Mutual Funds: Determinants of Its Performance in Tanzania

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Abstract
This paper aimed at assessing the determinants of mutual funds' performance by considering Unit Trust Asset Management and Investor Services (UTT AMIS) schemes in Tanzania. The study's independent variables were the management fees, size of the fund, and real interest rate, while fund performance as a dependent variable was specified by Net Asset Value (NAV). The study employed a quantitative approach using secondary data generated through panel form in the series of 10 years from 2014 to 2024, and cut across five (5) open-ended schemes under the management of UTT AMIS. Static panel data models were estimated, and later on the Hausman specification test were performed in order to choose between Random and Fixed effect regression. The study found that fund size and management fees have positive and statistical significant influence on determining mutual fund performances in Tanzania. On the other hand, real interest rate found to have negative and significant influence on mutual fund performance. To Mutual funds, findings of the study have implications in tabling down strategies of better performance by considering factors examined by this study hence attract investors and create sustainability. Findings of the study should also act as a learning curve for further research on factors determine mutual fund performance in emerging markets like Tanzania. On policy implications, the findings of the study should act as a benchmark for regulators on understanding factors that determine mutual fund performance, so that they will be able to review funds' existing policies by considering findings of this study.

Keywords: Mutual Funds, Fund Performance, Net Asset Value, Fund Size, Tanzania

1. Introduction

The growth of mutual funds investment and its importance to sustainable growth and development has become more significant in the past few decades. Mutual funds or unit trusts, also known as collective investment schemes, are perhaps among the key strategies that can be employed by small investors with limited investment skills and knowledge in order to be able to gain from investing in the financial market under risks and uncertainties (Gyimah, 2021). Mutual funds formed with the objective of offering a pool of diversified investment options for all levels of investors varying from a simple brokerage account, to large firms that hire individual portfolio managers for all or part of their investment management needs (Graham *et al.*, 2020). With mutual funds, individual investors can achieve a higher return with a relatively low risk and it is well diversified, since funds from unit holders are often invested in a wide range of listed firms across the spectrum of the economy, and therefore, spread of asset lowers the risk of the scheme and maximizes expected return from financial markets (Farid & Wahba, 2022).

In practice performance of a mutual fund is measured in terms of capital growth and periodical returns for growth and Net Asset Value (NAV) respectively. Empirical investigation of the performance of the fund has evolved from the assessment of benchmarking and modeling issues to analyses of other factors that may affect performance. Most of conducted research mainly based on investment styles which include the size dimension and fundamental attributes of that holding as influencing performance of the fund. Other factors affecting fund performance include fund specific characteristics and macroeconomic factors such as inflation and real interest rate (Alvi & Rehan, 2020).

On assessing the determinants of mutual funds' performance by considering UTT AMIS schemes in Tanzania, findings of this research brings significant benefits into two folds. Firstly, the findings of this study are valuable to mutual fund managers and financial market analysts who oversee operations of mutual funds. It aims to help them understand the factors which drive the performance of mutual funds in Tanzania. This help in forecasting and prediction on how the portfolio will behave due to changes in the presumed factors. Secondly, the findings are important to regulators of the capital and financial markets to be able to establish effective evidence-based policy by paying attention to the selected variables to maintain good climate investment that leads to strong performance of mutual funds.

The remainder of this paper is organized as follows. Section two of the paper consists of theoretical and empirical literature review. Section three provides data type and sources as well as methodology used to analyse data. Section four consists of a presentation, analysis and discussion of findings. Finally, section five consists of a conclusion and recommendations based on the research findings.

2. Literature Review

2.1 Theoretical Literature Review

This section of theoretical review in this paper provides some theories related to the performance of mutual funds and specifically those that are linked to fund size and risk involved investing as factors affecting mutual fund performance. Some of the theories reviewed include Efficient

Market Hypothesis (EMH), Modern Portfolio Theory (MPT), Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT).

