

Assessment of the influence of the industrial policies to the private sector in Tanzania

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Abstract: Tanzania contemporary executing industrialization agenda with prime concern to champion private sector to associate and dominance the process particularly through furnish domestic credit to the private sectors. Nevertheless the influence of industrial policies to the private sector in Tanzania have certainly not been deliberated. The contemporary academic work is undertaken to estimate the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania. A Simple Regression Model was applied to estimate the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania. All facts of the study were collected from the world bank from the period from 2008 to 2017 in Tanzania. Industrial policies were represented by economic openness index regarded as independent variable and domestic credit to the private sector regarded as dependent variable of the study. Findings of the study were in actual fact catching up the attention. The information discovered reveal that the correlation between economic openness and domestic credit to the private sector is negative and insignificant. The meaning is industrial policies did not have the influence to the private sector during the period from 2008 to 2017 in Tanzania.

Keywords: Tanzania, Industrial Policies, and the Private Sector.

Introduction

Industrial Policies are the government policies fabricated to pilot the manufacturing sector on its core justifications including production, marketing, distribution and selling of the concluding industry produced goods in the direction of achieving economic development and industrialization. Tanzania in the year of 1996 launched and kick off to implement the industrial policies for economic development focusing the year of 2025 to realize the middle income status and become industrialized country. To achieve the targeted goals Tanzania initiated substantial efforts to encourage and motivate the private sector to champion and guide the process of industrialization. Sustainable Industrial Development Policy 1996-2020 (SIDP) The Sustainable Industrial Development Policy 1996-2020 (SIDP) was launched during the second half of the

1990s, replacing the Basic Industry Strategy (BIS) which had expired in 1995 (Tanzania Ministry Of Industry and Trade., 12., 2011).

Tanzania having executing industrial policies from the year 1996 there were no academic work have been concluded to probe the influence of industrial policies to the private sector. The contemporary academic work is focusing to probe the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania.

Motivation of the study and objective

The world incident manifest that industrialization to be meaningful and successful to the country the private sector role should be given the priority to guide the industrialization process. The Citizen ,Pg.1. (2019) argued that,"Speaking at the meeting that brought together private sector traders and business people from across mainland Tanzania last friday (June 7, 2019) , President John Magufuli said that ," Hakuna nchi inaweza kuendelea bila sekta binafsi, Hakuna"(No Country can develop without private sector, there is no).The private sector plays an enormous role in the economy of the state as well as an industrial sector (The Guardian.,Pg.1., 2017).

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From the existing literature. The present study will contribute new knowledge showing the correlation between economic openness and domestic credit to the private sector which is negative and insignificant during the period from 2008 to 2017 in Tanzania. The meaning is industrial policies did not have the influence to the private sector during the period from 2008 to 2017 in Tanzania. In addition to that, the contemporary study will be useful to the economics discipline particularly industrial economics area of study.

Objective

The present academic work its main focus is to probe the influence of the industrial policies to the private sector during the period from 2008 to 2017 in Tanzania

Literature review

Speaking at the meeting that brought together private sector traders and business people from across mainland Tanzania last friday (June 7, 2019) , President John Magufuli said that ,"

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The private sector plays an enormous role in the economy of the state as well as an industrial sector (The Guardian.,Pg.1., 2017).

Increased engagement with the private sector through annual reviews and input into proposals has significantly improved understanding and garnered support to drive industrialisation. One of the great achievements is increased awareness on the part of both GoT and the private sector that the latter is key to realising the industrialisation drive and implementation of FYDP II (Kweka. Pg.9.,2018).

The Local Private Sector wants the government to consult the private sector in the planning and implementation of socio-economic development policies. The Private Sector is an integral stakeholder for the development of the country and the Tanzania Private Sector Foundation (TPSF) is expected to be the vehicle, to work to alleviate challenges hindering business prosperity in the country(Madiwa.,Pg.1. 2016).

Private sector-led industrial development plays a significant role in bringing about the much needed structural changes that can set the economies of poor countries on a path of sustained economic growth (Yong.Pg.1. , 2016).

