

## **Contrast and Connections: Exploring The Economies of Tanzania and India**

Mahika Kairwal

Indian School Dar Es Salaam, Tanzania

DOI: 10.46609/IJSSER.2026.v11i03.002 URL: <https://doi.org/10.46609/IJSSER.2026.v11i03.002>

Received: 20 January 2026 / Accepted: 4 March 2026 / Published: 22 March 2026

### **ABSTRACT**

*In today's world, countries are closely connected through trade, investment, and the flow of money across borders. To understand how different economies function, it is important to study not only individual countries but also compare them with others. This research paper presents a comparative economic study of India and Tanzania, focusing on their present economic structures, macroeconomic indicators, trade patterns, and socio-economic conditions. The paper examines concepts such as aggregate demand, balance of trade, balance of payments, while also analyzing the economic relationship between the two countries. Through comparison, the study highlights differences in scale, development paths, and policy challenges, offering insights into how economies at different stages of development manage growth and international integration.*

Keywords: India, Tanzania, Comparative Economics, Aggregate Demand, Balance of Payments, Trade Relations

### **INTRODUCTION**

In today's world, countries are closely connected through trade, investment, and the flow of money across borders. To understand how different economies function, it is important to study not only individual countries but also compare them with others. This project is based on a comparative economic study of India and Tanzania, focusing on how their economies work in the present time.

India is a large developing economy with a huge population and a wide range of economic activities. It has a strong domestic market, growing industries, and increasing participation in global trade. Tanzania, on the other hand, is a developing country in East Africa with a smaller economy, but it has rich natural resources, growing trade links, and improving economic conditions. Studying these two countries together helps in understanding how economies at different levels of development manage growth, trade, and external relations.

The project mainly focuses on the current economic situation of India and Tanzania. It studies basic economic concepts such as demand and supply, balance of trade and balance of payments. These concepts help explain how goods, services, and money move within and outside an economy.

Further, this paper includes a comparative analysis of the two countries based on important social and economic indicators such as poverty levels, literacy rates, and overall development. This comparison helps in understanding how economic growth affects people's living conditions. The project also looks at the investment climate and business opportunities in India and Tanzania. It tries to understand why investors choose certain countries and what factors make an economy attractive for business and trade.

An important part of this project is the study of economic relations between India and Tanzania. This section focuses on trade relations, export and import patterns, investment links, and areas of cooperation between the two countries. It shows how international economic relationships can support development.

So, what does a closer comparison between India and Tanzania really reveal? The research below explores this.

### **TANZANIA: PAST AND PRESENT OVERVIEW**

Tanzania has a very rich and unique past. People have lived in this region for millions of years, making it one of the most important places for human history. Over time, different African communities settled across the land, farming, raising cattle, and trading locally. From the 8th century, Arab traders arrived on the coast, especially in Zanzibar, bringing gold, spices, and other goods. Many settled permanently, which created the Swahili culture and language. Later, mainland Tanganyika came under German and then British rule, which introduced new systems but also hardships, like forced labor and cash crops. Tanganyika gained independence in 1961 under Julius Nyerere, while Zanzibar had a revolution in 1964. Later that year, both regions united to form the United Republic of Tanzania, keeping Zanzibar semi-autonomous. These historical events shaped Tanzania's focus on unity, equality, and social cohesion.

Today, Tanzania is a stable and growing country with diverse geography. It has Mount Kilimanjaro, vast grasslands like the Serengeti, fertile farming areas, large lakes, and tropical islands. Politically, the union of the mainland and Zanzibar remains important for its identity and governance. Economically, Tanzania has moved from Nyerere's socialist policies to more market-based reforms, attracting foreign investment and encouraging trade. Swahili continues to unite the population, and the country emphasizes education, healthcare, and social development. Tanzania's history and geography together explain why the nation values unity, cultural identity,

and gradual economic growth.

