

## **Economic Empowerment of Tanzanian Women Through Ownership of Tourism Micro, Small, and Medium Enterprises (MSMEs)**

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### **Abstract**

*This paper examines how Tanzanian women are empowered through the ownership of tourism micro, small and medium enterprises (MSMEs); evaluates the effects of economic empowerment on their welfare; and discusses the challenges they face when running them. Using data on 475 women in Mainland Tanzania and Zanzibar, the empirical method used compares selected empowerment indicators before and after the women started their businesses. To determine the significance of the difference in monthly income earned and percentage contribution to household income, we use a non-parametric test. We find that owning tourism MSMEs empowers women by increasing their monthly income and contribution to household income, decision-making in the enterprise and household, and allowing them to own assets. Women face challenges in obtaining inputs and accessing credit when starting and operating tourism MSMEs, lack capital to start and expand their businesses, and business management skills. Other constraints include high interest rates and difficult loan application procedures. Providing information on government funding opportunities, incorporating training in bank financial schemes, and simplifying loan application procedures to encourage women to apply for loans are the suggested measures to increase the empowerment effects of tourism MSMEs.*

**Keywords:** tourism, MSMEs, women empowerment

**JEL Classification:** L83, O55, L26, J16

### **1. Introduction**

The tourism sector<sup>1</sup> has been identified globally as a sector that is rapidly growing and is important for creating jobs, reducing poverty and empowering women due to its flexibility and dynamism (Jimenez-Esquinas, 2017; Medina-Munoz, Medina-Munoz & Gutierrez-Perez, 2016). The sector stands firmly in its ability to achieve three goals (i.e., goals 8, 12 and 14) in the Sustainable Development Goals (SDGs) (UNWTO, 2021), and involving women as entrepreneurs in the sector has been identified as essential in meeting the SDG goals of gender equality and achieving decent economic growth (UNWTO, 2019). This owes to the sector's empowering potential in terms of employment opportunities to bridge the gender gap in income and employment, and its ability to spur growth through attracting foreign direct investment, which is pivotal to the transformation of the lives of women and youths through providing decent jobs.

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<sup>1</sup>Tourism activities are broadly categorised in 12 groups ranging from accommodation, food and beverages to cultural and retail activities (UNWTO, 2008).

The contribution of the tourism sector to gross domestic product (GDP), foreign exchange earnings and employment is important to Tanzania's economy. Tourism receipts as a percentage of total exports averaged approximately 27% between 2015 and 2019, and tourist arrivals increased by 95% between 2010 and 2019 (World Bank, 2022). However, the percentage contribution of the sector to exports fell from 27% in 2019 to 11% in 2020, largely due to the COVID-19 pandemic that reduced the number of tourist arrivals between 2019 and 2020 by approximately 60%.<sup>2</sup> The sector's percentage contribution to employment and GDP in 2019 was 10.7% and 6.2%, respectively (World Bank, 2022; WTTC, 2021).<sup>3</sup> The contribution to both employment and GDP fell in 2020 to 4.5% and 5.3%, respectively. By the middle of 2021, however, the sector was reported to be picking up (Deloitte, 2021); and hence offering renewed hope for securing income earning opportunities for women in tourism-related micro, small and medium enterprises (MSMEs).

Given the potential of the sector to provide income opportunities for women, examining the extent to which women can be empowered by owning tourism MSMEs is essential. A baseline study on the distribution of MSME ownership in Tanzania found that women dominated the ownership of micro-enterprises: women owned 54.3% of all MSMEs sampled, while of the sampled micro-enterprises, approximately 60% were female-owned (URT, 2012). Recognising the importance of this sector to women, in 2012, the Tanzania's Minister of Trade and Industry stated:

This in itself testifies the ability of the sector in narrowing the women exclusion gap in the economic activities. I commend all stakeholders who pioneer women development to designate a particular attention on this sector (URT, 2012; 13).

While studies on empowering women have focused on ownership of micro enterprises in general, and in specific districts of Tanzania, none have specifically examined how tourism MSMEs economically empower women in several regions of Tanzania that have tourism-related activities. For example, Mrema (2015) focused on the potential of tourism activities to empower women in Monduli District; Gara and Mhache (2021) studied entrepreneur activities in tourism by women in Manyara Region, but did not consider the empowering effects; Maliva (2017) examined the strategies women use to work in the tourism industry that contributed to the development of the sector in Zanzibar, and it revealed how their involvement in tourism empowered them through making choices in their own lives; while Manyarange and Warsanga (2021) investigated how participation in tourism activities empowered women in Serengeti District socially and economically.

Furthermore, according to UNWTO and UN Women (2011), the importance of the tourism sector is pivotal in promoting women's economic empowerment as it presents:

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<sup>2</sup>TanzaniaInvest.com. 2021. Retrieved in November 2021 at <https://www.tanzaniainvest.com/tourism>.

<sup>3</sup>World Bank, Development Indicators, retrieved in June, 2022 from <https://databank.worldbank.org/>; WTTC, *Tanzania 2021 Annual Research: Key Highlights*, retrieved in June 2022 from <https://wttc.org/Research/Economic-Impact>.

... a wide range of income generation opportunities for women in both formal and informal employment. Tourism jobs are often flexible and can be carried out at various different locations such as the workplace, community, and household. Additionally, tourism creates a wide range of opportunities for women through the complex value chains it creates in the destination economy (ibid: i).

This study fills the knowledge gap of understanding ways in which the ownership of tourism MSMEs economically empowers Tanzanian women in major tourism regions, as a critical step in achieving gender equality. Moreover, despite the larger proportion of MSMEs owned by women revealed by the baseline study, women (and youths) are among the most marginalised and underutilised in Tanzania (USAID, 2022). It is thus fundamental to examine ways to enable gender equality and economically empower women. Examining how women can be economically empowered through ownership of tourism MSMEs, given the existing opportunities in the tourism sector, could address women's marginalisation and limited empowerment. Thus, this paper aims to examine how ownership of tourism MSMEs economically empowers them by specifically addressing the following questions: *How do women benefit economically from owning tourism MSMEs? What are the consequences of economic empowerment for women's welfare and other dimensions of empowerment? What obstacles do women face when running tourism MSMEs?* We argue that owning tourism MSMEs economically empowers women by generating income to meet household needs and buy assets; and that economically empowered women are able to participate in household and enterprise decision-making.

The paper is structured as follows. Subsequent to the introduction in section one, section two reviews theoretical and empirical literature on empowerment. Section three presents the data and the analytical approach; followed by section four, which presents and discusses the findings. Lastly, section five concludes with some policy implications.

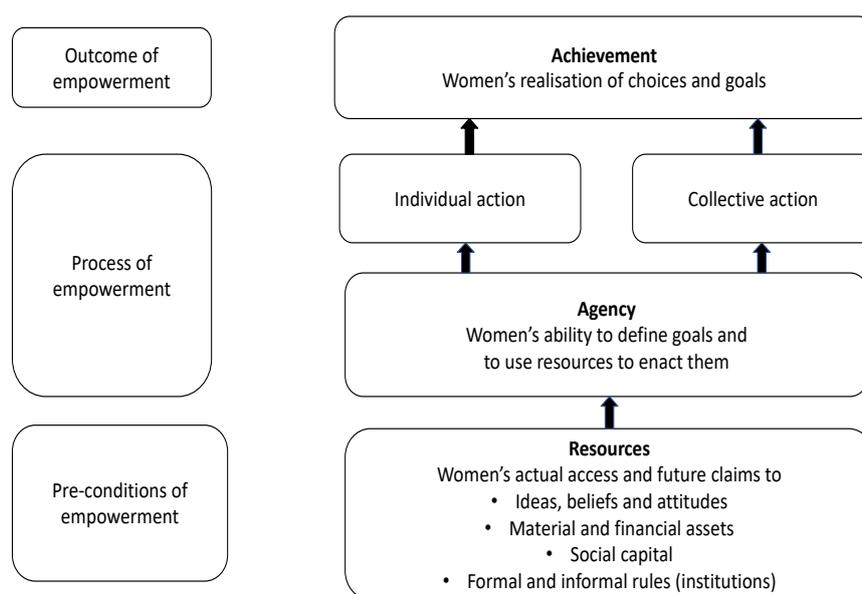
## **2. Review of Theoretical and Empirical Literature**

### ***2.1 Conceptualising Empowerment***

Women's empowerment is the ability to gain a voice, move freely, and establish a public presence. It also entails gaining control of, and the ability to change, the power that "... occurs across interconnected and mutually reinforcing psychological, political, social, and economic domains, and through which women gain power, meaningful choices, and control over their lives" (Hunt & Samman, 2016: 9). This means that women's range of options expands, and it is understood to involve three key dimensions: *agency*, *resources*, and *achievements* (Kabeer, 2005). Agency is a person's ability to set goals based on his/her values on issues and decisions, to perceive oneself as capable of achieving those goals, and to act on those goals (Donald, Koolwal, Annan, Falb & Goldstein, 2017). Agency is exercised through the distribution of resources in a society via institutions (where certain actors are privileged to make decisions on rules, norms and conventions) and relationships (which determine the form of accessing resources) (Kabeer, 2005). Achievements are the outcomes or realisations of the first two dimensions (Kabeer,

2005; Gul, 2015). Once the change occurs, empowered women gain greater access to economic resources and opportunities; their dignity is respected; and their contribution is valued (GenderNet, 2011).

Figure 1 depicts women’s empowerment as a process, demonstrating the preconditions for empowerment, which include their access to material resources and informal and formal societal rules, among other things.<sup>4</sup> These collectively empower women by allowing them to define their goals and use resources to achieve them, thereby having an individual and collective impact on their communities.



**Figure 1: A Schematic of Women’s Empowerment as a Process**

Source: O’Neil, Domingo & Valters (2014)

Women’s economic empowerment, enabled by enterprise ownership, has captivated the interest of academics and policy makers in unravelling the mechanisms underlying the empowerment process. Allowing women to use their skills in running them, the flexibility of running enterprises that allows women to earn an income while attending to responsibilities in the care economy, enabling women to balance work and family obligations, and women becoming less dependent on men for their financial needs and security: all these are some of the empowering aspects noted in various studies (EIGE, 2017; Jayswal & Jaiswal, 2015; Morrisson & Jutting, 2004). The next subsection discusses the channels through which entrepreneurship-generated income economically empowers women, and how it impacts their welfare.

<sup>4</sup>Another conceptualisation by Rao and Kelleher (2002), the gender at work framework, depicts similar ideas; that empowering women involves more than just providing resources as formal laws and policies, patriarchal and other oppressive social structures, cultures, beliefs, and practices all play a role.

