

Relationship between Population and Income Distribution in Tanzania

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Abstract:- This paper is about the how population and income are related in Tanzania. The paper examines how population distribution has relation to income in Tanzania. The author used table research approach to examine, discuss and analyze data accordingly. Population distribution is largely determined by income distribution .The income generating opportunities, influences people to prefer living in those areas. This justifies the overpopulation of industrial cities like Dae Es Salama, Mwanza and Arusha and under population of Lindi and Mtwara. Conclusively, any investment decision apart from other factors should take into account the population distribution, because in developing country population in an evenly distributed across all African countries and mainly caused by investment and resources availability.

Keywords:- Income Distribution, Resources, Population Distribution and Investment.

I. INTRODUCTION

Some scholars like (Boserup, 1965; Simon, 1981; Lee, 1988) hypothesized that population growth has benefit in economic development. It has been noted that technical invesion and innovation entirely depend on the number of individual, a community had. Theoretically a large population is advantaged to have more technical innovation than a small population. The high population encourage innovation to meet the aggregate demand of product, facilities and services in the community. Population at a stimulus toward a total development of the human being.

Scholars like (Barro, 1991; Mankiw, Romer and Weil, 1992), argues that high population affect negatively economic development. These scholars take the negative effects of a large population in relation to available resources.

The large population encourage extreme uses of natural and artificial resources. High population encourage deforestation due to high demand of fuel. High population growth create a high demand of water, land for cultivation, land for settlement, areas fro investment, areas for road, railway, schools, electricity and other social infrastructure in the Community. But in developing countries, the problem may not be population per se but other factors such as un even resources allocation. The scholars mentioned precisely regards population as a major source of social and economic problem facing the world today.

Population is a dynamic process of which changes over time, reflecting social and economic development the country is reaching. The high fertility may have short and long term effects; high fertility in short term inflate the expenditure on providing services to the children while, in long term, it provides the labor force to the country or community (Crenshaw, Ameen and Christenson, 1997).

The matter of population and per capital income relationship has been undefinitely debate over a couple of decades. But it has been noted that population and per capita income can have negative or positive correlation. The determinant remains the extent of which human capital drive ahead the economy and technological development. The population, whether small or large depend on human capital efficiency in each sector of the economy in the country. Today the world witnessed small, less resources, less populated countries being richer while highly resourced country with high population dying from underdevelopment disease. Japan is country of Islands, very small but very rich, while the country like Congo, very poor but very resourced country with a higher population than Japan. If the population makes sense as numbers Tanzania could have been more developed than Kenya and Rwanda, but its not.

II. THE HISTORY AND TRENDS OF TANZANIAN POPULATION

Population affects both natural and socio-economic environment, to examine the trend of population is unavoidable. The population is an important component in planning and implementation of developmental programs. The planning process needs fact to be successful .In 1967,a year of the Arusha Declaration, Tanzania had population reaching 12 million, after 45 year, 2012 the population had reached 45 million. The population has increase by 28% between 1967 to 2012.The population annual growth rate has been declining from 3.2% in 1967 to 2.7 percent 2012. Despite of fertility decline, the population momentum shall continue pushing fertility to high. It has been noted that population of Tazania is characterized by a youth bulge as results of the past population trend.

With current annual population growth rate of 2.7, Tanzania experience high population growth rate like many African Countries. The Population of Tanzania taking into account the current trend shall continue to grow in the numbers of decade to come. The trend shall have an impact on the economic distribution of people and investment. The

investors prefer to invest in highly populated areas than in a less populated.

It has been a reason making the population density varies considerably over time. Population density has been increasing from 48 per square kilometer in 2050 to 137 per kilometer in 2012. The population dictate the provision of social and economic infrastructure in Tanzania. The region with highest population attract more economic development than the lowest region. For example the population per square kilometer in Dar es Salaam is more than 3000 while in

Lindi density per square kilometer is 13 people. The Lindi region is a good supply of labor to Dar Es salaam.

Population change vitalize the process of economic transition in terms of sex and age distribution. It has noted that population growth has a direct relationship with population structure.

Consider the below graph which shows the trend of Tanzania population as it influences younger structure due the high rate of population growth.

