of conceptual-cum-variables into a simple set of relationships that can be easily understood, modeled, and studied.

The conceptual framework of this study is based on examining the contribution of petty traders [the Machinga] to revenue collection. It is structured by the relationship between independent and dependent variables. On the side of independent variables, the study analyses the contribution of petty traders [the Machinga]. On the side of dependent variables, the research assumes and examines revenue collection as a resultant of independent variables. The relationship between the two sides is as shown in figure 1.



***Source*:** 2022 Researcher

Fig 1: Examines revenue collection

3. Methodology

The researcher employed case stud, since the study based on a single unit which is Mburahati ward, hence the case study design found to be useful. The study was conducted in the Dar es Salaam region, Tanzania within Ubungo District. The logic behind of choosing Ubungo district was to get information based on the factors affecting informal sectors operations because it contains various groups of these petty traders, and once studied, the most relevant data was obtained.

This study involved 108 street petty traders, since there are 150 petty traders in the area. This size has enabled petty traders to express their opinions and views in the study. The study used a purposive sampling method to select petty traders' respondents from among the population and simple random sampling in the selection of study area.

The study employed both primary and secondary data. The study applied primary data collection to help researchers gain information relevant to research questions. The primary information collected included the quantitative (questionnaires) data and the qualitative (interviews with supervisors of petty traders and governmental officials). Also, this study has employed secondary data through document search on annual financial reports and journals. Secondary data was gathered through a desk review of reports, bank articles, newsletters, and web pages.

The study employed both descriptive and inferential statistics to analyze the collected data. The data collected was pure quantitative and qualitative and was analyzed by descriptive analysis techniques and descriptive statistics, which included frequency, percentage, and mean.

4. Findings and Discussion

4.1. Gender of respondents

The data gathered was classified based on the demographic composition. The researcher interviewed 1 Machinga leader and 1 trade officer. Also, researchers distributed 108 questionnaires for Machinga. The received questionnaires were 97. The table 1 shows the demographic representation of the respondents in terms of gender.

Table 1: Shows the gender distribution

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	51	52.6	52.6	52.6
	Female	46	47.4	47.4	100.0
	Total	**97**	**100.0**	**100.0**	

Source: Field data (2022)

From findings in table 4.2, based on gender, 97 questionnaires were distributed in Machinga at Mburahati ward 51 respondents (52.6%) were male and 46 respondents (47.4%) were female. For the interview, the researcher interviewed 2 people 1 Machinga leader, male, 50%; and 1 trade officer, female, 50%.

Therefore, findings show that 51% of respondents were male in Mburahati Ward. This suggests many petty traders in Ubungo Municipality are men.

The findings concur with a study done by Kabullu (2019) [29] in Ilala Municipal that showed 76.5% of the respondents in this study were male and 23.5% of the respondents were female.

4.2. Respondents' Age

In this study, the researcher also intended to identify the age of the respondents. The main purpose of this concern was to know which age group had many participants. The age group categories for this question are indicated under the tables 2.

Table 2: Age Distribution of Respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
10-18	7	7.2	7.2	7.2
19-25	19	19.6	19.6	26.8
26-35	32	33.0	33.0	59.8
36 and above	39	40.2	40.2	100.0
Total	**97**	**100.0**	**100.0**	

Source: Field data (2022)

From the above findings, the number of respondents aged between 10 and 18 was 7 respondents, or 7.2 percent, the age between 19–25 was 19 respondents, or 19.6%, the age between 26–35 was 32 respondents, or 33.0 percent, and between 36 and above was 39, or 40.2 percent. Therefore, most of the respondents' age was 36 years and above, which was 40.2% as displayed by the figure.

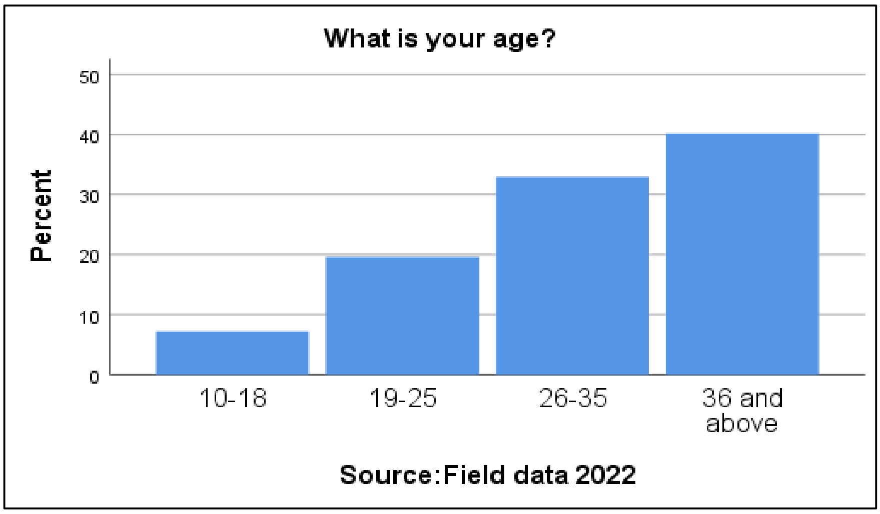


Fig 2: Respondents' Gender

Table 3: The level of education categories

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	51	52.6	52.6	52.6
Female	46	47.4	47.4	100.0
Total	97	100.0	100.0	

