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EXCHANGE, INTEREST AND INFLATION RATES AND THE ECONOMIC GROWTH: NIGERIAN PERSPECTIVE (1981 –2018)

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ABSTRACT

The paper examined the domestic monetary and fiscal policy effects of interest rate inflation rate and exchange rate on the economy for the period 1981-2018. The study adopted Dickey –fuller test and the Johansen'sCointegeation test. The result of Johansen showed that there exist relationship between the variable over the entire period,though in the short –run there was deviation from the equilibrium. The existence of one cointegrating equation was identied,therefore, a stable equilibrium relationship was present. The coefficients result was that 1% increase in the interst rate led to 0.002% increase in growth rate, in the long run interest rate had positive impact on growth rate. The study also used Granger Causality test to examine relationship between interest rate and inflation rate, GDP and real growth rate. Results were that interest rate causes inflation and interest rate cause granger growth rate, while growth rate granger cause GDP. The result of Arch and Garch showed volatility shock, which were quite persisent so that a large excess return value of either positive or negative, which will lead future forceasts of high interest and exchange rate for a prolonged period of time. This forceast of future high interest and inflation rates will not aurgor well for use in the budget preparation, since they will reflect use budget defict or surplus that will require external borrowing.

KEYWORDS: *Economic Growth, GDP, Interest and Inflation Rates*

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INTRODUCTION

In the late 1973 and early 1974, there were massive rise in the oil price all over the world. This resulted that most oil producing countries had accumulation of foreign exchange reserves, even for the developing economy, which used dollar as their trade currency like Nigeria. The economic growth stagnation and budget deficit experienced by many developing countries started in the 1980's. The case of Nigeria, the International Monetary Fund (IMF) had recommended a policy of currency devaluation, and trade liberation so that the macroeconomic stability and growth could be achieved (Ukpolo, V., 1987). Although in Nigeria, foreign exchange earnings had been a major source of government revenue, with the result that 82% of the Federal Government Revenue came from oil and 94% of all the exports between 1978 and 1982(World Bank 1983:1). The argument is that with high foreign exchange earnings, had it improved the economy during this period.

With the global recession in the early 1980, there was a fall in the world oil price, this affected Nigeria also, resulting in the balance of payment deficit that had recorded a surplus of US $2,343 million in 1978 to deficit of US $472 million in 1984 (Ukpolo, N, 1987). This is the problem when a country relies and its major exports is mainly from oil exports and other non-exports are mainly a peanut compared to the revenue from oil.These policies tools employed how

had they affected the economy. It is ahown that if the revenue generated is not wisely used, it will not be accompanied by increase in economic growth (Braimoh D. Oseghale and Felix E. Amenkhienau, 1987). One other major problem that has confronted the Nigeria monetary authority has been the persistent instability in principal exchange rate –the naira /dollar rate.The instability has featured in depreciation of the naira. As stated by Genevesi O.Ogiogo (1996) that in a bid to stabilize exchange rate in the 1990's, the bidding system was changed to Dutch auction system with daily bidding session, but the result was further depreciation of the naira. He futher stated that the fiscal monetary discipline was lacking on the part of the government, but other factor contributed, this was that the method of bidding had some influence on the rate of depreciation of the naira.

It was because of the dwindling and low economic growth that Federal Government of Nigeria led by Babangida, formed a committee that looked at the economic issues and economic reforms, considering structural adjustment programme.

The Babangida regime started the structural adjustment programme, which was the World Bank/IMF structured. Another aspect of the problem was the issue of budget discipline, in the Central Bank of Nigeria's Annual Report and statement of Accounts (1993). It was stated that the deficit in absolute terms was as a result of large external debt service payments and also because of the political programmes and economic development projects. There is also the problem of the years in which, the budget appropriations were in surplus, but during the implementation, it became deficit.With all these problems over the period, what effects had them on the economic indicators; interest rate, inflation rate and exchange rate. The major purpose of this paper is to examine the effects, and contributions of the interest rate, inflation rate and exchange rate to the economy during the period of 1981 – 2018.

LITERATURE REVIEW

Kang-Sock Lee and Richard, A. Weruer (2018), examined the received belief that lower interest rates result in higher growth and higher rate in lower growth. They stated that in disequilibrium, interest rates should be not be useful as policy variable, the variable to consider is quantities which will include resource constraints, this is the theoretical bias from the axiomatic – deductive methodology centering on equilibrium. Their result recorded that interest rates follow GDP growth and consistently positively correlated with growth.

