

THE ROLE OF MUTUAL FUNDS IN GHANA, CHALLENGES AND PROSPECTS

(A case study of Databank)

BY

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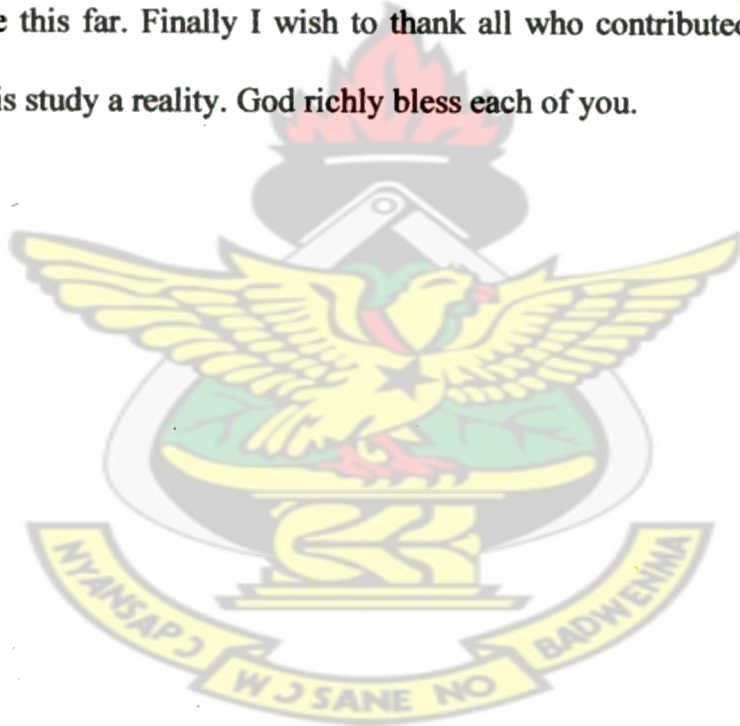
This is dedicated to my parents Dr and Mrs Osei Yeboah who supported me throughout my education. My Uncle Pastor Paul Amoah and siblings also share in the success of this work.

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ABSTRACT

The financial industry is one of the most important sectors that facilitate the development of a country's economy through the mobilization of resources from the surplus units to feed the deficit units. An effective and efficient way of raising funds for the public and private sector development can be achieved with the help of investors investing in mutual funds. But this culture of saving or investing in mutual funds in this part of the world has not form part-and-parcel of the individual Ghanaian. It is for this reason that this research work examines the roles of the mutual funds in Ghana using Databank Mfund as the case study. The work identified the contributions of mutual funds to investors and the nation as a whole and further investigated the reasons for attracting few investors. The researcher used questionnaires and interview to collect data and qualitative and quantitative techniques for the data analysis. The data was analyzed with the aid of Statistical Package for Social Science. Microsoft Excel was also used in demonstrating the graphical representation of findings. The performance of the fund was analyzed using the financial reports of Databank Mfund from 2005 to 2008. Findings revealed that due the difficulty in fund valuation, high fees and commission and poor culture of savings were among the other reasons why mutual funds attract few investors. Investors expressed the extent of how the fund has contributed positively to their lives. It was also recommended that portfolio managers should consider their margin of expense since it tends to reduce net earnings of the fund and use the appropriate investment strategy acquired by organizing managerial training programs for the staff/management.

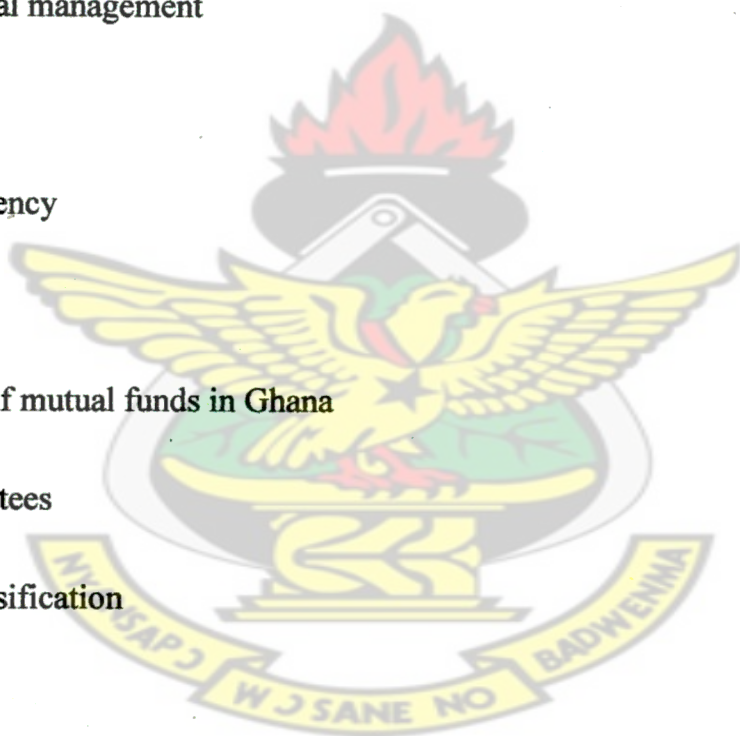
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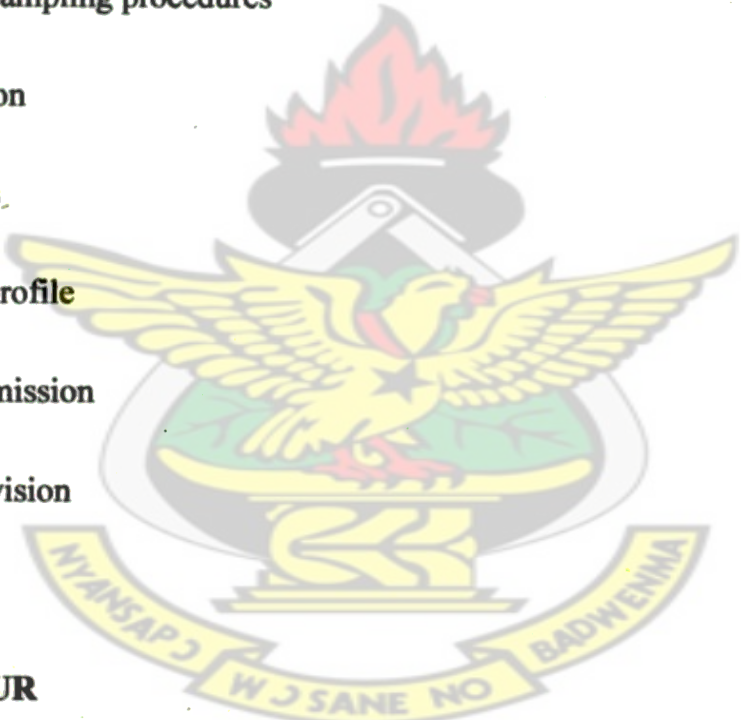
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The logo of Kwame Nkrumah University of Science and Technology (KNUST) is centered on the page. It features a yellow eagle with its wings spread, perched on a green globe. Above the eagle is a red and orange flame. The entire emblem is set within a white shield-like shape. Below the shield is a yellow banner with the text 'NYANSAPƆ WƆSANE NO BADWENMA' in black. The word 'KNUST' is printed in large, light grey letters above the logo.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the study

One industry which has contributed immensely toward the development of the world's economy is the financial industry. The financial institutions over the years have been able to mobilize resources from investors to create pool of funds from which they invest in the capital and money markets to earn returns on behalf of their clients and also create capital for both the public and private sector for the development of the economy. Mutual funds are dynamic financial institutions which play a crucial role in the economy by mobilizing savings and investing them in capital market thus, establishing link between the savings and capital market. Grinblatt and Titman (1989) recognized that these benefits of the fund to both government and the private sectors have made mutual funds schemes extremely popular in the last 20 years especially in the advanced countries. This is buttressed by Warren buffet's assertion that 'what was once just obscured financial instrument is now part of our daily lives' (www.buffetsystem.com 2009). For instance, according to Bogle (1994) in the United State, more than half of the population invest in mutual fund which suggest about trillions of dollars are invested in mutual fund schemes. This has made most advanced economies to support especially the private sector which is the engine of growth. However, in most developing economies, the situation is different such that more funds are found outside the financial sector.

Levine (2002) established that the excess funds in the system created as a result of this situation de-stabilizes the growth of the economy by causing increasing inflationary trends and decreasing the ability of the mutual fund companies to invest in the private sector, resulting in low production and subsequent job cuts. In fact, it is believed that as at the year 2000 only 4 percent of African saved with the bank. This is not creating capital for the private sector growth and individuals are not earning extra income which will better their standard of living. Therefore, it is advisable for investors in less developed countries to invest in mutual fund since it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost and less risk.

In recent times, there has been considerable increase in the number of financial institutions in Ghana; the corresponding number of people who save or invest with these institutions is not encouraging. This trend is very disturbing and especially at the time when the world is now experiencing a bit of recession, external aid, grants and loans is likely to be reduced or ceased and if care is not taken there may be little or no capital for the operation of the private sectors. The study therefore addresses some of the issues such as reduction in the fees and commission of mutual fund investment schemes to make them attractive and popular with the general public.

1.2 Statement of the problem

The number of financial and non-financial firms mobilizing savings in Ghana has been very discouraging due to the poor culture of savings among the Ghanaian society. Even though mutual funds provides creative ventures and is less risky than other securities, it has not attracted the attention of most Ghanaians for them to enjoy the diverse investment opportunities it offers.

Mutual fund companies organize funds from investors to acquire portfolio of securities which normally yields high returns and capital gains. Achieving this aim motivates more and more investors to save with them. Investors would prefer returns from mutual funds to be appreciative but with very low risk coverage. Accomplishing the desires of investors would depend on the best practices of fund management thus how serious mutual fund companies play their role and good market conditions, but to what extent are mutual funds effective and efficient to them? It is against this background that the study 'Role of Mutual Funds in Ghana' assumes importance.

1.3 Objectives of the study

The general focus of this study was to analyze how the operation of mutual funds schemes can be enhanced to help mobilize capital out of domestic savings for the private sector. The research work seeks to achieve the following objectives

- Assess the financial performance of mutual funds in Ghana (Mfund)
- Assess the role of mutual funds on the livelihood of investors.
- To evaluate why mutual fund companies have not been able to attract a greater number of the populace.
- Make appropriate recommendations

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1.4 Research questions

The study in trying to analyze the above problem and also addressed the following issues.

- i. How are mutual funds (Mfund) performing financially in Ghana?
- ii. How has mutual funds contributed to the livelihood of investors?
- iii. What contributes to the low subscription of mutual funds schemes?

1.5 Significance of the study

Mutual fund companies in Ghana have been in existence over a decade now yet they are not popular with majority of the populace. Only small portion of the few investors

who are aware, invest in the funds. This has resulted in low investment in both the money and capital markets to create the needed capital required for economic development. The findings of this work will therefore be made available to the stakeholders so that they can come out with appropriate strategies to ensure that investment in mutual funds schemes become part of our daily lives.

1.6 Limitations of the study

The study was limited by the following problems. Foremost of which was the high cost involved. Unwillingness of respondents in granting interview and filling of questionnaire items was a major concern for the research which compelled the researcher to increase the number of days in administering questionnaire so as to get appropriate number of respondents.

Again, the time involved in writing this research paper relative to the short period of submission of the work is quite a force to reckon with. However, these limitations were managed effectively to ensure validity and reliability of the research. Also, multiple source evidences were employed to check the reliability and accuracy of information provided by respondents to questionnaires.

1.7 Scope of the study

There are many Mutual Fund Companies in Ghana but only Databank was focused on as at the time this study was conducted. This organization was chosen because it is believed that, the study of this mutual fund company was a fair representation of the role of Mutual Funds in Ghana for the selected time frame, which is, 2004 to 2008. Also the company has already established a prestigious reputation of cutting edge quality in stock market, industry and economic research and also produce the most consistent and comprehensive research on Ghana's macroeconomic environment, budget, stock market and listed companies. According to Boateng (2005), Databank Research provides regular and reliable information on financial markets to leading media houses (radio, television, and print media) including internationally acclaimed ones such as BBC, CNN, Financial Times and Bloomberg.

1.8 Organization of the study

The report of the study is organized into five chapters. Chapter one, the introductory chapter, deals with the background of the study, problem statement, objectives, research questions as well as the scope of the study. Chapter two discusses the theoretical and analytical frameworks that guided the investigations throughout its execution. This chapter includes a brief review on the concepts and theories mutual funds. Chapter three describes the research design and methodology used in conducting the research whilst chapter four dealt with analysis of data gathered from the field survey by the

researcher. Finally, Chapter five contains summary of the findings and their implications, recommendations and conclusion. The study closed with a list of main reference materials reviewed and consulted throughout the investigation, as well as a range of relevant, illustrative and supportive appendices.

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CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview of mutual funds

The mutual fund industry in Ghana has registered significant growth during the past decade and has emerged as a significant financial intermediary. Becker and Vangham (2003) recognized that the growing importance of Ghanaian mutual funds may be noted, in terms of the increased mobilization of funds and the increasing number of schemes and investors in the industry. To fulfill the expectations of millions of account holders, the mutual funds are required to function as successful institutional investors. In a mutual fund, the fund manager, who is also known as the portfolio manager, trades the fund's underlying securities, realizing capital gains or losses, and collects the dividend or interest income. The investment proceeds are then passed along to the individual investors. Graham and Dodd (1951) stated that value of a share of the mutual fund, known as the net asset value per share (NAV), is calculated daily based on the total value of the fund divided by the number of shares currently issued and outstanding.

Dick (2000) emphasized that mutual fund is a public or external company incorporated solely to hold and manage securities or other financial assets. The company accepts funds from investors and uses those funds to buy a portfolio of securities and other financial assets and employs a professional fund manager to manage the investment.

The company issues shares which represent pro-rata share of the pool of fund assets to investors. Databank group (2005) claimed that mutual fund in Ghana may either be open-end or closed-end. The introduction of mutual funds is expected to raise the level of savings in the economy for the private sector investments and thereby boost economic growth, but the growth in output of an economy depends on capital accumulation, therefore, capital accumulation requires investment and an amount of savings. As a result, there is the need to stimulate investment and this can be done by increasing the level of savings. Gelb and Alan (1989) defined capital generation as a financial intermediation process by which financial institutions channel mobilized savings in the private sectors through the money market or stock or equity market. Capital is generated when households' disposable income is not spent on current consumption but rather invested. Savings and Investment then constitute the keys to capital generation and increase the growth of GDP in the economy. This is because many current economic projects are closely bounded up with the relationship of savings and investment. Carhart and Mark (1997) described savings mobilization as all the techniques, services, products and financial packages offered by a financial institution to attract depositors from the investing public.