4.3 Respondent Education

In this study, the researcher also intended to identify the educational level of the respondents. The main purpose of this concern was to know which level of education had the most participants. The level of education categories is shown in table 3.

Table 4: Respondent education level

Education	Frequency	Percent	Valid Percent	Cumulative Percent
Primary	72	74.2	74.2	74.2
Secondary	21	21.6	21.6	95.9
Illiterate	4	4.1	4.1	100.0
Total	**97**	**100.0**	**100.0**	

Source: Field data (2022)

From the above finding, the total number of respondents involved 97 respondents. 72 respondents had primary education, 21 respondents had secondary education, and 4 respondents had no education. Findings show that the majority of petty traders (74.2%) in Mburahati ward in Ubungo District have primary education. This could be explained by the absence of school fees, as a free education policy from primary to secondary school (up to form four) has only recently begun.

4.4. On the Machinga Business Model in Mburahati Ward

The researcher also wanted to find out how Machinga business is done in Mburahati Ward, Ubungo Municipality. In this category, the researcher asked six questions to get an understanding of how Machinga business is done at Mburahati.

Business Type

The researcher wanted to find out the type of business that is done at Mburahati and the following were the findings as shown in table 5.

Table 5: Business Types in Mburahati Ward

	Frequency	Percent	Valid Percent	Cumulative Percent
Clothes	12	12.4	12.4	12.4
Electronic devices	6	6.2	6.2	18.6
Vegetables	35	36.1	36.1	54.6
Fruits	23	23.7	23.7	78.4
Snacks	10	10.3	10.3	88.7
Cereals	11	11.3	11.3	100.0
Total	**97**	**100.0**	**100.0**	

***Source*:** Field data (2022)

From the above findings, 12 respondents indicated that they are doing clothes business; 6 respondents indicated that they are doing electronic devices business; 35 respondents, 36.1% indicated that they are doing vegetable business; 23 respondents, 23.7% indicated that they are doing fruit business; 10 respondents, 10.3% indicated that they are selling snacks; 11 respondents, 11.3% indicated they are selling cereals.

Therefore, findings show that a huge number of Machinga at Mburahati are selling vegetables (36.1%), followed by 23.7% who are selling fruits. The findings also corroborate those who discovered that the majority of respondents (49.1%) were food vendors, followed by those selling secondhand clothes (30.9%). This suggests that initial capital for food businesses and clothes is much more manageable by many individuals.

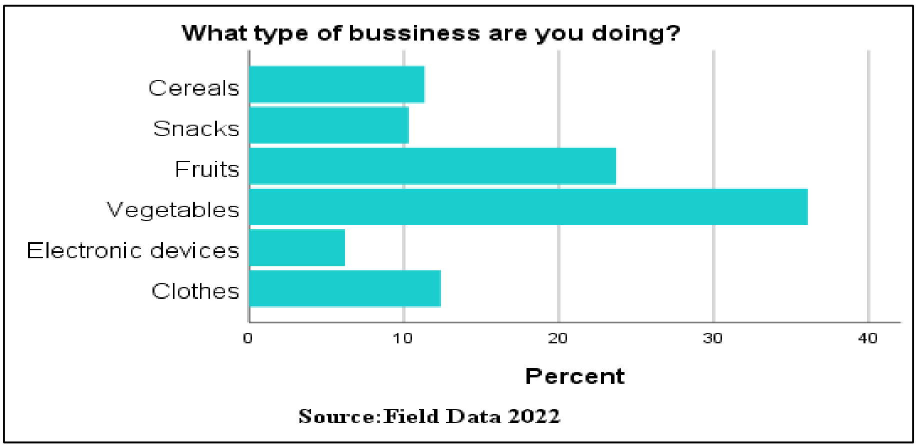


Fig 3: Business Type

4.5. Business Experience

The researcher intended to find out business experience from the respondent at Mburahati and the findings were as per Table 6.

