IMPACT OF EXTERNAL DEBT ON ECONOMIC GROWTH IN NIGERIA: ROLE OF INSTITUTIONAL QUALITY

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Abstract

*The impact of foreign debt on Nigeria's economic development is empirically examined in this research, contingent on the function of institutional quality. The goal of the research is to assess the impact of foreign debt on economic development objectively. We utilized secondary data from the International Risk Guide and the World Development Indicators. Autoregressive Distributed Lag analysis was used to examine the data (ARDL). According to the research, Nigeria's economic growth, foreign debt, currency rate, capital flight, gross capital creation, and external debt-corruption all have long-term equilibrium relationships. The results showed that external debt (LEXD) has a beneficial effect on Nigeria's economic development in the medium and long term, whereas external debt-corruption (LEXD*COR) has a negative effect that is statistically significant at the 5% level of significance. Furthermore, at the 5% level of significance, the paired Granger causality test showed that economic growth (LGDP) does not granger cause external debt (LEXD), but external debt (LEXD) granger causes GDP. Among other things, the report suggests that the Federal Government borrow money in accordance with the Fiscal Responsibility Act. This is crucial because it will prevent the government from going over the loan cap and assist guide government financing toward appropriate investments. When it comes to loan acquisition, disbursement, and project execution, the government should bolster public institutions and implement strong anti-corruption policies.*

INTRODUCTION

1.0Background of the research

Nigeria has consistently faced revenue shortfalls, amounting to ₦733bn in 2020, ₦2tn in 2021, and ₦990bn in 2022, creating a funding gap of ₦14.23tn in the implementation of capital projects of ministries, departments and agencies (Central Bank of Nigeria (CBN), 2024). These deficits are largely attributed to overdependence on crude oil, whose fluctuating prices weakened revenue generation. Due to limited revenue generation and the continuous decline in oil prices, Nigeria has struggled to meet its financial obligations. Governments often rely on external borrowing as a means of complementing domestic resources to enhance economic performance. This is particularly relevant for developing countries, where domestic financial resources are frequently insufficient to meet development needs.

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In Nigeria, the pursuit of swift economic development prompted financing critical investment projects aimed at advancing national progress. These loans were initially perceived as vital instruments for stimulating growth and transforming the country's economic trajectory. Over time, however, foreign borrowing became entrenched as an official government policy, leading to a substantial increase in the rate at which Nigeria obtained external funding from developed countries and global financial institutions. While the original justification for these loans was rooted in the need to drive economic development, the outcome has often been counterproductive. Instead of promoting sustained growth, the accumulation of external debt has imposed significant pressure on the economy, compounding this pressure is the persistent issue of corruption, which further hampers the achievement of long-term development goals (Ayadi, 2018). Despite this pressure on the economy, borrowing remains a common practice among nations, as they often lack the internal resources to meet all their needs, and financial resources are essential for the effective functioning of government operations. On the other hand, Nigeria's foreign debts over the years, have maintained a steady increase as shown in fig.1 below.

Fig 1. Trend of external debt in Nigeria from 1984 to 2023.

Source world development indicator (WDI) 2024

During the period from 1984 to 1990, Nigeria experienced a notable rise in external debt, largely driven by economic hardships such as the sharp decline in global oil prices during the 1980s. By 1985, the country's external debt had reached around $18 billion. This upward trend continued as the government increasingly relied on foreign loans to finance budget shortfalls and developmental initiatives.

According to Mansoor and Quillin (2006), strong institutional frameworks characterized by the rule of law, transparent governance, minimal corruption, and effective regulation contribute to sound debt management and help prevent excessive borrowing. Functional institutions can enforce fiscal discipline, design sustainable debt strategies, and reduce dependency on external loans. Conversely, when institutional quality is poor, corruption and mismanagement tend to rise, leading to unproductive expenditure and increasing the need for further borrowing. Weak governance structures may promote imprudent lending practices and misuse of borrowed funds, exacerbating the debt burden and hindering economic progress. Countries with stronger institutions typically earn greater trust from international lenders, enabling them to access loans under more favorable conditions, including lower interest rates, thereby enhancing their ability to manage external debt responsibly.

