

ABSTRACT

The main objectives of this study is to investigate the effect effect of tax revenue on private sector growth in Tanzania. The study was guided by several specific objectives which were; one to examine the short-run relationship between tax revenue and private sector growth in Tanzania. Second was to investigate the long-run dynamics between tax revenue and private sector growth in Tanzania and lastly was to assess the grander causes between tax revenue and private sector growth in Tanzania. The researcher employed time series data with a sample of 32 observations from 1990 to 2021. The researcher started by examining the unit root characteristic of the variables using ADF and PP test for unit root. The findings indicated that, all variables are integrated of order 1, follows $I(1)$ process. ARDL bound test were employed to determine the existence of long-run relationship and the result indicated by F-bound and t-bound revealed that, there is a long run relationship among the variables. The findings of the long-run coefficient have indicated that, there is negative and significant relationship between TAX Rev and private sector growth in Tanzania. In such a way that, in the long-run, a 1 unit increase in in tax revenue %GDP (tax burden) in Tanzania will leads to 1.969 unit decrease in private sector growth in the country, holding other factors constant. The short-run relationship was investigated using ECM and the result shows that, the

negative and significant short-run relationship exist between private sector growth and tax revenue (tax burden). The Granger causality was employed to determine the order of the directional relationship and the findings indicated a uni-directional causal relationship from private sector growth to tax revenue. The researcher recommended that, government of Tanzania, through revenue authority should consider widening tax base and at the same time ensuring the tax revenue

does not hinder the private sector development and growth.