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Isolated Twin Model and Nigeria Economic Growth: Bridging Them Together with Corrective Measures in Less Developed Countries

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Abstract:
The isolated twin gap model has always been treated separately in all economy. We realized that the two-gap model exist simultaneously. They are either affecting an economy positively or inversely. This implies that most nation will either have the two gaps positively influencing the economy or inversely to the growth of the nation. The graphical illustration shows that once a model is occurring in an economy, its impact influences the other model in the same direction. The ADF shows that all the variables are stationary at level 1[0] and one 1[1]. The ARDL shows there is short run relationship between the variables at 1% and 5%. The research work also shows that irrespective of revenue from the exportation of crude oil, backwardness of the economy highlights the inverse relationship between the twin model and the growth of the economy. Corruption couple with macroeconomic objective management affect less developed economic to block the wide gaps of the economy. For the economy to be save from the lower saving habit which results saving gaps and foreign exchange gap, the government activities in the economy should not be purely profit oriented.

Keywords: Saving gap, foreign exchange gap, gross domestic product, government expenditure, consumption expenditure, trade openness

1. Introduction

From the national output equation $Y = C + I + G + [X - M]$ the supply side of the economy, believes that supply creates its own demand while the demand side believes that consumption is the major determinant of national output. Consumption in the less developed economy tends to be very high only on consumable good and very low on capital goods. High consumption of consumable good is because it cannot be recycled. The low consumption of capital goods was as a result of over using the capital goods beyond the depreciation value. Underdevelopment of Nigeria economy is as a result of infrastructural deficit, lack of skilled manpower, self-centered leaders with bad policy reform, unfriendly environment, backward technology with security lapses and lastly over dependent on imported goods which discourage local firm to compete favorably in the international market.

More than 85% of the less developed countries consumed anticipated income (income yet to be earned) only to wait for miraculous income to augment their expenditure on monthly bases. Marginal propensity to consume of more than average Nigerians is very close to unity, a situation that makes saving to be very poor. Net export on the other hand has always been in negative, due to under development of the industrial sector that should be adding economic values to the output of primary sectors. This as a result makes foreign exchange earnings to be very low. According to Duesenberry $C_t = \alpha Y_{t-1} + bK_{t-1}$ the parameter of the national income (α) is the marginal propensity to consume, which also reflects increase in profit. When the return on dividends is improving, the marginal propensity to consume reduces, showing the negative relationship between the two variables. Parameter (b) influences the change in capital stock. As a result, it influences stock of capital on the profit via the influence of profit on dividend.

Multi-lateral or bilateral trade has both benefit and effect in the growth of the less developed nation. Africa under developed economy especially Nigeria, has been structured as primary product producers with primitive methods of production. Disequilibrium is as a result of lacking technical knowledge to add economic values and lack of advanced tools used in primary sector of the economy. The disequilibrium in less developed countries lead to very low savings pattern which should have been a stimulating factor to local investment that will have a long run multiplier effect on balance of payment of the less developed economy. Foreign aid should be given to nation with balance of payment deficit for necessary adjustment while foreign direct investment should be for nation having low savings, which can be use to augment investment or mobilizes sayings for investment purposes.

From the post Keynesian growth model for a closed economy where Y = C + I + G designed by Harrod (1939) and Dorman (1946), identifying the pre-condition for growth of an economy. The two pre condition can be identified in giant of African economy. The inadequate savings to stimulate investment opportunity in between is regarded as saving gap

secondly shortages of foreign exchange earning arising from negative net export, a situation where import exceed export which result in shortage foreign exchange earnings (trade gap).

Holis Chenery et al (2005) approach to economic development states that saving gap and foreign exchange gap are separate independent constrain to the attainment of target growth rate of the economy. The isolated twin model is both common to the less developed economic. Are there any identified gaps in Nigeria economy? Are these gaps somehow related in any form? Series of work have been done ranging from Harrod and Dorman in the 60s. The underlining factor is that where there is low savings in an economic, there is always low foreign exchange earnings, and a nation with high saving are with advantages of foreign earning. Both the saving and foreign earning has always been treated separately in every nation. The process of bringing them together and bridging the two isolated models with appropriate measure for the correction of the economic in the less developed countries, such as African giant (Nigeria) is what the research work is all about. The other part of the paper is structured as follow; section two elucidates on the empirical and theoretical review of the isolated gap model, section three emphasized on the methodology of the work, presentation of empirical result in section four while conclusion and recommendation of the study in section five

