

**ECONOMIC INSTITUTIONS THAT INFLUENCE WOMEN
INVESTMENT RETURN IN ZANZIBAR**

By

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**A Dissertation Submitted in Partial Fulfillment of the Requirements for the
Degree of Master of Science in Economics (EPP) of Mzumbe University.**

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CERTIFICATION

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I, **Mtumwa Ame Haji**, declare that this thesis 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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DEDICATION

This work is dedicated to My Loving Husband Haji Ramadhan and My Beloved Daughter Maryam.

LIST OF ABBREVIATIONS AND ACRONYMS

GB	Grameen Bank
ILO	International Labor Organization
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
PRIDE	Promotion Rural Initiative and Development Enterprises
RGZ	Revolutionary Government of Zanzibar
ROSCA	Rotating Saving and Credit Association
SACCOS	Saving and Credit Cooperative Societies
TZS	Tanzania Shillings
UNECE	United Nations Economic Commission for Europe
URT	United Republic of Tanzania
WEDTF	Women Entrepreneurs Development Trust Fund

ABSTRACT

Women nowadays are engaged in Micro, Small, and Medium Enterprises as a source of income generation and employment. However, the return does not grow significantly; due to a number of factors including existence of economic institutions that affect their performance. This study centered on examining the economic institutions that influence women investment returns in Urban District of Zanzibar.

Interviews, focus group discussion, questionnaires, survey, and documentary reviews were methods employed to collect information of the study. Primary data of 105 women investors was used. Statistical Package for Social Sciences was used to analyze both quantitative and qualitative data and Multiple Linear Regression of Model of Ordinary Least Square was used to find out the relationship between the variable.

The findings show that there is a statistical significance relationship between economic institutions i.e Institution 1 (I1)= interest rate, Institutions 2 (I2) = accessibility of the market and institution 3 = entrepreneurs behavior. Other institutions are Institution 4 (I4) = access to credit and institution 5 (I5)= level of education. The study recommends the need for promotion of provide gender equality in Zanzibar. This can be done by promoting this in schools, colleges, and universities. Furthermore, the study recommends the need to educate husbands, fathers, and brothers on the importance of allowing their wives, sisters, and daughters to market. At the same time to establish a policy that guides women in the reduction of family responsibility because of their importance in the economy. However, microfinance institutions must be responsible to provide education on business skills meanwhile women must be encouraged to attend these seminars. Micro financial institutions like WEDTEF, SACCOSS and PRIDE need to reduce constrain on women investors who request for loans given that they understand to need for repaying the loan. With such strategies, women will continue applying for more loans and repay those loans to leverage their capital to run their business efficiently and hence, improve their income earned.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This study focuses on economic institutions that are responsible for altering small and micro business return which women are engaged. The study aimed at examining the economic formal and informal institutions that influence returns of women who owned business in Zanzibar, specifically in Urban Districts of Zanzibar. Such formal institutions are monetary policy. For example if the Bank of Tanzania tight the monetary policy it leads to high interest rate. High interest rate crowds out women investors from borrowing money from financial institutions. With such policy, the women investors' businesses will be affected. Furthermore, property rights (ownership rights) affect women because many women do not own tangible assets valuable to be used as collateral. Lack of bank collateral creates difficulties in borrowing large amount of loan. Informal skills but domestic chores hamper women innovation and inventions to improve their businesses. Domestic chores skills time required to undertake businesses and other economic activities the women are supposed to be engaged in. Many husbands in a Zanzibaris cultural context do own their wives; women cannot establish businesses though seeking permission from their husbands. In addition, traditionally, women in Zanzibar depend on husbands and family's support. Like other many cultures in African countries, women in Zanzibar do not own economic active assets (Chacha, 2011). Subject to culture and religious belief, most of Zanzibar's women are Muslim. Muslim women avoid conventional credit provided by financial institutions to run their businesses. This is because the conventional credits operate with *riba* or interest on which Islamic scripture strictly prohibits generating the interest (*riba*) out of loaned capital.

Apart from avoiding credit, women in Zanzibar are not involved in any decision making on the welfare of their families. The women are responsible for nurturing the family, food producers, family and children care (URT, 1992 and Maro, 2012).

Culturally, women in Zanzibar are not allowed to go to the market either to sell or to buy products. Only men can go to market and shop household items for the family. Traditionally, women use informal skills with small capital inherited assets from their parents to run their families in order to raise their children.

The present study examined the role played by access to credit, interest rate, market availability and level of education in business undertaken by women. This study was interested to find out informal and formal institutions that contribute to increase or decrease returns that women are engaged in

1.2 Back ground of the Study

The Revolution Government of Zanzibar (RGZ) established a visionary policy in which women business development was stated. This vision states the need to ensure that equality among men and women in Zanzibar. The vision directed to improve social economic status to ensure gendered participation in the development process (RGZ, 2000). The objectives stated in the visionary policy, among others, include ensuring equal access to education and employment at all levels, to enhance the opportunities to form women group, to promote education and training skills of both women and men. The vision also provides for property and ownership rights assignment to both women and men to enable women to obtain credit. It also intends to remove gender bias in accessing to resources and allow women to participate in decision-making (RGZ, 2000). The RGZ has committed itself to the pursuance and attainment of these objectives toward women welfares.

In order to achieve the mentioned objectives of the Vision 2020, different initiative have been established including Amani Karume Funds, Financial Sector and Microfinance Institution like Women Entrepreneurship Development Trust Fund (WEDTF) and Saving and Credit Cooperative Societies (SACCOS). Since 1970s Zanzibar like other countries in the Africa, many women run small business ventures or microenterprises that require little or no startup capital and often involve in the marketing of homemade food stuffs and handicraft (Todaro and Smith, 2009).

Even though women in Zanzibar take loan from financial institutions, which can help them to invest in different small business activities, but the activities operated by them do not generate good returns.

Therefore, this research is intended to find out the economic institutions that influence returns of women owned investments in Zanzibar taking a case of Women Entrepreneurship Development Trust Fund (WEDTF) in Urban District.

1.3 Definition of key concepts

1.3.1 Economic institutions

It refers to network of commercial organizations (such as manufactures, producers whole sellers retailer and buyer) who generate distribute and purchase goods and services ([www.business dictionary.com](http://www.businessdictionary.com)). Well-established arrangements and structure that are part of the cultures or society, example competitive market, the banking system, kids allowance and system of property rights are example of economic institution (www.econlib.org/topic). Alchian (1965) defines economic institutions as a system of interrelated informal and formal elements, customs, shared, belief, convention, norms, and rules governing social relationships within which actors pursue to fix the limits of legitimate interest.

1.3.2 Investment

According to Mataba (2009) investment refers to the acquisition of capital goods, such as buildings and equipment, and the purchase of inventories of raw materials to produce goods and services in the economy. Investment is expenditures on capital goods or on inventories of goods or raw materials that are used to produce other goods and services, causing future production and income to growth.

1.3.3 Returns

According to Samuelson and Nordhaus (1995), when the investors own capital, the return is included in business profit, profit are residual income item equal to total revenue minus total cost. The return has different name (profit) and is more risky than that on many other investments.

1.3.4 The guiding theories of the study

This study is guided by economic institutions theories, which are the property right, transaction cost and contract theory. The property right theory, according to Coase (1998) when property right are well defined and cost of transacting is zero resources allocation is efficient, regardless of the initial assignment of property rights (Cooter and Ulen, 2006). Well assigned property rights imply that the one who is holding this rights among others can be assured to be the beneficiary of the associated income flow (Kamuzora, 2010) and if the property right are not well assigned to users, formal contracting become costly or even impossible. If this happens, it causes inefficient resources utilization (De Sotro and Chenevel, 2006).

Transaction cost theory: According to Barzel, (1997), transaction costs are the costs associated with the transfer, capture and protection of rights. Kamuzora (2010) defined transaction cost as a cost incurred when making an economic exchange. If this cost is rising and that both the full protection and full transfer of rights are prohibitively costly then it follows that right is never complete because people will never find it worthwhile to gain the entire potential of their assets. According to Bogetoft and Olesen (2004), whereby contract theory, this theory emphasizes on incentive and information asymmetries on which it had significant impact on microeconomics. The contract theory is based on transaction cost theory and agent theory, where by agent theory is concerned with the design of incentive schemes when one person acts on behalf of another person. The provision of incentives is complicated by asymmetric information (Bogetoft and Olesen, 2004).

1.4 Statement of the problem

Women nowadays are engaged in Micro, Small, and Medium Enterprises as a source of income generation and employment. However, the return does not grow significantly; due to a number of factors including existence of economic institutions that affect their performance. These institutions include monetary policy, property rights, and contract as a formal institution. On the other hand, most women refuse to apply for the loans because it is culturally prohibited to take loans that bear interest.

