

ABSTRACT

The study has examined the effect of education sector expenditure and per capita income on economic growth in Tanzania using annual data obtained from the Ministry of planning and finance, BOT, and NBS, the study uses secondary data spanning the period between 2000 and 2019. In this quantitative study, preliminary tests such as the unit root test (Augmented Dickey-Fuller test applied and later Johansen tests for cointegration checked whereby long-run effect and association observed on both variables as the data analyzed through Stata software and Microsoft excel, the objectives of the study was to examine the relationship of education sector expenditure with economic growth in Tanzania as well as to examine if education sector expenditure can forecast per capital income and economic growth in Tanzania to recommend Ministry of education on the allocation of government fund to realize the strong and competitive economy in Tanzania whereby, collected secondary data organized and cast into a regression model and finding results showed R square = 78.69% is suitable fitted level to explain about the model. This is interpreted as that the GDP can be affected by the education expenditure and per capita income so independent variables that are education expenditure and per capita income explain the dependent variable GDP to the extent of 78.69% and other unidentified factors can explain the GDP for only 21.31%. The value of Durbin-Watson d-statistic (2, 19) = 2.025239 indicates there is no autocorrelation and there is a positive relationship among the variables included in the model so by concluding the study will open the room to other studies to address much information on the education sector expenditure concerning economic growth in Tanzania, also will enable the government before planning for education sector spending to rethink on the positive return on economic growth so decide exactly figure to spend in the education sector for economic growth in Tanzania.