## **INDIA: PAST AND PRESENT OVERVIEW**

India's history is long and deeply influential. It was home to the Indus Valley Civilization, one of the world's first urban societies, and later saw empires like the Mauryan and Gupta flourish in science, trade, and culture. From the 8th century onwards, India engaged in trade with Arab and other foreign traders. Islamic empires like the Delhi Sultanate and Mughal Empire influenced politics, architecture, and culture, blending local and foreign traditions. European traders, especially the British, eventually gained political power. British rule reshaped India's economy, built railways and infrastructure, introduced modern education, but also caused famines and economic hardships. India became independent in 1947, though Partition caused major displacement and violence. These events laid the foundation for India's modern political, social, and economic systems.

Today, India is a vast and diverse country with unique geography, from the Himalayas to fertile river plains, deserts, forests, and long coastlines. It is a federal democratic republic, home to over a billion people with diverse languages, religions, and cultures. Economically, India has grown significantly since liberalization in 1991, with strong sectors in technology, services, and manufacturing. Challenges remain, including income inequality, employment generation, and environmental management. India's geography, historical diversity, and democratic institutions continue to shape its social, political, and economic life, making it a major global player while still addressing internal development needs.

## **COMPARATIVE ANALYSIS**

### *Aggregate Demand Analysis*

**Aggregate Demand (AD)** – This is the total spending in an economy on goods and services at a given price level in a specific year. Think of it as the combined demand of households, businesses, the government, and foreign buyers. Mathematically, it is:

$$AD = C + I + G + (X - M)$$

Where:

**C** = Household consumption: Money spent by families on everything from groceries to mobile phones. This shows how much people are actively participating in the economy.

**I** = Investment: Spending by businesses to create future goods and services, like building factories, buying machines, or improving technology. This shows how much the country is

preparing for growth.

**G = Government expenditure:** Includes government spending on infrastructure, health, education, and salaries of public employees. It supports public services and stimulates demand when other sectors are slow.

**X – M = Net exports:** Exports minus imports. Positive values indicate that the country earns more from trade than it spends abroad, while negative values mean it spends more on foreign goods than it earns from selling goods abroad.

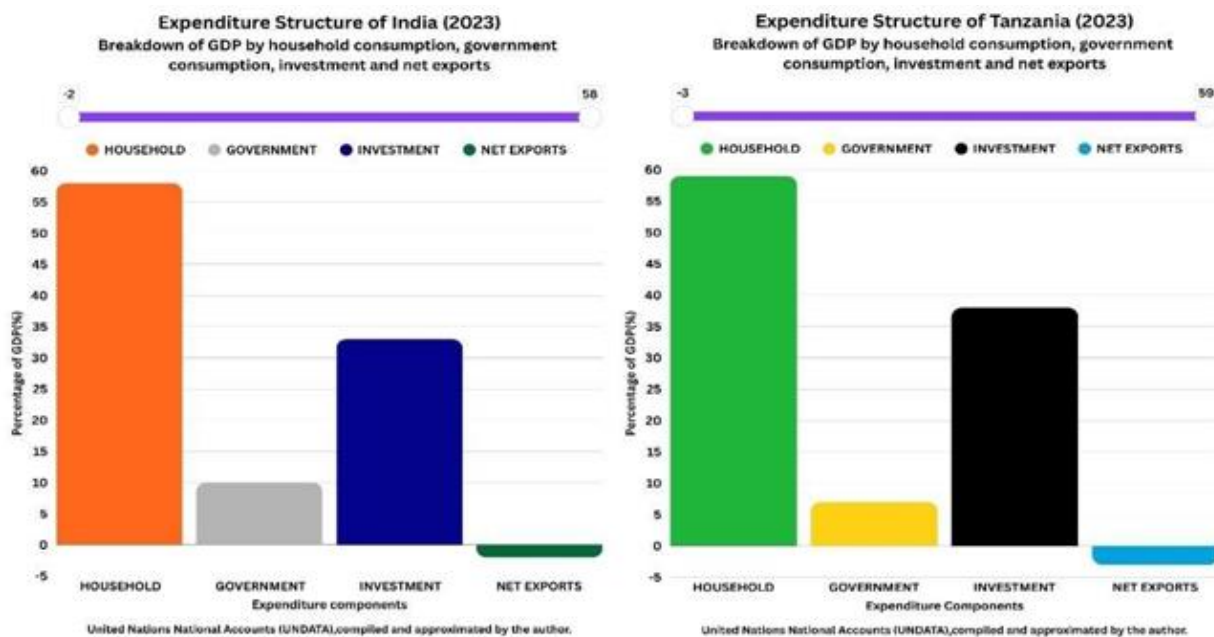
**Household Consumption (C)** – Usually the largest part of AD. The higher this is, the more the economy relies on people buying things for themselves, which drives economic activity.

