EXAMINING LOCAL GOVERNMENT EXPENDITURES ON ENTREPRENEURSHIP DEVELOPMENT IN TANZANIA: A CASE OF MBINGA DISTRICT.

By

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A Dissertation Submitted in Partial Fulfilment of the Requirements for an award of the Degree of Master of Science in Project Planning and Management (Msc.PPM) of Mzumbe University

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CERTIFICATION

We, undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **Examining Local Government Expenditures on Entrepreneurship Development in Tanzania: A case of Mbinga District**, in partial of the requirements for the award of the degree of Master of Science in Project Planning and Management (Msc.PPM) of Mzumbe University.

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DEAN OF FACULTY OF SOCIAL SCIENCE

DECLARATION AND COPYRIGHT

I, Christopher R. Ntandu, declare that this dissertation is my own original 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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Date_____

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DEDICATION

This work is dedicated to my wife Avelina Revocatus Wakombe, my daughter Dainess Christopher Ntandu, my parents Robert Ntandu and Agripa Mbwillo, my sisters Bertha

Mbwillo and Frida Ntandu, last to my uncle Nelson Mheni for their inspiration and moral support that made the completion of this research.

ABBREVIATIONS AND ACRONYMS

BEST	Business Environment Strengthening for Tanzania
GEDI	Global Entrepreneurship and Development Institute

ITC	International Trade Centre
MLRM	Multiple Linear Regression Model
MSMEs	Micro Small and Medium Enterprises
NEDF	National Entrepreneurship Development Fund
NEDF	National Entrepreneurship Development Fund
OPM	Ordered Probit Model.
PTF	Presidential Trust Fund
SELF	Small Entrepreneurs Loan Facility
SIDO	Small Industry Development Organization
SME-EGS	Small and Medium Enterprises Credit Guarantee Scheme
SMEs	Small and Medium Enterprises Development Policy
SPSS	Statistical Package for Social Science
TIRDO	Tanzania Industrial Research Development Organization
USA	United State of America
VETA	Vocational Education Training Authority
WB	World Bank
WDF	Women Development Fund
YDF	Youth Development Fund

ABSTRACT

The government of Tanzania encourages the development of entrepreneurship differently; however, it seems it does not do well in the international context, therefore the study was aimed to examine local government expenditures on entrepreneurship development in

Tanzania: A case of Mbinga District. The study objective was to examine the role of local government expenditure in entrepreneurship development in Tanzania**.** The research employed both qualitative and quantitative methods to answer the research problem. The study involved 255 entrepreneurs and used a self-administered questionnaire to gather information from 10 wards out of 29 wards found in Mbinga District, a cross-sectional research design was used to obtain data. The data was managed through SPSS Version 20 and analyzed through STATA Version 14. The findings show that entrepreneur skills come from middle age (average age of 32) whereby the minimum age was 19 and the maximum was 59. Also, results show that the majority of entrepreneurs were from primary school, secondary school, college and technical school while only a few did not attend school and few attend university education. Moreover, the study concluded that social factors such as household's size, education level, number of business and parent's financial status were important social factors for entrepreneurship development, while forms of local government expenditure such as the business centres, roads services, licensing, taxation, entrepreneurship loan, and entrepreneurship training were also important forms for entrepreneurship development. The study recommended that the United Republic of Tanzania should ensure that prime working ages have the conducive environment of doing business by enabling them to access capital from various empowerment funds and other financial institutions, also the government should continue to provide education to the societies about family planning, which will reduce the household's size, further to that there is need for local government to keep on improving schools' infrastructure for motivating more people to join in the school, as well as to launch compulsory entrepreneurship syllabus for all level of education.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The growth of an economy, the innovation of commercial enterprise operations and the delivery of decent jobs are issues arising in the twenty-first century, these issues have affected societies and international locations. Entrepreneurship has confirmed to be one of the key factors that affect the growth of an economic system by increasing the number of enterprises or business and growing the wide variety of employment each in developing countries and developed countries; example Bamfo, Asiedu-Appiah and Dogbe (2017) argued that entrepreneurs have contributed their percentage to alleviating poverty, enhancing GDP and reducing unemployment in Ghana. Also according to statistics published by the International Trade Centre, 2013 show that the percentage share of GDP for small and medium-sized enterprises in developed countries is between 60 percentage and 70 percentage, and the percentage share of export for small and medium-sized businesses are between 75 percentage and 80 percentage, therefore due to the high share provided by small and medium-sized businesses on GDP, entrepreneurship is a key factor that influences the economic development through small and medium-sized businesses.

The function of entrepreneurship in economic development has come to be an important issue of employment over the past numerous decades, in each business launch in a certain area affect the economic growth and improve the standard living of people in that area due to the increase of employment rate. The theory of Kirzner (1973) explained the importance of entrepreneurship in the improvement of the economy, Kirzner argued that "Through entrepreneurship, the creation of new goods and services improves the quality of living of companies and individuals", also argued that "Entrepreneurship helps to reduce inequalities between regions through the implementation of the industry in the countryside, the growth of industries and companies led to the development of services such as public transportation, health services, and education services". Therefore to

exploit the value of entrepreneurship, government and government-associated organizations should promote entrepreneurship for local improvement and prosperity, this can be carried out through numerous techniques consisting of study room periods (training packages) specially designed to increase the entrepreneurial skills inside the country (Lippmann and Aldrich, 2016).

The promotion of entrepreneurship can assist to deal with the societal and economic challenges facing the global economy, particularly when the social value of entrepreneurship is taken into consideration. Local governments play important role in sustainable development with the aid of improving collaborative partnerships between communities, industries and other government entities, collaborative partnerships among governments and other actors may additionally offer the answer for societal challenges dealing with the contemporary world economy (Zahra and Wright, 2015).

Local authorities have an important function to play in assisting economic development by promoting the field of entrepreneurship by using various techniques. Example Skica, Bem, and Zygadlo (2013) on the study titled *"*The role of local government in the process of entrepreneurship development in Poland" mentioned factors that influence local entrepreneurship. These factors were- ease of setting up a new company, cheap and highly educated labour, easy access to knowledge, communication access, transparent tax system, availability of low-cost bank loans, access to new technologies, cheap energy carriers, a favourable inclination of local authorities and stable political situation. They also mentioned factors that restraining entrepreneurship which is:-high loan rates, lack of stable government policy toward entrepreneurs, high labour costs, instability of employment law regulations, corruption, unstable fiscal policy, technical and economic infrastructure on the low level of development, the long payback period of investments and lack of land development plan.

Tanzania is among the countries in the world which promote entrepreneurship development differently. It has different policies that encourage entrepreneurship, have

institutions and programs established to train people about entrepreneurship and designed and set up a funding mechanism and schemes to address poverty and unemployment through promoting entrepreneurship.

There is small and Medium Enterprise Development Policy (SMEs) which is established to simplify business registration and licensing procedures, to simplify the tax system and tax incentives to care for SMEs. Local authorities allocate and develop land for SMEs, to industrial clusters and trade centre, interventions in entrepreneurship development through the education system, interventions in technology services, interventions in marketing services, an extension of services aim to promote rural industrialization through SMEs, the establishment of industrial clusters or business centre at regional, district and ward levels, transfer of technology to rural areas including upgrading of existing technologies facilitate and establishing rural industrial cooperatives (UNIDO, 2012).

There are institutions and programs like Small Industry Development Organization (SIDO) which was established in 1973 to develop the small industry sector in Tanzania and was expected to fulfil a very wide range of functions, from policy formulation to direct support to industries, to hands-on involvement in the establishment of SMEs in both rural and urban areas (SIDO, 2019). There is also Tanzania Industrial Research Development Organization (TIRDO) which was established in April 1979 to conduct industrial research and offer consultancy or technical services to industries. Their research focuses on industrial research areas, engineering development areas, ICT and technology transfer areas (TIRDO, 2019), more to that there is Business Environment Strengthening for Tanzania (BEST), This program pursuit at making sure that the services being offered through the government to entrepreneurs are efficient and effective by first off reducing the burden on business through removing regulatory and administrative constraints, and secondly improving quality of services provided by the government to the private sector, including commercial dispute resolution (Argidius Foundation, 2017).

Tanzania's government promote entrepreneurship development not only by policies formulation, institutions, and programs but also promoting entrepreneurship by

establishing learning institutions which help to impart entrepreneurial skills like University of Dar es Salaam, entrepreneurship centre of the Mzumbe University and Vocational Education Training Authority (VETA). Tanzania also established funding mechanism and schemes to address poverty and unemployment through promoting entrepreneurship, example there are National Entrepreneurship Development Fund (NEDF), Youth Development Fund (YDF) under the Ministry of Labor and Youth Development, Women Development Fund (WDF) under the Ministry of Community Development, Gender and Women's Affairs. Small Entrepreneurs Loan Facility (SELF) under the Ministry of Planning and Presidential Trust Fund (PTF) under the President's Office, Small and Medium Enterprises Credit Guarantee Scheme (SME-EGS) under the Central Bank of Tanzania.

Although Tanzania's government is trying to promote entrepreneurship development by introducing different policies, establishing learning institutions and funding mechanism and schemes, there are different challenges facing entrepreneurship development, example global entrepreneurship index argued that the main challenges facing Tanzania entrepreneurship are human capital and weakest being start-up skills (GEDI, 2018), also Kazimoto (2014) has shown that the challenges facing entrepreneurs and small and medium enterprises in Tanzania are to access international marketing, unaware of regulations and standards, lack of financial support from the government, poor understanding of consumer's needs and services, lack of essential entrepreneurial skills and weak networking structures to penetrate international marketing. More to that the research was done by Argidius Foundation in Tanzania concluded that the access to finance and electricity to be the biggest obstacles to private firms' operation in Tanzania.

1.2 Statement of the problem

Entrepreneurship is among the factors which contribute to economic development in both developing countries and developed countries; it improves the standard living of people by increasing the employment rate due to the fast-growing of companies that create different jobs within a country. Also, it encourages economic development by creating an

open competitive market within a country. Entrepreneurship can provide funds for universities and research institutions to test innovation and ideals from entrepreneurs through experimentation.

Additionally, the creation of the new business within the country, the more growth in revenue collection, for example in 2012 shows that Tanzania there were 2.75 million Micro Small and Medium Enterprises (MSMEs) owners and about 3.16 million MSMEs, contributing around 27% of the GDP and employing more than 5.2 million people (ILO, 2019). For example, the National Entrepreneurship Development Fund (NEDF) has trained 39,319 entrepreneurs in 2016 and 54,894 entrepreneurs trained in 2017. The training of NEDF focused on food processing, edible oil processing, making modern beehives, the use of improved seeds, manufacturing of tools and various machines, good farming practices, cloth designing, and tailoring. Similarly, during 2017, the Tan Trade trained 410 producers and businessmen in the Kigoma, Kagera, Shinyanga, Mwanza, Lindi, Mtwara and Dar es Salaam regions to make them more competitive by concentrating on quality in the value chain of sunflower, honey and leather goods (URT, 2017).

Although the government of Tanzania encourages the development of entrepreneurship differently, it seems it does not do well in the international context. Example, every year World Bank (WB) is releasing a report entitled “Doing Business”, 190 countries sampled for the survey, the survey covers 11 areas of business areas, which are starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. From 2016 to 2019 World Bank ranked Tanzania on ease of doing business as shown in Table 1.1. Therefore WB reports show that Tanzania dropped from 2017 to 2019 on ease of doing business in a country compared with other countries.

Table 1.1: Ease of doing business ranking in Tanzania

Year	Ease of doing business ranking
2016	139th out of the 190 countries
2017	132th out of the 190 countries
2018	137th out of the 190 countries
2019	144th out of the 190 countries

Source: World Bank, 2016, 2017, 2018 and 2019

But on the other side, the Global Entrepreneurship and Development Institute (GEDI) ranks countries by their levels of entrepreneurship, GEDI is an annual index that measures the health of the entrepreneurship ecosystems in each of 137 countries. It then ranks the performance of these against each other. This provides a picture of how each country performs in both the domestic and international context. From 2016 to 2019 GEDI ranked Tanzania on the health of the entrepreneurship ecosystems as shown in Table 1.2. Therefore GEDI reports show that Tanzania has among of the 27 countries which have a small improvement from 2016 to 2019 on the health of the entrepreneurship ecosystems compared with other countries. See table 1.2.

