

## Econometric analysis of the impact of public revenues on Kosovo's economic development

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### Abstract

A country can be economically viable when the human, physical, and financial resources available are effectively used to ensure the economic growth and well-being of its residents. The purpose of this study is to ascertain whether government revenues (GR) have a positive effect on the HDI, which would prove the hypothesis that government revenue is an important instrument of economic development in Kosovo. The data source for this study are for the period 2004-2016 received by the Ministry of Finance of Kosovo, the International Monetary Fund and UNDP. OLS techniques (multiple regressions) are used to analyse the generated data. In the econometric analysis we have used two models, the first being the correlation between the variables set in the model between government revenue (GR) and the Human Development Index and the second the government revenue and GDP. The results obtained from the first econometric model show government revenues have a positive impact with a 0.96 percent correlation, respectively 96.7 percent. Based on this, we conclude that government revenues have a positive impact on Kosovo's economic growth. While the results derived from the second econometric model show that the level of significance is 0.955, and in this case the result negates the hypothesis that revenues have an impact on the human development index in Kosovo. Taking into account the results of this research, Kosovo institutions need to review their decisions and take important steps to capitalize the collected taxes and fees to increase the welfare of the population by investing more in education, health and Social welfare

**Keywords:** Public Revenue, Economic Growth, Economic Development, Human Development Index, Gross Domestic Product.

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