Linking Competitiveness to Investment Decisions: The Case of Manufacturing in Tanzania

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Abstract

One of the factors associated with poor performance of the manufacturing sector in Tanzania is limited financial sources. This suggests that manufacturers need to make proper investment decisions. Several studies have associated the performance of manufacturing firms with investment without considering the structure of investment and controllling for the effects of other firm resources. Thus, this paper examines the relationship between competitiveness and investment decisions while controlling for other firm resources. The results reveal that competitiveness is significantly and positively associated with investment decisions. Investment in production equipment raises competitiveness while investment in land and building decreases it. The strength and direction of the relationship are sector specific.