



Assessing the impact of government initiatives on small-scale investors' participation in mutual funds in Dar es Salaam-Tanzania: A case of Unit Trust of Tanzania

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ABSTRACT

This study assesses the impact of government initiatives on small-scale investors' participation in mutual funds in Dar es Salaam, Tanzania. The main objectives were to analyse the effect of government financial literacy on investment behaviour, evaluate the influence of regulatory reforms, and assess the role of financial incentives in increasing participation in mutual funds. This study was anchored by diffusion of innovation theory and behaviour-funded theory. A mixed-methods approach was employed, collecting data from 399 small-scale investors and 10 key informants through structured questionnaires and semi-structured interviews. The study used descriptive analysis and thematic analysis to analyse the study objectives. The study finds that financial literacy programmes significantly enhance small-scale investors' understanding of investment concepts, with 45.4% of respondents agreeing that they have a good understanding of financial concepts like interest rates and inflation (mean score = 4.07). Furthermore, 43.9% strongly agreed that these programmes boosted their confidence in making investment decisions (mean score = 3.59). Regarding regulatory reforms, 43.9% of respondents were aware of recent regulatory changes, and 45.4% stated that these reforms positively influenced their investment decisions (mean score = 4.07). A mean score of 4.07 indicates that 38.3 per cent of investors strongly agree that they will adhere to the new limits. This indicates that the adjustments also improved investor compliance. Following participation in incentive programmes, 38.3 per cent of respondents reported that they were more likely to invest in mutual funds (mean score = 3.91), indicating that financial incentives had a significant role in the decision-making process. In spite of these positive results, the research reveals that there are ongoing obstacles, such as restricted access to information and a reluctance to engage in investments that involve a higher degree of risk. According to the findings, in order to boost the level of small-scale investor participation and financial inclusion in Tanzania, the government and non-government organisations should ensure targeted government policies, improved financial literacy, and more easily accessible financial incentives for the investors.

Keywords: Government Initiatives, Mutual Funds, Participation, Small-Scale Investors

I. INTRODUCTION

Globally, mutual funds have played an important role in democratizing access to financial markets, letting individuals to benefit from a variety of assets with relatively minimal capital requirements (Tan, 2021). Mutual funds will manage over \$55 trillion in assets beginning in 2021, demonstrating its massive impact on all personal and institutional finances (Kwon et al., 2020). In many countries, government initiatives like as tax breaks, regulatory reforms, and financial literacy programs were critical in increasing shareholdings, particularly among small-scale investors. For example, in the United States, the Retirement Revenue Security Act (Erisa) and the 1940 Investment Company Law provide a regulatory framework that promotes transparency and protects buyers, so encouraging belief and increased participation in the mutual fund spectrum (Chen et al., 2025). Similarly, in Singapore, rules similar to the Central Social Security Fund (CPF) investment scheme allow residents to invest their retirement funds in mutual funds, backed up by monetary literacy packages provided by general public authorities on the benefits of such investments (Kwon et al., 2020). These policies have been shown to have a significant impact on finance patterns, encouraging a segment of the population to engage in investment activities and stabilize their future economic activity.

In developing countries, mutual funds play a double role as financial instruments and catalysts for economic development and financial inclusion, but participation between small -scale investors remains relatively low due to challenges such as lack of awareness, limited access to financial markets and weak regulatory structures. According to the World Bank (2023), only about 15% of adults in low -income countries invest in stock markets or mutual funds, compared to more than 55% in high -income countries, highlighting a significant inclusion gap. However, directed programs for reforms and education have shown promises; For example, in India, the regulations of the India Securities



Council (SEBI), which emphasize the protection of investors and mandatory dissemination, improved transparency and built confidence, while the initiative "Jan Dhan Yojana" expanded access to financial products, including mutual funds, among low-income groups (Karakurum-Ozdemir et al., 2019). Brazil introduced tax incentives and simplified investment processes, significantly increasing the participation of the mutual fund among small-scale investors (Karakurum-Ozdemir et al., 2019). Despite registering impressive growth rates, it still experiences limited involvement, with less than 10% of adults participating in stock markets. The main barriers include high transaction, volatility and distrust costs in institutions, although the 2017 South African financial sector regulation law, which adopted the "Twin Peaks" model to regulate prudent conduct and stronger market, improved the transparency and confidence of investors (Naidoo et al., 2025), (2021). From Kenya promoted literacy and reduced costs through initiatives such as the "Kenya Invest" program, gradually increasing participation (Syldion et al., 2025).

In Tanzania, the growth of mutual funds is a relatively recent development, supervised by the capital markets and securities (CMSA) authority. CMSA has actively promoting mutual funds such as accessible investment vehicles, with the objective of expanding financial inclusion throughout the population. Despite this effort, however, the participation of small traders in mutual funds is constrained. In 2022, handiest approximately 18% of small -scale traders in Tanzania have been worried in mutual price range, more than a few that highlights good sized obstacles to wider participation (URT, 2022). These obstacles include limited monetary literacy, insufficient investor protection and lack of merchandise designed particularly to fulfil the needs of small -scale investor. To meet those challenges, the Tanzania government has brought numerous projects. National investment coverage emphasizes the importance of making a favourable funding environment, enhancing financial reading abilities, enhancing investor protection and product development that meets unique investor needs (URT, 2021). In addition, the tips inclusive of the creation of cell -based totally funding solutions intention to make investments extra on hand, in particular for those in rural regions who won't have easy get right of entry to conventional financial services. Ongoing economic education initiatives also are a vital recognition, and purpose for rural and urban populations to raise consciousness of the blessings of mutual budget and to enable buyers with small scales to make informed funding decisions. These efforts, aligned with the National Investment Policy, are crucial in promoting greater participation in mutual funds and promoting a more inclusive financial scenario in Tanzania.

1.1 Statement of the Problem

Government projects play an important function in facilitating small-scale investors' participation in mutual funds in Tanzania, aiming to beautify monetary inclusivity and empower economic stakeholders who extensively make contributions to the countrywide financial system representing approximately 35% of the countrywide GDP (URT, 2021). Despite the Tanzanian authorities' ongoing efforts to democratize funding opportunities thru projects selling mutual funds, giant monetary literacy campaigns, and regulatory upgrades supposed to foster an inclusive funding weather, participation amongst small-scale traders remains markedly low. As of 2022, the Unit Trust of Tanzania pronounced that most effective 12% of its traders are small-scale, providing a great underrepresentation whilst as compared to the wider financial landscape where small-scale enterprises constitute about 35% of the country wide GDP (URT, 2021). The problem is intensified with the aid of the restricted monetary literacy discovered across ability small-scale investors, with a recent survey indicating that over 70% of those investors possess minimum understanding of mutual budget as an investment alternative (Bank of Tanzania, 2022). Moreover, notwithstanding regulatory and promotional efforts, together with the Financial Sector Deepening Trust's campaigns, the increase charge in mutual fund participation has stagnated, displaying a trifling 1% increase in the closing 12 months (Financial Sector Deepening Trust [FSDT], 2022). Therefore, this study aims to ask a central assess the impact of government initiatives on enhancing small-scale investors' participation in mutual funds in Tanzania.