Specifically, women economic groups have been facing a number of challenges including operating in an informal manner, high interest rate charged and lack of property right or collateral to be able to get loans are other constraints to take loans. On the other hand, most women have been failed starting businesses since, women devote less time in business rather than in home care. Even though there is a serious gender gap in many parts of Africa, but Zanzibar, this is worse, since women have to get permissions from their husbands before they decide to establish any business. All these worsen the economic status of women in Zanzibar. It should be known that education is the key to running business, however, majority of women in Zanzibar do not have formal education to do business. For those who have business already, yet there is limited access to entrepreneurial training. Despite the efforts made by the RGZ such as to establish Amani Karume Funds, Financial Sector and Microfinance Institution like WEDTF, Saving and Credit Cooperative Societies (SACCOS), yet a little is known on how traditional beliefs (informal institutions) inhibit women curiosity to take loans to start businesses and pay interest. Avoiding to pay interest (*riba*) affect their decision to engage in business undertakings. Hence, their returns is found to be low which call for further studies to find out how informal and formal institutions affect their behavior which lead into investment with low returns.

1.5 Objective of the study

1.5.1 Overall objective

Overall objective of this study was to examine the impact of economic institutions that influence women investment returns.

1.5.2 Specific objectives

- i. To find out the impact of economic institutions on women investment returns.
- ii. To explore the effect of the tension between formal and informal institutions on investment returns of businesses the women are engaged.
- iii. To explain the impact of the interest rates to returns on women investment
- iv. To examine the relationship between return of women owned business and availability of market

- v. To find out the relationship between returns of women owned business and accessibility of credit
- vi. To find out the relationship between returns of women owned business and level of education.

1.6 Hypotheses

H1: The return of women owned business increases with economic institutions support

H2: The return of women decrease with an increase of tension between formal and informal institutions

H3: The return of women investment decreases with increase of interest rate

H5: The women investment returns increases with availability of market

H5: The women investment returns increases with the accessibility of credit

H6: Return of women owned business increases with the increase in the level of education of women

1.7 Significance of the study

It is expected that the study will add knowledge, experiences, and understanding of economic institutions that influence women investment returns in Zanzibar. The information that will be obtained will facilitate to get a clear understanding of the factors to be included in planning for effective women development to improve the existing policy improvement that can benefit the women in the area. It helps the policy makers to identify strategies in which economic institutions can contribute to the development process of women.

Moreover, the study will help the women to know the importance of having property rights and business plan. In addition, it will help the financial institutions to prepare a special fund for the needs of women to meet their desired and to reduce restriction that retard the women to get funds.

In addition, this study is part of easement of the author's ability to accomplish her final year of studying Master of Science in Economics with specialization in Economic Planning and Policy (MSc Eco (EPP)).

1.8 The scope of the study

This study examined the economic institutions that influence women investment returns in Zanzibar. It describes why women in Zanzibar invest in less profitable businesses that yield low return and some factors behind this. This factors studied are either categorized as formal and informal institutions. The study was conducted in the Urban District in Zanzibar because it has more of women engaged in businesses than in other Districts.

1.9 Organisation of the Study

This study is organized into five chapters. Chapter one outlines a background of the study, definition of key concepts, the guiding theories of the study, statement of the problem, objectives of the study, study hypothesis, significance of study and scope of the study. Chapter two describes literature review and conceptual framework of the study. Chapter three discusses research methodology. Presentation and discussion of study findings is covered in chapter four. Chapter five provides summary of the findings, study conclusion, and recommendations. Lastly, it highlights the areas for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter deals with literature review. It explains the theoretical part, empirical review and conceptual framework,. The main theories used in this study are development economics theories, developed by (North and Course) their theories focusing on institutional framework theories; the study is guided by property right theory, transaction cost theory and contracts as incentive to investment. The chapter explains economic institutions, formal and informal institutions, the tension between informal and formal institutions, monetary policy, property right and the challenges to women investors, contracts, cultural value, interest rate, business planning, accessibility of credits, gender perspective, the impact of training and education on women investment returns and market availability. In addition, it explains the women investment returns in Zanzibar with respect to global perspective.

2.2 Economic Institutions

Institutions are the rules of game in a society or more formally, are the human devised constraints that shape human interaction. In consequence they structure incentive in human exchange, whether political, social or economics (North,1990), institution change the way societies evolve through time and the key to understand historical change, that institutions affect the performance of economies is hardly controversial, that the differential performance of economies overtime is fundamentally influenced by the way institutions evolve. Since human beings live in an uncertain world, they devise institutions to control their environment to bring about some certainty, to minimize transaction costs, which may be thought of as the costs of doing business, or the costs of relations between people. Tabellini (2005) argues that institutions can be interpreted broadly to include systems of belief and norms. Tabellini's focus is the extent to which cultural differences explain income differences across regions, rather than explaining cross-country income differences.

Institutions affect the performance of the economy by their effect on the costs of exchange and production, they determine the transaction and transformation cost that make up total costs. A good institution fosters exchange by lowering transaction cost (Shiley et al ,2005). It means that it protects property and person, and provides incentive for individual to specialize, accumulate knowledge and invest rather than engage in rent seeking, invest in bribes, security, and activities with rapid returns.

2.2.1 Informal Institutions

Knowles (2005) refer informal institutions as social capital. Social capital defined by Putman, Leonardi and Nanetti (1993) as features of social organization, such as trust, norms and network that can improve the efficiency of society. Ostrom (1990); Pretty and Ward (2001) define informal institutions as community based, local, social or grass-roots institutions, such as micro-credit schemes and groups formed for the purpose of managing common pool resources. Informal institutions will be economically productive to encourage cooperation and reduce transactions costs. North (1990) argues effective traditions of hard work, honesty and integrity simply lower the cost of transacting and make possible complex, productive exchange. If transactions costs can be minimized, this will increase productivity as more time and resources can be devoted to production.

2.2.2 Formal Institutions

Formal institutions as defined by North (1990) as a rules that human being devised a good example being laws and regulations enacted by governments. Formal rules are constitutions, statutes, and other government regulations. They determine the political system (governance structure and individual rights), the economic system (property right and contracts) and enforcement system judiciary and the police (Pejovich, 1999), hence the rules provided in a written form are categorized as formal institutions. According to North (1990), formal institutions may be set in a way that they prevent (prohibitive rules) or they promote (giving positive incentive) investment. In their nature on how they are made may create a way to efficient allocation of resources. Formal rules give incentives that play a role to evolution of cultural norms if they allow allocation of resources to the most productive end.

2.2.3 The tension between informal and formal institutions

The interaction between formal and informal rules is a necessary condition for improving economic performance (Mantzavinos et al, 2004). The informal institutions, norms and customs are the basis from which laws and constitutions derive their legitimacy. On the other hand, new laws would lead in the end to helping to shape potential norms and customs that command the society. In other words, the informal institutions are either embodied in formal institutions or emerge as a result of adopting formal institutions for long period of time (North 1990). All formal rules do change with time. According to North, the informal constraints had gradually evolved as extension of previous formal rules. An immediate tendency, is to have new formal rules supplant the persisting informal constraints such change is sometimes possible, but ignores the deep-seated cultural inheritance that underlies many informal constraints.

The nature of the relationship between informal and formal is that, formal rules tend to decrease the role of informal arrangements like process of exchange between business units. The formal rules can increase the value of honoring informal dealings by reducing short-term defection. The interaction can be a cooperative or a conflict process. If formal rules are in harmony with the prevailing informal rules, the interaction of their incentives tends to reduce the level of transactions costs. However, their interaction tends to raise transaction costs when the two forms of rules conflict with each other (Pejovich, 1999). Informal constraints that are culturally derived will not change immediately in reaction to changes in the formal rules, as a result the tension between altered formal rules and the persisting informal constraints produces outcomes that have important implications for the way economies change (North, 1990).

2.3 Monetary policy

Monetary policy according to Gibson and Kaufman (1971) means that action to design to affect the tightness and easiness of credit conditions and the behavior of the total supply of money. Monetary policy is the action of the central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affect interest rate

(http://www.investopedia.com/terms/m/monetary_policy.cop). Monetary policy rests on the relationship between the rate of interest in an economy that is the price at which money can be borrowed and the total supply of money. Monetary policy uses a variety of tools to control one or both of these to influence outcome like economic growth (http://en.wikipedia.org/wiki/monetary_policy_theory). Monetary policy works to effect business activity. When banks lenders generally have more funds to lend and when the interest yield of investment has been bid down the result will tend to be increased in lending and borrowing activity (Gibson and Kaufman, 1971). According to Keynesian theory of investment places emphasis on the importance of interest rates in investment decision, change on interest rate should have an effect on the level of the planned investment undertaken by private sector business in the economy.

Kashyap and Stein (1995) found that business lending might respond to a tightening of monetary policy. They examine the lending behavior of small and large banks; they found that when policy is tightened, both total loans and business loans at small banks fall, while loans at large banks are unaffected. Since small banks lend primarily to smaller firms, this situation reduce ability of small business to borrow money and to invest because most of small firm depend on small bank to operate their business.

Other studies have provided evidence that the credit market imperfections may explain differences in behavior of small and large firms during periods of tight credit. For example, small firms appeared to account for a larger share of the decline in manufacturing activity. By so doing, they reduced inventory demand that follows a monetary tightening (Gertler and Gilchrist, 1994). Similarly, small firms appear to have less access to bank and non-bank external finance in periods of monetary tightening (Oliner and Rudebusch, 1994). This behavior is consistent with the view that restrictions in the availability of bank credit could have macroeconomic consequences by affecting the investment and spending decisions of bank dependent borrowers.

