Government Expenditure and Economic Growth Nexus in Nigeria: The Role of Debt Servicing

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Abstract
This study investigated the effects of government expenditure on economic growth in Nigeria, with focus on the moderating role of debt servicing by the government from 1990-2024. This study made use of the Autoregressive distributed lag model to analyze this relationship. The results obtained from the ARDL estimations showed that in the short run the interaction between debt servicing and government expenditure had a negative and significant effects on real GDP as an indication that a higher debt obligations reduce growth benefit of fiscal expenditure. Furthermore, total revenue to GDP had positive and significant effect and exchange rate as well as oil price fluctuations showed short run dynamics. The results from the long run estimation revealed that debts servicing in combination with government spending continue to constrain growth. But total revenue, exchange rate and oil prices contribute positively to economic performance. However, the study concludes that debt servicing in relation to government expenditure has a crowding out effect on economic growth in Nigeria which stress the need for prudent and monetary coordination. The study recommends priority in the productive investment of borrowed funds and effective revenue mobilization while maintaining macroeconomic stability in order to foster sustainable economic growth.

Keywords: Debt Servicing, Government Expenditure, Economic Growth, ARDL Model, Nigeria

1. Introduction

Government expenditure and economic growth nexus has emerged as a crucial issue in macroeconomic policy analysis. Most especially as it relates to resource dependent developing economies such as Nigeria (World Bank, 2023). The Keynesian theory on this subject, underscores that public expenditure serves as a catalyst for aggregate demand, infrastructure development and long-term economic growth especially from the perspective of underinvestment in the private sector (Keynes, 1936; Ogun, 2022). The Wagner's law maintained that government expenditure expands along with complexity which is driven through rising demands for public goods and regulatory oversights (Wagner.1893; Aregbeshola, 2023). Going by Nigeria context, fiscal policy has in a way been altered by oil revenue volatility, in which government expenditure serves as a redistributive and stabilization tools in the presence of chronic non-oil sector insufficient performance (Odularu &

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Okonkwo, 2021; Eze & Okpala,2023; IMF 2024).However the growth enhancement role of total government expenditure is has continually compromised growing de
servicing that diverts fiscal resources rom productive capital accumulation to an interest obligations that actually leads to inverting the traditional expenditure and growth relationship (Olayunggbo & Olayemi,2022;Adegboye et al,2023; DMO,2024)

The paradox that emanates between fiscal and growth in Nigeria is evident in its post 2000 economic trajectory. It was recorded that real gross domestic product averaged 6.5 percent during the 200-2014 oil boom but later contracted to -1.8 percent in 2020 as a result of the COVID-19 pandemic and oil price collapse, it further recover to 3.3 percent in 2023 and was projected to be at 3.1 percent in 2025 in the presence of persistent ma economic instability (World Bank, 2024; NBS,2024; AFDB,2025). The total government expenditure increased significantly from N4.8 trillion in 2015 to over N28 trillion in 2024, which reflects the ambitious infrastructure programs and some elements of recurrent commitments. Despite this , development outcomes remain dismal as poverty incidence exceed 40 percent, youth unemployment stood at 42.5 percent and infrastructure deficits constrain more industrial competitiveness (NBS,2024; UNDP,2024). A major critical factor at this point is that debt servicing has become a fiscal leakage, absorbing about 95 percent of the federal retained revenue in Q1 2024 up from 30 percent in 2014 and further forcing supplementary appropriations and new borrowing to fund salaries and other government operations (DMO, 2024) This has raised questions about escalating debt burden and sustainability of fiscal expansion in driving inclusive growth in Nigeria

