

Contribution of Petty Trade on Household Income Poverty Reduction: A Case of Madukani Ward, Dodoma Region

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ABSTRACT: This paper is based on the study conducted in Dodoma Municipality at Madukani Ward to assess the contribution of petty trade to household income poverty reduction. Specifically, the study examined the nature of business done by petty traders, income and expenditure level of individuals from petty trading and assessed other income generating activities among petty traders. Data for this study were collected using interviews as the method of data collection whereby questionnaires were administered to 110 petty traders who were selected by using both random and purposive sampling techniques. The study involved collection of quantitative and qualitative data which was analyzed through SPSS to obtain frequencies in tables and figures. Qualitative data collected through interview and observation was analyzed by using content analysis. This was to give summary of each topic discussed and identify the content of discussion. The results from the study revealed that petty trade is the backbone of most of the traders as it has shown many changes in the lives of the respondents as they were more able to tackle most of the instances that they could not when they were not engaged in petty trading. The study provides the effective measures to be done in order to improve the status of petty trade.

KEYWORDS: Petty Trade, Income, and Poverty Reduction.

INTRODUCTION

In the course of globalization and liberalization, major cities in both North and South have evolved increasingly bimodal labor markets (Sassen, 1991; Marcuse and van Kempen, 2000). In the North, across the OECD, part-time or temporary jobs and self-employment have increased. Own-account work, particularly among women, has increased as a share of self-employment (ILO, 2002). In developing regions, the accelerated concentration of populations in dominant cities has contributed to a rapid growth in the informal economy (De Soto, 1989).

This phenomenon has been more rapid in sub-Saharan African cities, where growth in urban populations has been accompanied by limited job creation amongst the poor (Cohen, 2004; Carr and Chen, 2002). In Africa the informal sector as a whole is estimated to account for 60 percent of all urban jobs and over 90 percent of all new urban jobs. After home-working, street trading is estimated to account for the largest share of these jobs. Trends in street trading over time are integrally linked to urbanization, migration and economic development processes. A common sight in Africa's sprawling peri-urban areas is the widespread proliferation of petty traders, hawking everything from garden produce to imported consumer goods. These small-scale merchants represent perhaps the fastest growing segment of the labor market in Africa, attracting the unemployed, the displaced, and the impoverished. Recent economic stagnation and restructuring on the continent spurred new growth in this sector, as waged employment declined and inflation spiraled (Little, 1999).

THE AWARENESS OF POVERTY EXISTENCE

ILFS report 2006 reported that, the number of unemployed people out of Tanzania's workforce of more than 22m has fallen to 10.7 per cent in 2011, from the 11.7 per cent recorded in 2006, new projections by the National Bureau of Statistics show. Estimates are that the country is home to 2,368,672 unemployed persons this year, out of a 'labor force' estimated to

be 22,152,320-strong. In other words, 19,783,648 Tanzanians are currently employed, out of whom 2,502,327 persons are employed in the informal sector of the economy.

Business Times (May 2011) reported that, the issue of youth employment has remained a major challenge for the Government in Dar es Salaam. In any case, a majority of the country's youth are currently engaged in informal economic activities, including petty trading. Statistics from different sources show that the informal sector accounts about 60% of all employment opportunities in Tanzania. The agriculture sector and government both of which were major employers before economic liberalization took firm hold in the late 1980s and early 1990s, have taken the back seat.

STRATEGIES TO REDUCE POVERTY

MKUKUTA is a development framework which forms part of Tanzania's efforts to deliver on its National Vision-2025. The focus is outcome-orientated, and the programme? Whose first phase covered the years 2005-2010? Aims at economic growth and reduction of income poverty; improved quality of life and social well-being; and good governance and accountability.

In respect of unemployment, the MKUKUTA operational target is to reduce unemployment from the 2000/01 rate of 12.9% to 6.9% by 2010. According to the survey, unemployment stood at 11.0% in 2006. When disaggregated, unemployment rates are 31.3%, 16.3%, and 7.1% for Dar es Salaam, other urban, and rural, respectively (ILFS 2006).

In terms of employment status, 84% of the persons are employed in the informal sector as their main activity and 92% employed in this sector as their secondary activity are self-employed without employees, (ILFS, 2006)

Where the informal sector activity is the main activity, the wholesale and retail trade employs 56% of the people, manufacturing 17% and hotels and restaurants 12%. In contrast, where the informal sector activity is the secondary activity, construction engages 48% of the people, mining and quarrying 23% and the wholesale and retail trade 14% (ILFS, 2006).

