IMPACT OF PUBLIC DEBT SERVICING ON PER CAPITA OUTPUT IN NIGERIA

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ABSTRACT

Nigeria has witnessed unprecedentedly high public debt servicing over the years. Debates on this worrisome development have generated controversies among policy-makers and academics. This study therefore, examined effect of public debt servicing on per capita output in Nigeria from 1981 to 2022. The objective of the study was to ascertain how debt servicing has impacted gross domestic product per capita within the period under review. Secondary data obtained from the Statistical Bulletin of the Central Bank of Nigeria was used for the study. Descriptive and econometric statistics were used for data analysis. The econometric tools used are the unit root tests, the autoregressive distributed lag and the Granger causality tests. Findings indicate that public debt servicing has negative effect on per capita output, that there no long-run relationship between debt servicing and output per capita, and that there is no causality between the explanatory variables- (debt servicing, budget financing, debt to GDP ratio, inflation, real effective exchange rate) and per capita). The study conclude that public debt servicing has negative effect on GDP per capita, and recommends that government should optimally utilize borrowed funds.
Keywords: Per capita output, debt servicing, GDP per capita, growth rate

JEL Classification: E01, H63, H6,

INTRODUCTION

Debts, except interest-free ones must be serviced. This servicing may be in form of payment of principal and other amortization charges according to terms of agreement for procuring the debt. Indeed when government incurs debt through continuous borrowings, it implies that the interest payment will naturally escalate in so far as the interest rate is not falling. Adams et al. (2016) opines that debt servicing is the amount paid for incurring debt. Debt servicing therefore poses a burden on the people. This is because the amount of servicing the debt ought to have been used to finance other productive and investible projects that will benefit society. This burden becomes more if the debt was not actually utilized in projects that yield inflows for the retirement of the principal and also pay the periodic cost of the borrowing.

The Debt Management Office (DMO, 2021) state that servicing debt is the third largest expenditure item. The total public debt to GDP ratio at 45.4 % in 2023 exceeds the country's self-imposed debt limit of 40%. This is worrisome in view of the rising rate of inflation and depreciating value of the domestic currency. This will no doubt have an adverse effect on the GDP which will directly have a corresponding adverse effect on the GDP per capita. Also, The International Monetary Fund (IMF, 2016) observe that

cost of servicing huge government borrowings could take a greater chunk of scarce available expenditure funds culminating to less development and growth especially in the developing and emerging economies.

Over the years, Nigeria has incurred an unprecedentedly high public debt servicing profile while there seems to be no corresponding impact of such costs on per capita output. Per capita output is the output per person in a country or region over a period of time. It is a measure of the economic output per person. It measures growth rate. It represents the output per person to total GDP of the country. Debates on this worrisome development have generated controversies both empirically and theoretically. Despite the escalating high servicing cost, it appears that this cost has been non- responsive to GDP per capita level and as such calls for investigation.

The study thus probed the impact of debt servicing on per capita output, rather than effects of debt and debt servicing on economic growth which has been the major focus of prior studies. The study is country-specific hence a radical departure from panel data studies. It will also contribute to the literature of unsettled debate about effect of debt servicing on the GDP per capita. Ascertaining the effects of rising debt service profile on per capita output will propel economic policy-makers to initiate or review and implement policies that will stimulate borrowing and debt policies and finding alternative sources of revenue generation.

LITERATURE REVIEW

Conceptual Review

Per capita output

GDP growth rate is a measure of per capita output (GDP per capita). GDP growth rate is an annual percentage. It measures the how fast components of an economy are growing. Those components can be added together through three methods – final expenditure, value added in production, or income. The Central Bank of Nigeria (CBN, 2019) asserts that the primary driver of the GDP growth rate is personal consumption, which includes the critical sector of retails sales. The second component is business investment, including construction and inventory levels. The third is government spending which includes social security benefits, expenditure on defense, Medicare benefits etc. the fourth is the net trade. These make up the four components of the GDP growth rate. GDP growth rate denotes change in GDP from one year period to another, and may be positive (increase) or negative (decrease).