One key problem the extent of the deterioration in the transmission mechanism from government expenditure in relation to economic growth which is mediated by debt servicing and that distortion of macroeconomic stability. As government expenditure is said to be theoretically expansionary, its interaction with debt servicing could generate a crowding out effect which can reduce net fiscal impulses
and further undermine capital accumulation (Olayungbo & Olayemi, 2022; Adegboyo et al., 2023;Onwe et al.,2024).However ,capital expenditure in spite of its policy rhetoric, still suffers from the failure of proper implementations: over 30000 projects which were recorded to have been abandoned valued at N12 trillion is an indication of inefficiency and corruption in Nigeria (World Bank,2024). Furthermore recurrent spending which has been dominated by personnel costs (35 percent) along with debt service (30 percent) exhibited high leakage as well as low productivity (CBN, 2024; Budget Office, 2024). Further compounding these challenges are structural issues given the facts that tax revenue to GDP ratio remains stuck at 6-8 percent which is among the lowest globally and limiting fiscal autonomy (IMF, 2025). The exchange rate has continue to depreciate over 70 percent since the 2023 unification which fueled imported inflation above 34% (CBN,2024;NBS, 2024) these complex factors indicate that unchecked debt servicing may transform government expenditure from growth engine into a serous fiscal trap in Nigeria

Despite extensive empirical scrutiny, critical gaps persist in understanding this moderated fiscal-growth nexus in Nigeria. Aluthge et al. (2021), Shadrach et al. (2024), and Eze and Okpala (2023) collectively reveal inconsistent expenditure-growth elasticities: capital spending yields positive long-run effects via public capital stock (Aluthge et al., 2021) but negative impacts when corrupted (Shadrach et al., 2024), while recurrent outlays are insignificant or leakage-prone (Eze & Okpala, 2023). Samuel and Oruta (2021), Usman and Agbede (2015), and Adegboyo et al. (2023)

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further highlight debt servicing as a growth suppressant, yet treat it additively rather than interactively. Onwe et al. (2024), Olayungbo and Olayemi (2022), and IMF (2025) underscore debt overhang and crowding-out, but none model the interaction nor integrate tax revenue to gross domestic Product , exchange rate , oil price , and lending interest rate simultaneously. In synthesis, Aluthge et al. (2021), Shadrach et al. (2024), Eze and Okpala (2023), Samuel and Oruta (2021), Usman and Agbede (2015), Adegboyo et al. (2023), Onwe et al. (2024), Olayungbo and Olayemi (2022), and IMF (2025) demonstrate long-run expenditure-growth cointegration with short-run ambiguities, recurrent spending ineffectiveness, and debt servicing drag yet failed to control for Nigeria-specific fiscal and external shocks, leaving a pivotal gap in dynamic fiscal policy analysis This study addresses these deficiencies by including interaction term to tests whether debt servicing attenuates or reverses the expenditure-growth relationship, while comprehensive controls account for fiscal capacity, exchange rate pass-through, oil dependence, and monetary tightness. By spanning pre- and post-debt relief eras, multiple oil cycles, and recent fiscal crises, the analysis offers robust, policy-relevant insights into achieving sustainable growth amid Nigeria's escalating debt trajectory.

2. Empirical Literatures

There are numerous studies on concerning the link between government expenditure, debt servicing and economic growth in Nigeria. These studies offered mixed conclusion on the nature of directions of these relationship. Mairafi et al. (2025) conducted a research about the effect of external debt servicing on the Nigeria's economic performance. The study made use of ARDL in it analysis using time series data from 1982 to 2023. The findings from the study indicate that both forms of debt servicing significantly affect economic growth though external debt servicing wielded a constraining on effects on economic growth .In a similar study Ndu (2024) and Essien (2024) revealed that excess debt servicing decreases Nigeria economic growth potential. They further emphasize that there is need for transparency and prudent debts management. On a contrary view, Ibrahim (2024) in his study, applied a nonlinear ARDL model and found that in as much as external debt may support economic growth, it servicing obligations have detrimental significant negative effects on economic growth. Ayodele et al. (2025) in their findings provided a supporting evidence that both domestic debt and external debts had negative effects on economic growth in Nigeria between 1981 and 2024. They further stress that accumulating debts in moderation is better for the economic growth in Nigeria. In the same vein Ibrahim and Danjuma (2024) came up with a finding that rising national debts reduces economic growth and tress on the need to boost domestic revenue generation to reduce debt pressure. In addition, Akinwale (2025) confirmed shot run benefits from domestic debt financing but vehemently cautioned against the challenges involving its long run sustainaibility

