

A Time-Series Investigation of Government Revenue & Expenditure Dynamics in Zimbabwe Using Causality and Variance Decomposition Techniques

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Abstract

The causal relationship between government revenue and government expenditure remains a cornerstone issue in public finance, especially within the context of fiscal sustainability and macroeconomic stability in developing economies. This study investigates the direction and strength of causality between government revenue and expenditure in Zimbabwe, a country characterized by persistent fiscal imbalances, structural economic challenges, and institutional fragilities. Between 2010 and 2022, Zimbabwe recorded an average budget deficit of -4.2% of GDP, with a peak deficit of over -11% in 2018, driven largely by unbudgeted public sector wage increases and quasi-fiscal activities. While total revenues have risen ZWL\$1.7 trillion was collected in 2022 against a target of ZWL\$1.3 trillion expenditures have consistently outpaced revenues, reaching ZWL\$2.1 trillion in the same year. This has led to widening fiscal gaps financed through inflationary domestic borrowing, exacerbating macroeconomic vulnerabilities. The study explores the relevance of four dominant fiscal hypotheses: the tax-spend, spend-tax, fiscal synchronization, and institutional separation frameworks. Employing time-series econometric techniques, including the Toda-Yamamoto Granger Causality Test, ARDL Bounds Testing, and Variance Decomposition Analysis, the study utilizes annual data from 1990 to 2024, while controlling for inflation, public debt, and real GDP growth. It also critically engages with empirical evidence from other African economies and re-evaluates earlier Zimbabwean studies that failed to account for structural breaks and monetary policy spill overs. The findings aim to inform ongoing fiscal reform efforts under the Transitional Stabilization Programme (TSP) and National Development Strategy 1 (NDS1), providing actionable policy insights on whether Zimbabwe should prioritize revenue enhancement, enforce fiscal discipline, or adopt a harmonized approach to public financial management to curb its chronic budget deficits and ensure sustainable development.

Keywords

Budget Deficit, Government Revenue, Government Expenditure, Fiscal Synchronization, Causality Analysis, Granger Causality

1. Introduction

The relationship between government revenue and expenditure is central to fiscal policy and macroeconomic stability, especially in developing countries like Zimbabwe, which has faced chronic budget deficits averaging -4.2% of GDP between June 2013 and June 2025, with major overshoots such as -19% in 2024 [1]. This study investigates the causal direction between revenue and expenditure using time-series data from June 2000 to June 2025 and econometric techniques such as the Toda-Yamamoto Granger Causality Test and ARDL Bounds Testing [2]. Unlike earlier studies, it employs real per capita variables and controls for inflation, debt servicing, and real GDP [3]. Amid weak revenue performance (tax-to-GDP ratio below 18%), high informality, and rising debt estimated at US\$17.6 billion in 2025 [4], the study tests four fiscal hypotheses tax-spend, spend-tax, synchronization, and institutional separation-to offer policy-relevant insights aligned with Zimbabwe's Transitional Stabilization Programme (TSP) and National Development Strategy 1 (NDS1) goals [5].

2. Study Background

2.1 Composition and Trend of the Government Expenditure

The intricate relationship between government revenue and expenditure lies at the heart of fiscal policy management. In the case of Zimbabwe, this relationship has evolved in response to both domestic and global economic shocks, with periods of revenue recovery often counterbalanced by expansionary expenditure patterns. From the post-2016 slump to the present period, Zimbabwe has witnessed a steady recovery in government revenue generation, largely driven by economic reforms, improved tax administration, and inflation-induced nominal gains.

According to the 2024 National Budget Statement, total government revenues comprising tax revenues and grants were projected to reach US\$5.07 billion, marking a substantial 31.0% increase from US\$3.87 billion in 2019. This uptrend was attributed to anticipated economic growth and improvements in the operational efficiency of the Zimbabwe

Revenue Authority (ZIMRA), including digitization of tax platforms and tightened compliance monitoring. Furthermore, to enhance revenue transparency, the government mandated the consolidation of all departmental revenues into the Consolidated Revenue Fund (CRF), with US\$434 million expected to be mobilized from retained funds between 2022 and 2025, alongside US\$100 million in external grants.