Gupta (1993) affirmed that one of the major important microeconomic functions of financial systems is to channel mobilized savings into investment and they do this by acting as financial intermediaries but savings, which is a necessary engine of growth, has been very low in Ghana. The Gross Domestic Savings as a percentage of GDP

in Ghana has been low compared to other African countries. Between 1980 and 2001, GDP averaged 6.4 percent in Ghana; 37.4 percent in Botswana; 21.4 percent in Cameroon; 21.6 percent in Nigeria; 13.1 percent in Kenya and 7.3 percent in Malawi.

Some studies conducted in Ghana to ascertain the impact of savings behaviour revealed that, the financial sector reforms did not achieve their intended goal of enhancing private financial savings. For ages, the banking institutions in Ghana have been the main source of savings mobilization for internal investment. However, the Bank of Ghana (2001) quarterly bulletin reported that, money outside the banking system was very high and this is an indication that, the banks were not able to attract much savings and deposits from the public. Inadequate savings lowers investment, thereby, creating a gap that has to be financed by foreign sources which also affects the development of sustainable and viable money and capital markets. This therefore calls for the money and capital markets to enable the private sectors have access to capital for investment. Robert (1998) suggested that a well organized capital market is crucial for mobilizing both domestic and international capital. Therefore, there is the need for capital markets which can significantly raise the level of domestic savings and contribute to a more efficient allocation of savings.

2.1.1 Definitions of mutual funds

According to Fredman et al (1998) mutual fund is a professionally-managed form of collective investments that pools money from many investors and invests it in

stocks, bonds, short-term money market instruments, and/or other securities. Leelamma (2004) described mutual fund as a financial intermediary established in the form of trust, sponsored by banks, insurances, financial and other industrial companies to mobilize savings from the public at general (mostly household), by launching various schemes which are different in objectives and operation and investing the pooled savings in various instruments of capital and money market. From the above definitions, mutual funds are investment companies that pool money from investors at large and offer to sell and buy back shares on a continuous basis and use the capital thus raised to invest in securities of different companies.

2.2 History and legal requirements of mutual funds

According to Bogle (1994), Massachusetts Investors Trust (now MFS Investment Management) was the first mutual fund in the world which was founded on March 21, 1924 at Boston and, after one year, had 200 shareholders and \$392,000 in assets. The entire industry, which included a few closed-end funds, represented less than \$10 million in 1924. The stock market crash of 1929 slowed the growth of mutual funds. Dick (2000) confirmed that in response to the stock market crash, Congress passed the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require that a fund be registered with the Securities and Exchange Commission (SEC) and provide prospective investors with a prospectus that contains required disclosures about the fund, the securities themselves, and fund manager. The SEC helped draft the

Investment Company Act of 1940, which sets forth the guidelines with which all SEC-registered funds today must comply.

With renewed confidence in the stock market, mutual funds began to blossom. By the end of the 1960s, there were approximately 270 funds with \$48 billion in assets. According to Markham (2000) the first retail index fund, the first index investment trust, was formed in 1976 and headed by John Bogle, who conceptualized many of the key tenets of the industry in his 1951 senior thesis at Princeton University. It is now called the Vanguard 500 Index Fund and is one of the largest mutual funds ever with over \$100 billion in assets. In present world, mutual funds have become a main form of investment because of its diversified and liquid features. Not only in the developed world, but in the developing countries also different types of mutual funds are gaining popularity very fast in a tremendous way. Javadev (1998) stated that one of the largest contributors of mutual fund growth was individual retirement account (IRA) provisions added to the Internal Revenue Code in 1975 in United States, allowing individuals (including those already in corporate pension plans) to contribute \$2,000 a year. Mutual funds are now popular in employer-sponsored defined contribution retirement plans (401(k) s), IRAs and Roth IRAs.

According to Databank Annual Report (2008), Mutual fund was first introduced in Ghana by Databank (Epack) Group in 1994 with a value of over ₵200 billion and 12,000 investors. Mutual fund has a 14 Year history in Ghana and its size is presently over ₵950 billion while having a customer base in excess of 85,000. According to

Statesman (2005) the Epack concept was originally designed as an Investment Club for several Bank of Ghana workers. The fund transformed from an Investment Club to an Investment Company in 1998 and from an Investment Company into a Mutual Fund in 2002, under the management of Databank. Today, Epack as a Pan-African Mutual Fund has investments in 10 countries. It is a long-term fund and therefore invests in choice shares of listed companies across the African stock markets, for example in Nigeria, South Africa, Kenya and of course Ghana.

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2.3 Collective investment schemes in Africa

According to Databank group (2005) collective investment schemes in Ghana take the form of either a Mutual Fund or a Unit Trust. The collective investment scheme industry in Ghana is relatively young and gaining recognition. There are currently seven mutual funds, and three Unit Trusts including a Real Estate Investment Trust. Drumes (2003) affirmed that collective Investment Schemes are regulated through:

1. Registration Requirement
2. Prospectus Requirement
3. Regulation of fund operation and sales conduct
4. Surveillance and monitoring

Currently there are 3 unit trust schemes in the country. They are the HFC Unit Trust,

the HFC Real Estate Investment Trust (HFC REIT) and Gold Coast Securities. These first 2 schemes were established by the Home Finance Company Limited. The first one, HFC Unit Trust was established by Legislative Instrument L.I. 1516 of 1991 and the second one, HFC REIT approved by the Bank of Ghana acting for the SEC in 1995. Following the introduction of collective investment schemes (CIS) and enactment of related legislation in Kenya and Tanzania, the two countries embarked on a process of implementation, which included licensing of CIS and putting in place an effective legal and regulatory framework. Adams (2004) stated that of the three East African markets, Kenya is the most advanced. Uganda has just licensed the first CIS. Bogle (1994) also asserted that in Tanzania, a CIS scheme was started by the Government, and the Capital Markets and Securities Authority of Tanzania is in the process of drafting CIS legislation.

2.4 Roles of mutual funds in Ghana

Over the past decade, American investors increasingly have turned to Mutual Funds to save for retirement and other financial goals. The financial system of a country greatly influences its economy. Damodaran (1994) revealed that the close relationship between financial structure and economic development is reflected in the prevailing institutional arrangement, delivery system and intermediation process. A certain level of financial development denotes a more mature way of mobilizing of funds- a shift from self-financing to direct financing and then to indirect financing. Baumol et al (1990) asserted that mutual funds are dynamic financial institutions which play crucial role in

the economy by mobilizing savings and investing them in capital market. The activities of mutual funds have both short and long term impact on the savings in capital markets and the national economy. Jayadev (1998) claimed that mutual funds assist the process of financial deepening and intermediation. They mobilize funds in the savings market and act as complementary to banking. At the same time they also compete with banks and other financial institutions. Stock market activities are also significantly influenced by mutual funds. Mutual funds are financial intermediaries in the investment business. They collect funds from the public and invest on behalf of the investors as 'pass through entities' with losses and gains accruing to the investors only. It increases liquidity in money market. Gupta (1993) stated that, the scope and efficiency of mutual funds are influenced by overall economic fundamentals; the interrelationship between the financial and real sector, the nature of development of the savings and capital markets, market structure, institutional arrangement and overall policy regime.

In Ghana, Mutual Funds do not only channel savings and investment from household savers to investors through intermediation, they also help to reduce transaction, search, monitoring and information cost. Intermediation occurs when financial institutions transform secondary securities into primary securities through direct investment and Mutual Funds Companies play a role here by being involved in the financial intermediation process.

2.6 Types of mutual funds in Ghana

The two main types of mutual funds are Open-ended and Closed-ended. Dick (2000) claimed that based on the number of mutual funds and their assets, open-ended investment companies are more common than that of closed-ended investment companies. Likewise, Mutual Funds in Ghana may either be open-ended or closed. Levine (2002) established that in Nigeria a mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

2.6.1 Open-ended funds

Berk and Richard (2002) described open-ended funds as those funds which stand ready to repurchase their shares from the holders in any quantity and whenever the holder should desire. In addition they sell shares in any quantity to prospective investors at whatever time the investors determine. It contrasts with a closed-end fund, which typically issues all the shares it will issue at the outset, with such shares usually being tradable between investors thereafter.

Falkenstein (1996) asserted that, open-end funds stand ready to issue new shares or redeem outstanding shares on a continuous basis. The number of shares of the fund, therefore, fluctuates as investors purchase or redeems shares. The price at which shares in an open-ended fund are issued or can be redeemed will vary in proportion to the net asset value of the fund. Gupta (1993) affirmed that when an open-ended fund's

investment manager(s) determine that a fund's total assets have become too large to effectively execute its stated objective, the fund will be closed to new investors and in extreme cases, be closed to new investment by existing fund investors. In this case, the fund is confusingly called closed, open-end fund while it is still an open-end fund since investors can redeem their investment monies on daily basis. It is just closed to new additional investment. Chandra (1992) emphasized that open-ended funds are available in most developed countries, though terminology and operating rules vary. U.S. mutual funds, UK unit trusts and OEICs, European SICAVs, hedge funds and exchange-traded funds are all example of open-ended funds.

2.6.2 Closed-ended funds

There are not as many closed funds in Ghana as open-ended funds. Such funds serve useful purpose for many investors. However, Bogle (1994) established that a closed-ended fund, unlike open-ended funds issues a fixed number of shares to investors at the outset of the funds operations through an initial public offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange. With the money raised from the shares initially sold to investors, the fund managers buy securities usually, stocks or bonds.

Berk and Richard (2002) asserted that closed ended funds issue a fixed number of shares and do not stand ready to repurchase their shares from their shareholders when they decide to sell them. The Securities Industry (Amendment) Law requires that closed

ended funds be listed on an organized exchange in order to provide liquidity to the shareholders. These shares are traded at prices determined by the laws of supply and demand. Falkenstein and Eric (1996) affirmed that closed-end fund shares generally are not redeemable. That is, a closed-end fund is not required to buy its shares back from investors upon request. Chandra (1991) also stated that some closed-end funds, commonly referred to as interval funds, offer to repurchase their shares at specified intervals. Coates (1978) also added that a mutual fund's net asset value (NAV) should be identical to its market price, but often, the market price of a closed-end mutual fund (a fund with a fixed number of issued shares that can't be altered) will trade either above or below its NAV. When this situation occurs and the fund is trading above this price, it is said to be trading at a premium; conversely, when the fund is trading below this price, it is said to be trading at a discount. Fredman and Russ (1998) identified the under mentioned as some possible reasons why these funds are traded at premiums or discounts:

- Supply and demand - the fundamentals of supply and demand will adjust the trading price of a mutual fund compared to its NAV. If the fund is in high demand and low supply, the market price will typically exceed the NAV. If there is low demand and much supply, the market price will usually be lower than the NAV
- Fund management - Another reason why there may be a price deviation between the NAV and market price is the management team responsible for the

fund itself. Sometimes, if the manager is highly regarded, a premium will be paid by investors wishing to hold the fund. If the management is not as highly regarded, the fund may trade at a discount.

- Expectation - Similar to a stock, the expectation that a mutual fund's portfolio will perform well may affect whether the market price is above or below the NAV. Portfolios with assets expected to perform well in the near future will demand a premium to NAV, while those with assets expected to perform poorly may sell at a discount.

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2.7 Classification of mutual funds in Ghana

Jayadev (1998) classified mutual funds into four main categories. These are;

2.7.1 Money Market Funds

According to Baumol et al (1990) these funds invest in short-term (less than one year to maturity) corporate and government debt securities such as treasury bills, and corporate notes. Some money market funds specialize in or invest only in Treasury Bills or Government short term money instruments. Bhole (1991) emphasized that aiming for protection; money market funds are considered the safest place to invest money in mutual funds. They do not provide much potential for income or growth. However, they do seek to generate a small amount of return by loaning money on a short-term basis, anywhere from one day to up to a year. These loans are considered low-risk

because they are such short-term.

Fredman and Russ (1998) argued that money market funds are also typically the class of fund that earns the least for investors. Meaning these funds charge low interest rates for the loans, thus earning you small amounts on your investment. Markham (2000) further stated that money market funds try to maintain a consistent share price of \$1 by paying out all of the earnings to shareholders and by avoiding securities that can rise and fall in price (so there are no capital gains to distribute). Unlike certificates of deposit (CDs), money market shares are liquid and redeemable at anytime.

Bogle (1994) identified the types of money market funds as follows:

- Taxable
- Government
- Municipal

2.7.2 Bond/income funds

Baumol et al (1990) established that income funds are named appropriately: their purpose is to provide current income on a steady basis. When referring to mutual funds, the terms "fixed-income," "bond," and "income" are synonymous. These terms denote funds that invest primarily in government and corporate debt. Gardner et al (2000) revealed that while fund holdings may appreciate in value, the primary objective of

these funds is to provide a steady cash flow to investors. As such, the audience for these funds consists of conservative investors and retirees. According to Gupta (1993) bond funds are likely to pay higher returns than certificates of deposit and money market investments, but bond funds are not without risk. Because there are many different types of bonds, bond funds can vary dramatically depending on where they invest. For example, a fund specializing in high-yield junk bonds is much more risky than a fund that invests in government securities.

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Bhole (1991) accentuated that aiming for income, bond funds loan money to corporations and/or government agencies. So, in general, if you invest in a bond fund, you are loaning money in order to receive regular interest payments until the borrower has repaid the balance of the loan. Bond funds, therefore, are typically for earning a somewhat predictable amount of income. Dick (2000) further stated that in times of falling interest rates, however, a bond fund could increase in value, growing your money through capital appreciation, as stock funds are meant to do. The opposite is also true; in times of rising interest rates, the bonds in your fund may lose value and cause you to lose money, even while you're earning income from interest. Arowolo (1971) documented that bond funds tend to be grouped according to the kinds of bonds in the fund. One can buy a fund that invests in:

- Corporate bonds: a corporation is the borrower
- Government bonds: the national government or its agency is the borrower

- **Municipal bonds:** a state or local government or its agency is the borrower.

Dick (2000) also affirmed that bond funds can be grouped according to the average length of the life of the bonds (their "average maturity") in the fund:

- **Short-term bond funds:** bonds typically maturing in less than five years
- **Intermediate bond funds:** bonds typically maturing in five to ten years
- **Long-term bond funds:** bonds typically maturing in ten to thirty years.