## ***2.2 Channels Through which Income Generation Economically Empowers Women and its Effects on Welfare***

Development literature shows that income-generating activities help women raise their status in their families and society, and serve as a foundation for their overall empowerment (Basu & Basu, 2001). Owning businesses empowers women in two ways: first, through generating an income from the businesses, women are able to meet household needs and acquire assets over which they have control. Second, this control over resources that they acquire economically empowered women contribute to decision-making in their enterprises and home. These empowering effects have been observed in Asia: women who obtained microfinance loans and used them to start income-generating activities increased their household decision-making power (Basu & Basu, 2001; Amir, 2015). The acquired voice is extended to fertility decisions: studies found that working-age women are more likely to control their fertility by having a say in family planning decisions, and as the opportunity cost of having children rises, women can make rational decisions to have fewer children (Fang et al. 2013; Field et al., 2016; Werding, 2014). Anik et al. (2021) found that higher levels of empowerment among women were associated with the utilisation of maternal health services in Bangladesh.

Thus, women's participation in income-generating activities is undeniably an important aspect of empowerment as it enables them to better support their families through additional earnings. More importantly, this enables them to assert their independence, allowing them to create a more meaningful life for themselves. Women who rely on their spouse for financial support may be forced to endure an oppressive marriage because life outside of marriage may spell financial ruin. Empowered women who earn a living through employment or another source of income, on the other hand, can live on their own and may reject marriages that bind them. A study in West Bengal, for example, discovered significant correlations between having an independent income and six other empowerment indicators (Haneef et al., 2014).

Since the participation of women in income-generating activities empowers them by allowing them to control household resources and contribute to the household's welfare, providing women with business startup capital is an important step toward economically empowering them. It enables them to contribute to household income, have a say in key household decisions, and alleviate poverty in their communities. Hence, increasing women's access to economic resources and opportunities—such as jobs, financial services, property, and other productive assets—and improving or developing their business management skills and access to market information for their products, is critical to empowering them (Asian Development Bank, 2015; O'Neil, Domingo & Valters, 2014).

Women who are economically empowered can also acquire assets. Asset ownership is an important indicator of economic empowerment because it indicates women's agency when they purchase large productive assets such as land and/or own homes (Pereira, Petermen & Yount, 2017). Although economic empowerment through asset ownership has been linked to an increase in intimate partner violence (IPV),

Pereira, Petermen and Yount (2017) found that in five countries (Cambodia, Nigeria, Sierra Leone, Tanzania, and Zambia), where they owned land, women were less likely to experience IPV. Also important, owning assets like land and houses increases women's chances of obtaining formal loans, making them less vulnerable and more resilient to shocks (United Nations, 2010)

### **3. Data and Analytical Approach**

Primary data were collected from eight (8) regions from Mainland Tanzania (Arusha, Kilimanjaro, Manyara, Iringa, Dar es Salaam, Coast, Morogoro, and Tanga), and the Zanzibar Islands.<sup>5</sup> The regions were chosen based on the presence of tourism-related activities and tourist destinations. A structured questionnaire, with closed and open-ended questions, was developed for data collection.<sup>6</sup> The project objective and a review of literature served as guides in the development of the questionnaire. The questionnaire was divided into eight sections.<sup>7</sup>

Women-owned businesses engaged in tourism activities were randomly chosen from the selected regions. A list of businesses was obtained from the National Bureau of Statistics (NBS) in Tanzania Mainland, and from the Chief Government Statistician's office in Zanzibar. A random sampling was used by applying the numbers generated using Microsoft Excel's random number generator to the list of businesses. The sample of firms in each region was determined in proportion to the number of MSMEs in that region, and this proportion was used to determine the number of questionnaires distributed. A total of 475 female MSMEs owners were interviewed. The Tanzanian Small and Medium Enterprise Development Policy (2003) (URT, Ministry of Industry and Trade (MIT) 2002) guided the selection of micro, small, and medium enterprises; which relied on startup capital rather than current capital because most firms did not provide it. As a result, large-scale enterprises and those with no track record of business capital investment were excluded. Furthermore, because the official lists did not specify the gender of the owner, a replacement list was used if the enumerators discovered that an enterprise's owner was male. The distribution of the regions by area from where data were collected in Zanzibar and Tanzania Mainland are indicated in Table A1

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<sup>5</sup>The data for the study was collected between August and December 2017 under the IDRC project on 'Youth Employment and Women's Economic Empowerment in Africa: The Role of MSMEs in the Tourism Sectors of Mauritius, Tanzania and Uganda' conducted by a team of researchers in the then Department of Economics. The data and instruments are available in the School of Economics' data bank for use by all interested researchers.

<sup>6</sup>The questionnaires used to collect the data, as well as the data, are freely available from the University of Dar es Salaam School of Economics (UDSE). The respondents were duly informed that the data was being collected purely for research, and that their responses were confidential. Further, the women were told that the video recordings would only be used for research purposes, and they signed a consent form to allow the documentation.

<sup>7</sup>The eight sections are: respondent's profile; background of the business; operation of the business, its management, and obstacles; women's economic role and control over assets; women's involvement in business and household decision-making; women's time use; group participation; and social norms and stereotypes. Before beginning data collection, a research clearance was obtained from the UDSM Deputy Vice Chancellor's research office, and the project was registered as CoSS-EC18025.

in the Appendix. Of the 101 sampled women in Zanzibar, 67 were from urban areas, while 34 were from rural areas. The sampled women in Zanzibar constituted 21% of the total sample. Of the 374 sampled women in Mainland Tanzania, 305 were from urban areas, while 69 were from rural areas.

We use a simple analytical approach to assess how women are empowered through ownership of tourism MSMEs, taking into account the situation before and after on the following empowerment outcome indicators: income level, contribution to household income; asset ownership; household decision-making; and enterprise decision-making. We assess how women are economically empowered through ownership of tourism MSMEs by examining how outcome indicators on *achievements*, *agency* and *resources* are impacted.

### (i) *Achievements*

We follow Buvinic et al. (2020) to provide objective outcomes from owning tourism MSMEs; increase in income; and percentage contribution to household income. That is, we determine the extent to which women's incomes and their contribution to total household income are impacted by owning tourism MSMEs. For income, we group the women in income categories of their monthly income before and after owning the enterprise.<sup>8</sup> For percentage contribution to household income, we create categories of the percentage of their income that they contributed to the household before and after owning the enterprise.<sup>9</sup> Kundu (2019) used a similar approach in a study of how micro-entrepreneurship led to women's empowerment in rural India. Other researchers have also used the approach (see, e.g., Quattrochi et al., 2019; Mengstie, 2022). The change in the percentage of women experiencing various aspects of empowerment is used to determine how empowering enterprise ownership is.<sup>10</sup>

For both, we use a non-parametric test to capture the significance of the difference in two outcome indicators before and after starting the enterprise (Sheskin, 2000). The test is depicted in equation (1) as:

$$\chi^2_{c-1} = \sum(O_j - E_j)^2 / E_j \quad (1)$$

Where  $E_j$  is the expected frequency,  $O_j$  is the observed frequency,  $c$  is the number of categories, and  $c - 1$  is the degrees of freedom. To determine whether the difference is significant, the calculated  $\chi^2$  value is compared to the critical value at a selected significance level.

<sup>8</sup>The income categories used to collect data on income level (in TZS) before and after are:

1. < 100,000; 2. 100,001-500,000; 3. 500,001-1,000,000; 4. 1,000,001-5,000,000; 5. > 5,000,000.

<sup>9</sup>The percentage contribution to income categories that we created are as follows: 1. < 25; 2. 25-50; 3. 51-75; 4. >75.

<sup>10</sup>Indices for measuring empowerment that are quite elaborate have been developed and suggested in the literature (see for example Alkire et al. (2013), International Food Policy Research Institute (IFPRI) (2012), and Ewerling et al. (2017). This study could not use these indices because data collected does not contain the key aspects to use in developing the indices.

The test is appropriate because the distribution of the two variables is non-normal (see Shapiro-Wilk test results in Table A2); and the data on income levels and percentage contributions to household income is categorical. The null hypothesis of normal distribution is rejected (for the whole sample and for Zanzibar and Mainland Tanzania separately).

### **(ii) Agency**

We measure agency by investigating women's control and decision-making power over both household and enterprise resources before and after starting the enterprise (Laszlo et al., 2017; Glennerster, et al., 2018; Buvinic et al., 2020; Elias & Meinzen-Dick, 2021), as well as their control over household expenditure (Buvinic et al. (2020)). This is the common way in which women's agency is measured and empirically examined in various studies.

The ability to make business and household decisions, both of which indicate agency, is an important outcome indicator of economic empowerment. Four aspects are considered in assessing change before and after starting an enterprise for decision-making at the household level: *spending from main income source, buying land, taking a loan, and making an investment*.<sup>11</sup> We consider the change in the percentage of women in the way they made decisions in these aspects before and after owning the enterprise.

For decision-making in their enterprises, we examine agency of the surveyed women by the extent to which they made by themselves, jointly with their spouses, or by entrusting the decisions to their spouses and other people. The greater the extent to which they made key decisions in their enterprises, the greater the extent of control and power they had in decision-making in the aspects of their lives that are important to their lives (Buvinic et al., 2020). The decision-making aspects we consider are: *the day-to-day decisions on the business; loan taken to run the business; buying of equipment for the business; and spending on earnings generated in the business*.

### **(iii) Resources**

We follow Buvinic et al. (2020) to examine the resources—namely *land* and *savings* -- that enhance women's ability to exercise choice (Kabeer, 1999) before and after starting their businesses. These preconditions enable women to exercise agency and decision-making power to benefit their lives (Laszlo et al., 2017; Asaolu et al., 2018). However, we go beyond those two resources to include other assets as they are key resources of households: *means of transport, large consumer durables, and large fixed assets*.

In the survey, asset ownership is divided into two categories: those owned without asking whose name they are registered in, and thus assumed to be for the entire

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<sup>11</sup>The percentage change in the way the women made decision-making aspects before and after starting the business considered are: from *only* their spouse making decisions to involving them in a joint way (*spouse to joint*); from the spouse to the women making the decisions themselves (*spouse to self*); and from jointly making the decisions to women making decisions themselves (*joint to self*).

family, and those registered in women's names, assumed to have been acquired by women using their own resources.<sup>12</sup> We consider the percentage of women owning assets before and after starting the enterprise by type of asset.

#### 4. Findings<sup>13</sup>

##### 4.1 *Effects of Tourism MSMEs Ownership on Achievements*

The extent to which women have been empowered by owning MSMEs in tourism is examined by comparing income earned and percentage contribution to household income before and after starting their businesses, as recalled by the women. While recall bias is possible in recollection data, given the nature of the information sought from respondents, it is assumed to be minor. When respondents are asked to provide sensitive medical information about an event that occurred many years ago, recall bias is usually severe due to time-span (Spencer, Brassey & Mahtani, 2017). The majority of businesses in the survey (roughly 70%) were founded within the last ten years or less, so recollection would be unaffected by the passage of time.