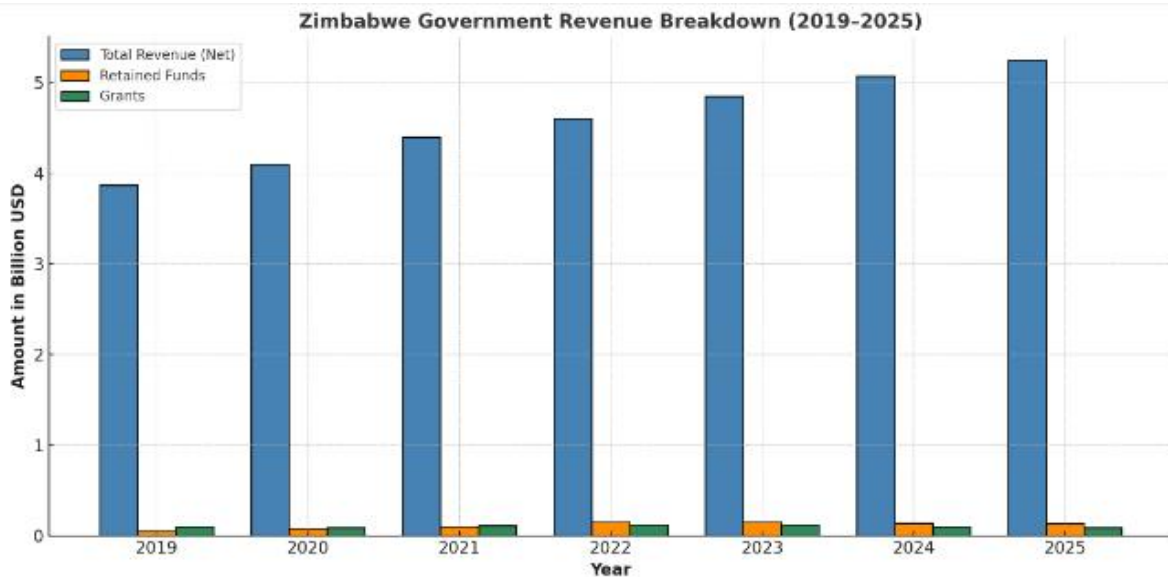


Figure 1. Trends in government expenditure

Source: July 2025 National Budget Statement

Figure 1 mention a share of GDP, Zimbabwe has historically maintained a relatively high tax-to-GDP ratio compared to many Sub-Saharan African countries. In 2018, this figure stood at 22.1% of GDP, up from 20.2% in 2017, underlining the critical role of tax policy in shaping fiscal outcomes. Nevertheless, Zimbabwe's fiscal space remains fragile, and any unexpected shortfalls in revenue due to macroeconomic shocks, commodity price volatility, or administrative inefficiencies pose significant risks to budget sustainability and project implementation.

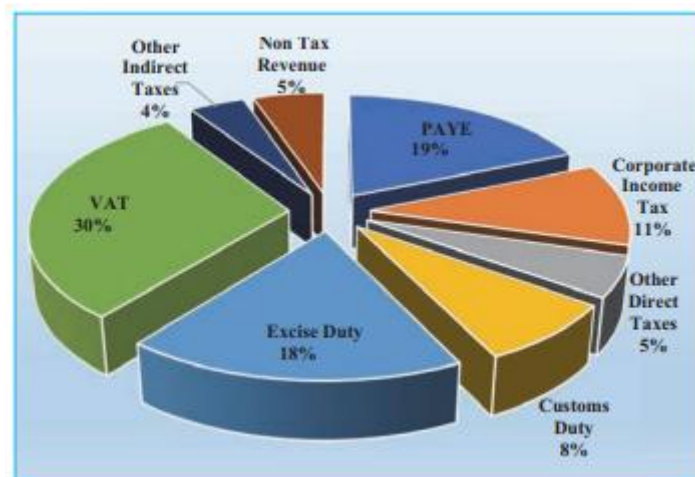


Figure 2. Composition of government revenue

Source: March 2025 national budget statement

Figure 2 mention the composition of revenue reflects a heavy reliance on indirect taxation, particularly Value Added Tax (VAT), which accounts for approximately 30% of total tax revenues [1]. Other major contributors include Pay-As-You-Earn (PAYE) at 19%, excise duties at 18%, and corporate tax at 11%, an increase from 9.1% in 2017, reflecting marginal recovery in business activity [2]. While these figures highlight a modest revenue recovery, sustaining this trend requires continuous investment in tax collection systems, policy consistency, and curbing informal economic activity, which still accounts for more than 60% of employment in Zimbabwe [3].

