PERFORMANCE OF BUSINESSES OWNED BY THE RETIRED PUBLIC SERVANTS IN DAR ES SALAAM, TANZANIA
ASSESSING THE PERFORMANCE OF BUSINESSES OWNED BY THE RETIRED PUBLIC SERVANTS IN DAR ES SALAAM, TANZANIA

By
Anselm Namala

A Dissertation Submitted in Partial Fulfilment of the Requirements for Award of the Degree of Master of Science in Applied Economics and Business (MAEB) of Mzumbe University
2019
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled “Performance of Businesses Owned by the Retired Public Servants in Dar es Salaam, Tanzania” in partial fulfillment of the requirements for award of the degree of Master of Science in Applied Economics and Business of Mzumbe University.

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I, Anselm Namala, declare that this dissertation is my own work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

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I am also thankful to my classmates Mr. Banjirana Kagelega and Godwin Mwita; and to the Managing Director of Haak Neel Production, Mr. Emmauel Mahendeka, for their endless support and courage.
DEDICATION

This dissertation is dedicated to my loving wife Joan, daughters Brigitte and Abigail for their understanding with my tight schedules while I pursued this study.
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<tr>
<th>Acronym</th>
<th>Definition</th>
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<tr>
<td>ATE</td>
<td>Association of Tanzania Employers</td>
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<tr>
<td>BSC</td>
<td>Balanced Score Card</td>
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<tr>
<td>KPIs</td>
<td>Key Performance Indicators</td>
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<tr>
<td>MMR</td>
<td>Multivariate multiple regression</td>
</tr>
<tr>
<td>NIP</td>
<td>National Institute for Productivity</td>
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<tr>
<td>RBA</td>
<td>Retirement Benefits Authority</td>
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<tr>
<td>RBT</td>
<td>Resource Based Theory</td>
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<tr>
<td>RBV</td>
<td>Resource Based View</td>
</tr>
<tr>
<td>SCA</td>
<td>Sustainable Competitive Advantage</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>MSMEs</td>
<td>Micro, Small and Medium Enterprises</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<tr>
<td>TaGLA</td>
<td>Tanzania Global Learning Agency</td>
</tr>
<tr>
<td>VRIN</td>
<td>Value, Rare, Imperfect Imitability and Non-substitutability</td>
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Establishing business ventures is considered imperative for retirees since it is a source of income and it keeps them active after retirement. However, less is known on how businesses owned by public service retirees in Tanzania are faring up. The main objective of this study was to assess the performance of businesses owned by retired public servants in Dar es Salaam region, Tanzania. Specifically, the study sought to determine the extent to which public service retirees engage in businesses; examine the motivation to engage in business; determine the performance of business and; examine factors affecting performance of businesses. A sample of 90 public servant retirees between 2012 and 2016 years involved in business activities was used. This sample was extracted from the sampling frame developed based on the list of public service retirees who attended retirement planning workshops organized by Tanzania Global Learning Agency (TaGLA). A survey questionnaire was used for data collection. Data was then subjected to descriptive and econometric analyses. More specifically, the probit econometric model was applied to estimate and test the hypothesized relationships of the study. The results have shown that retired public servants are involved into various income generating activities, the major ones being agriculture, consultancies and retail shops. It was also established that availability of capital, market, location, business knowledge and easiness to manage business are major factors that motivate retired public servants to engage into business activities. The study found that performance of businesses is generally not good. Majority of businesses made losses. Age and education level of retirees, source of capital and time for business preparation were found to influence the performance of businesses. In view of the above, it is reasonable to argue that business undertakings are important to retirees as they provide source of income and keep them engaged to avoid boredom. Based on the foregoing, the study recommends that social security sector players should come with initiatives meant to create awareness and prepare public service employees for life after retirement. It is recommended for the retirees to start preparations for business undertakings before retirement and not to use pension lumpsum as a source of business capital. It is also recommended that retirees in business should attend business management trainings to improve their business knowledge and skills.
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CHAPTER ONE

PROBLEM SETTING

1.1 Research Background

Income generated from self-employment in business entities accounts for 26.1% of sources of income for retirees (Retirement Benefits Authority [RBA], 2004). This figure is the second highest in sources of income for retirees behind farming activities which contributes 38.5% of their total income. RBA (2004) established that in recent years the number of retirees venturing into business operations has been considerably rising. The study revealed that 12.8% of retired public servants used their lumpsum payments to start business ventures in 2002. Furthermore, the study shows that figures rose to 19.2% in 2003 and 21.4% in 2004. This trend tells the increased desire of retirees to venture into business operations even using their long and hard-earned incomes, lumpsum payments.

Amid growing number of retirees venturing into business operations, there is a concern on the performance of businesses owned by retirees. RBA (2005) revealed that nearly half of businesses owned by retirees (48.5%) were not operating under profit, while 20.7% collapsed within first three years of their establishment; it is only 31% which were operating profitably. Information from this study triggers the serious questions on performance of these businesses.

Shiamwama (2014) conducted a study to establish the performance of businesses owned by retirees and determine internal factors affecting the performance of those businesses. It was revealed that, 60% of the retirees established small and medium scale businesses of diverse products, the common ones being service and small scale oriented retailing. The study also found several factors responsible for retirees’ choosing to venture into businesses. These include seeking means of income, aiming to become active or simply dealing with boredom. However, it was found that the majority of businesses were not performing well.

According to Jamil (2014), the process of establishing business ventures after retirement relates more on the personality and individual lifestyle. Personality traits
can shape individual lifestyle and choices of activities thereof. Traits like need for achievement, locus of control and self-efficacy are variables that significantly relate to entrepreneurial intention (Indarti & Kristiansen, 2003; Ramayah & Harun, 2005). Public sector servants work after their retirement as the means to earn income though some of them enjoy post employment careers in business perspectives. This is attributable to the longer life expectancy rate and better healthcare, the need for extra income, and desire for intellectual stimulation. We have seen the motivation behind retirees venturing into business field. What we are missing from Jamil (2014) is how are these retirees faring up in businesses.

According to Mashenene (2016), there is a relationship between critical constraints to the performance and potential growth of small and medium enterprises (SMEs) in Tanzania and inadequate business training, insufficient capital, and anti-entrepreneurial culture. Additionally, high taxes paid by SMEs to the government are also found to be marginally significant constraint to the performance of SMEs in Tanzania. Not only that but market competition, cumbersome and bureaucratic environment and procedures in business registration, challenges in technological aspect, theft and lack of trust, poor infrastructure and corruption were found to be insignificant constraints of performance of SMEs in Tanzania (Mashenene, 2016). The implication of these findings is that inadequate business training, capital constraint and anti-entrepreneurial culture are the critical business constraints of performance and potential growth of SMEs in Tanzania.

The importance of business entities to retirees cannot be underestimated. Regardless of their respective occupations and working careers, venturing into businesses provides a room to earn income and sustain life for retirees (Kodia, 2014). In this regard, the sustainability and performance of these business ventures are important issues to retirees. For one or more reasons some retirees choose to start and run business entities. These reasons, as pointed out by Jamil (2014), include sources of income while others are motivated by personal traits such as need for achievement, locus of control and self-efficacy. Some retirees start business entities to avoid post retirement boredom and idleness as some of them still have energy to manage business
activities. Some retirees do business as their hobbies. The retirement period offers an opportunity for someone to establish a venture of his/her like. It gives an ample and abundant time for a retiree to choose an income earning activity which will also make him/her happy and is passionate of.

In Tanzania, little has been known on the performance of businesses owned by retirees. It was therefore important to study the performance of these businesses and factors affecting thereof. This study assessed factors and the extent to which each of the factors affects the performance of businesses owned public servant retirees in Dar es Salaam, Tanzania.

1.2 Statement of the Problem
Public servants have a variety of social economic activities to opt after retirement. Post retirement activities for retirees can vary from contractual re-employment, agricultural activities, business ventures and investment in stock markets. Nearly quarter, 21.4%, of the retirees depend on business activities as their main source of income (RBA, 2005). The RBA study also reveals that majority of income for retirees come from commercial farming. Bukwimba (2016) noted that in Tanzania, 51.3% of the surveyed retirees still depend on pension as their main source of income. The remaining percentage represents retirees who make their living with other sources of income, business activities being among them.

Most of retirees have invested in commercial agriculture or in line with agricultural products (RBA, 2005). This establishes that business and commercial activities are important post retirement income generating undertakings for retirees. Furthermore, the study showed that, figures of retirees venturing into business increased from 12.8% in 2002 to 21.4% in 2004. It also shows that in 2004, almost half of businesses ventures (48.5%) were not operating profitably while 20.7% collapsed within three years of their establishment. It is only 30.8% of the surveyed businesses were operating profitably (RBA, 2005). The researcher perceived that, the performance of these businesses is not convincing, and therefore justified this research problem. This is to say, while more retirees are venturing into business, the performance of their entities
remains questionable. The backdrop figures have raised significant questions and therefore interests to examine the performance of businesses owned by retirees.

Although business activities are among the options that retired public servants undertake during their post-retirement period, the performance of the businesses remains less understood. Various public and private institutions (e.g. TaGLA, NIP and ATE) have been involved in preparing public servants for retirement including business skills enhancing trainings. Nonetheless, little has been done to determine whether or not retired public servants have benefited from these initiatives.

Empirical studies to understand the performance of retirees’ businesses have been conducted in Kenya (Kodia, 2014 & Shiamwama, 2014). However, these studies cannot be generalized to other settings because they have been conducted within different policy and institutional contexts governing public service employees and social security system. Earlier studies have largely applied descriptive statistical analysis. This method is weak, as it does not offer much insight into the nature and significance of the relationship between performance and factors associated with it. Therefore, this study positioned to examine engagement of retirees in businesses and performance in Dar es Salaam, Tanzania.

1.3 Research Objectives

1.3.1 Main objective

The study aimed at assessing factors affecting the performance of businesses owned by retired public servants in Tanzania.

1.3.2 Specific Objectives

The specific objectives are:

i. To determine the extent to which public service retirees engage in businesses.

ii. To examine the motivation of public service retirees to engage in businesses.

iii. To determine the performance of business owned by public service retirees.
iv. To examine factors affecting the performance of businesses owned by public service retirees.

1.4 Research Questions
The general question in this study lies on understanding the performance of business owned by retired public servants and factors associated with it. In this view, the study addresses the following research questions:

i. To what extent do retired public servants engage in business activities?

ii. What motivates retired public servants to engage in business?

iii. How are business ventures owned by retirees performing?

iv. What factors determine performance of business ventures owned by retired public servants?

1.5 Significance of the Problem
The significance of this study is threefold. Firstly, the study is useful to provide key policy inputs to various stakeholders such as government authorities in social security, businesses community and social welfare sectors. The study assists policymakers from various angles to come up with sound policies on post-retirement career and life at large. Secondly, the study is useful to public servants and even retirees planning to engage in business activities. The study provides informative insight to workers in their middle age as they prepare for their retirement while providing useful business information to retirees with regard to matters related to retirement planning and entrepreneurship. Thirdly, the study findings and recommendations highlight potential future researches on businesses of owned by retired public servants and expand literature in this area of study. The study provides strategies to overcome challenges for businesses owned by retired public servants and hence preventing their subsequent failures.

1.6 Organisation of the Dissertation
This dissertation details six chapters. Chapter One covers the general introduction of the study that comprises of problem settings, problem statement, rationale of the study, research questions, and research objectives. Chapter Two provides details guiding the study covering theoretical settings, empirical studies reviews and conceptual
framework. Chapter Three provides study’s methodological description, covering research design, methods for data collection, data type, sample selection and respective target population, data analysis, reliability and validity. Chapter Four covers the results and findings of the study both qualitative and quantitative. Chapter Five covers the discussion and arguments on the findings presented in Chapter Four in relation to the particular study area and other similar studies. Finally, Chapter Six covers the summary, conclusion and recommendations, policy implications and limitation of the study.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter presents a review of both theoretical and empirical literatures related to the performance of businesses owned by retired public servants from both developing and developed countries. The theoretical literature (framework) is presented first followed by empirical studies. The chapter further includes the framework adopted in this study.

2.2 Meaning of Firm Performance
In enterprise management, Moullin (2003) defines an organization’s performance as “how well the organization is managed” and “the value the organization delivers for customers and other stakeholders.” For the purposes of this research, ‘performance’ is related to achieving the business goals. Effectiveness and efficiency are the dimensions of performance. According to Adams (2002) effectiveness is the extent to which stakeholder requirements are met, while efficiency is a measure of how economically the firm’s resources are utilized when providing a given level of stakeholder satisfaction. To attain superior performance, an organization must achieve its expected objective with greater efficiency and effectiveness relative to its competitors (Neely, 1998).

Traditionally, financial mechanisms are the main form of performance measures. Neely (1998) further suggested that five key-dimensions should be assessed, these include quality, delivery speed, delivery reliability, profitability and flexibility. By measuring all of these factors, performance is thus balanced and multi-dimensional, better reflecting stakeholder interest.

2.3 Theoretical Framework
This study is based on two theories: Resource based view and the Balanced score card theory. These theories are explained in details:
2.3.1 Resource Based View of the firm

Wernerfelt (1984) developed the Resource Based View (RBV) of the firm and later popularized by Barney (1995) in order to advance the idea that the performance of the firm is a function of strategy and resources owned. The center of the RBV is that competitive advantage is achieved when assets that are possessed solely by the firm are applied to creating unique capabilities (Barney, 1995). The resulting advantage can be sustained due to lack of substitution and imitation by rivals. Firms have various collection of resources and no two firms are comparable as far as the assets they hold, additionally, the resources a firm holds determine how well that firm would carry out its operations. A company will be in a pole position to succeed if it has the best and most appropriate kind of resources relevant for its business and strategy and therefore competitive advantage ultimately can be attributed to ownership of valuable resources that enable the firm to perform its activities better than competitors thereby improving its performance.

