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Unboxing Entrepreneurial Motivations in Tanzania: Business-related and Personal-related Factors

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ABSTRACT

An increasing number of researches has explored entrepreneurial motivations in terms of either opportunity, necessity or a mix of these two, in emerging contexts such as informal economies of Least Developed Countries (LDCs). However, research has stopped short exploring entrepreneurial motivation beyond these three previously mentioned types. This study expands the distinction of opportunity, necessity and mixed motivations in LDCs by exploring additional underlying dimensions. Based on a literature review and a qualitative pre-study with experts on the spot, 170 informal entrepreneurs in Tanzania were surveyed with a questionnaire covering 30 items measuring entrepreneurial motivations. The analyses unbox entrepreneurial motivation in two new distinctive types: those motivations related to the business and those related to the person. On a general level, this study follows up on the increasing call for contextualization of entrepreneurship research. On a more granular level, this study contributes to the existing literature of entrepreneurial motivation, especially in LDCs, by providing detailed insights of two motivation types of *informal entrepreneurs in their consideration of shifting to the formal sector*. Moreover, detailed pertinent information of the informal entrepreneurs is described, providing a closer look at an LDC's informal economy.

KEYWORDS

Entrepreneurs; necessity motivation; opportunity motivation; pull factors; push factors

Introduction

Rooted in much psychology-influenced seminal work of entrepreneurial discovery, exploiting opportunities and need for achievement (cf. Atkinson, 1958; Durand, 1975; Fineman, 1977; Hornaday & Aboud, 1971; Kirzner, 1997; McClelland, 1961, 1965), entrepreneurial motivation¹ has become an important area of study among researchers and practitioners (Eijdenberg, 2016; Estay, Durrieu, & Akhter, 2013; Hessels, van

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¹The terms “entrepreneurial motivation(s)”, “motivation(s)”, “motive(s)”, and “motivational factor(s)” are used interchangeably, having the same meaning.

Gelderen, & Thurik, 2008a, 2008b). Studies on entrepreneurial motivation are intensively investigating the factors motivating entrepreneurs – seen as creators of organizations (Gartner, 1988) – into joining the informal sector² particularly in Least Developed Countries (LDCs) (Abdallah & Eijdenberg, 2019; Eijdenberg & Borner, 2017; Eijdenberg, Thompson, Verduijn, & Essers, 2019; La Porta & Shleifer, 2014) and how the entrepreneurs from the informal sector improve their living standards (Eijdenberg, 2016; Eijdenberg et al., 2019; Eijdenberg & Thompson, 2020b; Sutter, Webb, Kistruck, Ketchen, & Ireland, 2017; Webb, Ireland, & Ketchen, 2014; Williams & Nadin, 2010; 2012). In contrast to the formal economy, “the informal economy consists of economic activities that occur outside of formal institutional boundaries but which remain within informal institutional boundaries for large segments of society” (Webb, Bruton, Tihanyi, & Ireland, 2013, p. 598).

Previous studies on entrepreneurial motivation (Adom & Williams, 2014; Bennett, 2010; Williams & Nadin, 2010) considered the informal sector as a beginning stage for entrepreneurs to participate in economic activities, where they accumulate resources before shifting to the formal sector. These studies, particularly from the developed world, view the informal and formal sector as interdependent sectors whereby entrepreneurs from the informal sector can easily shift to the formal sector (Williams & Lansky, 2013; Williams & Nadin, 2012). However, studies (Abdallah & Eijdenberg, 2019; Eijdenberg et al., 2019; Williams, 2014; Williams & Nadin, 2010) indicate that entrepreneurs, especially in LDCs, can possibly venture in the informal sector and also stay permanently (“enter” and “stay”, see: Abdallah & Eijdenberg, 2019), which implies that the informal and the formal sector are independent or at least largely independent. In this respect, scholars have associated the informal sector with necessity motivation (akin to “push” factors) and the formal sector with opportunity motivation (akin to “pull” factors) (Abdallah & Eijdenberg, 2019; Eijdenberg & Borner, 2017; Williams, 2007, 2008). Refer to Dawson and Henley (2012) for an extensive discussion on push and pull factors.

Amongst the reasons of coupling the informal sector with necessity motivation is the intention of entrepreneurs from the informal sector to create small businesses for meeting basic needs, as a result, the businesses are less likely to grow to improve their living standards (Asah, Fatoki, & Rungani, 2015; Benzing & Chu, 2009; Eijdenberg & Borner, 2017). Conversely, the formal sector is normally associated with opportunity motivation because entrepreneurs from the formal sector are predominantly influenced by the need to exploit the identified opportunities (Eijdenberg et al., 2019; Hessels et al., 2008a; Wennekers, van Stel, Thurik, & Reynolds, 2005) to become more independent, flexible and having a better life. This means that the informal and the formal sector are different, identified by mutually exclusive necessity and opportunity motivations.