2.4 Property Rights and the challenges to women investors

Many women in the world, particularly in developing countries lack ownership of property rights to receive loans because property rights enables them to have collaterals

which are used as a security to access finance in financial institution as a result women depend on family and friends to raise capital (Kamuzora, 2009). Informal institutions, which deny women to own properties, lead to capital market failure (Todaro, 2010). On the side of women entrepreneurs in Zanzibar as the majority lack access to loans which needs collateral as a security. On other case women form groups, normally these groups are used as collateral and security to obtain loan from financial institutions (Kamuzora, 2009). The case study conducted by Hassan and Renteria (1997) revealed that the Grameen Bank of Bangladesh which was established in 1976 to serve rural, landless women who had no ownership of land as a property to be used to receive collateral loans. That study further, revealed that, loans were made to individuals within the group by the local credit officer on weekly meetings. Grameen Bank (GB) gave the clients the power of entitlement to societies' productive goods and services with immediate effects. It was also revealed that group members mutually grantee each other and were held legally responsible for payment of the loan received by other members. The loan was conditioned such that when one member defaulted, no further lending was to take place unless the group pays the loan in case of defaulting. This gave incentives to the members to repay the loan on time and policing each other. Kamuzora (2010) conducted the same study in Tanzania when the investigated the group lending in terms of cooperative societies in Ibiri village where defaulters would create liabilities to the other members leading the group to repay the loan.

Tan and Young (2000) classified the basic factors that affect entrepreneurs in to two broad categories, economic and social. The economic factors include competition in the market; lack of access to the market, lack of access to raw material, lack of capital or finance, lack of marketing knowledge; lack of production/ storage space; poor infrastructure; inadequate power supply and lack of business training.

The social factors include lack of social acceptability; having limited contacts outside prejudice and class bias; society looks down upon; attitude of other employees; and relations with the work force. Previous research indicates that several factors influence business performance includes among many others: their professional background, their entrepreneurship capabilities and preferences, cultural and religious beliefs, as well as the technology and microenvironment (Buttner, 2001; Makhbul, 2011).

A study conducted by ILO (2008) in Ethiopia, the United Republic of Tanzania and Zambia identified that, women entrepreneurs do not have the same access to networks as men. Women entrepreneurs have difficulties to access premises due to, among other things, a lack of property and inheritance rights. Women lack access to titled assets that can be offered as collateral for loans have been adversely affecting the growth of their enterprises. Women entrepreneurs lack access to formal finance and rely on loans from family and community.

Women entrepreneurs tend to be grouped in particular sectors, which are particularly food processing, textiles and apparel industries. Business development service providers do not give adequate time or effort to target women entrepreneurs; they do not offer flexible arrangements in respect of the timing and location of service delivery. Women often experience harassment in registering and operating their enterprises (ILO, 2008).

2.5 Contracts

A contract is an agreement between two or more parties. It is legally binding. It can be written or verbal (http://www.a-n.co.uk/knowledge_bank/articles_92627/77173). North (1990) explains that contracts contain specific provisions and particular agreement in exchange. Examples of business contracts are sale contracts dealing with exchange of goods or supply of services at a certain price. Contracts are part of everyday life. Transactions that occur in money or good markets involve contracts. Contractual agreement like bid, sell and buy occur in good markets. They may be expressed orally or in written (Kamuzora, 2010). Contracts are means of allocating resources (Coase, 1998). According to Coase (bid), if property rights are well defined, independent parties will reach an efficient agreement through bargaining. With this argument, the main objective is to understand redistribution of profit without adversely affecting the behavior of the contracting parties negatively as the intention of investors is to gain from the return.

The contract must coordinate the production to make sure that the right producers are producing the right quantity of the right products at the right time and place; the contract must motivate the parties, giving them private interest in making the coordinated decisions that maximize the integrated profit (Bogetoft and Olesen, 2004). An efficient contract contributes to optimizing the coordination and motivation in the cheapest way possible or it minimizes the costs of planning, monitoring, and motivating production. These generated costs are known as transaction costs.

2.6 The tension between formal and informal institutions promoting entrepreneurship

Culture is the behavior that defines the way of life for a group or society, where by cultural norms is the rule of game as defined values and beliefs of the society (<http://www.stanford.edu>). Some of cultural norms contribute to the betterment of individual, families, and communities, cultural norms passed from one generation to another. Cultural values are the basic assumption about what ideas are desired or worth striving for (<http://www.wsu.edu>). This study, also, attributes the success of the women investment return with cultural norms. Cultural norms and value play big roles in altering women on investment returns in Zanzibar like other cultures of the world. All over the world, individuals use traditional norms and rules to accomplish their goals. According to Bourdieu (1986) argues that an individuals' expectation and aspirations depend on the cultural capital previously invested by their families. Rajendran (2003) conducted a research in India and found out that women enter entrepreneurship career at age of 39 and he also found out that religion hinders excelling as an entrepreneur because religion as part of element of culture restrict women to head the family and encourages women to remain submissive to their husbands. Neider (1987) studied women entrepreneurs in Florida –USA and found that there was a tension between personal life and career among them. That was concluded to be a major problem for women to excel in business undertakings. This tension was significantly affecting entrepreneurial performance. Ellis et al (2007) conducted the same study in Tanzania; found out that reluctance of husband to allow their wives to engage in business activity was on business constraints.

In addition, their findings stipulated time constrain business undertakings due to the fact that the time to carry out businesses competed with that of domestic responsibilities (household chores) which occupies women for almost 24 hours a day. With time constraints, women are rarely attending training related to business activities and/or if they attend, they do not concentrate to make use of the offered knowledge.

2.7 Interest rate

Interest rate is the payment made by the borrower to the lender on top of the repayment of the loaned amount of money to the lender of money loan. It is usually expressed as annual rate to be pay in term of amount of money and it is a percentage (proportion of money) in relation to the principal of loan or price paid for the use of other capital funds for a certain period of time (Mithani, 2002). In a borrower's perspective, interest rate is a financial cost (www.Calvertfoundation.org). According to IS/LM (Investment Savings/ Liquidity preference of Money supply) model, it allows the role of monetary policy. When the money supply increases in the economy the LM curve shifts to the right and this shows that the interest rate. With low interest rate, there will be an increase in liquidity leading to investment by borrowing more at the low interest. This raises equilibrium of national income (Hicks, 1981). In IS curves every level of interest rate will generate a certain level of planned fixed investment, this means that lower interest rate it encourages higher fixed investment. According to this model, the money, which is circulated by central bank, can play role in leveraging business transactions, this includes willingness to hold cash for everyday transactions, precautionary measure (money demand in case of emergencies) and speculative demand for money, and this is the willingness to hold cash instead of securities as an asset for investment purposes. Hence it means that if interest rate are low, people have affordable to go to the bank and to take loan for investment, people can buy investment equipment's at low cost and invest in different activities, hence the performance will be good because cost of borrowing reduced.

2.8 Business planning

Business plan is very important in running business

([http://www.article.bplans.com/writing a business plan](http://www.article.bplans.com/writing%20a%20business%20plan)). Business plan is the tool, which helps entrepreneurs to plan their business, it summarizes its operational and financial objective for the near future (usually one to three years), and it shows how they will achieve. Professional who have relevant business skills and experience ([http://www.gov.vc/ index](http://www.gov.vc/index)) to prepare a business plan it need more educations and skill will determine the nature of the business plan. Women often are exposed to investment risks since the majority are not as educated as men. Women are not able to forecast their expected earnings and returns. The majority do prepare business plans prior to starting businesses due to lack of education. It is only educated women who prepare a business plans before starting business (Haan, 2004).

2.9 Access to finance

Access to finance is a key issue for women development. Accessing credit, particularly for starting an enterprise, is one of the major constraints faced by women entrepreneurs. Women often have fewer opportunities than men to gain access to credit for various reasons, including lack of collateral, an unwillingness to accept household assets as collateral and negative perceptions of female entrepreneurs by loan officers (Mahbub, 2000). All of these are serious limitation to the development influence to the credit facility. This means that most of women in Africa have low ability to take loan and to invest due to its condition especially on security which act as collateral. However, access to credit is not a guarantee for investors to perform well (Makombe et al, 1998).

2.10 Gender perspectives

Women throughout the World, in particular developing countries, are engaged in small business but their performance has been relatively badly due to several factors that influence women performance. Most of women have negative attitudes on creating wealth because they think that being married means being transferred to a new family.

For them, rely on men's creativities is a phenomenon of a married woman. In some tribes in Tanzania, paying dowry makes a woman submissive to her husband. Everything will be transfer to the husband who pays dowry. This makes woman has no ability to own property like land. The vivid example is from the Chaga society in Tanzania, women's success can be reflected in terms of her husband. Those who engage in business have faced restrictions on their business and some conditions provided by their husbands. Not only in Tanzania, but also even in other countries such as Israel the same has been experienced. Lerner and Hisrich (1997) conducted a study in Israeli women entrepreneurs. The author categorized the factors that affect the performance into five perspectives, namely, motivations and goals, social learning theory (entrepreneurial socialization), network affiliation (contacts and membership in organizations); human capital (level of education, skills) and environmental influences (location, sectorial participation, and socio political variables).