The RBV describes a firm in terms of the integrated resources and that resources are limited to those attributes that enhance efficiency, effectiveness and performance of the firm. In order to have a sustainable competitive advantage by making above average profits, these resources must be valuable, inimitable, non-substitutable and non-transferable (Barney, 1995). According to Barney (1995), the key elements of the theory include sustainable competitive advantage and superior performance, types of advantage-generating resources and strategic choices by management.

With regard to this view, Kodia (2014) described in details what comprise of resources of a firm. These include tangible assets, intangible assets and external assets. With tangible assets, the firm comprise of physical resources that can be seen and evaluated. On the other hand, intangible assets are those that cannot be seen and quantified; these include but not limited to business knowledge and experience, technical skills, reputational resources like trademarks, patents, brand and goodwill as well as networks, individual and group skills, interactions and the organizational routines and processes used to organize and co-ordinate these resources. External resources include relationships with and knowledge acquired through suppliers and customers,
competitors and institutions like universities. The RBV focuses on how firms can utilize unique and rare resources to perform better than competitors in the market. The VRIN can be used as an eyeopener for retired public servants in businesses on how better they can utilize their resources to achieve more and improve performance. Possessing or otherwise not possessing and utilization of resources can affect the performance of businesses owned by public service retirees. This connects to the research problem on the strategic choices of resources to enhance business sustainable competitive advantage.

Despite the fact that RBV is useful in explaining the research problem, there are some areas which it does not cover adequately. With RBV the firm growth relies on its own resources. Other stakeholders’ capacity, such as supply chain members’ resources, are not considered herein. This is a shortfall as both firm’s owned and external resources can influence the performance of business firms (Kodia, 2014). Another aspect of weakness from the RBV is the uniqueness of resources to attain a sustainable competitive advantage. The uniqueness and heterogeneity of resources can be a true challenge especially in a globalized business environment. Even with patent rights, technological innovations can be easily matched with close substitutes from competitors. This makes the uniqueness and heterogeneity of resources a tricky aspect for a firm to maintain.

In view of the above, the study reviewed the Balanced Scorecard (BSC) model which has some additional inputs useful in this study. It goes beyond explaining the best utilization of resources owned by the firm to examining various performance dimensions to consider.

2.3.2 The Balanced Scorecard
The Balanced Scorecard (BSC) proposes four dimensions that managers should put into considerations when assessing organizational performance (Kaplan & Norton, 1992). These include financial perspective, customer perspective, innovation and learning perspective, internal perspective (Kaplan & Norton, 1992). The scorecard combines both financial and non-financial measures into a unified measurement
system. Two organization tools are important in defining objectives and standards of the BSC; vision and strategy. From the BSC managers can get a comprehensive framework that turns organization’s vision and strategy into a coherent set of performance measures. Kaplan and Norton (1992) described that this tool allows the monitoring of present performance.

Three key challenges have been raised in the BSC dimension. One is that BSC leaves out other key stakeholders, then involvement and engagement of employees in definition and measurements of performance, Pessanha and Prochnik (2006) and, lastly is on how the BSC defines performance (Parmenter, 2012). From business perspective, stakeholders like the government, suppliers and business communities are very important in business welfare. Performance of businesses can be analyzed and affected by such stakeholders as they are responsible for external environment of the business.

2.4 Review of Empirical Studies
This section presents the reviews of various studies which have been conducted in line with this study. It also provides the linkages of previous literatures in relation to the research problem in the Tanzanian context. In this section, factors affecting performance of business firms have been divided in two main categories; internal and external factors.

2.4.1 Business internal environment and performance
Internal factors are those constraints that affect the business owner/manager’s ability to operate efficiently, despite any inmate potential in the owner/manager (Baloyi, 2010). Business internal environment is much in line with the assumptions of the RBV. Stokes and Wilson (2006) note that internal factors comprises of personal attributes, skills and competencies of the individual owner which are important to how well the business faces up to the inevitable crises that arise. Internal factors, on the other hand include personal characteristics of the business owner, financial management practices, human resource make up and management, business operations, access and use of information technology and the availability of a sound business plan.
**Business knowledge and firm performance**

Kodia (2014) acknowledges that access to business or entrepreneurial knowledge development is key to the growth and development of any enterprise. Knowledgeable entrepreneurs have a greater ability of achieving the objectives they have set in their undertakings. Knowledge has been described as context-specific, as the context of the knowledge management process can affect who and how actors participate (Toyama et al., 1994). World Bank [WB] (2014) provides evidence that business management knowledge are critical factors in both the failure and success of businesses. It illustrates that the major cause of failure rests in the lack of knowledge in accounting, finance, marketing need management and cash flow knowledge. Weaknesses in these areas are found to impact on all other areas of the business.

Business knowledge helps business owners to take a calculated and reasonable risks (Nonaka et al., 1994). Being strategic planners, they make use of the best employees who can support them in their venture. Willing to lead the team members especially in a crisis is business knowledge that is valued highly (Mwirigi, 2007). The knowledge of selling whenever the need arises and the use of appealing presentations as well as determining the sale quotas are the tasks that entrepreneur must achieve. Knowledge and practice helps entrepreneurs to enhance their marketing skills. Being customer oriented helps them to satisfy and to meet the needs of their customers.

According to Wiklund and Shephered (2005), there is a close linkage between knowledge-based resources and performance of SMEs. Their study have come to realize that knowledge enhances the positive relationship with performance when the firm is enriched with a bundle of knowledge-based resources. They found that knowledge based human resources plays vital role in enhancing organizational performance and it has both direct and indirect effects on firm performance.

Kaya and Patton (2011) described knowledge-based resources as important resources to enhance organization’s innovative capacity which is important and crucial in the discovery and exploitation of opportunities. They classified knowledge in two broad aspects; firm-specific or general. The firm-specific knowledge exists when the knowledge occurs with specific applications. When it is close to the existing firm
knowledge base then it is called general knowledge. The general knowledge exists in the marketplace, anyone can access it and it is less specialized. According to Kirzner (2005), entrepreneurial knowledge differs from the knowledge expert; he suggested that it is the entrepreneur of the firm that hires the latter. Contrary, the entrepreneur should not necessarily possesses depth of knowledge as the specialist possesses, engineering for instance, but it is the entrepreneur who acknowledges the opportunity through the application of the specialist's knowledge.

The linkages between between knowledge and innovation exist, with studies proposing that knowledge flows have an important role in the innovation process (Rigby & Zook 2002). Key studies on innovation have suggested that a firm's knowledge base makes the crucial part of unique resources for radical innovation (Miller & Shamsie, 2006; Zhou & Wu, 2010). Nevertheless, while a knowledge base may make new innovation, without synthesis and utilization mechanisms, radical innovation is likely to make a slight increment (Katz & Du Preez, 2008). Shane (2009) described the exposure to knowledge as insufficient, that firms should acknowledge and create knowledge, assimilate and use the knowledge in the firm. The ongoing process is used to identify and showcase existing and acquired knowledge as well as develop new knowledge platforms. Alavi and Leidner (2001) called this process as creating, storing, retrieving, transferring and applying knowledge.

Influence of owner’s sociocultural background and organization sub-culture on firm performance

Shafeek (2009) suggests that, social and cultural background of business owners affects the performance and organizational conduct of small and medium enterprises. Furthermore, the study notes that the entrepreneurs’ personal attributes and shortcomings had a significant impact on the performance of a business enterprise.

The influence of SMEs business owners and managers may influence organizational culture and ultimately performance (Pavitt, 2006). Organizational culture has been cited as one of key factors influencing performance of organizations. Pavitt (2006)
defines organizational culture as a total pattern of beliefs, norms or social expectations shared by individuals in the organization.

Organization culture will have effect to how businesses owned by retirees are owned. Culture will influence how decisions are made within the organization, the degree of formality and bureaucracy in the organization. To a certain level, nature of pre-retirement industry and job will have an influence on the post retirement organization owned by a retiree. The culture of an organization is likely to be influenced by the management tools and leadership styles (Okumus 2003).

**The influence of organization structure and governance on firm performance**

Norzima et al. (2010) studied on the strategy implementation drivers on performance within the small and medium manufacturing firms. They found three fundamental factors in strategy implementation: the structure, leadership style and resources. Furthermore they discussed the main drivers of strategy implementation, prevailing in the smaller industries. In this case, empirical relationships were established relating strategy implementation and performance of the firm.

In another performance related study, Pearce and Robinson (2005) noted that performance depends on a large part on how a firm is organized. It is the strategy and structure that need to be matched and be supportive of each other in order to achieve the planned objective set. The organisation structure is set to help managers with tools to exploit fully the capacities of employees with minimal costs and at the same time enable the firm’s capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce & Robinson, 2005). The structure therefore, should fit with the intended strategies (Hitt, 1985).

**Influence of organization leadership capacity on firm performance**

For effective strategy implementation, strategy must be supported by using appropriate enterprise structure, rewarding mechanisms and management. Leadership may also affect business management. Leadership is defined as one of the key drivers of powerful strategy implementation (Pearce & Robinson, 2005). However, lack of leadership, and specifically at the top management of an organisation, has been
identified as one of the predominant obstacles to effective strategy implementation (Hrebiniak, 2008). Identifiable actions characterizing leadership that positively contribute to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization’s resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

According to Fourie (2009), many barriers to performance exist; lack of leadership, and specifically strategic leadership, at the top of the organization being among them. According to Hamid (2010) studies show that most big companies have had problems in strategy implementation. He identified effective factors, among them are leadership, organizational structure, human resources, information systems and technology, on successful implementation of strategies in service sector.

**Influence of organization rewarding practices on firm performance**

The rewarding system at businesses owned by retirees is of crucial to performance of businesses. Kodia (2014) noted that among factors contributing to performance of businesses owned by retirees is high job turnover. Without a clear strategy to attract and retain best employees’ businesses are likely to be in a position of potential talents and workforce. Some retirees never had opportunities to supervise staff below them. So, establishing a business firm, managing and retaining staffs can be a bit challenging. On the other side employees are attracted with among others good retaining and rewarding polices which addresses their financial and career ambitions.

**Resources owned by an organization and firm performance**

The resource-based theory indicates that those firm’s resources constitute strategic tools that affect their performance (Barney, 1995). It shows the relationship between resources and the performance of firms. As can be seen, internal resources (tangible and intangible) and external resources are expected to influence the performance of firms. The resource-based view has been one of the dominant theories used to explain strategy in family businesses, and family characteristics can affect firm performance (Miller, 1992). Though the resource-based theory states that internal resources of firms constitute their strategic resources, external resources are the ones which determine
whether there is a relationship between them and firms’ performance (Chrisman & Levintal, 2005).

A firm combines different sets of resources in order to achieve a competitive advantage. Miller (1992) citing Barney (1995) contending that each firm possesses different resources and capabilities and the way the firm acquires, develops, maintains, bundles and applies these resources leads to superior performance thereby having a competitive advantage over time. Thus, not only do firms resources becomes strategic when they are valuable, difficult to be copied by competitors, non-transferable or have no close substitutes.

Financial management and firm performance
According to Nieman and Nieuwenhuizen (2006), financial management must be regarded as one of the most important aspects of business performance. Therefore, financial information available to the business owners must be detailed; detached from their personal accounts; regardless of whether their financial information was derived from a cashbook, bank statement, double entry bookkeeping, monthly or quarterly management accounts, and whether their financial system was computerized or not.

Small and Micro Enterprise (SMEs) owners with the expectations to apply sophisticated financial statistics increases possibilities of their firms’ survival. But, the availability of financial information is not an indication of the use of those information (Shafeek, 2009). Hall (2001) found out that those proprietor/managers who access financial information in particular to help inside the running of the business were more likely to live to tell the tale than those restricting its use to assisting negotiations with outside companies. The more frequently information is gathered and the more the financial information collection is left to an expert such as an accountant, the better. In this case, the larger the amount of surplus cash ploughed back into the business, in place of taking it as compensation by the owner, the better the chances of survival (Nieman & Nieuwenhuizen, 2006).
Age of the firm and firm performance
Age of a firm is also a factor to consider in performance assessment. The liability of newness that makes new SMEs face a greater risk of survival than older firms is that new firms do not have the experience, access, links, reputation or the legitimacy of the older firms, leading to limited access to external resources (Amyx, 2005). McPherson (1995) confirms that enterprise size, as well as growth rates, are inversely related to the probability of closure.

2.4.2 Business external environment
Shiamwama (2014) defined external factors as all those which are beyond firms’s control. Tight lending conditions, authorities regulations and competition are some of the external factors that have an effect on virtually every small commercial enterprise. Strategic planners assume and manipulate some of the circumstances that affect their enterprise. Exploring alternative financing resources until lending restrictions ease, developing plans for compliance with guidelines and improving innovation and carrier to stay in advance of the competition are forward thinking methods to preserve external factors from threatening your business.

Business location on firm performance
Ilian and Yasuo (2005) defined location as the choice mode of entering business and viewed location in terms of type which could be local or international location. According to Orloff (2002) the location could be defined as nearness and accessibility of the firm to raw materials, infrastructures, how busy the location is, how accessible the location is to the customers etc. Geographic location has its implications for access to markets and other resources like finance, skilled labor, subcontractors, infrastructure, distribution and transport logistics and other facilities. Kala and Guanghua (2010) report that the strategic location of the domestic firms assisted them in achieving a positive performance. It can be argued here that location has provided domestic firms with strong force to prosper and succeed in their business.