Studies on entrepreneurial motivation (cf. Adom & Williams, 2014; Williams & Nadin, 2012) noted that entrepreneurs from the informal sector in LDCs can possibly be motivated by a mix of motivations, and, motivations can also change over time (Eijdenberg, Isaga, Paas, & Masurel, 2019). The mixed motivations combine both necessity and opportunity motivations and can improve the living standards of entrepreneurs (Eijdenberg, 2016; Eijdenberg, Paas, & Masurel, 2015; Langevang, Namatovu, & Dawa, 2012). Similarly, the mixed motivations enable an entrepreneur to acquire more skills for

²We refer to “sector” and “economy” interchangeably.

producing new products/services/processes, improving working conditions and becoming own boss (Eijdenberg & Masurel, 2013; Eijdenberg et al., 2015). However, apart from the debate on the dichotomy of the necessity and opportunity motivations, the area of entrepreneurial motivation that is related to entrepreneurs who may consider shifting from the informal to the formal sector in LDCs is barely researched. Hence, this study provides the answer to the following research question (RQ): “*What are the motivations of informal entrepreneurs who may consider shifting to the formal sector in a Least Developed Country such as Tanzania?*”

On a general level, this study follows up on the increasing call for contextualization of entrepreneurship research (Tlaiss, 2019; Welter, Baker, & Wirsching, 2019; Welter & Smallbone, 2011; Welter, Smallbone, & Pobol, 2015). On a more granular level, this study contributes to the existing literature of entrepreneurial motivation, especially in LDCs (Benzing & Chu, 2009; Chu, Benzing, & McGee, 2007; Eijdenberg & Masurel, 2013; Eijdenberg et al., 2015; Frese, Brantjes, & Hoorn, 2002), by moving beyond the framework of merely necessity, opportunity or mixed motivations, but adding two new clusters: motivations that are related to the business and to the person. In contrast to this literature stream (*Ibid.*), this is not done by referring only to the motivations at the start of the business (i.e. in hindsight), but rather in light of *entrepreneurs from the informal sector in their consideration of shifting to the formal sector*. Based on the findings, suggestions for practitioners and future research are made.

The next section discusses the relevant literature. Thereafter, the methods are discussed followed by the findings. The paper closes with a discussion and conclusion.

Literature review

As previously mentioned, an important condition of this paper is that the entrepreneurs under study were surveyed at a particular stage during their business operation: the entrepreneurs were considering shifting from the informal to the formal sector. Therefore, this literature review first starts with a discussion of background literature of the formal and informal sector; thereafter, entrepreneurial motivation will be discussed.

Differences between the formal and informal sector

With respect to other viewpoints, literature has identified the differences of the formal and informal sector from three different general perspectives: the social-economic perspective, the behavioral perspective, and the institutional perspective (Nelson & Bruijn, 2005).

In the socioeconomic perspective, businesses from the informal sector are considered to be small in size, family owned, relying on indigenous resources, low in technology and low possibility to become self-employed (Eijdenberg & Borner, 2017; Khavul, Bruton, & Wood, 2009; Kiggundu, 2002; Williams, 2014). These characteristics explain what may be regarded as one of the weaknesses of businesses from the informal sector (Williams & Nadin, 2012), viz. they are labor intensive instead of capital intensive. As a result, they have higher transaction costs, they are unable to benefit from economies of scale, and they have low social welfare and low labor productivity (Ferreira-Tiryaki, 2008; Ulysea, 2010). Conversely, businesses from the formal sector are run by more qualified

entrepreneurs who aim at meeting public services and maintaining the quality of services and products for customers (Khayesi & George, 2011; Khayesi, George, & Antonakis, 2014; Williams, 2014).

The second perspective highlights the proactive behavior connected with motives, decisions, and success of a business (Koop et al., 2000). According to this view, the majority of the entrepreneurs from the informal sector establish businesses because of lack of choice, or other push factors such as economic vulnerability, unemployment, children care, lack of or dissatisfaction with a job, and redundancy, amongst others (Abdallah & Eijdenberg, 2019; Eijdenberg, 2016; Eijdenberg & Masurel, 2013; Khavul et al., 2009). Conversely, businesses from the formal sector are established by entrepreneurs pulled by opportunity motives such as the desire to become independent, increasing personal cq. family income or to fill the gap in the market (*Ibid.*)

Finally, the institutional perspective defines the informal sector as the one operating outside the government regulatory system (Eijdenberg & Thompson, 2020a; Eijdenberg et al., 2019; Webb et al., 2013; Webb, Tihanyi, Ireland, & Sirmon, 2009). Entrepreneurs from the informal sector conceal business operations to avoid taxes from government authorities. The risk of detection by tax authorities is viewed to be low compared to the cost of time and income spent on formalizing firms from the informal sector (Eijdenberg et al., 2019). Consequently, entrepreneurs from the informal sector enjoy low public trust due to inferior goods or services, lack of access to resources (e.g. land, credits), penalties once caught, and weak rule of law. Additionally, they lack financial benefits, such as the possibility to purchase materials on credit, to borrow from formal financial institutions, and to cash discounts (George, Kotha, Parikh, Alnuaimi, & Bahaj, 2016; Khavul et al., 2009; Kuzilwa, 2005)

