

**GROWTH OF MUTUAL FUND INDUSTRY IN TANZANIA;
OPPORTUNITIES AND CHALLENGES: A CASE OF UNIT
TRUST OF TANZANIA AND DAR ES SALAAM REGION.**

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OPPORTUNITIES AND CHALLENGES: A CASE OF UNIT
TRUST OF TANZANIA AND DAR ES SALAAM REGION.**

**By
Devotha Kilumbi**

**A Dissertation Submitted in a Partial Fulfillment of Masters of Science in
Accounting and Finance (M.Sc. A & F) of Mzumbe University
2015.**

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled “growth of mutual fund industry in Tanzania; opportunities and challenges a case of unit trust of Tanzania and Dar es Salaam region”, in partial/fulfillment of the requirements for the award of the degree Master of Science in Accounting and Finance of Mzumbe University.

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AND

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DEDICATION

This research work is dedicated to my lovely husband Youze Ezekiel Mrutu, who God used to touch my life positively and my lovely daughters and sons whom my vision of acquiring a Master Degree would not been possible without all their contribution in one way or the other. Also it is dedicated to my lovely brothers and their families for their advice, encouragement and support during my studies for this master degree.

ABBREVIATIONS

AMFT	-	Application Market Forecast Tool
ATM	-	Automated Machines
BOT	-	Bank of Tanzania
CSRC	-	China Securities Regulatory Commission
FY	-	Financial Year
GDP	-	Gross Domestic Product
GNP	-	Gross National Products
HDFC	-	HDFC- Housing Development Finance Corporation
IFA	-	Independent Financial Advisors
LIC	-	Life Insurance Corporation
MFI	-	Mutual Fund Industry
NAV	-	'Net Asset Value
NBS	-	National Bureau of Statistics
NMB	-	National Microfinance Bank
QDII	-	Qualified Domestic Institutional Investors
RGDP	-	Regional Gross Domestic Products
SACCOS	-	Savings and Credit Cooperative Societies
TPC	-	Tanzania Posts Corporations
URT	-	United Republic of Tanzania
UTI	-	Unit Trust of India
UTT	-	Unit Trust of Tanzania
VICOBA	-	Village Community Banks

ABSTRACT

The main objective of this study was to examine the challenges and opportunities for the growth of mutual fund industry in Tanzania. More specifically the study was guided by three specific objectives namely; to examine the relationship between Opportunities and MFI growth, to determine the challenges in the industry in relation to MFI growth, to assess the relationship between people's financial literacy and MFI growth.

The data collection methods involved were questionnaires and documentary reviews. A case study research design study was used, a sample of 100 respondents was obtained by convenience and purposive sampling techniques. The sample comprised of 60 non employees respondents and 40 employees respectively.

The findings of the study revealed that, there are a number of opportunities that, UTT can use to ensure a smooth growth of the mutual fund, this include a number of prospective customers who have not yet informed about MFI products and its benefits, availability and the continuous expansion of the banks services which can help for distribution of the products on continuous basis.

Also the study showed that, a number of challenges, including, lack of qualified distributors and financial advisers, lack of customer information, and agents selling non – mutual fund products contribute to slow growth of MFI. Lastly, it was observed that, on the side of the relationship between financial literacy and MFI growth , majority of the people are not well knowledgeable about mutual fund products and MFI industry in general. Therefore, more knowledge on the importance on mutual fund is needed since other customers are not aware on how MFI can benefit them.

It was concluded that, no business can exist without customers. Customers' value is an asset to the organization. Hence, in order for the MFI to grow, the trust needs to ensure that it considers its information system is good to all cities regions and districts all over the country so that opportunities can be communicated effectively to prospective customers.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Chapter one provides detailed background information of the research. It is very important section as it gives the objective of the research. It also gives the importance of the study, scope and limitation of the study.

1.2 Background Information

As financial markets grow dramatically, more and more investment vehicles come out, such as mutual funds and hedge funds. Investors regardless of the status quo, put on effective professionalism on money management and supervision of assets. Today, vast amounts of money are plowed into mutual funds in mature markets as good as in developing markets; due to provide diversification profit opportunities (Learned, 2002).

According to Learned (2002) the common fund is an investment vehicle, which is a large of capital composites from many investors. The role of mutual funds is to provide benefit, like diversification, and professional management, through putting in equity, bond, money market instruments and similar assets.

Maturation of the Mutual fund is conditional, the finding from Lhabitant & Learned (2002) suggested that the mutual fund receives an ability to invest in more portfolios and then reduce the portfolio's volatility. Thus, common funds that pool assets from investors, may gain more benefit from plowing into diversified portfolios compared with a single investor. This is one of the primary reasons that a mutual fund would attract more investors, and rise dramatically.

The opportunities' of mutual funds can be picked up in both matured markets as well as the immature markets. From a mature market perspective, such as the U.S, the data were amassed by the Investment Company Institute (2011). They showed that common fund is playing an indispensable part in putting in alternative for the US individual and institutional investors. The assets of all the U.S. mutual fund were

more than \$11.8 trillion, and even close to ninety million investors possessed mutual funds. Indeed, the mutual fund has played a more important investment vehicle compared with others. The survey indicated that sixty-four percentages (64%) investors hold more than half of their financial assets as the mutual fund.

Turning to emerging markets, such as China, Indonesia, Malaysia, the mutual fund has been rising dramatically. Huij & Post (2011) documented that the equity mutual fund in emerging market had performed better than in developed market. For instance, Carat (1997) demonstrated that the top- and bottom-decile of US fund had 2.64% and -5.4%, respectively. More it shows that these rates are relatively double in emerging markets compared with the US fund, indicating 4.29% and -2.8%, separately.

As China's Mutual fund introduced in March, 1998, the securities, investment funds grow significantly. Until the end of 2007, in the China's mutual funds market the full net asset of different cases of asset categories reached 3.3 trillion Yuan. Meanwhile, one survey was conducted by Galaxy Securities (France Persse, (2008). Their result indicated that 12,284 (83%) out of 14,800 answerers preferred mutual funds as a first investment vehicle for financial asset management. Moreover, the entire asset value of securities investment funds was more than Ren Min Bi (RMB) 2.52 trillion at the end of 2010, which was a decrease compared with 2007. Only the entire asset value of securities investment funds was more than 10% of A- Shares Market¹.

In China mutual fund marketplace, most mutual funds are equity funds, like the U.S. China Securities Regulatory Commission (CSRC) website shows the proportion of different mutual fund types at the goal of 2010. Whereby from the end of 2010, equity funds had half (RMB 330 billion) of total mutual fund, while the number of bond funds, money market funds, hybrid funds and qualified domestic institutional investors (QDII) had 163 billion, 95 billion, 45 billion, and 23 billion, respectively. Equity fund has already become one of the most important investment vehicles for investors, (CSRC annual report 2012)

According to Christopher, (2014) mutual fund involve pooling of investors' money generally creates greater buying power so they are able to invest in a wider range of investments than possible for most individual investors. It may as well be referred to as collective investment schemes, unit trust or simply as funds. Each investor in a fund own unit which stands for a portion of a fund's portfolio holdings. Mutual funds can be categorized by the type of assets they invest in (such as shares, bonds, cash and other protections). Since its origin as the nature of mutual fund was turned out from financial crisis that stumbled Europe in early 1770s, it has been developing simultaneously with time. O'er the past decades, the global mutual fund industry has boomed, assets in mutual funds have increased more than sevenfold from \$4.0 trillion in 1993 to \$28.9 trillion in 2013 (Christopher, 2014).

This rapid growth fueled by financial crises in 1990s. The common fund has become an important financial intermediary as a country's economic development rises. This is because it helps different financial class people in the society to make investments for increasing their wealth as a result of growth in per capita income and improve in the country's economy as well. A cross country statistical analysis indicates that the ratio of long term mutual fund assets to Gross Domestic Product (GDP) tends to spring up as the country's per capita income rises (Christopher, 2014).

Leora et al (2014) argues that GDP per capita income is utilized as an index of economic growth. Most researches show that financial intermediaries tend to be bigger, more dynamic and more efficient in high income countries (Demerges-Kunt, 1999). In developing countries mutual fund industry has the prospective of rapidly maturing as the population is increasing, the middle class expands and investors want the advantages of local and international diversification of investment portfolio that mutual fund industry can offer to them. In several developing nations including Argentina, Chile, Morocco and Tunisia, mutual funds grow at dramatic rates, although from nonexistent base (Leora et al, 2014).

This growth of mutual fund industry has caused most investors, individuals and corporations to be attracted to this sort of investment. So motivation to researchers to

conduct surveys on the factors that contribute to its growth apart from financial crisis increases. Development of mutual fund industry in relation to economic and financial variables (Victor, 2013) has been researched on finding whether there is a significant relationship of these independent variables in growth of the fund. Mutual Fund Industry (MFI) growth can be associated with factors like understanding and consciousness of the people in the industry activities and its benefits. This is proven by the study conducted in the United States with the results which indicate that, most MFI customers have partial knowledge and awareness of the issues in the industry though there is still a room for improvement (Alexander et al, 2010).

Either, Rajesh (2010) postulated that, the relationship between MFI growth and GDP per capita has also been examined by previous researchers as increase of GDP reveals the financial health of the relevant society, which implies that high per capita leads to increased rate of MFI growth. The findings indicate that low per capita income in suburban and rural areas is closely associated with sluggish growth rates in mutual fund sales. (Rajesh 2010).

Sebastian et al (2010) suggest that, opportunities in MFI might be the reason also for the growth of MFI. Theoretically, this has a direct consequence on the growth of industry as most investors will be drawn by opportunities especially when the investments provide better yields. This has resulted to some researchers to discover the truth on this and the study conducted in Tanzania came with no evidence of this (Sara et al, 2010). Although the survey conducted in the United Kingdom on financial literacy and mutual fund development found the weak relationship between the variables (Sebastian et al, 2010).

While such works may assist policy makers in establishing best techniques to develop strong mutual fund industry in relevant countries. It is hard to give the same in Tanzania on establishing policies for health mutual fund industry due to different perspectives, including environmental, societal and financial conduct of people and also government policies. In summation to that there are no published studies for influential factors of growth of mutual fund in Tanzania. It is significant to analyze the

development of this industry in our country by studying the influence of Opportunities, challenges and financial literacy.

Therefore the intention of this proposed research will be to examine such relationship in Tanzania.

1.3 Problem Statement

With supportive discussion on the introductory part, three problems can be identified that are the basis of the present inquiry. As clarified in the previous character and more clarification follow later in the literature review section. First problem area is the fact that a great number of people in Tanzania have opportunity of investing in the MFI yet the industry seems to spring up really slow over the years. Some of them are trying to take risk investments and others simply lay their money idle in banks, (BOT report, June 2014)

The second problem is financial literacy of the people, some of them may have limited financial knowledge on MFI activities and benefits and this make them to invest by experience in the low returns portfolios (non -mutual fund investments), (Busting Analytics, 2010) The third problem is challenges, there might be challenges that hinders or slow the growth of MFI in Tanzania.

In specific meaning, Mutual Fund industry growth in Tanzania may have been determined by many different genes, but these three are the major one. The slow growth rate is the key problem area proposed for this research. If there is any relationship between these three problems and MFI growth then it will be the best chance for stakeholders to operate on them and result to substantial growth of the MFI.

1.4 Research Objectives.

General purpose of this research was to examine the growth of mutual fund industry in Tanzania.

1.4.1 Specific Objectives:

The specific focus on this study was on three objectives;

- i. To examine the relationship between opportunities and mutual fund industry growth.
- ii. To determine the challenges in the industry associating with growth of mutual fund industry.
- iii. To assess the relationship between people's financial literacy and mutual fund industry growth.

1.5 Research Questions

- i. What are the opportunities in the society that have impact on mutual fund industry growth?
- ii. What are the challenges faced by mutual fund industry and its growth.
- iii. What is the impact of peoples' financial literacy to mutual fund industry growth?

1.6 Significance of the Study.

The intention of this study is to contribute the understanding of challenges, opportunities' and financial literacy on MFI and their applicability in Tanzania especially at this time when the country has opened up its economy.

The knowledge brought forth by this work will assist many organizations, policy makers, faculty members and all interested individuals to understand the importance of embarking on mutual funds development when undertaking decision on savings and investments.

The study specifically recommend some measures on addressing the challenges and financial illiteracy, so that organization as well as the society (stakeholder/ shareholders) to benefit very well with investment in this industry.

Farther, the written report is dependable reference material for future research students in the same field of work. Moreover, the survey intended to fulfill academic ends, i.e. partial fulfillment of the prerequisites for an award of Masters degree of Science in Accounting and Finance.

1.7 Scope of the Study

The scope of this study is Dar es Salaam region and UTT. The study included stakeholders from formal sector with different professionals of different levels this contained primary school teachers, Auditors and Fund Managers. Informal sector stakeholders included small traders, SACCOSS members and members or customers from UTT.

1.8 Limitation of the Study

The following problems were encountered during the research. The main limitations of this study encountered include constraints of resources and time. The finance and material resource needed for a larger sample size for this study was inadequate. Also the researchers had no admission to the majority of UTT employees' respondents to fill a questionnaire.

