Assessment of Problems Associated with Undercapitalization of Parastatal Organizations: A Case Study of Tanzania Zambia Railway Authority (TAZARA)

Conference ID: CFP/932/2018

By: Henry Hanyama
School of Business/Humanities
Information and Communications University,
Lusaka, Zambia.

Abstract

The basic aim of this research is to make an assessment of problems associated with undercapitalized parastatal organizations; a case study of Tanzania Zambia railway Authority (TAZARA). The research investigated the complexities surrounding the sourcing of capital and canvas for alternative sources. It uncovered, high lightened the problems surrounding the operations of the organization. The research was based on both primary and secondary data and this research was conducted on employees, management and stakeholders of Tanzania Zambia Railway Authority of Mpika Muchinga Province. Data were collected through questionnaires consisting of several questions; the sample consisted of 55 correspondents which represented 100% of the study population of 120 elements. The correlation analysis test was applied through excel to find out the results of the research. Results indicated on how capital insufficient has affected the company in a negative way. The findings of research proved that as long as the company is not recapitalized, the problems it is facing currently will continue. It will continue facing challenges in its operations. It further reviewed that the other causes of problems the company is facing are competing from road transport, obsolete infrastructure and poor management. The research further reviewed that the risks associated with undercapitalization included reduced sales, reduced employee morale and high labour turnover. Based on the results of this research it has been recommended that TAZARA can only come out of the current position by recapitalizing the company fully, also to encourage Public Private Partnership (PPP) and allow the company to operate on commercial basis. The two states should issue statutory instruments which direct most of the cargo to be moving on railway.
1. Introduction

This research aimed at assessing the importance of operating capital of Tanzania Zambia Railway Authority (TAZARA).

Railway system is a vital transportation network of goods and services in the current competitive world. For an organisation to achieve its intended purpose, it needs operating capital. Capital is the blood stream of any organisation. Scott Wilson Railway Ltd (2009:10),” Sound finances are essential if railway enterprises are to be transformed.” They are a condition of independent and dynamic management on the development of railways.

Background to the Study

The need to construct a railway link between landlocked Zambia and the port of Dar – Es Salaam in Tanzania was hastened by the political changes that developed in Rhodesia now called Zimbabwe by the unilateral declaration of the independence by a minority of group of white settlers led by Mr. Ian Smith on 11th November 1965.

The road link between KapiriMposhi in Zambia and the port of Dar – Es Salaam was in poor condition and nicknamed as the ‘Hell Run’ could not efficiently handle the enormous haulage of goods between these two points immediately after the closure of the border between Zambia and Rhodesia as a result of the UDI. This road was responsible for huge losses in human lives, goods and equipment.

The ‘Great Uhuru Railway’ was therefore built to provide the landlocked Zambia with a more direct and cheaper route to the sea thereby reducing the country’s dependence on the southern routes that passed through war zones in Zimbabwe, Angola, Mozambique and South Africa.

The Tanzania Zambia Railway was built with a 30-year interest free loan from the peoples’ Republic of China, after western governments and institution in London, Washington, Bonn and Tokyo declined to take up the project. The project was launched in 1969. The peoples’ Republic of China poured building materials, equipment and manpower into clearing the route, tunneling through mountains, building bridges, hacking through woodlands, draining swamps and bulldozing huge mounds of earth. Chinese workers lived at lives no better than those of their local co – workers.

During construction Chinese transmitted their knowledge and experience freeing, training drivers, welders, masons, carpenters and others as they went along. The Tanzania Zambia Railway line was completed in record time and was handed to government of Tanzania and Zambia on 26th July 1976.

Tanzania Zambia Railway Authority (TAZARA) is a statutory institution owned by the two governments of the United Republic of Tanzania and the Republic of Zambia on a 50-50 basis. The Authority is incorporated by the Acts of Parliament of the two contracting sovereign states, with its registered office being in Dar-Es Salaam the
United Republic of Tanzania. TAZARA is a railway line linking the Southern Africa Regional transport network to Eastern Africa, Asia and the Far East through the seaport of Dar Es Salaam. It connects landlocked Zambia to the seaport of Dar es Salaam in Tanzania through New KapiriMposhi in Zambia, which provides road and railway inter-connectivity to the rest of Southern Africa and other parts of Zambia, including the Copper belt region and the Democratic Republic of Congo. The railway line covers a total distance of 1,860km from Dar Es Salaam to New KapiriMposhi, passing through 93 stations between the two extreme points in Tanzania and Zambia.