2.1.1 Efficient Market Hypothesis

The Efficient Market Hypothesis proposed by Fama (1970) pointed out that all available public information is being reflected by stock prices. Trading based on insider knowledge is against the law, and even if it were possible, not enough investors would benefit from such hidden non-public information to make any significant impact on the overall returns of any stock. It follows therefore; diversification, passive investing, and overall market index as a benchmark for stock performance are all a result of blind faith in the Efficient Market Hypothesis.

The Efficient Market Hypothesis in principle assumes three things: First, no investor should ever be able to beat the market, or the average returns annually that all investors and mutual funds are able to achieve using their best efforts. Second, under the Efficient Market Hypothesis, no individual investor is able to gain greater returns than the other with the same amount of invested funds, their equal possession of information means they can only achieve equal returns. Thirdly, that all investors perceive all information available in the same manner as far as portfolio investment is concern.

2.1.2 Modern Portfolio Theory

Hypothesis of Modern Portfolio Theory by Markowitz (1952) is based on the idea that risk-averse investors can construct portfolios to optimize expected return based on a given level of market risk. In principle the theory emphasize that risk is an inherent part of higher reward. It suggests that it is not enough to look at the expected risk and return of one particular stock; rather, by investing in a portfolio, an investor can gain the benefits of diversification, particularly a reduction in the riskiness of the portfolio.

One of the key assumptions of this theory is that an investor seeks to optimize discounted expected returns and variance of returns is undesirable. Expected returns can be measured by the yield of the stock while the variance of return is considered as a risk. The expected return-variance of returns rule is being used to separate the choice of portfolio from beliefs. Therefore, the evaluation of this relationship is the basis of the choice made by individual investors, thus eliminating decisions made of beliefs.

Modern Portfolio Theory suggests that it is possible to construct an ‘efficient frontier’ of optimal portfolios, which give the maximum possible expected return for a given level of risk. The efficient frontier can be defined as a combination of stocks with maximum expected returns that is superior to any other combination and consequently provides the highest level of returns at the lowest level of risk involved.

2.1.3 Capital Asset Pricing Model

The Capital Asset Pricing Model was developed by Sharpe (1970) in which the idea that individual investment contains two types of risk, systematic and unsystematic risk is presented. Systematic risk is the market risk that cannot be diversified away. They include interest rates, inflation, exchange rate, recessions, etc., and unsystematic risk which is risk specific to

individual stocks and can be diversified away as the investors increases the number of stocks in their portfolio. In other words, it represents the component of a stock's return that is not related with general movement of the market.
Even though Modern Portfolio Theory shows that specific risk can be removed through diversification, diversification still does not solve the problems of systematic risk; even if a portfolio contains all the stocks in the capital market, that risk cannot be eliminated. It follows therefore; Capital Asset Pricing Model offers a way to measure this systematic risk when determining expected return of a stock.

2.1.4 Arbitrage Pricing Theory

The Arbitrage Pricing Theory which was developed by Ross (1973) is an asset pricing model based on the idea that stock return can be predicted by using the relationship between that same stock and many common risk factors. The theory predicts a relationship between the returns of a portfolio and the returns of a single stock through a linear combination of different independent macroeconomic variables. If the price of stock is mispriced, Arbitrage Pricing Theory describes where it is expected to be.

The APT is viewed as an alternative to CAPM, since it has more flexible assumption requirements. While the CAPM formulae requires the market's expected return, APT uses the risky stock's expected return and the risk premium of different macroeconomic factors, such as, GDP, inflation rate, exchange rate and the structure of the interest rate. The fundamental logic is that arbitrageurs use the APT model by taking advantage of mispriced stock to make a theoretical risk-free return, since a mispriced stock will have a price that differs from the theoretical price predicted by the model in the market.

2.2 Empirical Literature Review on Mutual Fund Performance

Alvin & Rehan (2020) conducted study based on convenient sampling method covering 16 out of 19 asset management companies that comprise 114 outstanding funds in the mutual fund association of Pakistan. The findings reveal that the asset under management, fund risk, total income, total expense, age of the fund and lagged returns have a significant positive impact. Management quality rating has an insignificant positive impact on returns. In contrast, risk-free instruments have a significant negative impact on fund returns.