Two years later, with the passing of the Trading and Finance Act 2004, informal traders were further marginalized. No individual licenses could now be granted for businesses with under Tsh20m turnover. This legislation has provided the overall framework for institutionalizing the informality – and illegality - of street trade.

A further year on, De Soto described the difficulties facing businesses which meet this criterion in attempting to formalize and register. As for smaller businesses, petty traders could now work legally in public space only if employed by corporate distributors, or as tenants of formally licensed markets. Although the SDP city consultation was re-run in 2005, street traders in Dar es Salaam were again on a knife edge. In March 2006 the prime minister issued an ultimatum requiring hawkers to leave the CBD, and several areas were cleared with bloodshed and casualties. Some of the traders went to a magistrate seeking a temporary injunction preventing eviction, and the Prime Minister suspended the process pending the allocation of suitable alternative sites, but on 30 September 2006 the final clear-up went ahead and traders were moved to new makeshift markets (Joseph, 2006).

FACTORS LEADING TO MUSHROOMING OF PETTY TRADERS

The number of people living and working in the cities in the world is rapidly increasing. Whereas only one in eight people lived in an urban area at the turn of the century, about half the world's population will live in urban settlements at the end of the century (Gugler, 1988). Two thirds of these 3 billion urban dwellers were in the Third World, where urban population grows at three times the rate of growth of the general population (Gugler, 1988; Mabogunje, 1991; United Nations, 1987). In 1975 the level of urbanization was 61% in Latin America and 25% in Africa and South Asia (Fridlay and Fridlay, 1987). But, according to Gugler (1988), there is evidence of a slowdown in Latin America. In Africa, where according to Fridlay and Fridlay (1987) the urbanization rate is fastest, 42% of the total population will live in urban areas by the year 2000. At that time seventeen of the twenty-three largest metropolitan areas, with populations over ten million was in the Third World (United Nations, 1987).

Indeed the rapid urbanization has been a result of the general population growth and of a process of urbanizing the rural areas, especially in the industrialized nations. But urbanization is mainly a result of massive redistribution of population from rural areas to urban centres. This is said to be the outcome of a general and universal development process as a result of which there is a rapid reduction of the number of people earning a living from agriculture and the increase in the proportion of people earning a living from industrial and service activities (Fridlay and Fridlay, 1987).

In colonial Tanganyika, areas where cash crops were not introduced such as Kigoma, Rukwa and Makete became sources of migratory labor. The cash crop plantation and small scale production areas such as Mwanza, Shinyanga, Mbeya, Kilimanjaro, Tanga, Kagera, and Coastal areas needed labour not only for the production of the cash crops but also for the

production and supply of foodstuffs. Other areas such as parts of Iringa and Mara regions served as sources of military labour. Consequently, considerable spatial inequity in both the growth of the population, the growth of the sectors of the economy and the benefits of such growth was created in favour of plantation and urban areas -md to the disadvantage of areas from where labour was recruited (Lwoga, 1985; Mbonile, 1993; Mlay, 1977).

At independence, the development pattern and the spatial structure of the economy inherited from the colonial administrators was continued resulting into intensified focus on small number of cities. In terms of population the attraction to the more "developed" urban centers from poorer and less developed areas was strengthened. Thus, increasingly migration was, and still is occurring not just from the rural areas to urban centers, but also from smaller towns to bigger cities.

As a result, according to Mosha (1993: 129), the Tanzania urban population grew from 183,862 (2.8% of total population) in 1948 to 685,547 in 1967 and to 1,664,079 (10.6% of total population) in 1978. Whereas the population growth rate for urban centers for the 1957-1967 intercensal periods was 6.5%, it was 8.4% for the 1978-1988 periods. Dar es Salaam accounts for the lion's share of both urban population and urban population growth rate, especially since 1948. Between 1900 and 1948 the population in Dar es Salaam increased from about 20,000 to about 70,000, an annual growth rate of 3% (Mosha, 1993: 131).

The biggest gap is between wholesalers and retailers. This is evident both in terms of ethnic identity and access to capital. No middleman has managed to become a wholesaler while many retailers have become middlemen. This gap between wholesalers and others corresponds to local perceptions of urban dwellers. While wholesalers are called Wauzaji wa Jumla, both middlemen and retailers are called Machinga by urban dwellers. Among the merchants, retailers refer to a middleman as Mtajiri (a rich person or employer) in the Swahili language, and middlemen refer to retailers as Machinga. However, middlemen recognize that they, like retailers, are called Machinga by urban dwellers. This builds a sense of fellowships among middlemen and retailers. As mentioned in the final chapter, the Mali Kauli transaction is underpinned by urban fellowships, (Sayaka, 2006).