Tazarasite.com/our-history
www.sakura-house.com
Hilal. K (2012)

Railway line profile

TAZARA line covers a distance of 1860 kilometers and passes some of the most interesting topographical features in the region in addition to passing through vast underdeveloped areas including the famous Selous Game Reserve in Tanzania. The line geography of TAZARA is so varied that it includes: flat land near the Indian Ocean stretching from Kurasin with 0 metres to Mlimba where it rises to 322m above the sea. The line cuts through mountains at times tunneling through these mountains with altitudes as high as 1671m at Makambako, 1789 at Uvole.

The line crosses Zambia at Nakonde with an altitude of 1644m above sea level and cuts through grassland swamps to Chozi with 1251m, Mpika with 1328m and reaches the lower lands of KapiriMposhi at 1275m above sea level

1.2 Problem statement

The decline in rail traffic began long before privatization. Total traffic carried by Zambian Railways fell from more than 6 million tons in 1975 to below 1.5 million tons in 1998 and was just 690,000 tons in 2009. While TAZARA’s design capacity was some 5 million tons per year, freight traffic peaked at 1.2 million tons in 1993 (when there was an urgent regional demand for maize imports following a drought), averaged about 600,000 tons during the 2000s (TAZARA 2010) and dropped to just 383,000 tons in 2008/09 TAZARA (2010). This compounded the lack of maintenance and investment which was characteristic of most Zambian parastatals. Lower revenues meant fewer funds for maintenance and investment. Both railways were slow to adjust to the changing market and competition from the trucking industry (Engman M., 2010). TAZARA has never been profitable, while Railway Systems of Zambia is transporting a fraction of former volumes. The ‘average locomotive speed reduced from 60 km/h to 15 km/h’ (Republic of Zambia 2011:57). These problems require urgent attention from both TAZARA management and its shareholders,
if this organization is to remain in business. With regard to this, the research is attempting to assess problems associated with undercapitalization of parastatal organizations the case of Tanzania Zambia Railway Authority (TAZARA).

1.3 Significance of the study

This research was undertaken in order to assess the effects of capital challenges on the operations of Tanzania Zambia Railway Authority. This research has uncovered, highlighted and exposed the problems surrounding the operations of the organization. This research enabled TAZARA management and its co-operating partners to know its weaknesses and strengths regarding the operations of the railway line. TAZARA will be able to reposition itself in that industry or market and recapture its market share.

1.4 Study scope

This research was conducted at TAZARA Regional headquarters (i.e. Mpika) of Muchinga province of Zambia and it was restricted to the assessment of risks associated with undercapitalization of the company. Mpika was chosen for this research because of the availability of information as well as the availability of experts regarding the operations of the railway line. Not only that, it is also centrally located and it is the regional headquarters of the organization.

1.5 Literature review

While the researcher agrees that wide work has been done on the subject elsewhere, much more needs to be done in Zambia to provide sufficient literature that can be used by decision makers to strengthen capitalization of firms. Firms in all parts of the world play an increasingly important role in the economy. But firms also face great challenges. Most firms in developing countries are facing increasingly bigger challenges as a result of rapid and chaotic urbanization and due to the impacts of frequent natural disasters caused by climate change. The recent global financial and economic crisis has further aggravated these challenges. The fundamental problem confronting most firms is the widening gap between the availability of financial resources and spending needs. One of the main reasons for this increasing fiscal gap is the rapid growth of urban populations, which creates an ever-increasing demand for goods and services.

1.5.1 Keywords and concepts

Undercapitalization

According to Hughes (1998: 103), undercapitalization refers “to any situation where a business cannot acquire the funds they need”.

Capital Structure

According to ZICA (2013: 290), Capital structure refers “to the way in which an organization is financed, by a combination
of long-term capital (ordinary shares and reserves, preference shares, bonds, bank loans, convertible bonds and so on) and short-term liabilities such as bank overdraft and trade payables”. The mix of finance can be measured by gearing ratios.