Access to finance (capital) and firm performance
Capital is the life-blood of any business enterprise and no enterprise, no matter how well managed, can survive without enough funds for working capital, fixed assets
investment, employment of skilled employees and development of markets and new 
products and the availability of finance is positively associated with productivity and 
growth (WB, 2014). Small and medium enterprises (SMEs) need financing for two 
basic purposes; one is financing the production cycle once it has been stabilized (i.e. 
working capital financing); and, two is financing capital expenditures to expand the 
current business, to create new ones, or simply for maintenance purposes (e.g. plant 
and equipment maintenance or updates) (WB, 2014).

Financing small and medium enterprises (SMEs) needs quite different scenarios in 
terms of the amount of funds required, the repayment period and the nature of the 
specific risks involved, among other elements (Wattanapruttipaisan, 2002; World 
Bank, 2014). Most small and medium enterprises (SMEs) rely on internal financing, 
and/or short-term credit from suppliers, and/or some specialized financial products. 
Only rarely Small and medium enterprises (SMEs) recur to a direct loan from banks 
or other financial institutions to financing their needs (Wilkinson & Brouthers, 2006; 
WB, 2014).

Herrington, Hultman, and Miles (2009) point out that, access to finance is a major 
problem for the SMEs. Lack of financial support is one of the causes of weak 
performance and failure of SMEs. Zou and Wu (2009:296) used the Resource Based 
View (RBV) to demonstrate the importance of financial capital to the performance of 
SMEs. Access to financial capital to purchase fixed and current assets is important to 
a sustaining a firm’s competitive advantage.

According to Atieno (2009: 34), a vast majority of SMEs depend on internal finance 
(contribution from the owners, family and friends). However, the growth of SMEs is 
constrained by dependence on internal finance. In contrast, firms that make use of 
external funds exhibit growth rates far above what can be supported by internal 
finance. Therefore, SMEs often need capital from external sources.

**Market competition and firm performance**

Atieno (2009) acknowledges that competition is a significant factor that affects 
performance of businesses. She notes that market competition will subject businesses
owned by retired public servants to the business community and treat them like any other business firm. It is important that in any discussion of competition to recognize that, entering into competition and organization is seeking competitive advantage; this competitive advantage is the key of corporate success (WB, 2014). Even though competition is a threat to survival, it is the competition that drives firms to improve productivity and therefore drives growth.

Shiamwama (2014) cited competition as a top challenge to most SMEs, especially small sellers and producers tend to congregate in dense markets and overcrowded cities. He suggested lack of market information and innovation as most new businesses are a duplication of already existing ones. In addition to competition, there is an issue of market demand. Kodia (2014) notes that business demand has effects on performance of post retirement business enterprises. In his study it was established that business demand is a core factor in the performance of businesses. It was noted that businesses grow to meet customer’s expectations and therefore business location should be strategically located in order to allow business to meet its objectives.

**2.4.3 Summary and synthesis of literature**

The above empirical studies have shown that both external and internal factors can affect the performance of business firms. Studies suggest that business owners must take into consideration both factors when managing performance of business firms. Certainly, it has been established that various external factors can be responsible in influencing performance of businesses firms. These include business location. A business located in a place where people do meet naturally or conveniently accessible will have a competitive edge over a difficult to reach locality. Other factors include market demand and competition. Market competition will expose products to other competing substitutes whereas market demand from customers can also affect the production level. Competition can take away customers from the company and affect sales. Access to finance has also been highlighted as a factor which affect business performance. This is defined by financing arrangements available and accessible to business to get services. The legal and regulatory frameworks also play important role in creating favorable environment for business growth.
Studies also highlight the issue of health of a retiree as among key factors which affect the operations and performance of businesses. Mental and physical stamina and capacity are crucial for businesses interventions and activities. Other internal factors include good marketing and promotional strategies in place to position a business in a competitive place in the market. Business knowledge and experience in business and entrepreneurship also plays an important role. It is argued that retirees should not switch from one profession or industry to a new one as they take risks associated with lack of experience and network in the new field. Size and support from family members can also contribute to the successful performance of businesses owned by retirees. These observations are supported by the resources-based view on identifying and utilizing internal resources to enhance business performance.

Another internal business environment includes an organization structure and its effects to business performance. It has been argued that organizations with attractive and stable reward systems are likely to motivate staffs to meet organizational goals. It may also result into low job turnovers. In organizations, business being of no exceptional, strong and stable leadership installs confidence and prospects for the bright future for the organization. So strong management for a firm have an effect on the business performance.

Despite that fact that empirical studies have provided a rich literature on the subject matter, there are some missing pieces to look at. The empirical studies on performance of SMEs and businesses at large were conducted some years back. The time lapse and difference make difficult to generalize those studies in the current time and scenarios. Some of these studies were specifically dealing on performance of businesses owned by retired public servants were conducted out of Tanzania i.e Kodia (2014; Shiamwama 2014) were conducted in Kenya. Differences in policy and institutional environments provide unequal platform to generalize these studies in the Tanzanian context. This creates a literature gap which this study ought to fill.

Another contrasting area is on categorizing factors influencing performance, either internal or external. According to Stokes and Wilson (2006); Atieno (2009:34); Kodia (2014) and Shiamwama (2014) availability of capital is among key internal resources
to enable any business firm to operate. This is in line with the resource-based view which identifies capital as an internal (or firm owned resource) which when possesses some unique attributes can provide a competitive advantage to a business firm. In this context, capital financing and availability have been categorized as an internal resource. However, in other studies, capital financing and availability have been identified as both internal and external factor or resource which can affect performance of business firms (Wattanapruttipaisan, 2002; WB, 2014). Wilkinson and Brouthers (2006) noted that, availability of financing options such as financial markets and credit facilities can be regarded as sources of business capital, an external factor in this regard. The contrasting views on nature of capital financing provides a room for more studies, this being among them.

Previous empirical studies have indicated that, there is a relationship between personal attributes of a business owner to the business performance (Shafeek, 2009). Furthermore, the social cultural background of owners, experience and knowledge of business owners can also have an influence on organizational culture (Pavitt, 2006). However, these studies have not categorically stated if the type and nature of past employment or employers have effect on businesses owned by retired public servants. Nature of past employment and employer can act as influencing factors for performance of businesses owned by retirees. This is debatable, at least. The conduct and management perspective of a retired army officer in the service industry might differ to that of an air hostess or marketing manager in the hospitality industry. Their respective past employment nature and employers might have shaped their management conducts and perceptions hence can affect their business performance. Furthermore, empirical studies have established types of business conducted by retired public service employees. These businesses are, at least, applicable to the respective study business environment and time. Kodia (2014) and Shiamwama (2014) in their study did not advice on types of businesses suitable to retirees. This is also a knowledge gap which this study ought to bridge.
2.5 Conceptual Framework

The conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Kombo & Tromp, 2006). Following empirical framework reviews and reviews from theories including RBV and BSC, it is possible to visualize and conceptualize a generic diagram to show how various factors affect performance of businesses owned by retired public servants as shown in Figure 2.1.

The conceptual framework shows that, both external and internal factors interact to affect the performance of businesses owned by retired public servants. According to Kodia (2014) external factors may include geographical location of business, market competition, sources of capital, access to finance, technological status and customer satisfaction. The BSC theory also outlines that customer perspective as one of dimensions to look at when measuring the performance of a firm. External factors are hypothesized to affect business community at large and not for businesses owned by retirees only. Again according to RBV valuable, rare, imperfect-imitability and non-substitutability (VRIN) are important factors for resources to take a business to a competitive edge. The applicability of RBV is tricky but it suggests how internal factors can be fully utilized to ensure business performance. Shiamwama (2014) suggest that internal factors are more likely to affect the performance of businesses than the external factors. These include business knowledge and experience, physical and mental strengths, supervision and leadership styles, employees’ motivation, skills and experience in managing businesses and financial stability of retired servants. As discussed on the empirical literature reviews, other factors that can influence the performance of business include organization culture, change of management and organization structure. The combination of external and internal independent factors altogether bring a business management strategy and intervention in the essence of enhancing favorable business performance.
2.6 Hypotheses Setting

From the conceptual framework, two hypotheses have been developed:

i. Hypothesis one:
   a. $H_0$: Internal factors do not affect performance of businesses owned by retired public servants.
   b. $H_A$: Internal factors affect performance of businesses owned by retired public servants.

ii. Hypothesis two:
   a. $H_0$: External factors do not affect performance of businesses owned by retired public servants.
   b. $H_A$: External factors affect performance of businesses owned by retired public servants.
3.1 Introduction
Research methodology is a way to systematically solve the research problem. It is a science of studying how research is done scientifically. The research methodology also considers the logic behind the methods we use in the context of research study by explaining why use a particular method or technique and why not others (Kothari, 2012). This chapter describes research design, sampling technique, types of data and methods of data collection, data analysis techniques, reliability, validity and limitation of the study.

3.2 Research Design
A research design is a general strategy or plan for conducting a research study. Apart from indicating the goal of the study, research design further gives the necessary details for gathering information required to structure and address the research problem (Gay, Mills, & Airasian, 2012). There are different designs for different studies, however, the main question guiding the study, nature of the variables involved, constraints of the environment and researcher’s convictions (positivist or interpretivist (Khan, 2014)) are crucial for choosing a particular research design.

This study largely used a cross-section survey design, collecting both quantitative and qualitative data. Cross sectional research design was opted to facilitate systematic collection of primary data and presentation that gives a clear picture of performance of businesses with limited sample size. Furthermore, cross sectional study design is quick and cheap as there is no follow up, and that a fewer resources are required to run the study (Mann, 2011).

3.3 Quantitative approach
A quantitative research approach is more of positivist view in which reality is independent of researcher’s perception and involves the collection of data from a large sample (Khan, 2014). Unlike the qualitative design, a quantitative one is flexible in treating the data collected; yet examine the relationship among variables in order to
test objective theories. This approach was preferred since data are collected at single point in time allowing the comparison of variables.

3.4 Qualitative approach
A qualitative approach stresses on an interpretive view (Khan, 2014). It involves gathering information from sample group to explore and understand the meaning individuals or groups assign to a social or human problem (Creswell, 2014). Unlike quantitative design which is confined to closed-ended questions, a qualitative one allows acquiring in-depth information regarding the phenomena through open-ended questions for problem-solving (Leavy, 2017).

The study adopted qualitative approach as it would make it convenient to exploring retirees’ perception toward factors affecting performance of their businesses.

3.5 Research Sample and Data Source
3.5.1 Population of the study
Kothari (2012) defines population as the set of unit from which information to be studied were captured. The population of the study drew public servants who had retired between 2012 and 2016 and who were engaging in business activities in Dar es Salaam region. Information about businesses and retirement was provided by the retired public servants who owned business ventures. These therefore, formed the units of analysis. A total of 898 retired public servants who attended retirement planning workshops organized by TaGLA were identified for this purpose.

3.5.2 Sampling techniques and sample size
3.5.2.1 Sampling techniques
Probability sampling method was applied in this study. Unlike the tradition sampling technique, estimation error can be measured, and the technique is bias-free. Moreover, random sampling can be referred to as without replacement if it is from a finite population, thus if an item is once selected cannot be considered in the sample again. Whereas, with replacement means after the item is selected, it is returned to the population bearing again an equal chance to be selected again. Probability sampling is categorized into systematic sampling, stratified sampling, cluster sampling, area sampling, and multi-stage sampling (Dawson, 2002). However, a simple random
sampling was used in this study whereby each retiree owning business in Dar es Salaam had equal chances of being picked up for interview.

3.5.2.2 Sample size

From the population of 898 public service retirees, a sample of 90 individuals were drawn from the entire population. A sample size which is at least 10% of the population is satisfactory for a scientific research (Hill, 1998). The sample size was obtained by using formula which is represented below (Kothari, 2012).

\[
n = \frac{N}{1+N(e)^2}
\]

Where by

\[
n = \text{Sample size} \\
N = \text{Total number of small and medium entrepreneurs} \\
e = \text{Error (level of significance)} = 10% \\
n = 898/1+898(0.1)^2 \\
n = 898/9.98 \\
n = 90
\]

3.5.3 Response rate

The study targeted 90 public service retirees who live in Dar es Salaam region and run business ventures. To make the data collection exercise effective and timely, the researcher engaged three assistants to collect data through physical visit, mobile phone call interviews and emailing of questionnaires with a close follow ups. The study managed to collect information from 86 respondents, which is a 95.5% response rate.

3.5.4 Data types and collection methods

3.5.4.1 Data types

Primary data are alternatively known as first-hand data which are collected directly from the field. In this case, the researcher has to go field and gather relevant information from the respondents. Primary data gives accurate data and help to avoid fabricated one, however, they cost time and expensive to obtain as the research has to start from the scratch to gather such kind of data (Dawson, 2002). Therefore, this study collected first-hand qualitative and quantitative data in order to address the key research objectives. Following limited secondary data associated with performance of
businesses owned by retired public servants in our context, and to maintain accuracy and relevance of the data, this study entirely collected first-hand data.

3.5.4.2 Data collection methods
Data collection methods include various techniques for gathering relevant information for the study at hand. The decision on the particular method to be employed depends on various influential factors such as data type (whether secondary or primary data); the objective of the study, and experienced response rate. Since this study entirely sought to collect first-hand data, a survey method was taken into consideration.

