

Why Tanzanian Family Invests Less and Spends More?

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Abstract:- The paper addresses a question of African families invest less and spend more. It presents the factors and practice which support the tendency of investing less and more spending. The focus of the paper is exposure the forces behind the tendency which limit the removal of poverty at family level. The methodology opted is that of table research of which secondary information are extensively used in this paper. The less investment and more spending attitude is a culturally practice resulted from the combination of social, political, religion and economic situation of the society within a time. As well, the level of development dictates the deep understanding of the term investment. Poor families investment is a strange vocabulary and taking serious measure on investing become a myth.

Keywords:- Investment, Spend, family, Tanzania, Poverty.

I. INTRODUCTION

Investment is defined as an activity that employed to create income. Investment refers to any mechanism used for generating future income. In the context of economics, an investment is the action of buying goods and services for future creation wealth and not for immediately consumptions. In the contexts of Finance, refers to the purchases of monetary asserts to generate future income or wealth. And spend simply means that use and hear concerning money.

The action of investing allotting financial resources to start or enlarge a project or to buy an assert or profit/interest where the money are allotted fund works hoping to create wealth or increase income over time. The financial sense includes the purchase of bonds, stocks or real estate property among several others. Additionally, a constructed building or other facility used to produce goods can be seen as an investment. The production of goods required to produce other goods may also be seen as investing.

Taking an action in the hopes of raising future revenue can also be considered an investment. For example, when choosing to pursue additional education, the goal is often to increase knowledge and improve skills in the hopes of ultimately producing more income. Because investing is oriented toward future growth or income, there is risk associated with the investment in the case that it does not

pan out or falls short, for example, an investment it can be made to a company that ends up going bankrupt or a project that fails. This is what separates investing from saving - saving is accumulating money for future use that is not at risk, while investment is putting money to work for future gain and entails some risk.

So there are many types of investment, it means that there are many aspects of investment, including Agricultural investment, Trade investment, Transportation investment, industrial investment, fishing investment, Educational investment, and others these are few of them.

Spending also is broader terms that have a different meaning. Firstly spending means that to pay money, usually in exchange for goods or services. See also consumer spending. Secondly means that to use a resource, such as time. "He will spend the next week trying to find a new job." So on this discussion deals with the first meaning.

The issue of spending can be categorized into two tremendous types namely; Autonomous consumption which means spending to basic needs such as; food, shelters, and clothes. Another kind of spending is wanted which means spending on non-obligatory items which mostly depend on individual financial position. The spending on this type of item is called luxuries and many African families tend to engage in having luxury goods and services and not investing.

In reality, most families actually in Tanzania country they did not have a culture of investment always are most prolific on spending and concentrated much on luxury spending. It has been estimated that 75% of the families in Tanzania are facing poverty. But here just we are going to dealing with both poverty and wealth peoples, simply because sometimes even wealthy people just invest less and spend more. And also the issue of invest less and spend More doesn't consider the level of income or capital. It means that both sides can invest less and spend more.

The reasons for invest less and spend more it contiguous to categorized into four-phase or aspects of life which are, Economically, socially, culturally and politically to a small extent. But many reasons lie in the two aspects namely socially and economically.

II. REASONS FOR THE FAMILY TO INVEST LESS AND SPEND MORE.

A. *Lack of self- esteem.*

Means that most families they copy lifestyle from others, so here the anomaly is copying, peoples want to live like others live and not live for his/her interest and the big trap to them, simply because they copying from others without considered he/her income. Always people copy to someone else actually on luxurious spending. According to the various speculations this anomaly commonly for a woman. In reality mostly in our families especially in Tanzania woman they live according to the external influence, means that they live for looking maybe their neighbors but without looking firstly her income, that's why invest less and spend more. For example in my family and many families in Tanzanian, they look at what kind of food others eating, what kind of car ownership by a neighbor, what kind of clothes others wear, and other entities. So they endeavor to own those entities owned by the neighbor or someone else, without considering his/her income. So for this scenery, they invest less and spend more due to they live according to the external influence and not their interests. Example teacher Kingunge his basic salary is one million shillings (1,000,000) and his take-home is 800,000 so soon after getting his salary, firstly going to the pub like his friends they do it, second, his wife wants the kind of trending clothes simply she saw her neighbors, thirdly he want to buy very cost full phone simply saw his friends owned that kind of phone, lastly they eat what neighbor eat. So the end of the day Mr. Kingunge remains with only fifty thousand (50,000) out of eight hundred thousand (800,000), so he will invest less. Mr. Kingunge presents the mostly families reality especially in Tanzania, they spending due to the external influence.