Table 1.2: Global Entrepreneurship index ranking in Tanzania

Year	Global entrepreneurship index ranking
2016	121th out of the 137 countries
2017	118th out of the 137 countries
2018	115th out of the 137 countries
2019	110th out of the 137 countries

Source: Global Entrepreneurship and Development Institute 2016, 2017, 2018 and 2019

As a result of the small-scale growth of entrepreneurship in Tanzania compared to other countries, the urgent need for local government expenditure research, which may be responsible for affecting the development of entrepreneurship in Tanzania, also to date few studies have examined the effect of local government expenditure on entrepreneurship, this study was intended to fill the research gap and assesses the

constraints which face entrepreneurship development in Mbinga District, Ruvuma, Tanzania.

1.3 Research objectives

1.3.1 General objective

The main objective of this study was to examine the role of local government expenditure in entrepreneurship development in Mbinga District.

1.3.2 Specific objectives

- To describe the demographic characteristics of individuals who engage in entrepreneurship in Mbinga District.
- To analyze social-economic factors that influence entrepreneurship development in Mbinga District.
- To examine forms of local government expenditure that applies to promote entrepreneurship development in Mbinga District.

1.4 Research questions

- What are demographic characteristics of the individual that influence individuals to engage in entrepreneurship in Mbinga District?
- What are the social-economic factors that have a direct influence on entrepreneurial development in Mbinga District?
- What are the forms of local government expenditures that affect the promotion of entrepreneurship development in Mbinga District?

1.5 Significance of the study

This study provides a better understanding of how a district can help entrepreneurs, which leads to the creation of conducive conditions to promote entrepreneurship through local government expenditure; the research explored the importance of local government expenditure for entrepreneurial activity. Moreover, this research could be used by

policymaker to initiate projects that can promote new enterprise creation, not only in financial support but also in creating long term policies that can decrease the dependence of entrepreneurs on the district's loans.

1.6 Organization of the study

The research has been divided into six chapters. Chapter one sets out the context of the study, problem statement, research objectives, research hypothesis, significance of the study and the organization of the study. Chapter two focused on the literature review, including the theoretical review, the empirical review, the research gap and the conceptual framework. Chapter three covered the methodology for research which included research design, study area, study population, sample size and sampling techniques, data collection methods, data analysis and unit of analysis, variable measurements and descriptions, validity and reliability as well as the model estimation and ethical considerations. Chapter four described the presentation of findings. Chapter five covered the discussion of findings. Lastly, chapter six provides the summary, conclusion, policy implications, limitation of the study and areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This is the second chapter of the study whereby the literature is critically reviewed. The study covers both the theoretical and empirical literature. In the theoretical literature

review includes the definition of terms and theories while empirical literature review provides a critical evaluation of the findings from other previous scholars on the related problem that helped to establish the literature gap and developing a conceptual framework.

2.2 Theoretical literature review

2.2.1 Definition of the terms

2.2.1.1 Entrepreneurship

There are different studies which define entrepreneurship differently, example Yetisen, Volpatti, Coskun and Cho (2015) defined entrepreneurship as the process of designing, launching and running a new business which is often initially a small business. The Business dictionary (2019) described entrepreneurship as the capacity and willingness to develop, organize and manage a business venture along with any of its risks to make a profit. People who create these businesses are called entrepreneurs. This study considered the definition of the business dictionary which explained entrepreneurship as the capacity and willingness to develop, organize and manage a business venture while profit maximization and risk minimization are considered.

2.2.1.2 Entrepreneurship development

Bakri and Mehrez (2017) defined entrepreneurship development as the process of improving the skills and knowledge of entrepreneurs through various training and classroom programs, the whole point of entrepreneurship development is to increase the number of entrepreneurs. But this study considered entrepreneurship development as the process of enhancing the capacity to develop, manage and organize a business venture while keeping in mind the risks associated with it.

2.2.1.3 Local government

Encyclopedia (2019) defines local government as a collection of administrative authorities over areas that are smaller than a state, local government is among of the public administration which has majority contexts, it exists in the lowest level of administration within a given state. This study considered local government as a collection of administrative authorities which includes district authorities, ward authorities, and village

authorities, their purpose is consolidating local services and empowering citizens to participate in social and economic development, to maintain law, order and good governance, to promote the economic and social welfare of the people in their jurisdiction and ensure effective and equitable delivery of quality services to the people within the district.

2.2.1.4 Local government expenditure

Accounting dictionary (2019) defines local government expenditure as the process of local government authorities to purchase goods and services; the purchase can include public consumption, public investment, capital transfer payments consisting of income transfers like pensions and social benefits. This study considered local government expenditure as the process of district authorities, ward authorities, and village authorities to purchase goods and services to develop entrepreneurship skills, like improving physical infrastructure, government regulations, and local government entrepreneurship loans.

2.2.2 Theories

2.2.2.1 Resource-Based entrepreneurship theories

This study used resource-based entrepreneurship theories developed by Barney (1991). This theory is among of the entrepreneurship theories (Economic entrepreneurship theory, Opportunity Based entrepreneurship theory, Sociological entrepreneurship theory, Psychological entrepreneurship theory, and Anthropological entrepreneurship theory). It differs with other theories because it emphasizes the importance of financial, social and human resources to the entrepreneurship development. The theory argues that "access to resources by founders is an important predictor of opportunity-based entrepreneurship and new venture growth." This theory also seeks to explain why some firms perform better than others by looking to the firms' resources, firms' resources can be tangible and intangible, tangible resources include plant, equipment, and even human resources, while intangible resources include things like trade secrets and corporate reputation (Simpeh, 2011).

Although, different studies support resource-based entrepreneurship theory, like Fahed-Sreih, Pistrui and Huang (2010) conducted a study titled "Family and cultural factors impacting entrepreneurship in wartime Lebanon" the study concluded that entrepreneurs are motivated by the need for independence and flexibility, entrepreneurs were found to rely heavily on family member participation to establish, develop and grow their enterprises. Also, Isaiah (2013) assessed factors influencing the growth of entrepreneurial activity among the youth in Mombasa Country, Kenya, argued that family background influences entrepreneurship through parental support such as financial support and any other support. Moreover, the study established that despite the support from the parents most of the entrepreneurs were not involved in running a family business through their parents were middle class in Mombasa Kenya.

However other study contest this theory, example Hurst and Lusardi (2004) argued that in Chicago there is no discernible relationship between household wealth and the probability of starting a business, they also show that the survival of businesses is not affected by the wealth of the entrepreneurs but the fact is that the starting capital required for most businesses is sufficiently small, therefore demonstrated that most founders start new ventures without much capital and that financial capital is not significantly related to the probability of being nascent entrepreneurs. Also, Davidson and Honing (2003) supports human capital in predicting entry into nascent entrepreneurship, but only weakly for carrying the start-up process towards successful completion. More to that, Aldrich and Cliff (2016) on their study which conducted in the United States of America (USA) show that neither financial nor cultural capital resources are necessary conditions for entrepreneurial entry but suggested that attempts at entering entrepreneurship acquire at least human capital.

2.2.2.2 Economic theory of entrepreneurship

This study also used the economic theory of entrepreneurship. This theory explores the economic factors that enhance entrepreneurial behaviour. It argues that entrepreneurship development only works when there are favourable economic conditions, but

entrepreneurship development usually hard to occur if economic is doing poorly, presence of economic incentives such as Marketing opportunities, investment opportunities, policies of taxation, industrial policy, infrastructure, technology, the financial resource can motivate entrepreneurship development. This theory was supported by Liao, Harold and Welsch (2011) in the United States of America (USA), they suggested that the impact of infrastructure and motivation on entrepreneurial growth differs depending on the dominant pattern of growth, even though infrastructure and motivation are equally important for entrepreneurial growth through resources aggregation and technological improvement, motivations seem to be much stronger predictors of market expansion.

2.3 Empirical Literature

Kazimoto (2014) conducted a study titled "Assessment of challenges facing small and medium enterprises towards international marketing standards in Arusha Tanzania". The study used a descriptive design with descriptive techniques while used a structured questionnaire to obtain primary data from 50 respondents and analyzed data by using Statistical Package for Social Science (SPSS). The study concluded that access to international marketing, unaware of regulations and standards: poor understanding of consumer's needs and services, lack of financial support from the government, weak networking structures to penetrate international marketing and lack of essential entrepreneurial skills are the main challenges facing small and medium enterprises. The conclusion of this study obtained by interviewing only 50 respondents and only descriptive technical were used, but on the current study, we used 255 respondents and the conclusion obtained by using two models which are multiple linear regression and ordered probit models through STATA software.

Mori (2015) conducted a study titled "Women's entrepreneurship development in Tanzania". Combination of the cluster, purposive and snowball sampling was used to select respondents, and questionnaire, informant interviews, and the focus group discussions were used to obtain both primary data and secondary data. She argued that efforts to provide women entrepreneurs with orientation on labour laws and regulations is

weak therefore the government should design a review mechanism for disbursement of loans and grants through government funding windows to ensure that women entrepreneurs in underserved rural regions benefit, this study focuses only on the challenging facing women entrepreneurs but in the current study focuses on both challenging facing women entrepreneurs and men entrepreneurs.

Mwasalwiba, Dahles and Wakkee (2012) on the study titled "Graduate entrepreneurship in Tanzania: contextual enablers and hindrances", argued that there are different conducive factors like strong family ties, changed political climate, emerging links with countries like China, improved banking and taxation systems which favour graduate entrepreneurship development in Tanzania, but on the other hand argued that lack of start-up capital, inhibitive banking and taxation, issues of trust, poor technology, corruption, and cheap imports from countries such as China discourage graduate entrepreneurs, business ventures are the factor which discourages graduate entrepreneurship development in Tanzania. The results obtained by using Story-telling interviews as a strategy of data collection and software program of NVivo TM 7 was used for the analysis of the transcripts also this study was qualitative since the conclusion obtained by using storytelling interviews and NVivoTM 7 software to analyze the transcripts while a current study is quantitative and the data was collected by using a questionnaire and STATA software was used to analyze through multiple linear regression model and ordered probit model.

Isaiah (2013) on the study heading "Factors influencing the growth of entrepreneurial activity among the youth in Mombasa Kenya", by using descriptive survey and stratified random sampling method on collecting data and Statistical Package for Social Sciences (SPSS) to analyze data, investigated that family background or parental support such as financial as financial support and other support influences entrepreneurship development. Additionally, the study established that despite the support from the parents most of the entrepreneurs were not involved in running a family business though their parents were middle class. This study used only multiple linear regression models to estimate the

parameter of the variables but the current study used a multiple linear regression model and ordered probit model to estimate the parameters of the variables through STATA software.

Nyarku and Oduro (2018) examined the effect of the legal and regulatory framework on SMEs growth in the Accra Metropolis of Ghana, concluded that legal and regulatory frameworks affect SMEs growth in the Greater Accra Metropolis of Ghana in terms complex customs and trade regulations, bureaucracy, multiple and complex tax systems, unstable policy environment, corruption, excessive financial or monetary and credit policies, but they warn that government should maintain transparency and accountability among public officials in charge of SMEs regulation, create relaxed credit policies that support the development of entrepreneurship by simplifying loan conditions, engineer effective price stabilization processes for SMEs, lower and reform the tax systems, these results obtained from quantitative and primary data which collected by using a self-administered questionnaire, and respondents were obtained by using convenience sampling technique while structural equation model-partial least square was used to analyze the results of the study. This study emphasized much on how legal and regulatory frameworks affect SMEs' growth while the current study emphasized much on the influence of local government expenditure on entrepreneurship development.