Language was also a problem since it was difficult translating some questions and statements into Swahili perfectly because of the limited vocabulary of the Swahili language. This limitation, in particular, accounted for delimiting the study of illiterate people who were not able to learn and understand English words.

This work was too restrained by time. It was conducted within very limited academic time frame. Unfortunately, this did not allow me to apply a larger sample which was a pre-requisite for reliability of inquiry that aimed at generalizing findings and making inferences from a sample about the population of study.

CHAPTER TWO

LITERATURE REVIEW

Mutual fund involve pooling of investors' money generally creates greater buying power so they are able to invest in a wider range of investments than possible for most individual investors. It may also be referred to as collective investment schemes, units trust or simply as funds. Each investor in a fund own units which represents a part of a fund's portfolio holdings. Mutual funds can be categorized by the type of assets they invest in (such as shares, bonds, cash and other securities).

2.1 Origination and Growth Of Mutual Funds

Since its inception as the nature of mutual fund was born from financial crisis that stumbled Europe in early 1770s, it has been growing simultaneous with time. Over the past decades, the global mutual fund industry has boomed, assets in mutual funds have increased more than sevenfold from \$4.0 trillion in 1993 to \$28.9 trillion in 2013 (Plantier, & L.Christopher, 2014). This rapid growth fueled by financial crises in 1990s. Mutual fund has become an important financial intermediary as a country's economic development grows. This is because it helps different financial class people in the society to make investments for increasing their wealth as a result of increase in per capita income and improve in country's economy as well. A cross country statistical analysis shows that the ratio of long term mutual fund assets to gross domestic product tends to grow as country's per capita income rises (P. Christopher, 2014)

In developing countries mutual fund industry have the prospective of rapid growing as the population is increasing. The middle class expand and investors desire the advantages of local and international diversification of investment portfolio that mutual fund industry can provide to them. In several developing countries including Argentina, Chile, Morocco and Tunisia, mutual funds grow at spectacular rates, although from nonexistent base Leora Klapper (2012) .This growth of mutual fund industry have made most investors individuals and corporations to be attracted in this

kind on investment. Therefore motivation to researchers to conduct studies on the factors that lead to its growth apart from financial crisis increases.

2.2 Mutual Fund Industry in Tanzania

Mutual funds in Tanzania can be traced back by historical background of privatization program which introduced in the year 1996. Where the public institutions were privatized mostly to foreign investors and the Tanzanian government holding shares to those companies. For the purpose of economic empowerment to citizens few institutions were established with main objectives of making sure that Tanzanians own shares also to those privatized parastatals. Thus due to the fact that most of the citizens may have in adequate fund to buy those shares individually so these established institutions use to sale units or shares for low price to citizens and use those funds to buy shares from the privatized companies for citizens. This can be evidenced by the establishment of the Privatization Trust (PT) in the year 1997 by the Act of the Parliament. (Trustee Incorporation Act, Cap 318)

According to an article by Christopher (2010) in the Investment Company Institute report, the Tanzania mutual fund industry finds itself in an economic landscape which has undergone rapid changes over the past three years. The industry achieved a high water mark when it doubled its Asset Under Management (AUM) from Tsh. 3.6 trillion in FY2007 to Tsh. 6.13 trillion in FY2010 – clocking an impressive growth rate of 16.2% per year. Since then the Tanzania economy (coupled with the emerging economic systems) has faced a slowdown – the most serious of which are happening as this story is being composed.

The report further shows that from an average GDP growth pace of 8-9% during the 2008-2011 years, the Tanzania economy is now raising at a lackluster 4.8% growth rate in Q2 2013. Paired with a steep fall in the value of the Tanzania shillings, the mutual fund industry now sees itself in a capricious global economic environment. However, in that location is solid reason to conceive that the Tanzania mutual fund industry has not yet seen its global peak and if proper amounts are needed, the industry could start back along its previous growth path (Christopher, 2010).

The gross domestic savings and investment at current market price by households was 22.3% of GDP 2011-12 (National Microfinance Bank (NMB) Annual Report, 2012).

The household investment in physical and financial assets was 14.3% and 8.0% respectively. The investment in shares and debentures as a percentage of gross financial savings by households was 3.6% during 2011-12. The gross financial savings by household in mutual funds is estimated at 2.5% out of total 3.1% in shares/debentures (NMB Annual Report, 2012).

The Mutual fund industry offers something for everyone. A great number of schemes are offered by Asset Management Corporations (AMCs), and offering are made to fit the investor's risk appetite, desired returns or period of investment. As of March 2013, a total of 1294 different mutual fund schemes were on offer across AMCs (SEBT Annual Report 2012-13).

The growth of mutual funds is contributed by a number of factors;

2.3 Opportunities

This refers to UTT products available in the market, it consist of different products known as schemes; Children Career Plan Unit Trust Schemes , Liquid Fund Unit Trust Schemes, Umoja Unit Trust Scheme , Regular Income Unit Trust Scheme and Invest Life Unit Trust Scheme. These products should be communicated to the prospective clients so as they could make decision of investing in this industry. The benefits in form of returns and appreciation of shares or units should be made clear to the customers.

The study by Marcin. K, (2014) argued that, if the information constraint is changed so that it requires capacity to process information from prices, then investors would choose not to process that information and to obtain independent signals instead. The idea behind this result is that an investor, who learns from price information, will infer that the asset is valuable when its price is high and infer that the asset is less

valuable when its price is low. Buying high and selling low is generally not a way to earn high profits.

Also, Dunna, (2012) indicated that the bulk of the new investors doesn't understand the concept, operations and advantages of investment in mutual funds before investing. The researcher had undertaken studies of individual investors and members of Ahmedabad Stock Exchange to analyze the awareness of investors about the mutual fund schemes. It was observed that small businessmen, farmers and individuals belonging to rural and semi-urban regions in low income group had no awareness about the common funds.

The study by Rajesh (2012) claims that, the investors can't take decisions on investment due to unavailability of track records of turning. Housing Development Finance Corporation (HDFC) and Standard Chartered Mutual Funds started their operations in 2000, all other mutual funds except Unit Trust of India (UTI) have the track record of 3 to 5 age. Unless the course records of working of mutual funds are available covering the several stock market booms and collapses, the investors can't judge which schemes or mutual funds are safer options for investments.

Investors take more care with making their investments initially than with monitoring subsequently. Investors' outflows increase at a faster rate when performance declines. Retail and institutional investors behave the same in this regard. Performance of a mutual fund matters a great deal more while investor decide whether to invest rather than whether to redeem.

Tanzanians believed to have the practice of saving which can be evidenced by the increased number of commercial banks. As per Bank Of Tanzania (BOT) report, as of June 2014 there are more than 34 commercial banks in the country which implies that people are depositing their savings. Therefore this could be the better opportunity for MFI to get more investors.

According to 2012 World Bank Global Index, 35.23% of respondents in Tanzania have an explanation (either self or together with someone else) at a depository

financial institution or some other conventional financial institution. Even in savings indicators at formal or informal institutions, Tanzania continues to be a drone. Even Tanzania with a 47% lower per-capita Gross Domestic Product (GDP) based on purchasing power parity performs better in financial inclusion parameters. Financial indicators from World Bank's Global Index survey highlight some of the central areas where Tanzania lags. Financial inclusion has for long been a priority for the policy makers in Tanzania.

The Government should consider working out a separate comprehensive Mutual Funds Act. Also clearly spell out the rights, obligations and duties of the several elements of mutual fund, furnish a uniform regulatory framework and to create a level playing field for all the mutual funds in the industry. (Dunna, 2012).

2.4 Challenges

Challenge is a situation of being faced with something that needs great mental or physical effort in order to be done successfully to enhance the MFI growth. Despite the opportunities available in the industry there are challenges that may need to be solved out to enable the goals to be achieved.

On the article in "The Global Findex Database" by Kant et al (2012) suggested that one of the greatest challenges that the mutual fund industry faces is the lack of healthy participation from a heavy part of the country. To illustrate this lack of participation, the researcher aggregated the AUMs originating out of various districts. He then aggregated the AUMs and GDPs and took the ratio of these two numbers. The AUM/GDP ratio is one of the best indicators of how much of the yearly income in a given territory is being invested into mutual funds. While the figure of TSH 1.5 trillion of AUM may sound impressive on paper, this image is marred by a sharp divide in terms of investment in the districts and the balance of the nation. For the nation as a whole, the AUM/GDP stands at approx. 6.99%. When this proportion is worked out for the districts, the proportion is 29.52% - slightly more depressed than the world average (Kant et al, 2012).

Another challenge that MFI in Tanzania face is increasing the efficiency of their distributional channels. In other words, attracting new investors in small Cities does not come cheaply for the Asset Management Companies beyond the top 20 districts by GDP. More money has to be spent on distribution and marketing for getting investments in poorer districts (Adajania, 2013).

The study by Kunt et al (2012) showed that, however, the rest of Tanzania paints a dismal picture with the AUM/GDP ratio standing at 1.82%. This skewed origination of AUM in Tanzania is its single biggest challenge and its biggest opportunity at the same time. This under penetration of financial inclusion is not unique to mutual funds, but a deeper structural problem characteristic of the Tanzania financial sector. More than half of Tanzania's population does not have any access to formal banking services.

The technical problems mutual funds could also be facing is the maintenance of enough fund to run organization activities including investment portfolios. This may happen when customers at one point of time may decide to repurchase back their share.

In line with the above scenario, Rajesh (2012) argued that, the inventible funds of the mutual funds increase when sales are more than the redemptions and decrease when the redemptions are more than sales creating the problems of maintaining liquidity. The investors prefer to put in equity funds during the gold rush period and switch their investments to debt funds during the recession period. The most profitable and high income & appreciation potential stocks during the boom period or at the time of placing cash in hand in such strains may become liquid over a point of time.

The study by Adajania, (2013) indicated that, considering insurance sector's 2.5 million agents, the number of active mutual fund agents is a great hurdle for penetration and expansion of AMCs outside of big cities. If the race has to be increased to other growing towns, the distribution network needs to be overhauled and innovative incentive structures need to be embraced. Over here, it is worth

comparing the incentive structures in place for mutual fund agents and those of other commission based products such as insurance.

All the troubles touched on to the investors are, lack of awareness and poor after sales service to the investors. The investors believed, thus far, that the mutual funds promoted by UTT and other organization are fixed by the Central Government.

However, according to Adajania (2013) there are several problems related to MFI such as non-disclosure of portfolio, inter scheme transfer of funds, lack of professional fund managers, sale & repurchase of units of US-64 at prices not related to its NAV, bureaucratic working, etc. Authorities has constituted committees on valuation, best practices and credit policy and working groups on valuation of gilt-securities, standardization of disclosure, pensions, etc. to ensure uniform working and disclosure practices.

A study by Anagol et al. (2013), evaluated a major Tanzania investor protection reform that reduced commissions tied to mutual fund sales by banning the distribution fees that mutual funds had previously earmarked for commissions. They identified the policy impact by comparing funds charging high versus low distribution fees pre-reform. The researchers argued that contrary to industry claims that limiting commissions would dramatically reduce mutual fund investment; there was no evidence that the reform reduced asset growth in mutual funds. Apart from the macro economic factors the evidence says that Tanzania Mutual fund Industry is incapacitated by the lack of proper distribution channels, entry loads, investor awareness, governance and risk management, technology and low retail participations.

Zechner et al., 2011 study the interface between intermediaries and portfolio managers (including mutual funds) and investors. There are often multiple financial advisors between portfolio managers and investors. Portfolio managers pay significant “kickbacks” to compensate advisors for price discrimination or marketing. Kickback payments increase portfolio manager fees and reduce returns.

Portfolio manager competition reduces kickbacks, but increases independent advisory services.

In line with the above argument Demirguc and Kunt (2012) contend that, the investors who invest in growth or equity schemes consider it as an alternative to stock market investing. Also the investors who invest in debt schemes expect higher returns on their investments than returns on nationalized banks' fixed deposits. The investors expect higher returns and get dissatisfied when they don't receive the expected returns. The NAV of the mutual fund scheme gets discounted on debiting the front-ended load of issue expenses after closure, further discounted on listing and continue to decline on trading due to poor demand for such units due to the poor sentiments of the investors.

2.4 Financial Literacy

Financial literacy is the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, investing, saving and other financial issues. One of the major reasons behind the under-penetration of mutual funds is the lack of understanding about mutual funds, how they differ from ordinary investments and how they manage to offer superior returns over traditional investments. Agreeing to a report on mutual funds' investments published by Busting Analytics in 2010, approximately a third of all of respondents from Major Tanzania cities did not know how and where to invest in mutual funds. Most people remain unaware of basic financial concepts such reward (getting even) to variability (risk) ratio, asset allocation, benefits of diversification, passive-active investment strategies etc.