Table 1 gives the results of the test using equation (1) for the whole sample. The calculated value for the statistical significance of the difference in monthly income earned exceeds the critical value at the 1% significance level. The results for Mainland Tanzania and Zanzibar separately are similar (Table A3). This means that the difference between income before and after starting the business is statistically significant, suggesting that women are economically empowered through income earned from ownership of tourism MSMEs.

**Table 1: Results of Applying the  $\chi^2$  Test<sup>14</sup>**

	Calculated $\chi^2$ Value	Critical/Table Value of $\chi^2$
Difference in monthly income earned	29.6***	13.3
Difference in percentage contribution to household income	25.1***	11.3

Note: \*\*\*1% level of significance.

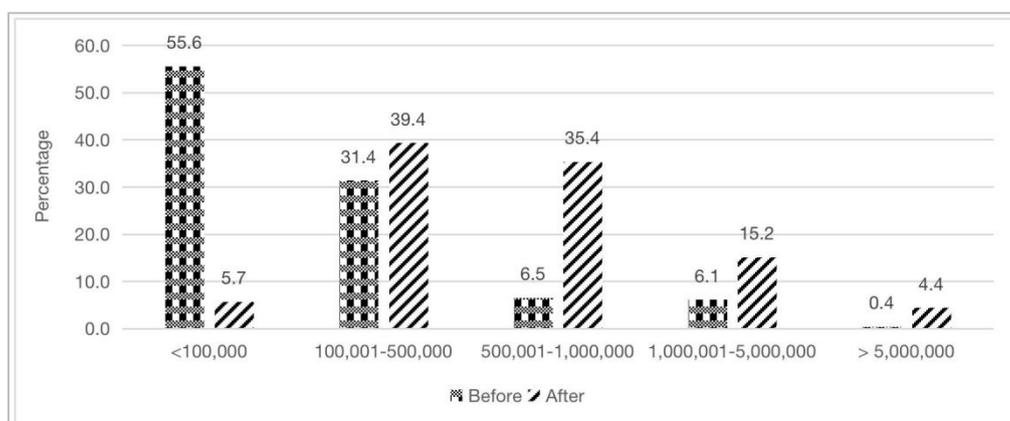
Further, note that the percentage of women who moved from lower to higher income groups depicted in Figure 2 cements this finding. For example, for the full sample, prior to starting the business, approximately 56% of those surveyed earned less than TZS100,000 per month (equivalent to less than \$56). After starting the business, approximately half of the respondents moved into higher income brackets. Figure A1 depicts the separate findings for Mainland Tanzania and Zanzibar. In Mainland Tanzania, 55% of the women were in the low-income group before establishing their

<sup>12</sup>The jointly owned assets are: means of transport (car/vehicle; motorcycle; bicycle); large consumer durables (fridge, TV; sofa; cooker; cell phone; radio); large fixed assets (house; land); while those registered in a woman's name are: savings and land.

<sup>13</sup>We present data for both Mainland Tanzania and Zanzibar (full sample) in the main text of the paper, while the results for each research location are presented in the appendix. The significant differences in the results between the study sites are examined.

<sup>14</sup>The results for Zanzibar and Mainland Tanzania separately are given in Table A3. They are similar to the overall results except for income earned in Mainland Tanzania, which is significant at 5%.

business, but this dropped to 6% after they started their enterprise. In Zanzibar, the effect was more pronounced: 59% of women were in the low-income group before starting their business, but the figure fell to 4% after establishing their enterprise.



**Figure 2: Percentage of Respondents in Income Groups - Full Sample**  
Source: Survey data

These gains in women's economic empowerment have an impact on their contribution to household welfare through their spending patterns, which have generally been observed to improve family welfare (Waseem, 2004); resulting in better outcomes in children's education and reduced child mortality through better nutrition.<sup>15</sup> Respondent 6 confirmed this:

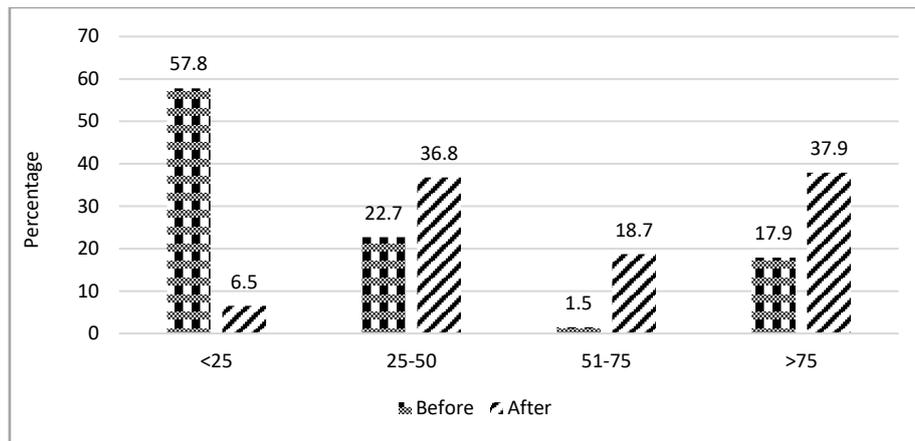
*"My business has enabled me to run my family after my husband passed on. I am especially proud that I have been able to educate my children, two of them up to first degree, and one up to Masters level. This is my greatest pride"* (Handcrafts Shop Owner – Dar es Salaam).

We also find a statistically significant difference in the percentage contribution to household income before and after the startup of the business. Table 1 shows that the calculated  $\chi^2$  is greater than the critical value at 1% significance level, and Table A3 gives similar results for Mainland Tanzania and Zanzibar separately. Figure 3 buttresses this finding by showing that 58% of the respondents contributed less than 25% of their household income prior to starting their business (it fell to about 7% after starting the business), while 18% of the respondents were in the above 75% percentage contribution group prior to starting the enterprise, the figure more than doubled to 38% after starting the enterprise.

For Mainland Tanzania and Zanzibar, the movement in the percentage contribution is similar (Figure A2). Respondent 10 confirmed this:

*"Employing myself as a henna artist is my greatest achievement. I am able to contribute more to the family income, and my children and husband acknowledge my contribution"* (Henna Artist on Canvass – Zanzibar).

<sup>15</sup>The recorded testimonies of the sampled women are available upon request.



**Figure 3: Percentage of Respondents in Percentage Group (Percentage Contribution to Household Income - Full Sample**

Source: Survey data

Income as a crucial economic resource in the empowerment process (Figure 1) is demonstrated by our findings: the ability to earn a living is the cornerstone of the empowerment process that provides opportunities for women to advance in their empowerment journey, starting with the contribution at the household level, and then onto asset acquisition and increased agency (Movono & Dahles, 2017), which our findings will further illustrate.

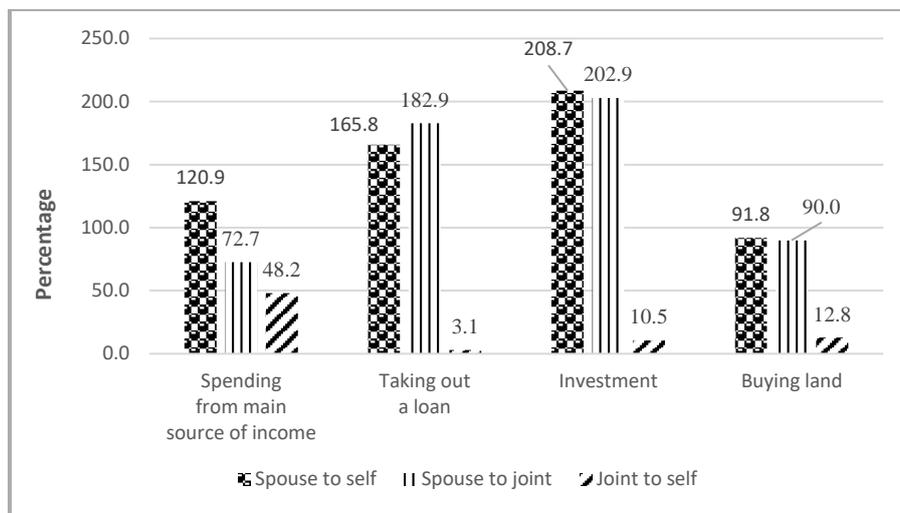
#### 4.2 Effects of Tourism MSMEs Ownership on Agency

Figure 4 gives the percentage change in the three aspects of decision-making in household aspects for the full sample, and Figure A3 presents the percentages separately for Mainland Tanzania and Zanzibar. Figure 4 shows large percentage changes in women making major household decisions, from spouse to joint; spouse to self; and joint to self; which demonstrate the extent of empowerment in terms of assuming a greater role in decision-making.

For Mainland Tanzania (Figure A3), all aspects of decision-making in the household increased, except for taking out a loan and investment in decision-making from joint to self, which decreased. For Zanzibar, all aspects of decision-making in the household increased, except for spending from the main source of income in the decision-making from spouse to joint, which decreased.