2.7.3 Growth or Equity Funds

Haslem and John (1998) referred equity funds as funds which invest primarily in common shares (equities) of local or foreign companies (if allowed), but may hold other assets as well. He further stated in his book that the goal of these funds is typically long-term growth through capital appreciation of the assets held. Some growth funds focus on large 'blue-chip' companies, while others invest in smaller or riskier companies. Chandra (1992) established that funds that invest in stocks represent the largest category of mutual funds. Generally, the investment objective of this class of funds is long-term capital growth with some income. Performance will be affected by the success or failure of specific investments and by the performance of the stock markets.

However, Coates and Roberts (1978) argued that there are many different types of equity funds because there are many different types of equities. The idea is to classify

funds based on both the size of the companies invested in and the investment style of the manager.

2.7.4 Balanced funds

According to Mckinnon (1973), the objective of these funds is to provide a balanced mixture of safety, income and capital appreciation. The strategy of balanced funds is to invest in a combination of fixed income and equities. That is, these funds are invested in a 'balanced' portfolio of equities, long-term debt securities and money market instruments with the objective of providing reasonable returns with low to moderate risk. Damodaran (1994) confirmed that a typical balanced fund might have a weighting of 60% equity and 40% fixed income. The weighting might also be restricted to a specified maximum or minimum for each asset class. A similar type of fund is known as an asset allocation fund. Levine (2002) stated that its objectives are similar to those of a balanced fund, but these kinds of funds typically do not have to hold a specified percentage of any asset class.

The portfolio manager is therefore given freedom to switch the ratio of asset classes as the economy moves through the business cycle. Balanced funds aim for the best of both stocks and bonds. Ghani and Ejaz (1992) indicated that these funds mix stocks and bonds to give you a mixture of growth potential and income potential, as well as a little more protection during periods of dropping prices. Because of the mix, balanced funds tend to offer a return on investment over the long-term somewhere between a growth

stock fund and a traditional bond fund. The stocks are typically meant to provide price appreciation potential, while the bonds are meant to provide income and a measure of price stability. Dick (2000) in his book 'mutual fund wealth builder' further identified three other classes of mutual funds used in Tanzania and these include the following.

2.7.5 Global and foreign funds

Mckinnon (1973) indicated that these funds may be fixed income, growth, or balanced funds that invest in foreign securities. An international fund (or foreign fund) invests only outside your home country. Global funds invest anywhere around the world, including your home country. Fredman (1998) argued that it's tough to classify these funds as either riskier or safer than domestic investments and they do tend to be more volatile and have unique country and/or political risks. But, on the flip side, they can, as part of a well-balanced portfolio, actually reduce risk by increasing diversification and exposure to foreign companies. Jayadev (1998) claimed that although the world's economies are becoming more inter-related, it is likely that another economy somewhere is outperforming the economy of your home country. In addition to the normal risk of asset devaluation, international funds also face exchange rate risk.

2.7.6 Specialty funds

Bogle (1994) referred to specialty funds as those funds which invest primarily in a

specific geographical area (e.g. Africa) or in a specific industry (e.g. high-technology companies). As a result, specialty funds are subject to a certain risk-level related to the market in which it specializes. Types of risks specialty funds face include foreign exchange, political, geographical or sectoral (industry) risk. Becker and Vanghan (2001) stated that this type of mutual fund forgoes broad diversification to concentrate on a certain segment of the economy and further identified that sector funds are targeted at specific sectors of the economy such as financial, technology, health, etc. Sector funds are extremely volatile. There is a greater possibility of big gains, but you have to accept that your sector may tank. Regional funds make it easier to focus on a specific area of the world. This may mean focusing on a region (say Ashanti region) or an individual country (for example, only Ghana). Graham and Dodd (1951) confirmed that an advantage of these funds is that they make it easier to buy stock in foreign countries, which is otherwise difficult and expensive. Just like for sector funds, you have to accept the high risk of loss, which occurs if the region goes into a bad recession. Jayadev (1998) added that socially-responsible funds (or ethical funds) invest only in companies that meet the criteria of certain guidelines or beliefs. Most socially responsible funds don't invest in industries such as tobacco, alcoholic beverages, weapons or nuclear power. The idea is to get a competitive performance while still maintaining a healthy conscience.

2.7.7 Index funds

Ralph (1999) defined index funds as those funds which are invested in a portfolio of securities selected to represent a specified target index or benchmark, such as the GSE All-Share Index and Databank Stock Index. The associated risk is directly related to the risk of the market that the index is measuring, such as the stock market. This type of mutual fund replicates the performance of a broad market index such as the S&P 500 or Dow Jones Industrial Average (DJIA). An investor in an index fund figures that most managers can't beat the market. An index fund merely replicates the market return and benefits investors in the form of low fees. Fredman and Russ (1998) stated that since many stock indexes are weighted based on the market capitalizations of their component stocks, index funds must periodically "rebalance" their holdings to more accurately track the index as stock prices (and market capitalizations) fluctuate. Dick (2000) also documented that Index funds are low-cost mutual funds that seek to mirror the performance of the broader markets they represent. Years of investment research show that mutual fund managers who try to buy and sell individual companies based on their own research have a hard time outperforming the broader markets over time. That's why index funds are so attractive.

2.8 Usage of mutual funds in Ghana

Mutual funds can invest in many different kinds of securities. The most common are

cash, stock, and bonds, but there are hundreds of sub-categories. Stock funds, for instance, can invest primarily in the shares of a particular industry, such as technology or utilities. These are known as sector funds. Gelb (1989) revealed that bond funds can vary according to risk (e.g., high-yield junk bonds or investment-grade corporate bonds), type of issuers (e.g., government agencies, corporations, or municipalities), or maturity of the bonds (short- or long-term). Both stock and bond funds can invest in primarily U.S. securities (domestic funds), both U.S. and foreign securities (global funds), or primarily foreign securities (international funds).

Gupta (1993) asserted that most mutual funds' investment portfolios are continually adjusted under the supervision of a professional manager, who forecasts the future performance of investments appropriate for the fund and chooses those which he or she believes will most closely match the fund's stated investment objective. A mutual fund is administered through a parent management company, which may hire or fire fund managers. Ralph (1999) viewed that mutual funds are liable to a special set of regulatory, accounting, and tax rules. Unlike most other types of business entities, they are not taxed on their income as long as they distribute substantially all of it to their shareholders. Also, the type of income they earn is often unchanged as it passes through to the shareholders. Mutual fund distributions of tax-free municipal bond income are also tax-free to the shareholder. Taxable distributions can be either ordinary income or capital gains, depending on how the fund earned those distributions. Bogle (1994) identified following as the prospects of mutual funds.

2.8.1 Diversification

Dick (2000) claimed that a basic investing principle of investing is diversification, which says that you should not put all your eggs in one basket. By investing in mutual funds with different investment strategies, you invest in a broad basket of stocks, bonds and cash whose investment returns often move independent of each other. Gardener (2000) presumed that the best mutual funds design their portfolios so individual investments will react differently to the same economic conditions. For example, economic conditions like a rise in interest rates may cause certain securities in a diversified portfolio to decrease in value. Other securities in the portfolio will respond to the same economic conditions by increasing in value. When a portfolio is balanced in this way, the value of the overall portfolio should gradually increase over time, even if some securities lose value. Thus, investing in a number of different securities helps reduce the risk of investing. When the investor buys a share in a fund, he buys an interest in a portfolio of dozens of different securities, giving him instant diversification, at least within the type of securities held by the fund. For example, a portfolio made up of shares from various companies is a good example of diversification. Levine (2002) argued that although diversification, or holding several types of assets in an investment portfolio to reduce risk, is an important part of any investment strategy, investors with a small amount of capital (say \$5,000) may find it difficult and expensive to purchase small amounts of various stocks and bonds. By investing \$5,000 in a mutual fund, however, diversification can be achieved while

avoiding the transaction costs (i.e. commissions) that would be associated with purchasing each of the fund's holdings individually.

2.8.2 Professional management

According to Falkenstein (1996) by pooling the funds of thousands of investors, mutual funds provide full-time, high-level professional management that few individual investors can afford to obtain independently. Such management is vital to achieving results in today's complex markets. Levine et al (2000) indicated that fund managers' interests are tied to that of investors, because their compensation is based not on sales commissions, but on how well the fund performs. These managers have instantaneous access to crucial market information and are able to execute trades on the largest and most cost-effective scale. Also, Bogle (1994) shared the same view that, for individual investors who do not have the time or knowledge necessary to manage their own investment portfolio, mutual funds offer the services of an experienced asset manager at a lower cost than hiring a personal investment advisor.

2.8.3 Liquidity

Robert (1998) defined liquidity as the means of being able to sell your shares quickly and at a fair price. Bogle (1994) confirmed that for most mutual funds, the fund company itself is always ready to buy back your shares. Investors invest in any mutual fund also get the advantage of high Liquidity of the fund invested in the mutual funds

they are given some equity position in that fund. The investors can any time sell their mutual fund shares to get back the money invested in mutual funds. Haslem and John (1988) revealed that the only thing is that the Rate of Return that they will get may not be favorable as the return depends on the present market condition. Also, shares of open-end mutual funds can be redeemed at any time at the Net Asset Value per Share (NAVPS) of the fund.

2.8.4 Cost efficiency

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Dick (2000) stated that putting your money together with other investors creates collective buying power that may help you achieve more than you could on your own. As a group, mutual fund investors can buy a large variety and number of specific investments. Wikipedia (2008) added that mutual funds trade many times more shares than does the average investor. As a result, brokerages are often willing to accept lower transaction fees as a necessary cost of doing business with mutual funds. Therefore, they can also afford to pay for professional money managers and fund operating expenses, where they wouldn't be able to afford it on their own.

2.8.5 Flexibility

According to www.investopedia.com (2007) many fund management companies administer several different funds. (E.g. money market, fixed-income, growth, balanced

and international funds) and allow the investor to switch between funds within their 'fund family' at little or no charge. Levine (2002) established that this can enable the investor change the balance of his portfolio as his personal needs or market conditions change. For instance, with mutual funds, an investor own just one security rather than many, yet enjoy the benefits of a diversified portfolio and a wide range of services. Bhole (1991) highlighted that fund managers decide what securities to trade, clip the bond coupons, collect the interest payments and see that the investor's dividends on portfolio securities are received and their rights exercised. It's easy to purchase and redeem mutual fund shares, either directly online or with a phone call.

2.9 Challenges of mutual funds in Ghana

Grinblatt et al (1989) observed that although there are mutual funds which are the exception to the rule and there certainly is a place for them with investors who are too small to adequately own individual companies outright, there are significant drawbacks associated with mutual funds and these include the following:

2.9.1 No Guarantee

Mutual funds are like many other investments without a guaranteed return. Falkenstein and Eric (1996) stressed that unlike fixed-income products, such as bonds and Treasury

bills, mutual funds experience price fluctuations along with the stocks that make up the fund. That is, the value of your mutual fund investment could fall and be worth less than the principle initially invested. Markham (2000) added that while a money market fund seeks a stable share price, its yield fluctuates, unlike a certificate of deposit. Additionally, investopedia (2008) further stated that mutual funds are not guaranteed by an agency of the U.S. government. Bond funds, unlike purchasing a bond directly, will not re-pay the principle at a set point in time.

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2.9.2 Over diversification

Berk and Richard (2002) criticized that although diversification is one of the keys to successful investing, many mutual fund investors tend to over diversify. The idea of diversification is to reduce the risks associated with holding a single security; over diversification (also known as diworsification) occurs when investors acquire many funds that are highly related and so don't get the risk reducing benefits of diversification. Carhart and Mark (1997) also cited that "just because you own mutual funds doesn't mean you are automatically diversified". For example, a fund that invests only in a particular industry or region is still relatively risky.

2.9.3 Costs

Fredman et al (1998) argued that mutual funds provide investors with professional management; however, it comes at a cost. Funds will typically have a range of different

fees that reduce the overall payout. Dick (2000) identified that in mutual funds the fees are classified into two categories: shareholder fees and annual fund-operating fees. The shareholder fees, in the forms of loads and redemption fees are paid directly by shareholders purchasing or selling the funds. The annual fund operating fees are charged as an annual percentage - usually ranging from 1-3%. Wikipedia (2008) added that these fees are assessed to mutual fund investors regardless of the performance of the fund. As you can imagine, in years when the fund doesn't make money these fees only magnify losses.

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2.9.4 Evaluating funds

According to Levine (2000) another challenge of mutual funds is the difficulty they pose for investors interested in researching and evaluating the different funds. Unlike stocks, mutual funds do not offer investors the opportunity to compare the P/E ratio, sales growth, earnings per share, etc. A mutual fund's net asset value gives investors the total value of the fund's portfolio less liabilities, but how do you know if one fund is better than another?

In view of Carhart (1997) advertisements, rankings and ratings issued by fund companies only describe past performance. More often than not, mutual fund descriptions/advertisements always include the tagline "past results are not indicative of future returns". Therefore, investors must be sure not to pick funds only because they

have performed well in the past since yesterday's big winners may be today's big losers.

2.9.5 Inefficiency of cash reserves

As stated previously, mutual funds pool money from thousands of investors, so everyday investors are putting money into the fund as well as withdrawing investments. Drumes (2003) suggested that to maintain liquidity and the capacity to accommodate withdrawals, funds typically have to keep a large portion of their portfolio as cash. Grinblatt and Titman (1989) claimed that having ample cash is great for liquidity, but money sitting around as cash is not working for you and thus is not very advantageous.

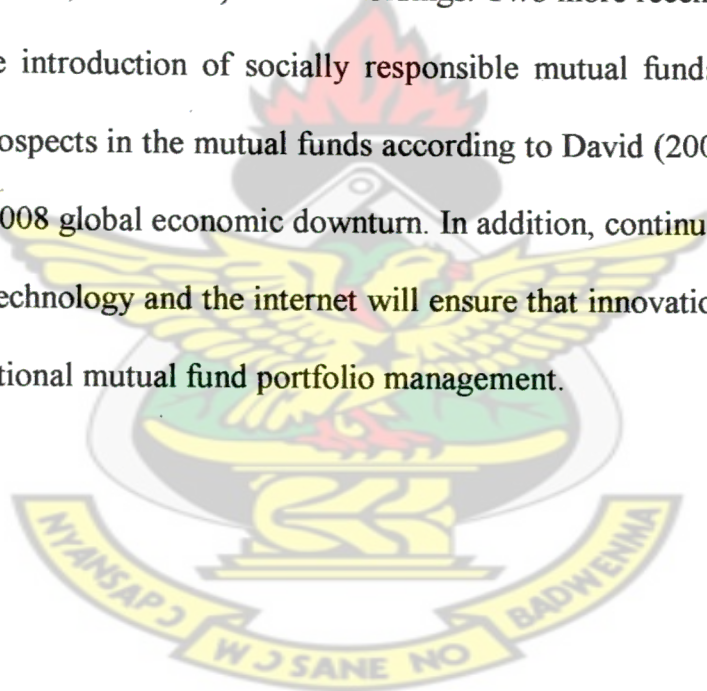
2.9.6 No Insurance

According to Gupta (1993), mutual funds, although regulated by the government, are not insured against losses. Fredman et al (1998) identified that the Federal Deposit Insurance Corporation (FDIC) only insures against certain losses at banks, credit unions, and savings and loans, not mutual funds. That means that despite the risk-reducing diversification benefits provided by mutual funds, losses can occur, and it is possible (although extremely unlikely) that you could even lose your entire investment.