1.2 Research Objectives

- i. To analyse the effect of government financial literacy on small-scale investors' participation in mutual funds in Dar es Salaam.
- ii. To evaluate the impact of regulatory reforms on the investment behaviour of small-scale investors in mutual funds in Dar es Salaam.
- iii. To assess the role of financial incentives on small-scale investors' participation in mutual fund investments in Dar es Salaam.

II. LITERATURE REVIEW

2.1 Theoretical Review

This study used diffusion of innovation theory and behavior -funded theory. The diffusion of innovation theory, developed by Everett Rogers (1962), explains how new ideas and technologies spread through a society over time, and



categorize adopters to innovators, early adopters, early majority, late majority and laggards, with adoption typically after a bell-shaped curve (Rogers, 2003). The theory assumes that adoption is influenced by the properties of innovation relative benefits, compatibility, complexity, trial and observance along with communication channels, social systems and time, while acknowledging that both individual perceptions and external pressure form decisions (Rogers, 1962). Although critics claim that it simplifies the adoption by overlooking complex socio-economic and institutional factors (Greenhalgh et al., 2004), it is still a useful framework to understand how government initiatives aim to increase small-scale investors' participation in securities funds can diffuse through target populations. By highlighting adoption characteristics and communication dynamics, the theory helps to evaluate the spread of economic literature programs, regulatory reforms and economic incentives among small-scale investors, and in analysing how these factors improve Gjensidige Fond's participation (Rogers, 2003). Empirical studies support its relevance; a study by Nkonoki and Hamza (2025) found that relative advantage and compatibility strongly affected the adoption of mobile banking in developing countries among small-scale investors in Dar es Salaam. An important weakness in the diffusion of innovation theory is its tendency to simplify adoption by emphasizing individual decision-making while neglecting deeper psychological, social and institutional factors. This limitation drives the use of behavior-funded theory, which better explains investor bias, heuristics and irrational behavior that affect economic decisions.

Behavior-financed theory, pioneers of Daniel Kahneman and Amos Tversky in the late 1970s and 1980s, exploring how psychological factors and cognitive biases form the financial decisions, and challenge the traditional notion of rationality in markets. It emphasizes that bias such as over-confidence, crew behavior and losses often cause investors to act irrational, leading to systematic deviations from optimal investment behavior (Kahneman & Tversky, 1979). The theory assumes that decisions are heavily influenced by cognitive shortcuts such as anchoring, accessibility and framing, all of which can distort discretion. Although behavioral financing provides deep insight into investor behavior, critics highlight the lack of a uniform framework and claims that it can be overly descriptive without offering consistent, practical solutions to improve the decision (Thaler, 1999). Its relevance to this study lies in explaining the decision-making processes of small-scale investors in Tanzania, especially how psychological bias forms investment in mutual funds and related products. The theory informs about the design of economic literature programs and incentives to cushion bias and encourage rational behavior. Furthermore, it provides a framework for evaluating how regulatory reforms affect small-scale investors by either reducing or reinforcing these bias, while considering the effect of economic incentives in lowering risk aversion and encouraging wider participation.

2.2 Empirical Review

A growing body of literature shows that government financial literacy programs are critical to improve small-scale investor participation in mutual funds, although their effectiveness depends on delivery and context models. Lusardi and Mitchell (2017) demonstrated a strong bond between financial literacy and participation in financial markets, while Atkinson and Messy (2018) confirmed these findings in a study by the OECD of cross-country, emphasizing the importance of allegiance of cultural and economic contexts. Clark et al. (2017) highlighted work-based programs as effective tools to increase participation, while World Bank (2020), using Global Findex data, argued to integrate financial education with long-term national curricula. Van Rooij et al. (2018) also showed through the longitudinal analysis that sustained literacy gains directly influence greater participation in the mutual fund, reinforcing the value of continuous interventions led by the government. Collectively, these studies confirm that financial literacy increases participation, although gaps remain in low-income contexts and program design features such as delivery channels and behavioral poverts. In addition to education, regulatory reforms significantly shape the behavior of small-scale investors in mutual fund markets, but their effects vary depending on the type and time of reform. Benn-David et al. (2018) observed that reforms in US ETF markets, although well-meaning, sometimes create unintentional volatility. While Allen et al. (2021) highlighted that liquidity regulations reduce risks, but may encourage risk change. Comparative evidence of Franks and Mayer (2020) revealed that ownership structures influence behavior differently among European countries, pointing to the importance of harmonization. Similarly, Allen et al (2021) found that crisis-oriented reforms during the global behavior of the financial crisis stabilized, noting that regulatory agility is as crucial as design in the formation of participation.

Economic incentives also appear as a powerful driver for participation in mutual funds among small-scale investors. Kamau et al. (2025) in Nairobi showed that tax discounts and matching contributions motivate investments, a discovery repeated by Bertrand and Mullainathan (2019), who observed that modest incentives can overcome behavioral and liquidity barriers. Evidence from randomized controlled trials further strengthens this case: Duflo and Glenners (2018) demonstrated that incentives increase savings and securities fund investments in developing countries, while Karlan and Zinman (2020) emphasized the sustainability of long-term incentive structures. Dupas and Robinson (2021) also found that targeted incentives for Kenyan microenter prize owners increased the savings and helped to overcome structural limitations. However, research warns that although short-term incentives run initial engagement, long-term sustainability requires complementary reforms and economic literature programs to build trust. However,



these studies have not adequately addressed the specific barriers and inefficiencies that prevent small -scale investor's participation in mutual funds in the Tanzanian context. In particular, the empirical literature lacks a thorough examination of the actual effectiveness of state initiatives and their direct impact on small -scale investors' decision -making processes. Also, Sylidion et al. (2025) lacks clear implications for the investor participations in mutual funds and focused only on stock market participation potential.

