

GOVERNMENT EXPENDITURE AND ECONOMIC GROWTH IN KENYA

1975 -1995.

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This study analyses the contribution of government expenditure on economic growth in Kenya between 1975 - 1995. It is thus a country specific study, unlike past studies done elsewhere that have been cross sectional in nature. In a broader context the study explores the relationship between the magnitude and growth of government expenditure in Kenya and economic growth. In doing so, the study specifically analyzes the relative contribution of various government expenditures to economic growth. Using a modified Denison Model, the regression results reveals that government expenditure on education, health and defence contribute more to economic growth than other variables considered in this study. From the private sector point of view, expenditure on agriculture, commerce and industry, defence, and education crowd in private investment while expenditures on health are negatively related to private investment and so they do crowd out. Despite limitation of coverage, the findings of this study set a good direction on policies pertaining to government expenditure that should be put in place to boost economic growth in Kenya. This will thus be useful guidelines to policy makers when deciding on expenditure allocation and rationalization. The findings will also widen the frontier of knowledge on fiscal policy. Further research is however encouraged in order to get good policy mix.