DATA AAND METHODS

This study was conducted at Dodoma Municipality, in Madukani ward targeting petty traders. It involved a cross-sectional survey design whereby data were collected using various methods for the purpose of obtaining relevant information that helped to answer the research questions. The method was chosen because of its suitability for descriptive study as well as for determination of relationship between and among variables. Data were collected from both primary and secondary sources.

Primary data were collected by using interview, observation and Focused Group Discussion (FGD). Interview was guided by the use of questionnaires prepared by the researcher to petty traders. Checklists were used to collect the information from different officers and key informants including petty trader's association leader. Secondary data were obtained from both published and unpublished documents journals, reports and others documents available at the organizations offices as well as visiting internet and other materials related to the study. Apart from interviews physical observation method was used to examine the way petty traders are doing their activities physically and how the customers do respond to the traders.

SAMPLE SIZE AND SAMPLING PROCEDURES

As Gupta (2002) pointed out, a mere size alone does not ensure representativeness thus a sample, but well selected sample may be superior to a larger but badly selected sample. Hence, the sample size should neither be too small nor too large. It should be optimum. The optimum size is the one that fulfils the requirements of efficiency representative, reliability and flexibility. Therefore the study will involve 115 respondents. Whereby 110 respondents was traders running their activities in different streets and 5 was key informants involving trade officers, leaders and village officers. The study employed both judgmental and random sampling to obtain the sample. Judgmental sampling technique was used to obtain petty traders over other businessperson at Madukani ward.

Data analysis was done by using SPSS computer program. The program to be used in data analysis is Statistical Package for Social Science (SPSS) program. This study will use descriptive statistic on data analysis. Quantitative data collected was analyzed through SPSS including to obtain frequencies in tables and figures. Qualitative data collected through interview and observation was analyzed by using content analysis. This is to give summary of each topic discussed and identify the content of discussion. This will examine the capacity of the petty traders in raising economic situation and assessment of effectiveness of the trade in enhancing trader's wellbeing.

RESULTS AND DISCUSSION

Socio-demographic characteristics of respondents

The study examined the ages, marital status, levels of education and occupation of petty traders in Madukani ward. Not only that but also the study assessed the type of trades and other activities done by petty traders. This is due to the fact that those characteristics have direct link to petty trade and income poverty reduction. The results were as indicated in Table 1.

Table 1: Socio-demographic Characteristics of Respondents

Variables	Frequencies	Percentage
Age		
18-25	38	34.5
26-35	60	54.5
36-45	12	11.0
Marital Status:		
Single	70	63.6
Married	32	29.1
Separated	6	5.5
Widow	2	1.8
Level of Education		
No formal education	22	20.0
Primary Education	34	30.9
Secondary Education	54	49.1
Occupation		
Student	38	34.5
Employed	18	16.4
Jobless	36	32.7
Farming	18	16.4
Type of Residence		
Own House	14	12.7
Family House	18	16.4
Rented house	78	70.9
Type of Petty Trading Activity(ies)		
Selling Merchandise (New items)	22	20
Selling second hand clothes	34	30.9
Food vending	54	49.1
Others	4	3.6

Age of Respondents

Majority (89%) of the respondents in this study aged 18-35. This shows that, youths of this age are actively participating in petty trade as they are most productive age group. It means that a large number of traders in the field still have ability to do business in an advanced way and also they are people who are able to engage in other more productive activities which will enable more consumption of the available natural resources such as agriculture and industrial activities. If this group will be empowered in terms of resource capital and provided with entrepreneurial education it will ensure the supply of human resource hence it will ensure total income poverty reduction in many households.

Marital Status

The same table shows that more than half (63.6%) of the respondents single indicating that, the income generated from petty trading was insufficient for them to get married. This is due to the fact that, marriage unions adds the number of family members and hence the increase of costs of running families. Some of respondents who reported that they were separated explained the major reason for their separation to be low income which leads to the hardship in running the family.

Education Levels

As far as education is concerned, majority (49.1%) of respondents had secondary education level followed by those with primary education level (30.9%) and lastly those with no formal education (20%). This depicts the way many of literate people are either under employed or unemployed. Many petty traders at Madukani ward had enough basic knowledge that could be used to earn more but lack of exposure to credits to improve their businesses has forced them to enter into small businesses which generate incomes only at subsistence level.

Former Activities of Petty Traders

The respondents' occupation before engagement in petty trade was dominated by those who were from schools (34.5%) followed by those who were jobless (32.7%). Therefore, there is a need for the government and development stakeholders to take a look on the type of education provided at lower levels (primary and secondary) so as to make sure that the type of education provided at these levels creates a base for self employment among youths.