Table 6: Business Experience

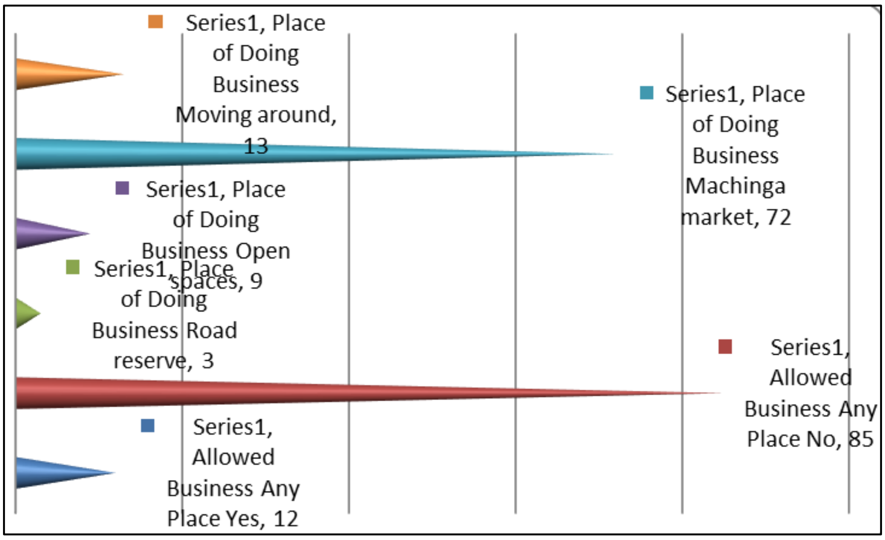
Experience	Frequency	Percent	Valid Percent	Cumulative Percent
0-5	41	42.3	42.3	42.3
6-10	32	33.0	33.0	75.3
11-15	9	9.3	9.3	84.5
Over 15	15	15.5	15.5	100.0
Total	97	100.0	100.0	

***Source*:** Field data (2022)

From the above findings, 41 respondents, 42.3% indicated that they have business experience between 0–5 years; 32 respondents, 33.0% indicated that they have business experience between 6–10 years; 9 respondents, 9.3% indicated they have business experience between 11–15 years; and 15 respondents, 15.5% indicated that they have business experience over 15 years. Therefore, findings show that a huge number of Machinga at Mburahati 42.3% have business experience of 0–5 years, followed by another 33.3% who have business experience of 6–10 years. Findings show more than two thirds of all respondents (75.3%) have business experience of less than 10 years. This could be linked with Tanzania Fifth, according to the Late Hon. Dr. John Pombe Magufuli (Mtanzania Digital December 7, 2016) [53], petty traders should not be harassed, but their activities should be properly managed. This move has attracted many people to join this informal sector as a bright future seems to be possible through petty trading as costs of operations are low again with low government regulations.

4.6. Commercial Location

The researcher wanted to know if they are allowed to do business anywhere. The researcher also wanted to know where they currently conduct their business and the findings were as Figure 4 shows.



***Source*:** Field data (2022)

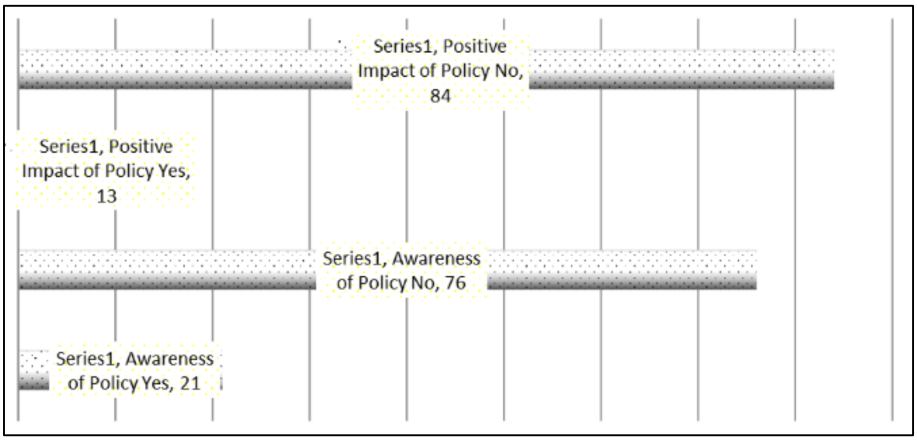
Fig 4: Place of Doing Business

According to the findings, when asked if they are allowed to do business anywhere, 85 percent said no, 87.6% said no, and 12 percent, or 12.4%, said yes. Therefore, findings show that 87.6 % of respondents said they are not allowed to do business in any place.