Xing, Liu and Cooper (2018) on the study heading "Local government as an entrepreneur: public-private collaborative partnerships in fostering regional entrepreneurship in Beijing China" emphasized the role played by returnee entrepreneurship. They concluded that returnee entrepreneurs interact collaboratively with the institutional entrepreneur in affecting institutional change and fostering regional entrepreneurship, moreover they argued that entrepreneurial public-private collaborative partnerships can strongly affect the development of regional entrepreneurship when a region in an emerging economy chooses to foster regional entrepreneurship, overseas entrepreneurs can actively shape the process by contributing their knowledge to the regional entrepreneurship, the results obtained by using qualitative research method and multi-method approach, but data

obtained by using contents analysis and in-depth interviews while data analysis was done by following the grounded theory approach, then the interview was analyzed by using the NVivo 9 software tool. This study emphasized much on how local government in terms of returnee entrepreneurs can influence entrepreneurship development while the current study emphasized much on how local government in terms of physical infrastructure, local government regulation and loan can influence entrepreneurship development.

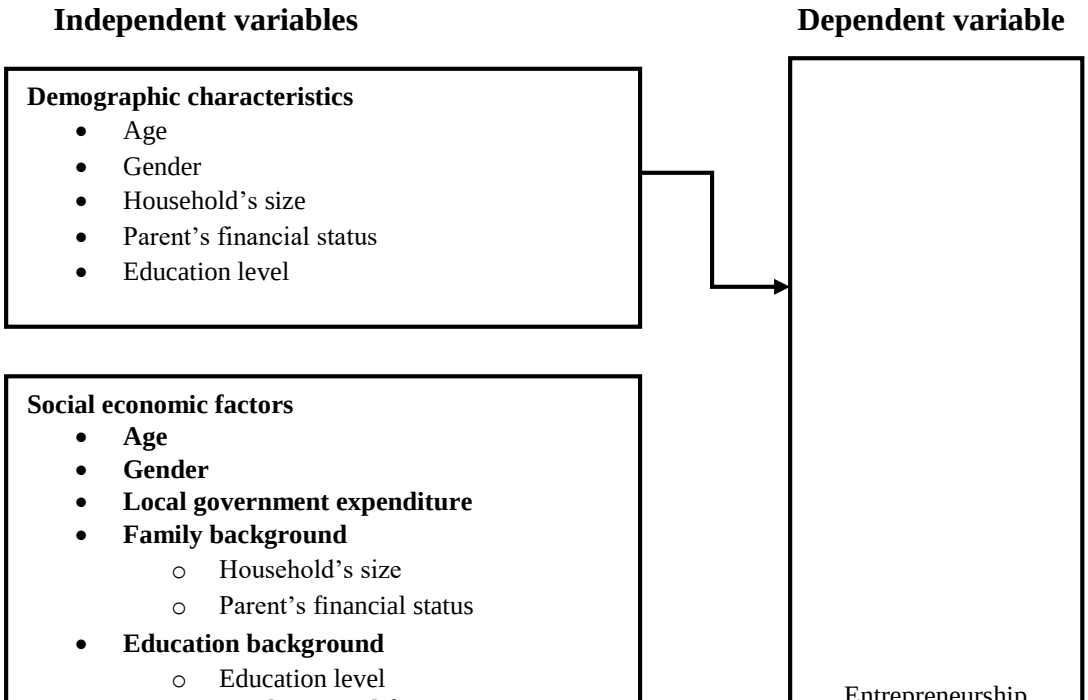
Aked, Michaelson, and Steuer (2019) conducted a study heading "The role of local government in promoting entrepreneurship and employing young people: AAB College, Prishtina, Kosovo", the finding concluded that the local government has an average impact on the promotion of enterprises. This seems that the government does not offer as much opportunity for enterprises due to limited competences in economic development. This results obtained by using primary data which collected through the forms provided by Google, while data analysis was done by using SPSS program and measurements of results was done with techniques like correlation various statistical variables were identified from the variance analysis. This study analyzed the role of local government in promoting young entrepreneurship but the current study analyzed the role of local government in promoting not only young entrepreneurs but also other entrepreneurs.

2.4 Research gap

In literature review shown that, most researchers addressed different factors that affect the growth of entrepreneurship, which can be grouped into internal factors, socio-cultural factors, and government policy factors. Nevertheless, most of the studies performed in developed countries and few in developing countries, and there are also a few studies in Africa that have studied the role of local governments in the growth of entrepreneurship. Many of them were performed outside Tanzania. This study, therefore, filled the gap by examining local government expenditure on the development of entrepreneurship in Tanzania a case of Mbinga District.

2.5 Conceptual framework

The conceptual framework outlines independent variables and dependent variable which discussed in the theoretical literature review and empirical literature of this study. Both resource-based entrepreneurship theories and the economic theory of entrepreneurship which discussed in this study explain the importance of social-economic factors, financial factors, and human resources factors on entrepreneurship development. This study examined how social-economic factors which include family background, education background, entrepreneurial past experience, business centre, roads, power connection, licensing and taxation can influence entrepreneurship development in the Mbinga district. Also examined how financial factor which includes loans from local government can influence entrepreneurship development, more to that the study examined how human resources factor which includes local government entrepreneurship training can influence entrepreneurship development. See Figure 2.1



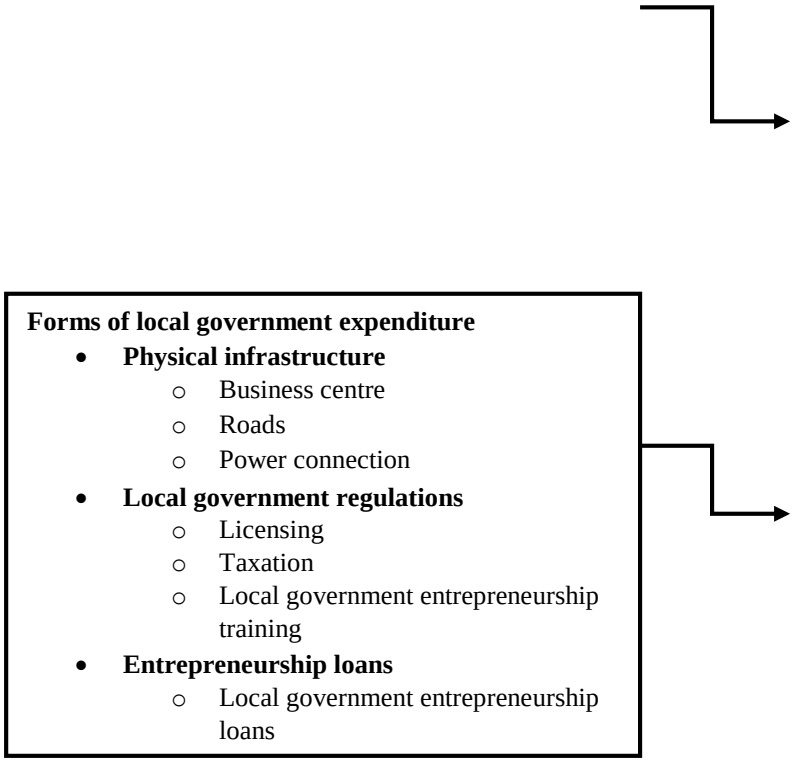


Figure 2.1: Factor influencing entrepreneurship development

Source: Own construction

The conceptual framework presented in figure 2.1 describes the interconnectivity between social-economic factors, forms of local government expenditure and entrepreneurship development whereby family background, education background, entrepreneurial past experience, physical infrastructure, local government regulations and entrepreneurship loans presented as independent variables and entrepreneurship development presented as the dependent variable.

CHAPTER THREE

RESEARCH METHODOLOGY AND PROCEDURES

3.1 Introduction

This chapter covers the area of the study, research design, sample population and sampling technique, data sources and data collection methods, data analysis, econometric model and estimation technical, as well as validity and reliability of data and research ethics.

3.2 Area of the study

The studies become performed in Mbinga district in Ruvuma region. Mbinga district is located among latitude -10.947720 N and longitude 35.006350 E, inside the north is bordered by Njombe region, in east bordered by Songea rural district and urban district,

in south bordered by Mozambique country and west bordered by Nyasa district. It is approximated to have 235,969 populations whereby 115,589 are male and 120,380 are female, this is according to census 2012. Mbinga district has been selected for this study because it is among of the districts which located within the Mtwara-Lindi Economic growth corridor linking the Indian Ocean port of Mtwara with the southern highland regions. Also, the district is blessed with fertile soil for crop production and livestock grazing. More to that district have resources base which provides opportunities for entrepreneurs to invest in production, processing and other services (Ruvuma region investment guide, 2019). The study covered both women and men entrepreneurs who have been operating their businesses for at least one year.

3.3 Research design

This study used both quantitative and qualitative data, a cross-sectional research design was used to obtain cross-sectional data, and the study employed quantitative techniques in collecting data and analyzing data. The study design involved the use of a designed questionnaire to obtain data from respondents. Cross-sectional research design has been chosen to get detailed information about entrepreneurship development and government expenditure in the Mbinga district. Moreover, a cross-sectional study design allowed researchers to compare different variables of entrepreneurship at the same time.

3.4 Sample population and sampling technique

3.4.1 Study population

The study population is defined as the entire number of people or items which are of interest in concluding. In this research, the study population involved all different types of entrepreneurs who operated their business for at least one year. The study involved women, men and young entrepreneurs who engaged in both small business and large businesses like food processing, oil processing, making modern beehives, manufacturing, farming practices, cloth designing, tailoring and so on. According to Mbinga annual report (2019), there was an approximated 7,500 entrepreneurs who registered to do small business.

3.4.2 Targeted population

The targeted population of this study covered only entrepreneurs who found in ten (10) wards, entrepreneurs who found on that wards represented all entrepreneurs found in 29 wards in Mbinga District, because each division represented by certain ward in targeted population as shown in Table 3.1

3.4.3 Sampling techniques

In this study, the probability sampling techniques employed, which means that the selection of individuals for the sample gives all the individuals in the population to have equal chances of being selected. The multi-stage stratified random-sampling procedure as the type of probability sampling techniques employed to obtain cross-sectional data. Since Mbinga district has 29 wards but only 10 wards were picked to be targeted population, then a unit of analysis was obtained from a targeted population by using simple random selection method.

Table 3.1 Targeted population

Wards	Targeted population (N)
Amani makoro	102
Kigonsera	135
Kihangimahuka	94
Maguu	115
Matiri	98
Mbuji	80
Mkumbi	74
Namswea	109
Nyoni	92
Ruanda	110

Total	**1009**

Source: Mbinga wards' Annual reports (2019)

3.4.4 Sample size

Orodho and Kombo, (2002) reported that sampling is a process of selecting some individuals or objects from a population, such that the selected group contains elements representative of the characteristics found in the entire group. Using a formula of (Yamen, 1967) for calculating sample size from the targeted population as follows $n = \frac{N}{[1+N(e)^2]}$ where "n" represents the sample size selected, "N" represents the targeted population in which the researcher has identified and "e" represent sampling error percentage. But a sampling error of this study was 0.05 and targeted population (N) was 1009, therefore the sample size of the study calculated as follows

$$n = \frac{1{,}009}{1+1{,}009(0.05)^2}$$

$$n = \frac{1{,}009}{3.5225} = 286$$

Therefore this study used a sample size of 286, which obtained from ten (10) wards as mentioned in table 3.1

3.5 Data sources and data collection methods

Primary data obtained by using a designed questionnaire, the collection details included demographic information, family background, education profile, entrepreneurial experience, physical infrastructure, local government regulation information, and loans information of respondents. While secondary data obtained from different studies like journals, articles, and books which wrote about entrepreneurship development and government expenditure, example Tanzania economic surveys, Ruvuma region investment guide, International trade centre, Tanzania profile, small and medium enterprise development policy, global entrepreneurship and development institute report, and World Bank reports were used.

3.6 Data analysis

Questionnaire data entered into a computer using SPSS version 20 followed by data management including data cleaning, after which analysis and frequency distribution tables were produced using STATA version 14.0. Descriptive analysis was done by using frequencies and percentages to describe the demographic characteristics of individuals who engage in entrepreneurship in Mbinga District. A multiple linear regression model was used to analyze social-economic factors that influencing entrepreneurship development in Mbinga District, while the ordered probit model used to examine forms of local government expenditure that applies to promote entrepreneurship development in Mbinga District.