High levels of external debt can pressure governments to prioritize debt servicing over social and institutional investment, which may, over time, erode institutional quality. In cases of debt crises, institutions may be weakened as a government cuts spending, and public services deteriorate. External debt often comes with conditionalities imposed by international lenders, such as the IMF or World Bank. These conditions can influence domestic policies, pushing for reforms in governance, transparency, and accountability, which might improve institutional quality over time A strong debt management framework, supported by competent institutions, can ensure that debt levels remain within sustainable limits. For instance, an independent central bank or fiscal council can help monitor and advice on debt policy, limiting excessive external borrowing. And countries with stable political systems and strong institutions are typically better at managing debt over the long term. Political stability helps maintain consistent policies that support debt sustainability, while institutionalized checks and balances can prevent policy swings that could lead to excessive borrowing (Cooray, Godfrey, & Chigozie, 2020).

Corruption has become an endemic in Nigeria economy. It touches every faces of life in Nigeria. It is one big problem that could affect institutions, policies and programmes. This is indicated in corruption perception index by transparency international (2018)

The proxy corruption will be used to study the external debt in Nigeria because of the following reasons: Weak institutions: Corruption is an outcome of weak institutions, which may result in poor debt management, embezzlements and misallocation of resources. Absence of transparency: Corruption is also linked to absence of transparency and thus it is hard to keep track of the debt obligations, payments and utilization of funds. Inefficient allocation: Corruption may cause inefficient allocation of resources, including external debt funds, that are not utilized in the intended purposes. Expensive debt servicing costs: Corruption may raise the cost of debt servicing through kickbacks or bribes or other corrupt payments. Poor creditworthiness: High cases of corruption may lower creditworthiness of Nigeria, thereby making borrowing more expensive as well as accessing external debt.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

A high percentage of external debt claims means that a country has the chances of developing a negative international relationship and foreign conquest. Such situations frequently lead to external influence of the internal decision-making procedures in the state where the creditor states or global institutions can dictate conditionalities to the policy and government. In this respect, Eaton (1993) offers some possible distinction, commenting that debt may be divided into disbursed and undisbursed parts, each of which has a different implication to the borrowing country. With this classification, the issues of external borrowing are not limited to the volume of the loaned money, but also to the manner of entering and utilizing this money.

The implication of external assistance to the economic development of the less developed countries (LDCs) has different schools of thought. A case in point is Eaton (1993), who is quite critical in his approach and proposes that foreign aid is a killer to development. He argues that the reliance of the outside funding will drive away the local development funds thereby reducing the local initiatives and creating the scenario, which eventually results in the crisis of debts. In this line of thought though, the foreign borrowing does not advance growth, but makes the developing countries dependent and financially vulnerable in a cycle.

Nigeria is a nation that has a high income inequality, a low technological capacity, a low education level and mismanaged country and rarely uses the borrowed money to do productive investment. Instead, the external loans provide an avenue to embezzlement and mismanagement and the whole responsibility of the loan repayment is transferred to the future generations who had not been part of the mismanagement initially. This creates an intergenerational inequality and adds to the problem of the debt overhang.

Other economists are however more optimistic by stating that external borrowing is beneficial when applied in a prudent manner. Other scholars like Dal and Phillip (2020), Ogunmuyiwa (2011) and Indermit and Brian (2005) hold the view that external loans may be effective in supplementing domestic savings and in addressing the gap in resources of a country aiming at sustainable growth. Foreign borrowing could also facilitate faster economic transformation by availing more funds to invest in infrastructure, human capital and productive sectors. This thinking has prompted a lot of the developing nations to adopt borrowing as an indispensible means of development as long as there is good management that goes hand in hand with that.

However, the Nigerian experience comes with a great deal of warning lessons. Although borrowing in fact can be used to develop a country, the amount of both external and internal reserves available by the country is enormous meaning that relying on foreign loans is not only unnecessary, but also very risky. With efficient governance and minimized corruption, the fiscal deficits in Nigeria may be dealt with using available resources very often. This suggests that financial sovereignty is a myth that is broken by irresponsible borrowing without taking into account any domestic capacity and causing future generations unnecessary pressure. Therefore, the question of whether to borrow or not may not be the problem, but the way of balancing between the outside and the inside, resources and discipline and accountability to lead to real and sustainable economic growth.

Theoretical Framework

The Profligacy theory and the Keynesian model serve as the study's pillars and provide the framework for comprehending the connection between economic development, institutional quality, and foreign debt.