3.5.4.3 Data collection tools
A questionnaire survey, which had structured and semi-structured items, was used as a main instrument for data collection. It was designed to elicit first-hand data from a selected representative sample. A questionnaire survey was designed to capture information on retiree’s demographic, socio-economic and psychological factors, as well as factors affecting performance of their businesses. Hitherto, the questionnaire was researcher-administered, giving room for respondents to ask additional clarification for questionnaire items not understood (See Appendix I for the questionnaire survey used for data collection in the study area).

3.6 Operationalization of variables
The definition, measurement and operationalization of variables in this study is shown in Table 3.1

Performance Measurement:
This study sought to measure the performance of businesses owned by public service retirees by assessing the profitability; that is whether firms are making profits or losses. The assessment involved analyzing business income obtained after costs were deducted from revenues. This is the financial different between costs involved in entire production including manufacturing, marketing, logistics etc. versus business revenues. This is supported by Neely (1998) and Kodia (2014) who identify profitability as one of the traditional and commonly used form of performance measurement in business. By using probit regression model the performance measurement (profit) is coded as 1 if the business makes profits and 0 if otherwise.
Sex is another factor to account for. It is considered as a dummy variable for measurement; coded as 1 if the owner is male and 0 otherwise. According to Aprile (2017) women culturally spend more on domestic related activities compared to men which subject them to less access on business and economic knowledge and activities. Therefore, it was expected of men to perform better in business activities compared to their opposite sex.

Education level marks the number of years spent in formal school. Retired public servants who have attained a higher level of education will perform better in business as they are believed to possess more knowledge pertaining in resources management as opposed to people with lower level of education (Adams, 2002). The study used dummy: 1 if the business owner who held at least the first degree, 0 if otherwise.

Business age/experience is measured in number of years and it is crucial in determining retirees’ business performance. As in line with Kodia (2014) and Shiamwama (2014), it is expected that younger retirees will perform better as compared to their elder counterparts. This is because younger people are considered to be more creative, have physical and mental stamina; of which is less likely to older people.

Family size: Household size is measured as number of all members in the household. In line with Kodia (2014 and Shiamwama (2014) it was expected that the higher the size of the household, the less likely the possibility of positive business performance and vice versa.

Motive to start business: Retired public servants regard capital as the motivation to start business, (Shiamwama 2014). In this regard, the study used dummy: 1 if capital is the motivation to start business, 0 if otherwise.

Type of business: The type of business activities chosen by the retirees has influence on business performance. Businesses with small startup capital, easy to manage and with reliable market, such as livestock husbandry, are less vulnerable as compared to
other businesses (Kodia, 2014) & Shiamwama, 2014). In this study, the type of businesses has been coded as dummy: 1 if agriculture, 0 if otherwise.

**Source of capital** identifies the type of capital that has been used to establish businesses owned by retirees. Retired public servants have pension lumpsums available as option for capital for their businesses (Shiamwama, 2014). In this regard, the study used dummy: 1 if pension lumpsum, 0 if otherwise.

**Preparation to start business** shows the time when preparations to start businesses owned by retirees started. It has been recommended that public servants start preparations for businesses ventures before they retire (Kodia, 2014). It is expected that businesses which were planned before retirement will perform better as compared to those whose preparation started after retirement as the earlier had more time for market experience and re-adjustment. The study used dummy: 1 if preparation were done before retirement and, 0 if otherwise.
Table 3.1: Definition and Measurement of Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Business profit or loss</td>
<td>The variable measured as binary variable with 1 if business made profit and 0 if business made loss in 2017</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age of a retiree</td>
<td>Age in an actual number</td>
<td>Number in years</td>
</tr>
<tr>
<td>Sex</td>
<td>Sex of a business owner</td>
<td>Dummy: 1 if male, 0 if otherwise</td>
</tr>
<tr>
<td>Education</td>
<td>Education level of a retiree</td>
<td>Dummy: 1 if holding at least a degree, 0 if otherwise</td>
</tr>
<tr>
<td>Business type</td>
<td>Type of business firm</td>
<td>Dummy: 1 if agriculture, 0 if otherwise</td>
</tr>
<tr>
<td>Source of capital</td>
<td>Source of capital used to start business</td>
<td>Dummy: 1 if pension lumpsum, 0 if otherwise</td>
</tr>
<tr>
<td>Motive to establish business</td>
<td>Motivation behind to start business</td>
<td>Dummy: 1 if capital availability, 0 if otherwise</td>
</tr>
<tr>
<td>Market competition</td>
<td>Perceptions on the effects of competition to business performance</td>
<td>Dummy: 1 if high competition, 0 if otherwise</td>
</tr>
<tr>
<td>Preparation to start business</td>
<td>Time for preparation of business firm</td>
<td>Dummy: 1 if before retirement, 0 if otherwise</td>
</tr>
<tr>
<td>Family/household size</td>
<td>Number of family members in the business owner</td>
<td>Numeric</td>
</tr>
<tr>
<td>Business experience</td>
<td>Number of years for business firms in operation</td>
<td>Number in years</td>
</tr>
<tr>
<td>Business knowledge</td>
<td>Retiree’s knowledge on business</td>
<td>Dummy: 1 if high effect, 0 if otherwise</td>
</tr>
<tr>
<td>Financial management</td>
<td>Retiree’s knowledge in financial management</td>
<td>Dummy: 1 if high effect, 0 if otherwise</td>
</tr>
<tr>
<td>Business location</td>
<td>Strategic location of a business firm</td>
<td>Dummy: 1 if high effect, 0 if otherwise</td>
</tr>
<tr>
<td>Access to capital</td>
<td>Access of business firms to capital financing</td>
<td>Dummy: 1 if available, 0 if otherwise</td>
</tr>
</tbody>
</table>

3.7 Data Processing

The methods of data processing used in this study were both manual and computerized. This entailed data editing, data coding, data classification and tabulation. Data processing had two phases namely: data clean-up and data reduction. During data clean-up the collected raw data was edited to detect anomalies, errors and omissions in responses and checking that the questions are answered accurately and uniformly. Then numerical and other symbols were assigned in order to reduce responses into a limited number of categories or classes. After this, the processes of classification or arranging large volume of raw data into classes or groups on the basis of common characteristics were applied. Finally, tabulation and charts were used to summarize the raw data and displayed in the form of tabulation for further interpretation.
3.8 Data Analysis

Data analysis may be in term of qualitative or quantitative method. The qualitative method of data analysis can be grouped into content analysis and extracting theme; whereas, quantitative method of data analysis is grouped into a descriptive statistic and inferential statistic. This study employed a quantitative method of analysis for the data collected from respondents (Cresswell, 2014). The quantitative analysis involved estimation of multiple regression model to explore key factors influencing the performances of business owned by retired public servant. The aim of multiple regression was to assess the factors influencing business enterprises owned by retired public servants to make profit or loss. The independent variable included both internal and external factors. Dependent variable was binary responses of enterprises on whether they make profit or loss as presented in the conceptual framework.

3.8.1 Descriptive data analysis

Descriptive statistic techniques such as measures of sample distribution, and measures of central tendency were used to analyze the profile of the respondents. Furthermore, tabulation techniques were used and so were the graphical representation of the collected data. Being the case, Statistical Packages for Social Sciences (SPSS) version 20.0 program was used to aid the descriptive statistical analysis.

3.8.2 Econometric data analysis

The econometric analysis involved running the Probit binary regression model through statistical data analysis programs. STATA version 13.0 was used to determine factors affecting performance of business owned by retired public servants.

3.8.3 Probit Regression Model

In econometric analysis, a probit model is a popular specification of a generalized linear model. In particular, it is used for a binomial regression using the probit link function (Jobson, 1992). Maddala (1983) applied a probit regression to determine performance of students in higher education in Slovenia. According to their study, probit model is based on a normal distribution function, which makes it more
appropriate in our case. The developed model for expected value of the dependant binary response variable was written as:

\[ E(y_i) = 0 \cdot P(y_i = 0) + 1 \cdot P(y_i = 1) = P(y_i = 1). \]

This was a typical model to choose a set of values for the explanatory variables (factors responsible for performance) since the marginal effects are different for a different observation unit \( i \) (observed individual). The interpretation of the marginal effects then refers to a chosen reference person. The marginal effect of a chosen explanatory variable tells for how many percentage points will change the probability that a reference person is participating in the higher education if a value of that explanatory variable has increased by one (Maddala, 1983).

This study estimated a Probit model taking businesses performance as a dependent variable which is the function of explanatory dependent variables. This model was used as the dependent variables take two values; i.e. profit or loss. Performance has a binary coded response of 1 if the business entity made profit and 0 if the business made loss in 2017. The model was opted as it used to estimate the probability that an observation with particular characteristics will fall into a specific one of the categories. The decision to use probit model considered the sample size. According to Goktas and Cakmakyapan (2013) probit model is better for a relatively small sample size i.e. from 40 up to 150 respondents. The multiple regression model was estimated using STATA. From model developed by Maddala (1983), the estimated model is specified as follows:

\[ Y_i = P(\pi = 1 \lor X) = \beta_0 + \beta_1X_1 + \beta_2X_2 + \cdots + \beta_nX_n + \mu_i \]

Where:

- \( Y \) stands for business performance (profit) measured as binary variable (1 if the enterprises made profit and 0 if made loss)
- \( X \) stands for explanatory/independent variable that are hypothesized to influence business performances
- \( \beta \) are unknown (and fixed) regression coefficients to be estimated and is the intercept.
- index \( i \) refers to retiree/households
\( \mu \) is a random error term that captures other variables that influence business performances but not included in the model. The multiple regression model was opted as it generalises the simple linear regression in two ways. It allows the mean function \( (Y_i) \) to depend on more than one explanatory variables \( (X_1, X_2, \ldots) \) and to have shapes other than straight lines, although it does not allow arbitrary shapes.

### 3.8.4 Model Diagnostics

#### 3.8.4.1 Model Specification Test

The assumptions while generating a Probit regression model is that, Probit outcome variable is a linear combination of the explanatory variables. Being the case, by considering the left-hand side of the outcome’s function in equation; we assumed that using probit function is the right call. To the right-hand side, it is assumed that all relevant variables are included in the model and neglect all irrelevant one. Therefore, model specification error (model misspecification) occurs when link function (Probit function) is an incorrect choice; or when there is a nonlinear combination or relationship between Probit of outcome variable and the explanatory variables. Hence, a link test command in STATA 13.0 issued after the probit command was used to detect model misspecification. Rule of thumb is that, except by chance, no additional explanatory variables should be statistically significant. Thus, the explanatory variables to rebuild the model, say a linear predicted value (\( _\text{hat} \)) and its squared (\( _\text{hatsq} \)) should be statistically significant and insignificant, respectively (Long & Freese, 2014).

#### 3.8.4.2 Model Goodness-of-Fit Test

Testing the goodness-of-fit of the model at hand, gives us a general snapshot or measurement of how the model fits the data. Therefore, to achieve this goal, the log likelihood Chi-square; pseudo R-squared for the model; and Hosmer and Lemeshow’s goodness-of-fit test; altogether were employed. Rule of thumb is that, the log likelihood Chi-square should be two times the difference between the log likelihood of the current model and that of intercept-only model. For, pseudo Rsquared, it should be a change proportion in terms of log likelihood (Long & Freese, 2014). Alternatively, for Hosmer and Lemeshow’s goodness-of-fit test computed as Pearson Chi-square is
that, the more closely the predicted or expected frequency matches the observed frequency, the better the fit; and the greater the p-value, the better the fit (Long & Freese, 2014).

3.8.4.2 Multicollinearity test
Multicollinearity, alternatively collinearity occurs when two or more explanatory variables in the model have an approximately linear relationship with other explanatory variables in the exact same model. This creates difficulties to uniquely estimate regression coefficients with all the explanatory variables in the model (Long & Freese, 2014). The degree of multicollinearity varies and so are its effects on the model. As a remedy for multicollinearity, if any, STATA drop or omit the explanatory variable that is perfectly correlated, retaining those which are not so as to uniquely estimates their coefficients. Therefore, to test for multicollinearity, Variance Inflation Factors (VIF) and Tolerance combined table was generated by a command in a STATA 13.0. Rule of thumb is that, a concern for multicollinearity should be raised when a tolerance is less or equal to 0.1; equivalently when VIF is greater or equal to 10.

3.9 Data Validity and Reliability
For a valuable interpretation of the data, both validity and reliability measuring instruments of data have to be taken into consideration. Altogether are crucial for giving suitability judgement of a measurement instrument or a test. As reliability reveals about the consistency of the produced scores; validity on the other hand, tells about the appropriateness of a test.

3.9.1 Data reliability
According to Gay et al. (2012) reliability is the degree to which a test consistently measures whatever it is measuring. The data collected is said to be reliable if it provides consistent results over time and represent the entire population under study. There are five steps of reliability such as test-retest, alternative form, equivalent and stability, internal consistency (Split-half, Kuder-Richardson, or Cronbach’s alpha) and scorer. In this study to ensure reliability, some of the questionnaire items were
extracted from previous tested study Aprile (2017) to test the concepts in the model. Also, to ensure that data collected provided a consistent result, the questionnaire survey were interviewer administered so as to provide convenience in communication and collection process. Notwithstanding, along with piloting questionnaires, questions were designed to ask and obtain relevant information that were vital for the study in different way to guarantee consistency.