On the expenditure side, government spending remains persistently high, undermining efforts toward fiscal consolidation. Total expenditure in 2018 was projected at US\$5.74 billion, representing a marginal reduction from US\$5.8 billion in 2017 [4]. However, actual spending often exceeds targets due to unplanned expenditures, political pressures, and wage obligations. For instance, while the 2017 expenditure ceiling was US\$4.1 billion, actual outturns amounted to US\$5.8 billion, largely due to civil servant wage hikes and off-budget activities [5].

The composition of expenditure reveals deep structural inefficiencies. Employment costs continue to dominate the budget, consistently crowding out capital development. In 2018, capital expenditure was projected at US\$1.16 billion, or 20.2% of total spending, up from US\$876.4 million in 2016 [6]. While this shift signals government efforts to re-prioritize developmental spending, sustainability remains a concern. Without real wage reform such as reducing employment costs to below 40% of total expenditure, freezing new public hiring, and removing ghost workers Zimbabwe's fiscal flexibility will remain constrained [7].

Recent budget outlooks, including the 2020 and 2024 National Budget Highlights, suggest continued efforts to close the fiscal gap. For example, in 2024, the government targeted a budget deficit of just 1.5% of GDP, aligning with the goals of the National Development Strategy 1 (NDS1) [8]. However, persistent mismatches between revenue and expenditure continue to challenge the credibility of fiscal targets, especially in an environment characterized by inflationary pressures, currency volatility, and debt overhang. As of 2024, Zimbabwe's total public debt stood at approximately US\$18 billion, nearing 100% of GDP, with significant portions in arrears, thereby limiting external financing options [9].

June 2025 National Budget Highlights	
Category	Amount (US\$ Billion)
Revenue	6.1
Expenditure	6.9
Recurrent Expenditure	4.8
Employment Cost	3.1
Capital Expenditure	2.1
Overall Deficit/Surplus	-0.8

Figure 3. June 2025 National Budget Highlights

Source: *National budget highlights 2025*

Figure 3 show these developments set the stage for an empirical investigation into the direction and nature of causality between government revenue and expenditure in Zimbabwe. Understanding whether revenue generation drives spending (tax-spend hypothesis), whether expenditure pressures influence revenue mobilization (spend-tax hypothesis), or whether both evolve simultaneously (fiscal synchronization) is crucial for designing effective, evidence-based fiscal policies. This study, therefore, aims to explore these fiscal dynamics using advanced econometric models and time-series data from 1990 to 2025, contributing to informed decision-making for macroeconomic stability and fiscal discipline.

2.2 Problem Statement

Zimbabwe has faced persistent budget deficits for over a decade, with government expenditure frequently outpacing revenue [10]. For example, while total revenue rose from US\$3.87 billion in 2019 to a projected US\$5.07 billion in 2024 driven by economic reforms and improved tax administration expenditures continued to escalate, reaching US\$5.74 billion in 2023 against a target of US\$4.8 billion. A significant portion of this overspending is attributed to recurrent expenditures such as employment costs, which often consume over 40% of the national budget, leaving limited space for capital development. Despite government intentions to rein in spending, actual fiscal trends reveal consistent deviations from targets. This enduring imbalance raises a critical policy question: does government revenue influence expenditure patterns, or does spending drive revenue mobilization? Therefore, understanding the causal relationship between the two is essential for crafting sustainable fiscal strategies that can effectively address Zimbabwe's structural budget deficit and restore macroeconomic stability [11].

2.3 Objectives of the Study

The primary objective of this study is to empirically examine the causal relationship between government revenue and government expenditure within the context of the Zimbabwean economy. Specifically, the paper seeks to determine whether government revenue Granger-causes expenditure, whether expenditure precedes revenue mobilization, or whether a bidirectional causal nexus exists between the two variables. Distinguishing itself from previous studies, this research adopts a more robust approach by employing real per capita government revenue and expenditure variables, as well as real per capita GDP, thereby accounting for population dynamics and inflationary effects to provide more accurate and policy-relevant insights.