The researcher also wanted to find out the current place of business for each respondent and 3 respondents, 3.1% indicated they are doing business on road reserves; 9 respondents indicated that they are doing business on open spaces; 72 respondents, 74.2% indicated that they are doing business in Machinga market; and 13 respondents, 13.4% indicated they are moving around selling goods and stuff. Therefore, findings show that a huge number of respondents (74.2%) do their business in the Machinga market. Previous Tanzanian government studies revealed that many petty traders conducted their business on road reserves, walk ways, in front of registered businesses, and on road water drainage systems. Findings differ from previous studies as Tanzania's sixth government gave instruction through Her Excellency Samia Suluhu Hassan, President of Tanzania, that Machinga (petty traders) should be properly arranged and they are not allowed to do business anyplace as they don't pay taxes (Official Speech September 13,2021). This could be the reason why many petty traders in Mburahati do their business in the market.

4.7. Machinga Business Policy Awareness

The researcher wanted to learn about the policy that governs Machinga businesses and how to effectively boost business growth from respondents. The findings are shown in figure 5.



***Source*:** Field data (2022)

Fig 5: Machinga Business Policy Understanding

Findings show that 76 respondents, 78.4%, were unaware if there was any policy that governs Machinga business. However, 21 respondents indicated that they were aware of the policy that governs Machinga business. Therefore, the findings show a huge number of respondents, 78.4% of Machinga, are unaware of the policy that governs them.

Findings also show that 13 respondents, 13.4% indicated that Tanzanian policy favors growth of Machinga businesses; 84 respondents, and 86.6% indicated that Tanzanian policies don't favor growth of Machinga businesses. Therefore, findings show that a huge number of respondents (86.6%) argue that Tanzania's policy doesn't favor growth of their business. The findings are consistent with those of Kabullu (2019) [29], who discovered that there is no comprehensive policy for petty trading operations and that the government should develop one to ensure proper management of petty traders.

4.8. Revenue from the Machinga Inclusion in the Tax System

The researcher wanted to find out how much sales turnover Machinga businesses generate, and the researcher asked two questions.

Monthly Sales Turnover 4.4.1

The researcher wanted to find out the level of revenue generation of Machinga's business on a monthly basis and the findings are as shown in table 7.

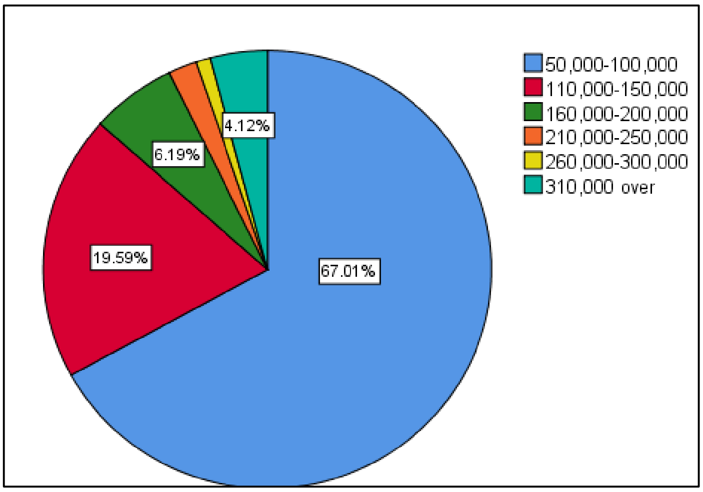
Table 7: Shows the monthly sales turnover

Sales Turnover	Frequency	Percent	Valid Percent	Cumulative Percent
50,000-100,000	65	67.0	67.0	67.0
110,000-150,000	19	19.6	19.6	86.6
160,000-200,000	6	6.2	6.2	92.8
210,000-250,000	2	2.1	2.1	94.8
260,000-300,000	1	1.0	1.0	95.9
310,000 over	4	4.1	4.1	100.0
Total	**97**	**100.0**	**100.0**	

Source: Field data (2022)

According to the findings, 65 respondents (67.0%) report that their monthly sales revenue ranges between 50,000 and 100,000,19 respondents (19.6%) indicated that their sales monthly sales revenue is between 110,000-150,000.6 respondents, 6.2% indicated that their sales monthly sales revenue is between 160,000-200,000.2 respondents, 2.1% indicated that their sales monthly sales revenue is between 210,000-250,000.1 respondent, 1% indicated that their sales monthly sales revenue is between 260,000-300,000, and 4 respondents, 4.1% indicated that their sales monthly sales revenue is over 360,000.

Therefore, findings show that a huge number of respondents (67%) say their monthly sales turnover is between 50,000 and 100,000/=. However, the researcher didn't find any proper business records that can be traced to verify the figures given as sales turnover, as the nature of petty traders does not keep proper business records as they operate informally and they are less managed by the government. The figure 6 shows the proportion of monthly sales turnover.



Source: Field data 2022

Fig 6: Monthly Sales Turnover Figure

4.9. Capital Source

The researcher wanted to find out the source of capital for Machinga business and the findings are as per table 8.