Genevesi O. Ogiogio (1996) did research on statistical analysis of foreign exchange rate behavior in Nigeria auction. In their study, the heavy dependence of the Nigerian Economy on imports that virtually all consumable in Nigeria were imported from all over the world, that is, the US, UK, China, India, EU and a few West Afircan Countries topping the list as major trading partners.

Shafik Hebous and Alfons J. Weieheurieder (2010) examined debt financing and sharp currency depreciations: wholly versus partially-owned multinational aff(2010). Their findings provide evidence that foreign direct investment helps in investigating the negative consequences of sharp currency depreciation, this is because the capital inflows to wholly-owned affiliates.

Adrien Faudot and Jean-Francois Ponsot (2016) did study on Dollar dominance: recent episode of Trade Invoicing and debt inter issuance. They stated that the trade of developing countries was invoiced in US Dollars, but the industrialized countries were invoiced their higher share of exports in their home currencies. The same also applied in international debts; some countries had tried to challenge this supremacy but failed. Now, China is trying all they could to

core stall this major problem. The paper concluded that there would be need for monetary reform since the monetary system that encouraged a major constraint on the sovereignty of developing countries and there would be the need for developing countries to set out to challenge the US Dollar usage/domination.

Tridico, P. (2007) stated that economic of growth could be explained as a complex issue that needed positive interaction of several socio-economic and institutional factors. The finding were that countries could grow with their "state of capitalism" and economic model, the determinants of the economic growth would be the ability of each country to get appropriate governance and institution with collection level, export activity and non-income dimension of human development. Also that countries which had an increase in non-income dimensions of human development, had sustained economic growth.

Nakorji M. and Asuzu, O.C. (2019) examined the money demand in the conduct of Monetary Policy in Nigeria. The results were that the exchange rate, financial innovation and growth rate of real GDP had positive short-run impact on real money demand but the treasury bill rate and logs of growth rate of real GDP also had an influence. The negative effect between the exchange rate and real money balances had a short run effect on the upward movement in the holdings of real money balances in Nigeria Bader and Malawi, 2010 found out that there was a positive effect of real interest rate on both national income and on the GDP.

Berument, H. (1999) studied how inflation rate influenced three month Treasury bill rate, using conditional variance inflation rate to represent risk index. Their result was that inflation rate had positive influence on three month Treasury bill rate. Sweidan, O.D., (2004) investigated whether inflation and economic growth had a structural break point effect. He found that there is a positive structural effect at inflation rate of 2% but that at higher rates, the effect became negative.

Engen, M., and Hubbard R., (2004) did research on the federal government debt and interest rate, their finding was an increase in federal government debt equivalent to one percent of GDP, all things being equal, would generate and expected to increase the long-term real rate interest by about three basis points.

Bahmani Oskooee, M. (2012) examined the exchange rate volatility and demand for money in Iran, stated that in Meudell (1963) the proposition that demand for money could depend on the exchange rate, income and interest rate. The result of the study stated that exchange rate volatility had both short-run and long-run effects on the demand for money in Iran between 1979 and 2007. Therefore, when the demand for money discussed, exchange rate would be an important determinant.

Oresotu, F.O., (1992) investigated the determinant of interest rate in Nigeria since the deregulation measures in 1987. The findings stated that the persistent depreciation of exchange rate was an important factor affecting nominal lending rate in Nigeria. The causation was through demand for money for transaction purposes, this increased as exchange rates depreciated, therefore, putting pressure on the domestic liquidity.

Yakub, M.U., Sani, Z., Obiezue, T.O. and Aliyu V.O. (2019) studied the impact of exchange rate volatility on trade flow in Nigeria, for the period 1997–2016. The result among others included that exchange rate volatility affected the trade flows negatively in the short-run but not in the long-run. Recommended that the Central Bank of Nigeria should intervene immediately to forestall and stabilize the foreign exchange market.

Fisher, 1930, it stated that expected interest rates change in proportion to the changing expected real interest rates are invariant to the expected inflation rate.