Arif & Saifullah (2021) analyzed determinant of the performance of Islamic equity funds and compare the performance of Indonesian Islamic equity funds with Malaysian Islamic equity funds period 2017-2019. Mutual fund performance itself is measured using the Sharpe Index. Study employed multiple regression analysis which involves use of a panel data. The study found that past performance and inflation affect the performance of Islamic equity mutual funds in Indonesia and Malaysia. Furthermore, it partially shows that past performance harms the performance of Islamic equity funds, while inflation positively affects the performance of Islamic equity funds.

Bandono and colleagues (2020) examined the dynamic relationship of general mutual funds and macroeconomic variables on the performance of a selected infrastructure oriented mutual fund in Indonesia. Study found that the performance of the mutual funds was negatively affected by the

performances of the Exchange Trade Fund and the Fixed Income Fund but positively affected by the Capital Protected Fund. From macroeconomic factors, the Consumer Price Index had negative effect on the performance of mutual funds meanwhile the Real GDP and Indonesian Central Bank policy rate had positive effects.

Derbali and colleagues (2020) compared the performance of prominent multi capital and large capital funds. They examine the performance of ten prominent funds under both the selected categories has been analysed during the period of study from 2013 to 2018. Obtained findings suggest that the mutual fund schemes under both the categories such as Multi and Large Capital Funds have generated good returns over the period. It is therefore safe to conclude that they are a good investment option for an investor. On other hand, the average monthly returns generated by the funds in each category are numerically different in measuring performance of mutual funds, but this difference has not been found statistically significant.

Graham and others (2020) examined influences on mutual fund performance: comparing US and Europe using qualitative comparative analysis. Fund performance, features of the funds themselves, and characteristics of the fund managers were considered. Positive Morningstar and analyst ratings are necessary conditions for funds to generate value. Funds with low management fees and low ongoing fees have attractive Sharpe ratios and high returns. Likewise, large funds with good Morningstar ratings have good Sharpe ratios and returns, often when fund managers have short tenures.

Gyimah (2021) examined the impact of key macroeconomic variables on mutual funds' financial performance in Ghana. They employed the Pooled Mean estimation of the Autoregressive Distributed Lag (ARDL) model to analyze the macroeconomic determinants of mutual funds for the period 2007–2016. The study documented homogenous long-run significant positive impacts of exchange rate, inflation, T-Bill, GDP growth on mutual funds' financial performance, and a homogeneous long-run negative significant impact of monetary policy rate on the financial performance of mutual funds.

Li and colleagues (2021) examined the impact of macroeconomic variables on mutual fund performance of all mutual fund companies in Ghana over the period of 2008 to 2016. Study found that macroeconomics variables positively affect the returns of funds. The effect comes by the amount of money available for investments. Study further observed that exchange rate as the strongest macroeconomic variable affects the performance of mutual funds in Ghana.

Pant and others (2022) examined how internal and macroeconomic factors influence mutual fund performance in Nepal. Six mutual funds from the list of closed-end mutual funds were selected as a sample for descriptive and inferential statistics. Obtained findings show that mutual funds' performance had not operated satisfactory except NIBL Pragati Fund. In addition to that, it was found that fund age has a significant favorable impact on performance. In contrast, cash ratios, expense ratios, bank rates, inflation, and stock indexes have a significant negative impact on mutual fund performance in Nepal.

Samarbakhsh & Shah (2021) investigated the performance of the fixed income mutual funds industry, focusing on Canadian fixed income funds before, during, and after the 2008 global financial crisis. They investigated Canadian fixed income funds' excess returns and dollar fund flow and showed that the funds significantly underperformed bond markets throughout the study period after controlling for fund characteristics and macroeconomic factors. They found that this underperformance was more apparent during market downturns. Indicating a spiral relationship, these results suggested that institutional investors performed poorly during financial crises, which is also observable in the volatility patterns in dollar fund flow.

Titi and colleagues (2021) examined determinants of fund returns of equity, fixed income, mixed, and money market mutual funds in Indonesia. Study empirical findings suggest that previous fund performances are significant determinants of current fund performances. On the other hand, fund age, management fee, and management period of the investment manager are not significant determinants of fund performances. Fund size was found to be a significant determinant of fund performances only for equity funds.