Table 8: Capital Sources

Capital Source	Frequency	Percent	Valid Percent	Cumulative Percent
Own saving	43	44.3	44.3	44.3
Credit finance	27	27.8	27.8	72.2
Given by a relative	27	27.8	27.8	100.0
Total	**97**	**100.0**	**100.0**	

Source: Field data (2022)

According to the findings, 43 respondents (44.3%) obtained capital for their business from their own savings; 27 respondents (27.8%) obtained capital for their business from credit finance; and 27 respondents (27.8%) obtained capital for their business from relative donation.

Therefore, findings show that a huge number of respondents (44.3%) obtained capital for their business from their own savings.

4.10. Machinga Business and Revenue Gain Association

The researcher wanted to know how the revenue generated from Machinga business is traceable to financial inclusion in terms of spending, investments, and tax payment options so that positive effects towards revenue collection become noticeable.

Taxation

The researcher wanted to know if Machinga businesses (informal sector) do pay taxes like their counterpart businesses (formal sector) and the findings are as per table 9.

Table 9: Tax Payment

Tax Payment	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	45	46.4	46.4	46.4
No	52	53.6	53.6	100.0
Total	**97**	**100.0**	**100.0**	

***Source*:** Field data (2022)

Findings show that 45 respondents, 46.4%, indicate that they pay taxes on their daily business operations; 52 respondents, 53.6%, indicate that they don't pay taxes on their daily business operations. Therefore, findings show that a huge number of respondents (53.6 %) don't pay taxes on their daily business operations.

4.11. Possession of a bank account

The researcher wanted to know if respondents owned bank accounts and the findings are shown in table 10

Table 10: Possession of a bank account

Possession of bank account	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	10	10.3	10.3	10.3
No	87	89.7	89.7	100.0
Total	**97**	**100.0**	**100.0**	

***Source*:** Field data (2022)

Findings show that 10 respondents indicate that they possess bank accounts. 87 respondents indicate that they don't possess bank accounts. Therefore, findings show that a huge number of respondents (89.7%) indicate that they don't possess bank accounts.

4.12. Revenue Expenditure

The researcher wanted to study the spending pattern of the revenue generated from Machinga business so as to establish linkages to financial inclusion and hence justify their contribution to the revenue collection. The findings are as per table 11.

Table 11: Revenue Spending

Revenue spending	Frequency	Percent	Valid Percent	Cumulative Percent
School fees	19	19.6	19.6	19.6
Construction	8	8.2	8.2	27.8
Capital investment	40	41.2	41.2	69.1
Having fun	8	8.2	8.2	77.3
School fees & capital investment	4	4.1	4.1	81.4
Life support	13	13.4	13.4	94.8
Construction, school fees, capital investment making fun	5	5.2	5.2	100.0
Total	**97**	**100.0**	**100.0**	

***Source*:** Field data (2022)

Findings show that 4 respondents, 4.1% indicate that they spend revenue generated for school fees and capital investment, 19 respondents, 19.6% indicate that they spend revenue generated for school fees alone, 40 respondents, 41.2% indicate that they spend revenue generated for capital investment.

Therefore, findings show that huge number of respondents 41.2% they spend revenue generated for capital investment. The rest of spending pattern is described by the above-mentioned table 11.

4.13. Possession of Shares

The researcher wanted to find spending pattern of revenue generated from Machinga business and findings are as shown in the table 12.

Table 12: Possession of shares

Possession of shares	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	2	2.1	2.1	2.1
No	95	97.9	97.9	100.0
Total	**97**	**100.0**	**100.0**	

***Source*:** Field data (2022)

Findings show that 2 respondents, 2.1% indicate that they own shares, 95 respondents, 97.9% indicate that they don't own shares in any institution. Therefore, findings show that huge numbers of respondents 97.9% they don't own shares in any institution

4.14. Opinions to Government on How to Boost Machinga Business

The researcher wanted to find out what opinions do petty traders have to government of Tanzania in regarding to how well the government should do so that it complements the tireless efforts that petty traders offer. Findings of their opinions are tabulated as shown as per table 13.

Table 13: Opinion to government

	Frequency	Percent	Valid Percent	Cumulative Percent
	2	2.1	2.1	2.1
Low Interest Loans	16	16.5	16.5	18.6
Free Interest Loans	21	21.6	21.6	40.2
Entrepreneurship education	2	2.1	2.1	42.3
All Business To Done On Markets	12	12.4	12.4	54.6
Allow Free Business In Any Area	1	1.0	1.0	55.7
free interest loans& business education	13	13.4	13.4	69.1
Develop machinga markets to boost business development	4	4.1	4.1	73.2
free capital	19	19.6	19.6	92.8
Low Interest Loan and tax Reduction	3	3.1	3.1	95.9
Education, Interest free loans	1	1.0	1.0	96.9
Entrepreneurship education	1	1.0	1.0	97.9
Government to Balance Economy	1	1.0	1.0	99.0
improve market, all business to	1	1.0	1.0	100.0
Total	**97**	**100.0**	**100.0**	

Source: Field data (2022)

Findings show that respondents had different opinions on how the government could do so as to boost economic aspect of their business. However, 21 respondents, (21.6%), suggested government should offer free interest loans,19 respondents, 19.6% suggested government should offer free capital to boost their businesses, 16 respondents, 16.5% suggest government should offer low interest loan.