Munde, L. 1963 found that nominal interest rate and expected inflation rate did not have one to one adjustable relationship. In the book chapter titled "China's Savings and Global Economic Performance", it is stated that China has joined the major developed economy. (Eiekmeider and Kuchnienz, 2013). And also has become the major supplier of finance to the rest of the world. But as stated also that China's inward focused growth will reduce the excess saving, and this came at the same with the reduced Japanese saving, would ultimately be the end of the "Asian saving glut and would globally transmitted, thus raising debt service cost and would also affect investment world wide.

Obamuyi and Oleranfeni (2011) studies how financial reform and inter rate on the economic growth in Nigeria. The results showed that interest rates and financial reform had significant impact and the behavior of interest rate would be important for economic growth.

Nisha and Nishat (2011) found out that if the flow of reserves were directed to the most productive investments, it would generate economic activities, so that economic growth would be experienced.

Hasanov, (2010) investigated the various threshold effect of inflation on economic growth in Azerbaigand country for period of 2000-2009. They found that the threshold level of inflation for GDP was 13% and that below the threshold level inflation has significant positive effect on GDP growth but if the inflation rate exceeded 13%, it became negative.

P,Kassey Garba(1997) studied The Nigeria exchange Market: Possibilities for Convergence in Exchange Rate. The findings included that in 1993, there were no tendency for exchange rate convergence, but rather convergence in future would not be possibile unless,(a) the institutional barriers segementing the forex market would be removed (b), the official market operation would be competitive enough Also recommended that reduction in Federal deficit and inflationary finance, this would reduce pressure on the supply of foreiegn exchange and by extention halt monotine fall in the value of naira.

Theoretical Framework

In the theory of interest, it is said that interest is price of money. Many macroeconomic theories found some interrelationship between interest rate, inflation rate, and exchange rate and economic growth. In the study by Wermer (2018), they argued that interest rate follow economic growth and not vice versa, stating that in disequilibrium, it is the quantity that would be important, including resource constraint. Therefore, that credit creation affects the demand for money.

In the study by Morgan, D.R., 1979, stated that there would be a close relationship between domestic budget deficits, domestic liquidly expansion and inflation. Stating also that if there would be reductions in growth of the domestic budget deficit, that would be closely been related to domestic financial stability. The theory of interest as stated by Fisher (1930) stated that expected interest rates change in proportion to the changing expected or expected real interest rate are invariant to the expected inflation rates.

Data Sources

Data were sourced from statistical bulletin of Central Bank of Nigeria various issues on Interest Rates, Inflation Rates, Exchange Rates and Nominal GDP for the period 1981-2018.

Table 1: Some Economic Indicators

Year	Real GDP Growth (%)	Exchange Rate Naira/Dollar	Inflation Rate	Interest Rate	Min. Rediscount Rate	M1%
1981	-8.4	0.6	21.4	6.0		
1982	-0.6	0.7	7.2	8.0		
1983	-4.9	0.7	23.2	8.0		
1984	5.8	0.8	40.7	10.0		
1985	8.5	0.9	1.0	10.0		
1986	1.9	2.0	13.7	10.0		
1987	0.2	4.0	9.7	12.8		
1988	6.2	4.5	61.2	12.8		
1989	6.7	7.4	44.7	18.5		
1990	11.6	8.0	3.6	18.5		
1991	-0.6	9.9	23.0	15.5		
1992	2.2	17.3	48.8	17.5		
1993	1.6	22.1	61.3	26.0		
1994	0.3	21.9	76.8	13.5		
1995	1.9	21.9	51.6	13.5		
1996	4.1	21.9	14.3	13.5		
1997	2.9	21.9	10.2	13.5		
1998	2.5	21.9	11.9	13.5		
1999	0.5	92.7	0.2	18.0		
2000	5.5	102.1	14.5	14.0		
2001	6.7	111.9	16.5	20.5		
2002	14.6	121.0	12.2	16.5		
2003	9.5	129.4	23.8	15.0		
2004	10.4	133.5	10.0	15.0		
2005	7.0	132.1	11.6	13.0		
2006	6.7	128.7	8.5	10.0		
2007	7.3	125.8	6.6	9.5		
2008	7.2	118.6	15.1	9.8		
2009	8.4	148.9	13.9	6.0		
2010	9.5	150.3	11.8	6.3		
2011	5.3	153.9	10.3	12.0		
2012	4.2	157.5	12.0	12.0		
2013	5.5	157.3	8.0	12.0		
2014	6.2	158.6	8.0	13.0		
2015	2.8	193.3	9.6	11.0		
2016	-1.6	253.5	18.6	14.0		
2017	0.8	305.8	15.4	14.0		
2018	1.9	306.1	11.4	14.0		