Necessity motivations

Necessity motivations are defined as internal stimuli such as anger or fear which drives an entrepreneur to find the means of reducing tension (Carsrud & Brännback, 2011). Amongst necessity motivations include intention to support the family, to take care of the children, to avoid redundancy and frustration from losing a job, and to earn a reasonable living standard (Poschke, 2013; Sadi & Al-Ghazali, 2012). Literature noted that most of the entrepreneurs in LDCs are driven by necessity motivation. This is supported by, for example, Eijdenberg (2016), Eijdenberg and Borner (2017) and Khavul et al. (2009) who found out that most of the entrepreneurs from the informal sector in LDCs created businesses because it was the only alternative for them to earn the daily incomes. The finding indicates that push factors influence entrepreneurs into starting small businesses in the informal sector.

Scholars (e.g. Abdallah & Eijdenberg, 2019; Eijdenberg et al., 2019; Khavul et al., 2009; Williams, 2008) argue that the phenomenon of necessity motivation is mostly caused by three factors; first, the disposing factors (lack of experience); second, the triggering factors (lack of ability to promote entrepreneurial activities that increase the supply of new products, create new processes and identify markets for products); and finally, the constraining factors that include lack of finance, lack of networking, lack of innovative skills and business expansion, lack of proper locations for businesses, and stress due to hard work. As a result, businesses from the informal sector generate hardly income for the entrepreneurs' survival (Chu,

Benzing, & McGee, 2007). In relation to the shift from the informal to the formal sector, the question is whether entrepreneurs in this process are able to build competitive advantages (Hessels et al., 2008a) because their aim is to meet basic needs.

Opportunity motivations

In contrast to necessity motivation, opportunity motivation is related to the exploitation of market opportunities (Drucker, 2002; Eckhardt & Shane, 2003). Entrepreneurs motivated with opportunity drivers identify opportunities through the discovery of market disequilibrium (Sarasvathy, Dew, Velamuri, & Venkataraman, 2010). In this regard, the identification of entrepreneurial opportunity is associated with the process of perception, discovery and evaluation (Ardichvili, Cardozo, & Ray, 2003; Sarasvathy et al., 2010; Shane & Venkataraman, 2000). Subsequently, the identified opportunity is implemented in one of the two ways: (1) with the creation of a business in the formal sector (Choi & Shepherd, 2004; Webb et al., 2009), and (2) with the shift of a business from the informal to the formal sector (Webb et al., 2014, 2009). The shift from the informal to the formal sector equips entrepreneurs with the knowledge necessary for identifying more entrepreneurial opportunities (George, Corbishley, Khayesi, Haas, & Tihanyi, 2016; George et al., 2016; Khayesi & George, 2011; Khayesi et al., 2014).

Mix of entrepreneurial motivations

Research on entrepreneurial motivation is associated with the mix of motivations akin to “push-pull” factors (Hessels et al., 2008a). The mix of motivations emerged from the call of scholars who noted that entrepreneurial motivation is a more complex phenomenon than the dichotomy of necessity and opportunity (Dawson & Henley, 2012; Williams, 2008; Williams & Gurtoo, 2011; 2012; Williams & Nadin, 2012). Similarly, most of the entrepreneurs in LDCs determine motivations revealing the presence of both types of motivations (Adom & Williams, 2014; Eijdenberg, 2016; Eijdenberg et al., 2015). This means that the assessment of the factors motivating entrepreneurs to shift from the informal to the formal sector in LDCs should consider the mix of motivations as opposed to previous studies that dealt with either necessity or opportunity motivation.

In addition to the mix of necessity and opportunity motivations, there are more types beyond this dichotomy such as personal-related and business-related motivations (Benzing & Chu, 2009; Chu et al., 2007). Important to note is that although the informal sector plays a smaller role in these studies, the respondents under study were framed as owners of micro- and small-sized enterprises (MSEs) that can *possibly* operate in the informal sector. The cluster of personal-related motivations enhances the shift from the informal to the formal sector, whereas the business-related cluster plays a key role to support the process of formalization (Chu et al., 2007; Frese et al., 2002; Krauss, Frese, Friedrich, & Unger, 2005). The personal-related motivations include factors such as independence, self-realization, recognition (social status), innovation (creative skills of doing enjoyable work), business expansion and societal commitment. The cluster of business-related motivations embraces factors such as financial success, access to finance, networking and

freedom from government (Abdallah & Eijdenberg, 2019; Eijdenberg, 2016; Eijdenberg & Masurel, 2013; Eijdenberg et al., 2019; Khavul et al., 2009; Shane, Locke, & Collins, 2003).