From the perspectives of expenditure and economic growth, Iwo and Adagi (2025) studied the relationship between government expenditure across education, administration as well as ICT. The findings indicated that expenditure on ICT alone had positive impact on economic growth whereas expenditure on education and public administration both had negative impact on economic growth in Nigeria. Chiadika and Egbon (20240 noted that higher government expenditure on sectors such as education and agriculture have the tendency to promote inter sectoral growth in Nigeria, especially when the expenditure is further supported by proper management of inflation and efficient

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resource allocation. In similar view Bankole et al (2024) noted in their findings that recurrent and capital expenditure have positive and significant long run impact on economic growth. They also noted that domestic debts was inversely correlated to economic growth in Nigeria. Lawa (2024) in his findings further showed that all capital expenditure significantly boost productivity but inefficient allocations and weak investment management always deterred their impact in Nigeria. Comparatively,

Hayek (2024) who carried out a study in Jordan noted that public expenditure improves the relationship that exist between revenue and capital expenditure. Adeiza et al. (2024) stressed from the finding from their study that in Nigeria government expenditure have positive effects on economic growth with debts serving as a moderating variable that have the tendencies to either enhance or constrain economic growth, this depends on how it is managed

3. Methodology

The study is anchored on the Debt Overhang Theory, which postulates that excessive public debt particularly when accompanied by high debt servicing costs diminishes the effectiveness of public expenditure by reducing fiscal space and deterring private investment. This theory explains why, despite rising government expenditure in Nigeria, economic growth has remained suboptimal. Accordingly, the debt overhang framework supports the use of an econometric model that captures both the direct effects of government expenditure and the moderating influence of debt servicing. Base on the theoretical frame work and model adapted from Mairafi et al. (2025) who examined the effect of external and domestic debt servicing on economic growth in Nigeria using the ARDL method , the model specification for this study is this as follows in equation (1).

$$RGDP = f(DBTS * TGE, TRGDP, EXR, OILP, INT) \text{----------} (1)$$

The stochastic form of the model is presented in equation below.

$$RGDP = \delta_o + \delta_1 DBTS * TGE + \delta_2 TRGDP + \delta_3 EXR + \delta_4 OILP + \delta_5 INT + \varepsilon_t \text{----------} (2)$$

Where:
RGDP = Real Gross Domestic Product
DBTS* TGE = Interaction between Debt Servicing and Total Government Expenditure
TRGDP = Tax Revenue to GDP Ratio
EXR = Exchange Rate,
OILP = Oil Price
INT = Lending Interest Rate

3.Method of Estimation

This study adopts the ARDL model proposed by Pesaran, Shin, and Smith (2001) to examine the cointegration correlation between government expenditure, debt servicing and economic growth in Nigeria. The ARDL is used to capture objective 0ne, two and three in the study. The adoption of the ARDL approach for this study lies in the advantages inherent in it. First, irrespective of whether the underlying variables are I(0), I(1), or a combination of both, the application of the ARDL approach to cointegration will give realistic and efficient estimates. The endogeneity problem, which arises when the explanatory variable is correlated with the error term in the regression model, is less problematic with the ARDL technique since it is devoid of residual correlation as each of the underlying variables is represented in a unique equation (i.e., all variables are assumed endogenous). Second, the ARDL technique can distinguish between dependent and explanatory variables when there is a single long-run connection. In other words, the ARDL technique presupposes that the dependent variable and the exogenous variables have only one reduced-form equation relationship

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(Pesaran, Smith, & Shin, 2001). Thirdly, where there are several cointegrating vectors, this approach's main benefit is its ability to identify the cointegrating vectors. The error correction model (ECM), which blends short-run corrections with long-run equilibrium without sacrificing long-run information, can be derived from the ARDL model. The associated ECM model has enough latencies to capture the data generation process in general for specific modeling frameworks.