Public debt servicing

Public debt servicing is the cost incurred in payment of interest on borrowed funds. It is an expenditure. It is expected that if debt is properly utilized, the cost of the debt will not be harmful to the economy. The reverse is the case if rising debt profile is not properly spent. Debt servicing is also seen as the total amount used to pay interest to the public borrowings. It is an expenditure not directly spent on economic services but as a transfer. Except where the debt incurred is employed in projects that generate inflows that not only retires the debt, but also service such debts, debt servicing is expected to have a negative impact on per capita output. The a prori expectation of this study is that debt servicing will be harmful to the economy.

Public Debt Servicing and Per Capita Output

There is ample literature on effects of debt on economic growth and development (Adamu & Rasiah, 2016; Ohiomu, 2020; Didia & Ayokunle, 2020). A few of these are reviewed to provide locus for the current study. Ezema et al. (2018) employed OLS model and Johansen co-integration technique to test data spanning 1990 to 2016. The results showed that external debt servicing impact economic growth negatively. Also, Grace et al. (2019) in their study showed evidence that external debt servicing has negative connection with economic growth in Nigeria for the period spanning from 1981 to 2017.

Similarly, Mohammad and Abdullah (2020) studied effect of external debt servicing on economic growth, employing ARDL model for the period of 1985 to 2019. Results demonstrate that debt servicing has harmful effect on economic growth. Ogbonna et al. (2012) in their study on relationship between external debt servicing and growth for the period of 1986 to 2018 and employed ARDL model. The results show long-run significant negative link between external debt servicing and economic growth in Nigeria. Likewise, Udeh et al. (2018) studied effect of external debt on Nigeria's economy and reported that debt stock and debt servicing stock have insignificant negative impact on Nigeria's economic growth.

Misztel (2010), using a sample of European Union (EU) member states for a period between 2000 to 2010 arrived at a conclusion that increase in public debt by 10 per cent led to 0.3 per cent reduction in GDP, while GDP growth by 1 per cent resulted in 0.4 per cent reduction in public debt. Kumar and Woo (2010), using a panel of 38 developed and emerging economies countries from 1970 to 2007 found that 10 per cent increase in public debt leads to 0.2 per cent decrease in GDP growth. They also revealed that the impact is stronger in emerging economies and weaker in developed economies.

In addition, Drine and Nabi (2010) studied 27 developing nations from 1970 to 2005 and found that increase in external public debt reduces production efficiency. Afonso and Jalles (2013) studying 155 countries to ascertain the linkage between growth and productivity, reported negative effect of debt-to-GDP on economic growth. Further it was found that financial crisis is detrimental to growth while fiscal consolidation promotes growth. Afonso and Alves (2015) studied 14 European countries to find out the link between the growth in the economy and government debt. It was found that there is a negative effect of debt-to-GDP to growth.

Further, Anyanwu and Erhijakpor (2004) studied impact of debt on economic growth in Nigeria from 1970 to 2003 and found that debt has a significant negative impact on economic growth. El-Mahdy and Torayeh (2009) investigated trade and growth relationship for Egypt using data spanning 1981 to 2006 and found the existence of strong negative relationship between debt and growth. Ogunmuyiwa (2011) studied effect of debt on Nigeria economic growth from 1970 to 2007 and found a weak and insignificant relationship between debt and growth.

Theoretical Foundation

The study is anchored on theory of debt overhang which holds that when a country is highly indebted to the range that the debt is more than her capacity to repay, debt service will suffocate investments and hinder economic growth and adversely affect per capita output (Gordon & Cosim, 2018). The theory implies that public debt and public debt service retard economic growth by making debt repayment a priority over other expenditure (Coccia, 2017). Huge debt service deters growth by reducing public resources spending that will trigger growth (Sen et al., 2007; Yusuf & Mohammed, 2018).

METHODOLOGY

This study probed the impact of debt servicing on per capita output. The study adopted ex post facto research design, and used data obtained from statistical bulletin of the Central Bank of Nigeria (CBN) that span 1981 to 2022. The dependent variable was per capita output, and was proxied by GDPgr. The independent variable was debt servicing (DES) and was represented by budget financing depicted as (BFin), debt GDP ratio depicted as DGDPr; inflation represented as (Inf); real effective exchange rate (REER). The debt to GDP ratio is the ratio of debt in terms of the gross domestic product. Budget financing is the sum for financing budget surplus or deficit. Surplus budget financing will positively affect the per capita output and deficit budget financing will have a negative effect Inflation is the continuous in the general price level over time. It is expected to impact negatively on per capita output. REER is the real effective exchange rate. Fluctuations of the REER will adversely affect the GDP per capita.