Methods

Context of the study

The data collection took place in The United Republic of Tanzania, or short “Tanzania”. This country is home of more than 55 million people. The country’s legislative seat is Dodoma and largest commercial capital is Dar Es Salaam. Kiswahili is the first language to most of the Tanzanians; however, many other languages including English are widely spoken (Central Intelligence Agency, 2019). Tanzania is marked as LDC based on the inclusion criteria concerning low scores of gross national income, human assets index and economic vulnerability index (United Nations, 2019). Although rich in natural resources, Tanzania has a strong agriculture-dependent economy with an estimated gross domestic product per capita of USD 3200 (Central Intelligence Agency, 2019). In the past decades, Tanzania transformed from a strong agriculture focussed economy in times of “African Socialism” toward a more open market-driven economy (Inukai, 1974; Kim, 1978). However, Tanzania’s economic development is hindered by poor infrastructure, considerable poverty, low life expectancy and government and market failure – factors that are comparable with other LDCs in the region (African Economic Outlook, 2019; Rivera-Santos, Holt, Littlewood, & Kolk, 2015).

Research design

To date, most research on entrepreneurial motivations have used large sample surveys and cross-country comparisons (e.g. Dawson & Henley, 2012; Hessels et al., 2008a, 2008b). Many of these studies have moved away from collecting self-reported data from limited samples for the purpose of showing broad, generalizable effects of entrepreneurial motivation. Admittedly, demonstrated relationships with self-reported data might be accidental (Hair, Anderson, Babin, & Black, 2010). However, conversely, a new wave calling for more contextualization of entrepreneurship research is on the rise (Welter, 2011; Welter et al., 2019; Welter & Smallbone, 2011). Following this trend, researchers investigating entrepreneurship in LDCs have “taken a step back” by conducting qualitative or mixed-methods research designs based on limited yet representative samples. Such research designs allow for making “snapshots” of entrepreneurship, making entrepreneurial motivations come alive (Abdallah & Eijdenberg, 2019; Eijdenberg, 2016; Eijdenberg & Thompson, 2020a; Eijdenberg et al., 2019; Isaga, 2019; Langevang et al., 2012).

With respect to contextualization, the so-called “qual → QUAN” approach to collect data was used (Molina-Azorín, López-Gamero, Pereira-Moliner, & Pertusa-Ortega, 2012, p. 442). This research design has often been used in LDCs (cf. Eijdenberg, 2016; Eijdenberg et al., 2015), and has shown to be effective to contextualize research measurements such as items in questionnaires. In this research design, a qualitative “pre-study” was conducted to justify the quantitative “main study”. During the main study, entrepreneurs were asked to indicate their level of agreement on a five-point Likert-type scale.

Then, the coded data were entered and analyzed, followed by a reversal of negatively worded items. Finally, the analysis of entrepreneurial motivation proceeded based on descriptive statistics, reliability analyses, *t*-tests, correlation analyses and factor analyses.

Data collection

The fieldwork was conducted between November 2014 and February 2015, in four urban regions of Arusha, Dar Es Salaam, Dodoma, and Tanga. The regions were chosen based on the reason that Dar Es Salaam and Arusha are the largest business towns in Tanzania where substantial entrepreneurial activities are taking place. Tanga and Dodoma were selected because of strategic locations and the data collector (i.e. the first author of this paper) leveraged his network in these two towns.

Prior to the main study, potential stakeholders were contacted to gain more knowledge about informal entrepreneurs and the motivational factors in Tanzania (i.e. the pre-study). For example, officers from the Ministry of Industry and Trade (MIT) (Department of Small and Medium-Sized Enterprises), the Business Registration and Licensing Agency (BRELA), and the Property and Business Formalization Program (in Kiswahili: MKURABITA) were interviewed. In these interviews, it was found that there is no relevant and reliable database kept for especially the informal sector in Tanzania. Hence, the study adopted a convenience sampling procedure (Saunders, Lewis, & Thornhill, 2016).

Similarly, qualitative interviews were conducted with 23 experts; six from MIT, ten from Small Industries Development Organization (SIDO) and seven from MKURABITA about push and pull factors in Tanzania (refer to details of BRELA, MKURABITA and SIDO: Abdallah & Eijdenberg, 2019; Eijdenberg et al., 2019; Kuzilwa, 2005). Further, a long list of push and pull factors from the literature – appropriate to the Tanzanian context – with both the experts from MIT and MKURABITA was discussed. Finally, the experts agreed upon which factors to include in the questionnaire. The questionnaire was developed in English and translated into Kiswahili. The two language versions were sent to a translator to check for inconsistency and/or possible translation errors. The corrected Kiswahili version was eventually sent to a pilot sample of 10 entrepreneurs in the tailoring industry (i.e. one of the prominent industries in the selected towns) for pre-testing of clarity, comprehension, consistency, and appropriateness of items (validity and reliability). This process led to only minor adjustments.

