

Empirical Analysis of Financial Development Institutions and Economic Growth in Tanzania: Based on ARDL Model

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<p>Keywords: Tanzania, FDI, GDP, ARDL, Granger Causality</p> <p>Received 19 March 2020 Revised 7 June 2020 Accepted 20 June 2020</p> <p>Article Classification: Research Article</p>	<p>Purpose – The financial institutions have a significant contribution to foster economic growth of a country. This study has the intention to investigate the causal relationship between financial development institutions and economic growth in Tanzania.</p> <p>Design/methodology/approach – The study spans from 1989 to 2018. The article uses four proxy of financial development institutions against Gross Domestic Product (GDP) growth (Annual %). Financial proxy of variables of development institutions comprises Broad Money (% of GDP), Domestic credit for private sector (% of GDP), Domestic credit provided by financial sector (% of GDP), and Domestic credit to the private sector by banks (% of GDP). This study uses Autoregressive Distributed Lag (ARDL), Vector Error Correction Model (VECM), and Granger Causality test.</p> <p>Findings – The paper tries to find the cointegration effects and causal relationships between the proxy variables and economic growth in Tanzania. It indicates that the economic growth of Tanzania dominates financial development institutions. Therefore, economic growth in Tanzania leads to the growth of financial sector. The development of financial sector also gives way to rise in overall economic activity. It is a unidirectional relationship through which the proxy variables depend on economic growth in the country.</p> <p>Discussion – Tanzania government should invest more in the financial institutions in order to improve the economic growth in Tanzania..</p>

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