The Keynesian model places a strong emphasis on how effective demand drives economic expansion. Government spending funded by borrowing from outside sources may boost aggregate demand and accelerate development, especially in emerging nations with inadequate infrastructure, according to Keynesian theory (Keynes, 1936). External debt has been utilized as a means of funding vital expenditures in infrastructure, health, and education in Nigeria, since budgetary resources are often inadequate to satisfy developmental demands. Because it shows how foreign debt may boost development when borrowed money are used effectively, the Keynesian paradigm is pertinent to our research (Iyoha, 1999; Omoruyi, 2019). The profligacy hypothesis, on the other hand, emphasizes the institutional framework in which debt is contracted and managed, so addressing the shortcomings of the debt-growth model and the debt-overhang theory (Ajayi & Khan, 2000). It contends that the advantages of foreign borrowing for development are undermined by weak institutions, bad governance, and corruption. The predicted growth-enhancing impacts of debt have been restricted in Nigeria due to problems including mismanagement of public finances, diversion of loan revenues, and lack of transparency in debt payments (Ezeabasili, 2011). As a result, these theories are extremely pertinent to this research because they offer two perspectives: the Profligacy theory presents the institutional dimension that establishes whether debt is a catalyst for economic crisis or growth, while the Keynesian model presents the economic justification for borrowing.

Empirical Review

Liko (2024) investigated education acting as a complementary driver, while unemployment constrained overall growth. Although the study provided robust cross-country evidence on the importance of institutions, it did not incorporate external debt as a key macroeconomic variable, despite its substantial influence on the growth dynamics of developing economies. In contrast, the present study extends the scope by explicitly including foreign borrowing, which has long been a central policy tool in Nigeria for bridging fiscal imbalances.

Njangang (2018) shows that rising public debt across the sampled countries, indicating that higher corruption levels exacerbate debt accumulation. Based on this evidence, the study recommended strengthening anti-corruption policies to improve fiscal discipline and enhance the efficiency of public spending. However, while Njangang considered a wide set of variables including inflation and military expenditure, the present research narrows its focus to external borrowing, corruption, and capital expenditure in Nigeria. This approach better reflects the deliberate reliance on external debt to finance fiscal gaps and infrastructure development within the Nigerian economy.

Adeboye and Rosemary (2018) utilized OLS regression to examine Nigeria's economic progress and foreign borrowing from 1985 to 2015. According to their results, growth was adversely impacted by foreign debt and currency rate volatility, but it was positively connected with exports, capital investment, and debt payment. They suggested matching profitable investments with financing from outside sources. In keeping with their previous research, this study adds corruption to the empirical framework because of its crucial function in determining whether borrowing from outside sources results in true economic growth.

METHODOLOGY

Research Design

The primary design was quantitative aiming to provide evidence-based insights that can guide policymakers in formulating sound and context-specific strategies for the judicious use of externally borrowed resources. By achieving this, the study contributes to advancing sustainable economic growth, alleviating poverty, and minimizing the destabilizing effects of macroeconomic volatility that often weaken incentives for productive investment and innovation.

Sources and Method of Data Collection

Gross capital formation (GKF), capital flight (CAF), exchange rate represented by the official exchange rate (EXR), economic growth as measured by GDP, and external debt (EXD). Furthermore, the International Country Risk Guide was used to determine institutional quality, which was represented by the corruption perception index (COR).

Model specification

There are several studies conducted on impact of external debt and economic growth of Nigeria, however this study modified the work of Muhammad and Abdullahi (2020) as modeled:

RPY = f (EDSTOCK, EDSERV, GNEXP EXCHR) ----(3.1)

RPY = Real Per capita GDP

EDSTOCK = external debt as a percentage of GNI

EDSERV = external debt service as a share of exports

GNEXP = Gross national expenditure as a percentage of GDP.

EXCHR= real exchange rate.