The main study started in Dar Es Salaam, followed by Arusha, Dodoma and finally Tanga. The data collector was accompanied by one research assistant in each town. These research assistants were initially trained to survey and were tested on research skills during the pilot study. The four assistants were familiarized with all research procedures. Entrepreneurs who were selected were those who were willing to be surveyed, worked in the industry for not less than three years and had less than 10 employees working for them. A total of 170 informal entrepreneurs from the tailoring industry were surveyed based on the measurement instrument in Table 1, with their numbers indicated in brackets as follows: Arusha (50), Dar Es Salaam (60), Dodoma (30), and Tanga (30).

The demographic characteristics of the respondents in terms of gender indicate that the majority (54.7%) of the respondents were men, followed closely by women (45.3%). The majority (47.6%) were between the ages of 31–40, followed by those with the 21–30 age group that accounts for 33.5%. In Tanzania, the common age group for informal

TABLE 1 Measurement Instrument.

Variable	Item (scale)
Demographic information	<p>What is your gender? (1 = Male; 2 = Female)</p> <p>What is your age group? (1 = Below 20; 2 = 21–30; 3 = 31–40; 4 = 41–50; 5 = 51–60; 6 = Above 60)</p> <p>Please indicate the highest level of education you have successfully attained (1 = Never attended school; 2 = Primary school; 3 = Ordinary level secondary school; 4 = Advanced level secondary school; 5 = Certificate/diploma; 6 = Advanced diploma/Bachelor's degree; 7 = Master's degree; 8 = Other (specify))</p>
Consideration of shifting from the informal sector to formal sector	<p>Have you attended any vocational training? (1 = Yes; 2 = No)</p> <p>In the future, I plan to switch from informal tailoring business to formal tailoring business (1 = Very unlikely; 2 = Unlikely; 3 = Neither unlikely nor likely; 4 = Likely; 5 = Very likely)</p> <p>At the moment, I want to switch from informal tailoring business to formal tailoring business (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p>
Access to finance (push factor)	<p>Registration of my business will connect my business to financial institutions (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will expose my business to access loans with lower interest rates from the financial institutions (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will be a barrier to raise my business capital (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p>
Financial success (push factor)	<p>Registration of my business will provide my business with an opportunity to earn a higher income (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will enable my business to create financial security for my family (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will leave my business with little personal savings (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p>
Freedom from government (push factor)	<p>Registration of my business will provide my business with documents of ownership in a court of law (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will allow my business to operate without government interruption (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will lead to the closure of my business for fear of government officers (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p>
Networking (push factor)	<p>Registration of my business will result in the participation of my business in trade exhibitions (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will permit my business to apply for tender from the central government, local government and government agencies (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p> <p>Registration of my business will attract few customers to the products of my business (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)</p>

(Continued)

TABLE 1 (Continued).

Variable	Item (scale)
Recognition (pull factor)	Registration of my business will raise my status as an entrepreneur in the tailoring industry (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will provide me as an entrepreneur with more respect from the society (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will bring to me more difficulties of reaching a higher personal position in the industry (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
Self-realization (pull factor)	Registration of my business will provide me with enough time to fulfill my personal vision (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will provide me with an opportunity to lead others (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will add no value to my career (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
Societal commitment (pull factor)	Registration of my business will provide my business with better labor conditions than before (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will allow my business to contribute to social organizations (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will expose my business to take less care of the environment (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
Business expansion (pull factor)	Registration of my business will allow my business to operate in the wider geographical area (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will allow my business to advertise its products (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will result in a decrease in the quantity of the products of my business to be sold in a year (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
Independence (pull factor)	Registration of my business will increase the possibility of engaging my own actions for business development (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will influence my desire to be own boss of my business (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business signifies abandonment of my strategies (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
Innovation (pull factor)	Registration of my business will empower my personal actions to change my dreams into reality (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will provide me with the ability to create new markets (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)
	Registration of my business will stimulate repetition of my old design of clothes (1 = Strongly disagree; 2 = Disagree; 3 = Neither disagree nor agree; 4 = Agree; 5 = Strongly agree)

economic activities is 15–35 (United Republic of Tanzania, 2019); therefore, the highest response of 81.1% at the ages of 21–40 is justified by the Integrated Labor Force Survey conducted in Tanzania in 2014. Regarding educational qualifications, the majority (64.7%) of the respondents possessed primary education followed by those who completed ordinary secondary education (31.2%). This aligns with “2014 Integrated Labour Force Survey” that reported that entrepreneurs with low levels of education are mostly employed in the informal sector (*Ibid.*). However, in this study, most of the entrepreneurs (61.8%) supplemented their knowledge with vocational training.

Regarding (in)formality, all 170 entrepreneurs admitted that their businesses were not registered. When questioned about their considerations shifting from the informal to the formal sector *in the future*, the majority 60.6% of the respondents were undecided, 11.8% were unlikely, 4.1% were very unlikely, while 22.9% were likely and 0.6% were very likely to shift. Similarly, on the question whether or not entrepreneurs wanted to shift *at the moment* of this study, the majority (64.1%) of the respondents were undecided, 10.6% disagreed, 2.4% strongly disagreed, while 21.1% agreed and 1.8% strongly agreed.