2. Empirical Review

Bakare‑Aremu, Tunde Abubakar (2019) foreign portfolio investment and industrial sector (non-oil sector) He emphasized that inadequate financial resources in the economy to meet the required level of saving (saving gap) is a major problem of developing economy. He therefore opined that foreign portfolio investment is one of the potent measures to ease the domestic finance. The study covers 1986 to 2018. Descriptive and econometrics statistic were used in the analysis. His investigation shows that domestic saving has not been supporting the non-oil sector of the economy as a result of low investment. The study recommends that the government should develop the financial market (money and capital market) together with the financial framework of financial deregulation. Akinmulegun (2018) also examined the FDI with the capital market development. He emphasized that the only channel through which foreign capital inflow can enter the developing economy is through the capital market. He adopted error correction mechanism. His result shows that market capitalization is inverse and statistically significant effect on portfolio investment in the economy. Abdullah and Sagiru (2017) their study was on FDI and non-oil industrial sector with the growth of the economic in Nigeria. The period of study covers 1980 to 2016. Empirical result was estimated with the ARDL and ECM. The bond test shows that there exists a long run relationship among the variables. The conclusion was that non-oil industrial sector of the economy has a positive relationship with growth while the oil sector has a negative relationship with the growth.

Effiong, Odey and Nwafor (2019) Foreign direct investment and globalization. The research work covers 1981 to 2017. They work with the current account and trade openness to proxy globalization. Their result highlights positive relationship between Nigeria industrial sector and FDI. Error correction model and Johansson co integration test were adopted with pre-estimation stationary. Onyeme (2018) uses SWOT analysis of investment in Nigeria economy. He highlights that irrespective of some variable drawing Nigeria economy backward which have been discouraging rational investor to risk their money in the economy, the available opportunities are quite large. He concluded that Nigeria have the potential of attracting foreign portfolio and development by looking inward of the economy.

Masoud Mohammed (2014) and Normaz Wana (2014). Review of theoretical and empirical literature on the role of foreign aid to developing countries. The paper specified the review on negative impact of foreign aid to economic growth, causal relationship between foreign aid and economic growth and other review that highlighted no impact of foreign aid on economic growth. The paper concluded that foreign aid impact on economic growth is not guaranteed. The inflow has to be encouraged only if it has positive impact on growth of the economy. If not, necessary correction needs to emerged to reduce the foreign inflow Machinnon (1964), Chenery and strout (1966), Finday (1973) and others take to Harrod Dorman model that foreign capital can be use to increase the growth rate by increasing the capital available for production process. A situation where the ratio of capital to output is constant, the two-gap model emphasized that imported goods and services can be used for the production of capital goods for investment in the economy. a situation where there is available or shortage foreign exchange to import more capital goods but there exist human resources and technology or technical knowhow the growth of the economy would be exogenous of foreign exchange earnings. Makusen and Venables (1999) explain the effect of foreign firm on the development of local firm in industrial sector. Their model shows that foreign companies compete with local companies by creating more demand for their commodities produced locally via the linkage with the local supplier.

Dr Gregoria (1992) analysis shows that after experiencing 12 countries in Latin America between 1950 and 1985. He concluded that foreign direct investment impact is three times on economic growth as against aggregate investment. Blomstrom et al (1992) also show that effect of foreign direct investment on economic growth of a nation is three times with a larger sample than Dr Gregoria. For developing countries their studies show that foreign direct investment effect on economic growth limited to higher income. Carkovic and Levine (2002) their studies on macro level data shows little support for the important of foreign direct investment stimulating growth of the economy. They highlight that previous studies were showing positive impact of foreign direct investment on economic growth without taking into consideration the endogenous problem of the nation. The study shows that foreign direct investment is exogenous. Deficiency in local saving might not be determinant of foreign direct investment.