3.7 Econometric model and estimation technique

3.7.1 Multiple linear regression model

The study used the Multiple Linear Regression Model (MLRM) to analyze social-economic factors that influencing entrepreneurship development in Mbinga. This because the dependent variable that was an entrepreneurship development was measured by using profits of entrepreneurs who generated in consecutive six months. This means that the level of scale of the dependent variable (entrepreneurship development) measured in continuous form. The general econometric model of the multiple linear regression models specified in detailed in equation 3.1

$$\widehat{\boldsymbol{Y}} = \boldsymbol{b_0} + \boldsymbol{b_1 X_1} + \boldsymbol{b_2 X_2} + \ldots + \boldsymbol{b_p X_P} \qquad \textbf{(3.1)}$$

Where $\hat{Y}$ is the dependent variable, X_1 to X_P are independent variables, b_0 is a constant number and b_1 to b_p are the estimated regression coefficients.

According to this study, we examined how entrepreneurship development can be affected by social-economic factors which include entrepreneur's age, the gender of an entrepreneur, entrepreneur's family networking, entrepreneur's family financial status,

entrepreneur's academic qualification, education level, entrepreneur's previous employment, number of business of entrepreneur, and also we included government expenditure as the main factor in this study. The specific model expressed in detailed in equation 3.2.

$$\boldsymbol{ln(en\_prof) = \beta_0 + \beta_1 ln(age)_1 + \beta_2 gender_2 + \beta_3 lge_3 + \beta_4 ff\_sta_4 + \beta_5 edul_5 + \beta_6 n\_bus_6 + \beta_7 p\_emp_7 + \beta_8 fnw_8 + \varepsilon} \quad \textbf{(3.2)}$$

Where **en_prof** is an entrepreneurship development which measured in term of profit, **age** is the respondents' age, **gender** is the gender of respondents, **lge** is local government expenditure, **edul** is the education level of respondents, **ff_sta** is entrepreneur's family financial status, **p_emp** is previous employment of respondents, **a_qual** is entrepreneur's academic qualification, **n_bus** is the number of business, **fnw** is entrepreneur's family networking and **ε** is an error term.

3.7.2 Ordered probit model

Ordered Probit Model (OPM) was used to examine forms of local government expenditure that local government applies to promote entrepreneurship development since the dependent variable that was entrepreneurship development was measured by using the sales growth of entrepreneurs. Respondents were asked to what extent the firm's sales have grown since they started to do their business. The level of the scale of the dependent variable was ordinal scale because the respondents answered the above question by using the five-point Likert-type scale (1 for not at all, 2 for small extent, 3 for moderate extent, 4 for the large extent and 5 for very large extent), the general econometric model of OPM illustrated in detailed in equation 3.3;

$$\boldsymbol{y_i^* = X_i'\beta + u_i} \quad \textbf{(3.3)}$$

Where Y_i^*a linear function of dependent variables is, x' is a vector of independent variables, β is the parameters of dependents variables and $\boldsymbol{u_i}$ an error term. Also, the probability of choosing the alternative of 'j' written in equation 3.4

$$\mathbf{Pr}(\boldsymbol{y_i = j}) = \mathbf{Pr}(\boldsymbol{k_{j-1} < y_i < k_j})_{\mathbf{j}} - \boldsymbol{\alpha} = \mathbf{k_0 < k_1 < k_2 < \cdots < k_j \alpha, j} \in (\mathbf{1, 2, 3, \ldots . j}) \quad \textbf{(3.4)}$$

Where $P_r$is a Probability, $k_{j's}$are the parameters of independents to be estimated, λ is the cumulative standard normal distribution function and then the probability of $y = j$ is equal to

$$\boldsymbol{P_r(y = j) = \lambda(k_j - \beta x) - \lambda(k_{j-1} - \beta x)} \quad \textbf{(3.5)}$$

Then the effect of regressors on the probability of the $j^{th}$is given by equation 3.6

$$\frac{\boldsymbol{\delta P_r(y=j)}}{\boldsymbol{\delta X_i}} = \boldsymbol{[\lambda(k_j - \beta x) - \lambda(k_{j-1} - \beta x)]\beta} \quad \textbf{(3.6)}$$

OPM estimated by using the maximum likelihood method to examines how business centre, roads, power connections, licensing, taxation, entrepreneurship training, and entrepreneurship loans as a form of local government expenditure can influence entrepreneurship development in Mbinga District, this expressed in a specific model as shown in equation 3.7;

$$\boldsymbol{en\_sales = \beta_1 + \beta_2 b\_cent_2 + \beta_3 roads_3 + \beta_4 p\_conn_4 + \beta_5 lice_5 + \beta_6 tax_6 + \beta_7 train_7 + \beta_8 loan_8} \quad \textbf{(3.7)}$$

Where **en_sales** is an entrepreneurship development which measured in term of sales, **b_cent** is a business centre, **p_conn** is a power connection, **lice** is licensing, **tax** is taxation, **train** is entrepreneurship training, and **loan** is entrepreneurship loans. β_1 is a constant number and β_i is a coefficient of independent variables.

3.7.3 Variables, measurements and descriptions

This study included variables associated with demographic characteristics, social economic characteristics and forms of local government expenditure that influence entrepreneurship development. The table 3.2 shows the description, measurements and the level of scale of the dependent and independent variables used in this study

Table 3.2: Variables measurements and descriptions

Variables	Description of variables	Measurement	Level of Scale
Dependent Variables			
Entrepreneurship development	Process of enhancing the capacity to develop, manage and organize a business venture while keeping in mind the risks associated with it.	Each entrepreneur was provided the profits of her/his business per month (Continuous variable)	Interval scale However natural logarithm were used in the analysis
		Each entrepreneur was asked to what extent the firm's sales grown since they started to do their business, five-point Likert scale was used. (Categorical variable)	Ordinal scale
Independent variables			
Age	The length of time that the respondent lived or the current age of the respondent.	Each entrepreneur provided the number of the years he/she live (Continuous variable)	Interval scale However natural logarithm was used in the analysis.
Gender	This refers to the biological characteristics of women and men.	Two option was given to the respondent which are Male or Female	Nominal However decoded into Dummy in the analysis.
Education level	Refers to the stage of education in which an individual has reached	Five option was given to the respondent as follows; Never attended to school, Primary education, Secondary education, College and university school	Ordinal scale However decoded into Dummy in the analysis.
Household size	Refers to the number of relative relationship who live together or near, it can include aunts, uncles, grandparents, cousins, marriage, adoption or other certain situations, number of households in a family	Each respondent was asked how many numbers of households depend on her. (Continuous variable)	Interval scale However decoded into Dummy in the analysis.
Parent's financial status	Parent's financial status is the level of income in which his/her parents are categorized,	Respondents were described his/her parent(s) financial status. Five-point Likert scale was used. (poorest, poor, middle, rich and richest)	Ordinal scale However decoded into Dummy in the analysis.
Academic qualification	Academic qualification is the professional titles in which individuals acquired, whether	Respondents were asked if educational qualifications are equivalent to his/her	Nominal

Variables	Description of variables	Measurement	Level of Scale
	by part-time study, full-time study, or private study.	business firms. Only two option was given (yes and no)	
Previous employment	Refers to the past employment of entrepreneurs	Respondents were asked if past work experience helped to build up his/her business. Only two options were given (yes and no)	Nominal
Number of business	Refers to the number of business in which entrepreneurs own	Entrepreneurs were asked the number of business his/her own. (Continuous variable)	Ordinal scale However decoded into Dummy in the analysis
Business centre	Refers to the area in which entrepreneurs/sellers and buyers meet to simply a transaction	Respondent was explained on what extent the business centre influence to do business, five-point Likert scale was used	Ordinal scale However decoded into Dummy in the analysis
Roads	Refers to the route on land between one places to another place that has been paved or otherwise improved to allow travel by	Respondents were explained on what extent roads influenced to do business, five-point Likert scale was used	Ordinal scale However decoded into Dummy in the analysis
Power connection (Electricity)	Power connection is a form of energy that can be produced in several ways and provides power to devices.	Respondent was demonstrated on what extent power connection influence to do business, five-point Likert scale was used	Ordinal scale However decoded into Dummy in the analysis
Business licensing	Refers to the process of authorizing business within the government purification, it is issued by the local government	Each respondent was asked to provide the amount of money paid when he/she licensed its business. (Continuous variable)	Interval scale However, decoded into Dummy in the analysis
Taxation	Refers to the compulsory payment by which local government levy from an entrepreneur for government purposes	Each respondent was asked to provide the amount of money levied by the local government for her business operation. (Continuous variable)	Interval scale However, decoded into Dummy in the analysis
Entrepreneurship training	Refers to the structured program designed by a local government that aims to equip participants with the necessary skillset and mindset for identifying and launching new business ventures.	Each respondent was demonstrated how many times trained by the local government about entrepreneurs. (Continuous variable)	Interval scale However decoded into Dummy in the analysis
Entrepreneurship loans	Amount of money given to entrepreneurs from local	Each respondent provided the amount of loans that	Interval scale

Variables	Description of variables	Measurement	Level of Scale
	government to enhance entrepreneurship.	received from the local government for their business development. (Continuous variable)	However decoded into Dummy in the analysis

Source: Own design from the literature review (2020)

3.8 Validity and reliability of data

3.8.1 Validity

According to Quinlan (2011), validity in research is the issue of how logical, truthful, sound, reasonable, meaningful and useful is. To test the validity of the data the pilot study was used in testing the quality of the questionnaire, the length of the questionnaire, and suitability of the responses according to the objectives of the study. However, validity in the proposed research was determined through a pilot study before the actual collection of data to see if the proposed questionnaires fit with the objectives and approaches of the study. This was done to ensure that respondents understand the questions in the questionnaire and did not have any problem in responding to the questions.

3.8.2 Reliability

Reliability relates to the dependability of the research, to the degree to which the research can be repeated while obtaining consistent results (Quinlan2011. Questionnaires were tested to determine whether they produce the same result again and again and prove reliable, but the method of test and retesting was used on the same respondent to ensure consistency in the response.

3.9 Research ethics

Ethics norms that govern peoples in conducting various issues like research , in this case, ethics in research involve various rules that a researcher should adhere for example voluntary participation where the informants are subjected to choose to participate in the research project in their will (Bryman and bell, 2007)

As May (2011) explained on the issues to be observed as ethics in research which includes maintaining dignity, privacy, keeping confidentiality, informed consent, being honesty and transparency as well as human rights, ethical consideration is of many importance such as it helps the informants to be free, supporting and believe in the study.

CHAPTER FOUR

PRESENTATIONS OF FINDINGS

4.1 Introduction

This chapter focused on the presentation of the research findings and results which had been analyzed through STATA 14. The sample comprised of 255 entrepreneurs who were involved in doing business in Mbinga district. The main purpose of this research was to examine the role of local government expenditure in entrepreneurship development in Mbinga District. The study also sought to describe the demographic characteristics of individuals who engage in entrepreneurship, to analyze social-economic factors that influencing entrepreneurship development and to examine forms of local government expenditure that applies to promote entrepreneurship development in Mbinga District

4.2 Response return rate

The study sampled 255 respondents from the target population of 1,009 in collecting data concerning the role of local government expenditure in entrepreneurship development in Mbinga District. Table 4.1 shows the response rate of the respondents.

Table 4.1 Response rate

Response rate	Frequencies	Percentage
Responded	255	89
Non-response	31	11
Total	**286**	**100**

Source: Own computations from research data (2020)

286 copies of the questionnaire distributed to entrepreneurs, only 255 respondents filled in and returned the questionnaire and 31 (11%) were not returned and were thus excluded from the data set. Thereby, the response rate recorded and used for the analysis was 255 (89%). The response rate confirmed by Mugenda, (2003) who argued that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good, and a response rate of 70% and over is excellent.

4.3 Demographic characterization of the respondents

The first objective of this study was to describe the demographic characteristics of individuals who engage in entrepreneurship in Mbinga District.