This article explores Tanzania's experience of industrial policy since independence through the concept of the political settlement. Higher growth in manufacturing since 1996 has been seen as a vindication of neoliberal policies of market liberalisation (Gray.Pg.1.,2013).

In the 1990s the government passed the National Investment Act 1997 to promote and protect private investment by providing tax holidays, subsidies, (p.171) and low taxes on corporate profits. This was later followed by the privatization of industries in the mid-1990s (Msami and Wangwe.Pg.1.,2016).

It is undeniable fact that manufacturing sector plays key role in growth of any economy and it is from this sector developing countries can catch-up with the rest of the world (Mwang'onda, Mwaseba and Juma.Pg.1.,2018).

Industrial policy is an important but very delicate area of public policy due to the challenges of design and implementation of an industrial plan and the importance of integrating the interests of both society and the private sector (Wangwe, Guadagno, and Castro. Pg.1., 2019).

While Tanzania ranks among the leading stars of the African growth miracle its industrial development has not been equal to its recent growth or its national aspirations. Relative to international benchmarks Tanzania suffers from a manufacturing deficit at its current level of per

capita income. Perhaps more importantly, relative to Tanzania's ambitious plans to achieve middle-income status, the gap between the role of industry at middle-income levels and the current level of industrial activity is even greater (John.,Pg.16., 2016).

After decades of macro-economic stability policies, trade liberalization and regional integration, and despite improvements in the 2000s, the performance of Tanzania's manufacturing sector remains unimpressive (Tanzania Industrial Competitiveness Report.,Pg. 16., 2012).

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Industrial development has been an integral part of Tanzania's development strategies in the post-independence era. In fact it was expected by policy makers to lead the process of transforming the country's economy from low productivity and low growth to high productivity and dynamic economy, associated with structural change and sustained income growth (Wangwe, Mmari, Aikael, Rutatina, Mboghoina and Kinyondo.,Pg1. 2016).

Industrial policy is finally moving away from the fruitless debate on 'picking winners' versus 'levelling the playing field' towards the development policy mainstream (John. P. Finn.T. Pg.1. ,2017).

The urge for economic transformation in Tanzania dates back to independence days with the desire to correct the three colonial legacy ills of poverty, ignorance and disease. Tanzania Development Vision 2015 re-emphasized this urge. Further articulation has been made in subsequent development policy frameworks for achieving TDV 2025 aspirations (Mbelle.Pg.1. 2016).

The public sector may have suffered as a result, as government capacity to raise revenues to finance its commitments fell due to the erosion of the tax base (informal sectors became increasingly hard to tax, and parastatals increasingly became non-performers). The reform programme is attempting to correct the crowding out phenomenon and to bring about harmonious coexistence between public and private sectors.(Mtatifikolo.Pg.1., 1995).

Data and methodology

The contemporary study ascertain to probe the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania. A Simple Regression Model in Double Log and Semi Log Linear Models applied as methodology to inquire into the influence of

industrial policies to the private sector during the period from 2008 to 2017 in Tanzania. The study data were collected from the World Bank during the period from 2008 to 2017.

To inspect the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania, industrial policies were represented by economic openness and regarded as independent variable, while domestic credit to the private sector be regarded as Dependent variables of the study. To assess the influence of industrial policies to the private sector the study employed quantitative approach attached with the excel (Microsoft office excel 2007) EVIEWS (3.0 style).

To examine carefully the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania, the study establish the following equations:

The Influence of industrial policies to Domestic Credit To the Private Sector

$DCP = \alpha_0 + \beta_1 E_t + e_{1t}$ (1) Where, DCP is the natural log of Domestic Credit To The Private Sector, E is Economic Openness Index. The α_0 is constant, and β_1 , is coefficients parameter.

Empirical results and discussion

The current study after gathering all the data subject to examination, descriptive and analytical approach were applied to investigate the influence of industrial policies to private sector during the period from 2008 to 2017 in Tanzania.

To examine the influence of industrial policies to the private sector the study applied quantitative approach attached with the Excel (Microsoft office excel 2007) EVIEWS (3.0 style).