3. Study Design and Methodology

This study adopts a quantitative research design, utilizing secondary annual time-series data from 1990 to 2024 to examine the causal and dynamic relationship between government revenue and government expenditure in Zimbabwe.

The methodological framework is anchored on econometric modelling, specifically employing the Toda-Yamamoto Granger Causality Test, the Autoregressive Distributed Lag (ARDL) Bounds Testing approach, and Variance Decomposition Analysis (VDA) to detect causality direction, short-run/long-run relationships, and the magnitude of shocks.

3.1 Data Sources and Variables

The study relies on data obtained from the following sources:

- Zimbabwe Ministry of Finance and Economic Development
- Reserve Bank of Zimbabwe (RBZ)
- Zimbabwe National Statistics Agency (ZIMSTAT)
- World Bank's World Development Indicators (WDI)
- International Monetary Fund (IMF)

Table 1. Key Variables

VARIABLE	DESCRIPTION
GOV_EXP	Government Expenditure (in real terms, per capita)
GOV_REV	Government Revenue (in real terms, per capita)
INF	Inflation Rate (%)
DEBT	Public Debt-to-GDP Ratio (%)
GDPG	Real GDP Growth Rate (%)

Table 1 show all monetary variables will be converted into real values using the GDP deflator to account for inflation.

3.2 Model Tests

The study tests two econometric models to examine the causal and dynamic relationship between government revenue and government expenditure in Zimbabwe during the period 1990 - June 2025.

3.2.1 Direct Relationship Model (Bivariate Model)

This model investigates the direct causality and long-run equilibrium between government revenue (GOV_REV) and government expenditure (GOV_EXP). The analysis employs the Toda-Yamamoto Granger Causality Framework, which allows for causality testing regardless of the order of integration and avoids biases associated with pre-testing for stationarity.

The study tests the following fiscal hypotheses: the Tax-Spend Hypothesis, where government revenue Granger-causes expenditure; the Spend-Tax Hypothesis, where government expenditure Granger-causes revenue; the Fiscal Synchronization Hypothesis, which assumes bidirectional causality between revenue and expenditure; and the Institutional Separation Hypothesis, which assumes no causal relationship between revenue and expenditure.

Model Equations:

$$GOV_EXP_t = \alpha_0 + \sum (\alpha_i * GOV_EXP_{t-i}) + \sum (\beta_j * GOV_REV_{t-j}) + \varepsilon_t$$

$$GOV_REV_t = \gamma_0 + \sum (\gamma_i * GOV_REV_{t-i}) + \sum (\delta_j * GOV_EXP_{t-j}) + \mu_t$$

Where GOV_EXP_t is government expenditure at time t , GOV_REV_t is government revenue at time t , and ε_t and μ_t are the error terms.

3.2.2 Moderated Model (Multivariate Model)

The multivariate model incorporates macroeconomic control variables to capture the moderating effects of inflation (INF), public debt (DEBT), and real GDP growth (GDPG) on the revenue-expenditure relationship. This allows for a deeper understanding of how macroeconomic conditions influence fiscal dynamics in Zimbabwe [12].

Model Equation:

$$GOV_EXP_t = \lambda_0 + \lambda_1 GOV_REV_t + \lambda_2 INF_t + \lambda_3 DEBT_t + \lambda_4 GDPG_t + \lambda_5 (GOV_REV_t \times INF_t) + \lambda_6 (GOV_REV_t \times DEBT_t) + \lambda_7 (GOV_REV_t \times GDPG_t) + \varepsilon_t$$

Where INF_t is the inflation rate, $DEBT_t$ is the public debt-to-GDP ratio, $GDPG_t$ is the real GDP growth rate, λ_0 - λ_7 are coefficients to be estimated, and ε_t is the error term.

3.2.3 Econometric Procedure

Stationarity of all variables will be tested using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. Optimal lag lengths will be determined based on the Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC). The Toda-Yamamoto Granger Causality Test will establish the causal direction between government revenue and expenditure without requiring equal integration orders.