According to National Microfinance Bank Annual Report, (2012) Most Tanzania households tend to be extremely risk averse and wary where they put their hard earned nest egg. As a consequence, they are conservative with their savings and tend to put in 'safe' assets. Investors perceive mutual funds as risky investments (despite the fact that several funds invest in government bonds, thereby being safer than bank deposits) and tend to invest their savings in real assets such as amber, jewelry, real estate or fixed deposits in banks. Granting to the story, these alternatives are a consequence of a mindset which has generally seen investing in livestock markets

and other market traded securities as akin to gambling. This is speculated by the proportion of savings of Tanzania households in the financial securities industries.

Agreeing to the study on financial protection survey carried out in 2008, which showed that Tanzanians prefer keeping 65 percent of their nest egg in liquid assets like banks, post office deposits or as hard currency at home, while investing 23 percent in physical investments like real land and gold. Just 12 percent of the entire savings was invested in financial instruments like mutual funds or stocks (NCAER Max New York Life, 2008).

According to Adajania, (2013), the combination of ignorance, risk-aversion and mutual fund complexity are huge hurdles that AMCs in Tanzania will have to overcome if there is to be any increment in retail participation in mutual funds. Investors need to be trained to see beyond the traditional avenues of investment through sensitization and training. In accession to this, campaigns should be tailored to increase the visibility of debt funds which generally lean to be safer than equity funds.

The investor prefers safety of the principal amount, regular returns, long-term growth, income tax benefits, etc. The mutual fund schemes have been designed based on the preferences of the investors, changes in stock/capital market, and returns on various instruments and changing profile of the investors. The schemes are framed and conceptualized by the top management of the mutual funds and marketed by their branches and through the agents. The agents and the sales executives of the mutual funds assure higher returns to the investors and paint a rosy picture about the mutual funds while marketing schemes. The mutual funds in our country have been quite wrongly promoted as an alternative to equity investing and created very high expectations in the minds of the investors (Chiyachantana, 2009).

Kharana et al. (2013) also found that consistent with related findings from the law and economics literature, the mutual fund industry is larger in countries with stronger rules, laws, and regulations, specifically where mutual fund investors' rights are better protected. The industry is smaller in countries where barriers to entry are

higher, measured by the effort required to set up a new fund. The fund industry is larger in countries with a wealthier and more educated population, and where the industry itself is older. Finally, the fund industry is larger in countries in which defined contribution pension plans are more dominant. These results indicate that laws and regulation, supply-side, and demand-side factors simultaneously affect the size of the mutual fund industry.

The study by Keswani & Stolin, (2012) have few observations using UK data on monthly fund sales and purchases made via seven distinct distribution channels. It showed that where mutual fund investments are deployed and how they are managed are perennial issues that are largely determined by investor reaction to fund performance. Yet the population of investors is heterogeneous and liable to be influenced by the intermediation process (if any) of their fund purchases and redemptions.

2.5 Research Gap

Although an enormous studies have shown out the growth and fiscal performance of shared funds in world (Busting, 2010), (PWC, 2013), not much light has been shared on the causes for challenges and opportunities for mutual fund industry in Tanzania. There are researches which were observing the reasons for the disparity of communal funds business crossways industrialized countries. However, such effort normally does not distinguish between the numerous constituencies of the countries included (Kharana et al., 2005). Although these studies are likely influencing officials in shaping the ideal provincial macroeconomic environments to develop a strong mutual fund industry, they hardly ever explain the variances in mutual fund diffusion in a nation in respects to challenges, financial literacy and opportunities.

Another research gap identified was time span as some other studies were conducted long time ago. For example the study by Gerard (2001) who developed a gaps model to analyze problems and help managers understand the ways of improving mutual funds within funds trust. The major knowledge gap which the study addressed is “what are the challenges and opportunities for growth of mutual fund in Tanzania”

2.6 Conceptual Framework

Independent Variables

Opportunities:

1. Assets under Management
2. Active participation by retail investors in mutual fund
3. Institutional buying and selling of stocks etc

Challenges

- Lack of healthy participation
- Assets under Management
- Structural problem
- Informal banking

Financial Literacy

Knowledge and understanding about mutual funds

Dependent Variables

Growth of Mutual Funds

- Increase in the customer base
- Increase in Funds
- More Investments etc

Conceptual framework

It is an analytical tool with several variations and contexts. It is used to make a conceptual distinction and organize ideas. It captures something real and does this in a way that is easy to apply.

Relationship between Opportunities and financial literacy which is intermediate indicator explain adequately the final outcome of MFI growth, thus the relationship between opportunities and MFI growth is explained well by the presence of financial literacy as indicator between the two.

With opportunities availability without enough financial knowledge of MFI then it may have less impact on MFI growth.

Challenges can be cause to slow growth of MFI due to limited financial knowledge of the people, and therefore relating challenges to MFI growth financial literacy as intermediate indicator was important.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three provides a detailed analysis of the methodologies which were used by a researcher to collect data, analyse them and presentation. It is very important section as it gives the design of the study. However the researcher was aware of the fact that, no single methodology could be used for all research questions. Research methodology was designed in a way that suits a research problem. However, given the limitations that were imposed by time and other resources, choosing the most appropriate strategy among available alternative, had always been a dilemma that result into making trade-off between the ideal method and the available resources.

3.2 Research Design

According to Yin (2008), a research design is the logical sequence that connects the empirical data of the research questions to its conclusions. There are different research designs including case study, longitudinal, experimental just to mention a few.

A case study research design was applied for this research due to its ability to use various data collection tools over one target population at a given point in time (Creswell, 1998). Relatively it was quick and easy to conduct (no long periods of follow-up) compared to other designs. Likely, this design permits data on all variables to be collected once. Other reason for adopting this design was its capability to measure the prevalence for all factors under investigation where multiple outcomes and exposures could be studied as argued by Saunders *et al.* (2009).

In this regard, Challenges and Opportunities in relations to Mutual Fund growth was studied using case study design as it involved getting data from the targeted population under the study.

3.3 Study Area

Defining the area of study is one among components in research methodology that needs to clearly being done by the researcher. It can be a geographical area or the point of focus in one particular field of specialization (Cohen, 2000). It is very important for a researcher at the planning stage to clearly specify the area of the study and define the area to be researched (Cohen et al, (2000).

The study was conducted in Dar es Salaam region and UTT. The area has been selected due to the fact that it is pioneer empowerment Collective Investment Scheme that gives an opportunity for the majority of Tanzanian citizens to invest as up to 30th June 2013 there were 90,000 investors. Take a stake in privatization, further participate in the capital markets and obtain a return on their investment. It is the first Collective Investment Scheme to be established in Tanzania. Dar es Salaam region was selected because UTT headquarter is located within it, therefore it was expected that majority of its investors to be from the city as they can access all services easily. But also, the areas were selected following time and financial constrain of the researcher.

3.4 Study Population

A population is a group of individuals contains all subjects of interest and properties for analysis, but also it involves a group of individuals who have one or more common characteristics that are of interest to the researcher (Best et al., 2008). It is a larger group of people from which the sample is taken.

Population of the study comprised of employees from UTT as well as the customers or shareholders. This choice based on the reason that, UTT employees have working experience in the industry, and UTT customers have experience on investing in the industry, and therefore they were used to determine the challenges in the industry as its among the objectives under the study. It included also primary school teachers, this selection based on the fact that, this is a large group in the country which is scattered all over the country as per Ministry of education and vocational training there are 182,696 primary school teachers in the country as at August 2014. Thus study targeted to get the findings on the knowledge of financial matters as well as the

awareness of the industry products to the society. Accountants and Auditors were selected as they are dealing with financial duties daily, and therefore tested whether they are aware of opportunities available in the industry. SACCOS members were selected because they have saving interest and therefore interested to find out their knowledge on opportunities and financial literacy in general in the industry.

3.5 Unit of Analysis

The unit of analysis is comprised of those things we examine in order to create summary descriptions of all such units, and to explain differences among them is the major entity that one analyses in the study (Karl, 2008). The unit of analysis of the study was the individual customers, UTT employees, primary school teachers, Accountants and Auditors, as well as SACCOSS members.

3.6 The Sample and Sampling Techniques

3.6.1 The Sample Size

Sample is a segment of population in which researcher is interested in gaining information and drawing conclusions (Babbie, 2002). While selecting the sample size, researchers are advised to put into consideration three important aspects namely the availability of population, methods of sampling to be used, and financial resources available for facilitation of the specific study (Charles, 1995).

In the course of conducting field survey, a sample size of 100 was used. This included 10 (10%) Teachers from Kisauke Primary School in Kinondoni district, 10 (10%) Auditors from Mekonsult Ltd, 10 (10%) employees from UTT, 10 (10%) SACCOS members and small traders, 30 (30%) from Investment Management section (UTT) and lastly 30 (30%) of the respondents comprised of Customer's respondents as illustrated in Table 3.1. The sample size was desired because it is a true representative of the entire population under study.

Table 3.1: Sample Size Composition

S/N	Respondents Category	Number of respondents
1	Kisauke Primary School Teacher	10
2	Auditors from Mekonsult Ltd	10
3	UTT Employees	10
4	SACCOS Members and small traders	10
5	Investment Management personnel	30
6	UTT Customers	30
Total		100

Source: Researcher's 2015

3.6.2 Sampling Techniques

Sampling is the process of selecting a proper split of the elements from the population so that the subset can be used to make the inference to the population as a whole (Charles, 1995). It also enables generalization to be done in large population (Babbie, 2002). Non-probability Sampling techniques were used in selecting respondents, these included convenience sampling and purposive sampling

3.6.2.1 Convenience Sampling

This is a type of non-probability sampling that involves the sample being drawn from that part of the population that is close to hand. That is, a sample population selected because it is readily available and convenient, as researchers are drawing on relationships or networks to which they have easy access. Credibility of a researcher's results by convenience sampling will depend on convincing the reader that the sample chosen equates to a large degree of the population from which they are drawn. Customers showed up at the office on respective days were consulted by the researcher until all 30 customers were obtained.

3.6.2 Purposive Sampling

In this sampling procedure, item or respondents for the sample are selected deliberately by the researcher depending on the data she or he intends to collect from them (Cohen et al 2000).

Purposive sampling was used to reach the personnel at UTT, Auditors, SACCOS members, and small traders as well as Kisauke Primary school teachers, as indicated in Table 3.1 above. This aimed at helping the researcher to select personnel that were convenient to study in terms of time, and to make the study easier.

3.7 Data Collection

Two main types of data were collected; primary and secondary data. Primary data was collected from respondents using questionnaires.

The secondary data for this respective research paper were gathered from archives, documentary public records, financial reports and annual reports. The information gathered was useful in the proper analysis of the challenges, financial literacy and opportunities of the shared industry in Tanzania, both individual and institutional. However it is good to note that, there is no one research method or instrument which is superior than the other but always the choice relies on the appropriateness of the instrument over study being conducted, and therefore using more than one specific method enables the researcher to cross-validate information and data collected from a variety of sources (Denscombe, 2008).

Due to nature of this study, the researcher used a combination of documentary review, questionnaires and observation.

3.7.1 Documentation

This involves the study of existing documents about the area of the study. The documents are valued in providing more insights into the programme being studied by cross validating, and augmenting evidence obtained from other sources (Yin, 2004).

This was employed to collect secondary data from different sources including review of previous year's annual reports, various years' financial reports, and other reports relevant for the study. These documentations were helpful to see the reality compared from data collected using other methods like questionnaire.

3.7.3 Questionnaire

According to Kothari (2004), questionnaires are forms that are completed, and returned to respondents. It is expensive and therefore is useful where literacy rates are high and respondents are co-operative. This instrument is used to gather data over a large sample. There are several reasons as to why one would wish to use the questionnaire method, to mention but a few, patterns, frequency, ease and success of

use, user needs, expectations, perspectives, priorities and preferences, user satisfaction with collections, and services, shifts in user attitudes and opinions, relevance of collections, and services to user needs, trends.

The questionnaire method was preferred for the purpose of maintaining confidentiality and reduces interviews bias. Appendix 1 provides the questionnaire used for this study.

3.8 Data Analysis Techniques

Thematic analysis is the analysis that focuses on examining themes within data. Day (1997) this method emphasizes organization, and rich description of the data set. It thematic analysis goes beyond simply counting phrases or words in a text, and moves on to identifying implicit and explicit ideas within the data Guest (2012). Coding is the primary process for developing themes within the raw data by recognizing important moments in the data and encoding it prior to interpretation. Guest (2012) the interpretation of these codes can include comparing theme frequencies, identifying theme co-occurrence, and graphically displaying relationships between different themes

Qualitative analysis technique was applied. This approach was applied to analyze non-numerical data which were compiled, and categorized based on the responses into related themes. Based on the study variables and objectives, finally qualitative data were analyzed using narratives obtained from key informants.

Also computer package SPSS was used and descriptive statistics analysis specifically applied to provide frequencies and figures during data presentation. The data were presented by using simple statistics figures such as tables, bar charts and figures to illustrate the findings. Descriptive statistics preferred to other methods because it describes subject data information in a manner that can be less subjectively evaluated by others. Also it has ability to collect, organise and compare vast amounts of discreet categorical and continuous data in a more manageable form.