**Investment (I)** – Indicates the future growth potential of an economy. More investment often means businesses are confident and planning long-term expansion.

**Government Expenditure (G)** – Acts as a stabilizer in the economy. During slowdowns, governments can spend more to maintain demand and prevent economic decline.

**Net Exports (X – M)** – Represents the external sector of the economy. Countries with negative net exports may face pressure from foreign trade dependence.

**2023 EXPENDITURE DATA SNAPSHOT**



## **1. Household Consumption**

Household spending is the biggest chunk of GDP in both countries, India at 58% and Tanzania at 59%.

This shows that domestic demand is the backbone of both economies. Almost 6 out of every 10 dollars spent in these economies comes from regular people buying goods and services.

In practical terms, it means that any changes in income, jobs, or consumer confidence will directly affect the economy.

Tanzania is slightly higher, which suggests that households play an even bigger role in driving AD. For India, though slightly lower percentagewise, the absolute value is enormous because India's GDP is much larger.

So, if people reduce spending (like during inflation or price increases), Tanzania's AD might drop slightly faster in proportion, but India would still have more cushion due to its size and government support.

## **2. Investment Expenditure**

Investment is 33% in India and 38% in Tanzania.

Tanzania is putting a bigger share of its economy into investment, which shows the country is trying to build its future production capacity. They are investing in machinery, factories, and infrastructure to grow the economy long-term.

Higher investment can be great for economic growth, but it also makes the country more sensitive to investment fluctuations. For example, if foreign investors pull out or businesses reduce spending, AD could drop sharply.

India has a slightly lower share at 33%, but given its massive GDP, the absolute amount of money going into investment is still much larger than Tanzania's. This means India can maintain AD better during investment slowdowns because consumption and government spending are strong.

So, in short: Tanzania's AD is more "investment-driven", while India's AD is more balanced.

## **3. Government Expenditure**

India spends 10% of GDP on government expenditure, while Tanzania spends 7%.

Government spending is the stabilizing factor in any economy. India's higher spending means

the government plays a bigger role in boosting AD, supporting public services, infrastructure, and welfare.

Tanzania's smaller government share indicates that its economy relies more on households and private investment. While this can be efficient, it also means less cushion during economic slowdowns or shocks.

For instance, if households reduce spending or investment falls in Tanzania, there is less government spending to compensate, making AD more vulnerable.

#### **4. Net Exports**

Both countries have negative net exports: India -2%, Tanzania -3%.

This means they import more than they export, which slightly reduces AD.

Tanzania's trade deficit is proportionally bigger, so it is slightly more dependent on foreign trade. Any global price shocks or import costs could affect their AD more than India's.

India's trade deficit is smaller in proportion to GDP, so the drag on AD is less severe.

In simple terms: both economies are slightly losing demand due to imports exceeding exports, but India's sheer size absorbs the effect better.

#### **5. Overall Aggregate Demand Pattern**

If we put it all together:

**India:** AD is balanced, driven by strong household consumption, significant government support, and high investment. Negative net exports slightly reduce AD, but it's minor.