In general, the establishment of tourism MSMEs resulted in a substantial increase in the proportion of women making key household decisions. Respondent 3 testified thus:

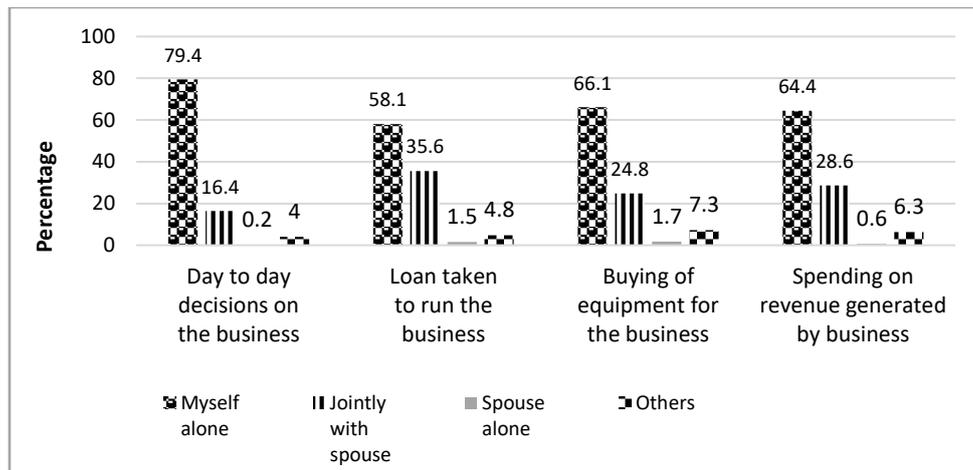
*“Before I started my business, I was not asked, or listened to, on matters I suggested in the family. Now, my views are heard, and I am asked for my opinion. At the beginning I did not get support from the family, but now my husband supports me, to the extent of employing a maid to do the housework, which I was expected to do when I just started my business, while also attending to my business at the same time” (Lodge Owner - Arusha).*



**Figure 4: Percentage Change in Women Participating in Decision-making in Various Household Aspects - Full Sample**  
 Source: Survey data

Figure 5 gives the percentage of surveyed women who made decisions in their enterprise for the full sample, and Figure A4 gives the percentages for Mainland Tanzania and Zanzibar separately. Figure 5 depicts that, in general, women made the majority of key decisions in their businesses themselves, followed by jointly making decisions with their spouses. The percentage of women who let their spouses make business decisions alone was considerably lower than the percentage of women who made decisions themselves. This is similar for Mainland Tanzania (Figure A4), where a significant percentage of women made business decisions themselves; while a small percentage allowed their spouses to make business decisions. For Zanzibar, the results are similar to Mainland Tanzania in three areas where their spouses alone were not involved at all in making business decisions and on one aspect of taking a loan to run the business; whereas an insignificant percentage (0.1) allowed their spouses alone to make decisions. The large percentage of women making decisions themselves demonstrates the extent to which economic empowerment, through ownership of tourism MSMEs, enables women have control and influence in decisions that matter in their businesses. In other words, it reveals the extent of agency in terms of decision-making power.

Overall, our findings are similar to those of Movono and Dhales (2017), who found that tourism-based entrepreneurship provided women with not only economic but also psychological, social, and political empowerment. Studies show that changes in decision-making and income can easily translate into community multiplier effects of women participating in community activities, especially in leadership positions (Domingo et al., 2017; GenderNet, 2011; ILO, 2021). Participating in household decision-making gives women confidence, allowing them to change policy choices and institutions that hold them back.

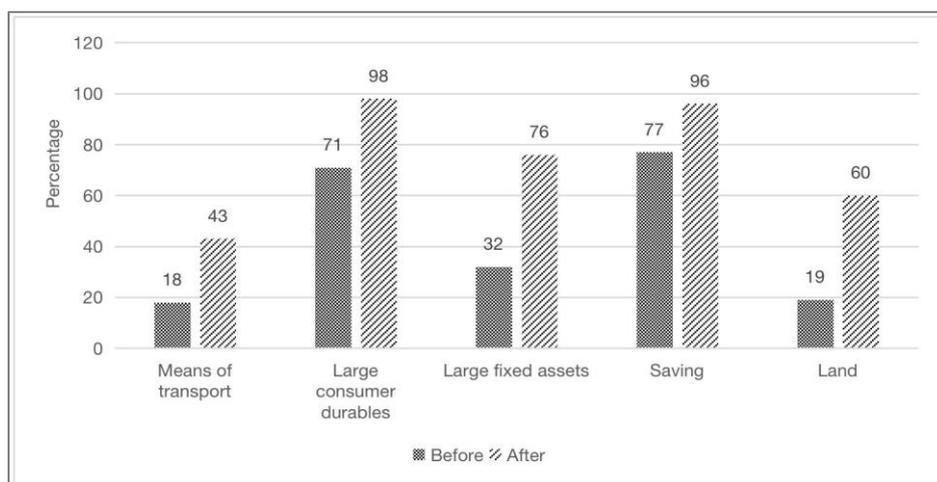


**Figure 5: Percentage of Women by Decision-making in the Enterprise - Full sample**

Source: Survey data

**4.3 Effects of Tourism MSMEs Ownership on Resources**

Figure 6 shows the percentage of surveyed women owning assets before and after starting their enterprises (Figure A5 gives results for Mainland Tanzania and Zanzibar separately). Figure 6 shows that the highest increase in the percentage of women owning assets occurred for land ownership, followed by large fixed assets. This percentage increase is similar for Zanzibar, while for Mainland Tanzania, the highest increase occurred in large fixed assets followed by land ownership (Figure A5).



**Figure 6: Percentage of Women Owning Assets Before and After Starting the Enterprise by Type of Asset - Full Sample**

Source: Survey data

It is important to note that ownership of assets by women is an important component of empowerment because assets provide them with economic independence. For example, when women have their own savings, they are empowered to use them for household and business purposes.

On asset ownership, Respondent 3 asserted:

*“Within a few years I will buy a car and other properties as the income from my lodge is very good. I plan to invest in more lodges in the future”* (Lodge Owner, Arusha).

Respondent 8 also noted:

*“I have built a house, and I have a farm, all bought from earnings from my business”* (Tingatinga Artist - Mwenge, Dar es Salaam).

This finding supports results from other studies. Owning assets (such as land and/or a home) through income earned from their enterprises enables women to increase their earnings of non-farm activities, and to use the assets as collateral for bank loans; meanwhile as it gives them greater bargaining power within households (Harper et al., 2014; ICRW, 2005). This asset interaction of owning land (a physical asset) influencing access to loans (a financial asset) is important (World Bank, 2007) as it empowers women by expanding what they can do with them (Fox & Romero, 2017). Furthermore, research has found a link between a reduction in domestic violence and an increase in women’s assets: having assets helps them to renegotiate marriage-related issues and change their self-worth and capabilities (O’Neil, Domingo & Valters, 2014; ICRW, 2005).

Although owning a tourism MSMEs empowers women in these dimensions, they frequently face operational challenges, which we address in the next subsection.

#### **4.4 Obstacles Women Face When Running Tourism MSMEs**

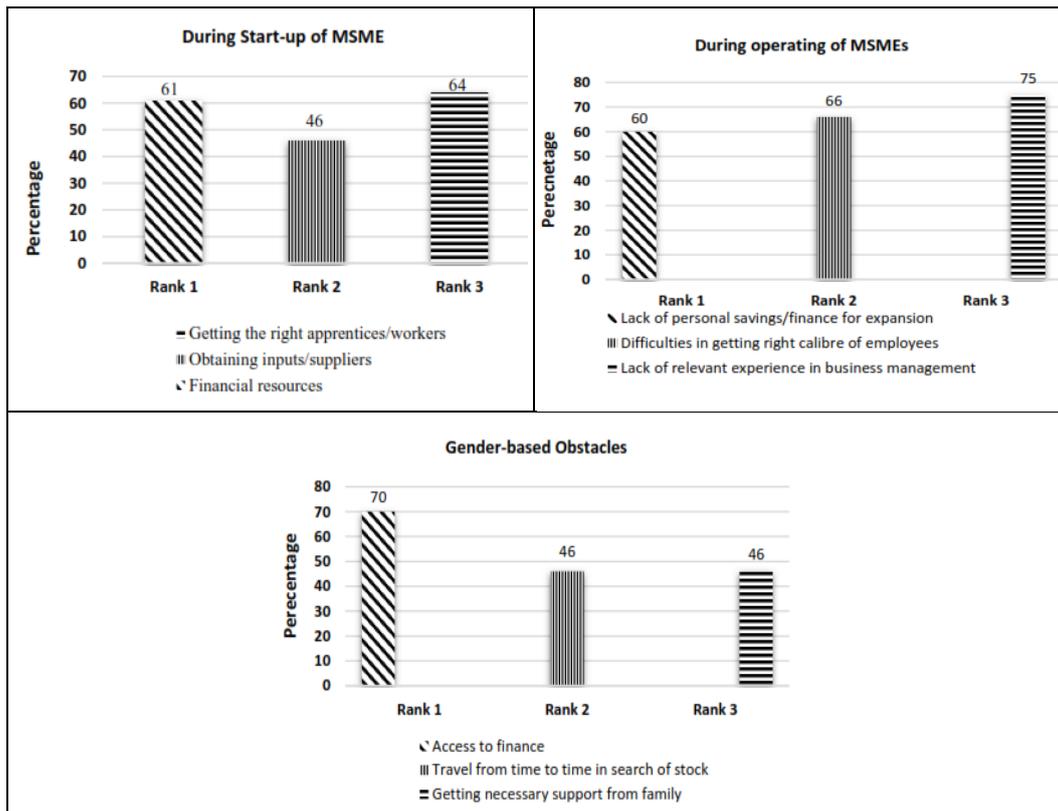
Women face three types of challenges when running tourism MSMEs: those encountered during startup, while running MSMEs, and those resulting from their gender. In each case, respondents were asked to rank the top three obstacles (see Figure 7). During the startup and operation of MSMEs, financial constraints were ranked first by 61% and 60% of the women respondents, respectively. Obtaining inputs or suppliers was ranked second by 46% of the respondents during startup; while hiring the right people was ranked second by 66% of the respondents during operation. Getting the right apprentices or workers was ranked third during startup by 64% of the respondents, while the lack of business management experience was ranked third during operations. As Respondent 1 explained:

*“Young people who look for jobs do not have the right skills, especially communication and customer care skills. It affects the business as customers are driven away. I train them when I employ them, as much as I can”* (Curio Shop Owner - Arusha).

When combined with the lack of business management skills that the owners of tourism MSMEs face, the MSMEs’ performance is constrained as indicated by Respondent 3:

*"I would like to get trained in entrepreneurship skills so that I can improve the way I run my lodge. Being educated would also help me to be creative in this business"* (Lodge Owner - Arusha).

For the full sample, access to finance was ranked first by 70% of the respondents in the ranking of the top three problems that women perceived as a result of their gender, leaving no doubt that this financial gap needs to be addressed (the results for Mainland Tanzania and Zanzibar are similar in terms of having the largest percentage of women who ranked this obstacle as first).