3.9.2 Data validity
According to Gay et al. (2012), validity usually reveals the relationship between study concepts and its respective indicators used for measurement. It refers to the degree to which a test measures what it is supposed to measure to aid appropriate interpretation of results. They further described four types of validity, such that; content validity which usually reflects the extent to which the test measures an intended content area through both item and sampling validity. Criterion-related validity reflects the extent the test highly correlate with another test through concurrent validity and predictive validity. Also, construct validity gives the extent in which test reflect the construct it is supposed to measure through methods such as convergent, divergent, and content related evidence. Finally, consequential validity which gives the extent to which the test creates harmful consequences for the respondents.

Therefore, to ensure content validity, random sampling technique was used to enable collection of data from business owners in the intended area of study. The study further conducted a pilot study to test all content of questionnaire in order to ensure item validity. The study further employed a quantitative data analysis to aid generalization of the findings, and this enriched its internal validity. To ensure external validity the study employed a cross-sectional survey study in gathering data from the respondents, to avoid any variation in the unit of analysis. And finally, the study employed a regression models (Probit Model) to establish the relationship between the variables.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction
This chapter presents results of the analysis carried out using data collected from 86 public service retirees in Dar es Salaam region. The study sought to establish factors affecting performance of businesses owned by retirees in the region. The analysis in this chapter is divided into two main sections. The first section presents mainly the results of descriptive statistical analyses of respondent’s socio-demographic and socio-economic profiles. Otherwise, the second section presents the results of econometric analysis of relationships among variables using correlation and multivariate regression analysis (probit model).

4.2 Descriptive Analysis
4.2.1 Demographic characteristics of respondents
This section presents the results of descriptive statistical analysis of respondents’ demographic profile including age, occupation, nature of employer and sex.

4.2.1.1 Age of retired public servants
Figure 4.1 shows the results of analysis. The majority (61.7%) of respondents were aged between 60 and 64 years old while respondents with age ranging between 65 to 70 years old were 38.4%. Since the retirement age in Tanzania is 60 years, this implies that most of respondents were those with less than 5 years from their retirements.


4.2.1.2 Sex of respondents

Most of the interviewed respondents (retired public servants) were male comprising 53% of the entire sample and the remaining respondents were female (47%). This implies that more men retirees are investing in business than their female counterparts. The sex distribution of respondents is shown in Figure 4.2.

Figure 4.1: Age distribution of respondents

Figure 4.2: Sex distribution among respondents
4.2.1.3 Marital status of respondents

It was established that majority of respondents were married (66.3%) whereas few respondents were widows (8%) and 24.4% are not married. Only 1% of the respondents reported divorced marital status. The respondent’s marital status is shown in Table 4.1.

Table 4.1: Marital status of respondents

<table>
<thead>
<tr>
<th>Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not married</td>
<td>21</td>
<td>24.42</td>
</tr>
<tr>
<td>Married</td>
<td>57</td>
<td>66.28</td>
</tr>
<tr>
<td>Widow</td>
<td>7</td>
<td>8.14</td>
</tr>
<tr>
<td>Divorced</td>
<td>1</td>
<td>1.16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data (2018)*

4.2.1.4 Education level of respondents

The respondents’ level of education is shown in table 4.2. Majority of respondents have a degree and above level of education (38.4%), followed by diploma holders (24.4%) and secondary education (19.8%). Furthermore, 17.4% of respondents had certificate qualifications.

Table 4.2: Education level of respondents

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Education</td>
<td>17</td>
<td>19.8</td>
</tr>
<tr>
<td>Certificate</td>
<td>15</td>
<td>17.4</td>
</tr>
<tr>
<td>Diploma</td>
<td>21</td>
<td>24.4</td>
</tr>
<tr>
<td>At least a degree</td>
<td>33</td>
<td>38.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data (2018)*

4.2.1.5 Time of retirement

Table 4.3 shows that, 26.7% of respondents retired in 2016 and 20.9% retired in 2012. A small number of respondents (16.3%) retired in 2013 whereas 18.6% and 17.4% retired in 2014 and 2015 respectively. This suggests that business is the first option for public service employees after retirement. This is backed by the fact that 50% of employees used pension lumpsums as their source of capital.
Table 4.3: Respondent time of retirement

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>18</td>
<td>20.93</td>
</tr>
<tr>
<td>2013</td>
<td>14</td>
<td>16.28</td>
</tr>
<tr>
<td>2014</td>
<td>16</td>
<td>18.6</td>
</tr>
<tr>
<td>2015</td>
<td>15</td>
<td>17.44</td>
</tr>
<tr>
<td>2016</td>
<td>23</td>
<td>26.74</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

4.2.1.6 Pre-retirement employers

The study aimed to establish the sectors of employment prior to retirement of respondents. The respondents were found in four main groups namely, government ministries, government departments and agencies and other institutions as shown in Table 4.4. Majority of respondents (66.3%) were employed in government departments, agencies and authorities (MDAs) while 23.35% of respondents were employed by the central government (ministries). Ten percent (10%) of respondents came from other public institutions such as academic, research and local government authorities.

Table 4.4: Pre-retirement employers

<table>
<thead>
<tr>
<th>Employer</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministries</td>
<td>20</td>
<td>23.3</td>
</tr>
<tr>
<td>Departments, Agencies and Authorities</td>
<td>57</td>
<td>66.3</td>
</tr>
<tr>
<td>Other institutions</td>
<td>9</td>
<td>10.4</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

4.2.1.7 Pre-Retirement positions

This study further wanted to establish the positions held by respondents during their employment tenures in public sector. Positions were categorised into managers, senior officers and supporting staffs. Table 4.5 shows the composition of each category. The study noted that 51.2% of respondents were retired public service officers and 34.8% of retired supporting staffs. Retired managers were 14%. This may be an indication that employment level can influence post retirement career. More senior officers are likely to be engaged in business activities as compared to managers and supporting staffs.
4.2.2 Characteristics of businesses owned by respondents

This part established various information concerning businesses owned by retirees. These involve type of business, motivation behind respondents to be involved in businesses, time used for business preparations, time of business operations and sources of business capital.

4.2.2.1 Types of businesses

The study sought to establish the types of businesses owned and operated by retirees. The study uncovered that, businesses with larger proportion of the respondents were agricultural activities (43.0%) and consultancy firms (10.5%). About 11.6% of the interviewed retired public servants engaged in real estates as shown in Table 4.6. The study also found that, a small percentage of retirees (2.3%) is involved in education services such as owning nursery schools and selling education materials. About 19% of the respondents own retail shops and 14% ran businesses in transport related activities such as taxis and commuter buses.

Table 4.5: Pre retirement positions

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>12</td>
<td>14.0</td>
</tr>
<tr>
<td>Senior officers</td>
<td>44</td>
<td>51.2</td>
</tr>
<tr>
<td>Supporting staff</td>
<td>30</td>
<td>34.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

Table 4.6: Types of businesses

<table>
<thead>
<tr>
<th>Business</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancy</td>
<td>9</td>
<td>10.5</td>
</tr>
<tr>
<td>Agriculture</td>
<td>37</td>
<td>43.0</td>
</tr>
<tr>
<td>Education Services</td>
<td>2</td>
<td>2.3</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10</td>
<td>11.6</td>
</tr>
<tr>
<td>Retail Shops</td>
<td>16</td>
<td>18.6</td>
</tr>
<tr>
<td>Transport</td>
<td>12</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)
4.2.3 Motivation for engaging in business

There are divided opinions on why respondents were involved in business activities as shown on Table 4.7. On equal weight of 5.8% respondents chose to engage in business based on two factors; advice from their colleagues and having some prior experience in business. About 7% of respondents said they chose to start business firms because they had passion with business. Similar percentages to that were motivated by the business profitability. Presence of capital is ranked by most respondents as key consideration and predetermining factor for majority in making decision to enter into business, 31.4%. On the other hand, business location is the least considered factor with 3.5%. Other factors considered include easiness of attending and managing operations (16.3%), while business knowledge and availability of market is considered to contribute 23.2% in total.

Table 4.7: Motivation to engage in business

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice from Colleagues</td>
<td>5</td>
<td>5.81</td>
</tr>
<tr>
<td>Availability of Capital</td>
<td>27</td>
<td>31.4</td>
</tr>
<tr>
<td>Availability of Market</td>
<td>10</td>
<td>11.63</td>
</tr>
<tr>
<td>Business Knowledge</td>
<td>10</td>
<td>11.63</td>
</tr>
<tr>
<td>Business Location</td>
<td>3</td>
<td>3.49</td>
</tr>
<tr>
<td>Easy to Manage Business</td>
<td>14</td>
<td>16.28</td>
</tr>
<tr>
<td>Experience in Business</td>
<td>5</td>
<td>5.81</td>
</tr>
<tr>
<td>Passionate with Business</td>
<td>6</td>
<td>6.98</td>
</tr>
<tr>
<td>Profitability</td>
<td>6</td>
<td>6.98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

4.2.4 Preparation for business start up

Based on data in Table 4.8, it has been established that majority of respondents, 59.3% start their preparations to form business firms after retirement while 40.7% start preparations before retirement.
Furthermore, majority of retirees start their businesses after retirement, 79.1%. Only 20.9% start before retirement. This can suggest that employees in the public sector don’t start business entities while still employed.

4.2.5 Duration of business firms in operation

Majority of businesses, 55%, have been in operation for about 3 to 5 years. About 20% have been in businesses for 6 or more years while few businesses (24.4%) have been operational for a period between 1 and 2 years. Only 1.2% has less than a year in operation since their start.

<table>
<thead>
<tr>
<th>Duration</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>21</td>
<td>24.4</td>
</tr>
<tr>
<td>3 – 5 years</td>
<td>47</td>
<td>54.7</td>
</tr>
<tr>
<td>6 years or more</td>
<td>17</td>
<td>19.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

As shown in Table 4.9, there is a point of optimism for businesses owned by retirees. Despite the fact that majority of them are not performing well in the past three years (Table 4.18), majority of them have been in operations for more than one year. This indicates resiliency of these businesses. It may also be an indication that objectives of retirees in business might not necessarily be profit maximisation but even survival may do.

4.2.6 Sources of capital

Respondents were also asked to identify their sources of business capital. Up to 50.0% of the respondents indicated that their businesses were funded by pension lumpsums.
at the start-up stage. Savings was the second option accounting for 31.4% while SACCOS loans had 10.5%. About 6% of retirees opted for bank loans.

**Table 4.10: Sources of capital**

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loan</td>
<td>8</td>
<td>9.3</td>
</tr>
<tr>
<td>Family contributions</td>
<td>5</td>
<td>5.81</td>
</tr>
<tr>
<td>Pension lumpsum</td>
<td>46</td>
<td>53.49</td>
</tr>
<tr>
<td>Saccos loan</td>
<td>8</td>
<td>9.3</td>
</tr>
<tr>
<td>Savings</td>
<td>19</td>
<td>22.09</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data (2018)*

**4.2.7 Family involvement in business**

The study also sought to establish if family members are involved in business operations. A number of respondents accounting for 84.9% agreed to frequently involve family members in business operations more often, whereas 13% of respondents do not find it important to involve family members in their business.

![Figure 4.3: Family involvement](image-url)
Furthermore, Table 4.11 shows that, majority (41.9%) of retirees in business involved both family members (spouses and children); while those who involved children and spouses alone make up to 19% and 18% respectively. From this study, some retirees (13%) involve non-family members (friends, colleagues, experts). Generally, this study tells the fact that retirees in business involves family members and friends in running their businesses. This may be due to lack of business training and experience which can be found from various platforms of human resources development.

**Table 4.11: Family members’ involvement**

<table>
<thead>
<tr>
<th>Involvement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spouse</td>
<td>18</td>
<td>20.9</td>
</tr>
<tr>
<td>Children</td>
<td>19</td>
<td>22.1</td>
</tr>
<tr>
<td>Both spouse and children</td>
<td>36</td>
<td>41.9</td>
</tr>
<tr>
<td>Non family member</td>
<td>13</td>
<td>15.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data (2018)*

**4.2.8 Performance of businesses**

This part presents analysis of data which can help to suggest the performance of businesses owned by retirees. The section describes information on trends of number of employees at the start and by the year 2017, customer base, and sizes of business premises, average annual sales turnover and net profits and losses of businesses.

**4.2.8.1 Number of full-time employees**

Table 4.12 shows the results of analysis of number of employees among firms owned by the retired public servants.

**Table 4.12: Number of employees**

<table>
<thead>
<tr>
<th>Employees</th>
<th>At the start</th>
<th>By 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>1-3</td>
<td>47</td>
<td>54.7</td>
</tr>
<tr>
<td>4-7</td>
<td>25</td>
<td>29.1</td>
</tr>
<tr>
<td>8 or more</td>
<td>14</td>
<td>16.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data (2018)*

The results show that, 54.7% of firms had between 1 to 3 employees at their point of establishment. However, by 2017, 80.2% had maximum of 3 employees. This may
indicate cost cutting mechanisms by reducing number of employees. This is supported by the decreasing number of employees in other two bands; with firms which employed between 4 to 7 employees a dropping from 29.1% to 18.6% in 2017. Firms with 8 and above employees also dropped from 16.3% at the start to only 1.2% in 2017. This also indicates that, business owned by retirees initially engaged a larger number of staffs but with time in operation the number was cut. This decrease in number of employees in two upper bands also suggests poor performance of businesses. Basing on the number of employees, this study establishes that, business firms owned by public service retirees are Micro and Small Enterprises (MSE) in nature.