5. Discussion of Findings

1. On the Nature of Machinga Business

Findings shows that huge number of Machinga at Mburahati are selling vegetables (36.1%) followed by 23.7% who are selling fruits. Findings shows that huge number of Machinga at Mburahati 42.3% they have business experience between 0-5 years, followed by 33% who have business experience between 6-10 years. Findings also show that huge number of respondents 74.2% does their business in Machinga market. This is supported by 87.6 % of respondents who said they are not allowed to business in any place; however, 13.4% respondents move around selling goods and stuff.

2. To identify how much revenue is generated by Machinga businesses

Findings show that huge number of respondents 67% their monthly sales turnover ranges from 50,000-100,000, and only 4 respondents, (4.1%) indicated that their sales monthly sales revenue is over 360,000. This show that Machinga businesses generate lot revenue. Hence the government should create better polices to tap this potential revenue that is generated by petty traders in Mburahati Ward.

3. To analyze the effects of Machinga businesses at Mburahati Ward, Ubungo Municipality on Revenue Collection.

On Tax payment findings show that 45 respondents, 46.4% indicate that they pay taxes on their daily business operations, 52 respondents, 53.6% indicate that they don't pay taxes on their daily business operations. Therefore, findings show that huge number of respondents 53.6 % they don't pay taxes on their daily business operations. However, discussion during interview of trade officer and one leader of Machinga said that what Machinga are paying is not tax but only a little token for service charges (cleanliness and security) and is collected by their market leaders and not government official Also, findings show that only 10 respondents (10.3%) possess bank account and 87 respondents, (89.7%) indicate that they don't possess bank accounts and hence not traceable directly in contribution of Revenue collection

Findings show that 4 respondents, 4.1% indicate that they spend revenue generated for school fees and capital investment, 19 respondents, 19.6% indicate that they spend revenue generated for school fees alone, 40 respondents, 41.2% indicate that they spend revenue generated for capital investment.

Therefore, findings show 41.2% of respondents (many) spends revenue generated for capital investment. Findings show 97.9% of respondents they don't own shares in any institution, only 2 respondents (2.1%) indicated that they own shares

6. Conclusion and Recommendations

Basing on the above findings and conclusion that petty traders do not contribute to directly on Revenue Collection, this study provides the following recommendations to Machinga business owners and the government.

Firstly, Machinga business owners should change their mindset their businesses are for lowly people, uneducated and somehow is for disadvantaged group in the society as the findings show only 4% of responded in the study area were illiterate. Also, they should keep proper business records. Secondly, government should license machinga businesses (formalize this sector) as study shows they generate a lot of revenue and is nowhere to be tapped (no revenue is collected for government use). Thirdly, government should create policy that governs *machinga* businesses as the study showed machinga business owners they are not aware of policy that governs their business as well if that policy is there it does not support the growth of their businesses. An interview with trade officer revealed that there is no policy that governs machinga businesses and they have always been working on presidential declarations that are not backed up specific law and regulations. Fourthly, government should offer business education to machinga business owners so that they can have bank accounts and encouraged to build saving culture that will enable them to have access to credit facility as a means of raising capital for their business. The study showed many petty traders (machinga) raise capital from their own local saving (44.3%), which is small and some get capital from relative donations. They should also be taught to keep their business records property for future use (loan assessment).