B. *Religious believe also another reason that influence peoples to invest less and spend more.*

Especially Muslims we believed that" we have to live like travelers who pass through on the way " and also the

life of here in the world is nothing, so we have to get prepare for the future life after death. So some Muslims saw nothing concern lives of here in the world and concentrated much on the preparation for future life after death. They saw that there is no necessity to invest much in the world simply because that kind of life is nothing. And we have lived like travelers. So due to that some Muslims, produced what they going to consume and not for investment. So actually they going to invest less and spend more. For example, which Nungunungu produced five(5)tones of Rice and one tone of maize per year, so take three tones of rice for selling and the tones remain just using as food consumption for his family. But sheikh Nungunungu that money got after selling his production spending on the common uses and not for investment, simply because he believed that investment just an expected future, that are not sure if are still survive, simply he has to live here like a traveler. So, in reality, the kind peoples like sheikh Nungunungu they going to invest less and spend more.

C. *Nature of the environmental,*

This means that people can invest less and spend more due to the nature of the place, and here we are going to look, the environment is supportive of investment or not. So there is a certain place that is not supportive of establishing investment due to the number of factors, including political instability, lack of raw materials, lack of market, transportation problem, and other necessary entities for establishing investment. So the kind of this place it's so difficult to invest more. People who live invest less and spend more. Also here another issue even climate condition can lead people to invest less and spend more because of these kind of climatic conditions which are not attractive to the kind of investment, discourage people not to invest and ending up spending the income generated at family level. For example, the civil war areas, actually people have no peace to invest, so experience less investment. So this picture showed the area that was affected by the civil war.



Fig 1

D. Budget plans.

Our family spend much rather than saving because they don't stick on planned budget most of the people in our daily life we have experienced the tendency of spending more money without looking how our budget tells what the things which led to remains stagnant for stance someone may go for buying a certain commodity like shoes but suddenly he or she finds himself buying another items which doesn't stick on his budget the things made people spend more money instead of saving for the development of family income on of that person in our family we used to spend much rather than saving because most of the African families we dont6 think about tomorrow we are merely based on what needs to be faced so due tithe reason of being focusing on problems faced us today we found that our family income fall. Furthermore, our family usually spends much and kit stick on the budget is that we assumed that we will earn tomorrow for stance motorcycle drivers tend to spend more money for luxury such as night club, and other luxury needs so this system of using more money for luxury needs led to spending much rather than saving.

Moreover, we likely spend much rather than sticking on a budget because we don't have respect with money most of our family members they don't have a tendency no respect money as part and parcel of our life we just assume that we spend because we will find another chance to find another money. For stance most of the poor when we got money we don't have any plans about that money we have but we tend to use accordingly what we see on our eyes and according to mood at a specific time so if we should see that there is the need of planning on spending of our daily life so that to understand the supply we have earned in our daily production. We can't understand the amount we earn per year due to the reasons we spend more without any plan.

E. Lack of investment talent or skill,

As noted before, investment is a future allocation of money for future benefit. Talent is the skill that someone has to do something very well that people usually like and that is difficult also talent is natural aptitude or skill. Sometime talent may be inborn or by learning. Investment needs talent and skill to plan what activities will be beneficial to the investors. Most of the families have no talent in establishing investment which enhances them to spend more than produce. The skill needed by the families comprises planning on what business could be suitable for them, its profit and to what extent could he encountered when establishing the business. The skill composed of creating a business plan which including executive summary which summarizes the whole plan in nutshell. The company, outline the businesses. Product and services by examine the cost of sale. Marketing strategy, considering the competition. Operational information on the issue of suppliers and financial requirements including how much of capital needed. Skill can be started from the origin as most of the parents, especially from villages society, do not train their children in business management, hence caused a lack of skill even when these children grow and become for depending only on what the earning. Also

sometimes families invest less may be caused by the system of education which emphasizes becoming only employed and not investment takers. It did not focus on the real-life of the society instead of train students in a manner that he or she could not acquire the knowledge of entrepreneurship. Hence investment needs creativity within own to what, where, how and why in establishing a business. It becomes the problem that faced most of the families especially my family and leads spending more because of the failure to think for the creative skills.