**Cost of Capital**

The cost of capital is the rate of return that the entity must pay to satisfy the providers of funds and it reflects the riskiness of finance used (Sarin, 2008: 108)

**Optimal Capital**

According to Brigham (2000: 113) Optimal capital is “the best debt to equity ratio for a firm that maximizes its value”.

**Investment**

Investment can be made in non – current assets or working capital (ZICA, 2013: 136).

Investment in non – current assets involves a significant elapse of time between commitment of funds and recoupment of the investment. Money is paid out to acquire resources which are going to be used on a continuing basis within the organization.

Investment in working capital arises from the need to pay out money for resources (such as raw materials) before it can be recovered from sales of the finished product or service. The funds are therefore only committed for a short period of time.

**1.5.2 Theoretical framework**

This section of the research reviews literature previously recorded. According to Wood (2005: 15) capital is referred to as owners’ equity or net worth. Therefore, the capital of an organization can be summarized in the following accounting equation:

\[ \text{Assets} = \text{Capital} + \text{Liabilities} \]

Therefore, \[ \text{Capital} = \text{Assets} - \text{Liabilities} \]

The components of this equation are explained below:

a) **Assets** – These are the possessions of an organization.

Assets are divided into two:

i) Non-current assets: These are assets bought for use in the organization which have a long-life span. Noncurrent assets are subdivided into

- **Tangible Assets**: These are assets which can be touched or seen. e.g. Motor Vehicles, buildings, etc.
- **Intangible Assets**: These are assets that cannot be touched or seen, e.g. Goodwill

ii) Current assets: These are assets whose balances change from time to time due to day to day transactions e.g. Inventory, receivables bank, cask etc.
b) Liabilities: These are indebtedness of an organization; it is what the organization owes to others. There are two types of liabilities:
   i. Non-current liabilities: These are liabilities that fall due after one year e.g. Mortgage, Loans, Debentures etc.
   ii) Current liabilities: These are liabilities that fall due within one year.
      E.g. Payables, bank overdraft

For a company to operate successfully, it requires working capital which will enable it pay its debts when they fall due.

According to ZICA (2011), “working capital constitutes a firms’ investment in current assets such as cash, marketable securities, inventories and accounts receivables.” Net working capital refers to the difference between currents and current liabilities. Therefore, in this context, current assets are those assets that can be converted into cash within a period one year. Current liabilities are obligations that are payable within one year.

Importance of working capital management
According to Hughes (2000), “working capital management is very important because of the following:
   (i) A large number of companies’ investment is tied up in working capital such as inventory, material suppliers and debtors and such require close management to avoid huge loses.
   (ii) Working capital management affects the company’s risk, return and share price
   (iii) Managing of working capital takes a large portion of the time of most financial manager’s day to day activities because of its complexities
   (iv) Excessive levels can result in a sub-standard return on investment (ROI)
   (v) As a firm grows in terms of sales revenues this can only be achieved by considerable investment in its working capital to support the growth.

Finances

Long standing problems
According to Scott Wilson Railway Ltd (2009:10),” Sound finances are essential if railway enterprises are to be transformed.” They are a condition of independent and dynamic management on the development of TAZARA railways. The traditional financial organization of the railways, however, would have hastened the decline of railways, even if everything else has worked in their favor. State support meets deficits but is not focused on clear objectives. Financial objectives are obscure and incentives to Management lacking; commercial pressures do not work to check deficits and borrowings they should do.
Allocation of costs and revenue is inadequate; it is often hard to tell whether a service made or lost money. Investment, although on a large scale, often does not meet business needs and is a drain on finance. According to Ibid (2006:10),” borrowing is usually limited by ceilings on borrowing by the public sector but, paradoxically, is often less constrained by the credit-worthiness of the borrower.”

At the same time, the State imposes obligations, directly or indirectly without necessarily defining them clearly or compensating the railways fully and directly. Most obligations concerns transport in the public interest; some served wider aims, such as employment, social welfare and regional development. Railways are also expected to buy equipment from national suppliers not on the wider market, which raises costs considerably. Progress, however, has been made in clarifying the financial responsibilities of the State and of the railways. Nevertheless, the financial organization of much rail transport remains very confused and is a serious obstacle to the improvement of services and efficiency.