For the econometric statistic the following augmented model is estimated:

$$L\Delta GDPgr = \beta_0 + \beta_1 LBFin + \beta_2 DeS + \beta_3 DGDPr + \beta_4 Inf + \beta_5 REER + \varepsilon_t \quad .. \quad (1)$$

Where:
L = logarithm, Δ= rate of variations in the employed variables
GDPgr = gross domestic product growth, β_0 =constant, β_1, β_2 = explanatory power of the variables, BFin = budget financing, DeS = debt financing, DGDPr= debt to GDP ratio,Inf = Inflation, REER is the real effective exchange rate, ε_t = stochastic error term.

Both descriptive and econometric tools were employed for data analysis. The descriptive statistics include mean, median, standard deviation, skewness, and kurtosis. The econometric tools adopted include the Augmented Dickey Fuller (ADF) unit root test unit root test, (URT), the Auto Regressive Distributive Lag (ARDL) and the Granger causality tests. The Augmented Dickey Fuller ADF unit root test is performed. This was with a view to enable ascertaining if the variables have unit root. Also it will enable avoid the simultaneity bias associated with time series data. Also the ADF will depict if the series are of the same order or different order of integration. If some of the variables have different integrating order we go a step further to test for co integration (for long run relationship) using the auto regressive distributive lag.

In the time series domain, ARDL co integration bounds can be used to find the long run relationship among variables which are mixed such as some are stationery at level and some are stationery at first difference. Pesaran and Shin (1990) and Pesaran (2001) suggest that "the ARDL co-integration technique can be employed to determine the long run relationship existing between series with different order of integration". The re -parameterized result gives the short run dynamics and long run relationship of the considered variables.

By implication the ARDL helps to forecast and disentangle the long run relationships from short run dynamics. By long run relationship we mean that some time series are bound together due to equilibrium forces even though the individual time series might move considerably. The ARDL is a model used in time series data if a regression equation is meant to predict present values of a dependent variable in terms of both the current values of an explanatory variable and the lagged (past periods) values of the independent variable". Cromwell et al (1994) opine that "in statistics and econometrics, a distributed lag model is a model for time series data in which the regression equation is used to predict the current values of the dependent variables". The starting point for a distributed lag model is an assumed structure of the form:

$$Y_t = \alpha + W_0 \chi_t + W_1 \chi_{t-1} + W_2 \chi_{t-2} + \ldots + W_n \chi_{t-n} + \in \quad \ldots (2)$$

Alternatively, the distributive lag model is

$$Y_t = \alpha + W_0 \chi_1 + W_1 \chi_{t-1} + W_2 \chi_{t-2} + \ldots + \in \quad \ldots (3)$$

Where:
Y_t =the value at the time period t of the dependent variable y; α = the intercept term to be estimated; W_0 = the lag weight also to estimated placed on the value 0 periods previously of the estimated variable x; χ_t = explanatory variable, W_1 = the lag weight also to estimated placed on the value i periods previously of the estimated variable x; $\in$ = the error term

In the Equation 2, the dependent variable is affected by values of the independent variables arbitrarily in the past, so the number of lag model weights is infinite and therefore the model is called the infinite

distribution model. Conversely in the Equation 3 and alternative equation there are only a finite number of lag weights, indicating an assumption that there is a maximum lag beyond which values of the independent variable does not affect the dependent variable. A model based on this assumption is called finite distribution lag model.

Granger Causality test- Pair-wise Granger Causality Test

f it is discovered that series are co integrated, the standard Granger causality test is constructed. The test for Granger causality was performed by estimating equations in the form:

$$\Delta LGDPgr_t = \sum_{i=1}^{m-1} \beta \ \Delta LPCO_{t-1} + \sum_{i=1}^{m-1} \delta_j \Delta LGDPgr_{t-j} + \varepsilon_t \quad \ldots \quad (4)$$

$$\Delta LPCO = \sum_{i=1}^{m-1} \beta \Delta LGDPgr_{t-1} + \sum_{i=1}^{m-1} \lambda_j \Delta LPCO_{t-j} + \mu_1 \quad \ldots \quad (5)$$

Where:
$LGDPgr_t$ is the log of gross domestic growth, $LPCO$, is the log of the explanatory variables that affect the per capita output (Bfin, DeS, DGDPr, Inf, REER); μ_1 is the white noise disturbance term; ε is also the white noise disturbance term. The decision rule is thus- if the probability value (the probability) is equal to, or greater than 0.05, we accept the null hypothesis that there is no causality (or that one variable does not Granger cause the other) between the variables, hence we reject the alternative hypothesis.