Shane et al (1997) identified that men had more business experience prior to opening the business and higher expectations than women did. However, women entrepreneurs had a larger average household size to take care off than men do. Women lack educational background. Women were less likely for men to purchase new businesses after being successful in one business is a phenomenon showing that they are ready to take risks. Women were more likely to have positive revenues while men keep investing regardless of a negative sign on the bottom line of book accounts. Men were more likely to own an employing firm; female owners were more likely to prefer low risk/return businesses; men spent slightly more time on their new ventures than women did. Male owners were more likely to start a business to make money with higher expectations than women for their business were.

Moreover, the study conducted to identify business opportunities; male entrepreneurs were more likely to apply technologically intensive businesses, businesses that lose their competitive advantage more quickly, and businesses that had a less geographically localized customer base. Male owners spent more effort searching for business opportunities and this held up when other factors were controlled for.

According to Hadiya (1998), in her study in Ethiopia she found that, women believe that they are the most neglected category of women entrepreneurs because they do not have institutional credit or other support services available to them. These women have outgrown the micro finance system and yet are not able to borrow from banks. The other profile is of the woman who, because of her higher education, previous work experience, and better economic circumstances, has access to the financial and other resources needed to start and grow larger enterprises. Research conducted shown that it is possible for women to make the transition from a micro to a small enterprise under the right circumstances.

2.11 The impact of training and education on women investment return

Women have limited access to vocational and technical training in developing countries. In fact, women have less access to education than men do. The technical and vocational skills can only be developed on a strong foundation of basic primary and secondary education. Most of developing countries are characterized by low enrolment among women in education and high dropout rates (UNECE, 2004). These situations for one reason to another affects women on different economics activities and leads most of women to have low education when they engaged in small business.

In case of Zanzibar, the following data imply that the number of women in basic education was high compared to university level. In 2008 the number of students enrolled at the basic education level was 62,781 (males were 29,931 and 32,850 females In 2007/2008 the number of students enrolled at secondary level 85,451 among them 41,059, or 48.1 percent, were females. In 2008/2009 the number of students was 82,796 (with 43,157 being females and 39,639 males.

At 'A' level the number of students who sat for the Form VI examination in 2008 was 1,432 (601 female and 831 male) and 1,185 (496 female and 689 male) passed; Between 2008/09 and 2009/10 the number of students and graduates in the three universities has increased. For instance, in 2008/09 SUZA enrolled 570 students (348 males and 222 females), and it grew to 703 students (428 males and 275 females) in 2009/10. In 2008/09 the College of Education, enrolled 626 students (409 males and 217 females), which increased to 725 students (456 males and 269 females) in 2009/10.

Lastly, the Zanzibar University, enrolled 1,714 students (1,017 males and 697 females) in 2008/09, and increased slightly to 1,727 students (983 males and 744 females) in 2009/10 (RGZ, 2010). This data imply that in the basic education the number of students especially female are high until secondary education, in advanced level the number of female student reduced compare to make the same to university the number of female who graduate at university reduced.

Due to the fact that education equips people with the knowledge and skills they need to effectively manage and success in their business. Kolvereid (1997), Olomi (2001) argue that those entrepreneurs with high level of education are motivated to expand their business compared with those who have low level of education. The reason for this relation is that entrepreneurs with higher education level have the ability to perceive growth opportunities and solve problems that are caused by growth (Davidson, 1991). Investors with less education are not aware on difficulties associated with growing their business where those with high level of education have knowledge about how to run the business and to solve problems.

2.12 Access to markets

The market is a heart of any business. The ability to tap into new markets requires expertise, knowledge, and contacts. Women often lack access to training, experience in on how to participate in the market place, and are therefore unable to market goods and services strategically. Thus, women-owned small businesses are often unable to take on both the production and marketing of their goods. The high cost of developing new business contacts and relationships in a new market is a big deterrent and obstacle for many small businesses, in particular women-owned businesses. Women may also fear or face prejudice or sexual harassment, and may be restricted in their ability to travel to make contacts (UNECE, 2004).

However women access to market is limited by the size of their business and type of business, hence throughout the world women are most likely to be found in the food production, nutrition, health, and childcare (Allen and Truman, 1993).

According to the size and types of business it leads very difficult to them to sell their products at market instead they sell at home. Apart from that, women owned business are affected by lack of consistent records of accomplishment on profitability because their businesses are small and new. This situation demonstrates that their capability to repay loan reliance on bank debt as a source of financing has therefore less favorable.

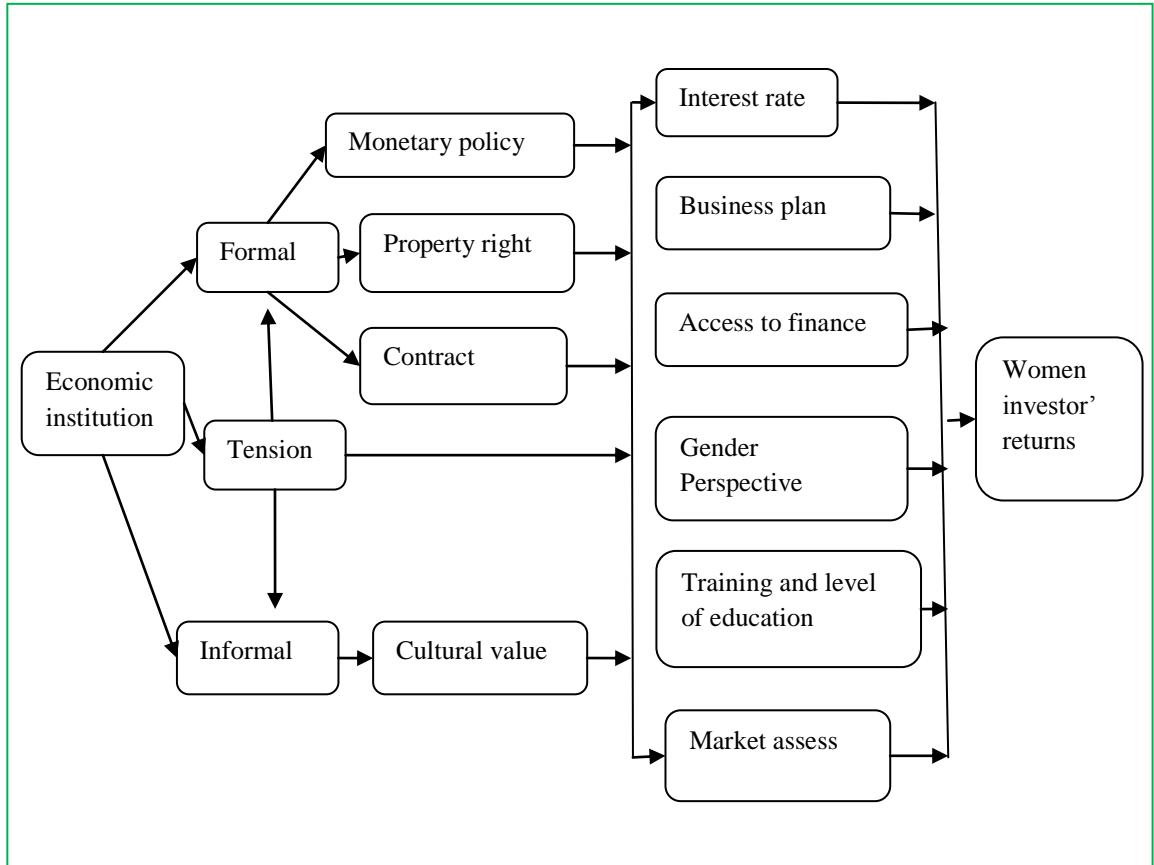
2.13 Comparing women investment return in a global and Zanzibar perspective

In Zanzibar women are engaged in small business as other countries throughout the world, but their returns are different compared to other countries, example United State a women owned business generated more than \$1 million (TZS 1600 million) in annual (Center for Women Business Research, 2005). In Dubai women entrepreneurs generated 100,000 Dirham per year which equivalent to TZS 43,567,053, this is lower compared to United State. In Kenya women entrepreneurship earn \$ 20,000 per year which equivalents to TZS 32,000,000 it is low compared to Dubai ([http://www.venture.africa.com/2012/Kenya-small agro-preneurs](http://www.venture.africa.com/2012/Kenya-small-agropreneurs)). However, in Zanzibar the case is different, according to the RGZ (2010) women in Zanzibar earn TZS 12,000,000 which is very low compared to those countries. According to that above explained evidence, it shows that women returns are low compared to other countries

2.14 The conceptual framework

The conceptual framework represents the key variables of economic institutions that influence returns of women owned business. The key role of institutions lies in the need to create the preconditions for the establishment of stable structure of human interaction by reducing the level of uncertainty (Lekovic, 2011).

Figure 1: The Conceptual framework



Source: Outher's construct

In this context of study, the conceptual framework provides and builds from key variables centered on economic institution that influence women investment returns. The returns are seen as serious matter in women owned business and can be affected by economic institutions. The economic institution can be formal or informal. The formal institutions are composed of monetary policy, property right, and contracts. The informal institutions consist of cultural values. The monetary policy can be affected by interest rate that is if interest rate is high, women in Zanzibar are remained at home, and no business occurs on this period even if they take loan from financial institutions.

