

The Impact of Foreign Direct (Edi) on Tanzania Gross Domestic Product (Gdp) in Terms of Linkage Effect (Spilling Over) Into Other Economic Sectors

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The introduction of the first market-oriented investment code in June 1990 and later amendment in 1997 opened doors for both local and foreign investors in Tanzania. This among other factors caused Foreign Direct Investment (FDI) to increase to USD 6,028.8 million by the end of the year 2005, placing the country among the top ten recipients of FDI in Africa just behind the oil producing countries and South Africa. Despite the increase of FDI in recent years, still has low impact to the Tanzania economy. The study was carried out by taking a sample of 50 FDI firms in Dar es Salaam which was selected to be the representative of the country due to concentration of FDI firms. Random sampling method was employed to select the firms and the Ordinary Least Square (OLS) method was used to carry on regression analysis. This study has employed the econometric type of study so as to determine the impact of Foreign Direct Investment (FDI) in Tanzania's (GDP) in linkage effect (spilling over) into other economic sectors; it has covered FDI linking activities to local Tanzanians in order to stimulate the general growth of Tanzania economy. Findings of this study have shown direct relationship between the flow of FDI and GDP growth in Tanzania economy. Any positive change in the FDI will have a positive change in overall contribution to Tanzania economic conditions.