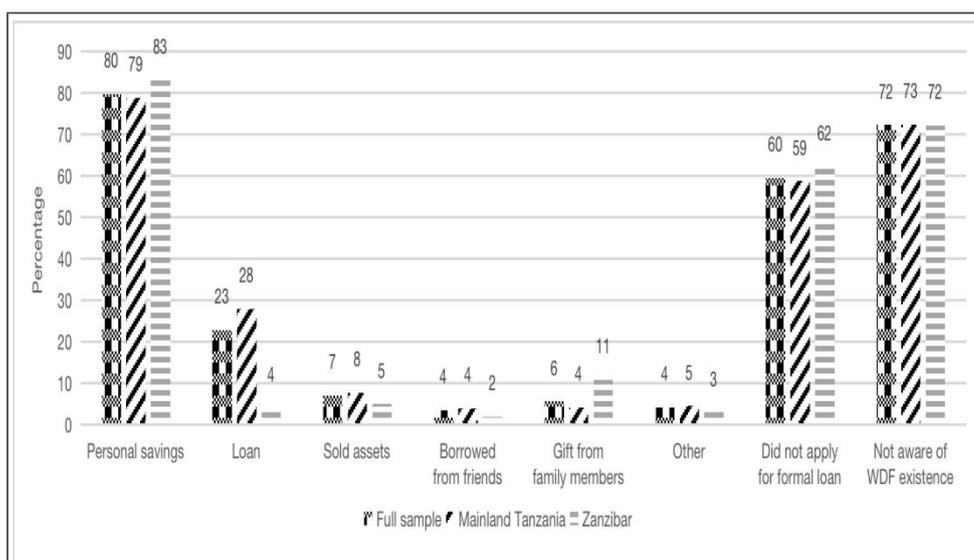


**Figure 7: Percentage of Women Ranking the Top Three Challenges During Startup, Operation, and Gender-based Constraints - Full Sample**  
Source: Survey data

Figure A6a and A6b gives the obstacles separately for Mainland Tanzania and Zanzibar, respectively. For Mainland Tanzania, the following obstacles were ranked first during startup of the MSME; lack of financial resources (60%), obtaining inputs (23%), getting the right workers (14%). During operation, 62% of the women ranked lack of personal savings first, 3% ranked getting the right workers first, 41% ranked lack of access to loans first, and 16% ranked lack of relevant skills first. The gender-based obstacles that were ranked first are: access to finance (68%), no support from

the family (23%), and travelling to buy inputs (32%). For Zanzibar, the following obstacles were ranked first during the startup of a MSME: lack of financial resources (68%), and obtaining inputs (10%); while getting the right workers was ranked second (33%). During operation, items ranked first by the women participants were: lack of access to loans (55%); lack of experience in business management (29%); and lack of relevant skills (29%). The gender-based obstacles ranked first were: access to finance (83%), no support from the family (25%), and travelling to buy inputs (30%).

Given that financial constraints were the predominant problem, it was important to examine where women sourced their startup capital, whether they were aware of the Women Development Fund (WDF) that offered loans to women,<sup>16</sup> and whether they applied for formal business loans. Figure 8 shows that personal savings were the primary source of funding for establishing enterprises.<sup>17</sup>



**Figure 8: Source of Startup Capital, Non-application for Formal Loans and Unawareness of Existence of WDF**

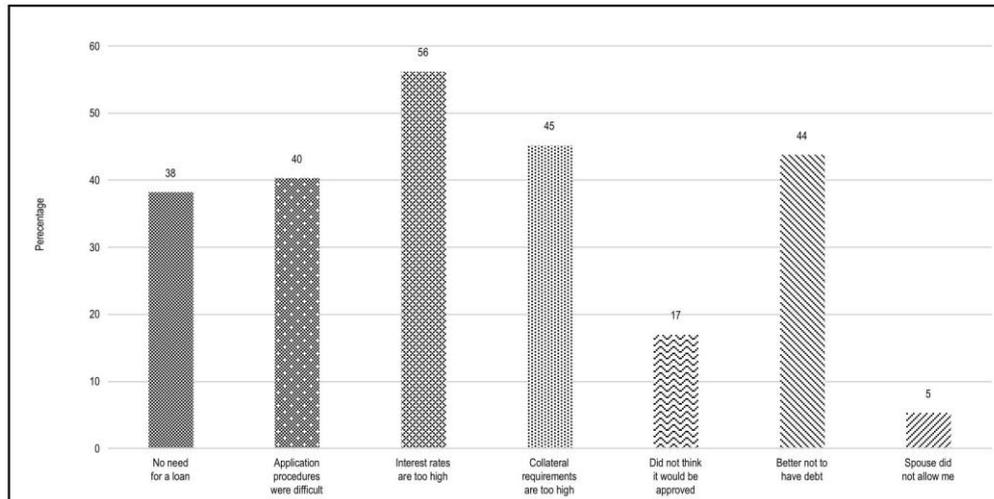
Source: Survey data

The use of personal savings to start businesses has been identified as a barrier to the ability of MSMEs to expand (ILO, 2008; Ronoh et al., 2014). This is especially of concern given that approximately 72% of the respondents (a percentage higher in Mainland Tanzania) were unaware of the existence of the WDF, which provides loans to women at more favourable terms than banks. Further, despite having financial constraints for their startup, the majority of the women surveyed did not apply for

<sup>16</sup>The main goal of the WDF, is to empower women by providing microcredit loans to increase their entrepreneurial participation. The government contributes to the Fund, which is supplemented by local governments (URT, 2005).

<sup>17</sup>This reinforces previous findings in Sub-Saharan Africa (SSA) (Welsh et al., 2013; ILO, 2008).

formal loans (an average of 60% for both samples). Figure 9 depicts the top three reasons given for not applying for formal loans for the full sample, namely: high interest rates, high collateral requirements, a desire to avoid debt, and difficult application procedures. They were mentioned by 40% or more of the surveyed women.



**Figure 9: Reasons for Not Applying for a Loan from a Formal Institution for Running the Enterprise - Full Sample**

Source: Survey data

Figure A7 gives separate results for Mainland Tanzania and Zanzibar. Notably, the separate results mirror those for the full sample in that for both, a larger percentage of women indicated that high interest rates prevented them from applying for loans, except in Zanzibar where the same percentage of women indicated that application procedures were difficult.

Our findings support Naegels, Mori and Bert D'Espallier (2018), who revealed that female entrepreneurs in Tanzania use banks infrequently, with informal funding serving as their primary source of funding. Among the reasons given for women not applying for bank loans include: unfavourable loan terms (such as high interest rates and collateral requirements); a belief by women that they would be denied credit, and that credit was unfavourable to them; a belief that loan officers would dismiss their loan applications; and that women lacked financial literacy.

Regularly travelling to look for stock was ranked second by 46% of the women, and receiving necessary support from their families was ranked third by 46% of the women. The lack of family support is a gender-based barrier caused by societal norms that define particular economic activities as improper for women, and thus do not provide the necessary support. This creates a barrier to economic empowerment for women. Respondent 3 discussed how social norms frequently discouraged women from investing in lodge ownership:

*“Owning a lodge is considered not a respectable business for women. Hence, married women are not often allowed by their husbands to engage in ownership of lodges for fear of them meeting other men, and most do not get the support they need from their husbands” (Lodge Owner - Arusha).*

This suggests that while women may be willing and capable of starting businesses to economically empower themselves, they are frequently constrained by social norms that discourage them from doing so in certain activities deemed ‘inappropriate’ by the society. This exemplifies the societal social norms that women face in their empowerment process (Figure 1).

### **Conclusion and Policy Implications**

Motivated by women’s low empowerment and marginalisation on the one hand, and the growth of Tanzania’s tourism sector and potential for starting and operating tourism MSMEs on the other, we examined how women are economically empowered through ownership of tourism MSMEs, the implications on their welfare, and the challenges they face in operating them. Using primary data from 475 women in Mainland Tanzania and Zanzibar, we compared economic empowerment outcome indicators before and after they started their enterprises.

From the empirical findings, owning tourism MSMEs economically empowers women by increasing their income and percentage income contribution to the household. Using the Chi-square test ( $\chi^2$ ), we found a statistically significant difference in income earned and percentage contribution to household income at the 1% level of significance. Other findings are that economically empowered women are able to increase their decision-making in their households and businesses, and in purchasing assets. This indicates the extent to which resources are able to ensure the achievement of other aspects of empowerment, namely *agency* and *achievements*.

The findings on the challenges that women face when starting and running tourism MSMEs are: obtaining inputs and finance, and the lack of business management skills. Limited finance results from most formal banks requiring collateral, high interest rates, a desire to avoid debt, and complicated application procedures. This indicates that availing women financial credit or loans can be an important way of alleviating the challenges they face in running their enterprises.

Two policy implications to strengthen the economic empowering effects of women-owned tourism MSMEs, and related to addressing the constraints they face, emerge. First, more information on government funding for women, which is typically on better terms than bank loans, should be disseminated to encourage them to apply. Given the high proportion of surveyed women who were unaware of government funding, making available information on government funding to women is critical. Due to the lack of such information, women’s ability to gain greater economic empowerment by gaining access to funds that could be invested in income-generating activities is limited.

Second, more financial schemes with favourable financing terms and simplified loan application processes should be made available through banks to encourage women to apply for loans. These loans could supplement the government's funding scheme, while also helping women establish MSMEs. To have a greater impact on women's earnings, loans should be linked to specific entrepreneurship training schemes in specific areas of their chosen enterprises, and conducting awareness programmes on loan application processes. This could also address the lack of business management skills, which was ranked third as an impediment to starting a business by 75% of the women, and it would encourage more women to apply for loans once simplified loan application processes are in place. Indeed, research findings have supported this approach in which women's loans are tied to entrepreneurship training schemes, emphasising financial literacy and the use of sector-specific inputs and other resources, which will ultimately result in the improvement of women's business practices in enterprises (see for example, Buvinic, Furst-Nichols & Pryor, 2013).

To deepen the study, future research could include male entrepreneurs to provide a comparison of the many variables addressed, notably the gendered nature of the activities carried out in tourism MSMEs and funding concerns.