Summarily, the ARDL is a dynamic model suitable for impact studies and is also chosen because it can be used even when the variables in the model are integrated at orders zero [I(0)] and one [I(1)]. It can also be used even with a small sample size, irrespective of whether some of the regressors are endogenous. Themodel is specified in ARDL from in equation 3 below

$$\Delta RGDP_t = \delta_o + \delta_1 RGDP_{t-1} + \delta_2 DBTS * TGE_{t-1} + \delta_3 TR * GDP_{t-1} + \delta_4 EXR_{t-1} + \delta_5 OILP_{t-1} + \delta_6 INT_{t-1} + \sum_{i=0}^{p} \varphi_1 \Delta RGDP_{t-1} + \sum_{i=0}^{q} \varphi_2 \Delta DBTS * TGE_{t-1} + \sum_{i=0}^{q} \varphi_3 \Delta TR * GDP_{t-1} + \sum_{i=0}^{q} \varphi_4 \Delta EXR_{t-1} + \sum_{i=0}^{q} \varphi_5 \Delta OILP_{t-1} + \sum_{i=0}^{q} \varphi_6 \Delta INT_{t-1} + \lambda ECM_{t-1} + \varepsilon_t \text{-----(3)}$$

where $\delta_1 - \delta_6$ are the long-run parameters; $\boldsymbol{\varphi}_1 - \boldsymbol{\varphi}_6$ are the short-run parameters; δ_0 and ε are the intercept term and the white noise stochastic term respectively; λ is the parameter of the error correction mechanism (ECM); ln is the natural logarithm of the variables, and; Δ is the difference operator. A shock to any of the regressors may not result in an immediate long-run effect on RGDP, which creates disequilibrium in the system and requires that the short-run adjusts to its long-run equilibrium through the error correction mechanism (ECM_{t-1}). The ECM_{t-1} is a one lag error correction term that accounts for the speed of adjustment to the long-run equilibrium.

4. Results and Analysi

Table 1: Descriptive Statistics

	RGDP	TRGDPR	EXCR	OIL_PRICE	INT
Mean	160.4886	13.50286	203.3809	52.88143	14.16429
Median	158.2000	13.50000	134.4200	52.32000	13.50000
Maximum	212.0000	28.80000	1400.000	111.6000	27.50000
Minimum	122.5000	5.600000	8.040000	12.75000	6.000000
Std. Dev.	25.62085	5.259081	260.2680	32.04801	4.008237
Skewness	0.816053	0.924705	0.927446	0.409750	0.797995
Kurtosis	2.879671	2.862622	2.823797	2.849005	1.250750
Jarque-Bera	2.102702	6.073132	241.2312	2.911371	11.10238
Probability	0.349465	0.077999	0.081000	0.233240	0.073883
Sum	5617.100	472.6000	7118.330	1850.850	495.7500
Sum Sq. Dev.	22318.56	940.3697	2303141.	34920.55	546.2429
Observations	35	35	35	35	35

Source: Researcher's Computation using Eviews 10

The results from the descriptive statistics in table 1 shows the general characteristics as well as distributional properties of the variables use for this study. The results indicated that on average RGDP was at 160.49 while TRGDPR and INT have an average of 13.50 and 14.16 respectively. Exchange rate had a higher mean value of 2023.38 and this can be due to the persistent currency depreciation but oil price had an average of 52.88 USD per barrel. This indicates that fluctuations occurred over the period of this study. The results of the standard deviations shows that exchanger

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rate has the highest volatility (260.27) then followed by oil price and RGDP. TRGGDP and INT both showed relative stability. From the results all the variables were positively skewed serving as an indication that most of the observations lie below their mean values and having few outliers. The Kurtosis values of most variable used in this study are close to 3. This means that the variable are near the normal distributions except for interest rate which is flatter (platykurtic) with 1.25 kurtosis. Furthermore , the Jarque- Bera test showed that all the variables except exchange rate are approximately normally distribute in the analysis at 5% level of significance which make them stable for econometrics estimations