Asiedu (2005) using a panel data for 22 countries 1984 to 2000. He opined that the present of large market and endowed natural resources attract into the country under study. The study further stated that openness of the economy, developed infrastructure, bearable inflation, level of literacy population, low corruption, stability in political and policy framework. These entire silent variable enhanced capital flow. The study further divides foreign inflow into three. Market

seeking foreign direct investment, resources seeking foreign direct investment and efficiency seeking foreign direct investment.

Zhang (2002) analyze a two-way granger causality for the relationship between foreign direct investment and china economic growth. Also, Choe (2003) using larger sample of different countries. The study shows evidence of two-way causality between foreign direct investment and economic growth he further emphasizes that human capital plays an important role in utilizing the FDI to enhance economic growth Borensztein et al (1998) analyze less developed economy needs some level of human capital if the country really wants to take the advantages of the foreign direct investment. He focuses on cross country regression with a conclusion that foreign direct investment impact on economic growth than domestic investment. Aluko (1961) Brown (1962) and Obinna (1983) highlight that FDI and economic growth are highly positive related in Nigeria economy.

Bakare-Aremu, Tunde Abubakar (2014) emphasized on the impact of the two gaps model in Nigeria economy. The static regression model is robust with high percentage of goodness of fit. The Durbin Watson statistic shows present of serial autocorrelation. His research work shows that foreign direct investment can bridge the gap in the short run but it is not sufficient and not reliable in the long run because it promotes importation in both periods. He recommends that the government should attract more foreign direct investment by providing enabling environment. Foreign aid is an official development assistance (ODA) administered and monitored by (DAC) development of assistance committee. It consists of loan or grants that developed nation gives to developing countries to promote growth and welfare of the citizen. foreign direct investment is a long-term capital transfer to finance investment Asiedu (2005) availability of natural resources and market for the product enhance the foreign direct investment. The research work shows trade openness, lower inflation rate of the economy, high literacy level of the citizen, standard infrastructural facilities, reliable legal system, stable political structure and corrupt free society. All the silent variables promote and enhanced effective foreign direct investment in an economy.

However, the various work done by notable researcher have not taken into consideration that the twin model (saving gap and exchange rate gape) cannot be isolated. The present of one enhanced the other. For less developed countries both is negatively influencing the growth of the nation while for a developed nation they are both influencing the growth positively? Their influenced have been noticed to be in the same direction of the economy.

2.1. Theoretical Underpinning and Conceptual Framework
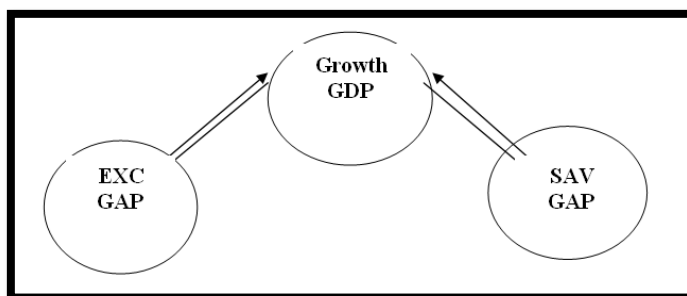
2.1.1. Conceptual Framework

Figure 1: Conceptual Framework

The isolated twin gap is simultaneously occurring in an economy. They are either positively influencing the growth of the nation or inversely related to the growth. Developed economy have the two gaps to be of benefit while less developed economy has the inverse as a result of under development of the industrial sector which denied them favorable competition in the international market. From the graph above less developed economy like Nigeria have both gaps to be inversely related to the growth of the nation. The saving culture is very low which could not really influence investment. Also, the major form of foreign exchange earning is the exportation of crude oil, the impact could not be felt in the economy because virtually everything is imported. The earning from crude oil exportation have been channeled to importation of goods and services.

2.1.2. Theoretical Underpinning

Harrod and Dorman designed a model on how low foreign exchange earning can reduce economic growth. He laid emphasis on foreign assistance or inflow of capital from developed nation into the economy by import and savings forces. He suggested foreign assistance or inflow of capital. The national output model.

$Y = C + I + G + X - M$ 1

Capital inflow was seen as a foreign saving which is represented with F.