4.2.8.2 Average size of business premises

It has been established that there are no major changes in average size of business premises owned by public service retirees. While the business premises with an average size of 15-999 square meters was 68.6% at the start, this number fell by a percentage to 67.4% in 2017 (Table 4.13). The case is contrary to premises with an average area of 1,000 to 1,999 square meters which increased from 11.6% at the start to 12.8% by 2017. There was no change in number of firms for businesses with premises with average size of 2,000 square meters and above; they were 19.8% of the study, both at the start and in 2017.

<table>
<thead>
<tr>
<th>Size in meter square</th>
<th>At the start</th>
<th>By 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>15-999</td>
<td>59</td>
<td>68.6</td>
</tr>
<tr>
<td>1,000 – 1,999</td>
<td>10</td>
<td>11.6</td>
</tr>
<tr>
<td>2,000 &amp; above</td>
<td>17</td>
<td>19.8</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

4.2.8.3 Average business sales turnover

When asked about the average annual sales turnover for their firms in three consecutive years, respondents had the following in return in Table 4.14. For those whose sales average ranged between 2,000,000 to 21,999,000 there was an increasing trend in percentage from 30.2% 34.9% to 38.4% in 2015, 2016 and 2017 respectively.
The increasing trend may suggest that average annual sales turnover of the firms involved in this band might be decreasing from other higher bands. Meanwhile firms which earned between 22,000,000 to 55,099,000 have fallen from 44.2% in 2015 and 2016 to 23.3% in 2017. For the firms with 55,100,000 and above sales the trend is mixed. In 2015 there were 25.6% of firms in this category, 20.9% in 2016 and the figure rose to 38.4% in 2017. From these evidence collected in three consecutive years, it can be established that most of businesses owned by retirees from public sector in Dar es Salaam have average annual sales between Tzs 2,000,000 and 21,000,000. These are micro and small enterprises (MSEs).

Table 4.14: Average annual sales turnover

<table>
<thead>
<tr>
<th>Sales in Tzs</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>2,000,00 - 21,999,000</td>
<td>33</td>
<td>38.4</td>
<td>30</td>
</tr>
<tr>
<td>22,000,000 - 55,099,000</td>
<td>20</td>
<td>23.3</td>
<td>38</td>
</tr>
<tr>
<td>55,100,000 and above</td>
<td>33</td>
<td>38.4</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100</td>
<td>86</td>
</tr>
</tbody>
</table>

Source: Survey Data (2018) Note: F stands for frequencies, % for percentage

4.2.8.4 Business profits and losses

The study sought to assess business profits and losses in three consecutive years in order to establish its growth. Based on the findings in Table 4.15 which cover three consecutive years, 2015 to 2017, business losses have been decreasing while profits have been increasing. In 2015, 67.4% of businesses owned by respondents had losses, 32.6% getting business profits. This was the highest figure in losses and the lowest in profits. In 2017 the study established the highest percentage of business firms with profit and lowest in loss, that is 51% and 49% respectively.
4.2.9 Business challenges and strategies to overcome

This study sought to know challenges which face retirees in running their businesses. A summary of the challenges is presented in Table 4.16.

Table 4.16: Challenges of running businesses

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear of failure</td>
<td>7</td>
<td>8.1</td>
</tr>
<tr>
<td>Lack of business experience</td>
<td>14</td>
<td>16.3</td>
</tr>
<tr>
<td>Lack of business knowledge</td>
<td>7</td>
<td>8.1</td>
</tr>
<tr>
<td>Lack of capital for an alternative plan</td>
<td>3</td>
<td>3.5</td>
</tr>
<tr>
<td>Lack of diversity in business</td>
<td>4</td>
<td>4.7</td>
</tr>
<tr>
<td>Lack of enough business research</td>
<td>24</td>
<td>27.9</td>
</tr>
<tr>
<td>Managing business records</td>
<td>5</td>
<td>5.8</td>
</tr>
<tr>
<td>Overdependence of income from business</td>
<td>11</td>
<td>12.8</td>
</tr>
<tr>
<td>Supervision</td>
<td>11</td>
<td>12.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Survey Data (2018)

Respondents explained that retirees’ business start-ups often meet a number of challenges that limit their growth in most cases. Lack of enough business research is notably one of the biggest challenges often experienced in business with 27.9%, 16.3% of respondents feeling that experience in business operations is an important precondition. Over-dependence of income from business was cited as another challenge at 12.8%. Other challenges relate to supervision challenges as cited by 12.8% of respondents. The study has further uncovered other challenges which face retirees in running their businesses which indicate issues in managing business records, lack of diversity in business, fear of failure and lack of capital for alternative plans when the initial plans do not go well.
4.2.10 Strategies to overcome challenges

Table 4.17 shows strategies which respondents suggested for overcoming challenges which face their businesses.

Table 4.17: Business strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adapt new market strategies</td>
<td>11</td>
<td>12.8</td>
</tr>
<tr>
<td>Business diversification</td>
<td>11</td>
<td>12.8</td>
</tr>
<tr>
<td>Do thorough market research</td>
<td>12</td>
<td>14.0</td>
</tr>
<tr>
<td>Involve family in business management</td>
<td>6</td>
<td>7.0</td>
</tr>
<tr>
<td>Networking with business community</td>
<td>16</td>
<td>18.6</td>
</tr>
<tr>
<td>Seek professional advice</td>
<td>9</td>
<td>10.5</td>
</tr>
<tr>
<td>Start business before retirement</td>
<td>9</td>
<td>10.5</td>
</tr>
<tr>
<td>Retiree training business management</td>
<td>12</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Survey Data (2018)

Majority (18%) of respondents opted for networking with business community, thorough market research and seeking trainings in business management (both identified by 14% of the respondents). Involving family members is said to be the least likely strategy (7.0%). Other strategies perceived to better address the business challenges are adapting new market strategies and business diversification (12.8%), seeking professional advice in business management and starting business before retirement (10.5%).

4.2.11 Factors influencing business performance

Majority (66.3%) of respondents said health of retirees, and experience in business (46.5%) have very high effects in business performance (Figure 4.4). Retirees with health challenges may face problems in supervising their business ventures. Lack of training in business management (39.5%), business location (22.6%), degree of supervision (40.7%), employees’ morale (33.7%) and market competition were rated as factors with high effects to performance of businesses. These indicate the need for retirees in business to manage these factors properly.
On the other side, majority (46.5%) of respondents rated application of technology as a factor with least effect to business performance. Majority (30.2%) of businesses owned by respondents relate to livestock husbandry, and retail shops (18%). It may be established that these kinds of businesses are least affected by application of technologies in their operation. The response pattern also indicates that there is little application of technology in businesses owned by retirees.

4.3 Results of Econometric Analysis

In order to examine key factors influencing business performances, we estimate the model presented in Chapter three. The dependent variable is binary variable (1 if enterprise made profit in 2017 and 0 otherwise). In the explanatory variables both enterprises and owners’ characteristics such as age, experience, education, time started planning for business, sources of capital and motive for choosing venturing in specific business are included. The summary statistics for variables and the estimation results is shown in Table 4.19.
This section presents the results of Probit regression model expressed in chapter three regarding the factors affecting performance of businesses owned by retired public servants in Dar es Salaam. Subsection 4.3.1 provides the results of correlation matrix, subsection 4.3.2 results of Probit regression model whereas subsection 4.3.3 gives the diagnosis test of the fitness of the estimated Probit regression model. The tests include model specification error test, model goodness of fit, and multicollinearity test.

4.3.1 The Correlation matrix results

Table 4.18 shows how correlation coefficient $r$ behaves with respect to the strength and direction of a linear relationship between independent variables and profit. With strength, some variables are not significantly related to profit i.e. market competition (0.066), business motive (-0.239), type of business (0.140), sex (-0.256) and family involvement with -0.112.

On the direction of relationship, $r$ behaves dissimilarly among variables. Age, involvement of family, sex, source of capital, business type and motive to start business have negative relationship with profit. On the other side, $r$ is positive with education level, market competition and preparation to start business.

Table 4.18: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>-0.412</td>
<td>-0.112</td>
<td>-0.256</td>
<td>0.347</td>
<td>-0.140</td>
<td>-0.378</td>
<td>-0.239</td>
<td>0.648</td>
<td>0.066</td>
<td>1.000</td>
</tr>
<tr>
<td>Family</td>
<td>-0.112</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sex</td>
<td>-0.043</td>
<td>-0.165</td>
<td>0.226</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>0.086</td>
<td>-0.148</td>
<td>-0.040</td>
<td>-0.301</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bus Type</td>
<td>0.087</td>
<td>0.067</td>
<td>0.280</td>
<td>-0.058</td>
<td>0.024</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sou Cap</td>
<td>-0.286</td>
<td>-0.018</td>
<td>-0.195</td>
<td>0.198</td>
<td>-0.071</td>
<td>-0.128</td>
<td>-0.225</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mot Bus</td>
<td>-0.001</td>
<td>-0.012</td>
<td>0.119</td>
<td>0.119</td>
<td>-0.085</td>
<td>-0.205</td>
<td>-0.124</td>
<td>0.049</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Pre Start</td>
<td>0.244</td>
<td>0.005</td>
<td>-0.039</td>
<td>-0.092</td>
<td>0.257</td>
<td>-0.083</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mkt Com</td>
<td>-0.412</td>
<td>-0.112</td>
<td>-0.256</td>
<td>0.347</td>
<td>-0.140</td>
<td>-0.378</td>
<td>-0.239</td>
<td>0.648</td>
<td>0.066</td>
<td>1.000</td>
</tr>
<tr>
<td>PROFIT</td>
<td>-0.112</td>
<td>-0.256</td>
<td>0.347</td>
<td>-0.140</td>
<td>-0.378</td>
<td>-0.239</td>
<td>0.648</td>
<td>0.066</td>
<td>1.000</td>
<td></td>
</tr>
</tbody>
</table>

Further to Table 4.18, it is found that age, education, source of capital and preparations to start business are significantly related to profit. The correlation coefficient shows
that there is a negative weak relationship (-.412) between age and profit. Similar relationship occurs between source of capital and profit, -.0378. These negative weak correlations indicate low chances of impacts of independent variables on profit.

Two variables have positive significant relationships to profit, namely education and preparations to start business. While the relationship is weak for education (0.347), it is above moderate for preparation to start business (0.648). Chances that preparations to start business will have positive impacts to business profit are higher compared to the impacts resulted from education.

4.3.2 Factors affecting the performance of businesses owned by retired public servants

Table 4.19 exhibits the results of probit regression model which covers all the independent variables, their respective coefficients, marginal effects, significant levels and standard errors. It further reveals the Chi-Square, log likelihood value and Pseudo R- square. Pertaining the joint test of significant of all variables in the Probit model, the results in Table 4.19 exhibit a Chi-square of 76.86 (df=15) and p- value of 0.0000 which implies that all variables predict the model correctly at 1% level of significance. The results further imply that the alternative hypothesis is supported. Moreover, Pseudo R- squared of 0.7077 implies that, explanatory variables explain the variation in the dependent variable (business performance) by approximately 71%. The subsequent results presented in Table 4.19 are statistically significant of each explanatory variables.
Table 4.19: Results of Econometric Analysis

| PROFIT | Coeff.  | Std. Err. | Marg. effect | Std. Error | z     | P>|z| |
|-------|---------|-----------|-------------|------------|-------|------|
| Age   | -0.523** | .234      | -0.054**    | .0211      | -2.23 | 0.026 |
| Family| -0.240   | .256      | -0.025      | .026       | -0.94 | 0.346 |
| Sex   | -0.778   | .587      | -0.081      | .058       | -1.32 | 0.185 |
| Education | 1.752** | .747      | 0.183**     | .064       | 2.35  | 0.019 |
| Business Type | -0.391 | .656      | -0.040      | .067       | -0.60 | 0.551 |
| Source of Capital | -2.448*** | .846      | -0.252***   | .065       | -2.89 | 0.004 |
| Business mot | -0.725 | .649      | -0.075      | .064       | -1.12 | 0.264 |
| Pre Start | 2.756*** | .765      | 0.287***    | .048       | 3.60  | 0.000 |
| Mkt Comp | -0.539  | .626      | -0.055      | .063       | -0.86 | 0.389 |

Number of obs   =         86

<table>
<thead>
<tr>
<th></th>
<th>Number of obs   =         86</th>
</tr>
</thead>
<tbody>
<tr>
<td>LR chi2 (9)</td>
<td>76.86</td>
</tr>
<tr>
<td>Prob &gt; chi2</td>
<td>0.0000</td>
</tr>
<tr>
<td>Log likelihood = -15.871135</td>
<td>Pseudo R2 = 0.7077</td>
</tr>
</tbody>
</table>

*Note:* ***, **; and *; represent a significant level at 1% (P<0.01); 5% (p<0.05); and 10% (p<0.1) respectively.

The results summary from the econometric estimation is hereby presented:

**Age:** The study reveals that, age of retired public servants has a negative and statistical significance impacts on the performance of businesses. It also has a marginal effect coefficient of -0.054, suggesting that an increase in number of years of a retiree decreases the probability of business performance by 5.4%, all else being equal.

**Education level:** The findings further reveals that, education of the retired public servants have positive effect on performances of business and statistically significant at 5% level (p<0.05). It further has a marginal effect of 0.18 such that an increase in the level of education of retirees would results in 18% probability of improved business performance.

**Source of capital:** With respect to capital sources, it has been established that retired public servants who depended on pension lumpsum to start their business are less likely to perform well in the market that those who depended on other sources such as though their previous saving, bank and SACCOS loans as well as family contribution.
This is because source of capital has negative impacts and is statistically significant affecting performance of business at 1% significant level. It has a -0.251 marginal effect meaning that a retiree using pension lumpsum as a source of income has a 25% chances of experiencing low business performance.

