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The effect of privatization on firm performance in Tanzania

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This study examined performance of privatized firms by comparing them with state-owned entities with a view to establish whether privatization initiatives had any impact on the performance of firms in Tanzania. Using descriptive analysis of secondary data from sampled enterprises, the main objective of the study was to establish evidence of productivity between these two categories of firms and if at all privatization initiatives helped state owned firms to improve their performance. The main finding is that, the net effect of privatization is positive in that privatized firms perform better than state-owned firms. That is, profitability analysis supports the hypothesis that SOEs with an element of private sector involvement have higher levels of performance than those fully owned by the government. This finding is consistent with success story gathered from selected privatized enterprises, which were sampled during the study. However, given the critical role of some state-owned firms that could not be privatized, recommendations were given on the need for state-owned-enterprises to adapt private sector models so as to avoid continuous loss making activities and being burden to the Government. This study was done through descriptive research design and purposive sampling. It is recommended that the introduction of targets on productivity variables for all public enterprises at rates or levels similar to, or above those of their counterpart firms in private sector as a basis for challenging their organizational performance.