

Abstract

This study delves into the intricate nexus between government expenditure, GDP per capita, and poverty reduction in Tanzania. Employing Granger causality analysis, Vector Autoregressive (VAR) and Vector Error Correction Model (VECM) on the World Bank dataset spanning from 1990 to 2022 the study unveils dynamic relationships and crucial insights for policymaking towards poverty free society. The findings underscore significant directional causation between government expenditure and GDP, underscoring their pivotal roles in poverty alleviation. Furthermore, the study reveals that while an increase in gross domestic per capita initially reduces poverty, it exacerbates its prevalence in the long run. Conversely, government spending emerges as a consistent force in reducing poverty across both short and long-run periods. These results emphasize the imperative need for Tanzania and other developing nations to comprehend these interconnected factors, facilitating the formulation of effective strategies that foster inclusive growth and propel the nation towards sustainable development.

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