**Tanzania:** AD is more investment-heavy, slightly higher household spending, smaller government role, and larger trade deficit. This makes its AD a bit riskier or volatile, more dependent on investment performance and external trade.

Essentially, India's AD is stable and broad-based, while Tanzania's AD is leaner but growth focused.

#### **6. Economic Insights**

Household spending is the main driver of AD in both countries.

India: more balanced AD; government plays a stabilizing role; consumption and investment

together support steady growth.

Tanzania: more AD relies on investment; smaller government share; larger trade deficit; slightly higher risk but also strong future growth potential.

Net exports reduce AD in both, but India's economy can absorb it better.

Overall, the expenditure data clearly explains how AD is structured without needing a graph. You can see exactly which sector drives the economy, how stable it is, and what could affect it.

### **Balance of Payment Analysis**

**Exports** – These are goods and services that a country sells to other countries. Exports bring money into the economy, create jobs, and help industries grow. For example, if Tanzania exports coffee and gold, it earns foreign currency, which strengthens its trade position.

**Imports** – These are goods and services that a country buys from other countries. Imports are useful because they allow access to things not produced domestically, like machinery, electronics, or certain raw materials. But high imports can weaken domestic currency and create trade deficits if not balanced by exports.

**Trade Balance / Balance of Trade (BOT)** – This is the difference between exports and imports:

A negative balance (deficit) means the country is buying more from other countries than it is selling, which can pressure the economy if persistent.

**Balance of Payments (BOP)** – A full record of all economic transactions with the rest of the world. It includes trade in goods and services, investment income, and transfers. The current account is the main part of the BOP that records imports, exports, and net income from abroad.

**Current Account Deficit / Surplus** – When a country's imports, services, and transfers exceed its exports and income from abroad, it has a current account deficit, which can mean the country needs foreign investment, loans, or aid to balance payments.

**Trade Deficit** – A type of current account deficit specifically focused on imports exceeding exports. Persistent trade deficits may require borrowing from foreign countries or relying on inflows from services or investments.

**TANZANIA EXPORT-IMPORT ANALYSIS (2019–2023)**

**TANZANIA’S EXPORT AND IMPORT 2019-23**

Tanzania	2019	2020	2021	2022	2023
EXPORTS (IN BILLION USD)	9.79	8.92	9.98	11.68	13.60
IMPORTS (IN BILLION USD)	10.36	9.55	11.16	14.84	16.62

Source: Macrotrends and compiled by author

**Exports Trend:**

Exports fell slightly from 9.79 bn in 2019 to 8.92 bn in 2020, which can be attributed to the COVID-19 disruptions, reduced global demand, and supply chain issues.

From 2021 onward, exports steadily increased, reaching 13.6 bn in 2023, showing economic recovery and growing foreign demand for Tanzanian goods, mainly minerals, coffee, and agricultural products.

**Imports Trend:**

Imports were 10.36 bn in 2019 and rose consistently, hitting 16.62 bn in 2023.

The steady rise suggests growing domestic demand for machinery, manufactured goods, and fuel. Import growth outpaced export growth, which means Tanzania relies heavily on foreign products to meet domestic needs.

**Trade Balance / Deficit:**

Tanzania had a persistent trade deficit throughout the period. It widened from -0.57 bn in 2019 to -3.16 bn in 2022, slightly narrowing to -3.02 bn in 2023.

A widening deficit indicates that more money is leaving the country than coming in from exports which can put pressure on Tanzania’s foreign reserves and exchange rates, requiring the country to borrow or attract foreign investment to maintain stability.

**Economic Implications:**

The growing trade deficit highlights a need for Tanzania to boost exports by improving

infrastructure, diversifying products, and enhancing competitiveness.

Rising imports show economic growth and increasing consumer demand, but it must be balanced with export growth to avoid long-term deficits.