**Recent trends**

According to GRZ (2014),” It is interesting to look at some recent trends, although general indicators hide wide differences of performance. To begin with revenue, both passenger and freight receipts have declined steadily over a long period. While this follows the fall in freight and the stagnation of passenger traffic, it is also caused by a dramatic decline in yields, that is revenue per passenger or tone kilometre. Receipts from the fare box presently amount to around 65% of total operating revenue. As might be expected, operating subsidies increased.” Staff costs declined as a proportion of operating costs in the 1980's, but have increased since 1990 and currently represent around 63% of total operating costs. While there has been a considerable reduction in staff numbers this has been offset by increasing costs per employee. According to GRZ (2013), another trend is the growing capital intensity of the railways. In the mid1980's two units of capital generated one-unit output; in 1994 more than three units were required. The capital base of the railways has expanded to finance this. Railway debts have increased significantly in the 1990's although they have fallen as a proportion of total capital, because governments injected capital. In parallel with the general rise in debt, interest charges rose as a share of operating revenue to around 15%, contributing to losses.

With the recovery in copper production in recent years, and the congestion and damage to the roads caused by exporting copper by truck, there have been widespread calls for investment in Zambia’s railways in order to reverse the switch from rail to road. The Government has announced ambitious plans to ‘maintain, rehabilitate and upgrade rail transport infrastructure’ (Republic of Zambia 2011:58). There appears to be a broad public consensus, reflected in the Sixth National Development Plan, that both railway networks should be restored to their condition in the 1970s – and then extended
(with new routes). It is implicitly assumed that, with the revival of copper exports, investment must be viable.

Global Perspective

In 2014, railways in China delivered 2.357 billion passenger trips, generating 1,160.48 billion passenger-kilometres and carried 3.813 billion tons of freight, generating 2,753 billion cargo ton-kilometres. Freight traffic turnover has increased more than fivefold over the period 1980-2013 and passenger traffic turnover has increased more than sevenfold over the same period. Driven by need to increase freight capacity, the railway network has expanded with the country budgeting $130.4 billion for railway investment in 2014, and has a long-term plan to expand the network to 274,000 km (170,000 mi) by 2050. China built 9,000 km of new railway in 2015. (Chinese Railway Statistical Bulletin).

Regional Perspective

Eva Grey (2015) South Africa's railway system is set to flourish under a boost of record investment aimed at turning the country into a key player in the global freight industry. The development was first announced in 2012, when Transnet, South Africa's state-owned ports and rail company, launched the Market Development Strategy, a seven-year R300bn ($33.82bn) investment scheme with a clear strategy to rejuvenate the country's ports, rail and pipelines infrastructure.

A big portion of this investment is dedicated to rail. In March 2014, Transnet announced a R50bn ($4.26bn) contract with four manufacturers to build a 1,064-strong locomotive suite. The move marked the start of the biggest rail recapitalisation programme in the country's history. China's rolling stock manufacturers China North and South Rail won the lion's share of the contract, followed by Bombardier Transportation and General Electric as key tenders.

Local perspective

The Parliamentary Committee on Communications, Transport, Works and Supply called for recapitalization of the Zambia Railways Limited to cushion the pressure on the country’s road infrastructure. Committee chairperson Douglas Siakalima said although there was a number of competing needs in the country, the railway company needed adequate injection of capital to make it viable and operate effectively (Lusaka Times. Com)

Basic principles

According to Raballand (2011:104), for the railways to flourish, clear financial objectives and a proper division of responsibilities between the State and the railways are essential; and for successful restructuring, the burden of past debt must be lifted. The railways must have a financial structure that allows effective, independent management as in other sectors, but must also take much greater responsibility for their financial situation. Railway finances should be organized according to these basic principles:
- Member States should relieve railways of the burdens of the past;
- The railways should be run on a commercial basis;
- Member States should pay full compensation for public services and exceptional social costs. With the exception of this compensation and support for specific infrastructure Investment, the railways should finance their operations without transfers from the State.

If fully applied and tightened where necessary, they would provide a sound framework for restoring the financial health of the railways. However, the main actors are the State and the railways. States have to face up to their responsibilities in relieving past debts, creating a sound structure for the future and compensating for the services they obtain from the railways. The railways themselves must reduce costs radically and improve their financial management, for instance, through precise allocation of costs and revenues.