$F = M - X$

Taking the foreign savings as a ratio of GNP

$F = f / Y$

$Y - C = S + T$

T and S are total domestic savings and taxes in the economy

$$S + (T - G) + F = I \ \text{...}2$$

Indicating that investment must be financed by domestic private saving(s), public savings (T – G) or foreign savings (capital inflow) F. with the introduction of the Keynesian tax and savings parameters. Taking government expenditure and capital inflow as a ratio of gross national product

$$S = sY,$$
$$T = tY$$
$$g = G/Y$$
$$f = F/Y$$

Therefore, the equation is specified as domestic investment equation

$$(s+t)Y - G + F = I_D$$

Using the domestic investment as a ratio of gross national output

$$I_D / Y = s + t - g + f \ \text{...}3$$

Using inflow of capital (F) as exogenous variable, domestic investment increases inflow of foreign earning with F. adding the two-gap equation an import demand function.

$$M = \lambda I + \alpha Y \ \text{...}4$$

Where λ the portion of investment goods and services is imported into the economy and α is the portion of imported intermediate good input such as oil and other raw materials used in further production for the output of the economy. With the use of the exogenous variable F = M – X to represent M. therefore

$$F = \lambda I + \alpha Y - X$$

The foreign exchange can be obtained with constrain investment function

$$(1/\lambda)[F + X] - (\alpha/\lambda)Y = I_f \ \text{...}5$$

Or taking it as a ratio of national output

$$(1/\lambda)[F + X - \alpha] = I_f / Y$$

The slope of I_f is higher than the slope of I_D. Dividing both intercept and 1 as a portion of Y and taking government expenditure as a ratio of GNP

$$I_D = (s + t - g)$$
$$g = G/Y$$
$$I_f = (X - \alpha)\lambda$$

The watershed value of $X^* = \lambda(s + t - g) + \alpha$

Export has to cover all import as a portion of GDP. Setting t = g, so that

$$X^* = \lambda s + \alpha$$

When the export portion of GDP is low $(i.e : X < X^*)$ the economy can be experiencing foreign exchange shortage. But where the export portion is high $(X > X^*)$ therefore the investment aspect of the economy is focused on, by domestic savings. For any $X < X^*$, there is a foreign exchange inflow F^* that effectively removes the foreign exchange shortages on investment

$$[1/(1-\lambda)][\lambda(s + t - g) - (X - \alpha) = F^*$$

Or if the public saving is assumed to be equal to zero, a situation where t= g, therefore

$$[1/(1-\lambda)][\lambda s - X + \alpha] = F^* \ \text{...}6$$

Export value of the economy must cover for the value of import for net export to be positive. When the portion of export to national output is low, a situation where foreign exchange earnings is scarce. Domestic savings of the economy needs to be mobilized and channel to investment for productive purposes this will enhance the flow of reputable foreign direct investment that will argument the lapses of the financial gaps in the economy. By so doing, less developed nation can start competing with international counterpart. It will invariably increase local production, which will be exported to other countries for foreign exchange earnings. When the export value portion to national output is higher, more foreign exchange earnings are available in the economy to close the gap of foreign exchange earnings in the economy. This is far from the present less developed nation of the continent.

3. Methodology

Econometrics model known as error correction mechanism the following test would be estimated.
Unit root test for stationary of the time series data Bond test.
Auto regressive distributed lag.

3.1. Techniques of the Analysis

The study adopts both inferential statistic and linear regression analysis

Regressive analysis; least square analysis was adopted as a result of its mechanism. Easy to understand, simple interpretation and it has been used in a wide range relationship with statistical result, more so it is a component of econometric techniques.

3.2. Model Specification

$$GDP = F(FDI, SAVGAP, EXCGAP, GOVEXP, CONEXP, EXR, INFR, INTR, TROPE) \quad \ldots\ldots\ldots 1$$

FDI = foreign direct investment

SAVGAP = saving gap in the economy
EXCGAP = foreign exchange gap
GOVEXP = government expenditure
CONEXP = consumption expenditure
EXR = exchange rate
INFR = Inflation rate
INTR = Interest rate
TROPE = Trade openness

$$GDP = \beta_0 + \beta_1 FDI + \beta_2 SAVGAP + \beta_3 EXCGAP + \beta_4$$

$$GOVEXP + \beta_5 CONEXP + \beta_6 EXR + \beta_7 INFR + \beta_8 INTR + \beta_9 TROPE + \mu_t \quad \ldots\ldots\ldots\ldots 2$$

$$GDP = \beta_0 + \beta_1 \sum FDI + \beta_2 \sum SAVGAP + \beta_3 \sum EXCGAP + \beta \sum GOVEXP + \beta_5 \sum CONEXP + \beta$$

$$_6 \sum EXR + \beta_7 \sum INFR + \beta_8 \sum INTR + \beta_9 \sum TROPE + \mu_t \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3$$