4.3.1 Summary statistics for continuous variable

The study requested each entrepreneur to provide the number of the years they lived. The results of the study were shown in Table 4.2

Table 4.2 Respondents' age

	Age
Obs	255
Mean	31.84
Std. Dev	8.21
Min	19
Max	59

Source: Own computation from research data (2020)

According to the study, it was observed that the mean or the average age of individual who engaged in entrepreneurship in Mbinga district were 32, whereby the minimum age was 19 and maximum age was 59, this means that entrepreneurship skills come from middle age.

4.3.2 Summary statistics for categorical variables

Table 4.3 presented the results of descriptive statistics and the variables of the model which measured in categorical form. It presented the frequency, percentage and

cumulative percentage of all the variables used in the regression analysis concerning the study of the researcher. See Table 4.3

Table 4.3: Summary statistics for categorical variables

Variables	Frequency	Percentage	Cumulative
Gender of respondents	**Freq.**	**Per cent**	**Cum.**
Male	108	42.35	42.35
Female	147	57.65	100.00
Total	**255**	**100**	
The education level of respondents	**Freq.**	**Per cent**	**Cum.**
Never attended school	3	1.18	1.18
Primary education	101	39.61	40.78
Secondary education	65	25.49	66.27
College and Technical school	51	20	86.27
University education	35	13.73	100
Total	**255**	**100**	
Number of households of respondents	**Freq.**	**Per cent**	**Cum.**
Less than 3 households	82	32.16	32.16
4 - 6 households	58	22.75	54.9
7 - 9 households	60	23.53	78.43
10 - 12 households	26	10.2	88.63
More than 13 households	29	11.37	100
Total	**255**	**100**	
Parent's financial status of respondents	**Freq.**	**Per cent**	**Cum.**
Poorest	29	11.37	11.37
Poor	69	27.06	38.43
Middle	136	53.33	91.76
Rich	17	6.67	98.43
Richest	4	1.57	100
Total	**255**	**100**	
Number of business of respondents	**Freq.**	**Per cent**	**Cum.**
One	162	63.53	63.53
Two	58	22.75	86.27
More than two	35	13.73	100
Total	**255**	**100**	
License group of respondents	**Freq.**	**Per cent**	**Cum.**
Not licensed	111	43.53	43.53

Variables	Frequency	Percentage	Cumulative
Below 100,000	129	50.59	94.12
Between 100,001 and 200,000	6	2.35	96.47
Between 200,001 and 400,000	4	1.57	98.04
Above 300,001	5	1.96	100
Total	**255**	**100**	
Tax level group of respondents	**Freq.**	**Per cent**	**Cum.**
Not paying tax	142	55.69	55.69
Below 4,000	91	35.69	91.37
Between 4,001 and 6,000	18	7.06	98.43
Between 6,001 and 8,000	1	0.39	98.82
Above 8,001	3	1.18	100
Total	**255**	**100**	
Entrepreneurship training	**Freq.**	**Per cent**	**Cum.**
Not trained	179	70.2	70.2
1 times	8	3.14	73.33
2 times	38	14.9	88.24
3 times	22	8.63	96.86
More than 4 times	8	3.14	100
Total	**255**	**100**	
Loans from local government	**Freq.**	**Per cent**	**Cum.**
Not received loan	204	80	80
Below 1,000,000	16	6.27	86.27
Between 1,000,001 and 2,000,000	21	8.24	94.51
Between 2,000,001 and 3,000,000	13	5.1	99.61
Above 3,000,001	1	0.39	100
Total	**255**	**100**	

Source: Own computations from research data (2020)

The study aimed at investigating the demographic characteristics of the respondents. The results show that 108 (42.35%) of the respondents were male while 147 (57.65%) of the respondents were females. This implies that women participate more in entrepreneurial activity compared to men. The study was also interested to determine the highest education level of respondents held. The results of the study showed that most 101(39.61%) of the respondents had acquired primary education as their highest education level, 65 (25.59%) had attained secondary education as their highest education level, and

51 (20%) had acquired college and technical school as their highest education level, 35 (13.73%) attained university education as their highest education level while only 3 (1.18%) had not attended to school.

The study sought to know the number of households who depends on respondent or entrepreneurs. The study has shown that 82(32.16%) respondents have less than 3 households, 58(22.75%) have households between 4 and 6, 60 (23.53%) have households between 7 and 9, 26 (10.2%) have household between 10 and 12 and 29 (11.37%) have households more than 13. This implies that most of the entrepreneurs have a higher number of dependents because they were living in a family with bigger household sizes. More to that the study has shown that 98 (38.43%) respondents were from a poor family, 136 (53.33%) were from middle family and only 21 (8.24%) were from a rich family. This means that both poor families and rich family were involved in business activities.

The study observed that 162 (63.53%) of the entrepreneurs running only one business, 58 (22.75%) running two business and 35 (13.73%) running more than two business. More to that the study has shown that 111 (43.53%) were running their business without registering to the local government authorities, and 144 (56.47%) were running the licensed business. Also, the study confirmed that there were 142 (55.69%) entrepreneurs who run their business without paying tax to the local government, 91 (35.69%) entrepreneurs who paying tax below 4,000Tsh per month, 18 (7.06%) between 4,000Tsh and 6,000Tsh, 1 (0.39%) between 6,001Tsh and 8,000Tsh and 3 (1.18%) paying tax above 8,001Tsh per month.

The study exposed that local government authority was trying to provide entrepreneurship training to the entrepreneurs within the district. This because respondents have shown that only 8 (3.14%) trained by the local government one time, 38 (14.9%) two times, 22 (8.63) three times, 8 (3.14%) more than four times and 179 (70.2%) they never trained by the local government. More to that seemed that 51 (20%) of respondents were benefited loans from local government authority while 204 (80%) were not benefited loan from local government.

4.4 Social-economic factors influencing entrepreneurship development

The second objective of this study was to analyze social-economic factors that influencing entrepreneurship development in Mbinga District by using multiple linear regression model. Since the dependent variable was an entrepreneurship development which was measured by profits that entrepreneurs generated in a month by using the interval scale. Before regression, we changed profit into natural logarithm form; the independent variables were local government expenditure as the main variable of this study, the family background which included family networking and family financial status, education background which included academic qualification and education level and entrepreneurial past experience which included previous employment and the number of business that entrepreneurs own.

Multiple linear regressions were regressed by using robust regression for better regression coefficient estimates. According to Pal (2012) in NCSS statistical software book, argued that robust regression provides an alternative to least squares regression that works with less restrictive assumptions. Specifically, it provides much better regression coefficient estimates when outliers are present in the data, the results of regression shown in Table 4.5 after robust regressions in STATA Version 14.

Table 4.4: Results of the multiple linear regression analysis

Linear Regression			Number of obs = 255
			Number of obs = 255
			F(19, 235) = 11.62
			Prob> F = 0.0000
			R-squared = 0.3404
			Root MSE = 0.78889
Variables	**Coefficients**	**Robust Std. Err.**	**P-value**
Age			
Natural logarithm of age (Inage)	0.0407792	0.2084228	0.845
Gender			

Variables	Coefficients	Robust Std. Err.	P-value
Female	Ref	ref	ref
Male	0.098	0.1080509	0.362
Local government expenditure (lge)			
Not influence	Ref	ref	ref
Influence	0.3031116	0.1187721	0.011
Family background			
Household's size (hhs)			
Less than 3 household	Ref	ref	ref
4 - 6 households	0.0455851	0.1547222	0.769
7 - 9 households	0.0074923	0.1725455	0.965
10 - 12 households	-0.2910729	0.1986562	0.144
More than 13 households	-0.6747662	0.1760372	0.000
Parent's financial status (pfs)			
Poorest	Ref	ref	ref
Poor	0.2934144	0.1989487	0.142
Middle	0.2253376	0.1937937	0.246
Rich	0.49739	0.2389435	0.038
Richest	0.5482098	0.4476318	0.222
Education background			
Education level (edul)			
Never attended to school	0.2398492	0.2023942	0.237
Primary education	Ref	ref	Ref
Secondary education	0.0327418	0.1325468	0.805
College and technical education	0.394305	0.1364285	0.004
University education	0.9415237	0.2176425	0.000
Academic qualification (a_qual)			
Not influence	Ref	ref	ref
Influence	0.1105574	0.1354099	0.415
Entrepreneurial past experience			
Previous employment (p_emp)			
Not influence	Ref	ref	ref
Influence	0.2072915	0.1272108	0.105
Number of business (n_bus)			
One business	Ref	ref	ref
Two business	0.3082041	0.1174763	0.009
More than two business	0.3668953	0.1514279	0.016
_Constant	9.246105	0.7607724	0.000

Source: Own computation (2020)

The results from regression shown that R-squared (R^2) of the model was 0.3404, this told us that 34% of the data fit the regression model of this study, also it indicated that the factors studied in this study contributed entrepreneurship development by 34% while other factors which were not studied in this research contribute 66 Percent. Therefore, further research should be conducted to investigate other factors that affect entrepreneurship development. According to the result from Table 4.5 shows that local government expenditure, family networking, education level, family financial status and the number of business were statistically significant while age, gender, previous employment and academic qualification are not statistically insignificant.

4.4.1 Local government expenditure

According to Table 4.4, local government expenditure was found to be statistically significant at 5%, since the P-value was 0.011 and it has a positive coefficient. This means that local government has a positive influence on entrepreneurship development.

4.4.2 Family background

4.4.2.1 Household's size

According to the finding results from Table 4.4, entrepreneurs who have more than 13 households were statistically significant variable at 1%, since the P-value was 0.000 and has a negative relation with entrepreneurship development. The implication behind this is that entrepreneurs who were from the family with a higher number of household (more than 12 households) are less to develop in entrepreneurship compared with the family with a small number of household (less than 3 households).

4.4.2.2 Parent's financial status

According to Table 4.4, entrepreneurs from rich family were found to be statistically significant at 5%, since the P-value was 0.038 and have a positive relation with entrepreneurship development. This implies that entrepreneurs from rich family have the opportunity to develop in entrepreneurship compared with entrepreneurs from the poorest family.

4.4.3 Education background

4.4.3.1 Education level

Table 4.4 shows that college and technical education was statistically significant at 1% because its P-value was 0.004 and university education was statistically significant at 1% because its P-value was 0.000. College education, technical education and University education have a positive coefficient. The implication behind this is that entrepreneurs who have a college education, technical education and university education have a high opportunity to develop in entrepreneurship compared with entrepreneurs who have primary education.

4.4.4 Entrepreneurial past experience

4.4.4.1 Number of business

Entrepreneurs who own two businesses was statistically significant at 1% since its P-values was 0.009 and entrepreneurs who own more than two was statistically significant at 5% since its P-values was 0.016, both influencing entrepreneurship development positively. This implies that entrepreneurs who own more than one business have more opportunity to develop in entrepreneurship compared to the entrepreneurs who have only one business.

4.5 Forms of local government expenditure influencing entrepreneurship development

The third objective of this study was to examine forms of local government expenditure that applies to promote entrepreneurship development in Mbinga District by using an ordered probit model. Since the dependent variable which was entrepreneurship development was measured by sales growth of entrepreneurs (ordinal scale). The independent variables were physical infrastructure which included business centre, roads services, and power connection, local government regulations which included license, taxation and entrepreneurship training and final entrepreneurship loans. The results are shown in Table 4.5 after regression in STATA Version 14.