7. References

1. Akter S, Wamb SF, Gunasekaran A, Dubey R, Childe SJ. How to improve firm performance using big data analytics capability and business strategy alignment? International Journal of Production Economics. 2016;182:113-131.
2. Babbie E. The practice of social research. London: Wadsworth Cengage Learning; 2013.
3. Barney J. Firm Resources and Sustainable Competitive Advantage. Journal of Management. 1991;17(1):99-120.
4. Barro RJ. Rule of Law, Democracy and Economic Performance. In: O'Driscoll GP Jr., Holmes KR, Kirkpatrick M, editors. 2000 Index of Economic Freedom; 2000.
5. Bigirimana M, Hongyi X. Research on Relationship between Financial Inclusion and Economic Growth of Rwanda: Evidence from Commercial Banks with ARDL Approach; 2018.
6. Williams CC. Entrepreneurship and The Informal Economy: A Study of Ukraine's Hidden Enterprise Culture. School of Management, University of Sheffield, United Kingdom; 2006.
7. George C, Msoka CT, Makundi H. Formalization of Street Vending in Dar es Salaam: Implementation and Enforcement of the Wamachinga Identity Card Initiative. Forum for Development Studies; 2022. doi:10.1080/08039410.2022.2112277
8. Charmes J. Measurement of the Contribution of Informal Sector/Informal Employment to GDP in Developing Countries: Some conceptual and methodological issues. Paper No. 01. Presented at the Expert Group on Informal Sector Statistics, New Delhi, India; 2006.
9. David S, Ulrich O, Zelezeck S, Majoe N. Managing informality: local government practices and approaches towards the informal economy in Africa; 2012.
10. Destombes T. Informal entrepreneurs: Street vendors, their livelihoods and the influence of social capital. Dissertation for Award of MSc Degree at International Development Studies, USC-UU, Philippines; 2010;146.
11. De Soto H. The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else. New York: Basic Books; 2000.
12. De Soto H. The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else; 2001.
13. Etim E, Daramola O. The Informal Sector and Economic Growth of South Africa and Nigeria: A Comparative Systematic Review; 2020. doi:10.3390/joitmc6040134
14. Feige EL. Reflections on the Meaning and Measurement of Unobserved Economies: What Do We Really Know about the 'Shadow Economy'? Journal of Tax Administration. 2016;2(1):1-37.
15. George C, Olan'g L. Taxing the Informal sector: A case of Dar es Salaam street vendors; 2020.
16. Greener S. Business Research Methods. Ventus Publishing ApS; 2008.
17. Kazimoto L. Mainstreaming Petty Trading in Urban Development Schemes: A case of Tabora Municipality, Tanzania. Ardhi University, Department of Urban and Regional Planning, Dar es Salaam; 2007.
18. Kim D, Yu J, Hassan MK. Financial inclusion and economic growth in OIC countries. Research in International Business and Finance; 2018;43:1-14.
19. Kisembo P. Order not to evict hawkers, vendors confuses officials. The Citizen. 27 February 2017. Available from: http://www.thecitizen.co.tz/News/Order-not-to-evict-hawkers-vendors-confusesofficials/1840340-3830627-c99fnlz/index.html
20. Kombe W. Institutionalizing the Concept of Environmental Planning and Management: Successes and Challenges in Dar es Salaam. In: Westendorff D, Eade D, editors. Development and Cities. Oxford: Kumarian Press; 2002.
21. Kothari CR. Research Methodology. 2nd Revised Edition. New Delhi: Wishwa Prakashan; 2008.
22. Kutcha-Helbring C. Background Paper-Barriers to Participation: the Informal Sector in Emerging Democracies. Paper Presented at a Workshop, Barriers to Participation: The Informal Sector in Emerging Democracies, Brazil; 2000.
23. Loayza NV. The Economics of the Informal Sector: A Simple Model and Some Empirical Evidence from Latin America. Carnegie-Rochester Conference Series on Public Policy. 1996;45:129-162.
24. Lodene W. Opportunities and Constraints facing informal street traders: Evidence from four South Africa Cities. Department of Geography and Environmental Studies, University of Stellenbosch, South Africa; 2011.
25. Lyons M, Msoka CT. The World Bank and the Street: (How) do 'doing business' reforms affect Tanzania's micro-traders? Urban Studies. 2010;47:1079-1097.
26. Maliyamkono TL, Bagachwa MSD. The Second Economy in Tanzania. London: James Currey; 1990.
27. Medina M, Schneider F. Shadow Economies around the World: What Did We Learn Over the Last 20 Years? IMF Working Paper 18/17, International Monetary Fund, Washington, DC; 2018.
28. Muller M. The Political Dynamics of Informal Sector in Tanzania. International Development Studies, Roskilde University Center; 2005.
29. Kabullu M. Factors Affecting Informal Sector Operations of Petty Traders In Ilala Municipality-Tanzania; 2019.
30. Mandel BR, Seydl J. Credit conditions and economic growth: Recent evidence from US banks. Economics Letters; 2016;147:63-67.
31. Mwaiselage AA, Mponzi T. Poverty Eradication Programmes in Tanzania. Paper presented at the Third Conference of the International Forum on Urban Poverty, Nairobi; 1999;12-14.
32. MKURABITA. Poor People's Wealth. Plain Language Information about Tanzania's Property and Business Formalisation Programme. Dar es Salaam: Mkurabita; 2007.
33. Misati RN. The Role of Informal Sector in Investment in Sub-Saharan Africa. Submitted to ACDC for presentation in South Africa. Kenya Institute for Public Policy Research and Analysis, Nairobi, Kenya; 2007;20.
34. Muhanga M, Nombo C. Local government policy responses to the informal sector in Morogoro, Tanzania: Seeing problems in an opportunity or seeing an opportunity in problems? African Affairs. 2010;28:133-156.
35. Mugenda OM, Mugenda AG. Research methods:

