

**Assessment of the effect of exchange rate fluctuations on performance of
small traders business: the case of Darajani Traders-Zanzibar**

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This study was carried out as case study on selected small enterprises carrying on business at Darajani Market- Zanzibar to explore effect of foreign exchange rate fluctuation on their business. Four specific objectives to find out how government laws and policies affect foreign exchange rates, to find out the source and availability of foreign currencies, to examine how foreign currencies fluctuation affects performance of the small traders' business and to examine when the profits and revenues of Small and Medium Enterprises (SMEs) are affected by Exchange rate fluctuations were examined using four research questions which were designed to test factors considered to contribute to foreign exchange rates fluctuation and effect to the Small and Medium Enterprises business. Qualitative and descriptive statistics were carried out in the analysis due to the nature of the study. In addition, data collected were presented in frequency distribution tables. The study findings indicate that there are specific constraints which influence foreign exchange rate fluctuations effects on Small and Medium Enterprises business in Zanzibar which includes Small size of the business, lack of market of economies of scale; limited access to working capital, limited information on foreign markets, limited managerial skill and knowledge. Also high fixed costs on imported goods, business establishment procedures and taxes significantly affects financial positions of small firms given that most of the transaction are made in local currencies while goods for sale are imported using foreign currencies. Those findings are in line with other similar findings indicated in the literature reviewed.