**Specific policies**

According to Whit worth (2010:46), The railways cannot face the challenges of the future, encumbered by past debt. There should be specific directives imposed on the obligation of Member States to help reduce debt to a level that does not impede sound financial management and to improve railway finances. However, it seems that this obligation has not been put into practice equally across the member states.

The application of the State aid rules would under certain conditions not affect compensation that Member States pay for the provision of public services. If these public services are provided on the basis of contracts following a transparent and non-discriminatory allocation procedure, the corresponding compensation is not State Aid but payment for a transport service. Compensation must also be paid for exceptional social costs only borne by railway undertakings, such as early retirement and specific welfare allowances.

General responsibility for promoting the development of railway infrastructure should remain with the Member States. For major new projects there is growing interest in involving private capital. But while interested in the possibilities, private developers are often deterred from investing alone, because social and private benefits diverge and returns are low and uncertain. According to Whit worth (2010:30), public/private partnerships are therefore a promising way to finance large infrastructure projects, particularly the priority TENs projects endorsed by the European Council in Essen. It is the Commission's practice to authorize public investment in infrastructure, so long as it is equally accessible under the same nondiscriminatory conditions and does not distort competition. In the short term, it is legitimate for States to finance investment in railway infrastructure so as to compensate for unpaid external costs in the road sector or to meet non-transport objectives, such as
regional development, as long as these conditions are met.

However, it is true that this practice does not necessarily resolve all problems of distortion of competition, notably those arising from different rules being applied indifferent Member States to the various modes of transport. Moreover, in the long run, it is believed that in all modes of transport users should pay the full cost of infrastructure.

Causes of decline

According to Raballand (2011:45), there are many reasons for the decline of the railway sector over the last half century. Perhaps the most important was the rise of other modes that offered more flexible and less expensive transport: buses, Lorries and the private car. Citizens and businesses increasingly turned to road transport, which led to the construction of road networks to meet this demand. At the same time traditional, heavy industries whose products were transported by rail declined in importance. The railways did not find new freight markets to compensate for this loss, offering services often considered inflexible, unreliable and expensive, even in the sectors where they could be competitive.

As road transport has become more efficient and cheaper, the fact that the price of transport often does not reflect all costs sufficiently has become increasingly important. The prices paid by individual users do not sufficiently reflect external costs such as those of congestion, pollution and accidents. These costs are often higher for road transport than for other modes, so that the conditions of competition favor road and work against more environmentally friendly modes. Cost is certainly one consideration when making a transport choice, but there are many others such as speed, reliability and flexibility of service.

The railways have even lost out in one market where they should be in a powerful position, long distance freight. One reason, among others, is that they are organized along national lines. In fact, there is no internal market in rail services at the Community level. Moreover, there is a whole series of regulatory and administrative obstacles. This situation prevents competition from new operators and frustrates the organization of seamless international services reliably, flexibility and speed disappoint customers. The comparison road freight is stark, where consignments travel in a vehicle which readily crosses frontiers and are frequently in one person's care from collection to delivery, in clear responsibility and good quality of service.

According to Ibid (2006:65), management of the railways must bear a large degree of responsibility for the decline which has taken place. However, relations between the State and the railways have been a prime cause of the disappointments of rail transport. States have usually denied railway enterprises the freedom of a commercial business. As well as political interference for immediate ends, the authorities have
tended to require the maintenance of very uneconomic services. Railway investment has often been inadequate or misdirected, and so a consequent burden on finances. Governments have compensated with large subsidies that met losses without being directed to a particular objective such as the improvement of efficiency. In addition, financial objectives were often confused. Another reason for decline was the inadequate adaptation of the rail network to new patterns of economic activity and urbanization and the consequent changes in traffic flows. While the capacity and quality of infrastructure did not properly meet new needs, little used infrastructure was kept open and became a burden on finances.

2.0 Research Methodology

This chapter covers the research design, method and tools, and techniques which were employed in gathering and analysis of the data used in this study. Purpose of methodology in a research is to describe research theories, strategies, methods and tools which were used in the research in form of data collection. Research methodology serves as an engine in the whole process of data collection, analysis, presentation and interpretation of the findings. It also presents the sample size and sampling techniques used in the study. The study will employ both qualitative and quantitative research in order to assess the problems associated with under capitalisation of firms – a case of TAZARA.