#### Acknowledgements

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## Appendix

**Table A1: Sampled Regions by Area**

<b>Region</b>	<b>Area</b>		<b>Total</b>
	<b>Urban</b>	<b>Rural</b>	
Arusha	92	5	97
Dar es Salaam	65	3	68
Iringa	28	9	37
Kilimanjaro	43	1	44
Manyara	10	6	16
Morogoro	31	20	51
Pwani	13	15	28
Tanga	24	9	33
Zanzibar	67	34	101
<b>Total</b>	<b>373</b>	<b>102</b>	<b>475</b>

Table A2: Shapiro-Wilk Test for Normality and Skewness and Kurtosis Test for Normality

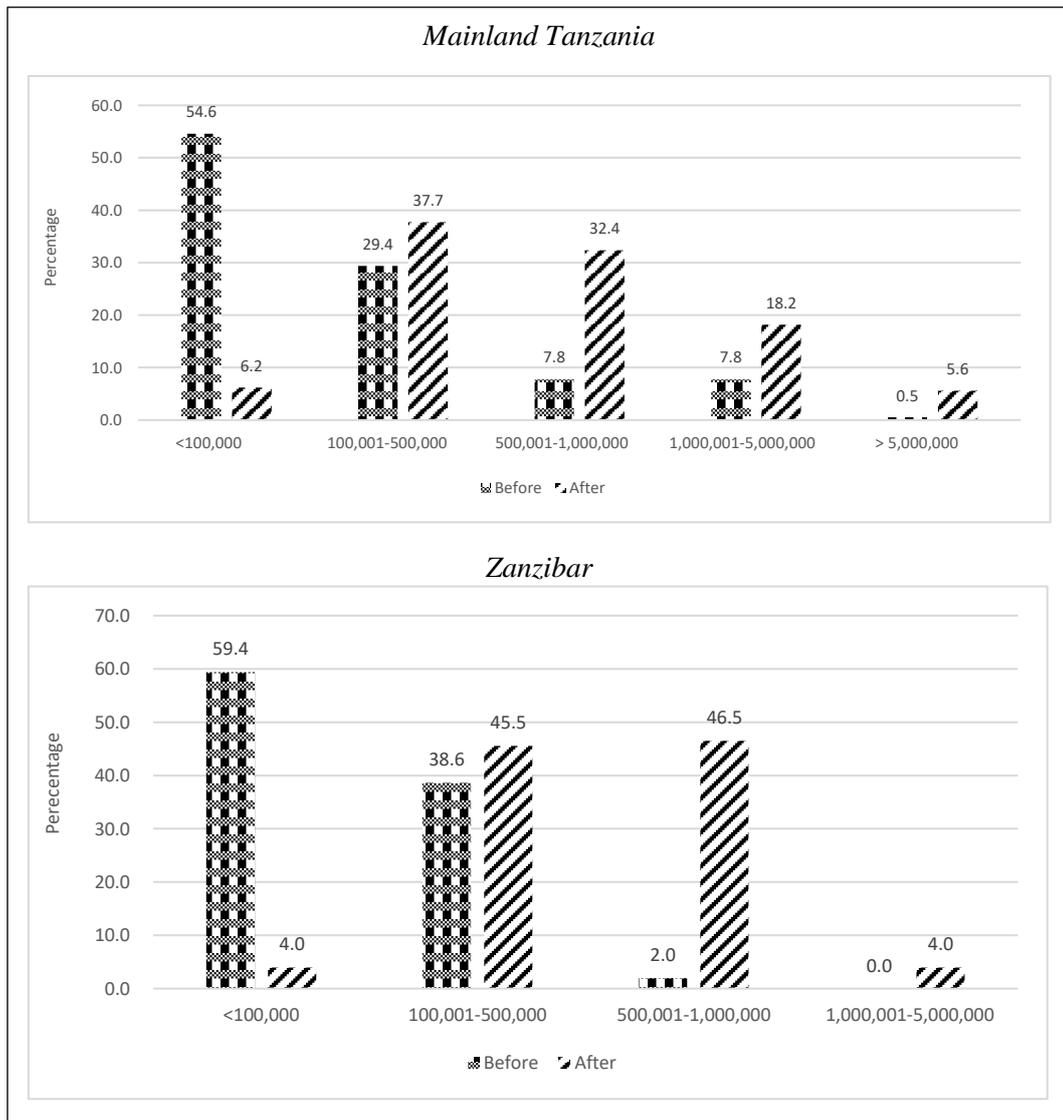
<b>Shapiro-Wilk Test for Normality - Full sample</b>					
Variable	Obs.	W	V	z	Prob>z
Income before	475	0.932	21.846	7.396	0
Income after	475	0.991	2.963	2.605	0.005
Percentage contribution before	475	0.829	54.83	9.603	0
Percentage contribution after	475	0.965	11.133	5.78	0
<b>Skewness and Kurtosis Test for Normality - Full sample</b>					
Variable	Obs.	Pr (skewness)	Joint Test		
			Pr (kurtosis)	Adj chi2(2)	Prob >chi2
Income before	475	0	0	89.24	0
Income after	475	0	0.522	14.31	0
Percentage contribution before	475	0	0.43	54.23	0
Percentage contribution after	475	0.649	0	124.95	0
<b>Shapiro-Wilk Test for Normality - Zanzibar</b>					
Variable	Obs.	W	V	z	Prob>z
Income before	101	0.89	8.95	4.86	0
Income after	101	0.99	0.4	-2.04	0.98
Percentage contribution before	101	0.85	12.24	5.56	0
Percentage contribution after	101	0.95	4.38	3.28	0
<b>Skewness and Kurtosis Test for Normality - Zanzibar</b>					
Variable	Obs.	Pr (skewness)	Joint Test		
			Pr (kurtosis)	Adj chi2(2)	Prob >chi2
Income before	101	0.01	0.04	10.26	0
Income after	101	0.94	0.76	0.1	0.95
Percentage contribution before	101	0	0.36	12.7	0
Percentage contribution after	101	0.27	0	20.08	0
<b>Shapiro-Wilk Test for Normality - Tanzania Mainland</b>					
Variable	Obs.	W	V	z	Prob>z
Income before	374	0.93	18.5	6.92	0
Income after	374	0.99	2.25	1.92	0.03
Percentage contribution before	374	0.82	47.52	9.16	0
Percentage contribution after	374	0.96	9.62	5.37	0
<b>Skewness and Kurtosis Test for Normality - Tanzania Mainland</b>					
Variable	Obs.	Pr (skewness)	Joint Test		
			Pr (kurtosis)	Adj chi2(2)	Prob >chi2
Income before	374	0	0	59.99	0
Income after	374	0	0.04	11.81	0
Percentage contribution before	374	0	0.15	36	0
Percentage contribution after	374	0.93	0	82.8	0

**Table A3: Results of Applying the  $\chi^2$  Test**

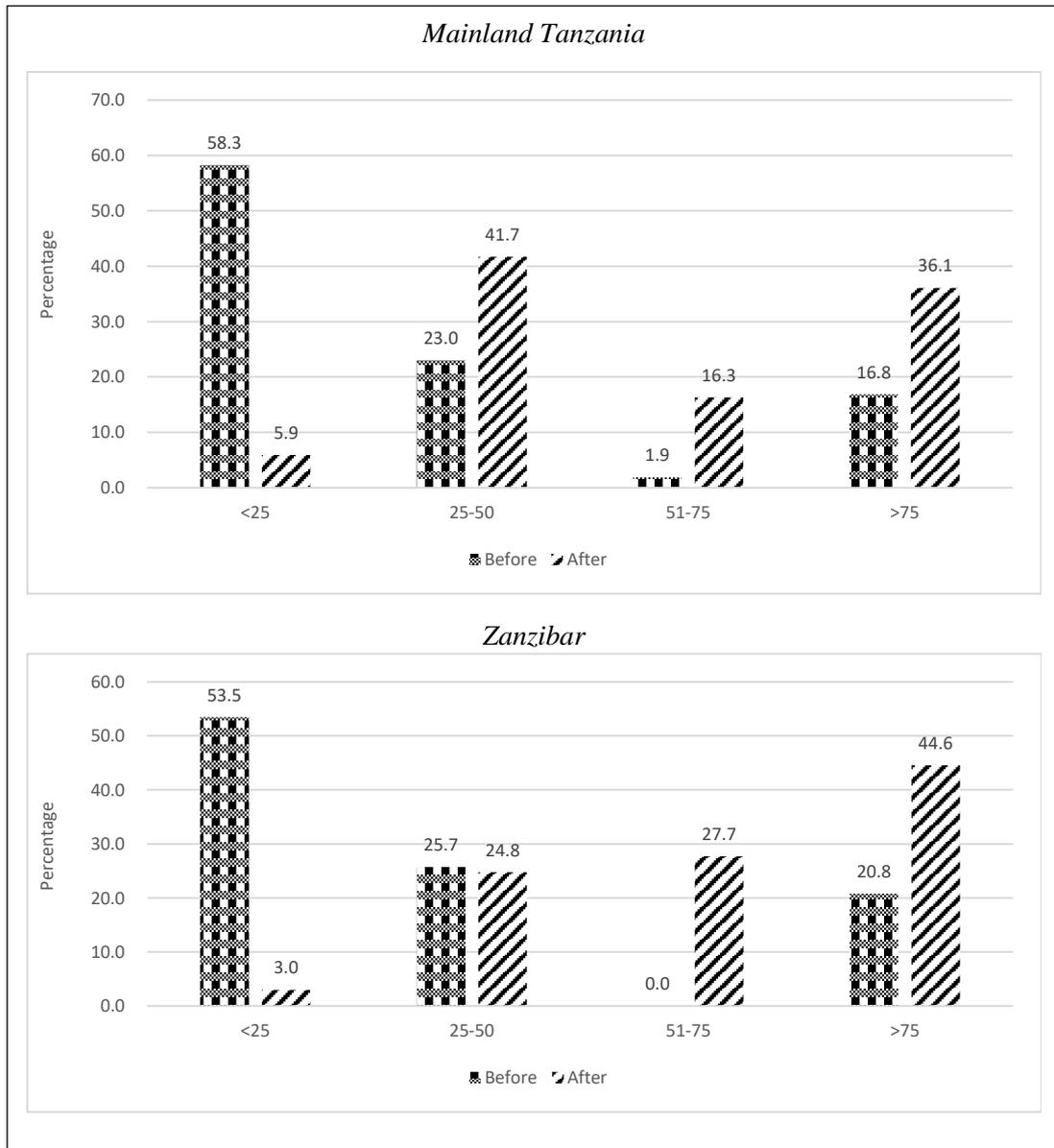
	Calculated $\chi^2$ Value	Critical/table Value of $\chi^2$
<b>Tanzania Mainland</b>		
Monthly income earned	10.82**	7.8
Percentage contribution to household income	14.08***	13.3
<b>Zanzibar</b>		
Monthly income earned	23.78***	11.4
Percentage contribution to household income	31.01***	13.3

**Note:** \*\*The critical values are taken from the Chi-square table at 5% level of significance.

\*\*\*The critical values are taken from the Chi-square table at 1% level of significance.

