

PERFORMANCE EVALUATION OF INDUSTRIAL CLUSTERING IN TANZANIA

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Abstract

This study was conducted as a performance evaluation to examine the impact of clustering on the growth of individual firms in an agrarian economy with the case of Tanzania under study. Specifically, it focused on how the employment levels differ across individual firms that are located inside the industrial clusters and across those located outside existing industrial clusters; and how the age of firms influences their growth in clusters and in isolation. It is a critical study that brings answers to questions relating to the current state of Tanzania's industries in terms of clustering of firms and growth of industrial clusters and contributes to policy geared towards growth of the industrial economy. Significant findings confirm that the employment level is high in firms operating in clusters than in the firms operating in isolation. It confirms that a manufacturing firm existing alone in an agrarian economy grows at a slower rate compared to the one operating in a cluster, which highlights the importance of clusters. The study revealed that a firm's age has a positive influence on its growth regardless of whether in a cluster or not in the short-run, but the long run, old firms in isolation can perform well or grow than the old firms in clusters. Key recommendations revolving around good cluster policies and initiatives that encourage clustering of firms to contribute to regional and national economic growth were outlined by the research.

Keywords: Age of firms, employment, firm growth, industrial clusters, isolation.

JEL Codes: L2, L6, D22, J3.

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