Table 4.5 Ordered probit regression results

Ordered probit regression

Number of obs	=	255
LR chi2 (28)	=	105.17
Prob> chi2	=	0.0000
Pseudo R2	=	0.1540

Log likelihood = -288.82804

Variables	Coefficients	Standard error	P-value
Physical infrastructure			
Business centres (b_cent)			
Not extent	0.068	0.255	0.789
Small extent	**Ref**	**ref**	**ref**
Moderate extend	0.093	0.187	0.618
Large extent	0.233	0.224	0.297
Very large extent	0.571	0.324	0.078
Roads services (roads)			
Not extent	**Ref**	**ref**	**ref**
Small extent	0.109	0.286	0.702
Moderate extend	0.472	0.270	0.080
Large extent	0.742	0.272	0.006
Very large extent	0.677	0.349	0.052
Power connection (p_conn)			
Not extent	**Ref**	**ref**	**ref**
Small extent	0.382	0.252	0.130
Moderate extend	0.158	0.230	0.491
Large extent	0.160	0.225	0.477
Very large extent	0.284	0.250	0.257
Local government regulations			
License (liceg)			
Not licensed	-1.454	0.592	0.014
Below 100,000	-1.758	0.594	0.003
Between 100,001 and 200,000	-1.231	0.764	0.107
Between 200,001 and 300,000	**Ref**	**ref**	**ref**
Above 300,001	-1.571	0.853	0.065

Variables	Coefficients	Standard error	P-value
Taxation (taxg)			
Not paying tax	-0.214	0.162	0.186
Below 4,000	**Ref**	**ref**	**ref**
Paying between 4,001 and 6,000	-0.169	0.293	0.564
Paying between 6,001 and 8,000	-0.632	1.260	0.616
Paying above 8,001	-1.353	0.687	0.049
Entrepreneurship training (train)			
Not trained	**Ref**	**ref**	**ref**
Trained 1 times	-0.051	0.432	0.905
Trained 2 times	0.658	0.238	0.006
Trained 3 times	0.805	0.286	0.005
Trained more than 4 times	1.631	0.468	0.000
Entrepreneurship loans			
Local government entrepreneurship loans			
Not received loan	**Ref**	**ref**	**ref**
Below 1,000,000	0.110	0.313	0.726
Between 1,000,001 and 2,000,000	0.050	0.307	0.870
Between 2,000,001 and 3,000,000	0.999	0.386	0.010
More than 3,000,001	0.429	1.148	0.708

Source: Own computation (2020)

The presented results show that the fitness of the data was statistically significant with P-value (Prob>chi2) of 0.0000, with Pseudo R^2 = 0.1540 which explain how well the maximum likelihood estimates were obtained through iteration fits the model. From the results above business centre, roads services, license, taxation, entrepreneurship training and local government entrepreneurship loans are statistically significant, while power connection is statistically insignificant.

4.5.1 Physical infrastructure

4.5.1.1 Business centres

According to Table 4.5, very large extent in the business centre was found to be statistically significant at 10% since the P-value was 0.078 and its coefficient was positive. Since “not extent” and “small extent” show business centres do not influence entrepreneurship development; “moderate extent” show business centres have an average influence on entrepreneurship development while “large extent” and “very large extent” show business centres have a large influence on entrepreneurship development. Therefore this implies that business centres have a large influence on entrepreneurship development.

4.5.1.2 Roads services

Moderate extent, large extent and very large extent were found to be statistically significant at 10%, 1% and 10% respectively since the P-values were 0.080, 0.006 and 0.052. But all have a positive coefficient. The implication behind this is that road services have both average influence and large influence on entrepreneurship development. Since “not extent” and “small extent” represent no influence “moderate extent” represent average influence and “large extent” and “very large extent” represent great influence on entrepreneurship development

4.5.2 Local government regulations

4.5.2.1 Licensing

According to the finding results in Table 4.5, a business which wasn't licensed, a business which licensed below 100,000Tsh and business which licensed above 300,001Tsh were statistically significant at 5%, 1% and 10%, since its P-values were 0.014, 0.003 and 0.065 respectively. All have negative coefficients. The implication behind this is that entrepreneurs who did not license his/her business, entrepreneurs who licensed his/her business below 100,000Tsh and entrepreneurs who licensed his/her business above 300,001Tshare less to develop in entrepreneurship compared with entrepreneurs who licensed his/her business between 200,001Tsh and 300,000Tsh.

4.5.2.2 Taxation

According to the finding results, entrepreneurs who were paying tax above 8,001Tsh to the local government (village authorities) found to be statistically significant at 5%, since its P-value was 0.049 and has a negative coefficient. This implies that entrepreneurs who were paying tax to the local government (village authorities) above 8,001Tsh per month have low opportunity to develop in entrepreneurship than the entrepreneurs who were paying tax between below 4,000Tsh per month.

4.5.2.3 Entrepreneurship training

Entrepreneurs who trained about entrepreneurship by the local government more than two times found to be statistically significant and have a positive relation with entrepreneurship development. The implication behind this is that entrepreneurs who trained more than two times by local government have the opportunity to develop in entrepreneurship compared with entrepreneurs who did not receive entrepreneurship training from local government.

4.5.3 Local government entrepreneurship loans

According to the finding results from Table 4.5entrepreneurs who receive loan between 2,000,001Tsh and 3,000,000Tsh was statistically significant at 5%, since its P-value was 0.010 and have a positive coefficient. This implies that entrepreneurs who receive loan between 2,000,001Tsh and 3,000,000Tsh from local government have a higher opportunity to develop in entrepreneurship compared with entrepreneurs who have no loan from local government.

4.5.4 Post estimation test to justify the use of ordered probit

Under this section all econometric tests which are conducted after estimation of the ordered probit model to see whether or not the estimates will be meaningful given the results obtained.

4.5.4.1 Model specification test use of ordered probit

According to Gujarati (2004) model specification is an important aspect in econometric analysis and the model must be suitably specified. He also expressed that if the model is not suitably specified the analysis may encounter the problem of model specification error or model specification bias. The study conducted this test for the specification using Link test command in Stata Version 14. The Link test looks for specific errors known as link-error where the dependent variable is linked to accurately relate with the independent variables.

Table 4.6 Link test results

Ordered probit regression					Number of obs =	255
					LR chi2(2) =	106.35
					Prob> chi2 =	0.0000
Log likelihood = -288.241					Pseudo R2 =	0.1557
en_sales	**Coef.**	**Std. Err.**	**Z**	P> |Z|	**95% Conf.**	**Interval**
_hat	1.063599	0.1226594	8.67	0.000	0 .8231909	1.304007
_hatsq	0.0811576	0.0757958	1.07	0.284	-0.0673994	0.2297146
/cut1	-2.156013	0.1594114			-2.468454	-1.843572
/cut2	-0.9081983	0.1214303			-1.146197	-0.6701993
/cut3	0.4977184	0.1204409			0.2616586	0.7337781
/cut4	2.365189	0.2905614			1.795699	2.934679

Source: Author's calculations (STATA output, 2020)

Since the probability P> |Z| of hatsq was 0.284 which was greater than 5% significance level, therefore the t-test of the hatsq is insignificant. Then, this gives sufficient information to fail to reject H_0 and therefore the model is well specified.

CHAPTER FIVE

DISCUSSIONS OF THE FINDINGS

5.1 Introduction

This chapter discusses in details the findings obtained from the preceding chapter. The comprehensive discussion is more emphasized on descriptive and empirical findings. The discussion is organized with specific objectives, results from the multiple linear regressions and ordered probit was discussed.

5.2 Discussions on demographic characteristics of individuals who engage in entrepreneurship

The first hypothesis of this research was to check whether demographic characteristics influence individuals to engage in entrepreneurship. The study used descriptive analysis which includes frequencies and percentages to check this.

The analysis reveals that the average age of individual who engages in entrepreneurship in Mbinga region were 32, whereby the minimum age was 19 and maximum age was 59, this implies that entrepreneurship skills come from middle age. This occurred because most of the working ages (prime working age) are between 25 and 54. The study finding conferred with the study of Lange, Marram and Murphy (2016) who researched about "A study of the birthdates and ages of paradigm-shifting entrepreneurs" they concluded that entrepreneurial activity for the overall population peaks when an individual is between 30 and 35 and then steadily declines.

The finding results showed that 147 (57.65%) of the respondents were female while the rest of 108 (42.35%) of the respondents were males. This implies that women participate more in entrepreneurial activity compared to men, this because nowadays there is a high number of organizations which empowering women in entrepreneurship than the organization who empower both women and men on entrepreneurship. These results are consistent with the findings from ILO (2007) where its findings indicated that out of the 462,000 jobs created annually since 2000 in Kenya, 445,000 jobs have come from the

informal sector, where 85% of women's businesses are found. This is because women entrepreneurs found to have sharp communication skills, consensus building competence, nurturing and integrating abilities, high levels of energy, social adroitness, and interpersonal skills in business situations.

According to the analysis of this study showed that most 101 (40%) of the respondents had acquired primary education as their highest education level, 65 (26%) had attained secondary education as their highest education level, 51 (20%) had acquired college and technical school as their highest education level while 35 (14%)university education level as their highest education level. This confirms that formal education is important in entrepreneurship activities. The finding implies that the majority of entrepreneurs were from primary school, secondary school, and a technical school while only a few did not attend school and few attend university levels. The findings complied with Kuanda, (2015) on their study of "Gender, social networks, and entrepreneurship in Ghana" from 38 entrepreneurs, there results shown that 9 respondents have formal education, 14 attended senior high school, and 15 have university-level education also Saffu and Manu (2004) shown that 13% of the respondents had up to 9 years of education and 67% had senior high school education or above. This means that most individuals who engage in entrepreneurship have a certain education level.

5.3 Discussions on social-economic factors influencing entrepreneurship development

The second hypothesis of this study was to test whether social-economic factors have a direct influence on entrepreneurial development; multiple linear regressions were used to test whether local government expenditure, family background, education background and entrepreneurial past experience influence entrepreneurial development. In this section, only variables which were significant discussed, these variables were local government expenditure, family networking or ties, family financial status, education level, and the number of business.

5.3.1 Local government expenditure

The results from regression analysis indicate that local government expenditure was found to be statistically significant and it has a positive influence on entrepreneurship development compared with no influence. This means that local government has a positive influence on entrepreneurship development. This confirms the results of previous studies from Skiza (2013) who argued that local governments become responsible for stimulating dynamic growth of local enterprises due to processes of decentralization that occur in Poland and other European countries, most of all the responsibility falls on local authorities which carry out public projects on the local level. But differ with the study of Behluli (2019) who concluded that the local government has an average impact on the promotion of enterprises as it does not offer as much opportunity for enterprises due to limited competences in economic development in Prishtina, Kosovo.

5.3.2 Family background

5.3.2.1 Household's size

According to the finding, results are shown that entrepreneurs who were from the family with the higher number of households (more than 12 households) were less to develop in entrepreneurship compared with the family with a small number of households (less than 3 households). But on the other side, you can say that entrepreneurs with small household's size have a higher opportunity to develop in entrepreneurship compare to the entrepreneurs from higher numbers of households. This because entrepreneurs who have a higher number of relative or households concentrate much on solving family problems than concentrating much on their business. This confirms the results of previous studies from Renzulli, Aldrich and Moody (2010) who suggested that family ties can hinder new venture growth because of redundant, overlapping, and inward-focused networks. Also, on the other hand, the result of the study was contrary to Jack (2015) research who suggests that family ties can facilitate venture development because they provide unique and valuable resources with lower costs and risks.

5.3.2.2 Parent's financial status

The study concluded that entrepreneurs from rich family have the opportunity to develop in entrepreneurship compared with entrepreneurs from the poorest family; it is due to support and guidance from family members or parents at the start-up stage of the firm. This confirms the results of Isaiah (2013) in Kenya who concluded that "family background influences entrepreneurship through parental support such as financial support and any other support", also Manolova, Edelman, and Shirokova (2019) they argued that "In Russia, families through their financial resources offer access to opportunities and resources that may otherwise be unavailable". More to that Edelman, Manolova, and Brush (2008) argued that "families can significantly contribute to young entrepreneurs' initiatives by facilitating financial transactions and keeping strategic control over the venture within the family".

5.3.3 Education background

5.3.3.1 Education level

The regression results reporting that entrepreneurs who have a college education, technical education and university education have large opportunity to develop in entrepreneurship compared with entrepreneurs who have primary education. That is because most entrepreneurs with a college education, technical education and university education can easy make financial decisions about their business easily without difficulty. This confirms the results of previous studies from ILO (2009) they argued that the level of education is directly correlated with his ability to make financial decisions of his business. More to that Ricketts (2009) argued that formal education is considered to be one component of human capital that may support the buildup of the entrepreneur's competencies.