As a result, they pay back high amount and their returns become low. Property right can be used as collateral to obtain loan from the financial institutions but most of women have no property that allow getting the loan.

They use their group as the collateral. The contract can be used as an agreement between women investors and suppliers. The contract also minimizes the cost of planning, monitoring, and motivating production. The cultural values play a big role to influence women investment return. The cultural values include the beliefs, perceptions, expectations, and norms of a particular society. The women investment returns is explained by the independent variables that are access of credit, accessibility of market, interest rate and training and education. These variables can influence women investors' returns on various circumstances.

2.15 Conclusion

In conclusion, this chapter two has explained the literature review using the conceptual framework, theoretical part and empirical review. The main theories employed in this study were development economics theories developed by North and Course. These theories based on institutional framework theory. These are property right theory, transactions cost theory and contracts as incentive to investment. The chapter has discussed economic informal and formal institutions. It has also discussed the tension between formal and informal institutions, monetary policy, property rights and challenges to women investors, contracts, interest rate, business planning, gender perspectives, the impact of training and education on women investment returns, access to market and global and Zanzibar perspective on women investment returns through the empirical review.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology explains the methods involved in the research. This chapter explains the research methodology. It specifically focuses on research design and location of the study area. Later on, it highlights the sampling procedures together with sampling unit, sample size, and sampling techniques. In addition, the chapter highlights the types, sources and data collection methods, tool of data analysis, analytical technique, estimation technique, and econometric model. Finally, it outlines validity and reliability of the study.

3.2 Research design

According to Kothari (2004) defines “a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” He points out the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. Limpanitgul (2009) explains research design is a blueprint that enables researchers to find answers to the questions being studied for any research project. Yin (2009) points out that a cross-sectional design is the design in which different participants at different stages are studied at the same time. According to Bailey (1995), the cross sectional research design is the method, which allows data to be collected at one point in time and establish the relationship between the variable for testing. Case study design is usually associated with a specific place, community or organization in order to shade light on a phenomenon (Bryman, 2001). The cross sectional research design was employed in this study because it was based on the number of contacts and was in one short study. It utilized different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational background, and ethnicity. It was also considered useful in this study because it yields maximal information with minimal expenditure of effort, time and money (Kothari, 2004).

Thus, the cross sectional design was designed to examine the economic institutions influencing women investment returns in Zanzibar and strive to explore WEDTF in Urban District.

3.3 Location of the study area

The location of this study area is in Zanzibar. It consists of two main islands, Unguja and Pemba, and several other smaller islands some of which are uninhabited. Zanzibar is located in the Indian Ocean, about 30km off the East Coast of Africa between latitudes 5 and 7 degrees south of the Equator. The island has a total area of 2,654 square kilometers, out of this Unguja, which is the largest, has an area of 1,666 square kilometer (RGZ, 2010).

The Urban District is the one among the ten Districts that constitute in Zanzibar. This study was conducted in this District. It is surrounded by Indian Ocean in Eastern and Southern part. It is boarded by West District to West and Northern part to North side as shown in figure 2. According to 2002 National Census, Urban District had a population of 205,870 people with estimate growth rate of 1.9% per annum.

3.4 Sampling procedure

3.4.1 The population/sampling unit

According to Kothari (2004) sampling design refers to the technique or procedure the researcher adopted in selecting some sampling units from which inferences about the population are drawn. The researcher subjectively selected the items that made a sample representative of the population. In this study, the sampling unit was the women who take loan and invest in small businesses and WEDTEF staff in Urban District of Zanzibar.

3.4.2 Sample size

Sampling is the selection of some part of an aggregate or totality of population to be studied on the basis of which a judgment is made whereby sample size refers to the number of items to be selected from the universe to constitute a sample (Kothari, 2004). In this research, the sampling frame covered the members of WEDTEF, which is 825 groups in Zanzibar, and each group has five members, out of this, 213 groups are found in Urban District, which has 1,065 members. According to Kothari (2004), “the size of the sample should neither be excessively larger nor too small, it should be optimum.” An optimum sample is one, which fulfils the requirements of efficiency, representativeness, reliability, and flexibility as applied in this context. This study involved the sample size of 105 groups, whereas each group, one member was chosen to represent the entire group’s member. Finally, 105 groups of respondents made the total number of representative of the research population.

3.4.3 Sampling technique.

Cooper et al (2006) defines sampling procedure as the process of selecting some elements from a population to represent that population. According to Kothari (2004), probability sampling is also known as random sampling or chance sampling. This research used both simple random sampling (probability sampling) and purposeful sampling techniques. The simple random sampling was used by a researcher because the sample was selected randomly from the total number of population involved, this was because the method ensures that any individual element of the population to have

an equal and independent opportunity of being selected and being representative and minimizing sampling biases. Whereas purposive sampling is a sampling technique that allows a researcher to use cases that have the required information with respect to the objectives of his or her study (Mugenda & Mugenda, 2003). The cases of subjects are therefore handpicked because they are informative or they possess the required characteristics. Thus, the purposive sampling technique was employed in this study to identify WEDTF at Urban District in Zanzibar to be investigated. Again, the WEDTF was purposively selected because of active involvement of women owned businesses. The goal of using purposive sampling was to sample study respondents in a strategic way so that those sampled could be relevant to respond to the research. In this study, each women group who takes loan and engages in small business has a chance of inclusion in the sample selected where by 105 groups of women were chosen from a list of 213 groups. The Urban District was purposively selected to be involved in this study due to its active women who take loan in WEDTF and invest in different small businesses, has a large number of women compared to other districts as well as the districts possesses the required characteristics of being informative to this study.

3.4.4 Types and source of data

This study employed both primary and secondary data types and sources. The primary data was collected from the women who take loan from WEDTF and invest in small business of the study area. The primary data are those, which are collected afresh and for the first time, and thus happen to be original in character (Kothari, 2004). In this study, the primary data was directly collected from the fieldwork. Both quantitative and qualitative data was collected as primary data. According to Kothari (2004), the secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. In this study, the secondary data was collected from reviewing various documents relevant to this study such as textbooks, reports, journals, and internet. They were used to provide a wider understanding of the issues under research and to enrich primary data.

3.4.5 Data collection methods.

Data collection is the process of gathering information about a phenomenon using data collection instruments (Sekaran, 2000). This study employed survey techniques, focus group discussion and in depth interview as methods of data collection in order to obtain necessary information concerning study objectives on economic institutions that influence women investment returns.

3.4.5.1 Survey.

According to Mugenda & Mugenda (2003), a survey is an attempt to collect data from members of a population in order to determine the status of that population with respect to one or more variables. Survey is a scientific tool and method of data collection for the researcher (Magigi, 2012). In this context of study, survey is a method, which the researcher used to secure information concerning economic institutions that influence women investment returns. This method was used to involve watching and recording the behavior and attitudes to identify the real situation of women investment groups. Moreover, this method was used to learn more about the WEDTF, problems facing and measures on how to reduce them.

3.4.5.2 Focus Group Discussion

According to Bryman (2008) indicates that focus group generate rich data because participants get chance to share and challenge the views of each other. Magigi (2012) argues that focus group discussion is used for interviewing groups of participants, it allows for interviewing many participants at once time, it is data rich, flexible, stimulating to respondents, recall aiding, cumulative and collaborative. In this study, the focus group discussion was used to collect information from different groups of women who were engaged in women entrepreneurs trust fund. The method helped to get cream information of the groups on the perception and how did they think the economic institutions could influence them their returns on investments and challenges facing on their business. A list of five groups was hold to represent the all groups because of the time limit. The focus group discussion was enriched with different hidden information and view to capture the research objectives.

3.4.5.3 Interview

An interview is a method of collecting data, which involves presentation of data oral-verbal stimuli and reply in terms of oral-verbal responses (Kothari, 2004). In this study, unstructured interview was used to collect the data whereby the respondents were very willingly express themselves orally. The researcher directly contacted the respondents, and the respondents were willing to answer what were needed, the researcher asked questions and their response were recorded. This method was used to get more and depth information from respondents with an aid of questions.

3.5 Tools of data analysis

According to Kothari (2004), the data, after collection, has to be processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan. This is essential for a scientific study and for ensuring that we have all relevant data for making contemplated comparisons and analysis. The statistical package for social Science computer packages version 16.0 was employed to analyze both quantitative and qualitative data in this study. This is a computer application that provides statistical analysis of data. It allows for the in-depth data access and preparation, analytical reporting, graphics and modeling (Nachmias and Nachmias, 2008).

3.5.1 Analytical technique

According to Kombo and Tromp, (2006), a data analysis is simply understood as the process of looking at and summarizing data with intent to extract useful information and develop conclusions. The data analysis technique involves scrutinizing the acquired information and making inferences. Therefore, in order to facilitate the analysis and make the report more clear and understandable in this study, both descriptive and qualitative statistical were used for better interpretation, this included table, graphs figures, percentage and coefficient.