Analysis of Data and Discussion of Results

Table 2: Descriptive Statistics of Variables

	Growth	INF	INT	GDP
Mean	0.042865	20.02432	13.26216	34224.33
Median	0.042100	12.20000	13.50000	23688.28
Maximum	0.146000	76.80000	26.00000	69810.02
Minimum	-0.075800	0.200000	6.000000	13779.26
Std. Dev.	0.043955	18.57482	3.977950	19601.53
Skewness	-0.113854	1.600555	0.764895	0.698467
Kurtosis	3.260926	4.548013	4.452455	1.945075
Jarque-Bera	0.184897	19.49198	6.860241	4.724116
Probability	0.911696	0.000059	0.032383	0.094226
Sum	1.586000	740.9000	490.7000	1266300.

Sum Sq. Dev.	0.069552	12420.87	569.6670	1.38E+10
Observations	37	37	37	37

Table 2 shows that Growth rate and GDP are normally distributed, while Inflation and interest rates are not normally distributed as indicated by the Jarque-Bera p values.

Table 3: Lag Order Selection

VAR Lag Order Selection Criteria						
Endogenous variables: GROWTH GDP INF INT						
Exogenous variables: C						
Date: 11/17/19 Time: 14:05						
Sample: 1981 2018						
Included observations: 34						
Lag	**LogL**	**LR**	**FPE**	**AIC**	**SC**	**HQ**
0	-553.5565	NA	2.06e+09	32.79744	32.97701	32.85868
1	-415.9645	234.7158*	1626682.*	25.64497*	26.54283*	25.95116*
2	-402.1494	20.31624	1931171.	25.77350	27.38964	26.32465
3	-385.9704	19.98586	2137469.	25.76296	28.09740	26.55907
* indicates lag order selected by the criterion						
LR: sequential modified LR test statistic (each test at 5% level)						
FPE: Final prediction error						
AIC: Akaike information criterion						
SC: Schwarz information criterion						
HQ: Hannan-Quinn information criterion						

The values above are inversely related to the information contents indicated by each criterion. Each criterion selects the lag level with the lowest value-which translates to the lag level containing the highest information. All criterion except LogL suggested single lag as appropriate lag length. Thus, we adopt the single lag length.

Table 4: Unit Root Test Based on Augmented Dickey-Fuller Test and Lag Length Based on Schwartz Bayesian Information Criterion

	Level I(0)	**First Difference I(1)**	**Lag Length**
Growth	-3.400012 (0.1175)	-7.722830 (0.0000)	I(1) 0
GDP	0.306223 (0.9754)	-4.430867 (0.0007)	I(1) 0
INF	-3236784 (0.1257)	-3.330959 (0.0222)	I(1) 6
INT	-3.215550 (0.2270)	-8.460181 (0.0000)	I(1) 0

Table 4 shows that all variables do not reject unit root null hypothesis. This means that all the variables in the level stage are of non-stationary existence. First difference I (1) in the Unit root test showed that all of variables achieved 5% significant level. The lag length for growth rate is 0, GDP - 0, inflation - 6, interest rate - 0.

Table 5: Johansen's Cointegration Test

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		**Trace**	**0.05**	
No. of CE(s)	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****
None *	0.502195	51.62065	47.85613	0.0212
At most 1	0.358367	27.20648	29.79707	0.0967
At most 2	0.283474	11.67560	15.49471	0.1732
At most 3	0.000248	0.008673	3.841466	0.9254
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				

**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		**Max-Eigen**	**0.05**	
No. of CE(s)	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****
None	0.502195	24.41417	27.58434	0.1209
At most 1	0.358367	15.53088	21.13162	0.2534
At most 2	0.283474	11.66693	14.26460	0.1238
At most 3	0.000248	0.008673	3.841466	0.9254
Max-eigenvalue test indicates no cointegration at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Table 5 shows that the Trace Test indicates the existence of one cointegrating equation at the 5% significance level. This cointegrating equation means that one linear combination exists between the variables that force these indices to have a relationship over the entire period, despite potential deviation from equilibrium levels in the short-term.This means that all variables have long term equilibrium relationship. However; the Maximum Eigenvalue Test does not show any cointegrating equation.