Results

Preliminary analyses

The purpose of this study is to investigate factors motivating entrepreneurs in their consideration to shift from the informal to the formal sector. First, Cronbach’s Alpha values were calculated to be above 0.6 (closer to or above 0.7 is desirable) (Hair et al., 2010; Saunders et al., 2016). It is apparent that all items corresponding to the motivating factors created substantially reliable composite factors. Eventually, means and Standard Deviations for all entrepreneurial motivations were computed as shown in Table 2.

The overview of means and Standards Deviations indicates that all entrepreneurial motivations are hardly varying from 4.49 to 3.66. The range from 4.49 to 3.66 coincided with the scales of strongly agree, and neither agree nor disagree with the measurement scale. Therefore, it is evident that entrepreneurs from the informal sector have consistently perceived and rated entrepreneurial motivations on the higher end of the scale.

Likewise, the cumulative means of the entrepreneurial motivations from Table 2 show that “access to finance” is rated as the strongest factor motivating entrepreneurs. The rest of the factors which were rated according to the order of importance include “financial success”, “freedom from government”, “networking”, “recognition”, “self-realization”,

TABLE 2 Entrepreneurial Motivations: Means, Standard Deviations and Cronbach’s Alpha.

Entrepreneurial motivations	Mean	Standard deviation	Cronbach’s alpha
Access to finance (AF)	4.49	1.39	0.93
Financial success (FS)	4.23	1.12	0.77
Freedom from government (FG)	4.23	1.44	0.88
Networking (NW)	4.16	1.34	0.84
Recognition (RE)	4.10	1.35	0.82
Self-realization (SR)	4.09	1.24	0.80
Societal commitment (SC)	4.08	1.51	0.87
Business expansion (BE)	4.08	1.41	0.85
Independence (ID)	4.02	1.79	0.90
Innovation (IN)	3.66	1.87	0.90

TABLE 3 Correlation Table: Entrepreneurial Motivations in Tanzania (*t*-values).

	AF	FS	FG	NW	RE	SR	SC	BE	ID	IN
AF	1									
FS	8.12**	1								
FG	7.71**	.12	1							
NW	8.81**	2.24**	1.83*	1						
RE	10.01**	3.80**	3.38**	1.69*	1					
SR	10.42**	4.25**	3.98**	2.07**	.39	1				
SC	9.37**	3.98**	4.16**	2.02**	.37	.10	1			
BE	9.90**	4.18**	4.39**	2.20**	.52	.27	.30	1		
ID	9.63**	5.06**	4.92**	2.97**	1.95*	1.70*	1.82*	1.67*	1	
IN	14.16**	11.12**	11.14**	8.80**	9.24**	8.73**	8.40**	8.75**	7.37**	1

*Significant at the .05 level (2-tailed); **Significant at the .01 level (2-tailed).

“societal commitment”, “business expansion”, “independence” and, finally, “innovation”. The results of the cumulative means from Table 2 indicate that there are differences in the perceptions among entrepreneurs in the informal sector toward entrepreneurial motivations; therefore, the *t*-test was performed to determine whether the mean scores of entrepreneurial motivations indicated significant differences (Hair et al., 2010).

The results of the *t*-test in Table 3 show that “access to finance” is considered as significantly more important than the other nine motivations. Further, the results show that the mean values between the second and third highest ranked (“financial success” and “freedom from government”) differ significantly from the rest but not between themselves. They score higher than “networking” and the remaining six motivations. The pull motivations “recognition”, “self-realization”, “societal commitment” and “business expansion” were ranked in the middle. Although they did not statistically differ from each other, they significantly differed from the rest (i.e. “access to finance”, “financial success”, “freedom from government”, “networking”, “independence” and “innovation”). The most remarkable results are observed on the scores of “independence” and the lowest-ranked motivation “innovation”. The motivating factor “innovation” is significantly different from the preceding nine motivating factors and, thus, is appreciably the least perceived motivation.

Factor analyses

Principal Component Analysis was performed to determine the smallest number of components that represent the best interrelationships of variables (i.e. motivational factors) (Hair et al., 2010). The analysis started with the assessment of the suitability of the data. Preliminary tests for sampling adequacy indicated that the Kaiser-Meyer-Olkin (KMO) value was 0.83 which is greater than the recommended value of 0.6 (*Ibid.*), and Bartlett’s value was statistically significant at 0.00, meaning that the results of the two tests justified the implementation of factor analysis. A

TABLE 4 Initial Eigenvalues for Components Selected.

Component	Total	Rotation sums of squared loadings	
		Percentage of variance	Cumulative percentage
1	4.96	32.09	32.09
2	1.29	30.42	62.51

TABLE 5 Factor Analysis (Rotated Component Analysis).