Table 2: Unit Root Results

Variables	ADF Statistic	Critical Value (5%)	Probability (5%)	Order of Integration
RGDP	**-4.455695**	**-2.954021**	**0.0012**	**I(0)**
TRGDPR	**-6.451038**	**-2.954021**	**0.0000**	**I(0)**
EXCR	**-4.915582**	**-2.954021**	**0.0000**	**I(1)**
OIL_PRICE	**-5.389596**	**-2.954021**	**0.0001**	**I(1)**
INT	**-5.816868**	**-3.552973**	**0.0002**	**I(1)**

Source: Researcher's Computation using Eviews 10

The Augmented Dickey-Fuller (ADF) test was applied to determine the stationarity properties of the variables in the model. The results indicate that the ADF statistics for RGDP (-4.455695) and TRGDPR (-6.451038) are more negative than their respective 5% critical values (-2.954021), and their probabilities are below 0.05. Therefore, the null hypothesis of a unit root is rejected, suggesting that these two variables are stationary at level, denoted as I(0). Conversely, the differenced variables exchange rate EXCR, oil price OIL_PRICE, and interest rate INT have ADF statistics (-4.915582, -5.389596, and -5.816868 respectively) that are also greater in absolute value than their 5% critical values (-2.954021 and -3.552973), with probabilities well below 0.05. This confirms that these variables become stationary only after first differencing, implying they are integrated of order one, I(1). Overall, the mixed integration orders some variables being I(0) and others I(1) validate the use of the ARDL or NARDL estimation technique, which is appropriate when the series are a combination of level and first-difference stationary variables but not integrated of order two.

Table 3: Short run ARDL Results
Dependent Variable :RGDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(DBTS_TGE)	**-0.217120**	**0.074594**	**-0.291068**	**0.0000**
D(TRGDPR)	**0.171322**	**0.070794**	**2.420001**	**0.0278**
D(TRGDPR(-1))	**-0.155643**	**0.077349**	**-2.012218**	**0.0613**
D(EXCR)	**0.009317**	**0.004254**	**2.190445**	**0.0436**
D(EXCR(-1))	**-0.047551**	**0.011432**	**-4.159607**	**0.0007**
D(EXCR(-2))	**0.048148**	**0.014210**	**3.388307**	**0.0038**

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D(OIL_PRICE)	0.011700	0.014590	0.801903	0.0044
D(OIL_PRICE(-1))	-0.062412	0.022612	-2.760076	0.0139
D(OIL_PRICE(-2))	-0.056532	0.018346	-3.081480	0.0002
D(INT)	-0.036847	0.017887	-2.059981	0.0561
CointEq(-1)*	-0.309748	0.043319	-7.150450	0.0000

Source: Researcher's Computation using Eviews 10

The results from the short run ARDL indicated that the interaction between debt servicing and government expenditure wielded a negative and significant effects on economic growth proxied with real GDP.

This is an indication of a crowding out effects in which the rising debt servicing deterred the benefits that should have come from fiscal spending .in the results, total revenue to GDP had a positive short run impact on economic growth. But it lagged effects changed to negative as a result of inefficiencies or poor tax burdens in Nigeria. The exchange rate was found to display short term volatility with alternating signs as oil prices at first boost economic growth and later had a negative effects. Interest rate was negative and this could imply that high borrowing cost hinders investment and consumption. The error correction term was noted to have significant and positive signs indicating that the there is a long run stable relationship with about 31 percent of the short run disequilibrium corrected in each period

Table 4: Long run ARDL Results
Dependent Variable :RGDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DBTS_TGE	-0.023454	0.343664	-0.068246	0.0000
TRGDPR	0.089613	0.269053	0.333069	0.0434
EXCR	0.124103	0.014806	8.382142	0.0000
OIL_PRICE	0.373830	0.047683	7.839837	0.0000
INT	-0.073780	0.389499	-0.189424	0.0521
C	129.0307	6.824640	18.90660	0.0000