III. METHODOLOGY

3.1 Research Design

This observe used a convergent layout. According to Creswell (2023) convergent layout allows for the simultaneous series and evaluation of both qualitative and quantitative data. In this case it is important for a comprehensive evaluation of the effect of government tasks on small-scale traders. This technique is suitable as it allows the integration of wealthy, descriptive insights from qualitative data inclusive of non-public experiences and perceptions of investors with empirical, statistical evidence from quantitative information which includes participation charges and investment behaviours. By merging these statistics kinds, the look at can address complex studies questions and gain a deeper information of ways authorities initiatives affect investor participation in mutual budget. Additionally, convergent design enables triangulation, which enhances the validity and reliability of the findings by using corroborating evidence across distinctive information sources (Creswell, 2018).

3.2 Population and Sample Size

The population of interest for this study comprise 205,314 small-scale investors investing to the Unit Trust Tanzania. Since the population is finite, the formula of Yamane (1967) as shown in the equation below to determine the sample size of the research respondents with a confidence level of 95% and a margin of error of 5% (0.05), the formula is expressed as hereunder;

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= is the required number of samples

N = Total population (205,314) and

e = Error tolerance (level) or margin of error (0.05)

From that point of view, the sample size is derived as follows;

$$n = \frac{205,314}{1 + 205,314(0.05)^2}$$

$$n = \frac{205,314}{514.255} = 399$$

Therefore, this study used a sample of 399 small-scale investors.

3.3 Sampling Techniques

This study used both convenience and targeted sampling techniques to collect relevant data. Sampling of comforts was used to choose 399 small -scale investors who participated in the unit's confidence in Tanzania (UTT) in Dar es Salaam, and provided practical and effective access to participants who are easily accessible and actively engaged in equity fund investments, which ensures timely data collection in the study. Purposive sampling was used to choose 10 important UTT interests with direct experience in handling and implementing the government initiatives so that the study could collect targeted, in-depth insights from individuals with specialized knowledge. Combining these techniques ensured both breadth and depth to understand the investor's participation and political effects.

3.4 Data Collection Methods

The study used questionnaires to collect primary data from a sample size of 384 small -scale investors who safeguard the unit fare of Tanzania (UTT) in Dar es Salaam. The questionnaire is chosen for its efficiency in gathering information from a large sample within a relatively short time frame and across different places, which is crucial to ensuring extensive coverage and representativeness. This instrument also preserves respondent encouraging honest and honest answers, which improves the reliability of the data (Mazhar et al., 2021). The questionnaires include both closed questions, providing structured and easily quantifiable data (Khoa et al., 2023). In this study, interviews were also conducted with 10 UTT representatives, to collect incoming qualitative data. Semi -structured interviews focused on understanding design, implementation and experienced efficiency of these initiatives. The interview method is chosen for its ability to provide rich, detailed insight into the participants' experiences, attitudes and the underlying causes



behind the investment behavior, which are critical to assessing the impact of the government's policy on the participation of the mutual fund.

3.5 Data Analysis

This study used descriptive and thematic analyses to address its goals. Descriptive statistics summarized the committee's properties, using funds, standard deviations, frequencies and percentages to present demographic data and preliminary insight into how government initiatives affect small -scale investors' participation in mutual funds in Dar es Salaam. By complementing this, thematic analysis was used on qualitative interview data from UTT representatives, systematically coding transcripts to identify important topics on initiative efficiency, challenges and factors affecting investor decisions. This approach is justified as it captures complex, context -specific insights that quantitative methods alone can miss, and provide a deeper understanding of informed recommendations to improve participation.

3.6 Ethical Consideration

This study follows stringent moral requirements to shield the rights and welfare of the participants. The oblivion changed into maintained by means of imparting specific code for the questionnaire, to ensure that the reactions could not be detected back to individuals (Åkerfeldt & Boistrup, 2021). Privacy became securely reserved with the conclusions mentioned in the Agiget Form (Mathers et al., 2018), by means of storing facts and limiting access to the studies team. Informed consent was acquired via detailed statistics sheets and consent paperwork, ensuring that individuals are fully aware about the scope of examine and agree to participate voluntarily (Hasan et al., 2021). Participation became voluntary, allowing individuals to withdraw to any degree without consequences (Pediaditis, 2022). The study also reduces viable losses by ensuring non-guspath questions and immediately addressing any problem (Sadeghi & Smith, 2024). These measures guarantee the protection and admiration of all individuals, maintaining ethical requirements very thin.

IV. FINDINGS & DISCUSSION

4.1 Demographic Characteristics of Respondents

The study sought to examine selected demographic characteristics of the participants. The findings are presented in Table 1.

Table 1

Demographic Characteristics of Respondents

Variable	Category	Frequency	Percent
Gender	Male	229	57.4%
	Female	170	42.6%
	Total	399	100.0%
Age	18 - 30 years	85	21.3%
	31 - 40 years	168	42.1%
	41 - 50 years	67	16.8%
	51+ years	79	19.8%
	Total	399	100.0%
Education level	No attended formal education	35	8.8%
	Attended Primary education	34	8.5%
	Attended Secondary education	75	18.8%
	Attended College/University Education	255	63.9%
	Total	399	100.0%
Marital Status	Single	155	38.8%
	Married	118	29.6%
	Widowed	74	18.5%
	Divorced	52	13.0%
	Total	399	100.0%

The demographic findings in Table 1 monitor that male respondents (57.4%) participated greater in mutual finances than women (42.6%) did. The majority of buyers (42.1%) had been aged 31–forty, reflecting more monetary balance and investment interest, whilst more youthful adults (18–30) represented 21.3%, and older groups (41–50 and 51+) had lower participation. Education strongly inspired funding, with 63.9% of respondents preserving college or college levels, suggesting that higher schooling enhances cognizance and engagement in mutual budget. Individuals with primary (8.5%), secondary (18.8%) or any formal education (8%) have been reported less. Marital engagement



also affected the engagement: singles (%38%) were more engaged, while married (29.6%), widow (18.5%), and divorced (13.0%) were less involved, showing that individual circumstances shape the behavior of the shape. According to this study, demographic factors have a significant impact on the partnership of mutual funds. High engagement among people with middle individuals and university education in men indicates that economic information, risk tolerance and life phases play an important role in all investment decisions. The reduction in the involvement of older individuals show variations through marital conditions show that private duties and economic priority affect the desire for investment.

4.2 Investors Participation in Mutual funds

The results in Figure 1 highlight varied levels of engagement and confidence among mutual fund investors. Active participation appears moderate, with an average score of 3.68, as 14.5% strongly disagreed with actively investing, while 57.6% were neutral or agreed, suggesting cautious interest and partial hesitation. Monitoring behaviour was more proactive, reflected in an average score of 3.91, with 40.4% agreeing and 31.6% strongly agreeing that they regularly track investments, though 14.5% admitted not monitoring, indicating knowledge gaps.