Normalized Co-Integrating Coefficients

Table 6: Normalized Cointegrating Coefficients (Standard Error in Parentheses)

Cointegrating Equation(s):		**Log likelihood**	**-426.0610**
Growth	GDP	INF	INT
1.000000	9.08E-07	0.001072	-0.002177
	(2.5E-07)	(0.00028)	(1.87117)

Since we have identified the existence of one cointegrating equation, we can say that a stable equilibrium relationship is present. The results are normalized on the Growth rate in the table above. Due to the normalization process, the signs are reversed to enable proper interpretation.

The Interest rates have the expected signs and is statistically significant. We interpret the coefficients as follows: A 1% increase in the Interest rate leads to a 0.002% increase in the Growth rate in the long run. Interest rates have positive impact on Growth rate on average ceteris paribus.

Table 7: Pair wise Granger Causality

Null Hypothesis:	**Obs**	**F-Statistic**	**Prob.**
GDP does not Granger Cause GROWTH	36	0.09604	0.7586
GROWTH does not Granger Cause GDP		15.2497	0.0004
INF does not Granger Cause GROWTH	36	1.46896	0.2341
GROWTH does not Granger Cause INF		2.09117	0.1576
INT does not Granger Cause GROWTH	36	0.31170	0.0004
GROWTH does not Granger Cause INT		0.13964	0.7110
INF does not Granger Cause GDP	37	0.13966	0.7109
GDP does not Granger Cause INF		1.38682	0.2471
INT does not Granger Cause GDP	37	0.00122	0.9724
GDP does not Granger Cause INT		0.61285	0.4391
INT does not Granger Cause INF	37	2.89256	0.0281
INF does not Granger Cause INT		1.39328	0.2460

Table 7 shows that the study adopted Pair wise Granger Causality test to examine the causal relations between interest rate and inflation rate, GDP, and real growth rate. Study adopted four variables which are real growth rate, GDP,

inflation and interest rate. Results indicated that interest rate caused inflation. Also, findings indicated that Interest rate caused Granger caused Growth rate while Growth rate Granger caused GDP.

Table 8: GARCH (1,1) Model Results

Dependent Variable: GROWTH				
Method: ML - ARCH (Marquardt) - Normal distribution				
Date: 11/18/19 Time: 16:12				
Sample (adjusted): 1982 2018				
Included observations: 37 after adjustments				
Convergence achieved after 42 iterations				
Presample variance: backcast (parameter = 0.7)				
GARCH = C(2) + C(3)*RESID(-1)^2 + C(4)*GARCH(-1)				
Variable	**Coefficient**	**Std. Error**	**z-Statistic**	**Prob.**
C	0.045078	0.006612	6.817781	0.0000
	Variance Equation			
C	0.000125	0.000206	0.607041	0.5438
RESID(-1)^2	-0.286725	0.225563	-1.271154	0.2037
GARCH(-1)	1.203112	0.337824	3.561360	0.0004
R-squared	-0.002606	Mean dependent var		0.042865
Adjusted R-squared	-0.002606	S.D. dependent var		0.043955
S.E. of regression	0.044012	Akaike info criterion		-3.534522
Sum squared resid	0.069733	Schwarz criterion		-3.360368
Log likelihood	69.38865	Hannan-Quinn criter.		-3.473125
Durbin-Watson stat	0.909713			

The ARCH parameter is not significant (p = 0.2037) while the GARCH parameter is significant (p = 0.0004). The sum of the coefficients of ARCH and GARCH parameters (-0.286725 + 1.203112) is close to 1, indicating that volatility shocks are quite persistent. Since the GARCH parameter is significant, a large excess return value – either positive or negative will lead future forecasts of the variance to be high for a prolonged period of time.