Source: Researcher's Computation using Eviews 10

The results obtained from the long run ARDL estimation showed that the interaction of debt servicing and government expenditure had a negative and significant effects on economic growth in Nigeria. This shows that a rising debt servicing can weaken the long run benefits of fiscal spending. Total revenue as seen from the long run results had a positive and significant effects. This in a way highlights he vital role that a sustained domestic revenue mobilization in financing can help in development. Exchange rate and oil price had a positive as well as significant long run effect. This means that Nigeria can enhance trade performance and fiscal capacity if through exchange rate stability and improvement in oil revenues. On the other hand interest rate showed a negative effects and this means that persistent high borrowing cost can harm investment and productivity in Nigeria economic growth agenda

Table 5: Breusch-Godfrey Serial Correlation LM Test			
F-statistic	1.659134	Prob. F(2,14)	0.2256

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Obs*R-squared	**5.939756**	**Prob. Chi-Square(2)**	**0.1113**

Source: Researcher's Computation using Eviews 10

The Breusch-Godfrey Serial Correlation LM Test examines whether there is serial correlation in the residuals of the regression model. In this output, the F-statistic value is 1.659134 with a probability of 0.2256, while the Obs*R-squared value is 5.939756 with a corresponding probability of 0.1113. Since both probability values are greater than the 0.05 significance level, the null hypothesis of no serial correlation cannot be rejected. This implies that the residuals are not serially correlated, indicating that4 the model is free from autocorrelation problems and the estimated coefficients are reliable.

Table 6 :Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	3.647624	Prob. F(14,16)	0.2376
Obs*R-squared	23.60438	Prob. Chi-Square(14)	0.2511
Scaled explained SS	7.676664	Prob. Chi-Square(14)	0.9055

Source: Researcher's Computation using Eviews 10

TheBreusch-Pagan-Godfrey Heteroskedasticity Test checks whether the residuals from the regression model have constant variance (homoskedasticity) or varying variance (heteroskedasticity). In this result, the F-statistic of 3.647624 has a probability value of 0.2376, while the Obs*R-squared and Scaled explained SS have probability values of 0.2511 and 0.9055, respectively. Since all the probability values are greater than the 0.05 significance level, the null hypothesis of homoskedasticity cannot be rejected. This implies that there is no evidence of heteroskedasticity in the model, and the residuals have constant variance. Therefore, the model is considered homoskedastic and statistically reliable.

Stability test

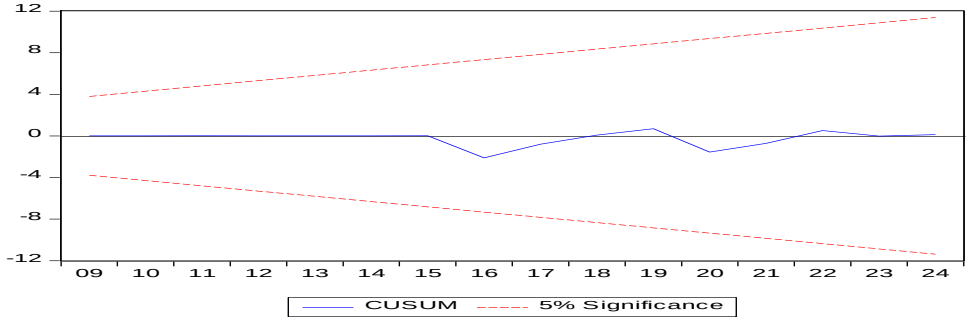

Figure 1: CUSUM test

The graph displays the CUSUM over time, with the blue line indicating the cumulative sum and the red dashed lines representing the 5% significance thresholds. At the beginning, the CUSUM fluctuates slightly but remains within the bounds set by the significance thresholds, suggesting no significant change in the process. As time progresses, the blue line continues to stay

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within these bounds, indicating stability. There are no points where the CUSUM crosses the significance limits, which implies that there is no statistically significant change or shift detected in the process throughout the observed period.