2.1 Study Design

The study has adopted a case study approach for two main reasons. Firstly, a case study was seen to be more manageable as data collection only aims at a small unit which enables the researcher to obtain detailed information. A case study on the Tanzania Zambia Railway Authority (TAZARA) was seen as being appropriate in that the researcher was able to interact with respondents easily and that way the researcher was able to get the facts on the ground. Secondly the approach is flexible in that it utilized various methods in deriving data from selected sample such as questionnaires, literature review etc.

2.2 Sources of Data

According to Patton (1990), there are a variety of approaches that can be used in collecting information from respondents. Miller (1991) also acknowledges that data collection methods range from mere observation, interviews, questionnaires and group discussions. However, this study used both Secondary and primary data and was able to collect information from publications, reports, journals, and Published books.

Primary data which was the basis of this study was collected through field work using self- administered questionnaires to the people involved. The advantage of using this kind of data is that it helped to sharpen and broaden the researcher’s understanding of the issues under investigation.
2.3 Target Population
The target population for this study comprised of employees and management staff/stakeholders relevant to the research. Therefore, the target population consisted of 120 elements.

2.4 Sample Methodology
The researcher used triangulation method i.e. both simple random sampling and purposive sampling methods during the process of data collection from this set of respondents. Sampling is essentially a technical device used to select, in an appropriate way, a small and restricted set of persons from which the actual information was drawn in order to make the necessary inferences about the whole population.

Simple random sampling in which the sample is selected in such a way as to afford every element in the population an equal opportunity of being selected for the study. Purposive sampling is one in which the researcher uses his or her judgement to choose the elements that are required in a particular sample or that which would from a representative sample. Simple random sampling was used in order to avoid bias in selecting the respondents to be included in the study. The randomness is important in eliminating bias because bias destroys the validity of the study.

In terms of purposive sampling, the researcher chose the main characteristics to be considered in the study beforehand. This technique of sampling allowed the researcher to select only those respondents with relevant information to be included in the survey. In other words, the researcher did not want to waste time screening all the people, but went straight to those who were relevant to the study.

2.5 Sample size

The sample size for this study consisted of 55 respondents which represented 100% of the study population.

2.6 Research Instruments
The Study opted to use questionnaires. The questionnaire comprised of closed and open-ended questions. Questionnaire was either administered or handed out to respondents. The instruments of research were pre-tested on a small sample of 5 officers from TAZARA to determine the reliability and validity of the questionnaire. After being satisfied, then data collection started.

2.7 Data Analysis Tools
Data collected for the study was analysed using both qualitative and quantitative methods. Qualitative data was analysed using attributes while quantitative data was analysed using variables which are measurable. The Data analysis methods used in this study includes Microsoft excel resulting into; tables, and graphs.

2.8 Pre-testing of Research Instruments
The instruments of the research were pre-tested on a small sample of 5 officers from TAZARA to determine the reliability and validity of the questionnaire. After being satisfied, then data collection started. Pre-testing was done within two days.
2.9 Ethics and Confidentiality
The research is not to probe people’s private lives nor collect private information for government or its agencies. Therefore, data collected will be treated with the confidentiality it deserves.

3.10 Data Analysis

Information was generated from data that was collected. Two ways were used and these are:

Qualitative data analysis: Qualitative methods are more concerned with understanding the meaning of social phenomenon and focuses on links among a large number of attributes across relatively few cases. It emphasizes personal experiences and interpretation over quantification. Here data was analyzed using two qualitative data analysis techniques, that is; thematic and content analysis. This helped the researcher to establish the main theme of the study being undertaken.

Quantitative data analysis: Quantitative methods are concerned with attempts to quantify social phenomenon and collect, and analyzed numerical data and focus on the links among the smaller number of attributes across relatively few cases. Here data was processed into frequencies due to the nature of the data collected.