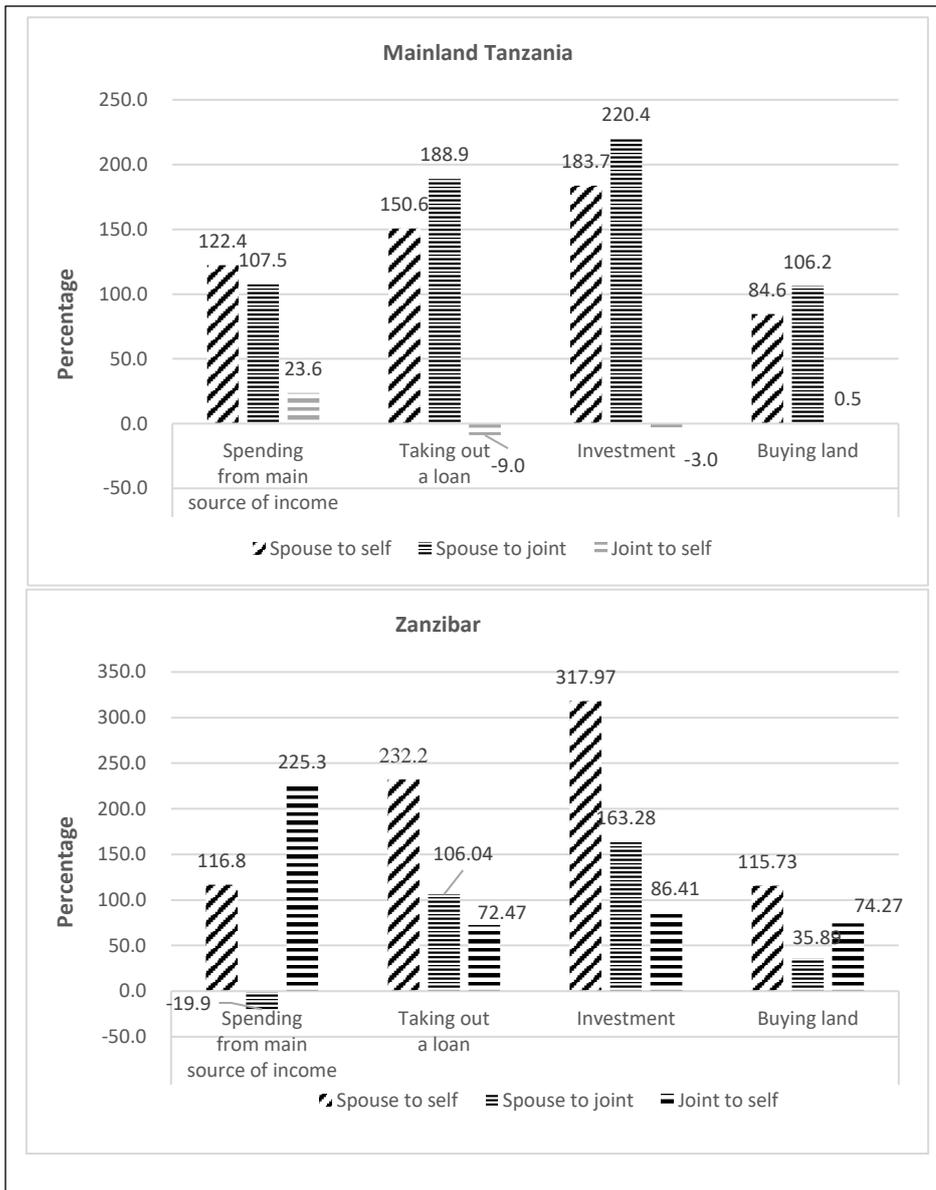


**Figure A1: Percentage of Respondents in Income Groups**  
 Source: Survey data



**Figure A2: Percentage of Respondents in Percentage Group - Separate Samples**

Source: Survey data



**Figure A1: Percentage Change in Women Participating in Decision-making in Various Household Aspects**

Source: Survey data

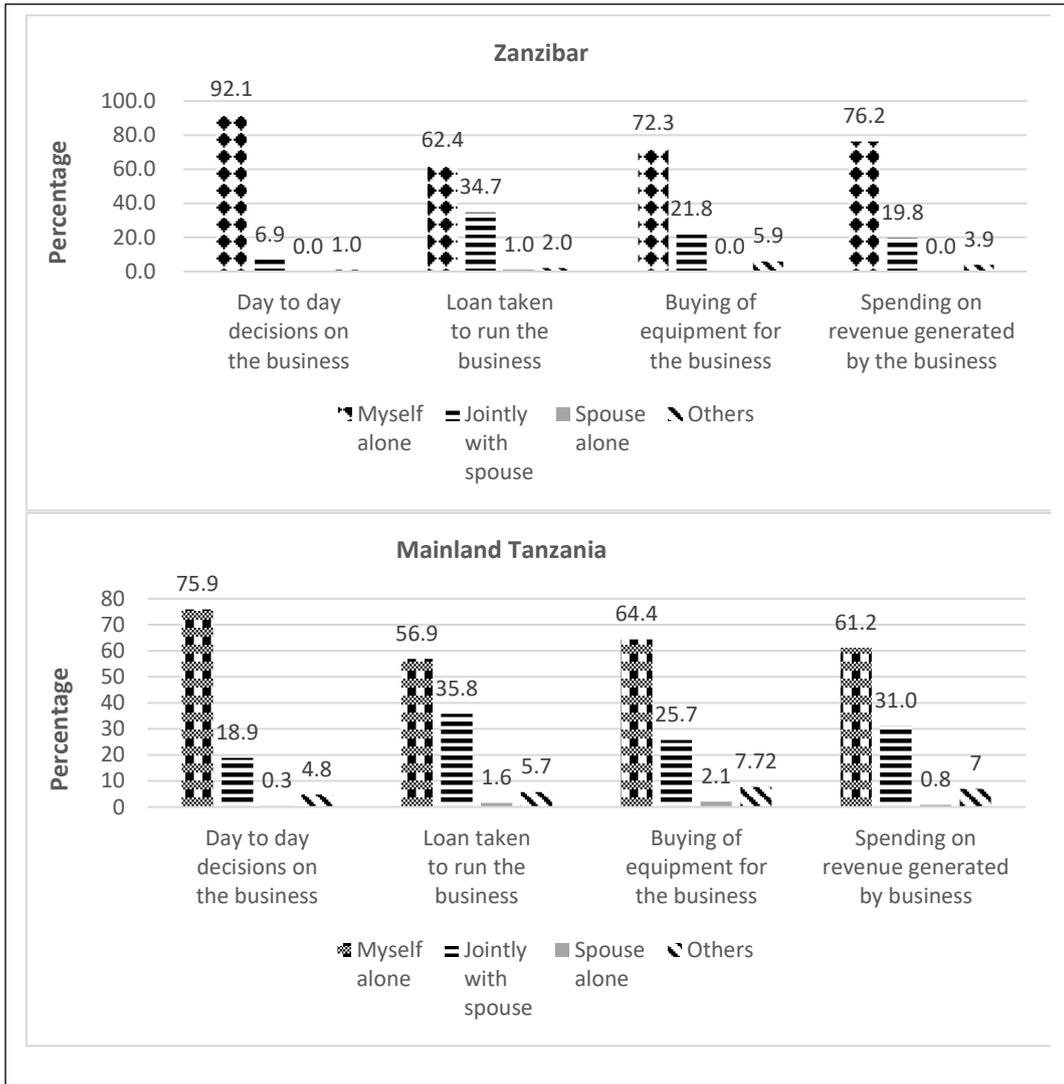
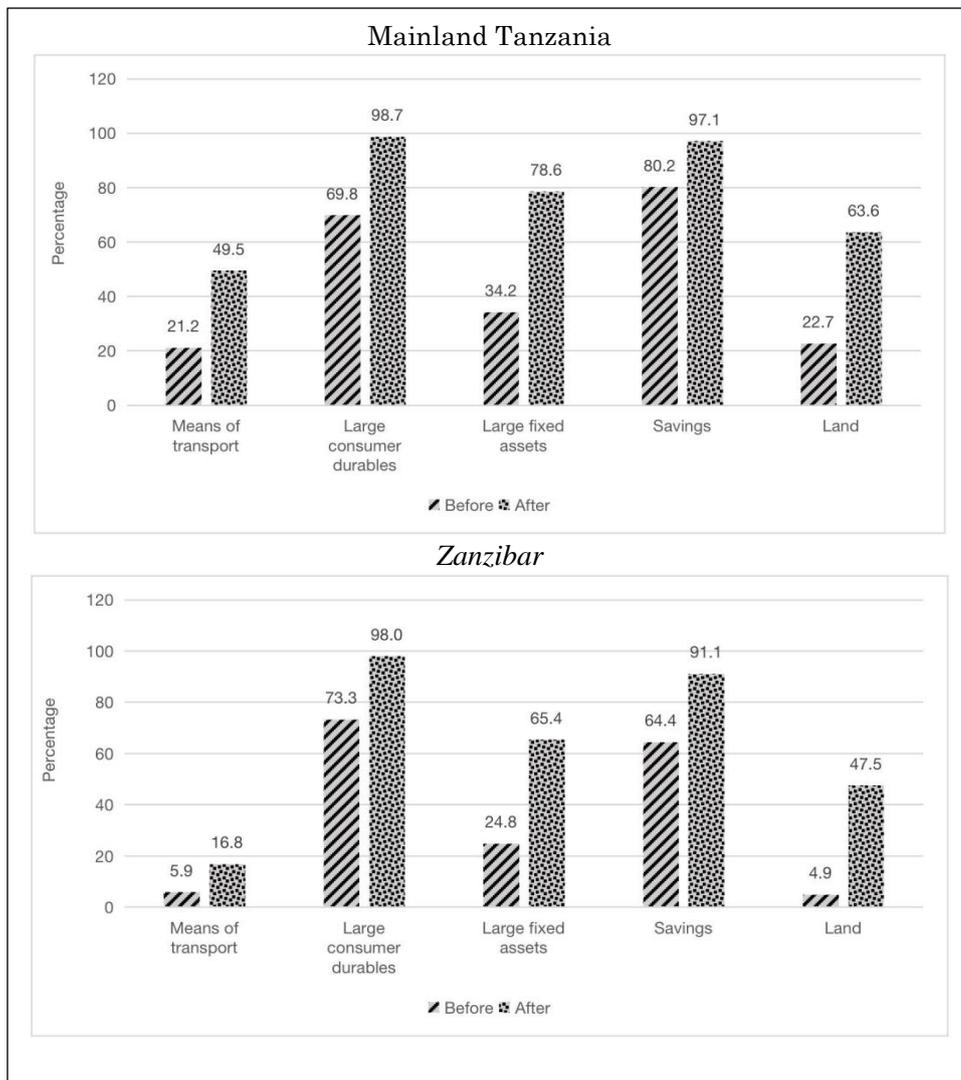