### **INDIA EXPORT-IMPORT ANALYSIS (2019–2023)**

#### **INDIA'S EXPORT AND IMPORT 2019-23**

India	2019	2020	2021	2022	2023
EXPORTS (IN BILLION USD)	529.25	499.73	677.77	778.02	779.45
IMPORTS (IN BILLION USD)	602.32	510.24	760.90	897.55	858.84

Source: Macrotrends and compiled by author

#### **Exports Trend:**

India's exports dipped in 2020 due to the global COVID-19 slowdown, from 529.25 bn in 2019 to 499.73 bn in 2020.

Post-2020, exports increased sharply to 779.45 bn in 2023, reflecting strong recovery, diversified manufacturing, and IT/service sector growth.

#### **Imports Trend:**

Imports dropped slightly in 2020 (510.24 bn) but surged to 897.55 bn in 2022, reflecting rising demand for crude oil, machinery, electronics, and other manufactured goods.

By 2023, imports slightly decreased to 858.84 bn, possibly due to adjustments in domestic energy use, currency changes, or policy measures.

#### **Trade Balance / Deficit:**

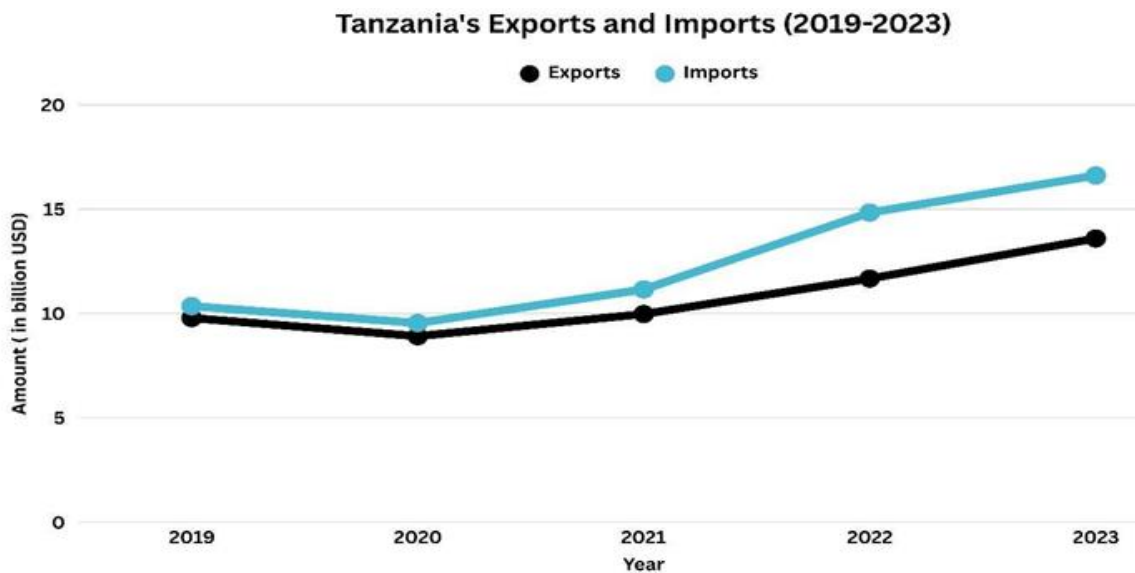
India consistently ran a trade deficit, with the largest deficit in 2022 at -119.53 bn.

This indicates that India imports more than it exports, despite strong export growth meaning that India must rely on foreign investments, remittances, and service exports to maintain a stable balance of payments.