Therefore, the modified model is:

$GDP = f(EXD, EXR, CAF, GKF, EXDCOR)$ -----(3.2)

$\text{GDP} = \alpha_0 + \beta_1\text{EXD} + \beta_2\text{EXR} + \beta_3 CAF + \beta_4\text{GKF} + \beta_5\text{EXDCOR} + \mu$----(3.3)

Where:

GDP = Gross domestic product per capita
EXD= External debt
EXR= Exchange rate
CAF = Capital flight
GKF= Gross capital formation
EXDCOR= External debt * Corruption
$\alpha_0,\ \beta_1, \beta_2, \beta_3, \beta_4,\ \beta_5,$ =Parameters

$\text{GDP} = \alpha_0 + \beta_1\text{EXD} + \beta_2\text{EXR} + \beta_3 CAF + \beta_4\text{GKF} + \beta_5\text{EXDCOR}$---(3.4)

3.4 Expected outcomes

$\boldsymbol{\beta_1}, \boldsymbol{\beta_4} > 0 \ and \ \boldsymbol{\beta_2}, \boldsymbol{\beta_3}, \boldsymbol{\beta_5} < 0$

Methods/Techniques of Data Analysis

a. Correlation Matrix.

Correlation matrix is deployed to determine the type of relationship existing between the variables.

b. Unit Root Test

Stationarity test has however been conducted to ascertain the stationarity conditions of the variables using Augmented Dickey Fuller unit root test and the model is presented thus:

DATA PRESENTATION AND ANALYIS

Table 4.1: Correlation Matrix Result: impact of external debt on economic growth in Nigeria: role of institutional quality from 1984 to 2023

	GDP	EXD	EXR	CAF	GKF	EXD*COR
GDP	1					
EXD	0.342755	1				
EXR	0.567105	0.891859	1			
CAF	0.881311	0.585415	0.806182	1		
GKF	0.639812	0.608321	0.750142	0.819016	1	
EXD*COR	0.432293	0.982635	0.942825	0.662258	0.659757	1

Source: Author's computation using EViews 10.0

EXD and GDP have direct relation with 0.34 coefficient. Similarly, a correlation exists between exchange rate (EXR), capital flight (CAF), gross capital formation (GKF), external debt-corruption (EXD∗COR) (0.56), (0.88), (0.63) and (0.43) respectively. likewise capital flight (CAF), GKF and EXD*COR have positive correlation with external debt (EXD) with coefficients of (0.58), (0.60) and (0.98) respectively.

Capital flight (CAF), GKF and EXD∗COR have positive correlation with exchange rate (EXR) with correlation efficient of (0.80), (0.75) and (0.94) respectively. Gross capital formation (GKF), and external debt-corruption (EXD∗COR) have positive correlation with capital flight (LCAF) with correlation efficient of (0.81) and (0.66) respectively. While external debt-corruption (EXD*COR) is positively correlated with gross capital formation (GKF), with correlation efficient of (0.65).

Table 4.2 Optimal lag(s) selection criteria: impact of external debt on economic growth in Nigeria: role of institutional quality from 1984 to 2023.

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-4210.06	NA	3.79e+91	227.8953	228.1566	227.9874
1	-4008.88	326.2439	5.17e+87	218.9665	220.7951*	219.6112
2	-3948.96	77.73927	1.66e+87	217.6733	221.0693	218.8705
3	-3885.70	61.55026*	6.04e+86*	216.1998*	221.1632	217.9496*

Source: Author's computation using EViews 10.

Because three delays had the lowest values, Table 4.2 indicated that the ideal lag length is (3) out of a maximum of four lags chosen by the four distinct criteria. The research proceeded to perform a co-integration test after determining the amount of lags utilized in the models, and the outcome is shown in Table 4.3.

Table 4.3 ARDL bound. - impact of external debt on economic growth in Nigeria: role of institutional quality from 1984 to 2023

ARDL bound test of co-integration F-statistic=23.07260*
Critical value Bound of the F-statistics

K	10%		5%		2.5%		1%	
	I(0)	1(1)	I(0)	1(1)	I(0)	1(1)	I(0)	1(1)
5	2.08	3	2.39	3.28	2.7	3.73	3.06	4.15

Table 4.2 showed that the optimal lag length is (3) out of a maximum of four lags selected by the four different criteria since three delays had the lowest values. Following the determination of the number of lags used in the models, the study conducted a co-integration test, the results of which are shown in Table 4.3.