3.0 Findings and Discussions

In order assess the problems associated with undercapitalization of parastatal organizations respondents were asked to give their views on the matter, below are the tables showing respondents’ views:

### TABLE 3.1 Response to customer service delivery

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>35</td>
<td>64</td>
</tr>
<tr>
<td>Yes</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey 2018

### TABLE 3.2: Causes of problems TAZARA is facing

<table>
<thead>
<tr>
<th>Causes</th>
<th>No. of respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>8</td>
<td>14.5</td>
</tr>
<tr>
<td>Capital</td>
<td>30</td>
<td>54.5</td>
</tr>
<tr>
<td>Competition</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Obsolete infrastructure</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018
TABLE 3.3: effects of under capitalization

<table>
<thead>
<tr>
<th>Effects</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High labour turnover</td>
<td>16</td>
<td>29</td>
</tr>
<tr>
<td>Reduced sales</td>
<td>27</td>
<td>49</td>
</tr>
<tr>
<td>Reduced employee morale</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2017

Analysis

Respondents were asked whether they were happy about the services which TAZARA is currently offering. Findings in table and figure 3.1 indicate that the majority of respondents (64%) said No and only (36%) said yes. This shows that generally respondents are not happy with the prevailing service delivery in TAZARA.

Findings on table and figure 3-2 indicate that most of the respondents (54.5%) say insufficient capital is the cause, (14.5%) say the cause is poor management, (24%) attributed the cause to obsolete infrastructure while only (13%) say the cause is due to competition. This shows that capital is the major cause of problems which TAZARA is currently facing.

Respondents were asked the effects of under capitalization on the railway line. Findings on table and figure 3.3 indicate that (49%) said reduced sales, (29%) said high labour turnover and only (22%) said reduced employee morale. Implication: this means that the major effect of under capitalization on the operations of TAZARA is reduced sales which lead to nonpayment of salaries and consequently high labour turnover.

Findings on table 3.4 indicates that most of the respondents (46%) said share capital was appropriate, (27%) said bank loan, (18%) said secured loan and only (9%) favoured term loan.

Implications: this means that, for TAZARA to remain on track, it requires fresh injection of share capital.

4 Conclusion and Recommendations

The results show that inadequate capital was hampering the operations of TAZARA which is evident by the inability to pay salaries, failure to buy fuel for its train stock.
and meet other operational costs. The research further elaborates that mismanagement, is also contributing to the poor performance of TAZARA. Competition was another factor which was noted in the research as contributing to the downfall of the railway company. This competition comes from Tanzanian and Zambian transporters. Reliability, flexibility and speed disappoint customers in the railway industry. The research further found that obsolete infrastructure was another cause of decline of TAZARA. Locomotives and train stocks are in bad shape and costly to repair or replace such that the speed of goods trains and passenger trains have been reduced significantly and thereby increasing the transit time for the trains which is bad for this kind of business.

It was discovered that the consequences or effects of undercapitalization included reduced sales. This is evidenced in their inability to pay its work force. The research further found that high labour turnover was another consequence of undercapitalization of the railway company. Reduced employee morale was another effect as the company fails to pay its workers and other social amenities.

The researcher found that TAZARA can recapitalize its operations through the offloading of shares to the public. This is particularly true because for major new projects like acquiring locomotives there is growing interest in involving Private capital. Public / Private Partnerships (PPP) are therefore a promising way to finance large infrastructure projects.

**Recommendations**

Basing on the findings of this study, the research makes the following recommendations:

The company needs complete overhaul. The company needs to be recapitalized. TAZARA should invest in infrastructure development to improve reliability, flexibility and speed. These are cardinal to survive the competitive environment in which TAZARA operates.

The research further recommends that TAZARA should encourage Public / Private Partnership to finance large infrastructure projects such as acquisition of train stocks and maintenance of the permanent way. For the railway company to flourish, clear financial objectives and a proper division of responsibilities between the state and the railways are essential and for successful restructuring, the burden of past debt must be lifted, not only that TAZARA must have a financial structure that allows effective, independent management as in other sectors.

TAZARA should not just focus on national lines but should also consider the community level to maximize revenue. TAZARA has only concentrated on the movement of trains between two nations and not concentrating on expanding the network to the communities of respective nations to maximize revenue. Therefore, it should
adapt the railway network to new patterns of economic activity and urbanization and the consequent changes in traffic flows. For example, connecting TAZARA to Muchinji and also connecting to Mbulungu.
References

[21] Tz.chinaembassy.org/eng/media/921927htm
[27] www.Sakura – house.com
[28] www.tanzaniinvest.com/tazara
[29] www.tazarasite.com/our-history
[31] Zambia Railway Concession Review Study.