F. More dependency ratio

Actually in an extended family large number of people found expected to have 10 to 11 members, including father, mother, children, grandfather, grandmother and even some children from neighbors. Those people expect the basic needs from you and your income because they did not involve in any kind of producing, as a result, it becomes an obstacle in establishing investment. The income doesn't focus on the family number hence limit for a person starting a business. The household is likely to consist of eight or more people, including parents, several children, two grandparents, and some aunts and uncles.

Dependency ratio refers to the population under 14 year of age and above 64+ as regarded as unproductive. A dependency ratio is an unproductive group. Families divided into several types including nuclear family, single-parent family, and extended family. In they have a combined real per capita annual income, in money and in-kind (meaning that they consume a share of the food they grow), of \$300. Together they live in a poorly constructed one- or two-room house as tenant farmers on a large agricultural estate owned by an absentee landlord who lives in the nearby city. The father, mother, uncle, and older children must work all day on the land. The adults cannot read or write; the younger children attend school irregularly and cannot expect to proceed beyond basic primary education. They often eat only two (and sometimes just one) meals per day; the food rarely changes, and the meals are rarely sufficient to alleviate the children's persistent hunger pains. The house has no electricity, sanitation, or freshwater supply. Sickness occurs often, but qualified doctors and medical practitioners are far away in the cities, attending to the needs of wealthier families. The work is hard, the sun is hot, and aspirations for a better life are continually being snuffed out. For families such as theirs, the only relief from the daily struggle for physical survival lies in the spiritual traditions of the people. Conversely, a rich family, which is typical of families in many rich nations, appears to have a reasonably good life. The parents have the opportunity and the necessary education or training to find regular employment; to shelter, clothe, feed, and educate their children; and to save some money for later life. Against these economic benefits, there are always noneconomic costs. The competitive pressures to succeed financially are very strong, and during inflationary or recessionary times, the mental strain and physical pressure of trying to provide for a family at levels that the community regards as desirable can take its toll on the health of both parents. Their ability to relax, to enjoy the

simple pleasures of a country stroll, to breathe clean air and drink pure water, and to see a crimson sunset is constantly at risk with the onslaught of economic progress and

environmental decay. These charts show the dependency ration in Tanzania.

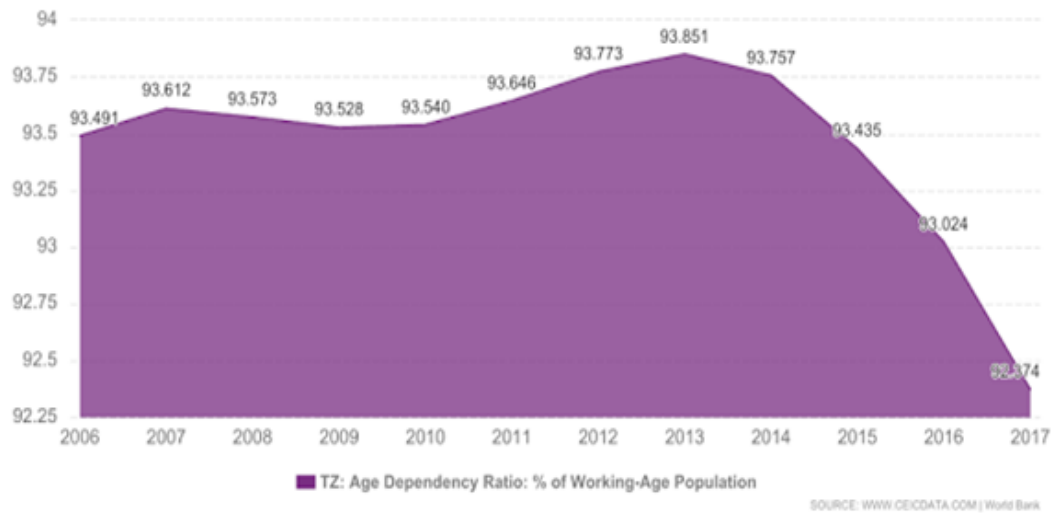


Fig 2

But on the whole, theirs is an economic status and lifestyle toward which many millions of less fortunate people throughout the world seem to be aspiring. Having a large of people in families becomes the reason for becoming more consumer than a producer.