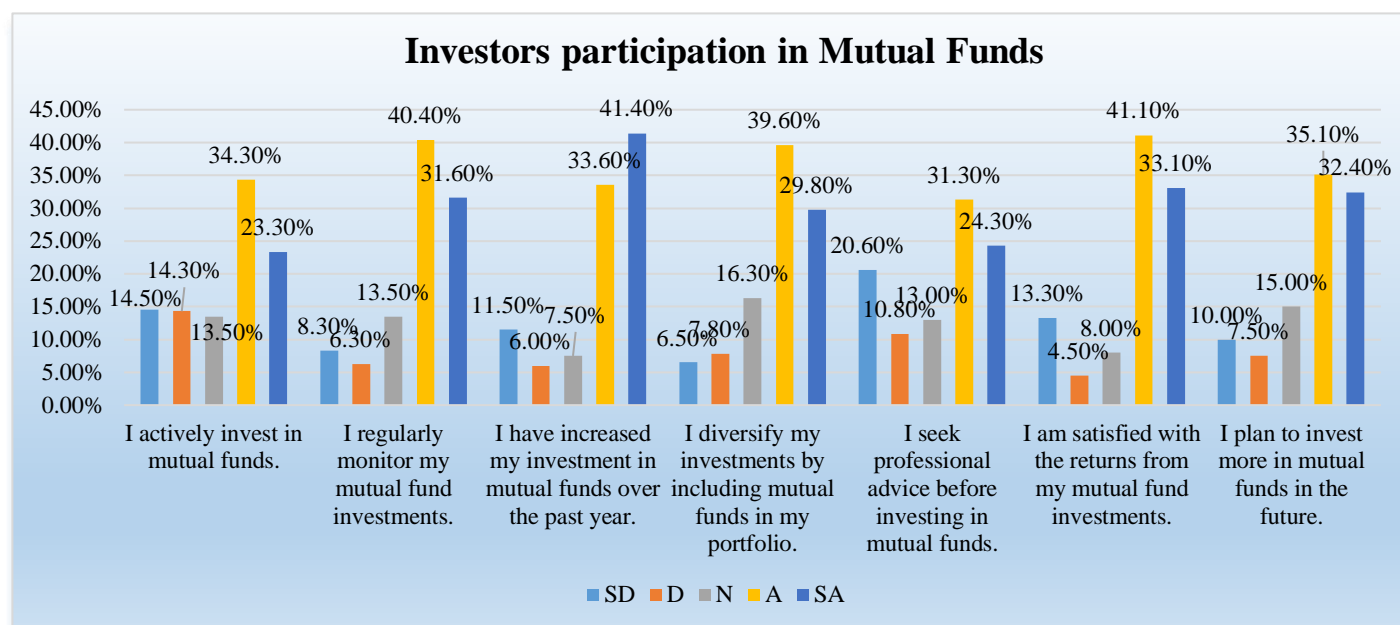


Figure 1
Investor’s Participation in Mutual funds

The results indicate that future investment intentions are optimistic, with an average score of 3.93; 35.1% agreed and 32.4% strongly agreed that they intend to increase their investments, demonstrating heightened confidence in mutual funds. Satisfaction and diversification were notably high, with average scores of 4.00 and 4.02, respectively, indicating confidence in returns and portfolio equilibrium. Nonetheless, the pursuit of professional counsel was infrequent, with an average score of 3.39, indicating a dependence on self-directed research. The results regarding mutual fund participation correspond with existing literature highlighting the influence of financial literacy and incentives on investor behavior. In accordance with Lusardi and Mitchell (2017), enhanced literacy increases involvement, however Atkinson and Messy (2018) emphasize the necessity for context-specific initiatives to assist reluctant investors. Behavioral monitoring demonstrates the impact of literacy, since the majority of respondents consistently oversee investments, corroborating Kamau et al. (2025) assertion that literacy improves portfolio oversight and Clark et al.’s (2017) research on workplace initiatives promoting involvement. However, the minority that do not engage in monitoring exhibit knowledge deficiencies, aligning with the findings of Van Rooij et al. (2018), who recommend for public campaigns to enhance monitoring practices. Anticipation of forthcoming investment strategies aligns with the findings of Duflo and Glennerster (2018), Karlan and Zinman (2020), which indicate that incentives combined with literacy promote sustained investment growth. Nevertheless, a slight dependence on professional counsel reflects the findings of Bertrand and Mullainathan (2019), who noted that even minimal incentives enhance decision-making.

4.3 The Effect of Government Financial Literacy on Small-Scale Investors' Participation in Mutual Fund

The data shown in Table 2 demonstrate that a majority of respondents exhibit a robust comprehension of fundamental financial concepts, with 45.4% in agreement and 37.8% in strong agreement, yielding an average score of



4.07. This indicates a considerable degree of financial literacy, albeit a minor segment (10.1%) is lacking in confidence. In an interview, respondents were queried on the impact of government financial literacy on small-scale investors' participation in mutual funds and expressed their opinions on UTT's educational projects' contributions. The respondent replied that;

At UTT, we apprehend the importance of economic literacy in empowering traders, in particular small-scale buyers who're nevertheless reading about the advantages and risks of mutual price range. Our monetary literacy applications intention to equip human beings with critical expertise approximately interest fees, inflation, and the dynamics of investment. (Interview with Respondent 2, March 2025)

Another respondent shared that;

I am constantly interested in learning the way to manipulate my budget better, but I didn't really recognize many of the big technical factors of investing until I start participating in financial literacy programs. These packages have helped me draw nearest simple principles like hobby rate and inflation, which I was previously difficult. For example, when I first realize investing in a mutual price range, I don't understand how interest rates affect my return (Interview with Respondent 1, March 2025)

According to the study's findings, most small-scale purchasers possess a solid understanding of basic economic concepts, which is consistent with Lusardi and Mitchell's (2017) findings. According to their research, economic literacy significantly improves people's understanding of economic goods, such as mutual funds, and subsequently increases their involvement in the market. Similarly, Kamau et al. (2025) found that monetary literacy will boost involvement in monetary markets and has a favourable impact on economic inclusion. According to the findings, the financial literacy applications have effectively improved participants' economic knowledge in Dar es Salaam by helping them understand key ideas like inflation and hobby rates. But as Van Rooij et al. (2018) point out, a tiny percentage of the population does not fully understand, which implies that communication initiatives should still be improved to ensure that everyone is adequately prepared with the crucial information.