Type of Residence

Rented houses (70.9%) were the dominating type of residence among petty traders. This is due to the fact that, the income generated by petty traders was not sufficient to them to build their own houses. For those who reported that they own houses, they were not from the income generated from petty trades but by inheritance.

Type of Activities Done by Petty Traders

Moreover, food vending seems to be the trade which is free to enter as it needs only a small amount of capital to start the business. This is due to the fact that, majority (49.1%) of respondents was food vendors. This group was followed by selling second hand clothes (30.9%), general merchandise (new items) (20%) and lastly other trades (3.6%). This reflects the reality that the only driving force for many people to enter into petty trading as they are attracted more to food vending and selling second hand clothes which do not require them to have a huge status capital. This is due to the fact that in many cases it is not necessarily to have fixed premises for the businesses.

Income Generated From Business among Petty Traders per Day

The study examined the level of income generated by petty traders in the study area. It further examined the level of savings, capital growth, the ability to improve the well being including the ability to meet health services, ability to meet food requirements as well as the ability to meet housing expenses.

Growth of Capital

According to the response of petty traders, it shows growth of capital whereby most of the traders' initial capital was dominated by those who had a starting capital of between 100,000 and 500,000 Tshs but for the present capital is dominated by the range between 500,000 and 1,000,000 Tshs and also there is a decrease of traders having the capital of less than 100,000 Tshs from 38.2% to 5.5% thus it shows the growth of the capital.

Table 9: Growth of Capital

Initial Capital invested in the business	Frequency	Percent
Less than 100,000	21	38.2
100,000-500,000	28	50.9
500,000-1,000,000	6	10.9
Total	55	100.0
Present capital in the business	Frequency	Percent
Less than 100,000	3	5.5
100,000 - 500,000	21	38.2
500,000 - 1,000,000	22	40.0
Above 1,000,000	9	16.4
Total	55	100.0

Ability to improve Wellbeing through Petty Trading

The results of the study in revealed that, petty trade has improved the wellbeing of people engaging with this trade.

Ability to Meet Health Services

Health is a key element in the development process, and hence a healthy population is required to meet development objectives. Good health is a major resource of social, economic and personal development and an important measure of quality of life (URT, 2005a; URT, 2005b) Figure 1 indicates that, the percentage of respondents who have ability to meet health services has increased from 36.5% to 76.4% before and after engaging themselves in petty trade respectively.

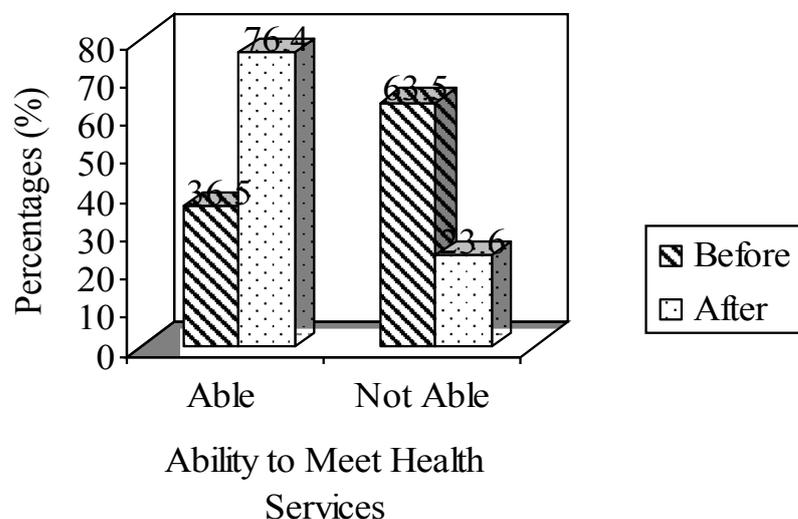


Figure 1: Petty Traders Ability to meet Health Services among

Ability to meet food Requirements

Not only that, but also the study indicates that, petty trade plays a great role in enabling petty traders to improve their ability to meet food requirements per day. This is due to the fact that, majority of respondents was getting two meals per day

before engaging in petty trade. The number of meals has increased significantly as they engaging to petty trade as shown in figure 2.