CHAPTER FOUR

PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter intends to bring the presentation; analysis and discussion of the findings, resulted from the research on, growth of mutual fund industry in Tanzania opportunities, challenges and financial literacy a case of unit trust of Tanzania and Dar es Salaam region. The analysis, discussion and presentation have been done in regards to research specific objectives.

4.2 Demographic Characteristics of Respondents

Meaning of demographic refers to studies of a population based on factors such as age, race, sex, economic status, level of education, income level and employment, among others. Demographics are used by governments, corporations and non-government organizations to learn more about a population's characteristics for many purposes, including policy development and economic market research. For the purpose of this study, basing on research objectives it has used to come up with findings from respondents of different education level, different sex, different work experience and others so as to avoid bias and making the research more relevance and meaningfully.

4.2.1 Respondents' Profile

The total number of respondents involved in this research work was one hundred (100), both male and female with different age ranges. Age category of respondents were that 22 (22%) of the respondents involved in the study were between 20-29years, 39 (39%) were between 30 -39 years, 28 (28%) were between 40-49years, and 11 (11%) were above 50 years of age. Likewise in terms of sex, there were 57 (57%) male respondents while female respondents were 43 (43%).

The results in the Table 4.1 below show the respondents' demographic characteristics.

Table 4.1 Demographic Characteristics of Respondents Ñ=100

S/N	Variables	Characteristics	Frequency	Percentage
1.	Sex	Male	57	57.0
		Female	43	43.0
		Total	100	100.0
2.	Age	20-29	22	22.0
		30-39	39	39.0
		40-49	28	28.0
		Above 50years	11	11.0
		Total	100	100.0

Source: Researcher's 2015

The demographic characteristic results above show that more than half of the respondents were young and energetic, assumed to be very mobile in seeking for quality job which in turn brings quality life through offering their skills and knowledge. Considering the age of the respondents, it can be assumed that, majority of the respondents are in the like age of trial and errors in the search of a good life, and therefore investment would be the best choice to them for their struggle in increasing their income unless otherwise there are other obstacles.

These findings helped the researcher to get the real picture on how mutual fund is of a benefit or a challenge to people. It is this group that most of the organizations are searching for as they are believed to be very productive and effective.

The results also show that, majority of the males respondents were likely to be more knowledgeable on mutual funds but also males have invested more comparing to women. However, there is a small variation between number of women and men and this shows that, despite the variations, women are also up to mutual funds and thus they realize the importance of the funds.

4.2.2 Respondents' Education Level

The study involved 100 respondents with different education levels. This is because the study aimed at finding out how is community in general (with regard to different education levels) aware about the MFI and its opportunities and challenges.

Education levels of respondents were ; 10 (10.0%) master's degree holder, 57 (57%) first degree/ advanced diploma, 19 (19.0%) diploma, 11 (11.0%) certificate holder and 3 (3.0%) secondary education as indicated in table 4.2 below.

Table 4.2 Responds' Level Of Education Ñ=100

Education levels	Frequency	Percentage
Secondary school	3	3
Certificate in any other training	11	11
Diploma	19	19
First degree/Advanced diploma	57	57
Master degree	10	10
Total	100	100

Source: Researcher's 2015

This entails that a good number of respondents involved in this study are well educated and hence knowledgeable on most of the concepts which were asked. This has also being a reason for using questionnaire as a major tool for data collection in our study.

4.2.3 Respondents Working Experience

Working experience of employees is very important in determining challenges and opportunities around mutual funds services. This study involved a total of 40 employees from UTT. 4(20.0%) fresher that means those who have worked for less than one year, 15 (37.5%) between 1-3 years, 16 (40.0%) between 4-6years and 5 (12.5%) have worked for more than 6 years as shown in table 4.3 below.

Table 4.3 Respondents' Working Experience Ñ=100

Working Experience	Frequency	Percentage
Less than 1 year (Fresher)	4	10
Between 1-3years	15	37.5
Between 4-6years	16	40
Above 6years	5	12.5
Total	40	100

Source: Researcher's 2015

This reveal that majority of respondents have been in the UTT for sometimes enough to know the working conditions and environment hence reflect positively or negatively on understanding of the challenges and opportunities related to MFI and its products.

4.3 The Relationship Between Opportunities And MFI Growth

Under objective number one which states that “to find out the relationship between Opportunities and MFI growth”. MFI growth is regarded as the increase in combined total net assets value of mutual funds. Where by net asset value is defined as the difference between total assets and current liabilities.

Opportunities for this study are considered as the products available in UTT for society. Whereby it consist of different products i.e. Children career plan Unit Trust schemes, Liquid fund Unit Trust Scheme, Umoja Unit Trust scheme, Regular income Unit trust scheme and Invest life Unit Trust Scheme. These products have different price and benefits and thus the choice on which one to invest in will depend on customer investment purpose. The following Table 4.4 shows the UTT products and its price trend over the last five years.

Table 4.4 UTT Products and its Price Trend Over the Last Five Years

Date 30th June	2010 Unit's Price in Tsh	2011 Unit's Price in Tsh	2012 Unit's Price in Tsh	2013 Unit's Price in Tsh	2014 Unit's Price in Tsh
Umoja Fund	166.8469	180.5280	206.6550	239.4105	363.2168
Invest Life Fund	136.4829	151.4165	168.9274	189.9421	236.7775
Children Career Plan Fund	114.2093	129.0105	145.3413	162.3907	212.7572
Regular Income Fund	102.6563	102.4912	105.1388	104.9768	117.7328

Source: UTT financial information

The available studies reveals that majority of the people have information on other non-mutual fund products. According to Sam M. (2010) there is rapidly emergency and growth of Village Community Bank (VICOBA) and SACCOS. Further the study showed that there are about 5000 groups of VICOBA in all regions in the Tanzania Mainland. As well as it confirms that there are rapid growth of SACCOS in Tanzania as up to the year 2008 there were about 4,780 SACCOS in Tanzania Mainland. As well as BOT report of 25th June, 2014 shows that there are 27 insurance companies as of May 2014. VICOBA, SACCOS and insurance products especially life insurance are considered as competing products for mutual fund products. The same study shows that those products are well informed to the society. Also as per BOT

report of 25th June 2014, there are only three mutual fund institutions in the country. Comparing the expansion and growth of MFI and VICOBA, SACCOS and insurance companies which shows MFI to be growing slower than the above institutions, the reason might be lack of information to the society with regard to MFI available opportunities for them.

Therefore in order to test this relationship the below matters were asked through questionnaire and the results revealed the followings;

4.3.1 Information Differences

Information is organized data that is accurate, timely and specific for a purpose presented within a context that gives it meaning and relevance and can lead to an increase in understanding information thus can affect decision or outcome . Information to clients regardless of the area of origin carries same weight and significance to the success of the MFI growth. To examine the above objective the researcher assessed the availability of information to the community with regard to UTT products. Samples from UTT Employees were asked “Investors in Dar Es Salaam are significantly better informed than investors in other small cities like Songea, Shinyanga etc.” Respondents answers ranged from (i) strongly agree to strongly disagree (v).

However the findings shows that, 13(32.5%) of the 40 employees involved in the study strongly disagreed, 12 (30.0%) of the total employees involved in the study were of neutral opinions. On the other hand, 8(20.0%) employees agreed, 4(10.0%) disagreed and lastly 3(7.5%) employees strongly agreed. As shown in the Table 4.4 below.

Table 4.5 Information Differences

Information differences		Frequency	Percent
Responses	Strongly agree and agree	11	27.5
	Neutral	12	30.0
	Strongly disagree and disagree	17	42.5
	Total	40	100.0

Source: Researcher’s 2015

The findings above show that, majority (42.5%) of sample respondents from UTT employees answered that majority of the customers in Dar Es Salaam not yet better informed. However 30% of respondents from the same sample were neutral on the information provision to customers in Dar es Salaam. And only 27.5% of the sample respondents from UTT employees agreed that customers in Dar es Salaam have been better informed about UTT and its products. Therefore these findings show that, UTT has not yet communicated its products to the prospective customers in Dar Es Salaam properly.

However the available data from UTT shows that, the agents contracted for sale of regular income scheme shares in the year 2008 and Liquid scheme shares in the year 2013 were as below.

Table 4.6 UTT Agents

Regular income scheme	Liquid scheme
Agents	Agents
CRDB Bank plc	CRDB Bank Plc
Akiba commercial bank	DSE Brokers
Exim Bank	
Postal Bank and DSE Brokers	

Source: UTT reports

The Table 4.6 above shows that there is a good number of agents selling UTT products but no published data showing the means they are using for advertisement apart from the known one like internet, and periodic advertising through television, radio and newspaper. As per the findings above these communication means does not have significant impact on informing customers in Dar Es Salaam. Therefore there is a need to find other means of advertising for purpose of reaching significant number of investors in Dar Es Salaam.

However the UTT published financial reports shows that the organization's gross net assets value have been increasing from period to period as shown in the Table 4.7 below.

Table 4.7 Gross Net Assets of UTT for Two Years

Financial year	July 2012-June 2013	July 2013-June 2014
Schemes' Name	Tshs	Tshs
Umoja Fund	107,194,226,000	162,182,407,000
Invest Life Fund	2,130,311,000	2,591,425,000
Regular income Fund	7,693,507,000	11,645,118,000
Children Career Plan Fund	1,311,008,000	1,848,587,000
Total	118,329,052,000	178,267,537,000

Source: UTT Annual reports

From the table above, net asset of the organization has increased from Tanzania Shillings 118,329,052,000 in the year of June 2013 to Tshs 178,267,537,000 in the year of June 2014. This shows the increase of Tshs 59,938,485,000/= which is the growth rate of 51% with regards to gross net assets value as a base for growth.

This shows that the organization is growing but with regard to a number of opportunities available it was expected the growth rate to be more than the current rate since is the leading collective investment scheme in Tanzania.

The finding above is in line with the findings of Massa (1999) as indicated in the literature review who argued that, when fund houses were asked whether a typical investor was adequately informed about different mutual fund products, an overwhelming majority (80%) answered in negative. AMCs are of the opinion that investors in metros are significantly better informed as compared to investors in non-metro cities. However, the distinction is not as sharp when awareness levels of investors in T-15 and B-15 cities are compared.

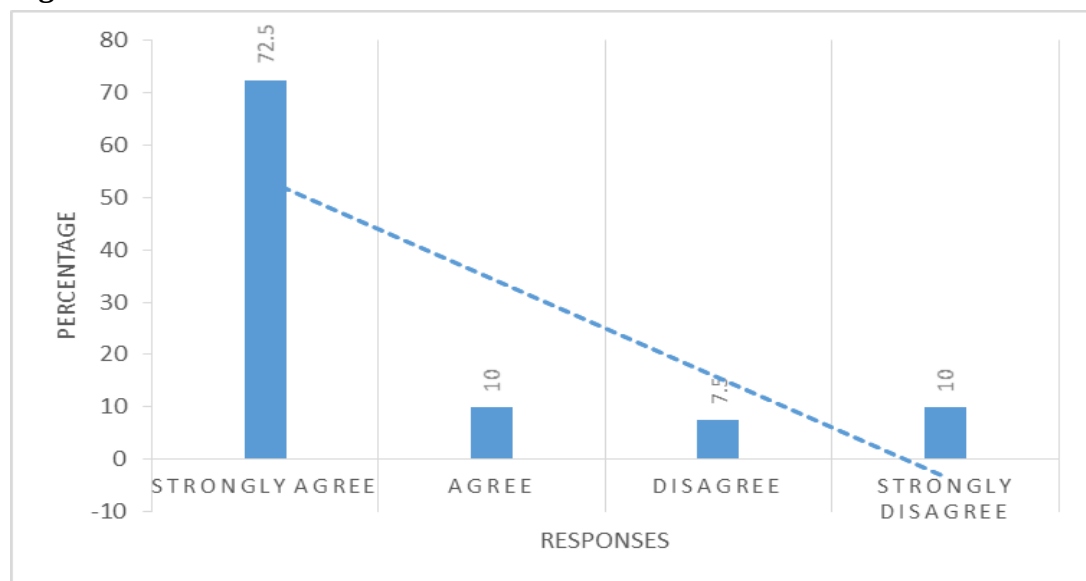
4.3.2 Information Differences Between Dar es Salaam and Other Large Cities

Apart from the above findings, the researcher also assessed whether the information on UTT products have better communicated to customers in Dar es Salaam compared to other big cities like Arusha, Mbeya, Mwanza etc. This is because the impact of information to both cities have significant effect to the growth of MFI hence its economy in terms of GDP is higher compared to small cities. The data from National Bureau of Statistics (NBS) shows that, the national GDP for 13 years from 2001 to 2013 has significantly contributed by Dar Es Salaam and Mwanza regions

for 16.3% and 9.0% respectively. This implies that the economic status of the citizen in corresponding regions are better compared to others. Thus the customers within the cities could be in better positions to invest in MFI. Employees were asked “Investors in Dar es Salaam are significantly better informed than investors in other large Cities in Tanzania.” Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The results show that, investors in Dar es Salaam were more informed comparing to other cities in the country such as Arusha, Mbeya and Mwanza. This is evidenced by 29 (72.5%) of respondents from UTT employees who strongly agreed, 4 (10.0%) agreed and 4(10.0%) who strongly disagreed and 3(7.5%) disagreed as shown in the Figure 4.1 below.