Table 2

Effect of Government Financial Literacy on Small-Scale Investors' Participation in Mutual Funds

Statements	SD	D	N	A	SA	Mean
I have a good understanding of basic financial concepts (e.g., interest rates, inflation).	15 (3.8%)	25 (6.3%)	27 (6.8%)	181 (45.4%)	151 (37.8%)	4.0727
The financial literacy programs provided by the government are useful to me.	33 (8.3%)	24 (6.0%)	54 (13.5%)	162 (40.6%)	126 (31.6%)	3.8120
I understand how mutual funds work and the associated investment risks.	11 (2.8%)	19 (4.8%)	46 (11.5%)	149 (37.3%)	174 (43.6%)	4.1429
I have attended multiple financial literacy programs provided by the government.	8 (2.0%)	16 (4.0%)	45 (11.3%)	156 (39.1%)	174 (43.6%)	4.1830
My confidence in making investment decisions has increased after attending financial literacy programs.	92 (23.1%)	18 (4.5%)	26 (6.5%)	88 (22.1%)	175 (43.9%)	3.5915
The knowledge I gained from financial literacy programs has helped me to better manage my finances.	26 (6.5%)	6 (1.5%)	37 (9.3%)	202 (50.6%)	128 (32.1%)	4.0025
I am more likely to participate in mutual funds after attending financial literacy programs.	42 (10.5%)	10 (2.5%)	44 (11.0%)	150 (37.6%)	153 (38.3%)	3.90727

The results also show that I find the government's financial literacy initiatives helpful; 40.6% of participants agreed, and 31.6% strongly agreed, that they have benefited from government-sponsored financial literacy programs. Nonetheless, a noteworthy 8.3% strongly disagreed and 6.0% disagreed, suggesting that not everyone may be reached or find resonance in these activities. Although there is yet need for improvement in the reach or content of these programs, the average score of 3.8120 indicates a generally good assessment. The results also demonstrate that 37.3% of respondents agreed and a huge majority (43.6%) strongly agreed that they understood the mutual budget and the risks related to them. The truth that so few interviewed (2.8% disagreed strongly and 4.8% disagreed) expressed a lack of know-how suggests that most participants experience successful approximately the topic. This is corroborated through the average classification of 4.1429, which shows a high stage of focus on mutual background and affects the effectiveness of economic literacy initiatives or different instructional materials. During an interview, the respondents shared that;

The financial literacy packages supplied by using the authorities had been very beneficial. They have furnished me with the important knowledge, as I did no longer recognise tons about interest rates and inflation. Now I experience more assured in making economic selections and managing my investments. Saying that, I apprehend that a few humans won't find these applications beneficial, perhaps because the content could be much updated or does no longer apply without delay to their cutting-edge monetary



situations. For me, however, these applications are a high-quality tool. (Interview with Respondent 4, March 2025)

Also, another Key informant shared that;

Before I participated in financial literacy packages, I had a fundamental concept of what a mutual budget was, although I did not fully recognize how they worked or the danger associated with them. These programs were starting my eyes for me. Workshops equipped a clean explanation of mutual funds, how they act, and the risks are worried, which gave me the confidence to start investing. (Interview with Respondent 7, March 2025)

The study states that the economic literature programs given by the government have been useful to many participants, where significant parts recognize the value. Atkinson and Messi (2018) found that the corresponding financial literacy programs affect individuals' participation in financial products, including mutual funds, support this result. The positive response to these programs resonates with the findings from Clark et al. (2017), which suggested that initiatives for economic education of jobs and state economies play a crucial role in increasing market participation. However, the minority of participants believed that these programs were not useful, could point to problems with the relevance of the material or availability. Chen et al. (2025) argued that in order to be more effective in economic literacy programs, they should especially create needs and challenges from different populations, and ensure that they echo with the needs of another student. The findings additionally show that many contributors apprehend mutual finances and associated risks, which mirror the advantageous have an impact on of the authorities' monetary literacy programs. This is well matched with the findings from Van Rooij et al. (2018), which confirmed that the boom in economic literacy has a huge effect at the mutual funds of individuals and their associated threat. Furthermore, Lusardi and Mitchell (2017) published that investors who have acquired monetary training, especially in complex merchandise such as mutual budget, are much more likely to make funding decisions.

Furthermore, the findings indicate that a significant proportion of respondents (39.1%) agreed, with 43.6% of them strongly at the same time, indicates a high level of participation with activities that the government has carried out. Four percent of those surveyed disagreed, although only two percent of those surveyed strongly disagreed. This indicates that the majority of participants have participated in at least one financial literacy program. According to the average score of 4.183, these programs have succeeded in reaching a large audience. In addition, a large number of people participated in a number of sessions, which shows that there has been a good recording of the program. According to the data, the programs have contributed to an increase in the possibility that participants will participate in mutual funds. This suggests that the programs have succeeded in encouraging participation, as the majority of those surveyed, who make up 37.6% of the total, agreed with the statement, and 38.3% of them strongly agreed with the statement. Despite this, there are still part of the population that feel no extra incentive to invest (10.5% strongly disagree and 2.5% disagree), which may be an indication of restrictions such as reluctance to risk or limited access to investment opportunities. Although the average score of 3.907 indicates that there is a generally positive assessment of the effect that the programs have on investment behavior, it may still require more effort to reach the people who continue to be careful. During an interview, the respondents shared that;

When it comes to helping people, especially those who invest on a smaller scale, make informed decisions, we at UTT have always believed that financial education is a crucial component. According to my observations, financial education initiatives have been quite beneficial in helping the general public understand mutual funds and other financial products. (Interview with Respondent 9, March 2025)

Another key informant had this to say;

Despite having taken part in several government financial literacy initiatives, I can honestly say that they have had a profound influence on my life. I was able to learn how mutual funds and other investment options work as well as how to base judgments on reliable information thanks to the lectures. At first, I knew very little about mutual funds or other types of investments. I have been able to participate in several of the sessions since they are often presented in an easily accessible style, and I have always found the content to be quite beneficial. I became more confident in my ability to manage my money with every new piece of knowledge I gained (Interview with Respondent 5, March 2025)

Some of the contributors mentioned feeling greater assured due to taking part in financial literacy packages, at the same time as others did not observe any distinction in their level of confidence. The findings screen combined outcomes concerning the have an effect on of financial literacy programs on self-belief in making funding selections. This suits the findings of Duflo and Glennerster (2018), who discovered that financial literacy applications have the capability to boost individuals' self-belief of their capability to control their own finances, in spite of the truth that the effectiveness of those programs may additionally vary based totally on the precise circumstances of each character. In a comparable vein, Bertrand and Mullainathan (2019) agreed that monetary literacy projects have a main impact on investor behavior. However, in addition they highlighted that positive people continue to be hesitant due to extrinsic variables which includes aversion to risk or confined investing options. The information suggest that economic literacy



packages have had a beneficial effect at the chance of members collaborating in mutual funds. A substantial percentage of respondents indicated an increased willingness to invest, including to the proof that those applications have had a positive impact. This is in keeping with the findings of Karlan and Zinman (2020), who discovered that individuals are efficiently advocated to participate in financial markets with long-term monetary literacy and incentives. Additionally, Duflo and Glennerster (2018) confirmed that economic training performs an extensive position in improving monetary inclusion and making an investment in mutual price range, especially among people with low earning.