Residual Tests

Table 9: The Ljung-Box Q statistic for Autocorrelation and the ARCH LM Test

Date: 11/18/19 Time: 16:57						
Sample: 1981 2018						
Included observations: 37						
Autocorrelation	**Partial Correlation**		**AC**	**PAC**	**Q-Stat**	**Prob***
. |**** |	. |**** |	1	0.581	0.581	13.524	0.000
. |** |	. |. |	2	0.334	-0.005	18.126	0.000
. |** |	. |. |	3	0.236	0.066	20.485	0.000
. |** |	. |*. |	4	0.250	0.135	23.225	0.000
. |*. |	. |. |	5	0.171	-0.059	24.540	0.000
. |. |	**|. |	6	-0.036	-0.224	24.601	0.000
.*|. |	. |. |	7	-0.073	0.034	24.858	0.001
.*|. |	. |. |	8	-0.077	-0.043	25.155	0.001
.*|. |	.*|. |	9	-0.180	-0.198	26.833	0.001
.*|. |	. |. |	10	-0.183	0.074	28.627	0.001
.*|. |	. |. |	11	-0.197	-0.049	30.777	0.001
.*|. |	. |. |	12	-0.151	-0.029	32.095	0.001
**|. |	.*|. |	13	-0.214	-0.110	34.857	0.001
.*|. |	. |. |	14	-0.205	0.026	37.487	0.001
.*|. |	.*|. |	15	-0.187	-0.108	39.791	0.000
.*|. |	. |. |	16	-0.159	-0.021	41.523	0.000
*Probabilities may not be valid for this equation specification.						

The p values less than 5% level of significance indicates existence of autocorrelation

The analysis has shown that interest rate, exchange rates and inflation rates are quite volatilite during the period of the study.This maens that the stability of these economic varibles were not achieved during the period of the study.As stated in the World Bank/IMF recmmended structural adjustmen prgrammes that the moetarypolicy aim should be to reduce increase in expendentures and rate of inflation. The interset rate policy should aimed at having real interest rate that is low. Also the fiscal policy of budget deficits be reduced to a sustainable level. The analysis shows high exchange rate that translated in the deprceiation of naira to the extent that in 2018,the exchange of dollar to naira is.306.1. The volatility of the interest rates and inflation rates also agree with the finding of Fisher,(1930) the changes are invariant to expected inflation rates.

Table 10: Heteroskedasticity Test: ARCH

F-statistic	1.600254	Prob. F(1,34)		0.2145
Obs*R-squared	1.618222	Prob. Chi-Square(1)		0.2033
Test Equation:				
Dependent Variable: WGT_RESID^2				
Method: Least Squares				
Date: 11/18/19 Time: 16:47				
Sample (adjusted): 1983 2018				
Included observations: 36 after adjustments				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.875225	0.245405	3.566445	0.0011
WGT_RESID^2(-1)	0.211790	0.167421	1.265011	0.2145
R-squared	0.044951	Mean dependent var		1.108938
Adjusted R-squared	0.016861	S.D. dependent var		0.977434
S.E. of regression	0.969159	Akaike info criterion		2.829176
Sum squared resid	31.93514	Schwarz criterion		2.917149
Log likelihood	-48.92517	Hannan-Quinn criter.		2.859881
F-statistic	1.600254	Durbin-Watson stat		1.779166
Prob(F-statistic)	0.214469			

Since the p value = 0.2033 is greater than 5% level of significance, it is clear that the residuals of the GARCH (1, 1) model do not exhibit ARCH behavior.

CONCLUSIONS

The study examined the relationship between interest rate, inflation rate, and exchange rate on the economic growth. The findings are as follows: There are high volatility of interest rates and inflation rates. The rise and fall in the interest had effect on the country”s level investments,as interest rates rise the productive investments decrease leading to fall in real GDP,thereby the economic growth is reduced.When there is a fall, the country aimed at a rapid growth, the unparalled increases in expenditures caused inflation.this deteriotated further the economy. Also, it resulted in the budget deficit oberved during the period.The stability of the exchange rate was not achieved. The policy makers should look toward increasing the revenue of the country by developing qaulity exports of the agriculture base. If agriculture products are made with high value and low weight different from the current low priced and non-processed exports, a lot of foreign exchange earnings will be generated through this way; and if accompanied by budget discipline, it will go a long way to reverse and increase the rate of growth in the economy. The wastage in the agricultural products is alrming, government should build or estabilish processing industries to process these products and storage facilities for storage of these products.

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