Table 4.4 ARDL Long run coefficients: - impact of external debt on economic growth in Nigeria: role of institutional quality from 1984 to 2023.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LEXD	0.885303	0.948271	0.933597	0.0075**
EXR	-0.0059	0.003186	-1.851768	0.0733*
LCAF	1.18313	0.340572	3.473951	0.0015**
LGKF	-0.396527	0.329311	-1.204111	0.2374*
LEXDCOR	-0.081954	0.839533	-0.097619	0.0008**
C	-32.14842	18.65157	-1.72363	0.0004**

Note: ** and * ***imply statistically significance at 5% and 10% level***

Source: Author's computation using EViews 10.

Although the coefficient is insignificant, the direction of change presents its theory in hypothesized hypothesis. The exchange rate movements are generally recognised as major determinant to the growth performance of the country. An appreciable domestic currency will lower the number of imports and at the same time will lower the competitiveness of exports in international markets. This finding is consistent with the assertions of Mohammed and Ahmed (2015) who pointed out the highly important role played by exchange rate stability in order to make growth sustainable.

In the case of gross capital formation (LGKF), the coefficient was -0.39 that is not only negative but also statistically significant at the level of 5 percent. The above outcome is the opposite of the a priori expectations, because capital formation is a theoretical reason to increase productive capability, the national production, and the future of the development. Increased level of investments is normally accredited with increased employment, productivity as well as foreign balance thus decreasing reliance on foreign capital. The negative sign and insignificance noticed in this paper indicate that the domestic capital formation in Nigeria has not matched up to growth in the period under study; this is due to the possibility of inefficiencies, poor resource allocation or structural choke points of the economy at that time.

Lastly, the correlation between the external debt and corruption (LEXD*COR) had a coefficient, which is negative and statistically significant (0.081). This implies that an increase of 1% in corruption rates in external borrowing culminates to the diminution of the economy by an estimated 0.081. The observation indicates that institutional weakness and corruption, however, lead to the adverse implications of the growth returns of external debt. Debt-driven initiatives cannot produce their desired developmental effects when they misuse borrowed funds or allocate them to corrupt activities, and this translates to lack of growth and increase in standards of living. This outcome is in line with theoretical predictability of approaches of moderating of a quality of governance as one which either brings external debt as a growth driver or rather a source of economic weakness.

Table 4.5 Error Correction Mechanism (ECM). Impact of external debt on economic growth in Nigeria: role of institutional quality from 1984 to 2023

ECM Regression				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(LGDP(-2))	0.290222	0.068193	4.255922	0.0009**
D(LEXD(-1))	1.420348	0.240766	5.899285	0.0001**
D(EXR)	-0.003963	0.000958	-4.134787	0.0012**
D(LCAF)	0.077119	0.108471	0.710964	0.4897*
D(LGKF(-1))	0.184426	0.045739	4.032101	0.0014**
D(LEXDCOR(-1))	-1.472378	0.241355	-6.100465	0.0000**
CointEq(-1)*	-0.225599	0.028129	8.020235	0.0000**
Adjusted R-squared	0.842956			
DW stat	2.308896			
F-stat	26.76659			
Prob S(F-statistic)	0.00000***			

Note: ** and * ***imply statistically significance at 5% and 10% level***

Source: Author's computation using EViews 10

The co-integrating equation, represented as CoinEq (-1) in Table 4.7, is the error correcting mechanism (ECM). Additionally, the ECM provides a model for weighing the short-term fluctuations of macroeconomic variables against their long-term relationships. The estimate of ECM is necessary to characterize the dynamic accomplishment of economic growth (LGDP) due to the co-integration of the variables. The ECM specifically analyzes short-term changes, and its coefficient is the rate at which the system corrects itself to return to equilibrium. This indicates how a system recovers after a shock.
As stated in the short-run findings, the dynamic growth equation provided in Table 4.7 has shown several

important outcomes. First, at the 5% level, the economic growth (LGDP) two-period lag of growth coefficient is positive and substantial. As examples of persistence, this indicates that the economic success of the two prior eras is starting to have a reinforcing effect on the growth patterns. Additionally, there is the short-term, statistically significant, and favorable impact of the external debt (LEXD). This suggests that, when handled responsibly, foreign borrowing accelerates economic development in the near term. Although the value of capital flight (LCAF) is positive, it is not significant if it is not tested at the 5% threshold. This suggests that there is no measurable short-term impact of changes in capital outflows on economic growth. Inefficient capital distribution, delays in the transformation of investments into production, and structural rigidity that precludes the use of capital to spur short-term development might be the causes.