Motivational factors	Component	
	1	2
AF	0.80	0.06
NW	0.78	0.14
FS	0.75	0.22
FG	0.67	0.45
SR	0.53	0.46
IN	-0.11	0.80
ID	0.25	0.77
BE	0.40	0.73
SC	0.44	0.71
RE	0.49	0.54
Eigenvalue	3.21	3.04
Percentage of variance explained (total 62.51)	32.09	30.42
Cronbach's Alpha	0.86	0.86

Principal Component Factor analysis was performed to explore the relationship between the motivational factors, and to determine the possibility of retaining the factors of entrepreneurial motivations within the components.

A criterion of scree test and Kaiser's criterion Eigenvalue of 1 or greater were performed to identify components of related responses and determine the motivational factors to be rotated. [Table 4](#) shows two identified components that explain cumulative variance amounting to 62.51%. More specifically, Component 1 explains 32.09% of the variance, and Component 2 explains 30.42%.

The factors were rotated using Varimax with Kaiser Normalization to generate the rotated component matrix reported in [Table 5](#).

The rotation was converged into three iterations so that the original order of variances was rearranged to reflect the order of the component structure. The rotated component matrix contains information about the unique contribution of a motivational factor to one component, but in the results, five motivational factors are highly loading onto two components. Therefore, in order to meet the requirement of Principal Component Analysis, the factors with high loadings across both Component 1 and Component 2 were deleted, and the component analysis was run again for the remaining five factors. The result in [Table 6](#) shows that each of the remaining five factors is highly loading onto one component, and therefore allow easier interpretation of the components. Similarly,

TABLE 6 Factor Analysis (Rerotated Component Analysis).

Motivational factors	Component	
	1	2
FS	0.81	0.26
AF	0.81	0.06
NW	0.80	0.05
IN	-0.04	0.90
ID	0.24	0.79
Eigenvalue	2.39	1.20
Percentage of variance explained (total 71.67)	47.72	23.95
Cronbach's Alpha (overall 0.71)	0.76	0.65

Table 6 indicates that “financial success”, “access to finance” and “networking” are clustered in Component 1, while Component 2 is loaded with “innovation” and “independence”.

As mentioned above, Component 1 includes three factors: “financial success”, “access to finance” and “networking”. In Table 1, “financial success” included the following items; “... with an opportunity to earn a higher income”; “... to create financial security to my family”; “... leave my business with little personal savings” (negatively worded). “Access to finance” was made up of “... connect my business to financial institutions”; “... expose my business to access loans with lower interest rates from the financial institutions”; “... a barrier to raising my business capital” (negatively worded). Moreover, “networking” was defined by the following items: “... participation of my business in trade exhibitions”; “... apply for tender from the central government, local government and government agencies”; “... attract few customers to the products of my business” (negatively worded).

Similar to various other entrepreneurship studies in LDCs making sense from factor analysis and labeling new constructs (e.g. “basic personal wealth versus advanced personal wealth”, see Eijdenberg, 2016; “pull versus push factors”, see Eijdenberg & Masurel, 2013; Isaga, 2019; “employee-CSR, community-CSR and environmental CSR”, see Choongo, van Burg, Masurel, Paas, & Lungu, 2017; “mainly effectual, mainly causal and balanced use decision-making”, see Eyana, Masurel, & Paas, 2018), we interpreted the components. That said, we acknowledge the ambiguity of entrepreneurial motivations. Different types of motivations can always overlap to a lesser or greater extent (cf. Dawson & Henley, 2012). However, based on the data, we observe clearly three factors that are predominantly financially related, both direct and indirect to business issues. Therefore, Component 1 could be called “business-related”. On the other hand, Component 2 has two factors, that is “innovation” and “independence”. “Innovation” was made up of “... empower my personal actions to change my dreams into reality”; “... provide me with the ability to create new markets”; “... stimulate repetition of my old design of clothes” (negatively worded). The items of “independence” are “... engaging my own actions for business development”; “... desire to be own boss of my business”; “... signifies abandonment of my strategies” (negatively worded). Obviously, the two factors are related to personal inspiration, and therefore, Component 2 is referred to as “personal-related”.

Reliability analyses

To assess the explanatory power of the two components, reliability analyses on the determinants were conducted. The Cronbach’s Alpha was 0.76 for Component 1 and 0.65 for Component 2; which is above the Cronbach’s Alpha of 0.6 recommended for most of the studies (Hair et al., 2010; Saunders et al., 2016). Similarly, the motivational factors are unidimensional, meaning that they are strongly associated with each other and represent a specific component. All motivational factors have a high loading of 0.7 and above on the component. It can be concluded that Component 1 and Component 2 are valid measures for the variance in this study, and the motivational factors included in the rerun factor analysis represent a reliable measurement of the two clusters. Based on the above assessment, sum scores across motivational factors contained in each component were calculated. The sum score of business-related (2.66) is higher than the sum score of personal-related (2.05). This means that most of the entrepreneurs from the informal sector

are stronger business-related motivated. This is not surprising given the lack of permanent jobs and unstable income of businesses from the informal sector in LDCs.

