EXTERNAL DEBT AND ECONOMIC GROWTH; LESSONS FOR AFRICA FROM SOUTH EAST ASIA

ALEX MWANGI WANGUI

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DECLARATION

This proposal is my original work and has not been presented for a degree award in any other university.

Signed…….....

ALEX MWANGI WANGUI

REG NO: R50/8020/2017

Date……..

This research paper has been submitted for examination with our approval as the University of Nairobi supervisors.

Supervisor

Signed…….

DR. MUMO NZAU

Lecturer

Institute of Diplomacy and International Studies

University of Nairobi

Date……

DEDICATION

This work is dedicated to my mother Nancy; she has always inspired, guided and supported me through my entire career and educational journey.

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I would take this to first to acknowledge the Lord for the protection, guidance, power, knowledge and power of mind as well as the opportunity to advance in my education and indeed the ability to finish this proposal.

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ABSTRACT

In recent years, external debt internationally has been considered as a means of spurring economic development and growth. Debt has been utilized in developing countries to finance capital intensive projects and finance budget deficits so as create an enabling environment for business and the economy to thrive. Africa has not been left out in accruing external debt in order to achieve their set out economic goals. Economists and observer have raised concern of the increased uptake of debt across the African country as servicing of this loans has become expensive and unattainable for some countries.

This study seeks to shed more light on the consequences of external debt on economic growth by analysing economies of Africa in comparison with those of South East Asian economies. For a case study this research sought a data analysis of Kenya and Singapore economies. In line with the objectives, the study explored the relationship between external debt and economic growth of Africa and South East Asia economies, and that of Singapore and Kenya. The Study utilized IMF and World Bank data; this assisted in ensuring the data used was credible and verifiable. The study covered a 27 year period covering a period of 1990-2017. The Study also utilized SPSS version 20 and Excel data analysis kit 2010 for analysing data.

The study found out that debt in the initial years had appositive impact to the African economies, however over the years it revealed a negative impact on the growth of African economies. This was in line with the debt overhang theory. In conclusion the study found out that, Kenya and other African countries should strengthen their anti-corruption agencies to enhance transparency and proper utilization of funds.

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ABBREVIATIONS AND ACRONYMNS

CNY Chinese Yuan

EXRATE Exchange Rate

FDEBT Foreign Debt

GDP Gross Domestic Product

INFL Inflation Rate

KES Kenya Shilling

LDC Less Developing Countries

CHAPTER ONE

1.0 Introduction

This study entails a critical analysis of the relationship of external borrowing on economic growth of Africa and South East Asia. It further analyses the Kenya and Singapore economies on similar grounds. Chapter one covers background of study of Africa and South East Asia debt and fiscal growth, the problem statement forms the basis of research, objectives along with research questions, review of literature, hypothesis, and study justification to policy makers, academicians and to the general public. It also covers the theoretical framework which analyses various nexus that anchors the research, research design and methodologies, data analysis, data presentation coupled with ethical considerations.

1.1 Background to the Study

This chapter gives information on the premises of study that entail research problems, research questions, objectives, justification and significance. It also highlights on assumptions, scope and limitations of the study. Many number nations across the globe seek external borrowing so as to achieve through bridging the budgetary gap on to meet their financial commitments. National resources on the other hand are found to be finite and this has the potential exerting pressure thus suppressing the investment of the private sector. According to Fajana works of 2003 he splits the classification of debt as either internal or external debt.[1]

[1] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

Governments have a high propensity to borrow externally since such sources have more flexible repayment terms compared to the internal market loans which are characterized by high interest rates and lack extended grace periods[2]. On the other hand concessional loans are normally characterized by either through low interest rates in comparison to domestic market; alternatively they are depicted by longer grace periods, or a combination of the two variables.

Asian tremendous economic growth is extra astonishing when compared with that of the economies of Africa, which are depicted as poverty stricken among world economies. This can be captured by Angus Maddison in 1995, study of world gross domestic product.[3]According to Maddison's estimates, at the commencement of this duration, 33% of income of the richest region is what Africa possessed at that particular time period. However on the onset of 1992, Africa had a proportion of a twentieth of the income level of the richest region, which entailed the United States, Canada, Australia, and New Zealand.[4]

1.1.1 The Global Debt Crisis

The current global financial predicament is ranked as the 3rd major financial upheaval been experienced across the globe economy since the 1970s start of fiscal liberalization. The 1980s crisis affected immensely South America[5].

[2] Onyekwelu, Uche Lucy, Emma Okoye, and Uche Boniface Ugwuanyi. 2011. '1External borrowing and management strategies' A case study of Nigeria

[3] Mitchell, B.r. 1995. 'Analyzing and monitoring world economy'. Australian Review 36:retrived from https://doi.org/10.1111/aehr.362br1.