2.10 Prospects of mutual funds in Ghana

Whether in technology, marketing or the mutual fund industry, prospects of mutual funds is a continual process of change in its formation. Howe and Pope (1996) stated

that as the demands of investors change, as regulations are passed, as new technology becomes available and as new intellectual discoveries are made, mutual fund families face new profit opportunities and the market place changes. According to Tkac (2007), a major type of innovation in mutual funds has been to extend the product to include portfolios in other asset classes, including all types of bonds (corporate, municipal, high yield), international equities and debt and short-term market instruments. Moreover, there is now a language to describe the mutual fund portfolios. Mutual funds are now commonly categorized by the capitalization (small, mid-cap, large) and the growth orientation (growth, value, and blend) of their holdings. Two more recent innovation in this vein include the introduction of socially responsible mutual funds and the new 130/30 funds. But prospects in the mutual funds according to David (2009), has cooled in the course of the 2008 global economic downturn. In addition, continuing progress in the development of technology and the internet will ensure that innovation continues in the provision of traditional mutual fund portfolio management.



CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter deals with research methodology used by the researcher to obtain information in relation to the study. It looks at the choice of methods, techniques and procedures for gathering and analyzing data, research designs, population, sample and sampling procedures and instrument used in data collection. The essence of combining these tools is to produce research findings that are based on relevant and verifiable evidence to warrant valid conclusion.

3.2 Research Design

For a successful study of the problem, the research took place in the premises of the Databank, Accra. An exploratory qualitative case based approach was employed to collect data because it is an appropriate tool for studying new methods and practices among mutual fund companies.

Also it helps to gain insight as to how such practices and methods suit these companies; helping them manage the numerous constraints that confront them in mobilizing savings. As regards this research, the conceptual design is that research problem and research questions inform the formulation of research objectives which guided literature review. Data collected from units of analysis were analyzed and inferences drawn based on phenomena observed.

3.3 Population

The population of study encompasses all mutual fund companies with focal attention on Databank in the Accra metropolis. Data were collected from databank fund holders. To identify and separate mutual fund companies that fall within the objectives of this research, the definition of Fredman et al (1998) was adopted. Hence, a mutual fund company shall be an investment company, such as an open-end or closed-end mutual fund, which is licensed by the Securities and Exchange Commission to pool money from many investors and invests it in stocks, bonds, short-term money market instruments, and/or other securities and also meets all the other requirements of the Investment Company Act of 1940.

3.4 Sample and sampling procedures

For the purpose of this study, the activities of Databank have been studied in the Accra metropolis. In the selection of the mutual fund companies, purposive sampling technique was used based on the following criteria:

- The financial institution should boast of fund holders not less than 10000.
- The institution must be legally registered as a separate management company or trust with the Securities and Exchange Commission.
- The institution must have been in operation in the Accra metropolis for at least five years.

The major fund holders were identified during an annual general meeting held by the selected mutual fund company in Accra. However, due to the significant number of investors of this company and for the purpose of this research, the present populations of the mutual fund company customers' base were combined. The sampling frame is thus 22,169. Also, 130 respondents co-operated with the collection but 6 responses were discarded because of incomplete information with the remainder of 124 being the sample size. The fund holders of the selected mutual fund company were interviewed by means of a simple random sampling technique. This technique has been adopted because the sample units are homogeneous as a result of the similarity in the goal they hope to attain.

3.5 Data collection

For a successful study, a combination of questionnaire, interview and document analysis were used. The essence of this was to view the problem from multi dimensional approach. Data for this study was collected from both primary and secondary sources. The primary data were collected purposely for investigating the problem while the secondary data were used to develop literature on the problem and how it can help address the problem. Primary data was sourced from the field of study through questionnaire administration and interviews.

The questionnaires were carefully developed and debugged before they were administered by the investors of the mutual fund company chosen for the study. The

questions were both closed and open-ended ones. The open-ended ones were used to give respondents the opportunity to express their own opinion about issues and the close-ended ones used to obtain precise and impeccable responses to questions. Probing questions was also posed with completing, amplifying and expanding information given by respondents.

Formal and informal interview were held for management of these mutual fund companies to obtain essential information. Informal interview has been adopted to making sure that additional information that could not have been gathered through the use of questionnaires was captured. The formal interviews using questionnaires was also used to ensure that the researcher stayed focused on the background objectives that formed the basis of the study.

3.6 Data Analysis

In terms of data analysis, both the quantitative and qualitative techniques were employed to describe and identify trends that are emerging to enable inferences to be made. Quantitative data was analyzed by means of the Statistical Package for Social Sciences (SPSS). This is necessitated by the fact that the analyzed quantitative data ought to be presented by graphs to give a quick visual impression of what it entails. SPSS, which is software specially designed for processing data into a pictorial form has therefore been essential for this study.

In addition, Microsoft Excel was also used in instances where it was difficult to import certain data format to the Statistical Package for Social Science (SPSS) software work environment. Some calculations and pictorial representations were done with excel. Qualitative data on the other hand has been analyzed critically by means of empirical judgment with the aid of indicators.

3.7 Company's profile

Databank was founded in April 1990 to provide corporate and public finance advisory services to companies in Ghana. Databank currently consists of Databank Brokerage Ltd, Databank Asset Management Services Ltd, Databank Corporate Finance Ltd, Databank Research and Information Ltd, and Databank Securities Ltd. In Ghana, the institution's registered head office is located in Accra and has its branches in Tema, Takoradi, Kumasi and The Gambia.

However, Databank money market fund started operation on the 16th April, 2004 as an authorized mutual fund to provide high current income with the maintenance of liquidity and preservation of capital. The objective of the fund is to provide high current income consistent with the maintenance and preservation of capital. The fund's investment includes: treasury securities, commercial paper, banker acceptances, certificate of deposit etc. The Mfund which is managed by Databank Asset Management Services Limited (DAMSEL) was licensed on January 6th, 2004 by the

Securities and Exchange Commission (SEC) to operate as the first money market in the history of Ghana.

3.7.1 Corporate mission

The mission of Databank is to provide innovative and responsive corporate advisory, brokerage, fund management and research services to local and foreign individuals, multinational companies, institutions and portfolio investors in the ECOWAS subregion by:

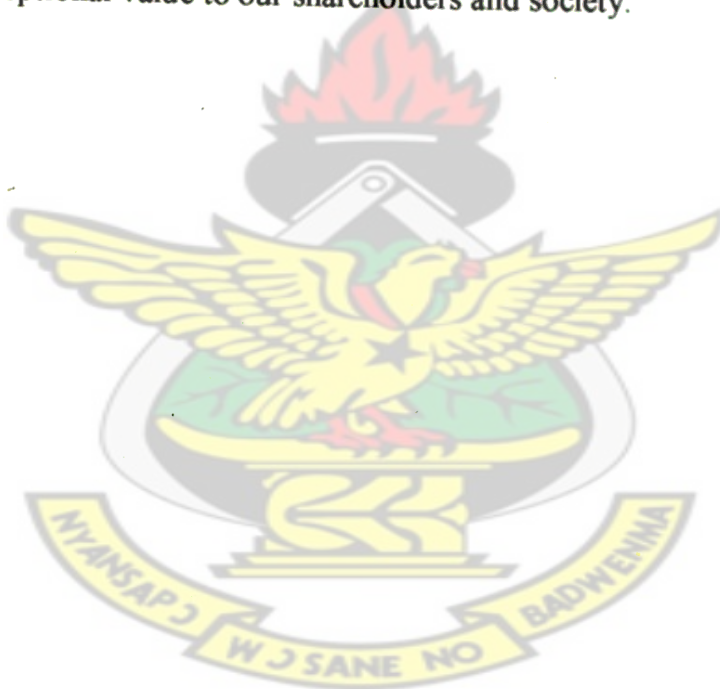
- Maintaining high professional standards with the objective of consistently respecting and creating wealth for our clients.
- Becoming the gold standard in customer service by meeting client needs with innovative and creative financial products, financial solutions, services and care.
- Striving to recruit and retain the best and the brightest, who know and practice the value of hard work and possess a strong sense of character, competence and care and have a commitment to the firm's values of Leadership, Excellence, Humility and Integrity.
- Earning the brand 'the best place to work' for staff: creating an enabling working environment while creating an effective balance in their spiritual, financial, intellectual and physical care.
- To perfect Christian Stewardship as our *raison d'être* and enhancing the firm's LIFE (Labor, Influence, Finance & Expertise) contribution to society.

3.7.2 Corporate vision

The Vision of Databank is to become the dominant asset management firm in West Africa by 2015 by engendering a savings culture in people, creating wealth for generations of investors and abiding by Christian Stewardship principles.

Also to remain pioneers and leaders in our field by:

- Delivering superior financial services and creating wealth for our clients
- Striving to become the Gold Standard in Customer Service
- Inducing a passion for excellence in our employees and
- Returning exceptional value to our shareholders and society.



CHAPTER FOUR

4.0 FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

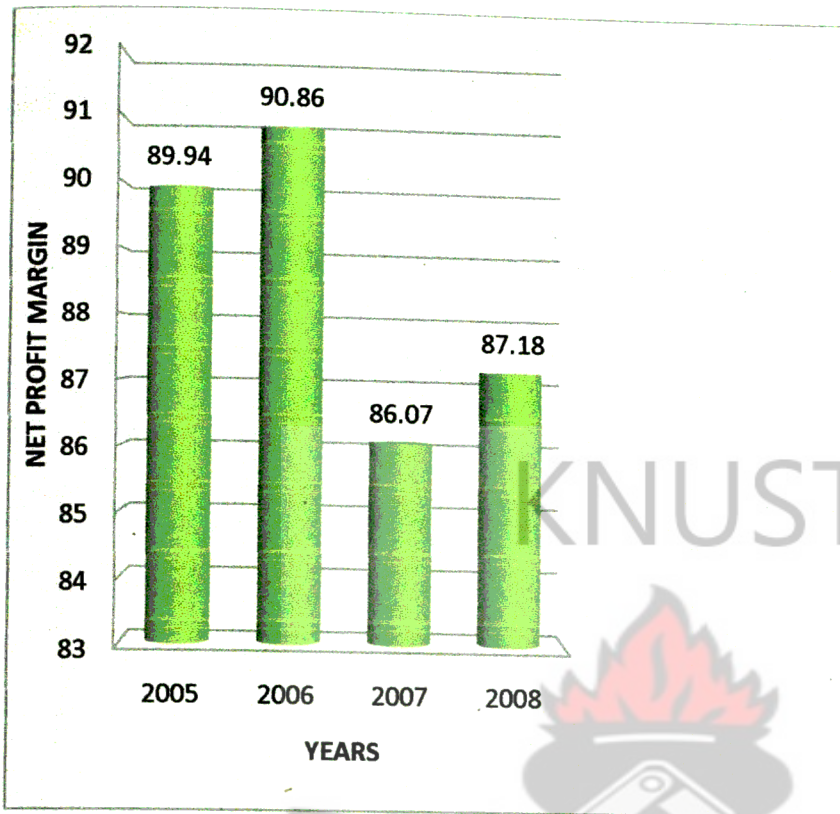
This chapter gives brief description of the study area and analyzes and discusses data gathered from field survey to answer research questions and satisfy objectives of the study. These findings have further been presented in diagrams and tables with implications drawn and made.

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4.2 PERFORMANCE OF DATABANK MONEY MARKET FUND (MFUND)

The findings commences by analyzing the performance of fund using the profitability ratios. The net profit margin shows how income from interest earnings in excess of interest expense has contributed to the net profit of Databank. This has taken into account only interest income. The net profit margin of Databank has been encouraging over the period and has served as an indicator of the company's pricing policies and its ability to control costs. Analysis of the annual report reviewed that the 2007 fiscal year recorded the lowest percentage of 86.07%. The 2006 fiscal year recorded the highest percentage of 90.86%, followed by 2005 with a percentage of 89.94% and 87.18% in 2008. The rise and fall in net profit margin was due to the rise and fall of operating expenses which involves bank charges, administrative expenses, directors' emoluments and auditors' remuneration for the period under review. Figure 1 below shows the trend of the net profit margin from 2005 to 2008.

Figure 1: A Chart of Net Profit Margin between 2005 and 2008

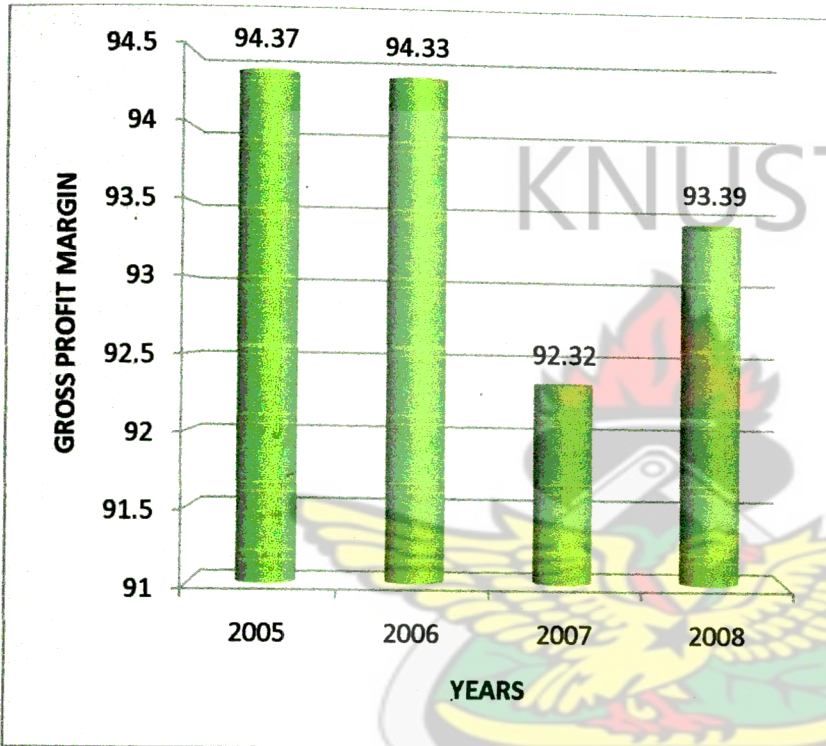


Source: Databank Annual Report, 2005 – 2008 (Appendix 1)

The gross profit margin of Databank has been fluctuating over the period under study with 2005 recording the highest percentage of 94.37%. It was followed by 2006 with a percentage of 94.32%. Databank recorded the lowest gross profit margin for the period was 2007 with a percentage of 92.32%. It was observed that even though the gross profit margin was lower in the last two years (2007 and 2008) than the first two year (2005 and 2006) of the period under study, interest income was always more than interest expense for all the years under review. Meaning, the interest expenses were properly managed by the company. The decline in the gross profit margin in the 2007

and 2008 was attributed to the investors' inability to invest in the fund, due to increases in their cost of production which emanated from the global financial crisis. Figure 2 below shows a chart of the gross profit margin.