G. Fluctuations of price especially goods and food,

Simply the unstable situation of commodities and food does not consider the level of income of the people that lead to spend on the buying of commodities and food and invest less .for stance even the employee people their salaries are fixed and never change due to the fluctuation of price in the societies. Price variation is a very common situation forcing people not to invest but to spend. As price changes negatively affect the profit and so little earning and that encourage spending rather than investing. According to Mchopa (2012) Price fluaction are caused by the several factors namely; demand for the share causes price change, bank Interest rate causes and underwriting influences Price fluctuation in shares. In turn limit the expansion of capital as well as profit, ending people to spend the little earning rather than investing for future

The annual inflation rate in Tanzania remained unchanged at 3.8 percent in December 2019, its highest level since April 2018. Prices rose faster primarily for food & non-alcoholic beverages (6.3 percent vs 6.1 percent in November); transport (0.8 percent vs 0.4 percent) and housing & utilities (4.4 percent vs 3.7 percent). Meanwhile, inflation softened for clothing & footwear (2.2 percent vs 2.3 percent); furnishings (2.7 percent vs 3.9 percent); restaurants & hotels (3.2 percent vs 4 percent); alcoholic beverages & tobacco (0.6 percent vs 1.3 percent); furnishings (2.7 percent vs 3.9 percent) and health (1.5 percent vs 1.8 percent). Meantime, cost advanced at the same pace for recreation & culture (1.4 percent) and education (1.6 percent). Every month, consumer prices went up 0.6 percent, after rising 0.5 percent in the prior

month. The slight uptick in monthly inflation was attributed to the price increase for both food and non-food items. Inflation Rate in Tanzania averaged 6.88 percent from 1999 until 2019, reaching an all-time high of 19.80 percent in December of 2011 and a record low of 3 percent in November of 2018. NBS (2011).

The price changes are the function of interconnected problem causative creating vulnerabilities to poor and marginalized people in the community. Price fluctuation is extremely dangerous, as farmers and other agents in the food chain risk losing their investments if prices fall. One frequently cited reason for increased prices is market fundamentals. Demand is thought to be outstripping supply and thus leading to increased prices. Price fluctuation is not only harmful to consumers but also affects producers. Generally, poor farmers do not have enough investment capital to sustain such unpredictability. This can result in suboptimal investment decisions and compromise production in the long term. In developing countries even non-food Essentials such as cooking fuel, transport, rent, fertilizers, kerosene and agricultural inputs have also become more expensive. Also, intermediaries are facing higher transportation costs which they are in turn passing on to farmers in developing countries are producing fewer surpluses because of increased input prices.

H. Lifestyle of the people;

Is among of the factors that contribute to the lower investments and higher uses or spending in which the living style of some people tends to affect the economic budgeting of their lives in lifestyle we get the concept of allocation investing which means the process of having a model portfolio which is spread across a range of assets and a different global market if there will be a good allocation there will be vital for improving long term returns and reducing investment risk. It is believed that it is no longer the be-all and end of good investment management because

of different investment goals and strategies will be appropriate to different people at different stages of their lives we feel it is worth using a more forward-looking lifestyle investing process to design portfolio that will fit your situation today and with an eye on the future, not the past. This concept means that is what is the world likely to look when you need to access to your money and what type of stories are likely to provide investment opportunities over that time Asset allocation is still important but is now used to check that each balance of portfolios overexposed to any particular sectors currency overlay should also be applied as appropriate to each investor in lifestyle there are main four issues to consider which are; Accumulation; in this stage the younger investors with a long-term vision and appropriate stories including changes in global consumer spending commodity companies real assets inflation and emerging Marketing. Consolidation; in this stage or this issue an investor is still working but now with many efforts need to go against inflation but with less volatility compared to when they started in the younger stage in this investor should focus on equity income high yield bonds emerging market bonds small exposure to precious metals

Pre-retirement; in this issue investor I addressed to maintain capital within a certain period of your plans or family plans in this appropriate stages including depositing based account with capital protection and guarantees Income; it is important to consider cash flow and not just concentrating on short term capital security. The value of investments and any income may fall or rise and may also increase or decrease subject to the changes in exchange rates between currencies. The above stages in most African societies failed to implement the above rules or issues because of a bundle of reasons but much lack of adequate capital to facilitate other processes to happen.