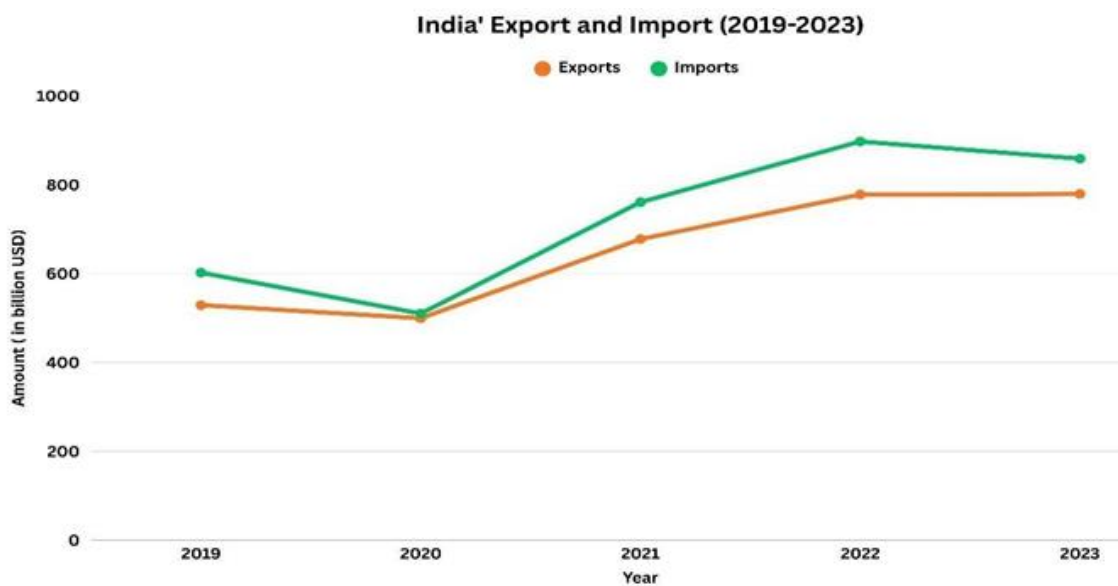
**Economic Implications:**

India's large trade deficit reflects high import dependency, especially on energy and electronics. The sharp export recovery shows India's competitive industries and global integration, but continued deficits highlight the importance of export diversification and domestic manufacturing strength.

**COMPARATIVE ANALYSIS: TANZANIA VS INDIA**



Source: Macrotrends and approximated by author



Source: Macrotrends and approximated by author

### **Scale of Economies:**

India's exports and imports are hundreds of billions USD, while Tanzania's are in single-digit billions. Absolute numbers show that India's economy is much larger and more integrated globally, whereas Tanzania's economy is smaller but growing steadily.

### **Trade Deficits:**

Both countries consistently run trade deficits, but the reasons differ.

Tanzania's deficit is smaller in absolute terms (-3 bn), but it is significant relative to its GDP, meaning external financing is important.

India's deficit is huge in absolute terms (-79 to -119 bn), reflecting massive imports and a highly integrated economy.

### **Trends Over 5 Years:**

Both countries experienced a COVID-19 dip in 2020.

Post-2020, exports recovered in both countries, but imports grew faster than exports, keeping trade balances negative.

Tanzania's deficits grew gradually, while India's fluctuated more sharply, reflecting volatile global demand and energy prices.

### **Impact on Balance of Payments:**

Tanzania relies on foreign investment, aid, or loans to finance its deficit.

India relies on services exports (IT, software), remittances, and foreign direct investment to balance payments.

### **Economic Insights**

Tanzania's economy is still developing, with trade deficits highlighting the need for stronger export sectors.

India's economy is large and complex, with trade deficits managed through financial inflows and service exports.

In both cases, persistent deficits require careful economic planning, focusing on boosting exports and controlling import dependency.

Both countries consistently import more than they export, leading to trade deficits. Tanzania’s deficit is smaller but proportionally significant, while India’s is huge in absolute

terms. Exports recovered strongly post-2020, but imports still grew faster, keeping deficits negative.

Policy-wise, both countries need strategies to enhance exports, diversify industries, and reduce dependency on imports to stabilize their balance of payments.