Figure 2: A Chart of Gross Profit Margin between 2005 and 2008

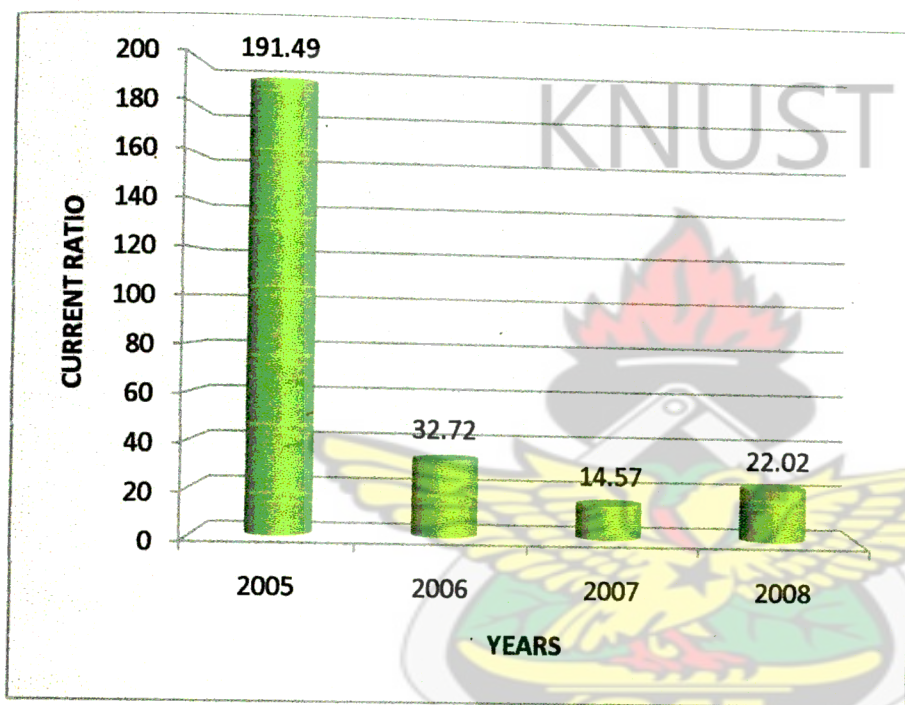


Source: Databank Annual Report, 2005 – 2008 (Appendix 1)

The performance of the fund is also examined by verifying its current ratio in order to determine the liquidity. Databank recorded the highest current ratio in the 2005 therefore, one could say that the company was able to meet its current or short-term obligation during that year. Despite the drastic reduction of the current ratio from 191.49 to as low as 14.57 as of 2005 to 2008, Databank was able to meet its

obligations. From the findings, it can be established that, databank has the ability to withstand greater financial shocks since its current ratio does not revolve around the minimum acceptable ratio. Figure 3 below shows the chart on current ratio over the years.

Figure 3: A Chart of Current Ratio (2005 – 2008)

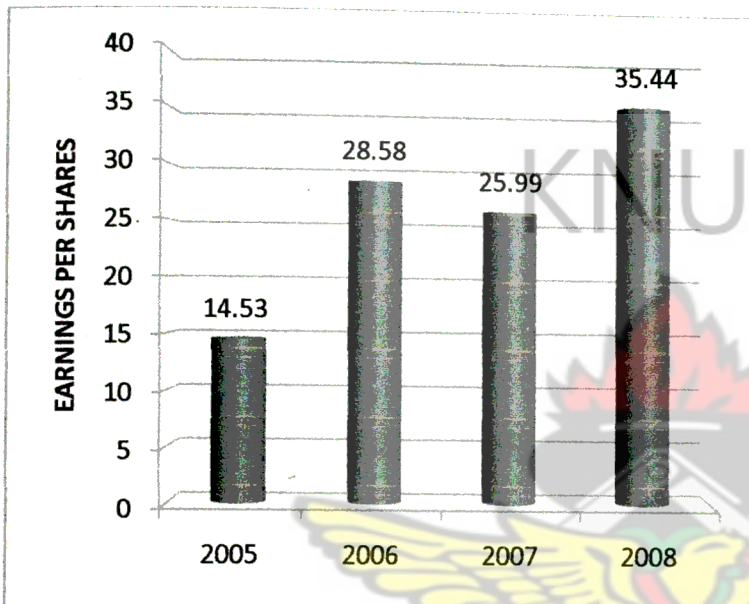


Source: Databank Annual Report, 2005 – 2008 (Appendix 2)

The earnings per share is regarded as a key ratio by fund investors. This demonstrates the earnings returned on the initial investment amount. The earnings per share for 2005 fiscal year was 14.53 GH Cedis which rose by 14.05 GH Cedis in 2006. But it fell by 2.59 GH Cedis as a result of the asset mix for that year. The earnings per share

improved slightly over the previous year scoring 35.44 GH Cedis for the 2008 fiscal year as a result of increase in investment income. Figure 4 shows the chart for the earnings per share.

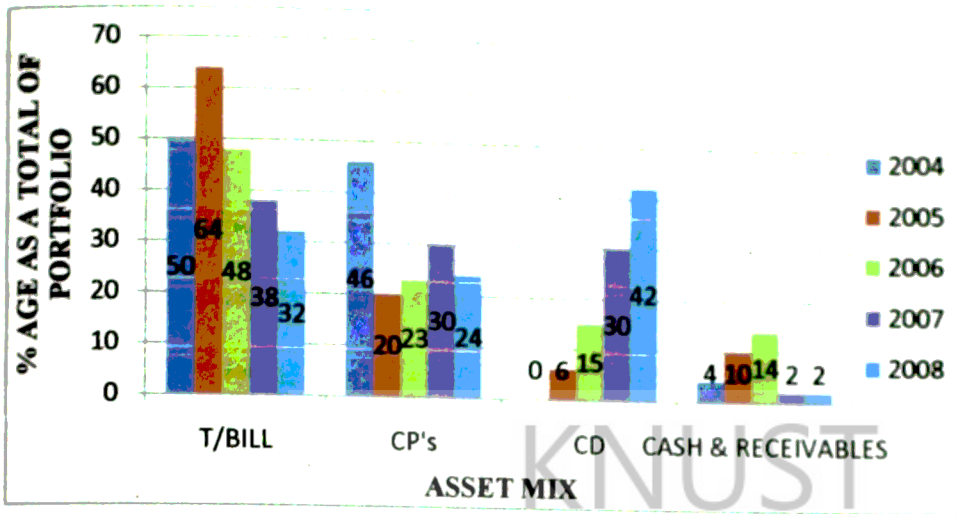
Figure 4: Earnings per share (2005 – 2008)



Source: Databank Annual Report, 2005 - 2008

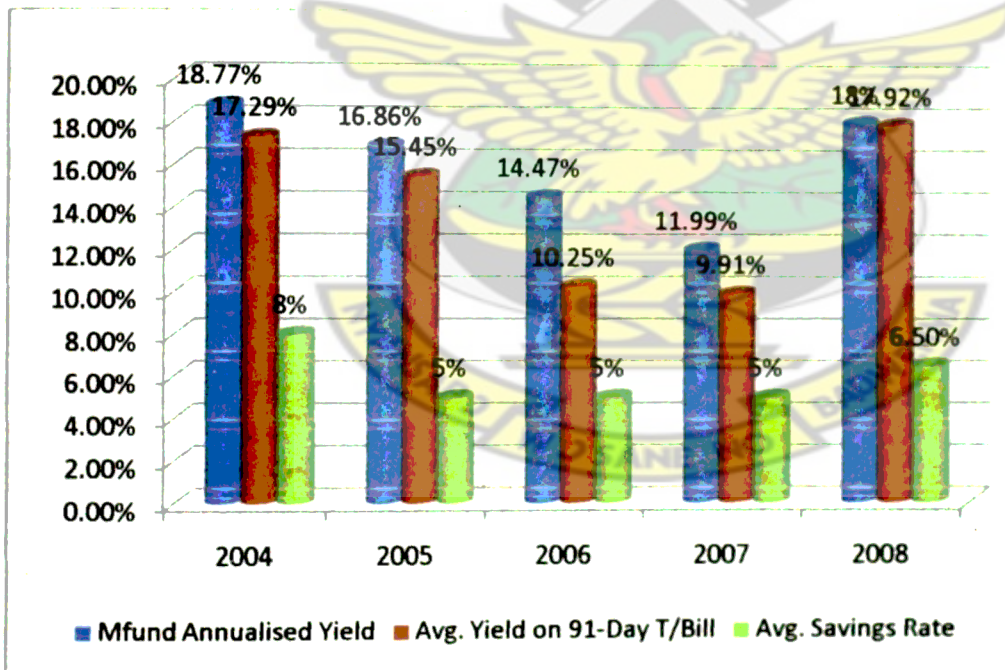
From the findings it was realized that in 2004, 50% of the Mfund's portfolio were invested in Treasury bill, 46% went to commercial papers and the rest 4% represented cash and receivables. Out of this, annualized yield of Mfund rose above the average yield on 91-day Treasury bill and average saving rate. Thus, the performance of the annualized yield of the Mfund was 18.77%, 1.48% more than that of Treasury bill and 10.77% more than average savings rate. Figure 5 below demonstrates the asset mix of the fund from 2004 to 2008 while figure 6 shows the annualized yield for Mfund, T-Bills and Bank savings.

Figure 5: Comparative Portfolio at a Glance (2004 – 2008)



Source: Databank Annual Report, 2008

Figure 6: Comparative Yield on Mfund, T-Bills and Bank savings



Source: Databank Annual Report, 2008

Due to the outstanding performance of the Mfund in the previous year, the asset mix for 2005 saw the percentage of Treasury bill increased to 64% with a decreased in commercial papers to 20%. Databank then introduced certificates of deposits as an asset with 6% and the remaining 10% went to cash and receivables. Despite the increment in Treasury bill, the Mfund performance fell by 1.91% (16.86%). Average yield of 91 Treasury bill and average savings rate realized a decrease in percentage yield of 15.45% and 5% respectively.

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However, in 2006, Mfund returned an annualized yield of 14.47%, compared with an average savings rate of 5%. Given the average inflation rate in 2006 (i.e. 10.24%) the fund gave shareholders a real return of over 4% during the period under review as explained by management. The fund thus achieved its principal objective of preserving invested fund as well as providing a real return over and above the yields on comparable instruments such as the Government 91-day Treasury bill. Nevertheless, the Mfund's annualized yield was 11.99% in 2007. This compares favorably with the average 91 day Treasury bill rate of 9.91% and bank savings rate of 5% after investing 38%, 30%, 30%, 2% into Treasury bill, commercial papers, certificates of deposits and cash and receivable respectively. The share price stood at GH¢0.164 at the close of 2007 as shown in table 1 below.

Table 1: Mfund Share price

	28/04/04	31/12/04	31/12/05	31/12/06	31/12/07	31/12/08
Share price(GH)	0.1000	0.1128	0.1280	0.1464	0.1639	0.1932
Number of shares (thousand)	0	14,877	56,959	78,911	91,031	91,384
Mfund value (thousand)	0	1,678	7,275	11,764	15,191	17,242
Number of shareholders	Nil	2,174	7,654	11,184	14,884	22,169

Source: Mfund Financial Report, 2008.

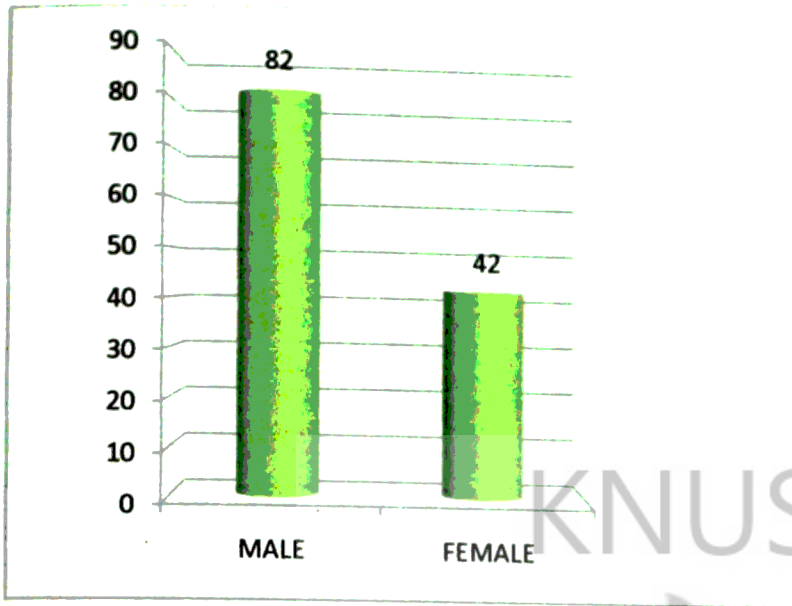
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From figure 5 and 6 above, one can say that performance of Mfund for the year 2008 was impressive witnessing an annualized yield of 18% thus 6.01% more than 2007, the reason being that the rate at which investors was able to maintain their funds was very high, enabling fund managers to invest in relatively higher-dated fixed income instruments. But it had a comparative yield of Treasury bill to be 17.92%.