**Preparation to start business:** The statistical analysis also shows that, retired public servant who start their business before their retirement are much more likely to perform well as those who start after their retirement. The effect of preparation for starting business on performances is positive and statistically significant at 1%. The marginal effect is 0.284; such that an increase in number of years of a preparation to start business increase the likelihood of a business to perform better by 28%.

### 4.3.3 Model Diagnostics results

The results of Probit Regression Model diagnostics test covers model specification error test, model goodness-of-fit test and test for multicollinearity. However, the results displayed herein are made with reference to specific condition (say, rule of thumb) narrated in subsection 3.5.4 of chapter three. Shown in Table 4.20, the results of link test reveal that _hat is significant at 1% level p<0.01 and _hatsq is statistically insignificant, such that neither of relevant variables was omitted nor irrelevant variables were included in the model. The result further implies that the use of probit link function was the right call and it was correctly specified.

<table>
<thead>
<tr>
<th>Table 4.20 Probit model specification error test results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iteration 0: log likelihood = -54.302378</td>
</tr>
<tr>
<td>Iteration 1: log likelihood = -16.012067</td>
</tr>
<tr>
<td>Iteration 2: log likelihood = -15.676696</td>
</tr>
<tr>
<td>Iteration 3: log likelihood = -15.647163</td>
</tr>
<tr>
<td>Iteration 4: log likelihood = -15.645995</td>
</tr>
<tr>
<td>Iteration 5: log likelihood = -15.645995</td>
</tr>
<tr>
<td>Probit regression Number of obs = 86</td>
</tr>
<tr>
<td>LR chi2(2) = 77.31</td>
</tr>
<tr>
<td>Prob &gt; chi2 = 0.0000</td>
</tr>
<tr>
<td>Log likelihood = -15.645995</td>
</tr>
<tr>
<td>Pseudo R2 = 0.7119</td>
</tr>
</tbody>
</table>

| PROFIT | Coef. | Std. Err. | z  | P>|z| | [95% Conf. Interval] |
|--------|-------|-----------|----|------|----------------------|
| _hat   | 1.05089 | .2516651  | 4.18| 0.000 | .5576358 .5444145     |
| _hatsq | -0.086323 | .0991094 | -0.87| 0.384 | -.2805831 .1079185   |
| _cons  | .1040419 | .2837962  | 0.37| 0.714 | -.4521884 .6602722   |

Note: 1 failure and 0 successes completely determined.
4.3.3.1 Model Goodness-of-Fit Test

For the case of our Probit regression model, the log likelihood of the current model is 54.302378 and that of intercept-only model is 15.871135; such that log likelihood Chi-square is 76.86. On the other hand, pseudo R-squared is 0.7119 suggesting that about 71% of the variations in business performance (profit) is due to the explanatory variables in the model.

Furthermore, the results of the Hosmer-Lemeshow’s goodness-of-fit test has a p-value of 0.7247, suggesting that the model fits well in the data set (See Appendix IV for more information about the test). Appendix V shows that, the overall rate of correct classification is estimated to be 91.57%, suggesting the group are correctly classified. The multicollinearity test found some variables being highly correlated. These include business experience and experience, financial management, business location and access to capital. These variables have been omitted from the Probit model as a result of the multicollinearity test. This is because perfect correlations among predictor variables would have led to unreliable and unstable estimates of regression coefficients. Appendix IV shows the results of remaining variables for tested for multicollinearity test are not highly correlated which implies that our model obeyed the rule of thumb, and multicollinearity is not a serious concern as the VIF for our model’s explanatory variables are below 10.
CHAPTER FIVE
DISCUSSIONS OF FINDINGS

5.1 Introduction
This chapter presents the discussion of the findings presented in Chapter four regarding performance of businesses owned by retired public servants. Generally, this study aimed to assess factors affecting performance of businesses owned by retired public service retirees in Dar es Salaam. In line with that, four specific objectives were set. These are, determining the extent to which public service retirees engage in businesses; examining the motivation of public service retirees to engage in business; determining the performance of business owned by public service retirees and; examining factors affecting performance of businesses owned by public service retirees.

5.2 The extent to which Retired Public Servants Engage in Business
This study was set to examine the extent which retired public servants ventured into business activities. It has been established that retired public servants engage in various business activities. These include education services entities, transport services, agriculture, real estates, retail shops outlets and consultancy firms. This observation is consistent with Bukwimba (2016) who notes that in Tanzania half of the surveyed retirees depend on pension as their main source of income while the remaining percentages represents retirees who make their living with multiple sources of income, business activities being among them. It is also consistent with previous findings done by Kodia (2014) and Shiamwama (2014) who found that retirees in Kenya involved in commercial services, real estate, agriculture and manufacturing business activities. RBA (2005) shows that most of retirees were involved in agricultural activities. This is also the case in this study where descriptive analysis shows that agriculture is among the most preferred business activities for retirees.

5.3 Motivation of Retired Public Servants to Engage in Business
With respect to the second objective, the study found that there are number of motivating factors for retired public servant to engage on chosen line of business.
These include easiness to manage, availability of potential market, business knowledge, availability of capital, profitability of business and passion. This is consistent with Shiamwama (2014) and Kodia (2014) who noted that retired public servants are driven to start business not just as way of earning additional income rather due to their passion, availability of capital, market and potential making profit and grow. It is also consistent with a study by Jamil (2014) which indicated that factors to be considered when starting a business are availability of capital, market, knowledge and business experience. The study shows that there is a significant relationship between those variables and performance of business enterprises. However, in another aspect, views from Jamil (2014) differ from this study. His study regarded performance of business after retirement relates more on the person lifestyle and personality type. Personality traits such as need for achievement, locus of control and self-efficacy are variables that significantly related to entrepreneurial intention (Indarti & Kristiansen, 2003; Ramayah & Harun, 2005).

The motivation to engage in business activities as a result of business knowledge and experience is in line with the Result Based View; so do the involvement of knowledgeable (resourceful) family members in managing business activities. According to RBV, internal resources such as health, technical experience and knowledge in business management are among intangible resources (Barney, 1995; Kodia, 2014).

5.4 Factors Affecting Performance of Businesses owned by Retired Public Servants

5.4.1 Performance of businesses

The study sought to assess performance of businesses owned by retired public servants for three consecutive years, from 2015 to 2017. It has been established that majority of businesses were making loss as compared to those which made profit. These businesses are not performing well. This is in line with previous studies conducted in Kenya which showed that nearly half of businesses owned by retirees were not operating under profit. Other firms collapsed within first three years of their
establishment (RBA, 2005). Studies by Kodia (2014) and Shiamwama (2014) also revealed that businesses owned by retirees were not performing well.

5.4.2 Factors Affecting Performance of Businesses owned by Retired Public Servants

To examine factors affecting business performances two approaches were used, descriptive and econometric analysis. In the descriptive analysis approach the study found that mental and physical stamina (health) of retired public servants, financial capacity, experience and market competition are highly rated as most factors influencing performances of business owned by retired public servants. The study also found that training in business, employees morale, customer satisfaction, business location and family dependents and involvement influence business performances. This is consistent with Shiamwama (2014) and Kodia (2014) who found out several factors which affect performance of businesses owned by retirees. They noted other factors include lack of physical and mental health of retirees to meet challenges associated with managing businesses. Musyoka (2011) noted that resources in any form, whether financial, human or buildings are a prerequisite for a successful performance of an organisation. Kodia (2014) and Sanjuq (2013) point out that both external (business location, customer satisfaction, competition and government regulations) and internal (mental and physical stamina, organisation structure, financial stability, experience in the market) business environment being important factors affecting performance of business firms.

The study is also in line with Mashenene (2016) who showed that critical constraints affecting performance and potential growth of small and medium entreprises (SMEs) in Tanzania relate to inadequate business training, insufficient capital, and anti-entrepreneurial culture. Additionally, high taxes paid by SMEs to the government are also found to be marginally significant constraint affecting the performance of SMEs in Tanzania. On the other hand, competition, bureaucratic procedures in business registration, technological backwardness, theft and lack of trust, poor infrastructure and corruption were found to be insignificant constraints affecting performance SMEs in Tanzania.
The study results, together with cited authors are consistent with the Result Based View which conceives internal resources as tools which can be used by firms to achieve competitive advantage and outperform competitors.

Econometric analysis (probit model analysis) was employed to examine factors influencing likelihood or probability of business for making and maintaining profit. From this analysis, four factors were found statistically significant affecting performance of businesses owned by retirees. These are age and education of retirees, source of capital and time for business preparation.

**Age:** It has been revealed that the ages of retired public servants has negative statistically significant effect on the performance of businesses. The more aged a retirees become the less chances to perform better in business. Aged retirees are prone to mental and physical stamina (health) challenges which might affect their business performance. This negative relationship of age and performance for retirees is in line with (RBA, 2004). This authority found that elder retirees are not performing well as compared to younger ones. This is agreed by Armstrong (2005) who noted that age is among key aspects that affect business performance. His study found that successful entrepreneurship results from creativity and innovation that constantly scan the environment for opportunities. He noted that creativity, which may enhance performance, diminishes with age.

**Education:** It was further revealed that education of the retired public servants have effects on performances of business. Highly educated retirees are more likely to perform better as compared to less educated retirees. This is because education brings knowledge to retirees. Business management education and knowledge are important factors in business performance.

In line with this study, Shafeek (2009) noted that the level of education and the attendance of management training courses are important aspects in terms of small and micro business firm survival. Consistent with it, Clover and Darroch (2005) conceived that education increases intrinsic motivation and energizes behaviours. As such, the
more enterprise education an individual receives, the greater the possibility of the
identifies ‘energizer’ behaviours as behaviours that are considered to be essential in
‘good’ entrepreneurs (business SME owners) as the ambition or capacity to grow; the
capacity to innovate; collaborating with other businesses and individuals in order to
promote higher firm growth; and behaviours such as planning, budgeting, and training
employees, that derive from a ‘venturesome spirit’ which should inspire any decision
the business SME owner makes to ensure business survival and growth. This is in line
with the RBV which notes that education and knowledge are important internal tools
to enhance performance (Barney, 1995; Kodia, 2014). The BSC also points out that,
educated and knowledgeable human resources are key to enhancing organisational
performance.

*Preparation to start business:* The statistical analysis also shows that, retired public
servant who start their business before their retirement are much more likely to
perform well compared to those who start after their retirement. Earlier preparations
to start business firms give retirees time to learn, understand and re-adjust to business
practices and environment. Venturing into business activities can be a new practice to
retirees. Adequate time is required to scan business environment and plan accordingly.
When preparations are done before retirement there is a room for retirees for business
scanning and planning. This is in line with Kodia (2014) and Shiamwama (2014) who
argued that short duration used by retirees for adjusting to business community is
among factors responsible for low performance of their business ventures.

From the study, we can learn that age, education and preparation to start business are
statistically significant in affecting performance of business owned by retirees.
Therefore for hypothesis one, the null hypothesis is rejected and the alternative
hypothesis is accepted. Internal factors affect performance of businesses owned by
retired public servants.

*Source of capital:* With respect to capital sources, it has been established that retired
public servants who depend on pension lumpsum to start their business are less likely
to perform well than those who depend on other sources. It is consistent with RBA (2004) that nearly one tenth of businesses which used pension lumpsum payments as sources of capital collapsed within their first three years of inception. It is also in line with Atieno (2009: 34), who noted that a vast majority of SMEs depend on internal finance (contribution from the owners, family and friends). However, the growth of SMEs is constrained by dependence on internal finance. In contrast, firms that make use of external funds exhibit growth rates far above what can be supported by internal finance. Therefore, SMEs often need capital from external sources. Since most of pension lumpsums are huge in amount, retirees may find themselves lacking experience to manage large amount of money in business perspective. The study certainly establishes that source of capital is statistically significant in affecting the performance of businesses owned by retired public servants. In this regards, for hypothesis two, the null hypothesis is rejected and the alternative hypothesis is accepted. This establishes that, external factors affect performance of businesses owned by retired public servants.
CHAPTER SIX
SUMMARY, CONCLUSION, RECOMMENDATIONS

6.1 Introduction
This chapter provides a summary of the major findings, conclusion and recommendations in relation to the stated purpose. It also gives suggestions on areas for further studies.

6.2 Summary of Findings
The purpose of this study was to assess the performance of businesses owned by retired public servants in Dar es Salaam. Specifically, it was attempting to find out the extent to which public service retirees engage in businesses, examining the motivation of public service retirees to engage in business, determining the performance of businesses owned by public service retirees and examining factors affecting performance of businesses owned by public service retirees.

The study found that, retired public servants are engaged in various business activities. These include agriculture, consultancy, real estates, retail shops, education and transport services. The study also established that there are various factors which motivates retirees to engage in business activities. Income generation to meet living expenses after retirement is among the factors. Other factors include advice from colleagues; desire to get income from profitable businesses, the inner most passion to run a certain business, availability of capital and business knowledge. Other retirees were motivated to enter to business due to attractive business locations have, availability of market for their products, experience in business and easiness to manage businesses.

It was further established that majority of businesses owned by retired public servants are not performing well. They are experiencing loss trends. Through econometric analysis several factors which affects performance of these business firms were established. Age of a retiree is among those factors. Elder retirees are more likely to perform less as compared to younger ones. On the other hand, there is a positive relationship between education and performance of business. Highly educated retirees
are more likely to perform better as compared to those with low educated. Using pension lumpsum has been established as a decision which is less likely to influence better business performance. The last factor which affect business performance is time for business preparation. It has been found that retirees who start their business preparation before retirement are more likely to perform better in business as compared to those who started after retirement.

