

ABSTRACT

Among the most striking characteristics of the global economy, today is Foreign Direct Investment (FDI). The goal of this study was to assess the economic growth of Tanzania through Foreign Direct Investment. Data obtained from the World Bank database, International Monetary Fund, Bank of Tanzania and Bureau of Statistics of Tanzania for this research; research based on time series data from 1998-2019. The data translated into a logarithmic form and the unit root test of the data performed to ensure the stationarity. From the estimated results, all factors encountered. Stationary, multicollinearity and heteroskedasticity not detected in all variables. They were suggesting that the estimates are reliable and can, therefore, be relevant. The results of the regression analysis revealed that the effects of Foreign Direct Investment and population on economic growth (GDP) are positive, which means that FDI and population contribute positively to Tanzania's economy. Results have shown that the exchange rate, Inflation and real interest rates have a negative effect on the economic growth of Tanzania, indicating that they are disadvantageous to the economic growth of Tanzania so that must be regulated; however, Tanzania should aim to maintain a single-digit inflation rate because increasing of Inflation is detrimental to the economy. The study suggested that Tanzania's Government needed to review investment policies that would enable FDI inflows to continue to have a positive impact on Tanzania's local economy. Focusing on keeping Inflation at a low rate is also crucial for the Government. Inflation-rate stability is an essential factor for the economy, and it is vital for Tanzania to take into account all the factors leading to a rise in general price levels, and to deal with them through appropriate policies.