Vinith and others (2021) determined whether internal factors influence the performance of a mutual fund. For statistical testing, seven different hypotheses were set, with each internal factor tested for correlation against one another. Some of the internal factors such as the magnitude of the fund, portfolio turnover, and net asset value demonstrated a low negative correlation with the compound annual growth rate (CAGR). In contrast, other factors such as the duration of fund management and the fund management fees and expenses established a low positive correlation. Therefore, the study concluded that there was evidence to suggest a significant relationship between current performance, exit load, and performance of the mutual fund.

2.3 Synthesis of the Literature Review and Research Gap

From the literature discussed in this section, three factors have been identified and employed in this paper such as fund size, management fee and real interest rate to assess performance of mutual funds in Tanzania. Throughout the literature, it is evident that very little attempts have been carried out in trying to determine how the fundamentals identified affect the fund performance of mutual funds in emerging markets and particularly in Tanzania.

The theoretical literature indicates the relationship between risk factors and performance of mutual funds developed over the years. Theories put in perspective include efficient market hypothesis, modern portfolio theory, capital asset pricing model and the arbitrage pricing theory. Empirical evidence presents the works conducted by different scholars over the years and has tested the applicability of the mentioned theories in actual mutual fund performance. Factors that have been put in perspective include fund specific characteristics as well macroeconomic factors.

From literature point of view it is evident that the mutual funds in Tanzania are not as common as other stocks despite their advantages in diversifying risks compared to single stock investment. This raises the question on their performance given the fact that investors are assumed to be rational and will always go for any investment so long as there are high returns. Therefore, the paper seeks to fill these gaps by studying the various factors that predict mutual fund performance by considering UTT AMIS schemes in Tanzania, whereby management fees,

fund size and real interest rate are regressors while mutual funds performances specified by Net Asset Value (NAV) is regressand.

3. Research Methodology

3.1 Data

The variables of interest selected in this study based on the availability and reliability of data. Data were collected from five open-ended schemes under the management of UTT AMIS named Umoja Unit Trust Scheme, popularly known as the Umoja Fund, Wekeza Maisha/Invest Life Unit Trust Scheme, Watoto Fund, Jikimu Fund, and Liquid Fund. Panel or longitudinal data obtained from UTT AMIS and the Bank of Tanzania (BOT) data base, covering ten years span from 2014 to 2024 and cut across five mentioned open-ended schemes is being used.

3.2 Static Panel Data Model

In this paper the static panel data which comprises of a combination of cross-section and time series data is tested under the random effects and fixed effects models. The fixed effect model considers that the mutual funds heterogeneity effects does not change overtime, and the random effect model considers mutual funds heterogeneity effects to vary overtime and that it produces an impact on the regressions residuals of the model.

The fundamental discussion for estimation techniques of a regression model of static panel data is based on the following form:

$$Y_{it} = \beta_1 + \sum_{j=2}^{k} \beta_j X_{jit} + \sum_{p=1}^{s} \gamma_p Z_{pi} + \delta t + \varepsilon_{it}$$

Where Y is the dependent variable (mutual funds performance as measures by net asset value), the X_j are observed explanatory variables (fund size, management fees and real interest rate), and the Z_p are unobserved explanatory variables, such as mutual funds specific characteristics. The index i refers to the unit of observation, t refers to the time period, j and p are used to differentiate between different observed and unobserved explanatory variables. A trend term t has been introduced to allow for a shift of the intercept over time. ε_{it} is a stochastic term assumed to satisfy the following conditions:

$E(\varepsilon_i) = 0$

$Var(\varepsilon_i) = \sigma^2 \quad Cov(\varepsilon_i \varepsilon_j) = 0 \quad \text{for } i \neq j$

These relationships state that the stochastic terms are assumed to have a normal distribution with zero mean and constant variance (σ^2), and that stochastic terms must be independent over time. In practice most of the panel data applications utilize a one-way error component model for the disturbances with $\varepsilon_{it} = \mu_i + V_{it}$

Where μ_i denote the unobservable individual specific effect and V_{it} denote the remainder disturbance. Note that μ_i is not time variant and take into accounts for any individual specific

characteristics that are not included in the regression model. The remainder disturbance (V_{it}), changes with individual specific effects and time and can be thought of as the usual stochastic term in the regression models.