6.3 Conclusion
This study assessed the performance of businesses owned by public service retirees in Dar es Salaam. The findings show that the public service retirees are engaged in operating diversified business activities. Most of retirees are engaged in agricultural activities such as animal husbandry and crop cultivation while less of them are pursuing consultancy activities and operates education services ventures such as nursery and primary schools. Other activities include real estates, retail sales outlets and transport services.

Availability of capital from pension lumpsum motivated most of respondents to start business activities. Other motivating factors include availability of market for products and attractive business location. Business knowledge and experience and easiness to manage business were also found to motivate retired public servants to engage into business activities.

The study found that, most of the businesses are experiencing loss trends while only few made profits. Since the business performance was measured by profitability level, the study has established that the performance of businesses owned by retired public service is low. Several factors are responsible for this performance. These include age and level of education of a retiree, time for business preparation and sources of capital used for business. Proper business planning and management is key to successful post retirement business ventures. Nevertheless, business undertakings are still very important and useful to retired public servants. They provide source of income and keep them active, networked and engaged to avoid boredom.
6.4 Recommendations

To improve the performance of businesses owned by retirees, this study recommends the following:

i. Employers and pension funds should establish initiatives to enhance post-retirement career and life at large. This may include but not limited to retirement planning workshops and social security schemes which aim to assist employees and members in post-retirement life.

ii. Government should introduce compulsory pre-retirement training to public servants so as to equip potential retirees with the necessary skills and knowledge to venture into the unfamiliar career zones.

iii. Public servants should improve their saving habits (capital accumulation) while still in employment.

iv. Retirees already in business should make efforts to attend trainings and seminars geared towards acquisition of better business management and financial skills to enhance their performance.

v. Public service employees should embrace retirement planning which starts with early saving for retirement, family planning so as to have the right family size and invest wisely.

vi. Public service employees should also invest in proper diet and have good medical schemes in place so as not to adversely affect business venture in retirement.

6.5 Study Limitations

In this study, two limiting factors emerged, namely time and readiness of respondents. With time, initially it was sought that this study would have used two weeks in data collection stage. However, availability of respondents and their level of cooperation made the exercise a bit difficult. To delimit this, the study employed two additional research assistants to speed up the process. However, still the study spent three weeks for that stage.
Another challenge was the reluctancy of respondents to disclose some business information especially on profit or loss figures. Two reasons might be responsible for this, one is lack of business records and, two is fear that these information may be used for other purposes other than the intended ones. To delimit this, the research had to ethically maneuver around (ask indirectly) to get information required.

6.6 Areas for Further Research
The study assessed the performance of businesses owned by public service retirees in Dar es Salaam region. However, this study did not include private sector retirees. On top of that, the scope of the study was limited to Dar es Salaam. So further studies which include a broader scope for performance of businesses owned by retirees in Tanzania would be more informative and useful.

Moreover, this study covered retirees in business sector. So, this prompts another area of research, in post retirement careers. A study to examine the post retirement careers for retired public servants in Tanzania is an interesting take. This should examine the type of income generating activities retirees are pursuing when they end their employment tenures.
REFERENCES


**APPENDICES**

**APPENDIX I: QUESTIONNAIRE**

My name is Anselm Namala, I study Master of Science degree in Applied Economics and Business at Mzumbe University, Dar es Salaam Campus College. I am doing a study on *Assessing the Performance of Businesses Owned by Public Service Retirees in Tanzania* for my master’s dissertation in partial fulfilment of my degree. The study
involves public service servants who retired between 2012 and 2016, and run business ventures in Dar es Salaam region. All data and information collected under this study will be used for the aforementioned purpose and kept confidential.

Seeking your cooperation.

1. Personal information
   i. Name (Optional): .................................................................
   ii. Sex: Male: (.....) Female: (.....)
   iii. Age of respondent: ...........................................................
   iv. Marital status: Married: (.....) Unmarried: (.....) Widow: (.....)
       Divorced: (.....)
       2016: (.....)
   vi. Pre retirement employer: ......................................................
   vii. Pre retirement position: ......................................................
       Diploma: (.....) Bachelor degree: (.....) Postgraduate degree: (.....)
   ix. Number of family members residing in the house: .................

2. Business information
   i. Type of business: ...............................................................
   ii. Motives for choosing this business:
       ..........................................................................................
       ..........................................................................................
       ..........................................................................................
       ..........................................................................................
   iii. Business location: .............................................................
   iv. When did the preparation for starting the business start? Before retirement: (.....) After retirement: (.....)
   v. Duration of preparation for business start up: .........................
vi. When did the business start: Before retirement: (.....) After retirement: (......)

vii. Duration in business operations: ..........................................................

viii. Number of employees when the business started: .........................

ix. Number of employees at the moment (by 2017): ..............................

x. Are family members (children, wife/husband etc) involved in running the business? : Wife/husband: Yes: (.....) No: (.....) Children: Yes (.....) No: (.....)

xi. Sources of business capital: Savings (.....) Pension lumpsum: (.....) Bank loan (.....) Saccos loan (.....) Family loan (.....) Family contributions: (.....) From other businesses or investments: (.....) Any other sources: (.....) Specify.........................

xii. Business net profit/loss in last three years of operation (in Tshs):

   ● 2017: Profit: (.....) Loss (......)  
     Amount:......................................................

   ● 2016: Profit: (.....) Loss (......)  
     Amount:......................................................

   ● 2015: Profit: (.....) Loss (......)  
     Amount:......................................................

xiii. Average business sales turnover in the last three years (in Tshs):

   ● 2017: .........................
   ● 2016: ..............................
   ● 2015: ..............................

xiv. Average size of the business premise (square meters) when the business started: ..........................

xv. Average size of the business premise (square meters) at the moment (by 2017): ..........................

xvi. Average size of customer base when the business started: ..........................

xvii. Average size of customer base now (by 2017): ..........................................................
3. Information on performance (profit) of business:

To what extent do the following factors affect business profit?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very little effect</th>
<th>Little effect</th>
<th>Average effect</th>
<th>High effect</th>
<th>Very high effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health of a retiree</td>
<td></td>
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<td></td>
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<tr>
<td>Financial capacity of a retiree</td>
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<tr>
<td>Training in business</td>
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<td></td>
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<tr>
<td>Experience in business</td>
<td></td>
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<td></td>
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<tr>
<td>Family involvement</td>
<td></td>
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<tr>
<td>Family dependants</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Supervision by a retiree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ morale</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Satisfying customers’ needs</td>
<td></td>
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<tr>
<td>Business location</td>
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<td></td>
</tr>
<tr>
<td>Market competition</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Application of technology</td>
<td></td>
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</tr>
</tbody>
</table>

4. What challenges do you face in running this business as a retiree? (indicate three most important challenges)

........................................................................................................................................
........................................................................................................................................
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........................................................................................................................................

5. What strategies do you use to overcome the challenges mentioned above?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
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........................................................................................................................................

Thank you.

Anselm Namala
APPENDIX II: PROBIT REGRESSION RESULTS

```
.probit PROFIT Age Family_members D_Sex D_Education D_BType D_CapSource D_RBusiness D_PreStart D_Mcompetition
```

Iteration 0:  log likelihood = -54.302378
Iteration 1:  log likelihood = -19.020883
Iteration 2:  log likelihood = -16.068865
Iteration 3:  log likelihood = -15.872089
Iteration 4:  log likelihood = -15.871135
Iteration 5:  log likelihood = -15.871135

Probit regression  Number of obs =  86
LR chi2(9) = 76.86
Prob > chi2 = 0.0000
Log likelihood = -15.871135
Pseudo R2 = 0.7077

| PROFIT | Coef.  | Std. Err. | z     | P>|z|  | [95% Conf. Interval] |
|--------|--------|-----------|-------|------|---------------------|
| Age    | -0.5246308 | 0.2351307 | -2.23 | 0.026 | -0.9854786 to -0.0637831 |
| Family | -0.2408021  | 0.2557575  | -0.94  | 0.346 | -0.7420776 to 0.2604734 |
| D_Sex  | -0.7777494  | 0.5871895  | -1.32  | 0.185 | -1.92862 to 0.3731209 |
| D_Education | 1.751765 | 0.7469455  | 2.35   | 0.019 | 0.2877786 to 3.215751 |
| D_BType | -0.3908612  | 0.6558803  | -0.60  | 0.551 | -1.676363 to 0.8946406 |
| D_CapSource | -2.44766  | 0.8461414  | -2.89  | 0.004 | -4.106067 to -0.7892532 |
| D_MBusiness | -0.7245665 | 0.6490929  | -1.12  | 0.264 | -1.996765 to 0.476322 |
| D_PreStart | 2.755323  | 0.7652797  | 3.60   | 0.000 | 1.255402 to 4.255243 |
| D_MCompetition | -0.5390703 | 0.6263116  | -0.86  | 0.389 | -1.766618 to 0.6884779 |
| _cons  | 35.69305  | 15.62129   | 2.28   | 0.022 | 5.075887 to 66.31022 |

Note: 0 failures and 3 successes completely determined.

APPENDIX III: MARGINAL EFFECT TEST RESULTS

Average marginal effects
Number of obs = 86
Model VCE : OIM
Expression : Pr(PROFIT), predict()
dy/dx w.r.t. : Age Family D_Sex D_Education D_BType D_CapSource D_MB
D_PreStart D_MCom

| dy/dx Delta-method | Std. Err. | z     | P>|z|  | [95% Conf. Interval] |
|--------------------|-----------|-------|------|---------------------|
| Age                | -0.0540133 | 0.02114 | -2.56 | 0.011 | -0.0954469 to -0.0125798 |
| Family             | -0.0247918  | 0.0257464  | -0.96  | 0.336 | -0.0752537 to 0.0256702 |
| D_Sex              | -0.0800731  | 0.0577837  | -1.39  | 0.166 | -0.1933271 to 0.0331808 |
| D_Education        | 0.1803528   | 0.0638502  | 2.82   | 0.005 | 0.0552088 to 0.3054969 |
| D_BType            | -0.0402411  | 0.0670021  | -0.60  | 0.548 | -1.1715628 to 0.0910806 |
APPENDIX IV: MULTICOLLINEARITY TEST RESULTS

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>1/VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>D_Sex</td>
<td>1.31</td>
<td>0.763023</td>
</tr>
<tr>
<td>D_Education</td>
<td>1.29</td>
<td>0.774701</td>
</tr>
<tr>
<td>D_BType</td>
<td>1.23</td>
<td>0.813084</td>
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<td>D_PreStart</td>
<td>1.23</td>
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</tr>
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<td>D_MBusiness</td>
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<td>0.820738</td>
</tr>
<tr>
<td>D_CapSource</td>
<td>1.21</td>
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</tr>
<tr>
<td>Age</td>
<td>1.20</td>
<td>0.834392</td>
</tr>
<tr>
<td>Family</td>
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<td>0.885050</td>
</tr>
<tr>
<td>D_Mcompetition</td>
<td>1.11</td>
<td>0.899204</td>
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</tbody>
</table>

Mean VIF | 1.21

APPENDIX V: HOSMER-LEMESHOW’S GOODNESS-OF-FIT TEST RESULTS

. lfit

Probit model for PROFIT, goodness-of-fit test

  number of observations = 86
  number of covariate patterns = 71
  Pearson chi2(61) = 33.37
  Prob > chi2 = 0.9985

. lfit, group(10) table

Probit model for PROFIT, goodness-of-fit test

  (Table collapsed on quantiles of estimated probabilities)

<table>
<thead>
<tr>
<th>Group</th>
<th>Prob</th>
<th>Obs_1</th>
<th>Exp_1</th>
<th>Obs_0</th>
<th>Exp_0</th>
<th>Total</th>
</tr>
</thead>
</table>

76
<table>
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<tr>
<th></th>
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<th>9</th>
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<td>1.0000</td>
<td>8</td>
<td>0</td>
<td>0.0</td>
<td>8</td>
</tr>
</tbody>
</table>

number of observations = 83
number of groups = 10
Hosmer-Lemeshow chi2(8) = 5.30
Prob > chi2 = 0.7247

APPENDIX VI: ESTAT CLASSIFICATION TEST

Probit model for PROFIT

<table>
<thead>
<tr>
<th>Classified</th>
<th></th>
<th>True</th>
<th>~D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>D</td>
<td>~D</td>
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</tr>
<tr>
<td>+</td>
<td>49</td>
<td>3</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>4</td>
<td>27</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>30</td>
<td>83</td>
<td></td>
</tr>
</tbody>
</table>

Classified + if predicted Pr(D) >= .5
True D defined as PROFIT != 0

Sensitivity         Pr( +| D)  92.45%
Specificity        Pr( -|~D)  90.00%
Positive predictive value Pr( D| +)  94.23%
Negative predictive value Pr(~D| -)  87.10%

False + rate for true ~D  Pr( +|~D)  10.00%
<table>
<thead>
<tr>
<th>Condition</th>
<th>Probability</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>False - rate for true D</td>
<td>Pr((-\mid D))</td>
<td>7.55%</td>
</tr>
<tr>
<td>False + rate for classified +</td>
<td>Pr((-D\mid +))</td>
<td>5.77%</td>
</tr>
<tr>
<td>False - rate for classified -</td>
<td>Pr((D\mid -))</td>
<td>12.90%</td>
</tr>
<tr>
<td>Correctly classified</td>
<td></td>
<td>91.57%</td>
</tr>
</tbody>
</table>