The short-term terms of the interaction between corruption and foreign debt (LEXDCOR) are negative but not statistically significant. This suggests that the potential for economic enhancement would be hampered by corruption in the external borrowing practices. Similarly, the 1-period lag of LEXDCOR is negative and substantial, suggesting that the unfavorable growth consequences of debt mismanagement brought on by corrupt activities have a persistent adverse effect on growth.

Table 4.6: Pairwise Granger Causality Test: - Impact of external debt on economic growth in Nigeria: role of institutional quality from 1984 to 2023

Null Hypothesis:	Obs	F-Statistic	Prob.
LEXD does not Granger Cause LGDP	37	0.03265	0.002
LGDP does not Granger Cause LEXD		2.40200	0.087
EXR does not Granger Cause LEXD	37	3.05413	0.004
LEXD does not Granger Cause EXR		0.40942	0.747
LCAF does not Granger Cause LEXD	37	3.20986	0.037
LEXD does not Granger Cause LCAF		0.02065	0.996
LGKF does not Granger Cause LEXD	37	3.19380	0.008
LEXD does not Granger Cause LGKF		0.52875	0.666
LGKF does not Granger Cause LCAF	37	1.83529	0.162
LCAF does not Granger Cause LGKF		7.72476	0.000
LEXDCOR does not Granger Cause LCAF	37	0.27488	0.004
LCAF does not Granger Cause LEXDCOR		1.63019	0.203

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Source: Author's computation using EViews 10.

The output of the paired Granger causality test above shows some significant information about the dynamic relations of the most crucial economic variables. External debt (LEXD) was not determined to Granger cause economic growth (LGDP) at the 5% level of significant. It implies that the growth outcomes can also depend on the approach to the measurement and this underscores the need to exercise caution when examining the debt-growth relationships.

On the same note, intensive investment processes in the economy are likely to drive the borrowing needs, yet the external loans do not necessarily become physical investment into physical capital. This tendency is indicative of inefficiencies in utilization of the borrowed resources as the funds can be channeled to either the recurrent spending or may be squandered through mismanagement instead of being utilized in the productive sectors.

Last but not the least, the interaction between the capital flight (LCAF) and the external debt-corruption interaction (LEXD*COR) is a valuable insight. These findings indicate that capital flight is not Granger cause of external debt corruption, but the opposite is true, external debt corruption is Granger cause of capital flight at the 5% level. This means that the corruption in the running of the external loans breeds illegitimate capital outflows and this is a vicious cycle as not only does not promote growth, but the mismanaged debt aggravates the financial instability by driving the resources out of the country. These findings thus support the need to have transparency and accountability in the management of debts to avert capital flight through corruption.

CONCLUSION AND RECOMMENDATIONS

The empirical findings, which were shown to be statistically significant at the usual levels, demonstrate that foreign debt has a favorable influence on Nigeria's economic development both in the short and long term. This is in line with theoretical predictions and the Keynesian school of thinking, which contends that government spending, which is often facilitated by borrowing, would boost GDP. When foreign debt is properly managed and directed toward capital creation, infrastructure, and macroeconomic stability, it may be a powerful instrument for improving growth outcomes. The correlation between external debt and corruption, however, has the reverse effect. The negative and substantial consequences of the association between debt and corruption suggest that corruption in the distribution of borrowed money is a major hindrance to the potential benefits of the funds. Corruption decreases the efficacy of investments financed by debt, denies nations access to economic activity, and erodes the credibility of institutions. Therefore, foreign borrowing may spur development; but, in Nigeria throughout the research period (19842023), the growth impacts of borrowing have historically been limited by authoritarian regimes and pervasive corruption.

i Instead of using borrowed money for ongoing expenses, the government should make sure that it is directed into industries that are productive and promote growth, such manufacturing, infrastructure, and human capital development.

ii Nigeria should bolster public institutions and implement strong anti-corruption policies in the procurement, distribution, and implementation of projects.

iii In order to lessen its dependency on foreign debt, Nigeria should concentrate on enhancing domestic revenue mobilization via tax reforms, expanding the tax base, and minimizing leakages. because the findings showed a one-way link between GDP and foreign debt (EXD).

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