4.4 The Impact of Regulatory Reforms on the Investment Behaviour of Small-Scale Investors in Mutual Fund

According to the findings of the study, which are presented in Table 3 below, small-scale investors in Dar es Salaam exhibit a high level of awareness regarding regulatory reforms that are implemented into mutual funds. Only 10.5% of respondents strongly disagreed and 1.5% of respondents disagreed with the statement that they are informed about these reforms. The majority of respondents, 43.9%, strongly agreed and 38.3% agreed. There is a usually high degree of awareness among the participants, as indicated by the overall average score of 4.07. One of the questions that was asked of the respondents during an interview was regarding the importance of small-scale investors staying updated about regulatory reforms that affect mutual funds. One of the respondents had this in mind;

At UTT, we are firm believers that knowledge is an essential first step for any investor, but this is especially true for smaller-scale investors who might not have the same amount of resources or experience as larger investors. The purpose of regulatory reforms is to establish an investing environment that is more open, secure, and equitable; thus, it is of the utmost importance that investors comprehend these modifications and how they intend to influence their investments. (Interview with Respondent 9, March 2025)

According to the findings, there is a high degree of awareness among small-scale investors on the recent regulatory reforms that have an effect on mutual funds. The majority of participants expressed confidence in their understanding of these developments. This result is consistent with the findings of Ben-David et al. (2018), who discovered that the level of investor awareness regarding changes in regulatory policies has a direct impact on the extent to which they participate in financial markets. In a similar vein, Kamau et al. (2025) underlined the significance of a heightened awareness of financial regulations as a significant factor in promoting financial inclusion, which includes membership in mutual funds. In addition, Van Rooij et al. (2018) discovered that transparent communication of regulatory reforms boosts investor confidence. This is evidenced by the participants' high level of awareness and trust in the reforms.

Table 3

The Impact of Regulatory Investment Behavior of Small-Scale Investors in Mutual Funds Reforms

Statements	SD	D	N	A	SA	Mean
I am aware of the recent regulatory reforms affecting mutual funds in Dar es Salaam.	42 (10.5%)	6 (1.5%)	23 (5.8%)	153 (38.3%)	175 (43.9%)	4.071
The recent regulatory reforms have positively affected my investment decisions in mutual funds.	56 (14.0%)	15 (3.8%)	28 (7.0%)	119 (29.8%)	181 (45.4%)	4.073
I comply with the new regulations introduced for mutual fund investments.	42 (10.5%)	10 (2.5%)	44 (11.0%)	150 (37.6%)	153 (38.3%)	4.074
My investment decisions have changed due to the new regulatory reforms.	37 (9.3%)	20 (5.0%)	22 (5.5%)	178 (44.6%)	142 (35.6%)	4.071
I am satisfied with the recent regulatory reforms affecting mutual funds.	27 (6.8%)	7 (1.8%)	14 (3.5%)	193 (48.4%)	158 (39.6%)	4.128

In addition, the findings demonstrate that the majority of respondents (45.4% of them) strongly agreed, and 29.8% of them agreed, indicating that the changes are positively influencing the investment behaviour of the respondents. 14.0% of respondents strongly disagreed with the statement that the reforms have not had an impact, while 3.8% of respondents disagreed with the statement. However, these percentages are quite low, which indicates that the reforms have been generally well accepted by the majority of respondents. This demonstrates that these reforms have had a favourable impact on investor behavior, as evidenced by the average score of 4.073. Additionally, the findings indicate that 38.3% of respondents strongly agreed, while 37.6% of respondents agreed, indicating that a significant majority of respondents comply with the new regulatory frameworks. Among small-scale investors, compliance is generally high, as indicated by the fact that only 10.5% strongly objected and 2.5% disagreed with the recommendation. The average score of 4.074, which reflects that the majority of participants are adhering to the rules and regulations that have been implemented further reinforce this trend toward positive compliance. During an interview, one of them had this in mind;

When it comes to establishing trust and confidence among members of the investment community, we at UTT believe that regulatory compliance is an essential component. Understanding and adhering to



regulatory frameworks may appear to be difficult for small-scale investors; yet, these regulations serve a crucial role in protecting the interests of these investors. With our experience, we have found that when investors are informed about the regulatory protections that are available to them, they enjoy a greater sense of security and are more likely to participate in the market. (Interview with Respondent 5, March 2025)

However, an investor shared that;

For me, compliance with the new regulations has been a straightforward process, especially after attending the financial literacy programs. Initially, I was not fully aware of the details of the regulatory changes, but the programs really helped break it down and explain how they protect my investments. Once I understood the new regulations, I felt more comfortable complying with them because I knew they were in place to ensure transparency and fairness in the market. (Interview with Respondent 7, March 2025)

During an interview, the respondents were asked on how regulatory reforms have positively affected their investment decisions in mutual funds. One of the respondent shared that;

I definitely feel more confident in making investment decisions now, thanks to the recent regulatory reforms. Before the changes, I was always a bit hesitant because I wasn't sure how well my investments would be protected. But now, I feel that the reforms have created a safer and more transparent environment for investors like myself. (Interview with Respondent 1, March 2025)

However, another shared that;

At UTT, we recognize that regulatory reforms are vital for creating a stable and secure environment for both seasoned and new investors, especially small-scale investors. Over the years, we have seen how regulatory changes, when effectively communicated and understood, can significantly enhance investor confidence. These reforms offer clearer safety and more transparent methods, which in flip encourage several people to take the soar into mutual fund investments. (Interview with Respondent 10, March 2025)

The study findings indicate that many participants now feel safer in investment decision making as a result of regulatory changes. This finding is consistent with the findings of Allen et al. (2021), which imply that during periods of economic uncertainty, regulatory interventions, such as protected investors, help to stabilize and increase market share. According to the report, a significant proportion of interviewees follows the new regulations, suggesting a strong commitment to regulatory change. This is consistent with the conclusions of Franks and Mayer (2020), who found that legislative structures change investors' behaviours in countries, resulting in greater involvement in the market. Similarly, Ben-David et al. (2018) demonstrated that regulatory improvements promote more market activities, promoting a safe and transparent environment for investors.