Correlation between industrial policies and domestic credit to the private sector

The contemporary study assumes industrial policies which regarded as economic openness as independent variable, while Domestic credit to the private sector as the Dependent variables to assess the influence of industrial policies to private sector (domestic credit to the private sector) during the period from 2008 to 2017 in Tanzania.

DATA

Appendix 1 : Data gathered from the word bank during the period from 2008 to 2017 in Tanzania.

Y	EOI	CRED
2008	49.02	11.911
2009	43.53	11.267
2010	47.64	11.718

2011	56.16	12.355
2012	54.37	12.818
2013	48.63	12.537
2014	45.35	13.304
2015	40.75	14.614
2016	35.42	13.67
2017	32.23	13.065
T	453.1	127.25

Where : Y is the Year, E.O.I is the Economic Openness Index, and CRED is the domestic credit to the private sector.

Appendix 2: From appendix number 1, Data computed to the natural Logarithms for all macroeconomic variables during the period from 2008 to 2017.

Y	EOI	CRED	X2	Y2	XY
2008	3.89	2.48	15.13	6.15	9.65
2009	3.77	2.42	14.21	5.86	9.12
2010	3.86	2.46	14.9	6.05	9.5
2011	4.03	2.51	16.24	6.3	10.12
2012	4	2.55	16	6.5	10.2
2013	3.88	2.53	15.05	6.4	9.82
2014	3.81	2.59	14.52	6.71	9.87
2015	3.71	2.68	13.76	7.18	9.94
2016	3.57	2.62	12.74	6.86	9.35
2017	3.47	2.57	12.04	6.6	8.92
TOTAL	37.99	25.41	144.59	64.61	96.49

Where : Y is the Year, E.O.I is Economic Openness Index, and CRED is the domestic credit to the private sector.

THE INFLUENCE OF INDUSTRIAL POLICIES TO DOMESTIC CREDIT TO THE PRIVATE SECTOR DURING THE PERIOD FROM 2008 TO 2017 IN TANZANIA

The investigation outcome reveal that the correlation between economic openness and domestic credit to the private sector is negative and meaningless during the period from 2008 to 2017 in Tanzania. The meaning is industrial policies did not influence the domestic credit to the private sector during the period from 2008 to 2017 in Tanzania. Findings from Table 1 below:

Dependent Variable : Domestic Credit To The Private Sector

V	CT	SD	T	P
M	-0.15	0.1646	-0.9113	0
C	3.1109			0
R2	0.1481			
AR	0.0416			
SER	0.0855			
NOB =10				

Origin: Roughly calculated from Appendix 2

Where: V is Variable, CT is Coefficient, C is Constant, SD is the Standard Deviation, T is T-Statistic, P is Probability, M is Economic Openness, R2 is R-Squared, AR is Adjusted R-Square, SER is Standard Error of Estimation NOB is number of Observation.

Summary of the findings

Findings of the study were in actual fact catching up the attention. The information discovered reveal that the correlation between economic openness and domestic credit to the private sector is negative and insignificant. The meaning is industrial policies did not have the influence to the private sector during the period from 2008 to 2017 in Tanzania.

Limitation of the study

The study analyzed the influence of Industrial policies to the private sector in Tanzania, however the study does not mention the quantity and extent of the influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania. Future research studies should investigate the influence of industrial policies to the private sector by mentioning the quantity and extent of influence of industrial policies to the private sector during the period from 2008 to 2017 in Tanzania.

Conclusions and recommendations

The information discovered reveal that the correlation between economic openness and domestic credit to the private sector is negative and insignificant. The meaning is industrial policies did not have the influence to the private sector during the period from 2008 to 2017 in Tanzania.

Recommendations

From the fact that the correlation between industrial policies and domestic credit to the private sector is negative and meaningless during the period from 2008 to 2017 in Tanzania, Industrial policies should be customarily appraised to reflect the veracious environment of the private sector in Tanzania.

The future research should investigate on the making and unmaking of strong and weak industrial policies, understanding policies features formation within industrial sector to support the private sector in Tanzania.

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