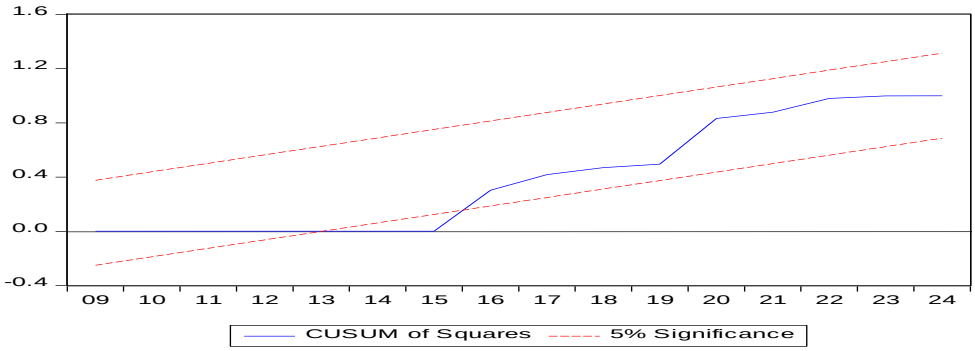

Figure 2: CUSUM of Squares

The graph displays the CUSUM of Squares over time, with the blue line representing the cumulative sum and the red dashed lines indicating the 5% significance thresholds. Throughout the observed period, the blue line remains within the red bounds, suggesting that there is no significant change or shift detected in the process. The stability of the CUSUM of Squares indicates that the process remains consistent over time without any statistically significant deviations.

5. Summary of Findings and Policy Implications

The results from ARDL estimation indicated that in the short run debt servicing had a significant negative effects on economic growth impact of government expenditure in Nigeria.in addition the interaction between debts servicing and total government expenditure (DBTS_TGE) was found to consistently wielding negative effect on real GDP in both short and long run. This confirms that the crowding out effect in which rising debts payment prevents fund from going to productive investments. This results support the augments of the fiscal drag hypothesis which shows that as a country, Nigeria's economic growth is limited by increasing debt service which reduce fiscal space for other projects that can leads to development. From the results, total revenue to GDP wielded a positive effect on economic growth. This shows the significance of domestic revenue mobilization .But its lag effects in the short run showed that over taxation or poor utilization of tax revenue may weaken economic growth in Nigeria.

The results further revealed that exchange rate had a short run instability but also had strong long run effects .this implies that a stable and competitive exchange rate encourage trade export as well as investment. In a similar manner, oil prices had volatility in the short run but exert a strong positive long run impact. This reaffirm that as a country Nigeria's depending on oil revenue and there is need

for diversification .Interest rate happened to have negative effects across the period which indicates that there is presence of high borrowing cost and this discourages investment and productivity. This creates the need for monetary and fiscal policy coordination in order to lower lending rate. The results finally produce a significant and positive error correction term and this confirms a stable long run adjustment with about 31 percent of short run dis equilibrium being corrected each period

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6. Conclusion and recommendations

Based on the findings from the analysis this study concludes that the interaction between debt servicing and government expenditure have shown to have a persistent negative and significant effects on the growth of Nigeria economy. This occurred in both short and long run of the estimation. This showed that rising debt servicing has the tendency to weaken the effectiveness of fiscal spending through diversification of resources from productive investment. However total revenue to GDP had a positive and significant influence economic growth in Nigeria. Exchange rate indicate a negative effect in the short run but had a positive long run effect. This means that exchange rate stability can lead to competitiveness. In a similar situation, oil prices was unstable in the short run but became positive in the long run. On contrary events, higher interest rate consistently limits economic growth by discouraging private investment in the Nigeria's economy Based on the finding from this study, the following recommendation are given; (i) Government of Nigeria should endeavor to enhance efforts that can leads to fiscal discipline. This can be through channels of borrowing funds and using the funds for productive investment rather than recurrent spending (ii) Policy cy makers should make effort in order to boost domestic revenue mobilization and as well maintain exchange rate stability so that sustainable long term growth can be achieved.

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