According to the findings, 44.6% agreed and 35.6% strongly agreed, indicating that a sizable proportion of respondents changed their investment strategy. Only 9.3% strongly disagreed, and 5.0% disagreed, demonstrating that while many investors adjusted to new rules, some did not change their strategy. The average score of 4.071 indicates that the reforms had a moderate to significant impact on decision-making. The findings indicate that majority of the respondents accounted for 48.4% agreeing and 39.6% strongly agreeing that are satisfied with the recent regulatory reforms affecting mutual funds shows a very favourable response. This indicates a high level of satisfaction among small-scale investors regarding the regulatory reforms. Only 6.8% strongly disagreed and 1.8% disagreed, highlighting that dissatisfaction is minimal. The average score of 4.128 reflects a strong overall satisfaction with the regulatory changes, suggesting that they are positively received and are likely benefiting investors in the mutual fund space. During an interview, one the key informants had this in mind;

From our experience at UTT, the introduction of new regulatory reforms has played a crucial role in shaping investor behaviour, especially among small-scale investors who often feel uncertain about making financial decisions. Regulatory reforms that are transparent and provide protections for investors encourage them to take more calculated and informed risks. We've seen that when small-scale investors are aware of the safeguards in place, they are more likely to adjust their investment strategies in a positive way. (Interview with Respondent 2, March 2025)

Interviewees were asked about their perspectives on the influence that these regulatory improvements will have on investment behaviours during the course of an interview. In addition, one of them mentioned this;

At UTT, we witness first-hand how regulatory improvements can focus on investors' behavior, particularly among small-scale investors who are usually not sure where to put their money. Clarity and regulatory protection offer a sense of confidence, which contributes to increased faith in mutual funds as a credible investment alternative (Interview with Respondent 5, March 2025)

These outcomes suggest that regulatory reforms have had an extensive effect on investment selections, with many individuals adjusting their settlement techniques. This discovery helps the conclusions of Clark et al. (2017), who found that regulatory changes, in particular people who deal with liquidity and danger taking, have an impact on investor behaviours and selection -making tactics. They additionally mentioned that investor pride is carefully connected to the



clarity and justice of rules, which reduces uncertainty and promotes extra self-assurance in economic markets. The findings of the present study also are aligned with those of Van Rooij et al. (2018), who located that increased economic literacy and clean regulatory systems inspire individuals to adjust their investment techniques in response to adjustments within the economic situation. The results propose that the reforms had been properly received and definitely impacted buyers' self-belief in mutual price range. This aligns with the findings of Franks and Mayer (2020), who concluded that the harmonization of regulatory systems among borders promotes extra delight and participation of buyers. Kamau et al. (2025) also emphasised that economic inclusion, supported with the aid of clear and obvious guidelines, ends in greater investor pride as people sense safer in their financial selections.

4.5 The Role of Financial Incentives on Small-Scale Investors' Participation in Mutual Fund

The results of the study on the role of financial incentives in the participation of small investors in mutual funds in giving Salaam highlight several important ideas. For the statement, I am aware of the financial incentives available to invest in mutual funds to give the Salaam, 42.6% of respondents agreed and 35.1% agreed strongly, showing that most are aware of these financial incentives. The average score of 4.075 demonstrates a high level of awareness, suggesting that awareness campaigns or communication strategies have been relatively effective. The results show that the financial incentives provided for mutual fund investments are attractive, 41.4% of participants strongly agreed, and 33.6% agreed, highlighting that these incentives are seen as appealing by a significant portion of the population. The average score of 4.073 reflects a generally positive sentiment towards the financial incentives, with most investors perceiving them as beneficial. During an interview the respondents had this to say;

At UTT, we view financial incentives as a powerful tool for encouraging participation, especially among small-scale investors who may be hesitant or lack sufficient resources to invest. These incentives can make a substantial difference by lowering the barriers to entry and offering a sense of added value for those who are just starting to invest. From our experience, when investors are made aware of the financial incentives available, they feel more motivated to take action and invest, knowing they will benefit from these additional supports. (Interview with Respondent 1, March 2025)

Another respondent shared on the effect of financial incentives for mutual funds investment that;

At UTT, we believe that financial incentives are an excellent way to make investing in mutual funds more accessible, especially for small-scale investors who may be apprehensive about the initial costs or risks. These incentives serve as an encouragement, providing added value that can help reduce the barriers to entry. From our experience, when we highlight these incentives in our educational programs, we see increased engagement and participation, particularly among those who are just starting to invest. (Interview with Respondent 3, March 2025)

However, small-scale investor shared that;

I personally find the financial incentives very attractive. When I first looked into investing in mutual funds, I was not sure how much I could afford to put in. However, the idea of lower fees or other benefits through these incentives made it easier for me to get started. It helped take some of the pressure off, knowing that I would have some support to start growing my investment. (Interview with Respondent 7, March 2025)

The findings suggest that financial incentives have played a significant role in encouraging small-scale investors to participate in mutual funds. A majority of respondents are aware of these incentives, which reflects the effectiveness of communication strategies and awareness campaigns, similar to the studies by Kamau et al. (2025) found that in Kenya, financial incentives like tax rebates significantly boosted participation in mutual funds among small-scale investors. Similarly, Duflo and Glennerster (2018) observed that providing clear information on financial incentives can increase financial inclusion and improve investment behavior in development economies. Atkinson and Messy (2018) also pointed out that clear communication about incentives can be a driving force for market participation. This finding on financial incentives is also in accordance with the study of Karlan and Zinman (2020), who found that financial incentives can affect long-term investment behavior and improve participation in mutual funds. Similarly, Bertrand and Mullainathan (2019) observed that even small economic incentives can affect the likelihood of low-income populations that significantly operate investments. At UTT, as echoed by the interview responses, these incentives serve as an initial nudge for individuals hesitant about investing. The financial literacy programs, as noted by Duflo and Glennerster (2018), help bridge the gap for those who may not fully understand how these incentives can benefit them, demonstrating how education and awareness can increase the appeal of these incentives.

