

**AN ASSESSMENT OF THE FINANCIAL SYSTEM AND THE EFFECTIVE-
NESS OF THE FINANCIAL MARKETS INSTRUMENTS IN TANZANIA:
A CASE OF DAR ES SALAAM REGION**

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ABSTRACT

The purpose of this dissertation was to assess the financial system and the effectiveness of the financial markets instruments in Tanzania together with the role of financial markets and institutions on the economical growth. The specific objectives of the study were to assess the role of financial instruments to economic growth and the awareness and accessibility of the instruments to the public.

The research methods that have been chosen for this dissertation are both qualitative and quantitative method. The economic growth is mainly studied on the review and description of the literature. Since it would make difficult for the all region to be studied, a purposive sampling technique was applied for selecting the studied units. The method of data presentation and analysis are manly descriptive even though the layout of the dissertation is more of an explanation research.

The result which is based on the review, description and analysis of the existing literature (theory and empirical studies) suggests the existence of positive correlation between financial markets and economic growth. As to the capital market and economic growth linkage; capital market establishment and development could lead to the economic growth and prosperity of the country provided that it's backed by capable institutions of all sorts (rules, laws, constitutions; social values and norms; financial, political etc) and domestic resources (Smaller households' savings) are efficiently mobilized through strengthening the formal sector (e.g. banks and microfinance institutions) and the informal financial institutions. The results also suggest that there is little awareness and low level of accessibility to the public.

The study concludes that there has been an increase in the development of financial system in Tanzania. However, little is known by the public on the existence of financial instruments and its contribution to the economic growth. It was advised for financial institutions to conduct sensitization campaign to the public. It calls for Bank of Tanzania to ensure fair play on the trading of bonds and bills by limiting the participation of commercial banks, hence providing opportunity for the public to be involved on the deals.