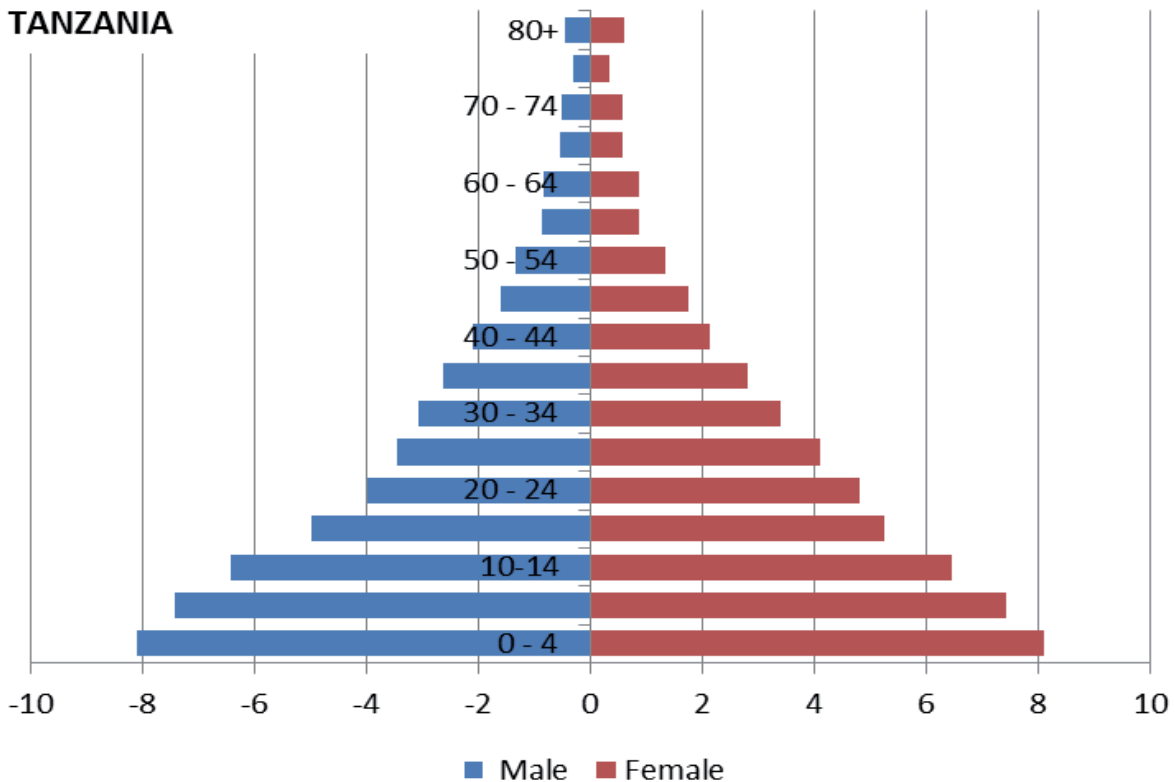


Fig 1

Source: National Bureau of Statistics (NBS), 2013

It makes one general implication, that how the country shall absorb the growing labor force while the rate of economic development is slow than the pace labor force growth rate. Taking into account Tanzania is one among developing countries with less technological development, how these labor force shall be handled. If not then the unemployment rate shall be rampant in Tanzania.

III. TANZANIA INCOME TRENDS AND HUMAN DEVELOPMENT

Global Human Development report of 2014 ,shows that GDP per capita in Tanzania is (constant 2011 PPP\$)in 2012 was \$ 1,654 less compared to global average of \$13,599 (UNDP 2014).As a country ,Tanzania has a very long way to go to improve its human resources. GDP per capita has been increasing over time, from\$ 120 in 2001 to \$ 446 in 2012. The Per capita income has been characterized by the disparity between regions in Tanzania. There are richest and poorest region in Tanzania and even the size population is a pattern reflecting the status. Dar es salaam a business capital ,very populated and is the richest region with GDP per capita of

\$700 while Kigoma is the poorest region less populated had a GDP per capital \$261. The large percent of people are attracted to work, invest, live in a highly populated region of Dar es Salaam, Mwanza, Arusha, Mbeya, Kilimanjaro and Iringa.