Figure 4.1 Information Differences Between Dar Es Salaam and Other Cities



Source: Researcher’s 2015

The study result show that, investors in Dar Es Salaam are significantly better informed than investors in other regions.

Considering the fact that agents contracted to sale UTT products are more concentrated in Dar Es Salaam than in other regions, this gives opportunity to investors in the region to get information easily. For instance agents contracted to

sale income scheme and Liquid fund are concentrated more in Dar Es Salaam compared to other regions as shown in Table 4.8 below.

Table 4.8 UTT Agents

Regular income scheme	Liquid scheme
Agents	Agents
CRDB Bank plc	CRDB Bank Plc
Akiba commercial bank	DSE Brokers
Exim Bank	
Postal Bank and DSE Brokers	

Source: UTT reports

With the agents above taking CRDB Bank plc as a sample. In Dar Es Salaam only there are 17 branches and Arusha only 3 branches, Mwanza 5 branches and Mbeya 3 branches. The above information shows that Dar Es Salaam have given more weight compared to other cities in terms of information accessibility and purchase of UTT products.

Another support for the above finding is economic status of the region. NBS statistics report of the year 2012 shows that Regional Gross Domestic Products (RGDP) for Dar Es Salaam is higher compared to other regions in the country. GDP means money value of all goods and services produced within the country from economic activity during a specified period, usually a year, before the provision of the consumption of fixed capital. GDP is a very vital indicator of an economies progress. Higher GDP shows that there is higher income. Therefore Dar Es Salaam having higher RGDP is the among the reason for UTT to concentrate on providing information to prospective customers compared to other regions as they believe to get a good number of investors within it. Table 4.9 below shows RGDP for some regions in the country.

Table 4.9 RDGP for Four Regions (With Large Cities)
Figures in Million

Year	2008	2009	2010
Region			
Dar Es Salaam	3,959,818	4,848,914	5,428,503
Mwanza	2,155,982	2,594,149	2,958,739
Mbeya	1,779,610	2,065,488	2,376,978
Arusha	1,145,878	1,317,752	1,573,945

Source: NBS reports

Another assumption for UTT concentrating in Dar Es Salaam compared to other regions with large cities is population size as is the only region in the country which is highly populated compared to others. The city has almost 4.36 Million people in total as per United Republic of Tanzania (URT) census of 2012. This is almost 10% of the people in Tanzania. Table 4.10 below shows population size in highly populated regions in the country.

Table 4.10 Population Size in Other Regions

Region	Population size (in Million)
Mwanza	2.77
Mbeya	2.71
Dodoma	2.13

Source: NBS Census 2012 report

With the population distribution above, UTT have considered on giving more effort on Dar es Salaam on the base that is highly populated region.

These findings are also in line with the results of Müller (2010) who revealed that, understandably, this lack of awareness on part of investors is one of the single largest factors affecting penetration according to the fund houses. AMCs suggest novel awareness campaigns wherein partnerships with colleges can be established to impress upon financial knowledge at young age. Involving celebrities to spread financial awareness regarding mutual funds at category level is also one of the suggestions. One of the interviewed fund houses suggested opening up of MF

‘education centers’ in smaller towns could serve as counseling centers and provide fund updates, NAVs across AMCs.

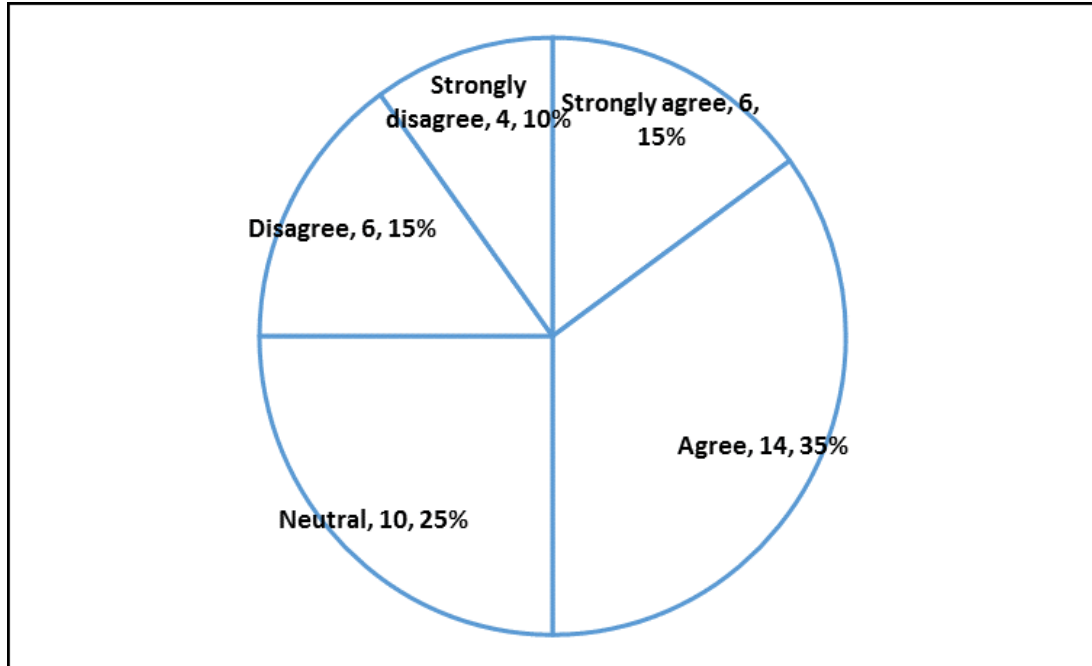
The above findings are also in line with the argument of Chiyachantana (2004) who suggested that, no matter the wealth scale of a prospective customer. If there is no detailed information and knowledge on the importance of mutual funds, the customers would always end up investing the money in the bank.

4.3.3 Impact of Distribution in Penetration

Penetration and spread of MFI products to other parties of the country especially in the various districts which are not accessed easily due to transport and communication problems. This was examined to find out if the opportunities available in MFI and not reaching those places due to limitations on products distribution could relate to growth of MFI. Distribution could be done through bank branches, specialized agents etc. within concerned area. It should be made clear that during the initial sale of shares distributors like banks, insurance brokers etc. are appointed, but usually for specific time then after that is where the institution appoints special agents which could not be the banks. To examine the relationship employees were asked “Penetration increase if distribution broadly done through banks branches?” Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings show that, penetration is not increasing since the distributions are narrowly being done through banks. This is evidenced by the sample respondents of UTT employees whereby 14(35.0%) of them agreed, 10 (25.0%) of respondents were of neutral opinions, 6(15.0%) strongly agreed and lastly 6(25.0%) disagreed and 4(10.0%) strongly disagreed as shown in the Figure 4.2 below.

Figure 4.2 Impact Of Distribution In Penetration



Source: Researcher's 2015

The above outcomes indicate that, there is significant impact of distribution in penetration with the use of banks. Because different banks have branches at least in each district, then it makes distribution of products easy to reach customers.

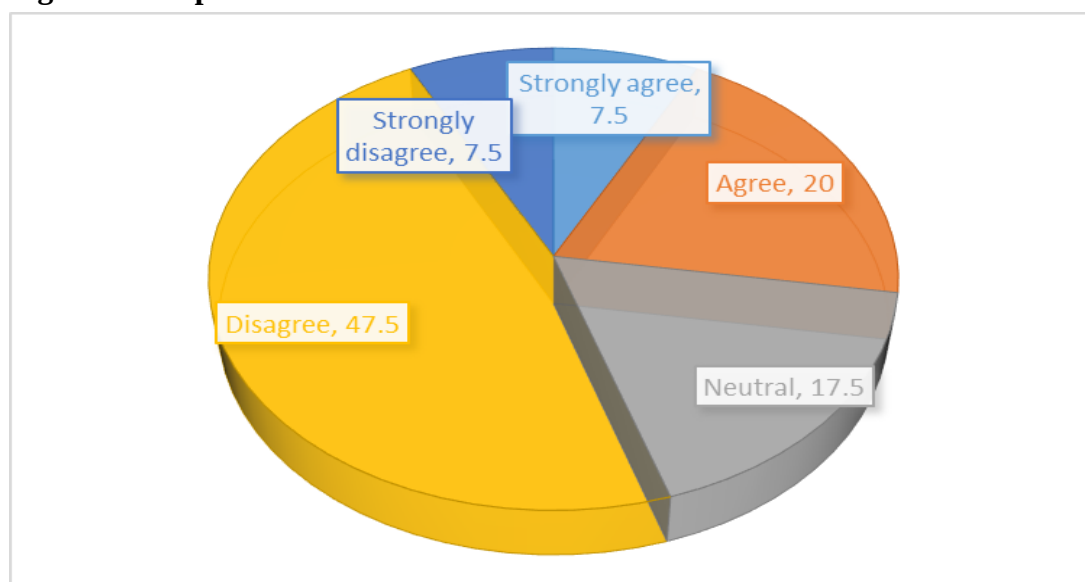
The findings above correspond to the results of Nicola (2001) of all the fund houses surveyed, 61% of respondents said that finding quality distributors continues to present a formidable challenge. Fund houses are of the opinion that due to the current regulations that impose a limit on the incentives, good quality distributors are hard to find. The findings also shows that on the other hand a large majority of respondents says that even if a reasonable commission is offered, it is difficult to recruit sufficient number of distributors which implies that there is lack of skilled distributors. Finding quality distributors especially in small towns and rural areas is a major hurdle towards increasing mutual fund penetration. This problem is more prevalent in case of AMCs with relatively lower AUM levels.

4.3.4 Impact of Financial Advisors in Penetration

Financial advisor as per this study is the one who provides financial advice or guidance on investment management to customers for compensation. Financial advisors are of help to the MFI growth due to the fact that they could help educating and advising community on the UTT products which the study regarded as opportunities and therefore increase number of customers in the industry. On assessing this employees were asked "Financial advisors result to increase in the number of customers in the organization." Respondents answers ranged from (i) strongly agree to strongly disagree (v).

Study findings showed that, financial advisors have very minimal role ensuring the penetration of mutual funds among clients. This is proved by 19 (47.5%) of UTT respondents who disagreed, 8 (20.0%) agreed, 7 (17.5%) of them were of neutral opinions. Lastly 3(7.5%) strongly agreed and on the same weight 3(7.5%) strongly disagreed as shown in the Figure 4.3 below.

Figure 4.3 Impact of Financial Advisors in Penetration



Source: Researcher's 2015

The finding above shows that, the UTT considers individual financial advisors for the penetrations purposes. However, the technique does not seem to be applicable to

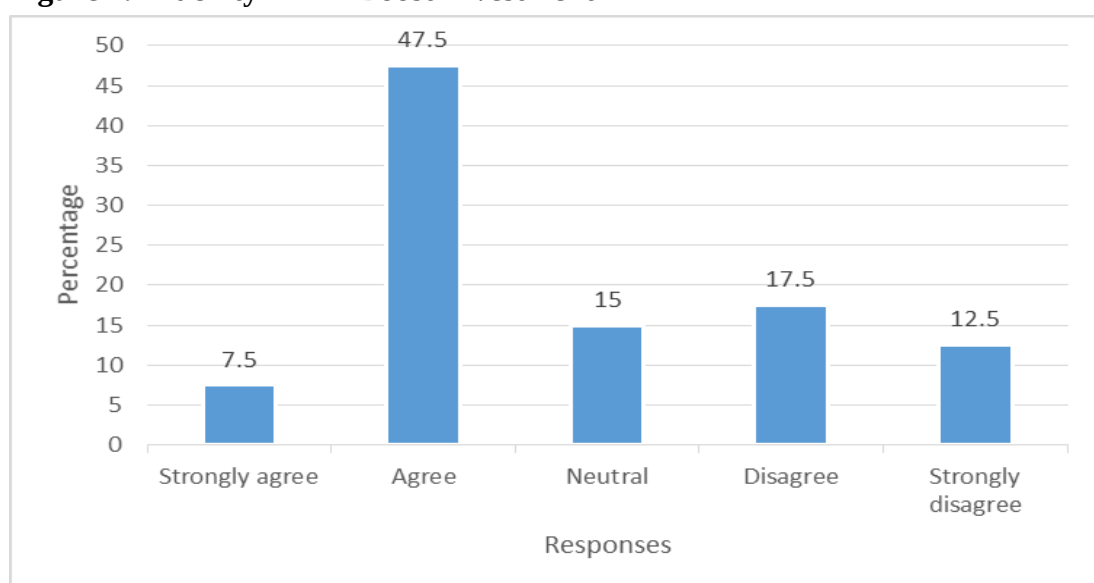
all kind of customers or clients. The study is linked with the study of Michele (2001) who argued that, Independent Financial Advisors (IFAs) play a crucial role in fund distribution and sales.