Quantitative and qualitative approaches. Nairobi: African Centre for Technology Studies; 2003.
36. Mupedziswa R. The informal sector with particular reference to Zimbabwe: Functional role and prospects for growth. School of Social Work Staff Papers, Harare; 1991.
37. Mutalemwa D. Informal Sector Taxation in Tanzania. The Economic and Social Research Foundation. TAKNET Policy Brief Series No. 12. Dar es Salaam, Tanzania; 2010;4.
38. Nelson EG, De Bruijn EJ. The voluntary formalization of enterprises in a developing economy: The case of Tanzania. Journal of International Development. 2005;17:575-593.
39. Loayza NV. Informality in the Process of Development and Growth; 2016. doi:10.1111/twec.12480.
40. Ndikubwimana JB. Analysis of the factors causing the persistence of street vending in the city of Kigali, Rwanda. East African Journal of Science and Technology. 2020;10(2):85-102.
41. Ndunguru PC. Research Methodology for Social Sciences. Morogoro: Mzumbe; 2007.
42. Nwaka GI. The Urban informal sector in Nigeria: Towards economic development, environmental health, and social harmony. Global Urban Development. 2005;1(1):1-11.
43. Nyenzi E. Access and Participation of Adults with Disabilities in ICBAE Activities: The case of Njombe district, Iringa region; 2010.
44. Ogawa S. Earning among friends: Business practices and creed among petty traders in Tanzania; 2006.
45. Penrose ET. The theory of the growth of the firm; 2009.
46. Policy Forum Monthly Breakfast Debate. The Power of Tanzania's Informal Economy: Unveiling the Concealed Opportunities. Presented by William Madiwa from Tanzania Trade and Economic Justice (TTEJF); 2017;29.
47. Saunders M, Lewis P, Thornhill A. Research methods for business students. 5th ed. Pearson Education Limited; 2008.
48. Semboja H. The Youth Employment in East Africa: An Integrated Labour Market Perspective. African Integration Review. 2007;1(2).
49. Schneider F, Robert K. Shadow Economies around the World; 2004.
50. Mnyawi SP, Benedic G. Contribution of Petty Trade on Household Income Poverty Reduction: A Case of Madukani Ward, Dodoma Region. International Journal of Innovation and Scientific Research. 2014;6(2):111-119.
51. Tanzania Integrated Labour Force Survey. 2014. Available from: https://dc.sourceafrica.net/documents/118113-Tanzania-Integrated-Labour-Force-Survey-2014.html
52. Mtanzania Newspaper. Mwananchi Newspaper. 18 September 2018. Available from: https://www.pressreader.com/tanzania/mtanzania/20190918/281831465442367
53. Mwananchi Newspaper. Rais Magufuli agawa vitambulisho vya wamachinga. 10 December 2018. Available from: https://www.mwananchi.co.tz/habari/kitaifa/Rais-Magufuli-agawa-vitambulisho-vya-wamachinga/1597296-4889474-st6ged/index.html
54. Policy Forum. The Power of Tanzania's Informal Economy: Unveiling Concealed Opportunities. Available from: https://www.policyforum-tz.org/power-tanzania%E2%80%99s-informal-economy-unveiling-concealed-opportunities
55. TRA. Review of Informal Sector for Taxation Purposes: First draft report. TRA Headquarters, Dar es Salaam, Tanzania; 2011;175.
56. The Research Advisors. 2006. Available from: https://www.researchadvisors.com/tools/SampleSize.htm
57. World Bank Report. Money Within Reach: Extending Financial Inclusion in Tanzania. 9th Edition. 2017. Available from: https://www.worldbank.org/en/country/tanzania/publication/for-tanzania-bringing-even-more-money-within-everyones-reach-is-key
58. Wright LT, Robin R, Stone M, Aravopoulou DE. Adoption of Big Data Technology for Innovation in B2B Marketing. Journal of Business-to-Business Marketing. 2019;263-4:281-293.
59. Survey report. Mtanzania Newspaper, 2014-2018.
60. Constantine A, Dimopoulos K, Haworth SG, Muthurangu V, Moledina S. Twenty-year experience and outcomes in a National Pediatric Pulmonary Hypertension Service. American Journal of Respiratory and Critical Care Medicine. 2022;206(6):758-66.
61. Willemse L. Opportunities and constraints facing informal street traders: Evidence from four South African cities. Town and Regional Planning. 2011;59:7-15.