However, if the p-value (the probability) is lesser than 0.05, we reject the null hypothesis that there is no causality (or that one variable does not Granger cause the other) between the variables hence we accept the alternative hypothesis that one variable Granger cause the other. Thus if probability = or > 0.05, accept (do not reject) the null hypothesis, if probability < 0.05, reject (do not accept) the null hypothesis.

RESULTS

Table 1: Descriptive Results

	GDPGR	BFIN	DES	DGDPR	INF	REER
Mean	3.761463	-462.1433	552.8886	3.100476	19.22238	99.37857
Median	3.220000	-85.83500	159.4450	2.600000	13.85000	90.95000
Maximum	33.70000	4232.220	3242.700	9.380000	72.80000	273.0000
Minimum	-13.10000	-5432.700	1.010000	0.640000	5.400000	17.50000
Std. Dev.	7.461865	1676.717	828.7485	1.830679	15.64230	57.41692
Skewness	1.177796	-0.642974	1.728098	1.187535	1.811715	1.481488
Kurtosis	8.296093	6.042849	4.934336	4.676527	5.672115	5.289220
Jarque-Bera	57.39559	19.09703	27.45214	14.79047	35.47152	24.53457
Probability	0.000000	0.000071	0.000001	0.000614	0.000000	0.000005
Sum	154.2200	-19410.02	23221.32	130.2200	807.3400	4173.900
Sum Sq. Dev.	2227.177	1.15E+08	28159790	137.4068	10031.94	135164.8
Observations	42	42	42	42	42	42

Source: Researchers Computation

In order to draw comparison between the statistical averages and standard deviations of the dependent and independent variables, descriptive statistics was employed. Table 1 shows the mean values, standard deviation etc of the parameters. The average (mean) is 3.761 for the dependent variable- (per capita

output), -462.14, 552.88, 3.1004, 19.222and 99.378 for the explanatory variables - (budget financing, debt servicing, debt to GDP ratio, inflation, real effective exchange rate) respectively. The variables dispersal from the mean (standard deviation) is between 7.461 for the dependent variable, - (per capita output), and 16.76, 828.74, 1.83, 15.64, 57.41 also for the explanatory variables respectively. The variables also exhibit an asymmetrical distribution with long tail to the right depicting high positive skew as above zero with values of 1.177 for the dependent variable while the explanatory have -0.641, 1.7280, 1.187, 1.811, and 1.4814. The probability of zero of the variables also explains relationship. Also the values of the kurtosis which quantifies whether the shape of the data of the distribution matches are 8.296 for the dependent variable and 6.042, 4.9343, 4.67, 5.67, and 5.28 for the explanatory variables respectively.

From the foregoing, both dependent and explanatory variables depicted reasonable signs of relationship, while not being unmindful of the fluctuating nature of the trends might have affected the reliability of the variable distribution, we make theoretical case that such trends are likely to lead to causal relationship between the trade openness and financial development. Be it as it may, this is further subjected to further econometric tests for further confirmation or otherwise as depicted below.

Table 2: Unit Root test result

Variable	Intercept Only	Decision	Trend and Intersect	Decision
LGDPGR	-4.59993 (-3.6104)*	I(0)	-4.5486 (-6.9773)*	I(1)
LBFIN	-3.6052 (-2.9364)	I(0)	-4.0199 (-4.2050)*	I(1)
LDES	-0.0329 (-1.6009)	I(1)	-2.4784 (-4.2192)*	I(1)
LDGDPR	-1.5899 (-3.6055)**	I(0)	-2.8582 (-4.1985)	I(1)
LINF	-3.1321 (-2.5350)	I(0)	-3.9161 (-3.2266)*	I(0)
LREER	-4.1387 (-3.8055) *	I(0)	-2.8582 (-4.1985)*	I(1)

* (**) *** Significant at 1% (5%) 10% level of significance

Source: Researchers' Computation

The unit root tests result is as depicted as follows. The Augmented Dickey Fuller unit root test shows that the variables are integrated of both order I(0) and order 1, that is, I(1) at 1%, 5% and 10% level of significance respectively. Since variables are mixed where some are stationery at level and some are stationery at first difference, the Auto regressive Distributive Lag ARDL becomes most applicable. In other words in the time series domain, the long run relationship among variables which are mixed such as some are stationery at level and some are stationery at first difference, ARDL co integration bounds becomes appropriate. We go a step further to employ ARDL co-integration approach.

