

TAX AND ECONOMIC GROWTH IN NAMIBIA

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ABSTRACT

This study empirically examined the relationship between taxation and economic growth in Namibia. Time series techniques such as unit root, cointegration, impulse response functions and variance decomposition were used within the vector autoregression framework. The study utilized quarterly data for the period 2001 to 2015. The results of the unit root test revealed a combination of order of integration. The cointegration test showed no existence of long-run relationship among the variables. Therefore, the long-run analysis could not be conducted, but only the short-run analysis. The results of the impulse response functions revealed an immediate negative effect on economic growth resulting from shocks in tax. Moreover, the forecast error variance decomposition revealed that tax is responsible for moderate fluctuation in economic growth in Namibia.

Keywords: Vector autoregression, taxation, economic growth, Namibia.

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