**Table 4***The Role of Financial Incentives on Small-Scale Investors' Participation in Mutual Fund Investments*

Statements	SD	D	N	A	SA	Mean
I am aware of the financial incentives available for investing in mutual funds in Dar es Salaam.	26 (6.5%)	25 (6.3%)	38 (9.5%)	170 (42.6%)	140 (35.1%)	4.075
The financial incentives provided for mutual fund investments are attractive to me.	46 (11.5%)	24 (6.0%)	30 (7.5%)	134 (33.6%)	165 (41.4%)	4.073
I have taken advantage of financial incentives when investing in mutual funds.	26 (6.5%)	31 (7.8%)	65 (16.3%)	158 (39.6%)	119 (29.8%)	4.053
Financial incentives have significantly influenced my decision to invest in mutual funds.	45 (11.3%)	28 (7.0%)	19 (4.8%)	135 (33.8%)	172 (43.1%)	4.088
I am satisfied with the financial incentives available for mutual fund investments.	52 (13.0%)	4 (1.0%)	45 (11.3%)	206 (51.6%)	92 (23.1%)	4.066
Some barriers prevent me from utilizing financial incentives for mutual fund investments.	15 (3.8%)	26 (6.5%)	27 (6.8%)	180 (45.1%)	151 (37.8%)	4.114
The financial incentives have been effective in encouraging me to invest in mutual funds.	20 (5.0%)	30 (7.5%)	50 (12.5%)	150 (37.6%)	149 (37.3%)	4.085

The findings show that investors have taken advantage of financial incentives when investing in mutual funds, 39.6% agreed and 29.8% strongly agreed, which indicates that many respondents have made use of the available financial incentives. The average score of 4.053 suggests that, while the majority benefit from the incentives, there remains room for improvement in ensuring that all potential investors are fully utilizing these opportunities. The findings indicate that 43.1% strongly agreed and 33.8% agreed, demonstrating that a large majority feel that the incentives have played a significant role in their decision to invest. Only 11.3% strongly disagreed, and 7.0% disagreed, indicating that a relatively small portion of participants does not perceive the incentives as influential. The average score of 4.088 suggests that these financial incentives have had a strong impact on investor decision-making, contributing positively to their investment choices. During an interview one of the respondent shared that;

At UTT, we believe financial incentives play a crucial role in encouraging participation, particularly for small-scale investors. Many people, especially those who are new to investing, can be apprehensive about the risks and costs associated with mutual funds. Financial incentives help reduce those barriers by making it more affordable for them to take part. We have seen first-hand how these incentives give investors the confidence to enter the market, knowing that they'll receive support to get started. (Interview with Respondent 4, March 2025)

During interview another respondent shared that;

At UTT, we recognize that financial incentives can serve as a powerful motivator for small-scale investors. These incentives help reduce the perceived risk of investing and make it more accessible, especially for those who may not have a large initial capital to invest. From our experience, the majority of individuals who are aware of these incentives and understand how to use them find them quite beneficial in making their decision to invest. (Interview with Respondent 9, March 2025)

This reflects findings from studies by Dupas and Robinson (2021), Bertrand and Mullainathan (2019), who noted that financial incentives often have a large impact on investment participation, but barriers such as a lack of understanding or logistical difficulties in accessing the incentives can prevent full utilization. The authors also showed that despite the presence of incentives, low-income investors often struggle to access these benefits due to information gaps or structural barriers, a challenge that is mirrored in the interview responses where participants mentioned difficulty in understanding or accessing certain incentives.

In response to some barriers prevent me from utilizing financial incentives for mutual fund investments, 45.1% agreed and 37.8% strongly agreed, indicating that a significant portion of participants faces obstacles in taking full advantage of the financial incentives. The average score of 4.114 reflects that financial incentives have been effective in encouraging participation. The findings also indicate that, the financial incentives have been effective in encouraging investors to invest in mutual funds shows that 37.6% of respondents agreed, and 37.3% strongly agreed, indicating that the incentives have been successful in encouraging investment. The average score of 4.085 suggests that financial incentives are largely effective to increase their impact. During an interview one of the respondent shared that;

At UTT, we have observed that while financial incentives are a great tool for encouraging participation, there are indeed several barriers that can prevent small-scale investors from fully utilizing them. One major challenge is the lack of awareness or understanding of how these incentives work. (Interview with Respondent 8, March 2025)

Another key informant shared that



The financial incentives definitely played a big role in encouraging me to invest in mutual funds. When I first started looking into mutual funds, I was not sure how to get started or if I could afford it. However, incentives, such as lower rates or additional contributions, actually made a difference. They gave me the extra push I needed to jump to invest. (Interview with Respondent 6, March 2025)

This displays findings from research by Dupas and Robinson (2021), Bertrand, and Mullainathan (2019), who mentioned that economic incentives regularly have a massive effect on investment participation, but limitations inclusive of a lack of understanding or logistical problems in having access to the incentives can save you complete utilization. They additionally confirmed that notwithstanding the presence of incentives, low-earnings traders frequently battle to get admission to these blessings because of facts gaps or structural limitations, a venture that is reflected inside the interview responses in which members stated difficulty in information or getting access to certain incentives. As the findings advocate that monetary incentives have had a largely tremendous effect on small-scale buyers' participation in mutual funds. This reflects comparable outcomes discovered by way of Karlan and Zinman (2020), who tested that lengthy-term incentives can efficaciously form monetary behaviours and encourage more sustained engagement with financial products. Duflo and Glennerster (2018) also located that monetary incentives could pressure sustained will increase in funding, specifically in low-profits communities. These findings guide the view that economic incentives no longer only motivate preliminary investments but also encourage continued engagement. The ordinary fantastic effect on investor behaviour aligns with the conclusions of studies by means of Kamau et al. (2025), who observed that incentives play a key function in fostering a long-time period hobby in mutual funds.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

This study provides valuable information about factors that affect the participation of small investors in mutual funds in Dar es Salaam focusing on the effect of authorities' financial literacy programs, regulatory reforms and financial incentives. The results suggest that the initiative for financial literacy made significant contributions to investing the basic economic concepts of investors and understanding the benefit of mutual funds. Although many interviewees have increased their confidence to invest decisions, some still find obstacles in all these programs. Similarly, regulatory reforms have positively impacted investment behavior, most respondents seem to be more confident and relevant to new rules, resulting in increasing investment in mutual funds. When widely accepted and valued financial incentives, have a significant influence on incentive investment, but also illuminate awareness and accommodation, indicating areas of improvement. Overall, the combination of these factors has contributed more involvement and confidence in the stock market, although some investors are still facing challenges that make their full partnerships difficult.

5.2 Recommendations

The findings propose numerous implications for coverage to enhance small -scale traders' participation within the mutual rate variety. Although monetary literacy programs have produced high great outcomes, greater efforts need to growth variety and inclusion, concentrated in sub -suggested populations and lots much less financially literate through digital structures, community projects and partnerships. Financial incentives are effective motivators, but, the enhanced announcement, simplified utility approaches and virtual equipment are vital to develop knowledge and use. Regulatory renovations have elevated investor's self -cognizance, but continuous simplification, transparency, and commonplace updates on various channels are critical to preserving a secure financing surroundings. In addition, addressing investors' hesitation through customized help, which include consulting offerings, man or woman orientation or course services, can decorate self-assurance and sustained participation, particularly between clinical or much less qualified consumers, ensuring broader engagement and increasing investment in mutual finances.

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