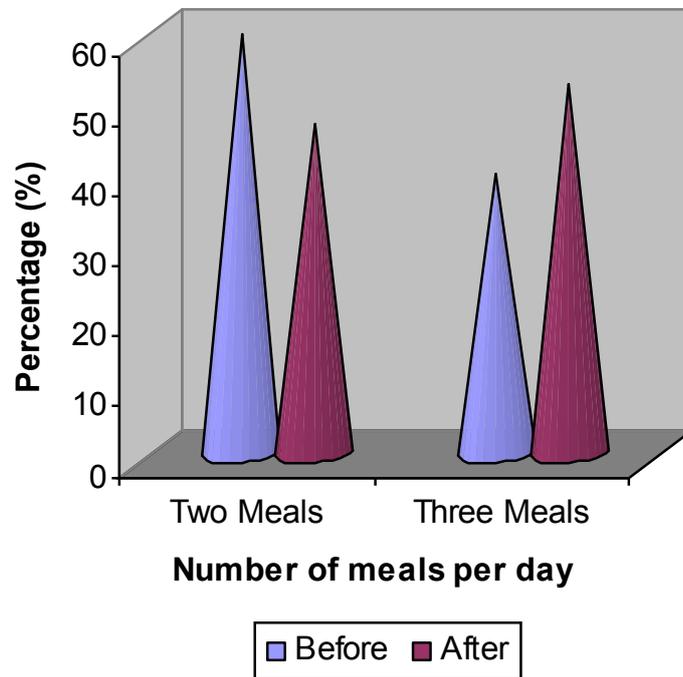


Figure 2: Petty Traders' Number of Meals per Day in the Study Area

Not only that but also, the results shows that there was an improvement in their wellbeing in terms of affording housing expenses which is rent, electricity and water bills.

Despite the success stories from petty traders, the study revealed that the income generated from these activities was not self sufficient to meet the needs of petty traders. This is because some respondents reported that they were engages in other activities rather than petty trade. This sector is also facing some challenges such as disturbances caused by municipal council police to those traders doing their activities in inappropriate areas while yet they have no any specified place. Also another challenge they face is stiff terms and conditions of loan provided by financial institutions such as banks. These challenges are much seen as the main constraint to some traders from improving from their business activities.

Results from Content Analysis

The analysis was done by looking on the content of the discussion done with selected people in relation to the answers of individual petty traders. This was to give summary of each topic discussed and identify the content of discussion. It examined the views of petty traders in what should be done in favour their trades in order to improve their wellbeing. The results of the analysis were as follows.

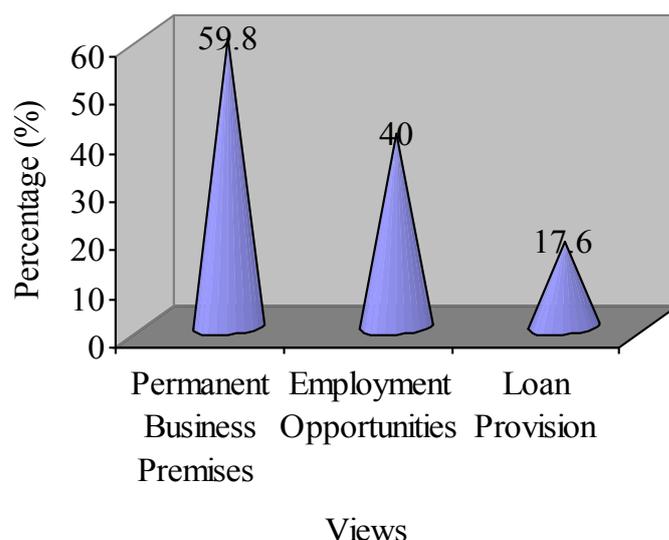


Figure 3: Views of Petty Traders from Content Analysis

The results from the study in figure 3 indicates that permanent business premises are in favour (59.8%) of many petty traders as they fill that, having a permanent place for displaying their products will improve their businesses to a large extent. Others argued that inadequate capital to start big business is the reason for the failure of petty traders to improve their living standards through trade. Therefore they suggested that, the government has to create more employment opportunities (40%) in which they can be employed and earn the reasonable capital to start big businesses. Not only that but also some (17.6%) petty traders viewed loan provision to be important to them as it will reduce the burden of capital for business start up and expansion.

CONCLUSION AND RECOMMENDATION

Petty traders are engaged in different types of petty trading activities whereby most of them are food vendors, others are selling second hand clothes and few of them are selling merchandise items. The study has revealed that if well managed petty trade can play a great role in households' income poverty reduction. Majority of respondents have reported improvements in their abilities to get health services, to meet house expenses and also to get the reasonable number of meals per day. This reflects the fact that, creation of good businesses environment for petty traders could play a great role in income poverty reduction and hence improve their wellbeing.

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