4. Results and Discussions

4.1 Descriptive Statistics

On assessing determinants of mutual funds' performance by considering UTT AMIS schemes in Tanzania, descriptive statistics was performed in order to establish statistical distributions of the variables of interest in the study. Basic statistics such as mean, median, standard deviation, skewness, kurtosis was computed and Jarque Bera tests employed.

The study independent variables includes Fund Size, Management Fees, and Real Interest Rate while fund performance as dependent variables specified by Net Asset Value (NAV). From Table 1, it is evident that there are large variations within the maximum and minimum of each data set and lower variations from the mean and median. Real interest rate has the highest standard deviation as well as highest sum of squared deviation and is therefore the most volatile of all the variables while management fees is less volatile variable with lowest standard deviation than other variable.

Table 1: Descriptive statistics

	Fund Performance	Fund Size	Management Fees	Real Interest Rate
Mean	0.07	0.63	0.10	0.10
Median	0.07	0.08	0.10	0.11
Maximum	0.64	9.43	0.14	0.16
Minimum	-0.80	-0.86	0.05	0.03
Std. Dev.	0.22	1.90	0.02	4.51
Skewness	-1.81	3.67	-0.18	-0.09
Kurtosis	10.68	16.12	2.23	1.64
Jarque-Bera	144.42	452.27	1.44	3.77
Probability	0.00	0.00	0.49	0.15
Sum	3.50	30.27	4.80	479.45
Sum Sq. Dev.	2.20	169.79	0.03	956.98
Observations	48	48	48	48

Similarly, Table 1 shows that fund performance and fund size are not normally distributed since their computed probabilities for the Jacque-Bera are less than 0.05. On the measurement of asymmetry of the probability distribution, Fund Performance, Management Fees and Real Interest Rate spread are negative skewed while Fund Size is positive skewed. Positive skewness means the tail on the right side of the distribution is longer or fatter. Negative skewness is when the tail of the left side of the distribution is longer or fatter than the tail on the right side. The extent of positive and negative skewness indicates the existence of outliers on the distributions.

4.2 Panel Unit Root Tests

In this research different types of panel unit root tests were computed; Fisher-type tests using ADF (Im *et al.*, 2003, Levin *et al.*, 2002) and PP tests (Choi, 2001). Table 2 presents the results of the panel unit root tests for selected mutual funds. From the LLC test it shows that there is no unit root in the series LEV, MGT FEE and INTR, while SIZE was found to have a unit root, hence null hypothesis that there is unit root is being accepted. Fund Size was found to be stationery after first difference. From the IPS unit root test variables SIZE was found to have a unit root, null hypothesis that there is a unit root is being rejected at level for all remaining variables. The Fisher-ADF χ^2 and the Fisher-PP χ^2 tests show that there is no unit root in the variables NAV and MGT FEE null hypothesis is being rejected and alternative one that there is no unit root is accepted based on these two tests.

Table 2: Results of panel unit root tests (variables at level)

	TESTS			
	LLC t*	IPS W-Stat	Fisher-ADF χ^2	Fisher-PP χ^2
NAV	-170.75	-27.13	351.47	435.19
	(0.00)	(0.00)	(0.00)	(0.00)
SIZE	-1.09	-0.55	3.75	3.78
	(0.14)	(0.29)	(0.71)	(0.70)
MGT FEE	-1.92	-0.78	5.14	4.71
	(0.00)	(0.00)	(0.00)	(0.00)
INTR	-2.19	-1.71	7.91	8.24
	(0.01)	(0.04)	(0.25)	(0.22)

4.3 Panel Cointegration Tests

Cointegration result based on Kao test for selected mutual funds in which the null hypothesis of no Cointegration is being rejected for the panel data model at 1% level of statistical significance as shown in Table 3. This implies that based on cointegration test proposed by Kao we can conclude that the model is cointegrated and that there is a long-run relationship between variables.