3.5.2 Estimation technique

Ordinary Least Square (OLS) or linear least square is a method for estimating the unknown parameters in a linear regression model. This method minimizes the sum of squared vertical distances between the observed responses in the dataset and the responses predicted by the linear approximation (<http://en.wikipedia.org/wiki>). According to Kothari (2004), multiple regression analysis is adopted when the researcher has one dependent variable, which is presumed to be a function of two or more independent variables. The objective of this analysis is to make a prediction about the dependent variable based on its covariance with all the concerned independent variables. This technique was used so as to find out the relationship between the variables as well as to estimate the true coefficient are more accurately and gives unbiased linear estimators of the parameters (Gujarati, 1992). Multiple linear regression analysis of Ordinary Least Square was the technique that could be used to estimate the findings and to find out the relationship between the variables.

3.5.3 The econometric model

The Multiple Linear Regression model of Ordinary least square was used to find out the relationship between variables. The dependent variable was Returns of Women and independent variables were access of credit, Interest rate, market availability, and level of education

Hence, the econometric regression model is presented as follow

$$\mathbf{I} = \mathbf{f}(\mathbf{C}, \mathbf{Ir}, \mathbf{M}, \mathbf{E})$$

Where by

I = Women Investment Returns

C = Access of credit

Ir = Interest rate

M = Market accessibility

E = Level of education

3.6 Validity and Reliability

Reliability of the Study

According to Kothari (2004), the test of reliability is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results. Reliability refers to how consistent a research procedure or instrument is (Enon, 1998). It means the extent of consistency that the instrument or procedure demonstrates in a study. Furthermore, Patton (2002) argues that reliability refers to the consistency with which repeated measures produce the same results across time and across observers. For the purpose of this study to ensure reliability, this study was used methods of data collection, which were survey, focus group discussion, interviews, and documentary review. In addition, the analytical technique, estimation technique and the econometric model were employed as the tools of data analysis in this study.

Validity of the Study

According to Kothari (2004), validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Validity can also be thought of as utility. In addition, Kothari points out that validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Joppe, 2000). To ensure validity of measure, the data were gathered from women investors, WEDTF officer, and Urban District leaders.

Therefore, in context of this research was valid and reliable because economic institutions are very important in our day to day-on returns of women. However, the location area of the study had more women groups who were engaged in small business. One hundred and five (105) respondents were enough to represent the entire population because of the time limit and resources. The methods of data collection were viable because they helped to capture the reliable information. In addition, the methods of data collection of interview and focus group discussion were used to get cream information and attitude of respondents face to face.

In addition, the tools of data analysis were able to capture and give out the outcome in percentage, tables, and coefficient, which were used to interpret the intended objectives. In order to achieve scientific validity, the scientific research process was adopted from designing the research problem and undertaking the research process. Furthermore, the stability and equivalence aspects of reliability of this research were achieved or increased by carefully replicating the research methods that have been in other similar studies and test them before implementing the research process.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter focuses on data presentation findings. It describes the background characteristics of the respondents involving in the study in view to age, educational level, marital status and number of dependents in their households. It also explains regression model estimation result. The results have been presented below and summarized in Table

4.2 Social Status of Women of WEDTF

The background of characteristics considered in the study included age, education level, marital status and number of dependence, and kind of business engaged by respondents. The study examined these respondents' characteristics which can be used to see if it had an influence on returns of women.

4.2.1 Age of respondents

The study revealed that about 3.8% of respondents were between 18-30 years, 40% were between 31-40 years and 56.2% were age in between 41 and above.

Table 1 :Age group of respondents

Age group	Frequency	Percent
18-30	4	3.8
31-40	42	40.0
41 and Above	59	56.2
Total	105	100.0

One among the questions asked in the field was concerning on the issue of age to identify the real age picture of women who involved in the business. As shown in Table 1, 56.2 % of the respondents were aged between 41 and above. This implies that the aged women are the ones who are likely to engage in small business than the young ones in Zanzibar. This has been stated earlier in the literature review that married women are engaged more in small businesses to support their families informally. Young girls are normally in school or unmarried.

4.2.2 Educational level

Regarding to respondents education level in Table 2 below, the study revealed that 51.4% had secondary education, 34.3% primary education, 14.3% no formal education.

Table 2: Educational level of Respondents

Educational level	Frequency	Percent
No Formal Education	15	14.3
Primary Education	36	34.3
Secondary Education	54	51.4
Diploma	0	0.0
Degree and Above	0	0.0
Total	105	100.0

Table 2 shows that there are no respondents interviewed who possess diploma and degree above. The study indicates that the majority of respondents who were owned business had secondary education. Hence it means that since women they have low education and use their low education to run their business which letter does not generate good results. Also this study supported by (UNECE, 2004) when they concluded that, most of developing countries are characterized by low enrolment among women in education and high dropout rates.

These situations for one reason to another affects women on different economics activities and leads most of women to have low education when they engaged in small business.

4.2.3 Marital status

As indicated in the literature (Section 2.9), married women are more likely to engage in businesses than other marital statuses in the group. Based on Table 3, about 65.7% of the study respondents were married, 18.1% were widows, 12.4% were divorced, and the rest 3.8% were single.

Table 3: Marital Status of Respondents

Marital Status	Frequency	Percent
Single	4	3.8
Married	69	65.7
Widow	19	18.1
Divorced	13	12.4
Total	105	100.0

This has an implication that majority of women owned business in this study were in marriage and it means majority of women who engaged in WEDTF start their business activity after getting married.

4.2.4 Numbers of Dependents of Respondent

In further analysis, the study thinks that having some dependents that support women have impact on women investment returns.

Table 4 :Number of Dependent of Respondents

Number of Dependent	Frequency	Percent
None	4	3.8
1-2	4	3.8
3-4	45	42.9
5 and Above	52	49.5
Total	105	100.0

Results in Table 4 show that 49.5% of respondents had five and above dependents in their households, 42.9% had 3 to 4 dependents, about 3.8% had 1 to 2 dependents. The rest 3.8% had no dependents. This reveals that majority of study respondents interviewed had an extended family, while the extended family implies an additional burden to women it could be a source of labor both at home and the business. Since women are caretaker of the family, having many dependents increase the burden on domestic chores.

4.2.5 Business engagement

The study respondents were asked to state their kind of business engaged, the categories used to capture information of the respondents were classified as handcraft, saloon, food vending, selling kanga, selling firewood, retail shop, selling charcoal, tailoring, and selling juice and ice cream. The finding presented in Table 5 shows that 26.7% of 105 study respondents were handcrafting, the second one food vending of about 21.95%, about 15.2% engaged in selling kanga and 10.5% selling firewood, 8.6% tailoring.

Table 5: Kind of Business engaged by Respondents

Business Engagement	Frequency	Percent
Handicraft	28	26.7
Saloon	3	2.9
Food vending	23	21.9
Selling kanga	16	15.2
Selling firewood	11	10.5
Retail shop	5	4.8
Selling Charcoal	4	3.8
Tailoring	9	8.6
Selling juice and ice cream	6	5.7
Total	105	100.0

Table 5 shows that about 5.7% of the group were dealing with selling juice and ice cream, 4.8% retail shop, 3.8% selling charcoal and 2.9% saloon. The study revealed that majority of respondents was actively engaged in handcrafting followed by the food vending as indicated in Table 5. These findings are not different from other studies, which are explained by Kamuzora (2009) and ILO (2008) that many women businesses have nothing to do with technological related industries, but just petty businesses.

4.2.6 Ownership of Property right by respondent

According to the Table 5 shows that about 92% of respondents have no property right while 7.6% have property right.

Table 6 : Ownership of Property right by respondent

Property right	Frequency	Percent
Yes	8	7.6
No	97	92.4
Total	105	100.0

This indicates that most of the respondents who were engaged in small business in Urban District had not registered their businesses. They had not ownership rights (property right) which are a characteristic of women business and most of them argued that because of their small business operated there was no need to register their businesses. As (Kamuzora, 2009) suggested that, many women in the world, particularly in developing countries lack ownership of property rights to receive loans because property rights enables them to have collaterals which are used as a security to access finance in financial institution as a result women depend on family and friends to raise capital

4.2.7 Availability of Market

The study revealed about 88.6% of respondents has no access to market whereby the rest about 11.4% have access to market. This indicates that majority of women of in Urban District have low accessibility of market. This indicated in the Table 7.

Table 7: Indicates Accessibility of Market

Accessibility of Market	Frequency	Percent
Those who access market	12	11.4
Not access market	93	88.6
Total	105	100.0

It was observed that many women operated as business venders in surveyed area but they were not moving from one place to another like petty traders. They sell their commodities at home and other in a fixed place but not formal market.

4.2.8 Training and Education

It was found that training and education is very important on business operation. Because it is a leader to empower women in all aspect of their business undertakings and decision - making their day to day life, but also ability to bargain and sustain business depending up on the training and education.

Table 8: indicates Training and Education

Training or education	Frequency	Percent
Yes	23	21.9
No	82	78.1
Total	105	100.0

In Table 8 above, the respondents were asked whether they have attended any training concerning with their business. The study revealed that majority of women 78.1% involved in this study has not attended any training on how to run business while 21.9% of them have some training on how to manage their business. The result implies that most of women in Zanzibar especially in Urban District run business without any training and knowledge, and most of them argued that they used inherited skills to run their business. This has been explaining by many studies explained in chapter 2.