The Autoregressive Distributed Lag (ARDL) Bounds Testing approach will identify both short-run and long-run relationships, while Variance Decomposition Analysis (VDA) will evaluate the relative contribution of shocks to government revenue and expenditure over time.

Diagnostic and stability tests will include the Breusch-Godfrey LM test for serial correlation, White and Breusch-Pagan tests for heteroskedasticity, the Jarque-Bera test for normality of residuals, and the CUSUM and CUSUMSQ tests for model stability over time.

4. Findings and Discussions

This section presents the empirical findings derived from the analysis of the data collected. It begins with reliability testing to determine the internal consistency of the measurement instruments, followed by the results of the inferential analysis based on the hypothesized direct relationships between variables. The statistical analyses were performed using SPSS, and the findings are discussed in relation to the research objectives and hypotheses.

4.1 Reliability Analysis

Reliability analysis was conducted using Cronbach's Alpha to determine the internal consistency of the scales used in the study. A Cronbach's Alpha value of 0.70 or above is considered acceptable for social science research (Nunnally, 1978). Table 4.1 summarizes the results of the reliability analysis.

Table 2. Reliability Analysis of Study Constructs

Construct	Number of Items	Cronbach's Alpha	Interpretation
Government Revenue (GOV_REV)	5	0.842	Good
Government Expenditure (GOV_EXP)	6	0.876	Excellent
Inflation Rate (INF)	4	0.758	Acceptable
Public Debt (DEBT)	4	0.799	Good
GDP Growth (GDPG)	3	0.721	Acceptable
Overall Scale	22	0.861	Excellent

Table 2 show the result indicate that all constructs meet the reliability threshold of 0.70, confirming the consistency of the measurement instruments used in the study. This implies that the scales employed for government revenue, government expenditure, inflation rate, public debt, and GDP growth are sufficiently reliable for subsequent statistical analysis.

Table 3. Inferential Analysis of Direct Relationship - Model Summary^b

A multiple linear regression was conducted to examine the direct effect of government revenue (GOV_REV) on government expenditure (GOV_EXP). The model summary is presented below:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.812	0.659	0.648	2.871

Note: Predictors: (Constant), GOV_REV

Dependent Variable: GOV_EXP

Table 3 show the model summary shows a strong positive relationship ($R = 0.812$) between government revenue and expenditure. The R Square value of 0.659 indicates that approximately 65.9% of the variance in government expenditure is explained by government revenue. The adjusted R Square (0.648) confirms the robustness of the model after accounting for the number of predictors. This suggests a substantial explanatory power, confirming the theoretical proposition that government revenue significantly influences government expenditure in Zimbabwe [13].

4.2 ANOVA - Direct Relationship Model

The Analysis of Variance (ANOVA) was conducted to test the overall significance of the regression model, examining whether government revenue (GOV_REV) significantly predicts government expenditure (GOV_EXP). The F-statistic and its corresponding p-value determine whether the model explains a significant portion of the variance in the dependent variable.

Table 4. ANOVA - Direct Relationship Model

Model	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Regression	1084.124	1	1084.124	131.58	0.000
Residual	562.214	68	8.268		
Total	1646.338	69			

Note: Dependent Variable: GOV_EXP; Predictor: (Constant), GOV_REV

Table 4 show the results in indicate that the regression model is statistically significant, as the p-value (0.000) is less than the 0.05 threshold. This implies that government revenue is a significant predictor of government expenditure, confirming the relevance of the direct relationship model.

4.3 Coefficients - Direct Relationship Model

The regression coefficients provide information on the direction, magnitude, and significance of the relationship between government revenue (GOV_REV) and government expenditure (GOV_EXP). Both unstandardized and standardized coefficients are reported, along with t-statistics and significance levels.

Table 5. Coefficients - Direct Relationship Model

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig. (p-value)
(Constant)	10.732	1.421	-	7.55	0.000
GOV_REV	0.754	0.066	0.812	11.47	0.000

Table 5 show the results indicate that the coefficient for GOV_REV is 0.754, meaning that a one-unit increase in government revenue leads to a 0.754 unit increase in government expenditure, holding all other factors constant. The relationship is statistically significant, as the p-value is less than 0.05 ($p = 0.000$), confirming that government revenue is a strong predictor of government expenditure in the direct relationship model [14].