Table 3: Results of Kao residual cointegration test

Test	Results
ADF test	-4.81
	(0.00)
Remarks	Cointegration

Note: in the brackets are P values

4.4 Estimating Static Panel Data Models

Estimation results for static panel data models for selected mutual funds are reported in Tables 4. Since observations in the data set can be describe as being a random sample from a given population, both random and fixed effects regressions are being estimated and later on Hausman Test for Correlated Random Effects will be used to choose between the two.

Based on fixed effects regressions variable SIZE and MGT FEES are significant at a one percent level, while interest rate spread found to be not statistically significant at any level of significance. SIZE and NAV found to have positive relationship, which means the bigger the mutual fund the higher will it perform. MGT FEE and NAV are positively related with the regression coefficient of 0.3135.

Based on random effects regressions results variable SIZE, REAL INTR and MGT FEE were found to be statistically significant at a one percent level. SIZE and NAV had a positive relationship, which means the larger the fund the higher it will perform, this results is in contrast with REAL INTR and NAV which are negatively related. MGT FEES and NAV were found to have positive relationship with the regression coefficient of 0.3003 which implies that the more fees management is able to collect and re invest the higher will be the performance of funds.

Table 4: Static panel data model estimation results

Dependent variable: Net Asset Value (NAV)		
Independent Variables	Fixed effects	Random effects
SIZE	0.088	0.058
	(0.000)*	(0.000)*
MGT FEES	0.314	0.301
	(0.000)*	(0.000)*
REAL INTR	-0.062	-0.027
	(0.342)	(0.000)
R^2	0.223	0.215
Adjusted R^2	0.201	0.192
F-statistic (2, 356)	24.13	191.64
Prob(F-statistic)	(0.000)	(0.000)

Given are P values in parentheses for coefficients, for random effects Wald χ^2 is given for overall significance of the model.
* Significant at 1% level, ** Significant at 5% level and *** Significant at 10% level.

In order to examine to what extent management fees of the fund determine mutual funds' performance at UTT AMIS, the study tested the null hypothesis that; Management fees does not statistical significant determine mutual funds' performance. From Table 4 findings of the study indicates that management fees are positive statistical significantly determine mutual funds performances at one percent level of significance. This implies that if managements fees increases by 1 unit, mutual funds' performance will increase by 0.30 times. Findings of this

study are contrary with the results obtained by (Nguyen & Nguyen, 2019) and (Petajisto, 2013) who confirmed a negative relationship between management fees and fund performance.

In order to examine to what extent real interest rate determine mutual funds' performance at UTT AMIS, the null hypothesis that interest rate spread does not statistical significant determine mutual funds' performance was tested. From Table 4 findings of the study indicates that real interest rate negatively influence performance of mutual funds and coefficient is statistical significantly at one percent level and hence null hypothesis is rejected. This implies real interest rate increases by 1 unit; performance of the mutual funds will fall by 0.027 times. The findings of this study are in line with the study of Othman and colleagues, (2015), Panigrahi and others (2020) and Roslan (2024). Contrary to this the findings of this study, results obtained by Hussain (2017), Marfo (2016), Mohammardeza & Esmaeel (2013) and Musembi (2016) found that interest rate negatively affecting performance of mutual funds.

In order to assess to what extent fund size determine mutual funds' performance at UTT AMIS, the null hypothesis that Size of the fund does not statistical significant determine mutual funds' performance was tested. From Table 4 findings of the study indicate that, size of the mutual fund positively statistical significantly determines mutual funds performances, hence the null hypothesis is being rejected. This implies that if fund size increases by 1 unit, mutual funds' performance will increase by 0.058 times. Findings of the study are in line with study of Ahmad and colleagues (2017), Gusni & Faisal (2018) confirmed fund size had statistically significant effect on the mutual fund performance. Contrary to the findings of this study, Hussain (2017) and Mohammardeza & Esmaeel (2013) confirmed a positive relationship between fund size as measured by assets with the performance of the fund.