A prior expectation

$$\beta_1, \beta_4, \beta_5, \beta > 0$$

$$\beta_2, \beta_3, \beta_6, \beta, \beta_8 < 0$$

Variables	ADF Statistic @ Level	ADF Statistic @ 1st Difference	0rder of Integration
GDP	-4.672683***	———	I(0)
INF	-3.2229925**	____	I(0)
EXR	-0.810552	-5.846267***	I(1)
INT	-2.887517*	____	I(0)
FDI	____	-8.202164***	I(1)
GOVEXP	-3.220519**	____	I(0)
CONEXP	-5.914896***	____	I(0)
SAVGAP	-3.548938**	____	I(0)
EXCGAP	-4.861216***	____	I(0)
TROPE	-0.156948	-5.661051***	I(1)

Table 1: Presentation and Discussion of Empirical Result
Augmented Dickey Fuller Unit Root Test (Test for Stationary of the Variables)
Source: Author`S Computation E.View 9.0

It shows the result of the stationary test using the Augmented Dickey fuller test at both the level and 1st different. For the variables under review in the model. The study applies constant, intercept and trend terms. The optimal lag length of each variable is chosen, using the Schwarz information criteria (SIC)

From the table GDP, INFR, INTR, GOVEXP, CONEXP, SAVGAP, and EXCGAP are all stationary at level. After taking the 1st different, EXR, FDI and TROPE became stationary. The result shows by ADF calculated statistic for the variables in absolute terms is greater than the ADF critical value at either 1% or 5% level of significant (or both) as denoted by **** and ** respectively. This implies that the variables in the model are integrated at order 0 or 1 denoted by I (0) and I (1). From the obtained result the study further carries out the co integration test using the ARDL bond test

ARDL Bounds Test Date: 10/12/20 Time: 17:53 Sample: 1982 2019 Included Observations: 38 Null Hypothesis: No Long-run Relationships Exist				
Test Statistic	Value	K		
F-statistic	2.869671	9		
Critical Value Bounds				
Significance	I0 Bound	I1 Bound		
10%	1.88	2.99		
5%	2.14	3.3		
2.5%	2.37	3.6		
1%	2.65	3.97		

Table 2: Bond Test Analysis
Source: Author's computation via E-view 9.0

As shown in table 2. The Null hypothesis of co integration is rejected, as the value of the F- statistic is greater than the critical bond value at level I(0). Therefore, the result shows that there is co integration of all the variable at level. The result implies that there is long run relationship among the variables in the model.

However, since the variables in the model are all integrated in order of zero and 1 such as I (0) and I (1) respectively, the autoregressive distributed lag is implied. The ARDL result is shown in the next table.