4.3.5 Facility ATM Boost Investment

The researcher was also interested in finding out, whether the use of Automated Machine (ATM) might boost the investment. This means using ATM machine for buying shares from UTT with the concern that these machines operates 24 hours will makes it easy for customers to buy shares any time as well as withdraws. This considered for those customers with limited time. Among the items asked was “Buying UTT shares through ATM results to growth of MFI.” Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The study findings show that, the use of the ATM surely boost mutual fund investment as 19 (47.5%) of UTT respondent employees involved in the study agreed. However part of UTT respondent employees do not consider it as the best techniques in implying investment in MFI as 7(17.0%) of UTT respondent employees disagreed. 3 (7.5%) strongly agreed, 6(15.0%) were of neutral opinions and 5 (12.5%) strongly disagreed, as Figure 4.4 below indicates.

Figure 4.4 Facility ATM Boost Investment



Source: Researcher's 2015

The outcomes indicate that, ATM is the best technique through which mutual funds can be improved. Taking into consideration the number of ATMs in large and small cities in the country. This enables customers with limited time to transact when they get opportunity even after working hours where the office remains closed. It enhances the growth of MFI as customers will increase.

Leora, (2002) is of the view that Mutual funds have been taking initiatives to make liquid funds more investor friendly. For example, Reliance mutual fund offers Any Time Money “ATM” card to investors in its schemes like Reliance Liquid fund-Treasury Plan or Reliance Money Manager fund. The card allows investors to withdraw /spend against their own mutual fund investments by providing access to Visa-enabled ATMs and merchant outlets across the world.

The findings above are also in line with the study of Muralidhar (2012) who argued that SBI mutual fund offers “m-Easy” facility that enables investors (who have a registered folio with SBI Mutual Fund) to purchase/redeem/switch the units of a scheme by sending SMS from their mobile phone number registered with AMC.

The study findings show that in the present financial environment, it is necessary for investors to expand their investment universe by including a dynamic option like mutual funds in their portfolio. It is for all the stakeholders to ensure that investors get guidance not only when they want to get started but through their time horizon. On their part, investors must make efforts to understand the concept and the process as that will enhance their comfort level with this wonderful investment vehicle.

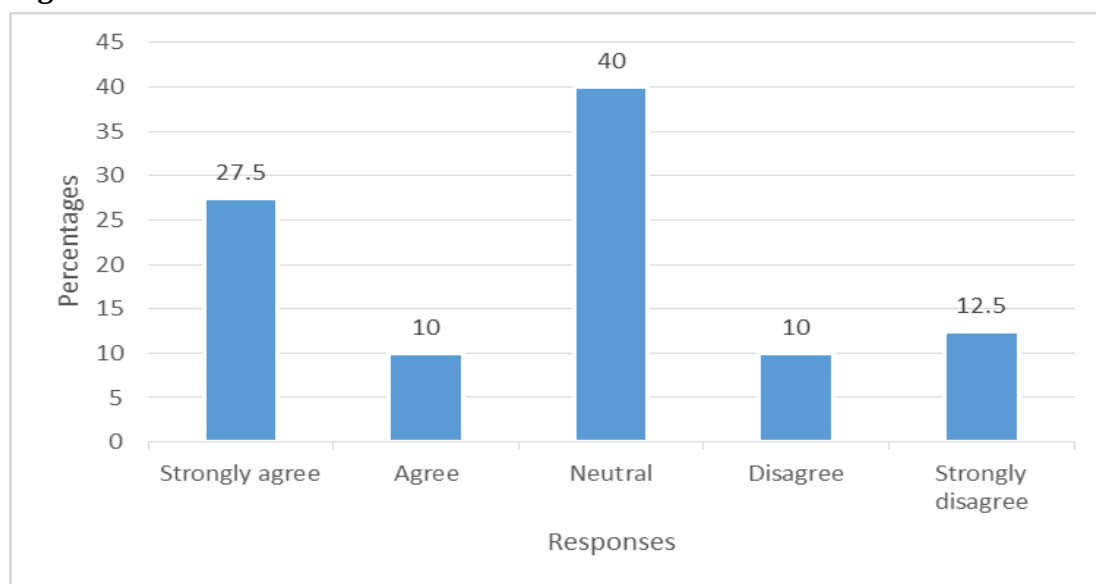
4.3.6 Postal Office Distribution Increase Penetration

Post office was also the factor for MFI growth as some customers might be aware about the opportunities available but the limitation can be how to access them due to geographical location. Hence posts offices located all over the country could help those customers. Available data from Tanzania Posts Corporation (TPC) shows that there are 399 post offices within the country located in different areas. In examining this employee were asked some questions and among it was “The use of post office

as distributors for UTT result to increase in number of customers" Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings showed that, it is not clear whether post offices increase penetrations or not. This is supported by the 11 (27.5%) of respondent employees who strongly agreed, 4 (10.0%) respondent employees who also agreed, 5(12.5%) respondent employees strongly disagreed and 4(10.0%) respondent employees disagreed and 16 (40%) respondent employees were neutral as shown in Figure 4.5 below.

Figure 4.5 Postal Office Distribution Increase Penetration



Source: Researcher's 2015

The findings above implies that, majority of respondent employees 16 (40%) were neutral on the impact of post offices as means of increasing penetration of MFI, but a significant number of respondent employees 15 (37.5%) agree that, one among the methods that need to be considered in ensuring the investment is continuing is post office as distributor. Mutual funds normally come out with an advertisement in newspapers publishing the date of launch of the new schemes. Investors can also contact the agents and distributors of mutual funds who are spread all over the country for necessary information and application forms. Forms can be deposited with mutual funds through the agents and distributors who provide such services.

UTT is using postal offices as agent for sale of units during initial offer, this is the most efficient means of distribution as it enable the customers from different areas to access the products. According to Post office data there are about 399 post offices in the country with geographical distribution as shown in the Table 4.10 below.

Table 4.11 Posts Office Distribution Regional Wise.

S.No	Region	Number of posts offices	S.No	Region	Number of posts offices
1	Dar Es Salaam	40	8	Ruvuma	8
2	Mbeya	21	9	Sumbawanga	8
3	Mwanza	27	10	Mara	6
4	Arusha	27	11	Tabora	26
5	Dodoma	24	12	Kigoma	15
6	Iringa	21	13	Kagera	20
7	Kilimanjaro	43	14	Morogoro	24

Source: Posts office reports

The table above shows only some of regions posts offices, though all regions have more than five posts. This emphasize that there is good number of posts offices in the country which is contributing to MFI growth as used for selling mutual fund products as agents. For instance the initial sale of Regular income Scheme shares between 3rd November to 29th November 2008, among the agents contracted to sale was posts offices also. This is contributing to growth of Mutual fund as the reports shows that, gross net asset value of UTT schemes has been increasing annually as shown in Table 4.5.

The study is in line with the study of Leora (2002) which showed that, post offices and banks also distribute the units of mutual funds. However, the investors should note that mutual funds schemes being marketed by banks and post offices should not be taken as their own schemes and no assurance of returns is given by them. The only role of banks and post offices is to help in distribution of mutual funds schemes to the investors.

4.4 Challenges in The Industry Associates With Growth of MFI

The objective number two was “to determine challenges in the industry associated with MFI growth.” Challenges under this study refer to the situation of being faced with something that needs great mental or physical effort in order to be done

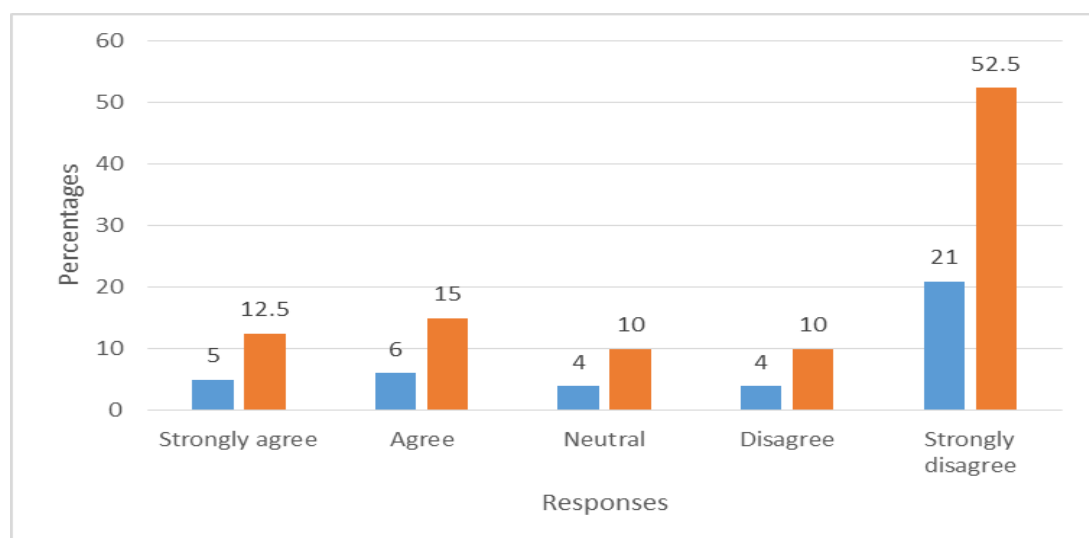
successfully and therefore enhance the MFI growth. The study assessed some factors in examining this relationship because there are good factors for its growth but without fighting the challenges, goals cannot be achieved successfully. The findings revealed the following;

4.4.1 Information About Mutual Fund Products

Information is the source of investments for this study. When people are not well informed about the MFI products especially typical investors it becomes difficult for them to invest in this industry. The study assessed on this factor by asking respondent employees whether the typical investors have adequately informed about mutual fund products. Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings were as follows; 21 (52.5%) of the respondent employees strongly disagreed, 6 (15.0%) agreed. However there were different opinions since 5(12.5%) of the respondent employees strongly disagreed, 4(10%) disagreed. A few of them were neutral and this formed at total of 4(10%) respondent employees. The results has presented in the Figure 4.6 below.

Figure 4.6 Information About Mutual Fund



Source: Researcher's 2015

This shows that, lack of information amongst the typical investors is a serious problems amongst the stakeholders. Majority of respondent employees 25 (62.5%) agreed that typical investors not yet informed about mutual fund products. This to a large extent contribute to slow growth of the MFI's since the investors are not aware of the mutual funds products. There may be changes from time to time in a mutual fund. The mutual funds are required to inform any changes to their unit holders.

The information available shows that the advertising of mutual funds products are often done through media like television, radio and newspaper. However that is not enough to make someone in rural areas to take decision of buying units because, just hearing that short time advertising will not make him understand the whole story about the products. We should be aware that 80% of people are living in rural areas where financial knowledge is very minimal.

The study of Kunt et al (20120) is linked with the above findings, according to him lack of information/financial sophistication of the customers about, mutual funds, finding quality distributors / agents in small towns and villages, cost of entering new regions with no existing mutual funds, paperwork / restrictions on cash transaction all contribute to slow growth of MFI.

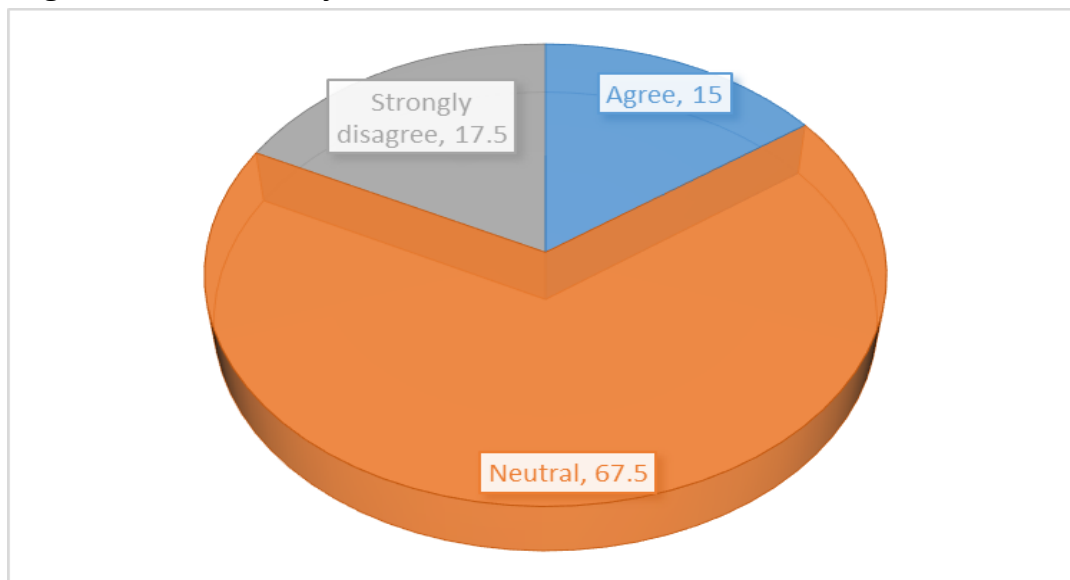
4.4.2. Poor Quality of Distributor

Quality of distributor was also involved in the study to find its influence in the relationship between challenges and growth of MFI. Distributor is a person or organization selling MFI products to the customers on compensation by the organization. To find out the truth on this, respondent employees were asked whether quality of distributors have any impact in the MFI growth. Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings from respondent employees showed that, quality of distributor has very low impact in the growth of MFI. This is evidenced by 27 (67.5%) respondent employees who were of neutral opinions. To shows its influence 6 (15.0%)

respondent employees agreed and on the other hand 7(17.5%) respondents disagreed as evidenced in the Figure 4.7 below.

