

**ABSTRACT**

The study investigates the empirical determinants of savings and private investment in Tanzania over the 1970 – 2010 periods. Four hypotheses were tested using Ordinary Least Square from which long run relationship among the variables was established and Error Correction Model (ECM) for partial adjustment model to tackle the short run relationship that exists among the variables.

The results suggest that increases in disposable income, deposit rate, and population growth have positive impact on saving. An increase in inflation is found to have negative impact on savings. Furthermore, increases in the credit available to private sector, public investment, income per capita, and investment on human capital have positive impact on private investment. An increase in lending rate is found to have negative impact on private investment. Moreover, savings, lending rate and private ownership are found to be significant in explaining private investment.

This findings implies that disposable income, deposit rate, inflation, population growth, credit to private sector, public investment, income per capital, investment on human capital, lending rate and structural reforms plays important role in influencing savings and private investment focusing on the above influential variables are highly recommended.

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