Dependent Variable: D(LOGGDP) Method: ARDL Date: 10/12/20 Time: 17:50 Sample (adjusted): 1982 2019 Included Observations: 38 after Adjustments Maximum Dependent Lags: 1 (Automatic selection) Model Selection Method: Akaike Info Criterion (AIC) Dynamic Regressors (1 Lag, Automatic): D(INTR) D(EXR) D(INFR) D(FDI) D(TROPE) D(GOVEXP) D(CONEXP) D(SAVGAP) D(EXCGAP) Fixed regressors: C Number of models evaluated: 512 Selected Model: ARDL(1, 1, 0, 1, 0, 0, 1, 1, 0, 1)				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.***
D(LOGGDP(-1))	0.325235	0.163580	1.988231	0.0594
D(INTR)	-0.001279	0.006490	-0.197053	0.8456
D(INTR(-1))	-0.017459	0.006162	-2.833199	0.0097
D(EXR)	-0.000667	0.003162	-0.211008	0.8348
D(INFR)	0.002176	0.001666	1.305861	0.2051
D(INFR(-1))	0.004543	0.001608	2.824788	0.0099
D(FDI)	3.86E-08	8.97E-08	0.429726	0.6716
D(TROPE)	1.12E-08	6.76E-09	1.661524	0.1108
D(GOVEXP)	-1.62E-08	1.42E-07	-0.114059	0.9102
D(GOVEXP(-1))	3.52E-07	1.46E-07	2.409588	0.0248
D(CONEXP)	-4.12E-05	3.14E-05	-1.312301	0.2029
D(CONEXP(-1))	-3.35E-05	2.99E-05	-1.117980	0.2756
D(SAVGAP)	-1.62E-08	1.03E-08	-1.582834	0.1277
D(EXCGAP)	-2.59E-08	1.23E-08	-2.106850	0.0468
D(EXCGAP(-1))	-1.93E-08	1.02E-08	-1.891172	0.0718
C	0.165941	0.040608	4.086451	0.0005
R-squared	0.695700	Mean dependent var		0.178465
Adjusted R-squared	0.488223	S.D. dependent var		0.193010
S.E. of regression	0.138077	Akaike info criterion		-0.826450
Sum squared resid	0.419435	Schwarz criterion		-0.136940
Log likelihood	31.70255	Hannan-Quinn criter.		-0.581128
F-statistic	3.353141	Durbin-Watson stat		2.062380
Prob(F-statistic)	0.005061			

Table 3
Source: Author's Computation via E-view 9.0

The dynamic ARDL model result of growth function in Nigeria economy is presented in figure 3. It is the short run growth model and it takes into consideration instability of the variables and the adjustment process to long run equilibrium since they are linearly integrated. The result shows that the interest rate of the economy has no impact on the growth of the economy; this is as a result of inability of savings mobilizing investment in the economy. The year lag of the variables is also not influencing the growth but it is statistical significant at 1%. Both the lag of inflation and the current inflation has no influence on the growth but the lag of inflation is statistical significant at 1%. The FDI has a high influence on the growth of the economy but it is also not statistically significant. The inflation rate of the economy is positively related to the growth but only the lag of the inflation is statistically significant.

Trade openness has a great impact on growth but not statistical significant because the economy is under productive and unable to compete in international market. Present government expenditure is inversely related to the growth of the economy but a year lag is positively related and statistically significant at 5%. Both the present and lag of consumption expenditure are inversely related to growth and statistically insignificant mainly because consumption is found to be very high only on consumable goods that cannot be recycled.

Backwardness of the economy can be seen from the relationship between saving gap and exchange rate gap to the growth rate of the economy. They are both inversely related to growth and statistically insignificant. The 5% and 10% significant of the lag of exchange rate is as result of the inflow from the crude oil exportation which has not really improved the average standard of living.

In statistical term, the R.square and adjusted R.square shows that 70% variation in growth of the economy is explained by all the included explanatory variables and that if the other variables influencing growth are put into consideration, the included variation in this model will explain 49% in it, in Nigeria. The probability of the F-statistic shows robustness of the model at 1% level of significant. The Durbin Watson statistic shows that the short run model as estimated is not spurious and it is reliable. The values of the Durbin Watson statistic also show that there is no auto-correlation or serial correlation in the model.
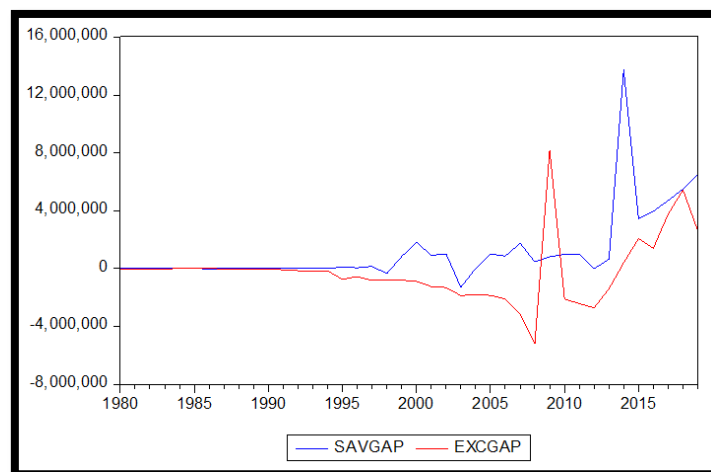