IV. POPULATION AND INCOME DISTRIBUTION IN TANZANIA

Population has a great impact on income distribution. High population creates surplus labor which in turn lower the price of labor, as results underemployment become wide spread in Tanzania. As the supply of labor increases without increment of job opportunities, labor force left with no choice but to work in a traditional environment of low wages. There are six factors affecting income distribution in Tanzania namely; economic development, demographic factors, political factors, cultural and environmental factors, and macroeconomic factors.

There two assumptions on the influence of urbanization on income distribution. The two assumptions oppose to each other as have been noted by Crenshaw (1993), that higher population density is associated with lower income inequality, explaining it with better possibilities for advanced social organization in case of higher population density. It has been noted also, higher population density and urbanization increase income inequality especially in Developing Countries. Income is usually higher in urban than in rural areas. In the study of Li, Squire and Zou (1998), using panel data for 1947–1994, and also in the work of Xu and Zou (2000), which used Chinese data, the influence of urbanization on income distribution turned out to be insignificant.

The influence of the age structure on income inequality we look on ageing and younger population structure. According to Deaton and Paxson (1997), older people have a larger dispersion of incomes and so a larger share of older people in the population leads to higher income inequality, the areas with aged population is usually have lower income distribution because of the lack of man power. This idea is supported by the empirical analysis of Deaton and Paxson (1997) using four countries' data. On the other hand, Higgins and Williamson (1999) studied panel data for the 1960s to 1990s and found that a larger share of the population aged 40–59 in a population aged 15–69 decreases inequality of income in the country regions.

It has been noted that the changing age structure in Tanzania entails the economic potential. The fertility decline has been a gradual process in Tanzania and that in turn reduces the age dependency ratio. In a few decades to come the active population shall surpass the dependency ratio and

that shall push the production to higher levels. This expected change shall depend on how the investment will be made in training the human resource and the quality. As a country, mechanism shall be placed to ensure the youth have opportunities, and capable of working and producing at the highest level as much as possible.

In Tanzania two factors have been outlined as the major causative of income inequality namely educational level and income inequality. Theoretical education reduces income inequality, but in Tanzania is opposite as noted by Partridge and Rickman (1998) that income was lower in Tanzania counties with more average years of education. An additional argument by Sylvester's (2002) study, which used a cross-section of 50 countries, showed that countries with a higher average number of school years had also higher income inequality. In Tanzania the education inequality is so big of which some section of the population is more educated than the other. This gap exists even between zones, religion, gender and between tribes. The higher the educational inequality the higher the income inequality.

The higher the age dependency ratio in the population the higher expenditure on health care and subsidies in the country. The evidence is that provided by Boix (2001) where the largest share of children and elderly people in population will increase the share of the government sector in the economy. The government should stretch resources to meet the educational demand (Stijns, 2001). Larger expenditure on education can be assumed to raise the educational level of the population, though this influence can only appear with a certain time. The educational level of the population influences the income distribution through many factors, such as technological development and economic growth. The higher educational level of human capital increases the productivity and technological development. According to Temple (2000), most studies have confirmed that the population's higher educational level leads to faster economic growth. Specifically, in Tanzania those areas with many people who have got an education and special training will have higher income distribution compared to areas that many people are ignorant.

Foreign investments, as it means also a higher quality of human capital, a higher educational level of population attracts foreign investments. High population within the country influence foreign investment whereby areas with a high number of people will have higher income distribution than those areas with few people as they will not be attractive for investments and making the income distribution to be lower. In Tanzania especially urban where there is density of people like Dar Es Salaam is very useful for foreign investment than in villages.

V. CONCLUSIONS

The population has a direct relationship with income in Tanzania. The high population attracts investments while low population discourages the investment. In that context some region in Tanzania is very populated and they are richest compare to the region which are poorer and less populated. The government allocation of resources affects population distribution as well. Today the Government headquarter has shifted from Dar Es Salaam to Dodoma, with no time Dodoma is coming up in terms of population and investment. This is a result of a political willingness. The government can create an uneven distribution of population through various policies.

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