5.3.4 Entrepreneurial past experience

5.3.4.1 Number of business

The finding of this study showed that entrepreneurs who own more than one business have more opportunity to develop in entrepreneurship compared to the entrepreneurs who have

only one business, For the reason that entrepreneurs who have more than one business can easily compensate for their loss in one product market by succeeding in another. Our results are consistent with Berg, (2016) who found that diversified firms have an advantage over undiversified firms as they can utilize resources generated from one business unit into other businesses more efficiently, and Santarelli and Tran (2015) they argued that multidivisional firms operate in different markets and they can easily compensate their failure in one product-market by succeeding in some other market.

5.4 Discussion on forms of local government expenditure influencing entrepreneurship development

The third hypothesis of this study was to examine whether forms of local government expenditure affect the promotion of entrepreneurship development by using ordered probit regressions. Local government expenditure included physical infrastructure, local government expenditure and local government entrepreneurship loans. In this section only variables which were significance discussed, these variables were business centre, road services, license, taxation, training and entrepreneurship loans

5.4.1 Physical infrastructure

5.4.1.1 Business centre

The results from regression analysis indicate that business centres have a large influence on entrepreneurship development. This implies that entrepreneurs who found the area with the business centres have opportunity to develop in entrepreneurship compared to the entrepreneurs, who found in the area with no business centres, that is because entrepreneurs who located in the area with a broad customer base (business centres or clusters) gain more profit compared to entrepreneurs who located in the area with few customers (no business centres). The results similarly to Simpeh (2011) who argued that "Firm performance is expected to be higher in strong clusters compared to weak clusters, also similarly to Bamfo et al, (2016) who argued that "Environments within clusters foster firm efficiency, innovation, and performance".

5.4.1.2 Roads services

This study indicated that roads services have both average influence and large influence on entrepreneurship development. This implies that entrepreneurs who found in the area with the improved roads services have the opportunity to develop in entrepreneurship compared to the entrepreneurs who found in the area with poor roads services. It is due to the low cost of transport in the area of improved road infrastructure relative to the high cost of transport in the area where road infrastructure has been poor. This result is consistent with that of Hurst et al (2004) of which they found that "The remoteness of rural areas, their isolation from important business support networks, and limited local demand for innovative products and services continue to be major barriers faced by entrepreneurs in rural areas."

5.4.2 Local government regulations

5.4.2.1 Licensing

According to the finding results shown that entrepreneurs who did not license his/her business, entrepreneurs who licensed his/her business below 100,000Tsh and entrepreneurs who licensed his/her business above 300,001Tsh are less to develop in entrepreneurship compared with entrepreneurs who licensed his/her business between 200,001Tsh and 300,000Tsh. On the other side, means that entrepreneurs who have a business license which cost between 200,001Tsh and 300,000Tsh have higher opportunity to develop in entrepreneurship compared to the entrepreneurs who have not business license, entrepreneurs who have a business license which cost below 100,000Tsh, and entrepreneurs who have a business license which cost above 300,001Tsh. It is because entrepreneurs who did not issue a license did business by troubling local government officials, even to pay fines to local authorities. But entrepreneurs, who have a business license which cost between 200,001Tsh and 300,000Tsh concentrated a lot on doing business rather than escaping local government officials, also have permission to market the varieties of products in the same area compared to the businessman who has a license of business which cost below 100,000Tsh because they restricted to sell some products. Also, the study confirmed that the business license which cost above 300,000Tsh was not

favourable for entrepreneurs compared to the business license which cost between 200,001Tsh and 300,000Tsh. The results are similar to the study of Isaiah, (2013) that showed that "regulatory policies on licensing influenced entrepreneurs' decisions to start business ventures".

5.4.2.2 Taxation

According to the finding results, entrepreneurs who were paying tax to the local government (village authorities) above 8,001Tsh per month have low opportunity to develop in entrepreneurship than the entrepreneurs who were paying tax between below 4,000Tsh per month. These because some village authorities have by-laws that have progressive marginal tax rates and rate of tax that discourage entrepreneurs' entry. This result is not very different from that of Carree and Thurik (2012) who argued that "There is evidence that correctly applied tax policies may provide incentives for innovation and growth of firms" and Gentry and Hubbard (2010) who argued that "progressive marginal tax rates discourage entry by entrepreneurs with the most promising business projects and discourages entrepreneurship.

5.4.2.3 Local government entrepreneurship training

The results from a regression analysis of this study indicate that entrepreneurs who trained more than two times by local government have the opportunity to develop in entrepreneurship compared with entrepreneurs who did not receive entrepreneurship training from local government. This is because entrepreneurs who are most trained by local government have a great chance to search for another business opportunity that occurs within the district, also enjoying fundamental skills of doing business from local government trainer, more that they trained about enterprise risk management which enables them to determines the health and life of their business enterprise. This supported by Volery, Müller, Oser, Naepflin and Del Rey (2013) who agree that entrepreneurship is a learned phenomenon (entrepreneurs are not born), but profoundly shaped by their experiences as they evolve and progress in life, being influenced by all and everyone they meet, such as teachers, mentors, parents, and role models. Also, Kuratko, Schindehutte,

and Spivack (2015) maintain that entrepreneurial skills can be obtained through training and education. More to that Carree and Thurik (2012) argued that empowering people to take entrepreneurial initiatives and helping them to build formidable businesses skill has been one of the most effective ways of reducing monotony and putting the people's life into their hand.

5.4.3 Local government entrepreneurship loans

The studies have shown that entrepreneurs who received loan between 2,000,001Tsh and 3,000,000Tsh from local government have higher opportunity to develop in entrepreneurship compared with entrepreneurs who have no loan from local government; this is because the local government loan has no interest rate and its repayments are on instalment. This so differs with the loan from other institutions which have a high-interest rate. This result is not different from that of Nosratabadi (2020) who found that small loan programmes with a reduced interest rate have a positive and significant effect on employment for micro and small enterprises. Also, Muogbo and Uchechukwu (2019) recommend that "Government should encourage entrepreneurship development through the provision of incentives to entrepreneurs and standing as a guarantor for loans given to aspiring entrepreneurs to improve their contribution to Gross Domestic Product."

CHAPTER SIX

SUMMARY, CONCLUSION AND POLICY IMPLICATION

6.1 Overview

This chapter presents a summary of the findings obtained from the discussion in the previous chapter. The conclusion and policy implication also is presented whenever

necessary for improving the situation by policymakers and planners. Furthermore, this chapter will present areas of further research and the limitations of the study.

6.2 Summary and conclusion

The growth of an economy, the innovation of business operations and the birth of new jobs are issues arising in this 21st century, these issues have had an impact on societies and countries. Entrepreneurship has proven to be one of the key factors that influence the growth of an economy by increasing the number of business and increasing the number of employment both in developing countries and developed countries (ITC, 2012).

Local government has an important role to play in supporting economic development by promoting the field of entrepreneurship. This study aimed to examine the role of local government expenditure in entrepreneurship development and its specific objectives were to describe the demographic characteristics of individuals who engage in entrepreneurship, to analyze social-economic factors that influencing entrepreneurship development and to examine forms of local government expenditure that applies to promote entrepreneurship development. The survey data was collected from 255 entrepreneurs as respondents from Mbinga districts in Ruvuma region. Descriptive statistical analysis, multiple linear regression analysis and ordered probit analysis were used to answer the questions arising from three objectives above.

For the case of the first objective, findings represented demographic characteristics of individuals who engage in entrepreneurship, it was observed that the average age of entrepreneurs who engage in entrepreneurship was 32 whereby the minimum age were 19 and maximum age were 59. Also finding results showed that 147 (57.65%) of the entrepreneurs were female while 108 (42.35%) of the entrepreneurs were males, more to that a study has shown that 217 (85%) of entrepreneurs were from primary school, secondary school, college and technical school while 35 (14%) attend university levels and only 3(1%) not attended to school.

In the second objective, the study analyzed social-economic factors that influencing entrepreneurship development by using multiple linear regression model, the study

findings shown that local government expenditure, household's size, education level, number of business and parent's financial status were statistical significance while previous employment and academic qualification were statistically insignificant. But on the other side, local government expenditure, entrepreneurs from a rich family, entrepreneurs who own more than one business, entrepreneurs who have a college education, technical education and university education have higher opportunity to develop in entrepreneurship while entrepreneurs who have a higher number of households (more than 13 households) have low opportunity to develop in entrepreneurship.

In the third objective, the study examined forms of local government expenditure that applies to promote entrepreneurship development by using an ordered probit model. The study findings have shown that the business centre, roads services, licensing, taxation, entrepreneurship loan, and entrepreneurship training were statistically significant while power connection was statistically insignificant. But on the other side, the study concluded that business centre and roads services have both average and great influence on entrepreneurship development while entrepreneurs who most trained (More than 2 times) by local government have opportunity to develop in entrepreneurship, and entrepreneurs who own license which cost between 200,001Tsh and 300,000Tsh have also opportunity to develop in entrepreneurship, but entrepreneurs who paying tax to the local government (village authorities) above 8,001Tsh have low opportunity to develop in entrepreneurship. More to that entrepreneurship loans between 2,000,001Tsh and 3,000,000Tsh from local government were favorable for entrepreneurs compared with other amounts of loans.

6.3 Policy implication

Based on the findings of this study, the average age of entrepreneurs who engage in entrepreneurship was 32 whereby the minimum age were 19 and maximum age were 59. For this reason, the study recommends the government of the United Republic of Tanzania should ensure that working ages (prime working age) have the conducive environment of doing business by enabling them to access capital from various empowerment funds and other financial institutions, like emphasizing all local government authorities to continue

to provide 10 Percent of their revenue to the entrepreneurs. More to that the study has shown that only 1 Percent of respondents were entrepreneurs from universities level, to solve this the policymakers should formulate the policies which will enable graduate students from the universities to access capital for a small interest rate loans.

Also, the study shown that local government expenditure, household's size, parent's financial status, education level, and the number of business were important factors for entrepreneurship development; the study recommended that policymakers should formulate the policies which will facilitate local authorities to contribute a large percentage of their revenue to the entrepreneurship development than contributing only 10%. The government should also continue to provide education to the societies about family planning, which will reduce the number of household's size in a family. This will facilitate most of the entrepreneurs to develop in entrepreneurship because the study concluded that family with a higher number of households was less to develop in entrepreneurship compared with the family with a low number of households. Not only these but also the study concluded that college education, technical education and university education were most important factors for entrepreneurship development, therefore the study suggested that there is need for local government to keep on improving schools' infrastructure for motivating more people to join in the school, as well as to launch compulsory entrepreneurship syllabus for all level of education.

More to that business centre, road services, licensing, taxation, training and entrepreneurship loans were found to be among the forms of local government expenditure that applied to promote entrepreneurship development. As a result, the study suggested that there is need to have even one business centre or cluster in each ward, also government should ensure Tanzania Rural and Urban Roads Agencies (TARURA) have enough budget for planning, designing, constructing and maintaining rural and urban roads network. This will harmonize most of the individual in the rural area to engage in entrepreneur activities because of the low cost of transportation. Additional there is need for local authorities to keep on providing entrepreneurship training not only focusing to

entrepreneurs who have loans from local government, but also to other entrepreneurs who have no loans from local government, this will enable most of the entrepreneurs to take entrepreneurial initiatives and helping them to build formidable businesses skill.

6.4 Limitation of the study

This study used only profit and sells to measure entrepreneurship development and multiple linear regression models and ordered probit model were used to estimate magnitude and direction of the variables since the magnitude and direction of the variables can vary depending on how you measured variables and the model used to estimate the coefficient of the variables. Therefore we need another study which will measure entrepreneurship development in another way rather than profit and sales, and also other models to estimate the coefficient of the variables. The main problem of this research encountered was the refusal of some respondents to complete the questionnaire. This has been overcome by showing respondents a permission letter from District executive Director (DED) allowing the researcher to conduct research and explain the purpose of research, and how the information will be confidentially treated and how the research is going to help them in finding solutions to their problems. Also, coverage challenges were countered through village executive officers (VEO) who assist to collect data across the ward concurrently to save time.