Figure 4.7 Poor Quality of Distributor



Source: Researcher's 2015

The results show that, it is not clear whether distributors of any kind will help the growth of MFI as respondent by 67.5% of respondent employees. UTT should therefore not consider investing much on the quality of the distributor since their roles are passive. Instead they should focus on the other distribution channels such as banks and post offices which have been observed to have big impacts.

Supporting the above analysis, Rajesh (2013) said that, to increase the base of mutual fund distributors, the SEBI has permitted a new cadre of distributors, which includes postal agents, retired government, and semi-government officials, retired teachers, retired bank officers and other persons (such as bank correspondents) to sell units of simple and performing, mutual fund schemes.

Further Rajesh (2013) postulated that the new cadre of distributors such as postal agents, retired officials and school teachers, etc will likely result to increase in

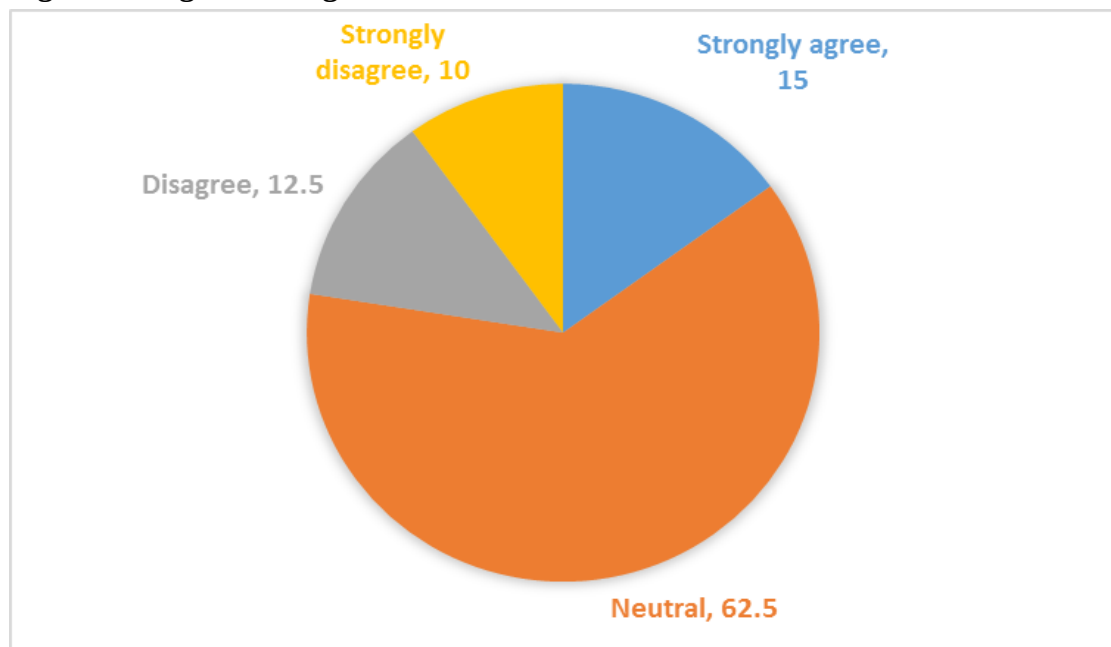
inflows from smaller towns and cities. This cadre of distributors will be crucial in mobilising the savings of the smaller towns and directing these savings towards mutual fund investments.

4.4.3 Agents Selling MFI Products Along With non MFI Products

At initial sale of UTT shares, agents registered for that activity are also selling other financial products. For example agents like insurance brokers are selling product such as life insurance policies which in fact is a competing product of MFI products. Therefore the study assessed whether this could be a challenge in the MFI growth. Thus UTT sample employees were asked if agent selling non- mutual funds products along with mutual fund products is a hindrance to mutual fund growth. Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings from Figure 4.8 below which involved 40 UTT employees revealed the following; 25(62.5%) of the respondent employees were of neutral opinions, 6(15.0%) respondent employees strongly agreed. On the other hand, there are other respondent employees who never considered agent selling non- mutual fund products along with mutual products was a hindrance. This is evidenced by 5 (12.5%) disagreed and 4(10.0%) strongly disagreed.

Figure 4.8 Agent Selling



Source: Researcher's 2015

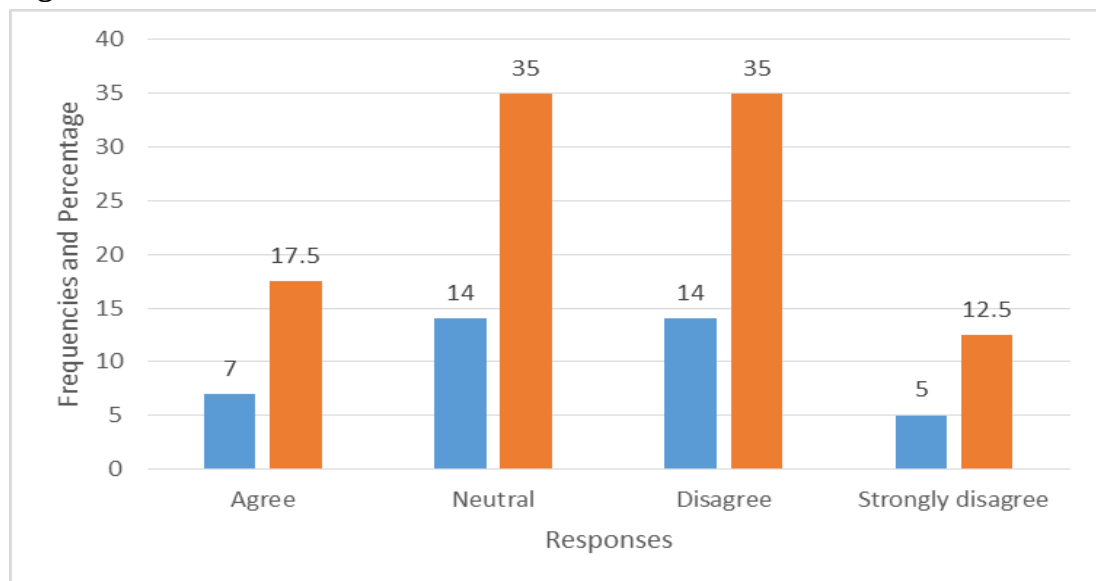
The results indicate that, it is not yet known whether agents selling non- mutual fund products were among reasons for slow growth of MFI. This is evidenced by 62.5% of respondent employees as shown above.

4.4.4 Difficulties in Distributors Recruitment

This was another factor the researcher assessed to find its relation to the growth of mutual funds in the country. Therefore is concerned with increase in number of distributors by means of selecting them with regard to special criteria by the organization. Thus respondent employees were asked if there are difficulties in distributors recruitment. Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings show that, 14(35.0%) of respondent employees disagreed, 14(35.0%) respondent employees were neutral, 7(17.5%) agreed and lastly 5(12.5%) strongly disagreed as shown in the Figure 4.9 below.

Figure 4.9 Difficulties In Distributors Recruitment



Source: Researcher's 2015

The finding above implies that, there are difficulties in recruitment of distributors. This is due to commission payments and also getting reliable the commission and incentives offered to distributors is not promising enough. The study findings also

signify that qualified distributors is also a problem to get. The organisation needs more distributors and agencies for it to grow.

4.5 Relationship Between People's Financial Literacy and MFI Growth

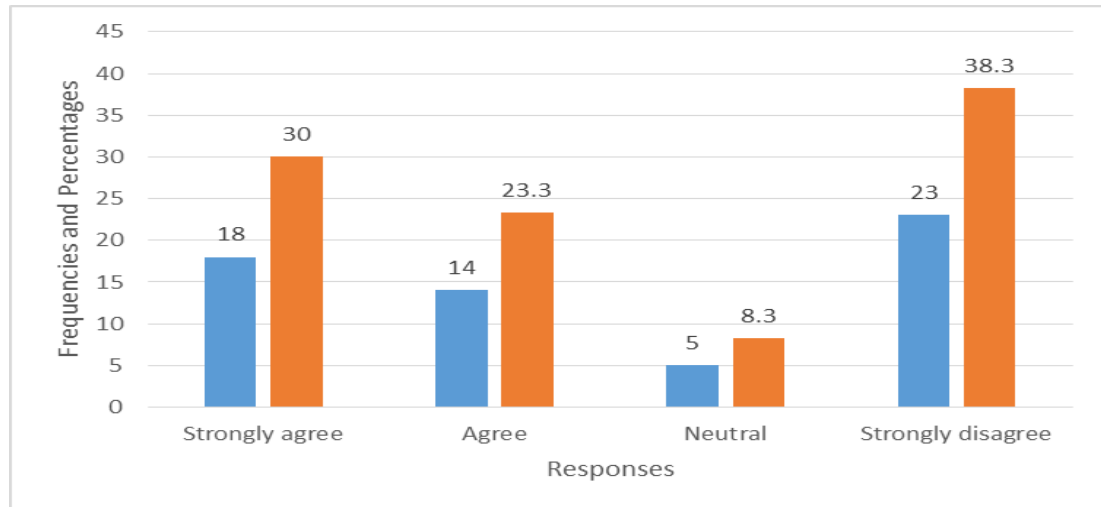
Under objective three which was, “to assess the relationship between people's financial literacy and MFI growth” the study assessed the impact of peoples' financial knowledge to the MFI growth. Financial knowledge refers to the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, investing, saving and the like. Assessment included number of factors as follows and their findings

4.5.1 Owning Or Expecting to Own Investment in Formal Sector

Investment means commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income or appreciation of the value of the instrument. Investment is related to saving or deferring consumption. Formal sector includes activities that are engaged in the formal economy and are included in the GNP and GDP of a country. Having or expecting to have investment in formal sector as per this study considers someone to have financial knowledge. Group of respondents including primary school teachers, SACCOS members, Accountants and Auditors and customers of UTT were asked, whether respondents have or expecting to own any investment in formal sector. Respondents answers ranged from (i) strongly agree to strongly disagree (v).

Findings revealed that 23 (38.3%) of the respondents had no investment in formal sector even not expecting, 18 (30.0%) respondents strongly agreed, 14(23.3%) agreed and lastly 5(8.3%) were neutral on their opinions as shown in the Figure 4.10 below.

Figure 4.10 Owning or Expecting to Own Investment In Formal Sector



Source: Researcher's 2015

The outcomes imply that, majority of the people 32(53.3%) have interested in investing in the formal sector. This could either be voluntarily or due to the influence of other investors, agencies or distributors. However the variation between those who have and expecting to have the investment and the ones who do not have and not expecting to have investment is very minimal. This indicates that, still there is broad market outside there that need to be reached. And on the other hand, majority of the citizens have not been privileged with the knowledge on the mutual funds' investments. As with regard to respondents' knowledge and working environment someone should expect the number of them owning and expecting to own investment in the formal sector to be almost 80%. Thus this has conclusive meaning that lack of financial knowledge results to slow growth of MFI.

The study by Barber (2005) is in line with the above findings, it showed that, in countries where there is high level of education most of the employees are aware of the importance of investing in the mutual fund investment.

Another reason that was presented during an interview session by one customer, who was asked to explain the reasons and the nature of the formal sectors they do invest. The customer had this to say "I tend to focus on companies with above average rates of growth in earnings and sales. These stocks tend to have above-market price-to-

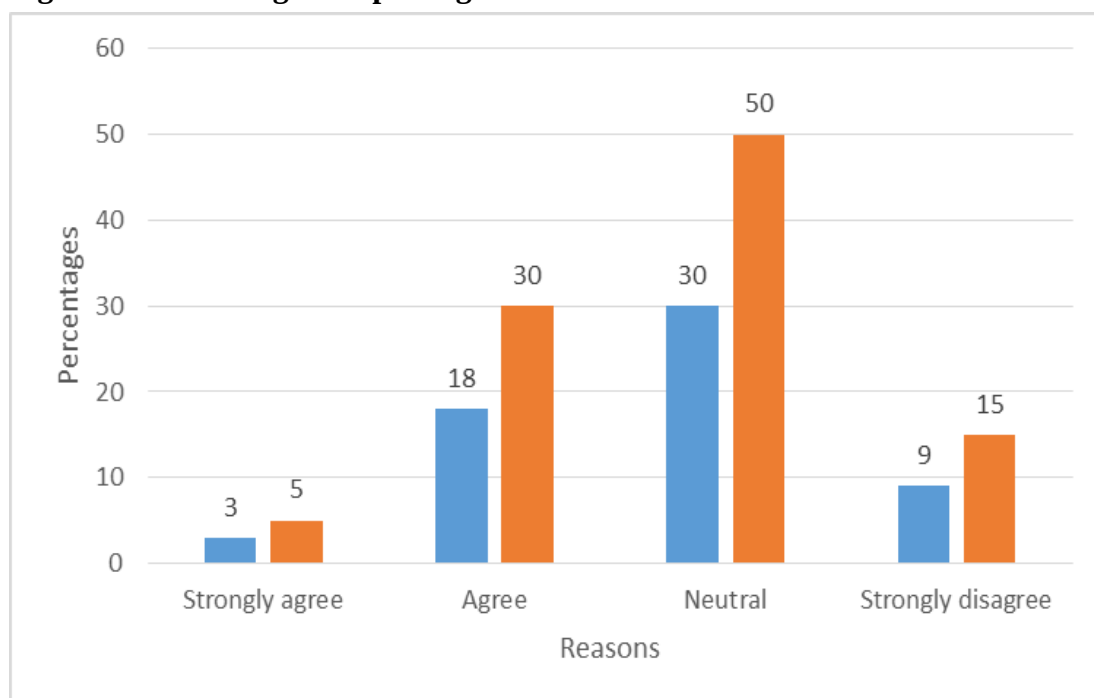
earnings and price-to-sales ratios, as the rapidly growing sales and earnings justifies a higher-than-average valuation.”

