ABSTRACT

The purpose of this study is to assess the economic growth with limited tax revenue and capacity on public debts, and their implication for fiscal policy in Sub Sahara Africa. The study explored, analyzed and described the impact of tax revenue, and public debts on economic growth by concentrating on the Sub Saharan economies. The aspiration of the researcher is to gain knowledge on the issues of economic growth under the constraints of limited tax revenue and public debts, and other significant variables, particularly in Sub Sahara African countries. Therefore, the study went deep to analyze the relationship between the economic growth and tax revenue and public debts in Sub Saharan Africa countries. The study used secondary data reported on the economic growth, sustained tax revenues and public debts from 37 Sub Saharan countries for the period of 24yearsas from 1996 to 2019 in Sub Sahara Africa. The study used secondary data extracted from World Development Indicators, World Bank, IMF, EGI, and WEO. The research collected data about GDP, Tax revenues, central government debts, inflation, money supply, rules of law, political stability, fixed capital formation, trade and labour force for each country in the area of the study. Dynamic panel data were set up to observe the unit specific heterogeneity, and Generalized Methods of Moments was employed for data analysis. After using the descriptive statistics, correlation techniques and Arrelano-Bond Dynamic Panel Data estimation to analyze the findings, the study found that, there is a weak negative correlation between the growth and government debts, and relative positive relationship between the tax revenues and the growth. Therefore, after a deep discussion of the findings, the research revealed both hypotheses, that the tax revenues and public debts statistically significantly affect the economic growth in Sub Saharan Africa. Therefore, the study concluded the existence of the significant positive and negative relationships between the tax revenues and public debts to the economic growth respectively. Due to the results, the study recommended that the governments and their authorities should strengthen and improve the sources of tax revenues, and try to avoid unnecessary borrowings, and whenever the public became inevitable, and then the debts should be injected into fixed capital formation activities, like roads, industries, buildings, irrigation projects, schools, hospitals railways, and bridges.

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