6.5 Area for further study

There is a need to do many kinds of research regarding local government expenditure and entrepreneurship development because the local government have higher chance to transform entrepreneurs' environment, example the study suggests further research on how local government funds like Women Development Fund (WDF) can influence entrepreneurship development. Further, on how legal and regulatory frameworks of local government can influence SMEs growth in Tanzania.

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APPENDICES

Questionnaire

I am a **CHRISTOPHER NTANDU** student at Mzumbe University in Morogoro Tanzania, pursuing Masters in Project Planning and Management (Msc. PPM). I'm researching partial fulfilment of the requirement for the award of the master's degree.

The research seeks to **"Examine local government expenditure on entrepreneurship development in Tanzania: a case of Mbinga district".** Participation in the research study is voluntary. Any information you forward will be treated with the utmost confidentiality and will not be used for any purpose other than study objective.

(Tick on your answer)

1.0 Demographic information

1.1 How old are you? .....

1.2 What is your Gender?

a) Male
b) Female

1.3 What is your highest education level?

a) Never attended school
b) Primary education
c) Secondary education
d) Technical school
e) University education

1.4 Are you an entrepreneur?

a) Yes
b) No

1.5 If yes in question 1.4, which type of business are you doing ……..

2.0 Family background

2.1 How many of your parents are alive?

a) None
b) One
c) Two

2.2 How will you describe your parent(s) financial outlook?

a) Poorest
b) Poor
c) Middle
d) Rich
e) Richest

2.3 How many members of your family (households) depend on you? .....

3.1 Education background

3.1 Do you have any academic qualification?

a) Yes
b) No

3.2 If yes in question 3.1 what is your academic qualification?.....

3.3 Is your educational qualification equivalent to your business firms?

a) Yes

b) No

4.0 Entrepreneurial experience

4.1 Have you ever been employed before?

a) Yes

b) No

c) Employed up-to-date

4.2 If you ever employed, was your work in the same field as your business(s)?

a) Yes

b) No

4.3 Has your past work experience helped build up your business(s)?

a) Yes

b) No

4.4 How many numbers of business(s) do you have/own? .....

5.0 Physical Infrastructure

5.1 In what extent did the following factors influence you to do your business(s)?

No	Factors	Not at all	Small extent	Moderate extent	Large extent	Very large extent
1	Business centre					
2	Roads					
3	Power connection					

6.0 Local government regulation

6.1 Is your business licensed?

a) Yes

b) No

6.2 If no answered in question 6.1, what is the main reason? …….

6.3 If yes answered in question 6.1, How much money have you spent to get your business license? .....

6.4 Are you paying tax to the local government authority?

a) Yes
b) No

6.5 If yes in question 6.4 how much are you paying per month? ……

6.6 If no in question 6.4, what are the main reasons? ……

6.7 Have you ever been trained by the local government about entrepreneurship?

a) Yes
b) No

6.8 If yes in question 6.7, how many times did you train by the local government about entrepreneurship?.....

7.0 Loans information

7.1 Have you ever received loans from local government?

a) Yes
b) No

7.2 If yes in question 7.1 how much amount of loan you received from local government? ……..

8 Entrepreneurship development

8.1 In general, to what extent does your sales grown since you started to do your business?

a) Not at all
b) Small extent
c) Moderate extent
d) Large extent
e) Very large extent

8.2 Complete the table below showing your business(s) profits history over the past six (6) months

No	Months	Profit per Month
1		
2		
3		
4		
5		
6		

THANKS FOR PARTICIPATION

***

Summary statistics for variables

Table A1: Summary statistics for age, gender and education level of respondents

```
. sum age

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
         age |        255    31.84314    8.213137        19         59

. tab gender

  Gender of
respondents |      Freq.     Percent        Cum.
------------+-----------------------------------
     Female |        147       57.65       57.65
       Male |        108       42.35      100.00
------------+-----------------------------------
      Total |        255      100.00

. tab edul

 Respondents education level |      Freq.     Percent        Cum.
-----------------------------+-----------------------------------
    Never attended to school |          3        1.18        1.18
          Primary education  |        101       39.61       40.78
        Secondary education  |         65       25.49       66.27
College and Technical school |         51       20.00       86.27
       University education  |         35       13.73      100.00
-----------------------------+-----------------------------------
                       Total |        255      100.00
```

Table A2: Summary statistics for family networking and family financial status

```
. tab fnw

    Respondents family |
 networking/family ties |      Freq.     Percent        Cum.
------------------------+-----------------------------------
 Less than 3 households |         82       32.16       32.16
       4 - 6 households |         58       22.75       54.90
       6 - 8 households |         60       23.53       78.43
      9 - 11 households |         26       10.20       88.63
More than 12 households |         29       11.37      100.00
------------------------+-----------------------------------
                  Total |        255      100.00

. tab ff_sta

    Family |
  financial |
  status of |
respondents |      Freq.     Percent        Cum.
------------+-----------------------------------
    Poorest |         29       11.37       11.37
       Poor |         69       27.06       38.43
     Middle |        136       53.33       91.76
       Rich |         17        6.67       98.43
    Richest |          4        1.57      100.00
------------+-----------------------------------
      Total |        255      100.00
```

Table A3: Summary statistics for the number of business of respondents, license group and tax group

Number of business of respondents	Freq.	Percent	Cum.
One	162	63.53	63.53
Two	58	22.75	86.27
More than two	35	13.73	100.00
Total	255	100.00	

. tab liceg

Licence group of respondents	Freq.	Percent	Cum.
Not licensed	111	43.53	43.53
Between 1 and 100,000	129	50.59	94.12
Between 100,001 and 200,000	6	2.35	96.47
Between 200,001 and 400,000	4	1.57	98.04
Above 300,001	5	1.96	100.00
Total	255	100.00	

. tab taxg

Tax level group	Freq.	Percent	Cum.
Not paying tax	142	55.69	55.69
Between 1 and 4,000	91	35.69	91.37
Between 4,001 and 6,000	18	7.06	98.43
Between 6,001 and 8,000	1	0.39	98.82
Above 8,001	3	1.18	100.00
Total	255	100.00	

Table A4: Summary statistics for entrepreneurship training and loan

```
. tab train

 Entrepreneurship
         training |      Freq.     Percent        Cum.
------------------+-----------------------------------
      Not trained |        179       70.20       70.20
          1 times |          8        3.14       73.33
          2 times |         38       14.90       88.24
          3 times |         22        8.63       96.86
More than 4 times |          8        3.14      100.00
------------------+-----------------------------------
            Total |        255      100.00

. tab loan

    Loans from local government |      Freq.     Percent        Cum.
--------------------------------+-----------------------------------
                Not received loan |        204       80.00       80.00
       Between 1 and 1,000,000 |         16        6.27       86.27
Between 1,000,001 and 2,000,000 |         21        8.24       94.51
Between 2,000,001 and 3,000,000 |         13        5.10       99.61
                Above 3,000,001 |          1        0.39      100.00
--------------------------------+-----------------------------------
                          Total |        255      100.00
```

Table A5: Results of the multiple linear regression analysis

Linear regression

Number of obs	= 255
F(19, 235)	= 11.62
Prob > F	= 0.0000
R-squared	= 0.3404
Root MSE	= .78889

Inen_prof	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
Inage	.0407792	.2084228	0.20	0.845	-.3698368	.4513951
genderD1	.0986489	.1080509	0.91	0.362	-.1142232	.311521
lgeD1	.3031116	.1187721	2.55	0.011	.0691175	.5371058
fnwD1	.0455851	.1547222	0.29	0.769	-.2592347	.3504048
fnwD2	.0074923	.1725455	0.04	0.965	-.3324413	.3474259
fnwD3	-.2910729	.1986562	-1.47	0.144	-.6824475	.1003018
fnwD4	-.6747662	.1760372	-3.83	0.000	-1.021579	-.3279535
ff_staD1	.2934144	.1989487	1.47	0.142	-.0985364	.6853652
ff_staD2	.2253376	.1937937	1.16	0.246	-.1564573	.6071326
ff_staD3	.49739	.2389435	2.08	0.038	.0266451	.9681349
ff_staD4	.5482098	.4476318	1.22	0.222	-.333674	1.430094
edulD1	.2398492	.2023942	1.19	0.237	-.1588896	.638588
edulD2	.0327418	.1325468	0.25	0.805	-.22839	.2938736
edulD3	.394305	.1364285	2.89	0.004	.1255259	.6630841
edulD4	.9415237	.2176425	4.33	0.000	.5127439	1.370303
a_qualD1	.1105574	.1354099	0.82	0.415	-.1562151	.3773298
p_empD1	.2072915	.1272108	1.63	0.105	-.0433277	.4579106
n_busD1	.3082041	.1174763	2.62	0.009	.0767629	.5396453
n_busD2	.3668953	.1514279	2.42	0.016	.0685657	.6652249
_cons	9.246105	.7607724	12.15	0.000	7.747299	10.74491

Table A6: Ordered probit regression results

Ordered probit regression — Number of obs = 255
LR chi2(28) = 105.17
Prob > chi2 = 0.0000
Log likelihood = -288.82804 — Pseudo R2 = 0.1540

en_sales	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
b_cenD1	.0683209	.2547431	0.27	0.789	-.4309663	.5676081
b_cenD2	.0932792	.186894	0.50	0.618	-.2730263	.4595846
b_cenD3	.2330239	.223617	1.04	0.297	-.2052572	.6713051
b_cenD4	.5714814	.3240969	1.76	0.078	-.0637368	1.2067
roadsD1	.109423	.2855207	0.38	0.702	-.4501872	.6690333
roadsD2	.4722471	.2697448	1.75	0.080	-.056443	1.000937
roadsD3	.7424419	.2719702	2.73	0.006	.20939	1.275494
roadsD4	.6774043	.3491005	1.94	0.052	-.0068202	1.361629
p_connD1	.3820587	.2521953	1.51	0.130	-.1122349	.8763523
p_connD2	.1583445	.229868	0.69	0.491	-.2921886	.6088775
p_connD3	.1601013	.2250701	0.71	0.477	-.2810279	.6012305
p_connD4	.2835614	.2500489	1.13	0.257	-.2065254	.7736483
licegD1	-1.454305	.5920534	-2.46	0.014	-2.614708	-.2939012
licegD2	-1.757665	.593636	-2.96	0.003	-2.92117	-.5941599
licegD3	-1.231354	.7640851	-1.61	0.107	-2.728933	.2662255
licegD4	-1.571469	.8531962	-1.84	0.065	-3.243703	.1007644
taxgD1	-.2143684	.1621126	-1.32	0.186	-.5321033	.1033665
taxgD2	-.1691925	.2930108	-0.58	0.564	-.743483	.4050981
taxgD3	-.6315695	1.260171	-0.50	0.616	-3.101459	1.83832
taxgD4	-1.352623	.687083	-1.97	0.049	-2.699281	-.0059654
trainD1	-.0514637	.4320111	-0.12	0.905	-.8981899	.7952624
trainD2	.6581791	.2375373	2.77	0.006	.1926147	1.123744
trainD3	.8054104	.2859964	2.82	0.005	.2448677	1.365953
trainD4	1.6314	.4684426	3.48	0.000	.7132691	2.54953
loanD1	.1095559	.3126928	0.35	0.726	-.5033107	.7224225
loanD2	.0503843	.3067929	0.16	0.870	-.5509188	.6516874
loanD3	.998764	.386381	2.58	0.010	.2414713	1.756057

Table A7: Link test results

Ordered probit regression — Number of obs = 255; LR chi2(2) = 106.35; Prob > chi2 = 0.0000; Log likelihood = -288.241; Pseudo R2 = 0.1557

en_sales	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
_hat	1.063599	.1226594	8.67	0.000	.8231909	1.304007
_hatsq	.0811576	.0757958	1.07	0.284	-.0673994	.2297146
/cut1	-2.156013	.1594114			-2.468454	-1.843572
/cut2	-.9081983	.1214303			-1.146197	-.6701993
/cut3	.4977184	.1204409			.2616586	.7337781
/cut4	2.365189	.2905614			1.795699	2.934679