Table 3: ARDL Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDPGR(-1)	0.253716	0.217294	1.167616	0.2549
GDPGR(-2)	0.282161	0.194985	1.447094	0.1614
BFIN	0.000242	0.000687	0.351835	0.7282
DES	-0.001154	0.003187	-0.362086	0.7206
DGDPR	-0.626331	1.429194	-0.438240	0.6653
DGDPR(-1)	-1.982412	1.136406	-1.744457	0.0944
DGDPR(-2)	1.405779	1.195380	1.176010	0.2516
INF	-0.134809	0.111599	-1.207974	0.2393
INF(-1)	0.239968	0.104485	2.296683	0.0311
REER	-0.023152	0.021452	-1.079249	0.2917
REER(-1)	-0.022983	0.028202	-0.814954	0.4235
REER(-2)	0.062247	0.026642	2.336463	0.0285
C	3.004035	5.345781	0.561945	0.5796
@TREND	0.008091	0.272104	0.029734	0.9765

R-squared	0.494355	Mean dependent var	4.470811
Adjusted R-squared	0.208556	S.D. dependent var	7.245052
S.E. of regression	6.445424	Akaike info criterion	6.845951
Sum squared resid	955.5004	Schwarz criterion	7.455488
Log likelihood	-112.6501	Hannan-Quinn criter.	7.060841
F-statistic	1.729731	Durbin-Watson stat	2.183790
Prob(F-statistic)	0.121361		

*Note: p-values and any subsequent tests do not account for model selection.

Source: Researchers Computation

Stability diagnostic Test: This test is used to provide evidence for the stability of long run relationships among the variables. It enables us to separately test for the stability of long run relationships and also the stability of the speed of adjustment towards equilibrium. Table 3 shows that the critical value of t-statistics is 3.308 and a probability of 0.0001 which is less than 5 per cent level of significance. This depicts stability of short run speed of adjustment towards equilibrium.

Long run test: The Wald Test was adopted to establish the existence of a long-run equilibrium relationship between the dependent and explanatory variables. The hypothesis that $\Theta_1 + \Theta_2 + \Theta_3 + \Theta_4 = 0$ is to be tested. The test that all the coefficients of the explanatory variables are equal to 0 is to be performed. A comparison is made between the estimated F-statistic and bounds F-critical value to determine if there exists a long run relationship between the GNP per capita and debt servicing in Nigeria within the reviewed period. The calculated F-statistic value of 1.729 is less than the critical value of Pesaran et al (1996, 2001). We conclude that there is an existence of no long run relationship between the variables**.**

Significance Test: The coefficient of debt servicing is -0.011 depicting a negative significance of debt servicing on per capita output. This implies that 1 percent increase in debt servicing causes 1.1 percent GDP per capita reduction. This is explained since debt servicing portends an addition to the burdens of debt. The coefficient of budget financing is 0.0002 showing an insignificant positive effect on per capita output. For 1 percent increase in budget financing, there is 0.02 percent increase in poverty. This is theoretically explained as budget financing may be negative (when there is budget deficit) or positive when there is budget surplus.

The coefficient of debt to GDP ratio is -0.6263 showing a negative effect of inflation on the per capita output. For 1 percent increase in debt to GDP ratio, there is 62.63 percent decrease in per capita output. This is theoretically explained since high debt profile and the attendant servicing of such debts reduces the GDP. Furthermore the high debt to GDP ratio adds to the burden of debt. The coefficient of inflation is -0.13 showing a negative effect of inflation on the per capita output. For 1 percent increase in in inflation, there is 13 percent decrease in per capita output. This is theoretically explained since inflation reduces purchasing power and inflict high cost of living to the people. Furthermore the high rate of inflation adds to the burden of debt.

The coefficient of REER is -0.023 and also depicts a negative significance on per capita output. A percentage depreciation of the currency results in 2.3 per cent reduction in the per capita output. This is very important to note that fluctuating rate of exchange is detrimental to the debt burden as the quantum of the debt service sum is unpredictable and consequently the borrower is at the mercy of the creditor.

