THE IMPACT OF GOVERNMENT DEBT ON ECONOMIC GROWTH IN ZIMBABWE FROM 1985 TO 2012

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Since independence, Zimbabwe has experienced declining growth rates for the number of years and at the same period government debt was accumulating. Therefore, the study sought to determine the impact of government debt on economic growth in Zimbabwe using time series data from 1985-2012. The research paper also sought to determine the impact of foreign direct investment, gross capital formation, labour, and exports on economic growth. Ordinary Least Squares estimation criteria were employed to estimate the impact of government debt on real GDP which was used as a measure of economic growth. The research used data from World Bank and ZIMSTAT. The study found out that government debt has negative effects on economic growth which is in line with most Less Developed Countries (LDCs). From these results the researchers should be worried much with the increase in government debt due to the relationship it holds with economic growth. The study also found out that exports and gross capital formation have a positive impact on economic growth while labour and foreign direct investment are insignificant to determine the growth of the economy. The research concludes with recommendations to the government and policy makers on how to put in place policies that discourages borrowing in order to promote the growth of the economy of Zimbabwe.