4.3 Characteristics of respondents

The Mfund holders who responded to the questionnaires were 124 in number. Personal characteristics of respondents of the study were made up of 66.1% males and 33.9% females as shown in below. Appendix 3 exhibits the research questionnaires

Figure 7: A graph of Male and Female

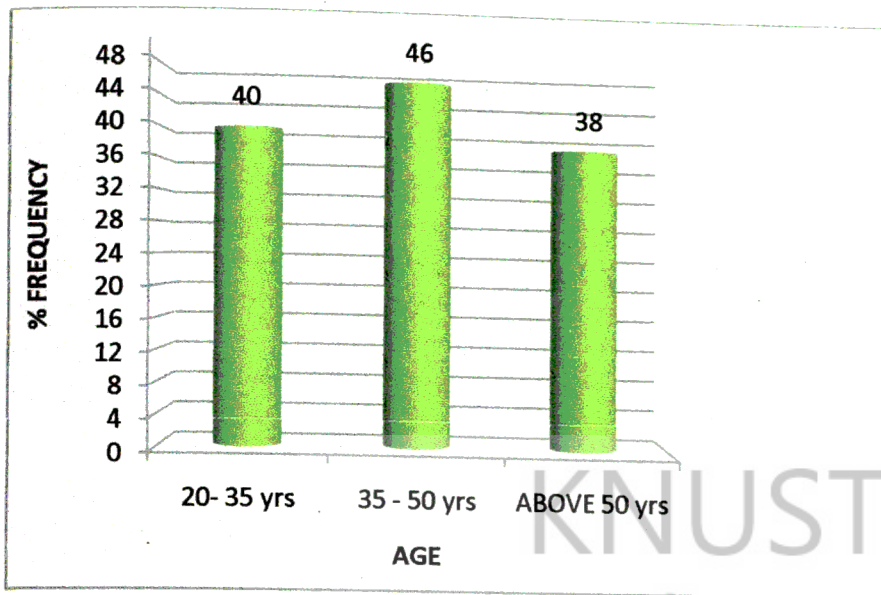


Source: Field Survey, July 2009

The outcome of the ratio of male to female does not necessarily mean that the fund has more males than females. But the current development through self reliant programs such as NGO (micro finance) and government drive at equipping and assisting women has made them more assertive. Therefore, it could be attributed to the limited period within which data was collected.

From the survey, it was established that majority of these Mfund holders are people in the active age group. About 32.3% of the respondents were between the ages 20-35 years, 37.1% were also found to be within the 35-50 years and the remaining 30.6% being above 50 years as shown in figure 8 below.

Figure 8: Age Distribution of Respondents

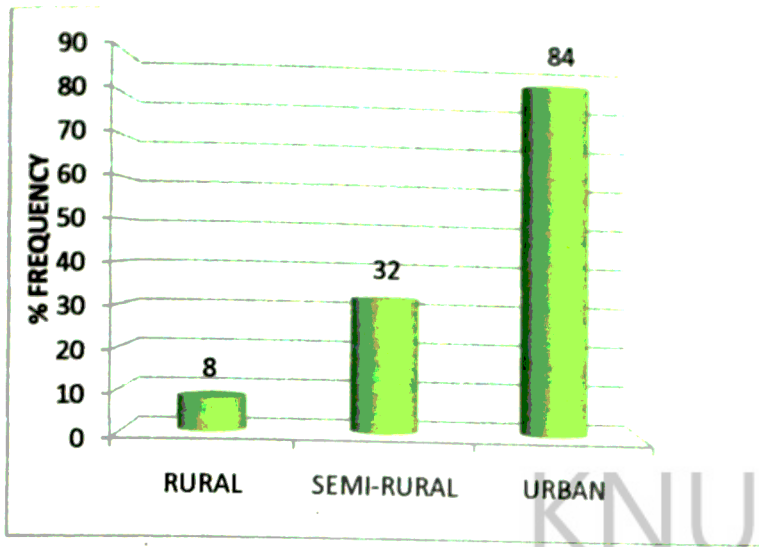


Source: Field Survey, July 2009

This implies that the fund has got an approximately equal age group. The findings provided an opportunity for fund to tailor fundholders character to specific needs of this age group either through the creation of more specialized funds or providing additional services to satisfy these age groups.

In all, about 6.5% of the respondents were based in the rural area, 25.8% and 67.7% were from semi-rural and urban areas respectively as presented in figure 9 below. The research found out that the fund members from the rural area were few due to the unavailability of databank branches in those areas and also it was realized that most of the rural folks were not earning enough to cater for their basic needs not to talk about saving or investing. A quick visual impression of the location of residence of respondents is shown in a diagram below.

Figure 9: Location of Respondents



Source: Field Survey, July 2009

It was also realized that about 54% of the respondents were married, 42% were not yet married and the remaining 4% were widowed with as much as 50% of the respondents having big family size (i.e. more than 5 members) and therefore saved occasionally as a result of the numerous responsibilities taken. About 35% of the respondents belonged to medium size family (i.e. 4-5 members) which makes their savings rate quite active and the rest 15% having small size of family (i.e. up to 3 members) which might presupposes that their responsibilities are minimal thereby giving them the ability to save regularly. From the responses given, it was evident that about 41.9% of the respondents received a monthly family income below GH ₵100, about 32.3% earned income between the range of GH₵101 - GH₵200 monthly, 19.4% received GH₵201-GH₵500. The remaining 6.5% earned above GH₵500 monthly. Table 2 and figure 10 demonstrate the monthly family income below.

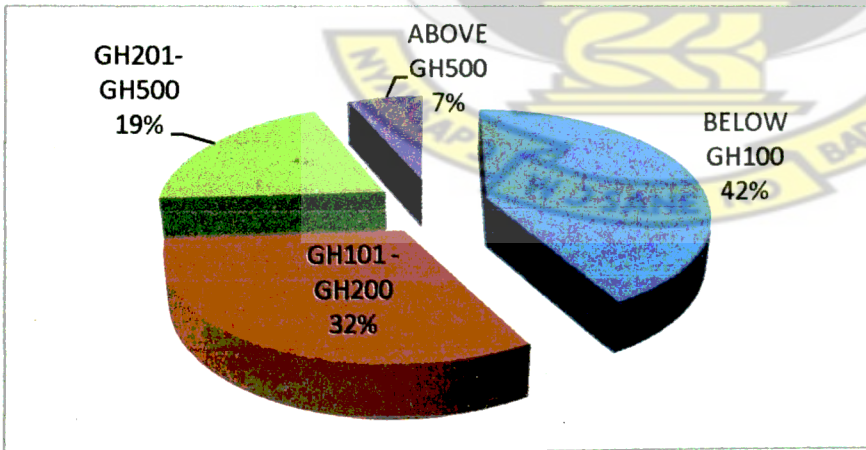
Table 2: Monthly Family Income

	FREQUENCY	PERCENT	CUMULATIVE PERCENT
BELOW GH100	52	41.9	41.9
GH100 -GH200	40	32.3	74.1
GH200-GH500	24	19.4	93.5
ABOVE GH500	8	6.5	100.0
TOTAL	124	100.0	

Source: Field Survey, July 2009

Taking the current economic condition of Ghana into consideration, one could say that majority of the respondents especially those who are not earning much with big family size would definitely find it difficult saving.

Figure 10: Monthly Family Income



Source: Field Survey, July 2009

Also, the research found out that about 44.4% of the respondents monthly family savings were below GH¢10, 25.8% saved in the range of GH¢10-GH¢20, monthly with 12.1% saving between GH¢21-GH¢50. Only 17.7% of the respondents saved above GH¢50 as depicted in table 3 below. From this finding, one could deduce that majority of the respondents saved below GH10 as result of the small income earned but others were simply not motivated to save due to the low returns they get at the end of the day.

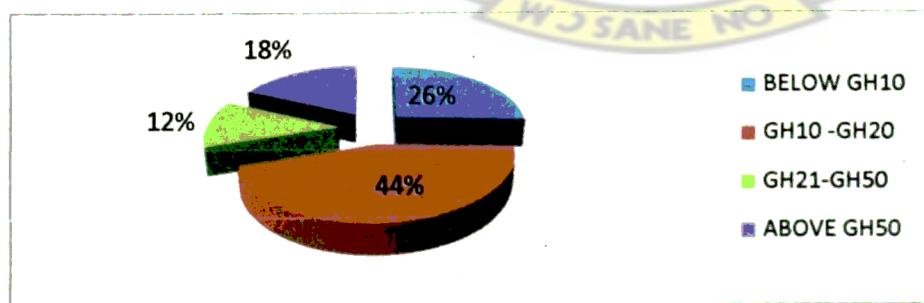
Figure 11 shows a graphical representation of the monthly family savings.

Table 3: Monthly Family Savings

	FREQUENCY	PERCENT	CUMULATIVE PERCENT
BELOW GH¢10	55	44.4	44.4
GH¢10 -GH¢20	32	25.8	74.1
GH¢21-GH¢50	15	12.1	93.5
ABOVE GH¢50	22	17.7	100.0
TOTAL	124	100.0	

Source: Field Survey, July 2009

Figure 11: Monthly Family Savings



Source: Field Survey, July 2009

From the survey, about 75% of the respondents admitted that they depend on debt as a source of income and that it was the major reason for their inability to save at the end of the month. As a result of this, about 21% of the respondents pay below GH¢100 debt monthly, 21.8% monthly debt was between GH¢100-GH¢200, 33.1% repaid debt within the range of GH¢201-GH¢500 and 12.1% respondent paid debt above GH¢500 and the remaining 12.1% paid no debt as presented in Table 4 below.

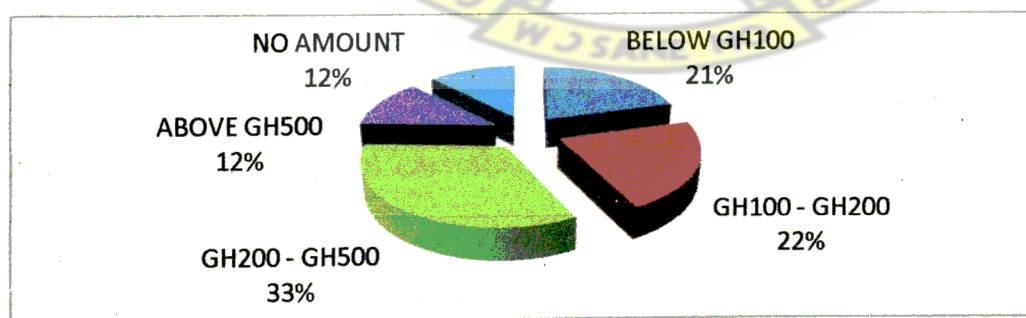
Table 4: Repayment of Monthly Debt

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	FREQUENCY	PERCENT	CUMULATIVE PERCENT
BELOW GH¢100	26	21.0	21.0
GH¢100 - GH¢200	27	21.8	42.8
GH¢201 - GH¢500	41	33.1	75.9
ABOVE GH¢500	15	12.1	87.9
NO AMOUNT	15	12.1	100.0
TOTAL	124	100.0	

Source: Field Survey, July 2009

Figure 12: Repayment of Monthly Debt



Source: Field Survey, July 2009

Many people receive information through various mediums. This section sought to categorize the most important sources of information for the investment decision from the respondents' perspective. From the table 5 below, it can be established that most of the respondents get information for their investment decision primarily from friends and relatives. About 12.1% of the respondents got to know Databank mutual fund scheme (Mfund) by enquiries from their branches and television.

Table 5: Sources of Information for Investment Decision

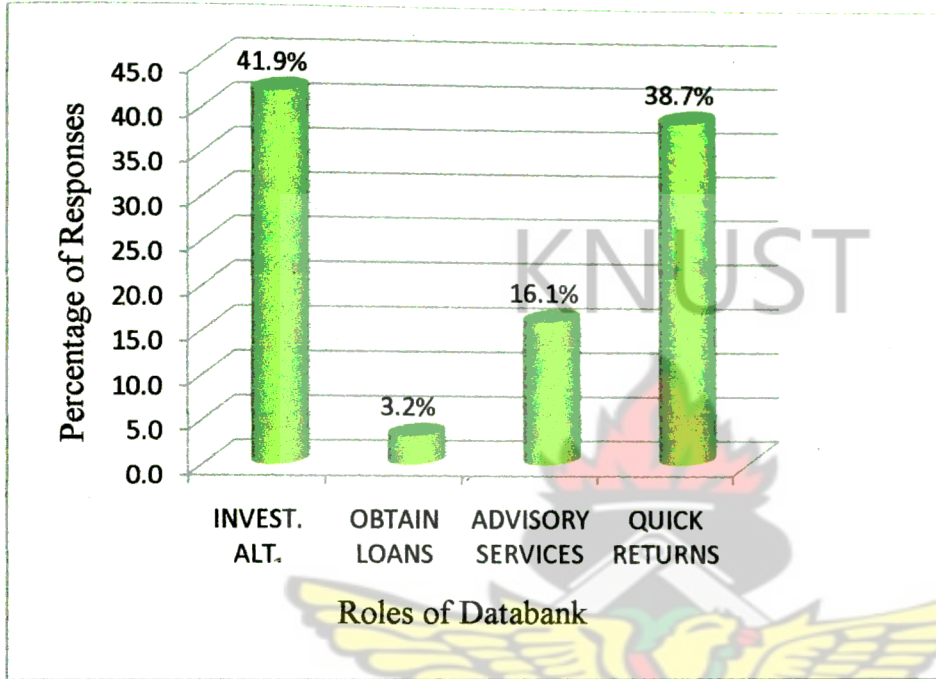
	FREQUENCY	PERCENT	CUMULATIVE PERCENT
DATABANK BRANCHES	28	22.6	12.1
ADVERTISEMENT	18	14.5	26.6
RELATIVE & FRIENDS	63	50.8	77.4
TELEVISION	15	12.1	100.0
TOTAL	124	100.0	

Source: Field Survey, July 2009

News papers and advertisement in the print media also serves as another important source of such investment information as indicated above. One could therefore infer that fund members are not interested in television owing to their preferences and thus the company could strengthen information dissemination through the other medium available.

The 124 fund members were interviewed on what they perceive as a major role of Databank. The figure 13 below exhibits the responses received.

Figure 13: Response to the role of Databank



Source: Field Survey, 2009

From the respondents interviewed, majority of 41.9% believed that the main function of Databank is providing avenue for buying a varied number of investment products. An equally fair majority of 38.7% also were of the view that databank provides an opportunity for quick returns. A further 16.1% believed that the bank provided investment advisory services. On the whole, 3.2% of the respondents believed that they could obtain loan or raise capital from Databank. This is very interesting because as part of the objective of an investment bank, they are suppose to be mobilizing capital

for their members who utilize various financial instruments but most of the respondents interviewed were not aware of this fact.

4.4 Reasons for not attracting greater number of the populace

The Mfund has experienced a growth of its number of shares and price over the years comparative to Treasury bill. However, it can be established from the findings that the number of people who have invested in the fund are not encouraging, taken the current population of the country into consideration. This might mean that the same numbers of investors are reinvesting to increase their shares while the number of populace is still stagnant. Challenges for not attracting a greater number of populace may evolve from two perspectives; the investors' point of view and that of the company.