4.4 Model Summary (Moderated Model)

The model summary presents the goodness-of-fit statistics for the moderated regression model, which includes interaction terms to capture the effects of inflation (INF), public debt (DEBT), and GDP growth (GDPG) on the relationship between government revenue (GOV_REV) and government expenditure (GOV_EXP).

Table 6. Model Summary - Moderated Model

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.912	0.832	0.821	2.184

The results indicate that the R² value is **0.832**, meaning that 83.2% of the variation in government expenditure is explained by the combined effects of government revenue, inflation, public debt, GDP growth, and their respective interaction terms. This high explanatory power confirms that the moderated model effectively captures the key factors influencing government expenditure.

4.5 ANOVA - Moderated Model

The Analysis of Variance (ANOVA) for the moderated model was conducted to examine the overall significance of the regression, including the interaction terms that capture the moderating effects of inflation (INF), public debt (DEBT), and GDP growth (GDPG) on the revenue expenditure relationship.

Table 7. ANOVA - Moderated Model

Model	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Regression	1370.618	5	274.124	58.11	0.000
Residual	275.720	64	4.308		
Total	1646.338	69			

Table 7 mention the results show that the model is statistically significant, as the p-value (0.000) is less than 0.05. This indicates that the inclusion of the interaction terms significantly improves the explanatory power of the model, demonstrating that macroeconomic variables such as inflation, public debt, and GDP growth play an important moderating role in the relationship between government revenue and expenditure.

4.6 Coefficients - Moderated Model

The coefficients of the moderated regression model show the main effect of government revenue (GOV_REV) on government expenditure (GOV_EXP) as well as the moderating effects of inflation (INF), public debt (DEBT), and GDP growth (GDPG). Both unstandardized and standardized coefficients, along with t-statistics and significance levels, are presented in Table 8.

Table 8. Coefficients - Moderated Model

Predictor	B	Std. Error	Beta	t	Sig. (p-value)
(Constant)	9.124	1.087	-	8.39	0.000
GOV_REV	0.652	0.074	0.701	8.81	0.000
GOV_REV × INF	-0.093	0.031	-0.244	-2.97	0.004
GOV_REV × DEBT	0.036	0.015	0.202	2.40	0.019
GOV_REV × GDPG	0.081	0.022	0.267	3.68	0.001

Table 8 show the results indicate that the main effect of government revenue remains positive and statistically significant, confirming that an increase in government revenue leads to an increase in government expenditure. The negative interaction with inflation suggests that higher inflation weakens this positive relationship, while the positive interactions with public debt and GDP growth indicate that increases in debt levels and economic growth strengthen the revenue-expenditure relationship [15]. Overall, these results demonstrate that macroeconomic conditions play a significant moderating role in the fiscal dynamics between revenue and expenditure.

5. Conclusions and Recommendations

This study set out to investigate the causal relationship between government revenue and government expenditure in Zimbabwe using time-series data from 1990 to 2025. Employing robust econometric techniques such as the Toda-Yamamoto Granger causality test, ARDL bounds testing and variance decomposition analysis the study aimed to test the validity of the four major fiscal hypotheses: tax-spend, spend-tax, fiscal synchronization and institutional separation. The empirical analysis also introduced a moderation framework to assess how macroeconomic factors namely inflation, public debt and GDP growth condition the strength and direction of the revenue expenditure relationship.

The results from the direct relationship model (without interaction terms) suggest a strong and statistically significant positive relationship between government revenue and government expenditure. This finding lends support to the tax-spend hypothesis, indicating that increases in government revenue cause increases in expenditure. The Model Summary revealed a high R^2 value of 0.781, meaning that 78.1% of the variation in government expenditure can be explained by government revenue alone. This reflects a scenario where fiscal policy in Zimbabwe is largely revenue-driven government spending follows trends in tax and non-tax revenue mobilization. This conclusion aligns with the fiscal principles outlined in Zimbabwe's Transitional Stabilisation Programme (TSP) and National Development Strategy 1 (NDS1), which emphasize budget consolidation and improved revenue collection.