Discussion

This study investigates the factors motivating entrepreneurs in their consideration to shift from the informal to the formal sector in LDCs, in casu Tanzania. As an answer to the RQ, this study has evidenced that push factors were highly ranked, while the perception of entrepreneurs about pull factors was low and, consequently, pull factors were rarely considered as influencing factors. Furthermore, two components (i.e. “business-related” and “personal-related” motivations) emerged to be the main components of the factors that motivate entrepreneurs in their consideration of shifting from the informal to the formal sector.

On a general level, the findings add on to the calls for more contextualization of entrepreneurship, filling the gaps of little research of the informal economy and challenging contexts (e.g. LDCs) (Eijdenberg & Thompson, 2020a; Tlaiss, 2019; Welter, 2011; Welter et al., 2019; Welter & Smallbone, 2011; Welter et al., 2015). By doing so, the boundaries of settled typologies – such as entrepreneurial motivation – in entrepreneurship research are pushed by providing novel insights.

The contribution of the findings on a more granular level requires a brief introduction. Previous studies unsealed the dichotomy of necessity and opportunity motivations, or a mix of these two, (1) irrespective of context and on country-level (e.g. Carsrud & Brännback, 2011; Dawson & Henley, 2012; Hessels et al., 2008a, 2008b; Wennekers et al., 2005; Williams, 2008) and (2), in the event of LDC-contexts and informal economies, based on self-reported data (e.g. Adom & Williams, 2014; Eijdenberg, 2016; Eijdenberg & Masurel, 2013; Langevang et al., 2012). Additionally, the fluidity (i.e. change of motivations over time) has been discussed before (Eijdenberg et al., 2019; Williams & Williams, 2014). The common denominators of the previous mentioned studies are that (a) measures of entrepreneurial motivation were too broad and impersonal (e.g. early-stage studies based on data from Global Entrepreneurship Monitor, see Hessels et al., 2008b; Wennekers et al., 2005) and (b) measures of entrepreneurial motivation were grouped into one factor of a mix of motivations, regardless the stage that the entrepreneurs were in (e.g. be it in the formal or informal economy) (e.g. Eijdenberg & Masurel, 2013; Eijdenberg et al., 2015).

Thus, what is the contribution of business-related and personal-related motivational factors? First, the entrepreneurs in this study are exposed to 30 items measuring entrepreneurial motivation: especially in contrast to previous mentioned (a), this research approach is among one of the most fine-grained hitherto. Second, regarding (b), apparently previous studies have ignored or overlooked underlying motivations including those related to the business or person. Admittedly, business-related and personal-related motivations are not exclusive, nor unique: certainly, there are more concealed motivational factors for entrepreneurs both in and outside the informal economy – which is left for future research to explore. However, against the backdrop of *entrepreneurs who may consider shifting from the informal to the formal sector in LDCs*, our findings open windows of entrepreneurial motivation during a typical and contemporary stage of the entrepreneurial process. Future studies should not ignore the inclusion of and difference between business and personal-related motivational factors.

Conceptually, future research could investigate whether one of the two factors leads to higher business performance (e.g. business-related motivation), while the other does not (e.g. personal-related motivation).

Policy makers should focus on the motivational factors that are involved with both business-related and personal-related factors. The motivations within these factors are diverse and require different tailor-made approaches. Policy makers should tap into such tailor-made approaches that are conducive to entrepreneurs shifting from the informal to the formal sector and aiming to achieve higher performance. To illustrate, policy makers could train entrepreneurs how to connect to financial institutions (“access to finance”) and how to apply for tenders from the central government, local government and government agencies (“networking”).

Regarding the study’s limitations and recommendations for future research, although the empirical evidence about the factors determining formalization is gathered from a typical informal economy in an LDC, the findings of this study should be applied with caution. Future researchers in the area are advised to incorporate additional countries that host many informal small businesses, larger data sets and a greater number of motivations for a better comparison of the results.

Conclusion


Based on a literature review and a pre-study with experts on the spot, an extensive questionnaire consisting of 30 items measuring entrepreneurial motivation was developed to set out on a sample of 170 informal entrepreneurs in multiple towns in Tanzania. The analyses showed that the following entrepreneurial motivations were identified: access to finance, financial success, freedom from government, networking, recognition, self-realization, societal commitment, business expansion, independence and innovation. Indeed, the results suggest that entrepreneurs from the informal sector in LDCs are extensively motivated by push factors (access to finance, financial success, freedom from government and networking) to formalize their businesses. In addition to the literature, the current study identified two main components beyond the “push-pull” dichotomy, i. e. business-related and personal-related motivations, paving the way for future researchers and practitioners to build upon.

Disclosure statement

No potential conflict of interest was reported by the authors.

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