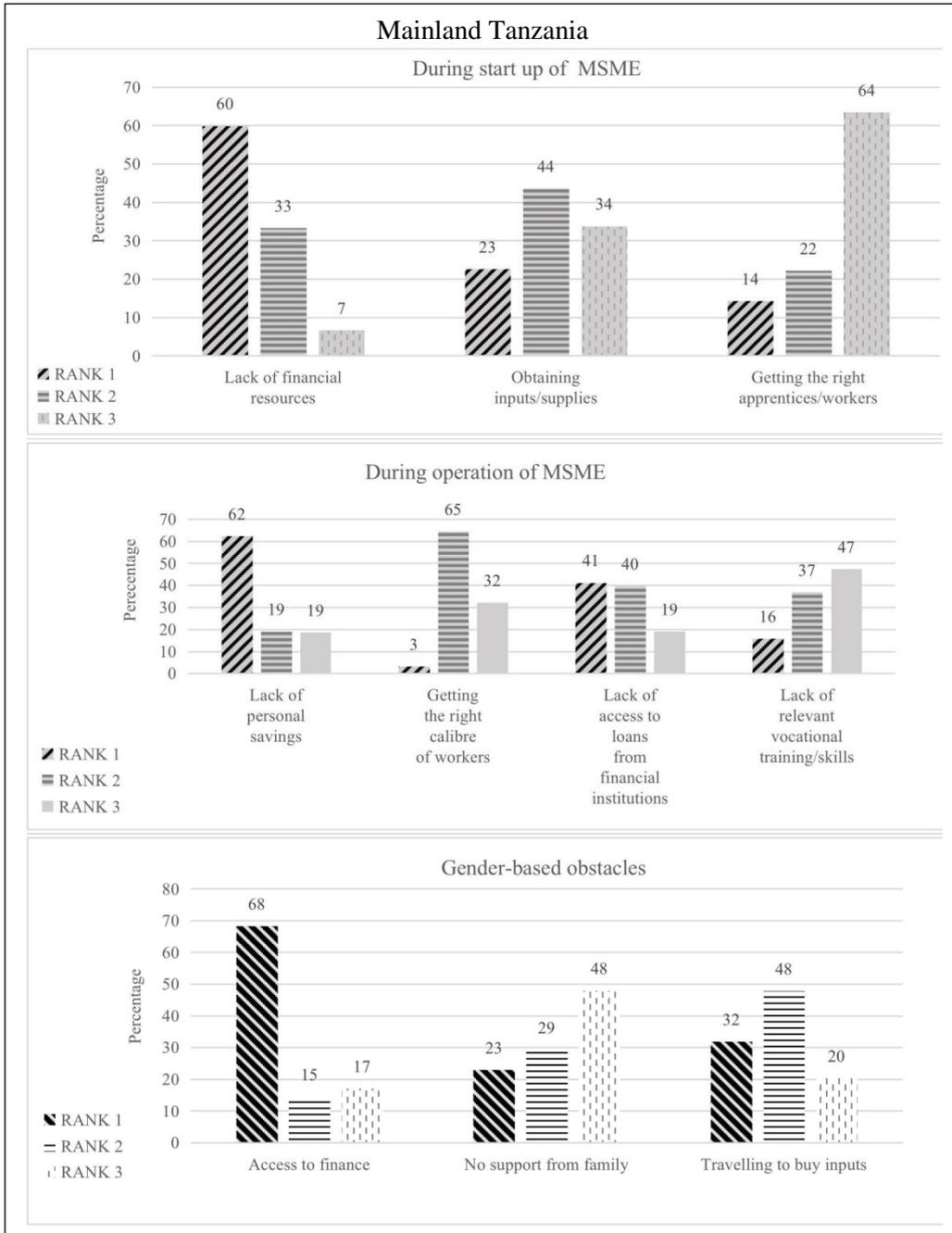
Figure A2: Percentage of Women by Decision-making in the Enterprise

Source: Survey data



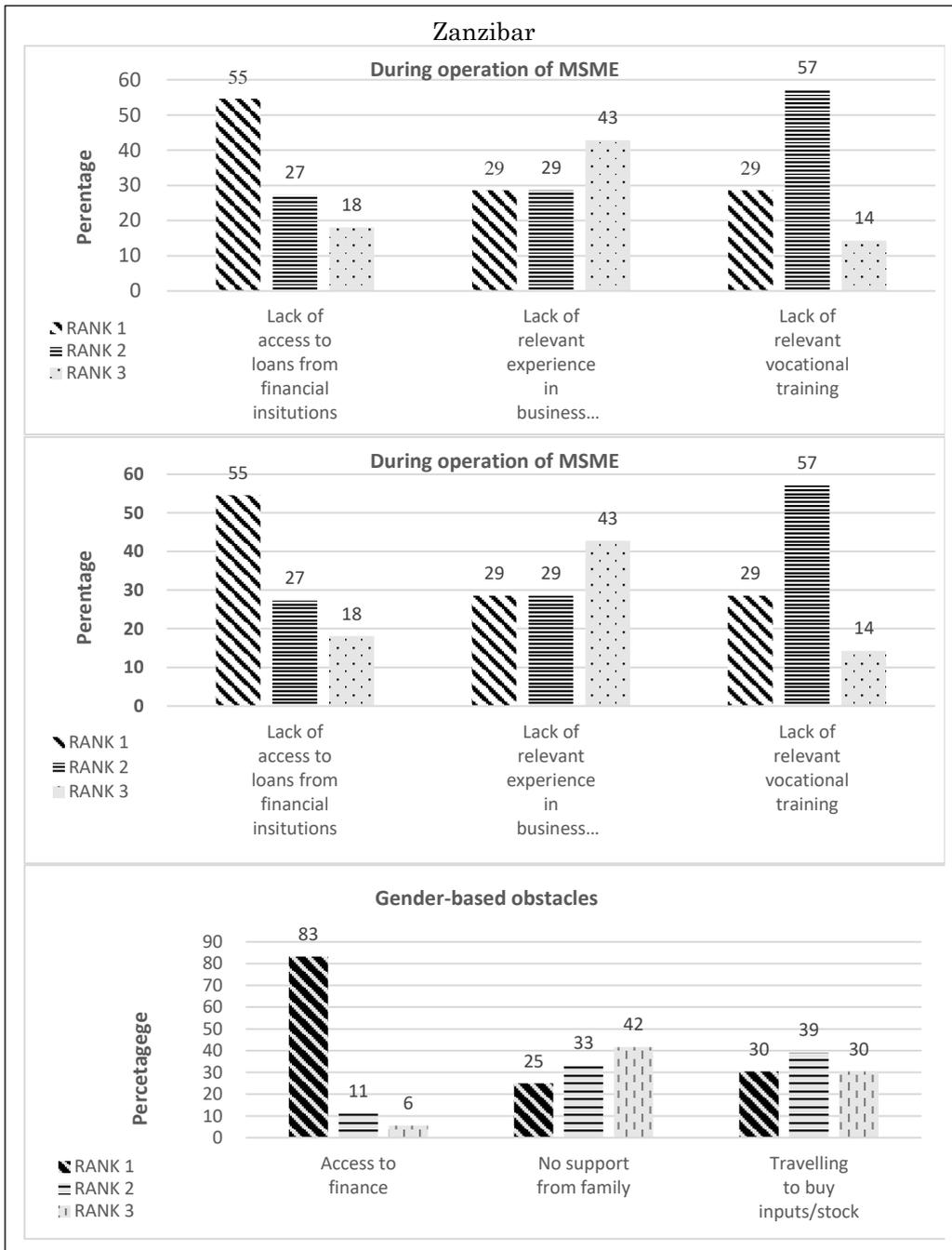
**Figure A3: Percentage of Women Owning Assets Before and After Starting the Enterprise by Type of Asset**

Source: Survey data



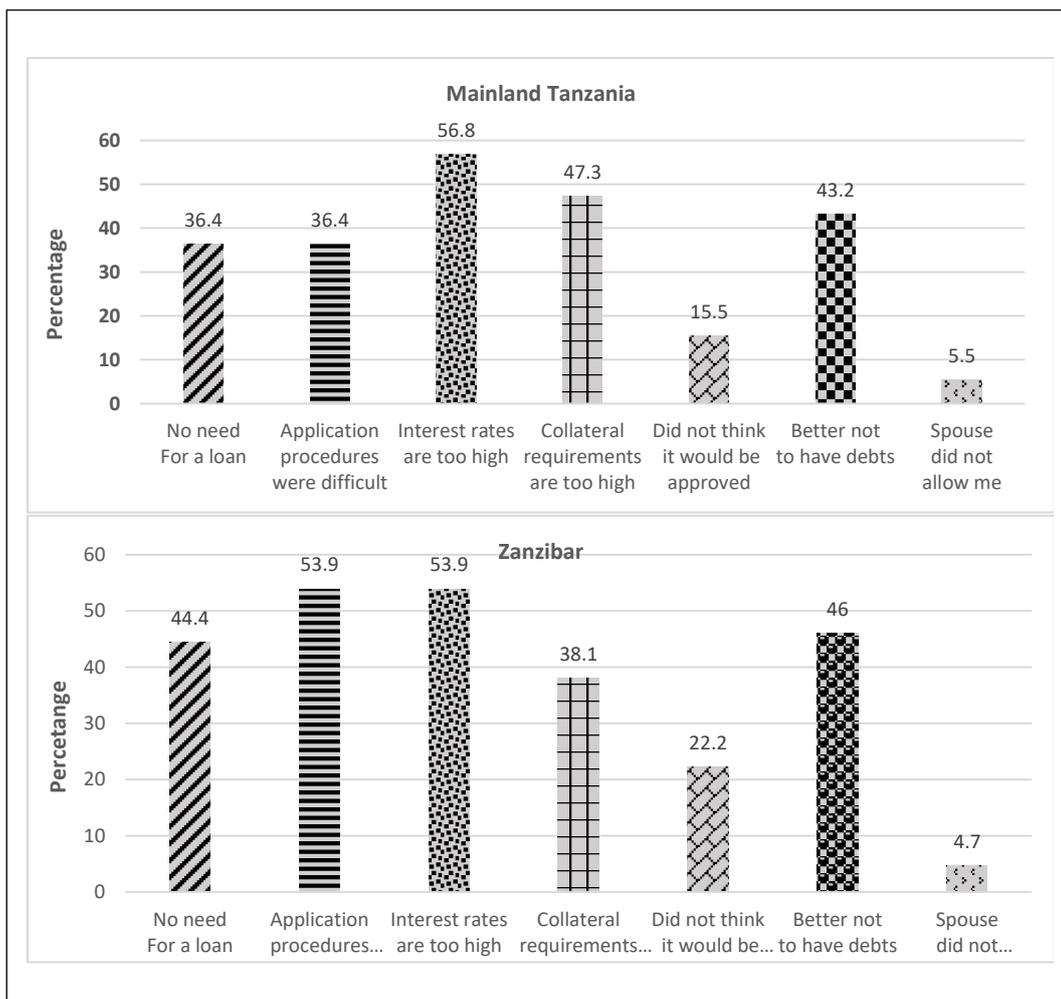
**Figure A6a: Percentage of Women Who Ranked the Top Three Challenges During Startup, Operation, and Gender-based Constraints**

Source: Survey data



**Figure A6b: Percentage of Women who Ranked the Top Three Challenges During Startup, Operation and Gender-based Constraints**

Source: Survey data



**Figure A7: Reasons for Not Applying for a Loan from a Formal Institution for Running the Enterprise**

Source: Survey data