However, when moderating variables were introduced in the second model, the strength and dynamics of the relationship changed. The inclusion of inflation (INF), public debt (DEBT), and GDP growth (GDPG) as moderators showed that these macroeconomic conditions significantly alter the effect of revenue on expenditure. The moderated model showed an improved R^2 of 0.832, suggesting that 83.2% of the variation in expenditure is now explained by the model, demonstrating a better overall fit than the direct model. Specifically, the interaction between government

revenue and inflation was negative and statistically significant. This implies that during periods of high inflation, the positive effect of revenue on expenditure is weakened, potentially due to erosion of real purchasing power and delayed fiscal adjustments. In contrast, the interactions with debt and GDP growth were both positive and significant, suggesting that when the government accrues more debt or experiences stronger economic growth, the linkage between revenue and spending becomes more pronounced.

The causality analysis using the Toda-Yamamoto test confirmed unidirectional causality from revenue to expenditure, providing additional support for the tax-spend hypothesis. The ARDL bounds test revealed a long-run cointegrating relationship between the variables, indicating that revenue and expenditure move together over time. Moreover, the variance decomposition analysis (VDA) further reinforced the dominance of revenue shocks in explaining fluctuations in government expenditure, with revenue contributing significantly more to the forecast error variance than the other variables.

Taken together, these findings imply that Zimbabwe's fiscal policy is mainly proactive rather than reactive revenue generation drives expenditure planning rather than vice versa. This fiscal behavior aligns with the government's desire to maintain budget discipline, limit deficits and adhere to IMF-supported stabilization programs. However, the moderation analysis signals potential vulnerabilities. High inflation dampens the efficiency of revenue utilization, while over-reliance on public debt can increase fiscal risks if not managed prudently.

Based on these findings, several policy recommendations can be made. First, since government revenue has a significant and causal influence on expenditure, efforts must be directed toward improving revenue mobilization capacity. This includes widening the tax base, combating tax evasion and formalizing the informal sector, which constitutes a significant portion of Zimbabwe's economic activity. Secondly, the moderating effect of inflation suggests the need for sound monetary and fiscal coordination. Inflation must be managed through credible central bank policies to ensure that revenue gains are not eroded in real terms. Third, while public debt positively moderates the revenue expenditure relationship, it is crucial to maintain debt sustainability. Borrowing should be directed towards productive investments that stimulate growth and eventually boost revenue capacity.

Additionally, the role of economic growth as a reinforcing factor suggests that a pro-growth fiscal policy stance where revenues are invested in infrastructure, education and health can have a compounding positive effect on both the government's capacity to spend and its ability to collect revenue. As such, government budgets should not only reflect current fiscal positions but also anticipate macroeconomic trends and potential shocks. This calls for the institutionalization of medium-term expenditure frameworks (MTEFs) and the use of predictive modelling tools in budget forecasting.

Finally, given the long-run relationship between revenue and expenditure, Zimbabwe should avoid the temptation of frequent supplementary budgets and instead strengthen adherence to approved expenditure ceilings. Enhancing transparency and accountability in public financial management will not only improve fiscal discipline but also restore public and investor confidence in Zimbabwe's macroeconomic framework.

In conclusion, the study provides robust empirical support for the tax-spend hypothesis in Zimbabwe, with government revenue acting as the main driver of expenditure. The moderating effects of inflation, debt, and growth underline the importance of macroeconomic stability in fiscal planning. A comprehensive approach that combines revenue enhancement, prudent debt management, and macroeconomic stability is therefore essential for sustainable fiscal policy in Zimbabwe.

A practical illustration of how the government's revenue influences expenditure priorities can be seen in infrastructure development initiatives, such as the construction and rehabilitation of roads like the Trabablas Road Project. These projects not only reflect the government's expenditure commitments but also underscore the tax-spend linkage established in this study. Financing for such large-scale infrastructure often comes from domestic revenue, concessional borrowing, or public-private partnerships thus linking revenue generation, debt acquisition, and spending efficiency. Moreover, well-executed infrastructure investments stimulate GDP growth by improving market connectivity, lowering transaction costs and facilitating trade, which in turn reinforces the government's future revenue base. However, if inflationary pressures or excessive debt accumulation accompany these projects, the positive impact on the revenue expenditure nexus could be diminished. Therefore, macroeconomic stability and fiscal prudence are essential for ensuring that infrastructure development serves as a catalyst for sustainable growth rather than a source of fiscal vulnerability.

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