Table 4: Pairwise Granger Causality Result

Null Hypothesis	F- statistic	Probability	Decision	Type of causality
LDES≠>LGDPgr	0.2218	0.8027	Not Rejected	No Causality
LGDPgr≠ >LDES	0.0736	0.9881	Not Rejected	No Causality
LBFIN≠>LGDPgr	0.0398	0.9610	Not Rejected	Not hort run Causality
*LGDPgr≠*LBFIN	0.0474	0.9537	Not Rejected	Not Causality
LINF *≠>LGDPgr*	2.2351	0.1234	Not Rejected	Not Causality
LGDPgr≠>LFINF	1.2728	0.2938	Not Rejected	Not Causality
*LREER≠*LGDPgr	2.6046	0.0895	Not Rejected	No Causality
LGDPgr≠>REER	0.3778	0.6884	Not Rejected	No Causality
DGDPr≠>GDPgr	1.0208	0.3717	Not Rejected	Not Causality
LGDPgr≠ >LDGDPr	0.7651	0.4736	Not Rejected	Not Causality

Source: Researchers Computation

The Pairwise Granger Causality test is a group and descriptive statistics as depicted in Table 4. The probability of the causality from debt servicing to GNP per capita is 0.80. This is greater than 0.05 and depicts no causality. Also, the probability from GNP per capita to debt servicing is 0.988 is greater than 0.05 and depicting no causality. The probability of the causality from budget financing to GNP per capita is 0.961. This is greater than 0.05 and depicts no causality and likewise the probability from GNP per capita to budget financing is 0.9537 is greater than 0.05 and depicting no causality.

Furthermore, the probability of the causality from inflation to GNP per capita is depicted as 0.1234. This is greater than 0.05 and depicts no causality and likewise the probability from GNP per capita to REER is 0.298 is greater than 0.05 and depicting no causality. Further, the probability of the causality from real effective exchange rate to GNP per capita is depicted as 0.87. This is greater than 0.05 and depicts no causality while the probability from GNP per capita to REER is 0.684 is greater than 0.05 and depicting no causality. The probability of the causality from debt to GDP ratio to GNP per capita is depicted as 0.37 This is greater than 0.05 and depicts no causality while the probability from GNP per capita to debt to GDP ratio 0.47 is also greater than 0.05 and depicting no causality.

DISCUSSION OF FINDINGS

From the foregoing results, it can be discerned that there is no causality the dependent and all the explanatory variables. This is not surprising because the huge amounts used to service public debt have not improved the GDP per capita in the country. That is to say that the more public debt is serviced, the less the GNP per capita. The results also suggests that there exists no long run relationship between debt servicing and per capita output. All the explanatory variables showed negative significance effect on per capita output except budget financing that depicted insignificant positive effect. There is stability of the short-run speed of adjustment towards equilibrium. We therefore conclude that public debt servicing has negative effect on per capita output. This position corroborate that of Ezema et al. (2018), Grace et al. (2019) and Mohammad and Abdullah (2020).

Two reasons may be responsible for this. One is that borrowed funds have not been effectively utilized in projects that benefit the people so as to yield inflows to service, and retire debts on maturity. Next is that the funds for servicing debts should have been used to finance projects that would benefit people. Therefore debt servicing has contributed to impoverishing the people. The implication is that output per capita can only be triggered if there is a reduction in debt servicing burden.

CONCLUSION AND RECOMMENDATIONS

This study examined effect of debt servicing on per capita output in Nigeria. Descriptive and econometric tools were used for data analysis, and in order to circumvent OLS spurious bias, we employed unit root test. Also to test co-integration among the variables, the auto regressive distributive lag co-integration test was adopted while the error correction method Granger causality test was used to ascertain the causal relationship between the variables. The study concludes that debt servicing has adverse impact on output per capita. And recommends that government should review debt policies and debt service management strategies to align with economic realities. The high level of borrowing should be reduced. There is a burning need to optimally utilize borrowed funds; the rate of inflation should be monitored and reduced to a desirable single digit range. The real effective exchange rate fluctuation and depreciation should be checked. Also government should look or alternative sources of revenue generation rather that debt. Such include the diversification of the economy from single mono product to multiple product exporting economy.

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