**Socio Economic Indicators**

**COMPARATIVE ANALYSIS OF SOCIO-ECONOMIC INDICATORS: INDIA VS TANZANIA (2022– 2023)**

**SOCIO-ECONOMIC INDICATORS 2022-2023**

	Life Expectancy (in years)	Infant Mortality Rate (per 1000 births)	Poverty Rate (3\$ per day) (in %)..	GDP Per Capita (in USD )	Literacy Rate (15+) (in %)	Unemployment Rate (in %)	GDP Growth Rate (in %)	Access To Electricity (in %)	Access To Clean Water (in %)
India	72	24.50	4.41	2480.79	77	4.17	8.15	99.50	90
Tanzania	67	29.90	71	1224.49	82.02	2.58	5.07	48.30	11.34

Source: Macrotrends and compiled by author

**1. Life Expectancy**

India’s life expectancy is higher than Tanzania’s by 5 years. This reflects better access to healthcare, nutrition, and disease management in India, as well as a larger healthcare infrastructure.

Tanzania’s lower life expectancy can be partly attributed to historical challenges with infectious diseases like malaria and HIV, limited healthcare facilities in rural areas, and slower improvements in public health infrastructure.

**2. Infant Mortality Rate (per 1000 births)**

Tanzania has a higher infant mortality rate, indicating challenges in maternal and child

healthcare, vaccination coverage, and access to quality medical care in some regions.

India has improved significantly over the past decades due to programs like National Health Mission and increased institutional deliveries, which has brought down infant deaths.

### **3. Poverty Rate (\$3 per day)**

Tanzania has a much higher poverty rate than India. This reflects lower per capita income, limited industrialization, and reliance on agriculture with low productivity.

India's relatively low poverty rate shows the impact of economic growth, social welfare programs, and poverty alleviation schemes, though regional disparities exist.

### **4. GDP per Capita (USD)**

India's GDP per capita is roughly double Tanzania's, indicating higher productivity, more industrial and service sector development, and stronger economic diversification.

Tanzania's lower GDP per capita reflects a smaller economy, reliance on agriculture, and limited manufacturing capacity.

### **5. Literacy Rate (15+)**

Interestingly, Tanzania's literacy rate is higher than India's. This may be because Tanzania has invested in universal primary education and literacy campaigns, which have improved adult literacy.

India has a larger population and some regional disparities, so literacy averages are slightly lower, especially in rural areas and among marginalized groups.

### **6. Unemployment Rate**

Tanzania has a lower unemployment rate, but this can be misleading, as a large portion of the workforce is in informal agriculture and subsistence farming, which counts as employed but is often low-income work.

India's higher unemployment rate reflects a larger formal sector, urban migration, and job market competition, though the absolute number of employed people is much higher.

### **7. GDP Growth Rate**

India's growth is higher, showing a strong rebound after COVID-19, driven by services, manufacturing, and investment.

Tanzania's steady 5% growth reflects agriculture, mining, and infrastructure projects, which maintain moderate growth in a smaller economy.

### **8. Access to Electricity**

India has near-universal electricity access, thanks to government schemes like Saubhagya, electrification of villages, and industrial infrastructure.

Tanzania's low access highlights rural energy gaps and infrastructure challenges, which limit productivity and development in many regions.

### **9. Access to Clean Water**

India's high access reflects improvements in water supply infrastructure, urban water distribution, and sanitation programs.

Tanzania's extremely low percentage points to major infrastructure challenges, limited urban water systems, and reliance on unsafe sources in rural areas, which affects health outcomes and life expectancy.