4.5.2 Owning Investment in Informal Sector

Informal sector includes activities that are engaged in the informal economy and are not included in the GNP and GDP of a country. Having investment in informal sector as per this study considers someone to have some financial knowledge. Group of respondents including primary school teachers, SACCOS members, Accountants and Auditors and customers of UTT were asked whether respondents have or expecting to own any investment in the informal sector. Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The findings show that, only 35% of the respondents seemed to have invested in the informal sector. This is evidenced by the 18 (30%) of the total respondents agreed, 30 (50.0%) respondents were of neutral opinions, 9 (15.0%) customer strongly disagreed. Lastly 3(5.0%) of the customers strongly agreed as shown in Figure 4.11 below.

Figure 4. 11 Owning or Expecting to Have Investment in Informal Sector



Source: Researcher’s 2015

The results from the above figure signify that, customers have invested somehow in the informal sector. This means that to some extent they have investment interest but they have limited financial knowledge especially in the informal sector. As a matter of fact, majority of all respondents (50%) were not sure as to whether they should invest in the informal sector or not. This implies that they have limited financial knowledge which could be due to a number of factors. However, since that is not the case in the study it would not be discussed. Therefore this means that limited financial knowledge in the community contributes to slow MFI growth. This is due to the fact that people considers not to have even knowledge on how returns is obtained for investments in the formal sector.

Despite the above findings, financial information from UTT shows that, the net asset value of the schemes have been increasing periodically. For instance for the last four years the net assets value of the schemes have been growing positively as shown in the Table 4.11 below.

Table 4.12 Net Asset Value of Four Schemes for Four Years.

Year	2011	2012	2013	2014
Scheme	Tshs	Tshs	Tshs	Tshs
Regular income	5,377,212,606	6,083,681,486	7,693,354,019,350	11,645,118,000
Umoja	84,267,566,802	95,110,361,282	107,192,681,827,480	162,181,240,965,250
Children	919,131,039	1,082,254,701	1,311,038,676,500	1,848,601,624,980
Invest Life	1,851,830,391	2,217,341,060	2,130,273,783,540	2,591,423,712,730
Total	92,415,740,838	104,493,638,529	118,327,348,306,870	166,632,911,420,960

Source: UTT financial information

The Table 4.11 above shows that the net asset value, which is the value of shares on 30th June for each year has been rising annually. The data shows that net asset value increased for Tshs 12,077,897,691 from the year 2011 to 2012, also there was increase of Tshs 48,305,563,114,090 from the year 2013 to 2014. Thus apart from the available challenge of people not being aware of formal investment, the business

is growing which implies that, if necessary action could be taken, then the growth rate can be higher than shown.

The study is in line with the study of Nielson, (2014) who found that, major reason for the slow growth of mutual funds in India is low level of financial literacy among Indians. Which leads the average investor to view options like mutual funds with suspicion and caution and do not perceive it as high-performance investments. They choose safety- first and is easily lured to products with guaranteed returns such as bank fixed deposits and life insurance policy.

Barth, (2001) who also argued that, while growth funds are expected to offer the potential for higher returns, they also generally represent a greater risk when compared to value funds. They tend to do better than the overall market when stock prices in general are rising, while underperforming the market as stock prices fall, taking into account that past performance does not guarantee future results. As a result, investing in growth funds may require a slightly higher tolerance for risk, as well as a longer time horizon which require the investor to have enough financial knowledge.

4.5.3 Mutual Fund is Investment for All

This was another factor used in the study to assess the relationship between financial literacy and MFI growth. The main purpose was to find out what is in the mind of the people about who deserves to invest in the industry. If they consider it to be for all people then there is a room for MFI to grow at higher rate than before, when other factors taken into considerations. To examine this respondents including primary school teachers, Accountants, Auditors and SACCOS members were asked “Mutual Fund Investment is for all people in the community” . Respondents answers ranged from (i) strongly agree to strongly disagree (v).

The finding in the Table 4.12 below indicates that, mutual funds investment is not considered as an investment for all in the society. This is indicated by 29(48.4%) disagreed respondents. But also it shows that, some customers are still of neutral

standings and this is indicated by 18 (30.0%) in Table 4.12 below. 13 (21.7%) respondents still considers it as the best investment for everyone in the society.

Table 4.13 Mutual Fund Is Investment For All

Mutual Fund is investment for all		Frequency	Percent
Valid	Agree	13	21.7
	Neutral	18	30.0
	Disagree	7	11.7
	Strongly disagree	22	36.7
	Total	60	100.0

Source: Researcher's 2015

The study above, shows that, still majority of the people in the community perceive mutual funds and its products is for certain class of people in the society. It is not considered that every one regardless of economic, education and work status can invest in the industry. One of the respondents said that it is for higher income earners and not for low income earners due to the reason that how can someone in the interior areas get to know that there are these mutual fund products for him to invest. This is likely going to affect the growth of mutual funds as it is clear that, the highest level of illiteracy is linked with low growth of MFI.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Study

The general objective of this research was to examine the growth of MFI in Tanzania. All the responses collected and results from questionnaires analysis were adequate to address the specific objectives laid out in this research. In order to fulfill this general objective, the following specific objectives were identified: To examine the relationship between Opportunities and MFI growth, the challenges in the industry associates with growth of MFI, to assess the relationship between people's financial literacy and MFI growth. The discussion and presentation of the findings regarding the above research objectives and research question made the study to reach the following conclusion:-

5.2 Conclusion

It was found from the study that, majority of the people not yet informed about mutual funds products. Also Dar Es Salaam region being more informed than others contribute to the slow growth of MFI. It should be noted that the city has almost 4.8 Million people in total as per URT census of 2012 and 80% of the citizen are living in rural areas. The study also shows that, UTT is not playing its communication role properly. The study also showed that agents and brokers are important in struggling for the industry growth. Mutual funds normally come out with an advertisement in newspapers publishing the date of launch of the new schemes. Therefore agents and brokers can use that opportunity also to inform prospective customers about the industry, and its products in general to respective areas because other people are not useful to means of advertisement used.

Also the study examined the challenges faced by MFI and its growth, this study conclude that, lack of information among the citizen on the mutual fund products, lack of the information was also a biggest hurdle in selling mutual fund product. The study further showed that agents for the products is the problem hence many prospective customers are in rural areas as per URT census of the year 2012 and these agents are found in town only, and most of them are contracted on temporally

base. Thus customers cannot access industry services near to their areas, and even to those agents in towns is not permanent access.

With regard to the last research objective on relationship between people's financial literacy and MFI growth, the study conclude that, majority of respondents do not have investment in formal sector. Also some respondents (customers of UTT) have limited knowledge on mutual fund products which concludes that, they would have contributed much more to the growth of MFI or invested more, if they had enough financial knowledge. Lastly, customers do not consider MFI as the investment for everyone in the society, and this shows that, the industry have not invested enough to prospective customers and still it has the long way to go and a lot to do.

Generally the study concludes that, no business can exist without customers. Customers' value is an asset to the organization. Hence, in order for the mutual fund to grow, the trust needs to ensure that its information system is good all over the country including towns and rural areas. Regardless of the challenges facing MFI, still there are chances for it to grow taking into consideration large number of prospective customers not yet informed about the industry and its benefits.

5.3 Recommendations

It has observed that, MFI have invested their capital more in big cities comparing to small towns, therefore, it is recommended that, the trust should reconsider investing their capital all over the country bearing in mind that, 80% of all the citizens lives in rural areas. This will enhance the growth of MFI as this will increase number of investors in the industry.

The distribution channels were also other critical areas identified that was of influence to the growth of mutual fund. It is therefore recommended that, the trust should consider using banks and ATM services for the distributions services since they are reliable and accessible. Alongside the use of ATM and banks for distribution services, MFI should also consider using post offices, and other means of distribution to reach people in rural areas for penetration purposes.

Lastly, it was found that, majority of the respondents have not invested in mutual funds simply because they don't see benefit of it. Therefore it is recommended that, UTT should improve its services, and engage more on providing financial education to the society so that, they would be able to invest in the industry and enhance MFI growth.

5.4 Recommendations For Further Research.

The following are the areas for further research:

The researcher suggests that the future research in this area should attempt to extend the study on relationship between towns and rural areas in term of culture issues, banking environment, and demographic factors with regard to MFI growth, which are missing in this study.

Such a study could investigate whether such a rollout across villages would be economically feasible and meaningful. Furthermore, the study on whether the recommendations recommended by researchers to improve mutual funds trust are implemented.

Finally, further research should attempt to extend the study on relationship between government policies, and the growth of mutual funds with focus on MFI education to the society.

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APPENDICES

APPENDIX I: QUESTIONNAIRE FOR EMPLOYEES

Introduction

My name is Devotha, Msc. Accounting and Finance student in Mzumbe University. This work is for academic purposes only and hence your information will be useful and necessary ingredients towards the accomplishment of the research objectives of this study. Anonymity and confidentiality of the information provided is highly assured. To make this work successful, I request your cooperation and voluntary participation.

Yours Views / Opinions

Please tell us what you perceive about your customers across different geographical areas where you work (e.g. rural vs. urban). Please choose a score for each question.

The scores are according to the following scale.

Strongly agree 5

Agree 4

Neutral 3

Disagree 2

Strongly disagree 1

1. The typical investor is not adequately informed about mutual fund products.
 - i. Strongly agree
 - ii. Agree
 - iii. Neutral
 - iv. Disagree
 - v. Strongly disagree

2. Investors in Dar es Salaam are significantly better informed than investors in other small cities like songea ,Shinyanga etc.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

3. Investors in Dar es Salaam are significantly better informed than investors in other large Cities.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

4. Lack of customer information is the biggest hurdle in selling mutual fund Products

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

5. Quality of distributors is a challenge in selling mutual fund products.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

6. Current limit permissible for incentives / commission is a constraint in recruiting quality distributors / agents.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

7. Agents selling non-mutual fund products along with mutual fund products is a hindrance to mutual fund penetration

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

8. Regardless of reasonable incentive / commission, it is difficult to recruit sufficient number of qualified distributors.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

9. Whether certification courses by distributors requires improvement.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

10. Penetration would increase if distribution were broadly done through bank branches.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

11. Financial advisors would result to increase in the number of customers in the organization.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

12. Facility of investing in mutual funds through ATM machine would boost the Investment.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

13. Buying UTT shares through ATM could result to growth of MFI.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

APPENDIX II: QUESTIONNAIRE FOR OTHER RESPONDENTS

Introduction

My name is Devotha, Msc. Accounting and Finance student in Mzumbe University. This work is for academic purposes only and hence your information will be useful and necessary ingredients towards the accomplishment of the research objectives of this study. Anonymity and confidentiality of the information provided is highly assured. To make this work successful, I request your cooperation and voluntary participation.

Yours Views / Opinions

Please tell me what you know about mutual fund industry (UTT) and if you have invested in it or you have that expectation. Please choose a score for each question.

The scores are according to the following scale.

Strongly agree 5

Agree 4

Neutral 3

Disagree 2

Strongly disagree 1

1. Owning or expecting to own investment in formal sector

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

2. Owning or expecting to own investment in informal sector

- i. Strongly agree
- ii. Agree

- iii. Neutral
- iv. Disagree
- v. Strongly disagree

3. You have potentials of investing somewhere.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

4. Significantly informed about mutual fund Products (UTT or NICOL)

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

5. Mutual fund (UTT) is the investment for all in the community

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

6. Accessibility of the UTT financial services is a constraint to some groups of people in the society.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

7. There are non-mutual fund products which are reliable and secured investments

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

8. Mutual fund industry (UTT) is a trust and secured investments.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

9. There are difficulties in investing in mutual fund industry (UTT or NICOL).

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree

10. Would buy UTT units or buy more units if it is sold through bank branches or retail outlets nearby my area.

- i. Strongly agree
- ii. Agree
- iii. Neutral
- iv. Disagree
- v. Strongly disagree