4.3 Regression Result of the estimated model

In order to complete the study, the following are the result obtained from SPSS version 16.0 through Multiple Linear Regression Analysis as follow

Table 9: Result of Regression Analysis

Multiple Linear Regression			Number of observation = 105 F (8, 96) = 12.815 P > F = 0.000 R ² = 0.516	
Economic Institutions	Coefficient	Standard Error	t	Significance
Constant	129066.192	39904.932	3.234	0.002
Access of credit	0.301	.057	5.322	0.000
D1Mkt_accessibility	64626.946	26387.199	2.449	0.016
D2M_unsatisfied	38061.658	22380.516	1.701	0.092
d3sh_satisfied	-46157.973	24216.925	-1.906	0.060
d4less_satisfied	-129530.249	42808.076	-3.026	0.003
d5m_satisfied	-32111.263	37780.862	-0.850	0.397
D6 education	-23161.885	27389.490	-0.846	0.400
D7 education	15394.056	18681.542	0.824	0.412

Where;

Variable Name

Variable Description

Access of credit

Amount of credit per year in TZS

D1Mkt_accessibility

Accessibility of market dummy variable

1 = for those who access of market

0 = other wise

D2M_unsatisfied

Interest rate dummy variable

1 = more unsatisfied

0 = other

d3sh_satisfied

Interest rate dummy variable

1 = somehow satisfied

	0 = other
d4less_satisfied	Interest rate dummy variable 1 = less satisfied 0 = other
d5m_satisfied	Interest rate dummy variable 1 = more satisfied 0 = other
D6 no formal education	Education level dummy variable 1 = for non- formal education 0 = otherwise
D7 primary education	Education level dummy variable 1 = for primary education 0 = otherwise

The Model;

$$Y = 129066.192 + 0.301X + 64626.946D1 + 38061.658D2 - 46157.973D3 - 129530.249D4 - 32111.263D5 - 23161.885D6 + 15394.056D7$$

Table 9 is an overall output of the Multiple Linear Regression Analysis indicating Institutions that influence Women Investment Return. Multiple Coefficient of Determination (R^2) measures the goodness of fit of the regression equation. It gives the percentage of the total variation in the dependant variable explained by the independent variables. According to study results showed that the $R^2 = 0.516$ which means that 51.6% of variation of dependent variable that is Investment Returns is explained by the independent variables that are access of credit, accessibility of market, interest rate and level of education. However, the test which measures the overall significance of the estimated regression indicated by $p > F = 0.0000$ meaning that the study model as a whole is statistically significant.

Economic institutions that influence Women Business Investment Returns

Access of credit

The results of this model as in Table 9 show that the coefficient of access of credit is given by 0.301, it means that if it holds other things constant a unit increased of credit spends on investment will lead to increase the amount of returns by 30%. Also, it is statistically significance (0.000) at 1% level. However, the estimated coefficients of these variables indicate that direct relationship with investment returns. This implies that if the amounts of credit provided by women investors leads to influence their returns. However, it was observed that due to groups act as collateral leads to access the credit with soft loan conditions. Although the study conducted by (Makombe et al, 1998), agree that access to credit is not a guarantee for investors to perform well this is different from this study it shows that there is a relationship of women investment return and access of credit because they access credit in group form with soft condition.

Accessibility of market

Market accessibility is a dummy and captures in category, the category are those who have no fixed market. As we expected dummy of market to have positive coefficient, according to study result shows that the dummy coefficient of market access is 38061.658. This means that a unit increase of accessibility of market will lead to increase women investment returns by 38061.6 TZS if other things hold constant. However, the category of market accessibility is statistically significant (0.016) at 5% level meaning that there is a large probability of women in Urban District at Zanzibar their returns to be affected by accessibility of market, due to the survey conducted by the study. It was observed that most of women conduct their business at home may be due to the fact that they have extended family at the same time have low level of education which leads to them to have low knowledge on how to run business in the market and most of them operate small business. However, it indicates that most of women in this study were not supply their commodity to the market due to the fear of sexual harassment and family responsibilities.

As experience showed by (Allen and Truman, 1993), access to market is limited by the size of their business and type of business, hence throughout the world women are most likely to be found in the food production, nutrition, health and child care. According to the size and types of business it leads very difficult to them to sell their products at market instead they sell at home.

Interest rate

Interest rate was measured in terms of dummy value which was obtained from coding 0 and 1. One could mean that the individual woman investor agreed to have been affected by the interest rate fluctuations. The dummy of interest rate is obtained somehow satisfied the coefficient is -46157.973. The negative sign shows that the interest rate of this category have influenced women investment returns and it is statistically significant (0.060) at 5% level, which means that a unit increase of interest rate leads to decrease the returns of women investor by -46157.973TZS, other things hold constant. The category of less satisfied showed that the coefficient have negative sign and statistically significant (0.003) at 1% level this means that a unit increase of interest rate leads to decrease the women investment returns by -129530.249. Similarly, the category of more satisfied interest rate showed that the coefficient is -32111.263; the negative sign means that the interest rate has an effect on women investors return. However, the category is statistically insignificant (0.397), even though it shows the relationship with returns. This is because the interest rate provided was very high and few women investors were accessible. The high interest rates imposed by financial institutions will leads to increase the cost of women hence decrease their returns.

Level of education

The findings shows that the coefficient of no formal education category was estimated at - 23161.885. The negative sign indicates that the unit increase of no formal education decreases the women investment returns by - 23161.885 TZS measured in profit. Ceteris paribus, those women who have no formal education showed to invest in the low returns investments compared with those who have primary education and above. The primary education level category had a coefficient of 15394.056 which means that a unit increase of women education level will leads to increase the women investment

returns by 15394.056TZS. However, the variable category of level education if we hold other things constant those women who have formal education have large opportunities to increase their returns compared with those who have no formal education. At same time, the level of education category are statistically insignificant, meaning that there is no women owned business posses higher education in this study. Similarly, low level of education owned by women investors have an influence to their returns as indicated by Table 2, which showed that 51.4% had secondary education, 34.3% primary education, 14.3% no formal education. In this study, there is no respondents interviewed who possess diploma level, degree level and above. Many women in this study to seemed to have low level of education. Hence, this leads to low creativity, invention and innovation toward their businesses.

As argued by UNECE (2004) stated that women have limited access to vocational and technical training in developing countries, in fact, women have less access to education.

However the study of women economic groups in Morogoro region, Kamuzora (2001), observe that the groups lacked both innovative and business skills, she revealed that innovative characteristics depend on business skills that acquired through learning, Kolvereid 1992 and Olomi (2001) argue that those entrepreneurs with high level of education are motivated to expand their business compared with those who have low level of education. The reason for this relation is that entrepreneurs with higher education level have the ability to perceive growth opportunities and solve problems that caused by growth.

Entrepreneur behaviors

Low level of women education affected the business performance; to the contrary, high level of education harnesses entrepreneurs' development among women. However, the entrepreneurs who own businesses of the capital of more than one million are not affected by the fluctuations of interest rates. Meanwhile they lack access to training and education based on entrepreneurship on how to participate in the market and unable to market goods and services strategically.

CHAPTER FIVE

SUMMARY, CONCLUSION RECOMMENDATIONS.

5.1 Introduction

This chapter is about the summary of the research findings. It concludes the study and it recommends on the economic institutions that influence women investment returns. Lastly it highlights the area of the further studies that needs attention for further researches.

5.2 The Summary of the findings

The study has analyzed the economic institutions that influence women investment returns in Zanzibar, specifically in Urban District. The study used primary data of 105 women investors in Urban District. The methods used to collect data were interview and focus group discussion (FGD). The study employed both descriptive and econometrics analytical technique to examine the influence of women investors characteristics such as age, level of education, kind of business engaged, marital status, number of dependence.

The results for the test of association between economic and returns of women investors shows that the test was statistically significance, there is a relationship between economic institutions and returns of women owned business. Access of credit to the women investors found that to have statistically significant on increasing the returns of women owned business, because many women have ability to access credit through financial institutions such as WEDTF which have been studies. This condition encourages women to take loan and to engage in small business activities. However, the study observed that, most of women in the study area establish business with small credit, as we know that credits on establishing business are very important aspect.

Based on accessibility of market, this variable is statistically significant and shows that there is a relationship between access of market and women investment returns. As frequency Table 7 shows that most of women in this study have no access of market, this is because most of them sell at home because of family size.

Again, the study found that most of women in this study have extended family. Hence most of the time women use much time to take care of the family and they feel shame to go to the market to sell their commodities because it seems that this is not their traditional role. Many of them live far away from home to the market place. Being far distance from home, transaction costs increases of marketing their products increase. As a result, the returns of women investors in the surveyed area are firmly influenced by accessibility of market.

Moreover, the coefficient of interest rate has relationship with women investment returns and statistically significant, meaning that there is a possibility to decrease women investors returns. The higher interest rate imposed by formal institutions interest rate, the higher the increase of the cost and the decrease of the returns. However, most of women were less unsatisfied with interest rate imposed by financial institutions since the majorities are Muslim. In Muslim societies, women and other businesses are restricted to have *riba* (interest set on loanable income).