Fees and Commissions

All funds charge administrative fees to cover their day-to-day expenses. Some funds also charge sales commissions or "loads" to compensate brokers, financial consultants, or financial planners. In case a fundholder does not use the services of financial adviser, he/she still has to pay a sales commission. From table 4, it was realized that majority of the respondents were not earning enough to enable pay high commission charged for the services rendered by the mutual fund companies. As a result, most investors prefer investing or saving with other financial institutions thereby leaving few investors of the populace with the mutual fund companies.

Difficulty in fund valuation

Another reason why mutual fund companies have not been able to attract greater number of the populace is that it's nearly impossible to tell if the fund is a good value at any particular point in time. Unlike stocks, where it is possible to tell if a stock is undervalued according to any of several different measures, it is much harder to determine if a mutual fund's Net Asset Value represents a good value or not. A fund could have shown a solid rate of return for a particular period, but that could be a result of its holdings having reached peaks from which they might then decline.

Poor culture of savings

Most people's attitude towards savings is very poor and even the few people who have cultivated the habit of saving do not invest much. From table 5 or figure 12, it was established that about 44.4% respondents' monthly family savings fell below GH¢10. As a result of this poor culture of savings among Ghanaians, most of them are simply not willing to save despite the attractive measures put in place by the mutual fund companies. However, it could be deduced from the findings that some respondents have good attitude towards savings but they do not earn enough income to enable them save.

Inability to maintain funds for a reasonable period

Another reason that has made mutual fund companies unattractive to greater number of the populace is unwillingness on the part of investors to wait for a longer period before withdrawing. The research found out that the value of the Mfund increased by 29% from GH 11.7 million in December 2006 to GH¢15.1 million, as at the end of December 2007. Out of this, the actual inflow in 2007 was GH¢13.6 million as against an outflow GH¢11.5 million. Thus, about 85% of incomes which came into the fund also went out in the form of withdrawals. Managers therefore find it difficult to maximize the returns on the funds due to investors' inability to maintain their funds for a reasonable period (i.e. say 6 to 12 months).

4.5 Contributions of Mutual funds (MFUND)

Significantly, the research has established the fact that mutual funds have had a turning effect on the livelihood of investors. About 75.8% of the respondents interviewed admitted that there has been a significant improvement in their lives. The major indicators used were the ability of fundholders to meet emergency needs, provide adequate welfare for children, accumulate funds and get a reliable source of retirement income. However, remaining 24.2% shared different view having cited the high payment of commission and fees to be the major hindrance of saving or investing in mutual funds. Table 6 shows the responses with a corresponding diagram.

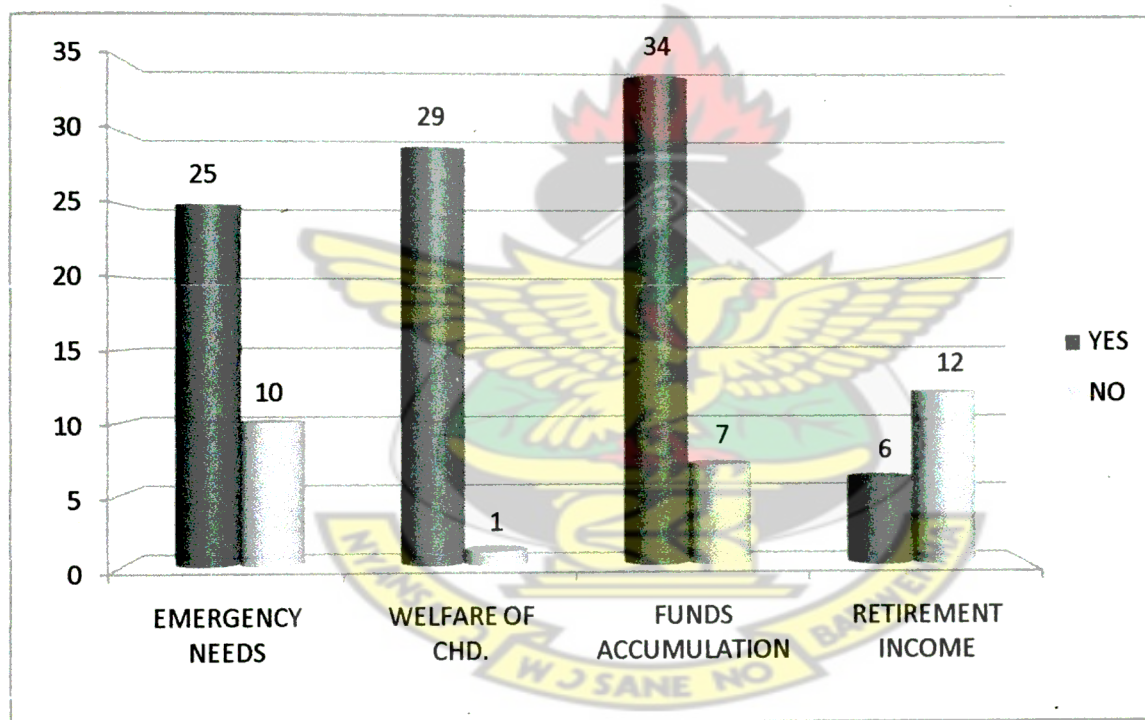
Table 6: Mfund Aids to respondents

	EMERGENCY NEEDS	WELFARE OF CHILDREN	FUNDS ACCUMULATION	RETIREMENT INCOME	TOTAL	%
YES	25	29	34	6	94	75.8
NO	10	1	7	12	30	24.2
					124	100.0

Source: Field Survey, July 2009

Figure 14: Motive for Savings

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Source: Field Survey, July 2009

From figure 14 above, it is obvious that about 83% of the respondents were of the view

that their motive of accumulating funds was achieved. About 72% of the respondents were served with their emergency need. The findings of the study revealed that about 67% were not comfortable with their retirement income package. Respondents who managed to achieve the welfare of their children were about 97%. As a result of this, about 78.8% of the respondents said they will continue to invest in Mfund and even encourage others to join since the purpose for which they saved were accomplished.

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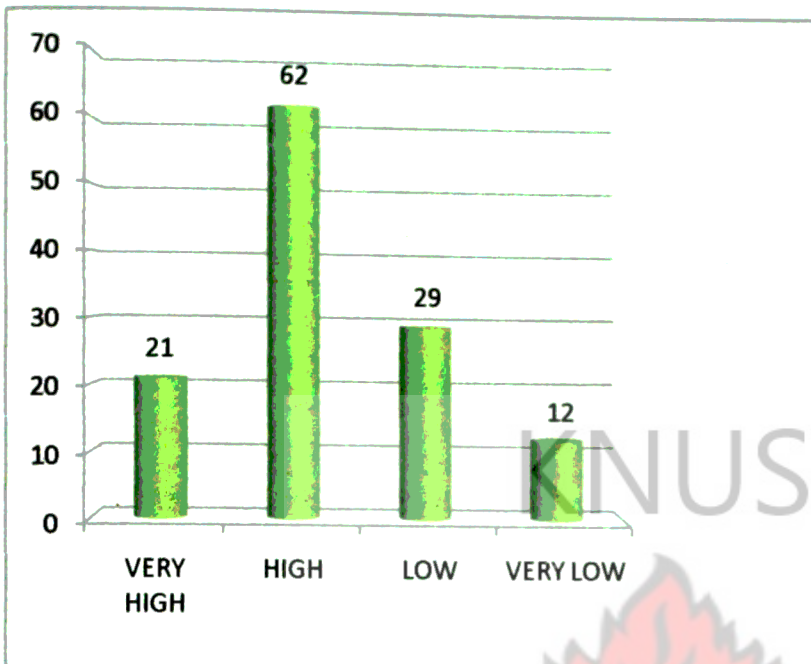
Table 7: Returns

	FREQUENCY	PERCENT	CUMULATIVE PERCENT
VERY HIGH	21	16.9	16.9
HIGH	62	50.0	66.9
LOW	29	23.4	90.3
VERY LOW	12	9.7	100.0
TOTAL	124	100.0	

Source: Field Survey, July 2009

From the findings, about 16.9% of the respondents admitted that their returns were very high comparative to the 91-day Treasury bill yield and average saving rate. About 50% described their returns as moderately high since other funds yielded almost same percentages in return. Only 9.7% were of the view that the returns they have made were very low but one can deduce that it was due to their inability to keep their savings in the fund for a longer period.

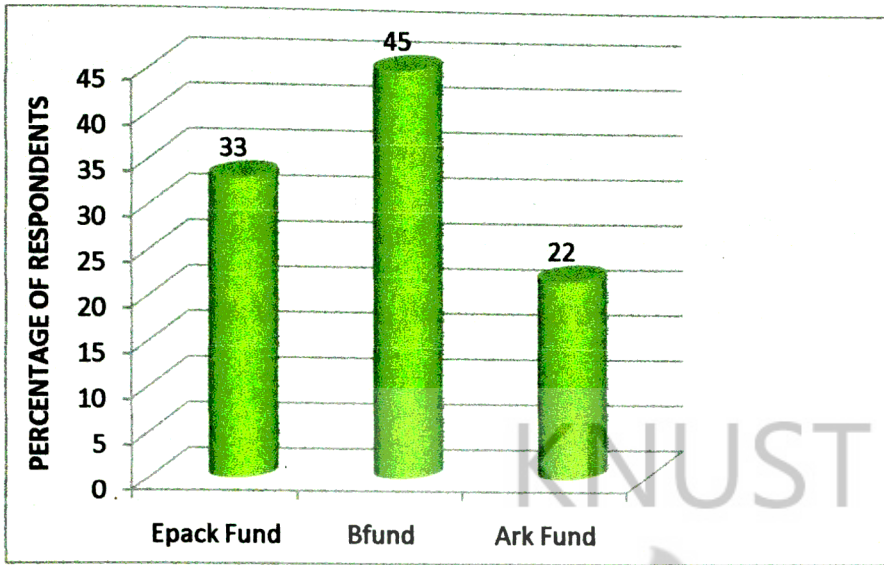
Figure 15: Returns



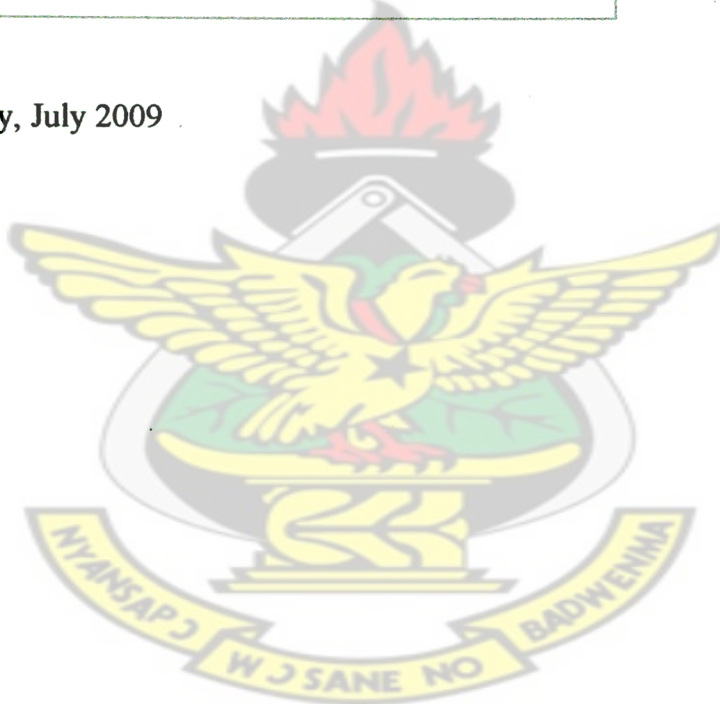
Source: Field Survey, July 2009

Also, it can realized that majority of the respondents thus 85% were satisfied with the returns gained from investment in mutual funds and even willing to invest in other mutual fund schemes launched by Databank. On the whole, about 45% were interested in Bfund, 33% showed interest in Epack and the remaining 22% selected Ark fund. However, about 15% of the respondents were dissatisfied with their returns due to their inability to achieve their motive. Figure 16 below shows the percentage distribution of respondents on the other mutual fund schemes of Databank.

Figure 16: Other mutual fund schemes of Databank



Source: Field Survey, July 2009



CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter brings out key findings obtained from the analysis of data in the light of the research questions and objectives of the study and make appropriate recommendations to address findings and draw conclusion.

5.2 Summary of findings

It has always been established that mutual fund investment schemes can be attractive and popular with the general public if only mutual fund companies play their roles efficiently by ensuring that they impact positively on the livelihood of their clients and investors on the other hand change their attitude towards savings. (Jayadev, 1998)

Findings from this research on the financial performance on mutual funds have shown that the mutual fund companies have indeed contributed positively to the development and creation of wealth for its investors. According to the research, the performance of the fund was limited to net profit margin, gross profit margin, current ratio and the earnings per share. Though comparing the fund with other short term instruments such as the T/bill has achieved an excellent annualized yield of 11.99% in 2007 compared to average rate of 9.91% for the bench mark 91-day Treasury bill and between 5%-6.25% for bank savings. This can therefore be a true measure of the performances using

external indicators. From the financial statement, the net profit margin realized 90.86% in 2006 as the highest and 86.07% being the lowest in 2007. This had ripple effect on the earnings per share also recording 19.84 GH Cedis being the highest in 2006 and 2.59 GH Cedis in 2007. The gross profit margin showed its highest value in 2005 making 94.37% and 2007 receiving as low as 92.32%. The current ratio also had a reflection of the gross profit margin. The fund could recover its liabilities 191.49 times in 2005 and as low as 14.57 times in 2007.

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On the role of mutual funds on the livelihood of fund investors, it was established that there has been a positive impact with about 75.8% of those interviewed admitting that they have been able to achieve the motive for which they invested in Mfund and that there has been a significant improvement in their lives. Aside that, it was found out that the fund maintains liquidity such that investors have easy access to their funds while generating competitive returns. It was also realized, apart from Mfund which meets short term needs, investors have been given the opportunity to widen their investment portfolio by investing in Bfund for the medium term needs and of course, Epack for long term and future needs. These interesting developments were achieved through good services provided by management of Databank especially in electronic commerce and distribution.