I. They don't have a culture of serving

Most of the African families especially Tanzania they don't tend to serve for the future use this is because what they get is just hand to mouth. Therefore low life of Economy to most third world countries is a causal factor for them to be unable to serve money for future use. For example, Mganga's family comprises of ten members and most of them are dependent means they have no job. This family engages only on small scale Agriculture Activities, and this activity is done per annual depending on the season of rainfall per year. Therefore the yield does not enough to all members of the family so how can they be able to serve for future use because those yields are food crops only.

J. They don't separate wants from needs.

Also mostly of third world countries, they spend their Earnings on the things which are unnecessary to them for future use. For example, You may find a certain family buys things which are unproductive means that based on decreasing instead of increasing income, For example, furniture as an unproductive one also Cars because they need garage services and petrol or Diesel and buying expensive clothes. Therefore through that habit lead mostly of African families to spend more and invest less.

K. They put today's happiness before future financial need

Our family spend much than saving because most of our family we likely most to have happiness of today than thinking future life that most of the people they don't have habits of saving money because they thought that the money they got is not enough for saving so they decided to spend so that to find another more money. Simple daily habits can create more happiness than achieving financial freedom.

➤ Key ideas:

The unexpected reason financial freedom causes unhappiness and how to avoid it

The best way to enjoy freedom now regardless of your financial situation

Includes a free printable checklist to take daily action.

You don't have to be rich you be happy cliché maybe but also true the secret to happiness is well within your reach it is a state of mind and complete financial situation. Don't make some mistakes made and wait until you gain financial freedom to learn these lessons. You can have happiness right now regardless of your finances or what's going on in your life because it is a choice. How financial freedom forces you to learn the truth about money and happiness there is a seldom spoken little secret about financial freedom that I will let you in on. It is counted inductive and illustrates an essential principle about money and happiness. Here it's is when you achieve financial freedom your life suddenly changes from pre-determined to self-determined, the surprising effect of this is you are suddenly stripped of all excuses for why your life might be less than ideal you instantly become solely responsible for your happiness with no excuses allowed.

Happiness is when what you think, what you say and what you do in harmony to understand how this works and why it is it's important to let's first look at the reality faced by most people living in the work a day existence. Their lives are largely predetermined they spend the bulk of their time working to earn the money necessary to build a better lifestyle. The little time that remains is quickly swallowed up by family errands and other personal needs. Very little time remains to create your unique life destiny and very little create lifetime .you You work 40 hours or more per week for 40 years and try to have a little fun with what little time remains.

It pretty straight forward and uncomplicated society wrote the script and nearly every once follows it. However, once you achieve financial freedom all that change suddenly 2000 hours a year previously spent on work-related issues is yours to do with.

L. They lack the sense of sacrifices

This means that people may have enough capital but fear investment due to bankruptcy. Sacrifices act as the heart of any kind of investment such as business, agriculture, and others. so sacrifices are heart simply because investment always we are talking about futures expectations profits and it can get profit or no. So investors

should get already to any things happens. So many families they invest less due to the worry to bankrupt, they always think of failure. That's why they invest less and spend more. For example, Chuji is employed in the cashew nut industry and his salary is 500,000 per month, so he just every time asked Chuji concerning investment, the from Chuji says that he worry about bankrupt.

III. CONCLUSION

Generally, most families invest less and spend more due to the number of factors discussed above. It very popular that investment is one catalyst of development, which means that development comes from various kinds of investments, for example, investment in mining, investment in agriculture and business investment. But problem mostly families they don't have knowledge or skills of investment, and skills of entrepreneurship. So the government should be creating the environment for training people who engaged in the investment and entrepreneurship.

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