Figure 2

Figure 2 shows the relationship between the isolated twin model (saving gap and exchange rate gap). The graph shows that the twin model is occurring simultaneously in the economy. The little fall in foreign exchange earnings in the year 1995 lead to a fall in the saving gap in 1997. The fall in saving gap in the year 2003 lead to fall in foreign exchange earnings in the year 2008 while a tremendous increase in foreign exchange earnings in the year 2009/2010 lead to a tremendous increase in savings gap in the year 2014/2015. The graph simply implies that the isolated twin model cannot be separated in an economy. Countries are found to have the two models either with positive impact or negative impact. The giant of African (Nigeria), a country under review can be seen with a wide gap irrespective of the revenue from oil industry.
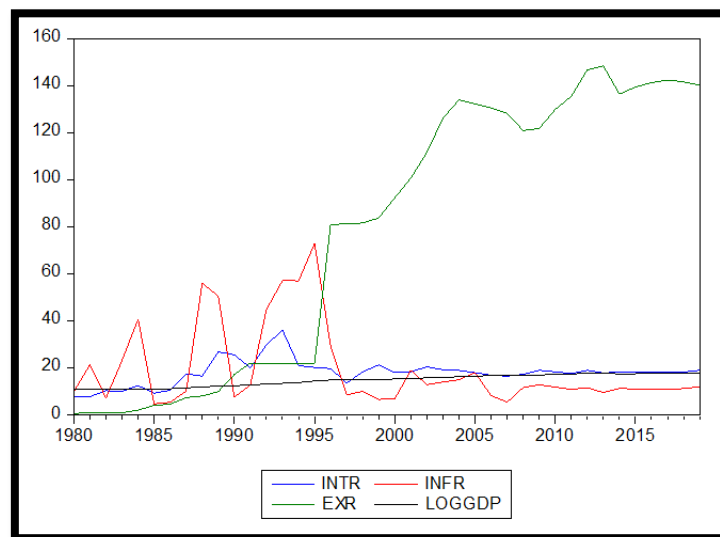
Figure 3

The graph shows that the economy has been improving but the improvement in the GDP of the economy is found to be in the oil sector which is the major source of foreign earning but it has a very low multiplier effect on the living standard of the citizen. The management of the exchange rate in the less developed country (Nigeria) is not economical due to inability of the nation to diversified and improve productive system that can make the nation compete favorably at the international market. Underdevelopment of the financial sector rendered interest rate unattractive. Different policy applied on the inflation rate makes it somehow stable from the year 2000.

4. Conclusion and Recommendation

The study shows that the two isolated twin model cannot be separated. They are simultaneously influencing the growth of the economic in the same direction (positively or negatively). For less developed country under review, it shows that both gaps are so wide and they both influence growth of the economic inversely. Whereas in developed economy reverse is the case. Under utilization of factor input in less developed countries affect their product to compete favorably in the international market. Corruption couple with macroeconomic objective management affect less developed economic to block the wide gaps of the economy. From the classical notation, savings mobilizes investment and investment increases output, but the MPC of more than average Nigerians is very close to unity. In fact, less developed economy consumed anticipated income then pray to God for miraculous income to augment their expenditures. Also, consumption is very high on consumable goods which are imported goods, in less developed economy. Less developed economic cannot block the gaps except certain parameters are taken into consideration.

In line with the finding from the research work, the following recommendation are made
- Development of infrastructural facilities such as electricity, pipe borne water, good road network and other means of transportation. The improvement will encourage more small-scale entrepreneur to developed and attract more foreign investors into the economy.
- Decentralization of the political system and ensure consistency in policy formation. Higher tax holiday should be use to encourage investor which in the long run will increase the GDP of the economy.
- Import substitution should be introduced to encourage local production to strive. More so, citizen should be encouraged to consume locally produce goods and services.
- Government should embark on massive capital project and ensure the reduction of corruption to the barest minimum
- Lower interest rate on loan should be given to potential investors in certain sector of the economy, in order to correct the mono economic system
- Government activities in the economic should not be purely profit oriented. Public services need to be provided and maintained.
- Governmental role in an economy should not be questioned.

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