4.5 Hausman Test for Correlated Random Effects

From practical point of view there is clear distinction between random and fixed effects models. The fundamental question is which model should be used for statistical inference and policy recommendations. The Hausman specification test is used in this paper to test for orthogonality of the mutual fund performance and random effects. The test is being conducted under the hypothesis of no correlation, both ordinary least square (OLS) in the least square dummy variable (LSDV) model and generalized least square (GLS) are consistent, but ordinary least square is inefficient. Considering the alternative hypothesis, OLS is consistent, but GLS is not. It follows therefore, under the null hypothesis, the two presented estimates should not differ systematically, and a test can simply rely on the difference.

The Hausman specification test is for the fixed effects model against random effects model and results are being reported in Table 5. The test statistic in this study is 85.36 and the coefficient is not statistically significant at any level. Therefore the null hypothesis of no correlation between the individual effects and other independent variables for both models is not being rejected. Implication of the findings is that use for random effects is being preferred rather than fixed effects. Hence it can be concluded that the random effects model is the better choice in this study and is used in making policy implication and recommendations. The results of fixed effects regression is also being provided just for comparison purposes.

Table 5: Results of Hausman specification test

	Model
χ^2 (K-1)(2)	85.36
Prob > χ^2	0.27

K = number of explanatory variables in the model

5. Conclusion

Mutual funds are considered as a credible investment option in this modern era for small investors who lack information, skills, or knowledge of investing directly in financial markets. Mutual fund investment has been widely embraced as a good investment platform in the developed economies, and serves as a vehicle for the mobilization of capital for economic growth and development. This is very critical for small and institutional investors in developing and emerging markets like Tanzania. When compared to the developed nations the mutual funds in Tanzania face a lot of hurdles and challenges to reach to its full potential and expand. The opportunities in a developing market does encourage investors to invest in financial markets, but a major role is played by macroeconomic factors which can affect its Net Asset Value (NAV) as its moment is directly linked to the performance of a fund. Mutual funds are normally managed by professional managers who are assumed to have skills and knowledge to outperform the market benchmark portfolio. This is premised on the notion that fund managers have a capacity for better stock choices and ability to generate higher stock return relative to that of individual investors. This paper conducted an assessment of the determinants of mutual funds' performance by considering UTT AMIS schemes in Tanzania. The study independent variables guided the specific objectives were the Management Fees, Fund Size, and Real Interest Rate while fund performance as dependent variables specified by Net Asset Value (NAV). Findings of the study indicate that management fees and fund size are positive and statistical significantly determine mutual funds performances. On the other hand, real interest rate found to negatively and statistically significance influence on performance of mutual funds in Tanzania.

Mutual fund policies and business strategies should be tailored to address the factors that determine the risks and returns in the financial market for better performance of the funds. Mutual fund managers should adopt diversification policies to mitigate economic changes in different sectors resulting from internal and external forces. Investing in different sectors that are negatively correlated eliminates systematic risk. A large fund size enjoys economies of scale and broader diversification options as far as investment portfolio is concern. This study found that bigger funds performed well and earned higher returns than small ones. Effective marketing strategies should be adopted to attract more investors and merging of smaller funds. Findings of the study should act as a benchmark to regulator on understanding factors that determine mutual fund performance, hence reviews fund existing policies by considering fund size, management fees and real interest rate. To Mutual funds in Tanzania, findings of the study have implications on tabling down strategies of better performance by considering factors examined by this paper hence attract investors and create sustainability. Findings of the study should act as a learning curve for further research on factors determine mutual fund performance in emerging markets like Tanzania.

The expectation from the findings of this study is to encourage academicians and researchers in the realm of mutual fund to further extend this subject in manifold. Firstly, by employing more sophisticated models of determining mutual fund performance such as CAPM, Fama French and Carhart models. Secondly, this study can be extended to other countries as well to evaluate the comparative performance of mutual funds which will involve cross-countries studies. Lastly, more studies can be done to incorporate the fund manager attributes and more mutual funds specific characteristics as well in determine the fund performance.

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