However, respondents expressed discomfort with the high cost involved in investing or saving with mutual fund companies. In case a shareholder does not use the services of financial adviser, he/she still has to pay a sales commission and investors are indirectly affected by the high tax imposed on the fund. The research found that even though the number of shareholders of the existing mutual funds company has increased consistently since its introduction in Ghana, it has not been recognized by greater number of the populace. It was also realized that the unattractiveness of mutual funds to investors was due to the difficulty they encounter in evaluating funds in order to make the right investment decision and the cost involved in investing in mutual funds as well. The research discovered that, the culture of saving is not well developed in the Ghanaian society. As many as 44.4% of the respondents saved less than GH¢10 monthly which is an indication that the few people who invest in the fund do not save much and also treat it as merely current account since they do not wait for quite a long duration before withdrawing.

5.3 Conclusion

Most African countries including Ghana have majority of its funds saved outside the financial sector making it difficult for these institutions to finance the activities of the private sector which is the engine of growth. The foreign sources from which the private sector was obtaining funds have also channeled their funds into more lucrative venture elsewhere. In this context, making mutual funds attractive and improving upon

its performance requires government, mutual fund companies and investors to play their role efficiently. From the research findings, one could say that the financial performance of mutual fund has maintained appreciable yields and its emergence have had a significant change on the livelihood of its investors over the past years. Aside the preservation of investors' capital, it has ensured that the fund maintained liquidity such that investors could have easy access to their funds when needed, while also generating competitive returns. Mutual funds have been in Ghana for more than a decade but it is yet to be recognized by majority of the populace. From the findings of the research, it was realized that majority of the investors got to know about the fund through friends and relatives. Meaning, the rate and mode at which these mutual fund companies advertise is very low. In addition, due to payment of high corporate taxes and commission coupled with the poor attitude of savings among Ghanaians, this has discouraged investors making the fund unattractive to a greater number of populace.

5.4 Recommendations

In order to resolve the issues that were raised in the findings and its implications on mutual fund development in Ghana, the under listed recommendations were proposed.

Firstly, the level of performance of the mutual fund makes a great deal for its investors and for that matter, portfolio managers should guard performance of these funds to boost its development. Empirical evidence has been shown in existing literature that excellent past performance does not predict future performance though, on the contrary,

consistent pattern of performance serves as a good basis for forecasting future performance.

Secondly, portfolio managers should consider their margin of expense since it tends to reduce net earnings of the fund and also use the appropriate investment strategy acquired by organizing managerial training programs for the staff/management in order to bring consistency in performance of the fund, so as to boost investors' confidence and increase profitability. Also, the idea of mutual fund is quite new compared to other financial products in the country so people do not have much knowledge and information about it. This requires intensive research studies like this one and even more to increase knowledge and enhance performance of the area.

Thirdly, it has been noted that liquidity is not enough to improve upon the lives of mutual funds investors. Therefore, additional interventions that go hand in hand with mutual fund investment should be implemented. By this, the reference is on charging moderate fees and commission so that investors can accumulate enough funds for other lucrative ventures thereby developing the private sector.

Also, in view of the fact that mutual fund companies need to position its self to compete fairly with the other financial and non financial companies in Ghana, mutual fund companies need to increase loans to its clients from which the company will end up

benefitting from interest charged that is looking out for other asset mix that have attractive returns.

Further, in attracting greater number of the populace, more mutual funds (both short and long term fund) should be developed in the economy to aid in fund mobilization to enhance development of our private sector. Brokerage organizations and banks should consider establishing mutual fund schemes.

Moreover, mutual fund companies in Ghana should also intensify their public education and other services being rendered. This will help mutual fund companies to mobilize more savings from the public sector to the private sector to help boost their savings mobilization and capital generation. Also mutual fund companies must embark on projects that brings mutual funds investment to the door steps of investors and introduce significant innovations especially in e-commerce and distribution such as

- SMS banking: This will enable investors to check account balances and top up their investment accounts using their mobile phones by simply texting to a short code.
- Website facility to enable clients check account balances on-line.
- Interactive Voice Response (IVR) systems to enable investors dial into the company's premium phone line for automated customer assistance.
- Etransaction partnership to enable investors top up their investment account using reloadable cards from the convenience of their home, offices or workplace. Also, mutual fund companies should create strategic distribution alliance with other banks

to enable its clients top up their account balances at the branches offices of these banks without having to trek the mutual fund company they are saving with.

Finally, Securities and Exchange Commission (SEC) which is the direct regulatory or supervisory agency of the mutual fund industry will need to strengthen its off-site surveillance and on-site supervisory capacity and build up a solid and comprehensive database that would capture all significant areas of their activities. Fund managers should also file monthly returns in an acceptable format signed by their sponsoring individuals to enable a regular off-site surveillance of the schemes with a view to provide an early warning system.



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Appendix 1: Income and Distribution Accounts from 2005 – 2008

	2005	2006	2007	2008
	GH CEDIS	GH CEDIS	GH CEDIS	GH CEDIS
INVESTMENT INCOME	--	--	--	--
INTEREST INCOME	833,449	1,638,589	1,685,351	2,498,436
TOTAL INCOME	833,449	1,638,589	1,685,351	2,498,436
EXPENSES				
INVESTMENT MANAGEMENT FEES	(46,917)	(92,902)	(165,088)	(129,446)
OTHER EXPENSES	(36,923)	(56,850)	(105,359)	(155,183)
TOTAL EXPENSES	(83,840)	(149,752)	(234,805)	(320,271)
NET INVESTMENT INCOME	749,609	1,488,838	1,405,546	2,178,165
DISTRIBUTION FOR THE PERIOD	--	--	--	--
NET INVESTMENT INCOME	749,609	1,488,838	1,405,546	2,178,165
TRANSFER FROM INCOME & DISTRIBUTION ACCOUNTS	749,609	1,488,838	1,405,546	2,178,165
DISTRIBUTION	(60,979)	--	--	--
RECOMMENDED NON-CASH DIVIDEND	--	(1,339,954)	(1,305,491)	(1,960,349)
NET ACCUMULATED INCOME	688,630	148,884	145,055	217,816
BEGINNING OF PERIOD	77,824	766,453	915,337	1,060,392
END OF PERIOD	766,453	915,337	1,060,392	1,278,208

Appendix 2: Statement of Assets and Liabilities from 2005 – 2008

	2005	2006	2007	2008
	GH CEDIS	GH CEDIS	GH CEDIS	GH CEDIS
CASH AND SHORT TERM INVESTMENTS				
CASH AT BANK	--	--	--	--
CASH AT BANK	325,277	1,436,114	732,325	309,992
TOTAL CASH AT BANK	325,277	1,436,114	732,325	309,992
SHORT TERM INVESTMENT				
TREASURY BILLS	4,693,769	5,645,951	5,950,330	5,591,106
COMMERCIAL PAPER	1,267,580	2,734,012	4,171,140	3,791,599
CERTIFICATE OF DEPOSIT	600,000	1,737,000	4,590,500	7,348,959
TOTAL SHORT TERM INVESTMENT	6,561,349	10,116,963	14,711,970	16,731,664
TOTAL CASH & SHORT TERM INVESTMENT	6,886,626	11,553,077	15,444,295	17,041,656
RECEIVABLES				
ACCRUED INTEREST INCOME	223,476	564,932	465,736	573,553
OTHER RECEIVABLES	23,660	17,662	401,185	447,002
AMOUNT DUE FROM PRIMARY DEALERS	180,089	--		
TOTAL RECEIVABLES	427,225	582,594	866,921	1,020,555
TOTAL ASSETS	7,313,851	12,135,671	16,311,216	18,062,211
LIABILITIES				
OVERDRAWN ACCOUNTS	--	--	(378,945)	(500,589)
SALES COMMISSION	(17,549)	(27,685)	(25,223)	(25,648)
MANAGEMENT FEES	(15,986)	(27,123)	(36,933)	(43,032)
SUNDRY CREDITORS	--	(309,723)	(514,451)	(233,617)
ACCRUAL AUDIT ETC.	(4,658)	(6,355)	(164,182)	(17,235)
TOTAL LIABILITIES	(38,193)	(370,887)	(1,119,734)	(820,121)
TOTAL NET ASSETS	7,275,658	11,764,784	15,191,482	17,242,090

Appendix 3: Calculation of Ratio

Gross profit margin (GPM) = Interest income – interest expense / interest income*100

2005

$$\text{GPM} = (883449 - 46917) / 883449 = 94.37\%$$

2006

$$\text{GPM} = (1638590 - 92903) / 1638590 = 94.33\%$$

2007

$$\text{GPM} = (1685351 - 129446) / 1685351 = 92.32\%$$

2008

$$\text{GPM} = (2498436 - 165088) / 2498436 = 93.39\%$$

Net profit margin (NPM) = Profit after tax / Interest income * 100

2005

$$\text{NPM} = 749609 / 833449 = 89.84\%$$

2006

$$\text{NPM} = 1488838 / 1638589 = 90.86\%$$

2007

$$\text{NPM} = 1450546 / 1685351 = 86.07\%$$

2008

$$\text{NPM} = 2178165 / 2498436 = 87.18\%$$

Liquidity ratio

Current Ratio (CR) = Current Assets / Current Liabilities

2005

$$CR = 73,138,512 / 381934 = 192:1$$

2006

$$CR = 121,356,707 / 3,708,871 = 32.72:1$$

2007

$$CR = 16,311,216 / 1119734 = 14.57:1$$

2008

$$CR = 18,062,211 / 820,121 = 22.02:1$$

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Earnings per share (EPS)

2005

$$EPS = (749609 + 77824) / 56959 = 14.53\%$$

2006

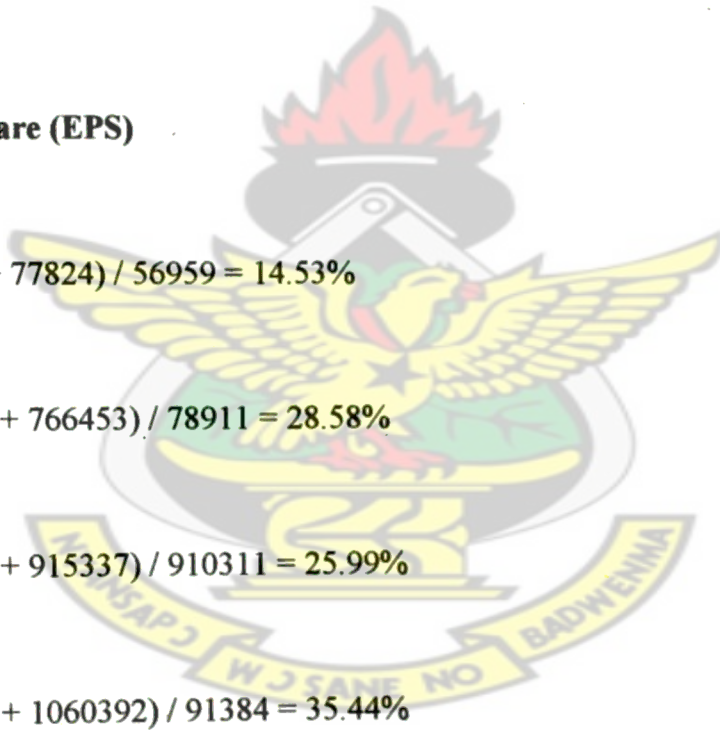
$$EPS = (1488838 + 766453) / 78911 = 28.58\%$$

2007

$$EPS = (1450546 + 915337) / 910311 = 25.99\%$$

2008

$$EPS = (2178165 + 1060392) / 91384 = 35.44\%$$



Appendix 4: Research Questionnaires

INSTRUCTIONS

This research is to enquire about the role of mutual fund, challenges and prospects. Kindly answer each question as sincerely as possible by ticking in the appropriate box [] and write where necessary.

PERSONAL PROFILE

1. Location of residence

- a. Urban []
- b. Semi-urban []
- c. Rural []

2. Age

- a. Below 35 years []
- b. 35-50 years []
- c. Above 50 years []

3. Sex

- a. Male []
- b. Female []

4. Marital status

- a. Married []
- b. Unmarried []
- c. Widowed []

5. Size of family

- a. Small (up to 3 members) []
- b. Medium (4-5 members) []
- c. Big (more than 5 members) []

SAVINGS AND INVESTMENT

6. Monthly family income

- a. Below GH 100 []
- b. GH 100 – GH 200 []
- c. GH 201 – GH 500 []
- d. Above GH 500 []

7. Monthly family savings

- a. Below GH 10 []
- b. GH 10 – GH 20 []
- c. GH 21 – GH 50 []
- d. Above GH 50 []

8. How often do you save?

- a. Daily []
- b. Weekly []
- c. Monthly []
- d. Annually []

9. Do you depend on debt as a source of income?

- a. Yes []
- b. No []

10. If yes, how much of your monthly income is used for the repayment of debt or loan?

- a. Below GH 100 []
- b. GH 100 – GH 200 []
- c. GH 201 – GH 500 []
- d. Above GH 500 []
- e. No Amount []

11. How much have you saved during the last year as against

NUMBER	ITEMS	MONTHLY	ANNUALLY
1	Bank deposit		
2	Companies shares and debentures		
3	Databank mutual funds		
4	Other mutual funds		

12. To what extent has mutual funds been of help to you with regards to the following indicators: please tick Yes or No

	Response	
	Yes	No
Emergency needs		
Funds accumulation		
Welfare of children		
Retirement income		

13. With regard to the following indicators which of databank functions are best known to you: please tick Yes or No

	Response	
	Yes	No
Investment Alternatives		
Obtain loans		
Advisory Services		
Quick Returns		

Comment on the following statement

14. The returns for your investment on the scheme.

- a. Very High []
- b. High []
- c. Low []
- d. Very Low []

15. Are you satisfied with the returns on Databank mutual fund?

- a. Yes []
- b. No []

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16. If No, what are the reasons for your dissatisfaction?

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17. Which other Databank mutual fund scheme do you invest in?

- a. Epack Fund []
- b. Bfund []
- c. Ark fund []
- d. Others (specify.....)

18. Will you continue to invest in Mfund in the near future?

- a. Yes []
- b. No []

19. If no, give reasons?

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20. How did you get to know about Databank Mfund?
- a. Databank or branches/agents []
 - b. Advertisement []
 - c. Friends and relatives []
 - d. Others (specify.....)

21. Databank Mfund charges high taxes
- a. Strongly Agree []
 - b. Agree []
 - c. Disagree []
 - d. Strongly Disagree []

22. Databank Mfund charges high fees and commission
- a. Strongly Agree []
 - b. Agree []
 - c. Disagree []
 - d. Strongly Disagree []

23. Databank management provides enough information to enable investors to make investment decision
- a. Strongly Agree []
 - b. Agree []
 - c. Disagree []
 - d. Strongly Disagree []

24. Would you like to give suggestions for improving the Databank mutual fund performance?

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