## **TANZANIA AND INDIA RELATIONS**

According to the High Commission of India in Tanzania, India has shared a close and friendly relationship for decades. Back in the 1960s to 1980s, their connection was shaped by common goals like anti-colonialism, non-alignment, and South-South cooperation. Tanzania's former President, Dr. Julius Nyerere, was highly respected in India, earning the Jawaharlal Nehru Award for International Understanding in 1974 and the International Gandhi Peace Prize in 1995. After the Cold War, both countries started economic reforms and worked on strengthening international business ties and foreign investment. Today, India-Tanzania relations have grown into a modern and practical partnership, covering politics, diversified economic activities, education and healthcare cooperation, and development projects like training programs, concessional credit lines, and grants. The Indian High Commission in Dar es Salaam has been operating since 1961, while the Consulate General in Zanzibar was set up in 1974. Their ties were further boosted when bilateral relations were elevated to a Strategic Partnership during President Samia Suluhu Hassan's state visit to India in October 2023.



Economically, India and Tanzania enjoy vibrant trade and investment links. India is Tanzania's third-largest trading partner, with a bilateral trade of USD 6.4 billion in 2022–23, and Indian investments in the country total around USD 3.74 billion. Several major Indian companies operate in Tanzania, including Airtel, Tata Africa Holdings, Mahindra & Mahindra, Kamal Group, Kalpataru, Tanzindia, Larsen & Toubro, Afcons, Hester Biosciences, Mahashree Agro, and Purandare Industries. Hester Biosciences has built an \$18 million veterinary vaccine factory in Kibaha, and Purandare Industries is setting up a sugar factory near Dodoma, while Mahashree Agro works on pulses processing. Indian-made tractors, farm equipment, commercial vehicles, buses, and motorcycles are widely seen across Tanzania. Indian banks like Bank of Baroda, Bank of India, and Canara Bank operate there, and companies such as Pacco Gems and Nazareth Investment are involved in graphite extraction. India mainly exports petroleum products, pharmaceuticals, vehicles, electrical goods, iron and steel articles, sugar, and machinery to Tanzania, while Tanzania exports gold, cashew nuts, pulses, timber, spices, ores, metal scrap, and gemstones to India.



### **REFLECTIONS, INSIGHTS, AND THE ROAD AHEAD**

Living as an NRI in Tanzania has given me a unique view of both worlds, India's vibrant energy and Tanzania's resilient spirit. Seeing how people work hard, celebrate progress, and improve their lives has taught me that development is about real communities and human experiences, not just numbers.

In conclusion, India and Tanzania, despite their differences, are both steadily developing. India's large, diversified economy and strong social infrastructure show significant growth, while Tanzania's focus on literacy, investments, and steady GDP growth reflects progress in its own way. Both countries are building on their historical contexts and moving toward balanced economic and social development.

Looking ahead, India continues to expand innovation, exports, and infrastructure, while Tanzania focuses on industrial growth, energy access, and regional trade. Both countries are taking steps toward sustainable development and better opportunities for their citizens, reflecting a positive and promising future.

### **References**

1. Citizen Reporter. (n.d.). *Economic and social development articles on Tanzania and India*. The Citizen. <https://www.thecitizen.co.tz>
2. Garg, S. (n.d.). *Macroeconomics (Class XII)*. New Delhi: Dhanpat Rai & Co.
3. Macrotrends. (n.d.). *India and Tanzania economic indicators: GDP, trade, population*. <https://www.macrotrends.net>
4. Trading Economics. (n.d.). *India and Tanzania economic data and indicators*. <https://tradingeconomics.com>
5. World Bank. (n.d.). *World Development Indicators: India and Tanzania*. World Bank Group. <https://data.worldbank.org>
6. Worldometer. (n.d.). *India and Tanzania statistics: population, economy, and development*. <https://www.worldometers.info>
7. ISS Africa. (n.d.). *Africa's economic outlook and development analysis*. Institute for Security Studies. <https://issafrica.org>
8. The Global Economy. (n.d.). *Economic indicators for India and Tanzania*. <https://www.theglobaleconomy.com>
9. High Commission of India, Dar es Salaam, Tanzania, *India-Tanzania Bilateral Relations*. <https://www.hcindiatz.gov.in/india-tanzania-bilateral-relation.php>