The study result of level of education showed that most of women investors have low level of education as observation revealed that there is no respondents interviewed who possess diploma level, degree and above. The study indicates that the majority of respondents who owned business had secondary education and most argued that they use their own experience to conduct business. In addition, the study result revealed that those women who have no formal education, their returns decrease compared to those who have formal education.

The study found that majority of women owned business did not register their businesses and the main reason according to them are cost of registration which was very high and nature of their business does not need registration. Hence the formal institution still influence the returns of women owned business and it was observed that women in the study area were not aware of registration of their business

5.3 Study conclusion

Based on the study findings, market accessibility, as we expected dummy of market to have positive coefficient, the result shows that the accessibility of market is statistically significance at 5% level this means that, there is a probability of women investors their returns to be affected by accessibility of market. The dummy of level of education appear as it was expected, those who have high educational level their returns tend to increase and those with low level their returns decrease. The category of this dummy of less unsatisfied and showed that less satisfied and more satisfied of interest are statistically significance at 1%, the negative sign showed that the returns of women investment returns decrease as interest rate increase, this implies that high interest rate effects return of women investors. In addition to that the access of credit it indicate direct relationship with investment returns and it is statistically significance at 1% level.

However, the test which measures the overall significance of the estimated regression indicated by $p > F = 0.0000$ meaning that the study model as a whole is statistically significant. The study therefore, conclude that economic institutions in Urban District influence women investment returns

5.4 Recommendations

In order to improve the conducive environment on the development of women groups and WEDTF, the study came up with the following recommendations:-

- i. Participation of women in economic activities is of great importance in livelihood improvement. The government should, therefore, create a conducive environment based on policies and regulations that will provide the greater chance to gender equality in schools, colleges and universities.
- ii. The government should conduct diverse training programmes to educate male leaders (husbands) on the importance of allowing their wives to find the market so as to sale their products. However the women themselves must be ready to find information on market how to sell their products at market.

- iii. Government should conduct programs that will educate society on the importance of women who take loan and make effort in establishment of small business. At the same time to establish a policy that guides women in the reduction of family responsibility because of their importance in the economy.
- iv. The microfinance institutions should provide education and training concerning with entrepreneurship and business skills at the same time women should be ready to attend trainings on how to run their business professionally.
- v. It is recommended that micro financial institutions like WEDTF, SACCOSS and PRIDE should regulate and reduce constrains on women investors so as to impress more and more women to take loan to improve their life.
- vi. Lastly, it is recommended that WEDTF should provide loan in timely manner because most of women claimed about process of getting loan taking long time.

5.5 Areas for further study

This study conducted in Urban District of Zanzibar with the economic institutions that influence women investment returns in Zanzibar, women investors nowadays are very important in improvement of their life. However, during a study the major limitation is that they cannot be representative of the entire population, at the same time some of women were not ready to give out the exactly amount of their returns due to family responsibility. In this case, there is a need for more studies in the subject in other District of Zanzibar.

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APPENDICES

APPENDIX. 1

INTERVIEW QUESTIONS

A. BACKGROUND INFORMATION

1. Age of respondent

18-30

31-40

40-and above

2. Education level

No formal education 1

Primary 2

Secondary 3

Diploma 4

Degree and above 5

3. Marital status

Single

Married

Widow

Divorced

4. Number of dependent

Non

1 - 2

3 - 4

5 – above

B. INSTITUTIONS

5. Who could you convince to take loan for your investment?

Husband

Friends

Relatives

Government official

Other specify

6. Why did you prefer to take loan and then to invest?

Getting income

Self-employment

Other specify

7. Do you have property right of your business

Yes No.....

If No, please explain

8. What kind of business do you engage your loan?

Handicraft

Saloon

Food vending

Selling Kanga

Retail shop

Selling charcoal

Tailoring

Selling firewood

Selling juice/icecream

9. In your business does your return influenced by economics institutions?

Yes No

If yes, how

10. Which one do you influenced more than the other?

Formal

Informal

Both

11. To what extent did you satisfied with that rate imposed by financial institutions

More unsatisfied

Less unsatisfied

Somehow satisfied

Less satisfied

More satisfied

12. Where do you sell your products?

Market

Other

13. How much do you access per year as your loan?

14. How much did you get as your returns per year?.....

15. Did you get training and education on your business?

Yes

No

If yes, where did you get it? For how long did you get?

.....

16. Does education and skill obtained improve your business?

Yes

No

If yes, how

17. Do you have an asset?

Yes No.....

18. What kind of asset did you have?

House

Land

Car

Furniture

Other, please specify

19. What problems do you face when you run the business in relation to

Formal institutions

- i. Government policy (monetary policy)
- ii. Property right
- iii. Contracts

Informal institutions

- i. Attitude toward women owned business
- ii. Family responsibility
- iii. Husband permission

20. What measures do you taken to solve that problem?

21. What are your suggestions of the WEDTF on borrowing system?

C: QUESTION FOR WEDTF STAFFS

22. Do you offer education about loan management to client before providing loan?

Yes

No

If yes what areas do you educate?

24. In your experience, do women who take loan increase in every day to day?

25. What problems do you face in relation to borrowing?

26. What measures do you take to solve the problems?

THANK YOU FOR YOUR COOPERATION

APPENDIX 2

SPSS OUTPUT OF THE MULTIPLE LINEAR REGRESSION MODEL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.882E11	8	8.602E10	12.815	.000 ^a
	Residual	6.444E11	96	6.713E9		
	Total	1.333E12	104			

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	Coefficient	Std. Error				Beta	Lower Bound
1 (Constant)	129066.192	39904.932		3.234	.002	49855.529	208276.856
access of credit	.301	.057	.477	5.322	.000	.189	.413
d5Mkt_availabi	64626.946	26387.199	.183	2.449	.016	12248.771	117005.121
d1M_unsatisfied	38061.658	22380.516	.149	1.701	.092	-6363.315	82486.631
d3sh_satisfie	-46157.973	24216.925	-.164	-1.906	.060	-94228.190	1912.243
d4less_satisfied	-129530.249	42808.076	-.245	-3.026	.003	-214503.609	-44556.890
d5m_satisfied	-32111.263	37780.862	-.076	-.850	.397	-107105.681	42883.155
dnfeducation	-23161.885	27389.490	-.072	-.846	.400	-77529.592	31205.822
dpeducation	15394.056	18681.542	.065	.824	.412	-21688.512	52476.624

a. Dependent Variable: returns per year

APPENDIX 3.
CORRELATION ANALYSIS RESULTS

CORRELATIONS

	returns per year	access of credit	d5M kt_pl ace	d1M_unsat isfied	d3sh_sati sifie	d4less_sat ified	d5m_sati sfied	dnfe duc	dped uc
Pearson Correla tion	1.000	.589	.220	.372	-.153	-.384	-.302	.043	.017
access of credit	.589	1.000	.020	.219	.021	-.259	-.493	.213	-.106
d5Mkt_ava ilability	.220	.020	1.000	-.014	-.105	-.080	-.103	.024	-.196
d1M_unsat isfied	.372	.219	-.014	1.000	-.302	-.135	-.173	-.246	.109
d3sh_satisi fie	-.153	.021	-.105	-.302	1.000	-.112	-.144	-.204	.191
d4less_satif ied	-.384	-.259	-.080	-.135	-.112	1.000	-.064	-.091	-.162
d5m_satisfi ed	-.302	-.493	-.103	-.173	-.144	-.064	1.000	-.117	.095
dnfeduc	.043	.213	.024	-.246	-.204	-.091	-.117	1.000	-.295
dpeduc	.017	-.106	-.196	.109	.191	-.162	.095	-.295	1.000
Sig. (1- tailed)		.000	.012	.000	.060	.000	.001	.331	.431
access of credit	.000		.419	.012	.414	.004	.000	.014	.142
d5Mkt_ava ilability	.012	.419		.445	.144	.208	.148	.402	.022
d1M_unsat isfied	.000	.012	.445		.001	.085	.039	.006	.134

	d3sh_satisfie	.060	.414	.144	.001	.	.128	.072	.018	.026
	d4less_satisfied	.000	.004	.208	.085	.128	.	.258	.177	.050
	d5m_satisfied	.001	.000	.148	.039	.072	.258	.	.117	.167
	dnfeduc	.331	.014	.402	.006	.018	.177	.117	.	.001
	dpeduc	.431	.142	.022	.134	.026	.050	.167	.001	.
N	returns per year	105	105	105	105	105	105	105	105	105
	access of credit	105	105	105	105	105	105	105	105	105
	d5Mkt_availability	105	105	105	105	105	105	105	105	105
	d1M_unsatisfied	105	105	105	105	105	105	105	105	105
	d3sh_satisfie	105	105	105	105	105	105	105	105	105
	d4less_satisfied	105	105	105	105	105	105	105	105	105
	d5m_satisfied	105	105	105	105	105	105	105	105	105
	dnfeduc	105	105	105	105	105	105	105	105	105
	dpeduc	105	105	105	105	105	105	105	105	105