[4] "Why Asia succeded while Africa Has not"n.d https://repository.library.georgetown.edu/bitstream/handle

[5] M'Amanja, Daniel, and Oliver Morrissey. "Kenyan economic growth and fiscal policy". No. 05-06:Research Paper, 2005.

During 1990s, the crisis affected the Asian "tigers", most recent meltdown started in 2007 and shook the global economy mainly the EU, UK, and US.[6]The source of the financial meltdowns is associated with financial capitalism. Countries affected by the global crisis experienced an upsurge of gross public debt. There were high investments in real estate instead of focusing on production. When eventually the economic catastrophe burst out, borrowers were greatly affected due to the enormous borrowing levels in public debt.

There was an increase in austerity measures imposed by multilateral organizations the interests of lenders at the expense of the society. These resulted in years of falling incomes coupled with high unemployment in 2012.[7] Claessens and Kanbru noticed that decade of hostile encounter created critical essential lessons worth mentioning.[8] First was commitment to multifaceted organizations, like the International Monetary Fund, were to be done away with. The structural adjustment programs introduced by IMF for the purposes of stabilization lead to no economic growth; it is safer to distance oneself from the IMF.

Secondly, the lenders such as bondholders and large banks are favoured by the international machinery that deals with debt. Lastly, safeguarding the debtors works greatest when strata of countries are engaged in a democratic basis. With the formation of debt commissions, has led to ease of access of information and proper interrogation on the necessities of borrowing and sustainability grounds towards the general public and economy as a whole.[9]

[6] Gratis G 2013. ‘ Global world bank review’ world bank group no. 8 2013: pp18-19

[7] Department of IMF Sub Saharan Region, 2012 April. ‘ Africa regional Economic Outlook

[8] Chi-Chi, O. & Dr Nkwazema 2014 . 2011. ‘External borrowing and management strategies’ A case study of Nigeria

[9] Journal, IJMSBR Open Access. “The consequences of external loan on African economic growth.”

This argument tends to offer a balance between leaning to the creditor and debtor, although, in practice, debtors are price takers and not setters.

1.1.2 Public Debt in developed Countries

Usage of ratios of debts is normally used in analysing sustainability of debt as they avail comparative measure which is standard and easy to analyse. On the other hand GDP shows that the wealth created by its nationals in a given period normally one year and this is compared against external indebtedness. Developed economies have acquired external debt in the 21st century for example according to IMF statistics of 2012 shows that the debt GDP ratio for (OECD) was averagely at 74% and the figure subsequently increased to 112% in 2014.[10]

The statistics further revealed that Japan had the highest debt to GDP ratio of 224.3% while Estonia was the lowest at 14.5%.[11] The major reason for such massive debt by developed countries was as a result of an amalgamation of varied elements such as liquidity crunch, recapitalizations of banks, reduction in revenues from taxes and an increase in the number of stimulus programs.

Numerous economists are of the view that the current debt levels in many countries especially the euro zones are unsustainable. These continuous accumulations of debt among the countries in the EU have compelled it in increasing its loan rankings through various rating agencies. The European Union has adopted austerity measures for member countries to follow including restructuring of the economic priorities. However, this has led to economic instability and increased political unrest in some of its member countries.

[10] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

[11] Joseph Nye. (2004). "Power in the Global Information Age journal". Pp 60-77

For example austerity measures were taken against Greece as a result of its increased unsustainable public debt; evidence show that Greece debt ratio increased from 115.2% in 2007 to an all-time high of 200% in 2014 in the Global fund report.[12]

1.1.3 External Debt in Developing Countries

Developing countries are characterized by weaker institutional and regulatory framework for debt management making servicing of both domestic and external debt an uphill task. According to study conducted by Smith in 2010 he observed that Gross Debts of developing countries are composed of all obligations that entail the repaying the principle and interest such as loans, insurance and other financial facilities.[13]The weak local currency possessed by developing nations worsens the condition further. According to Omotoye and Esenu viewed 66% of gross public borrowing was in form of foreign denominations, while other instances the lender have increased their level of interest rate from 12% to 22% making debt repayment very expensive.[14]

Mismanagement of government finances has attributed to the debt crisis in developing countries; he further illustrates this by examining a country such as Gambia debt ratio which increased from 18% in 2009 to 80% in 2014.[15] Decline in the national development of Africa was largely been attributed by excessive stocking to external loans resulting to weakened economic growth combined with negative effect of the social economic development.

[12] Department of IMF Sub Saharan Region, 2012 April. ' Africa regional Economic Outlook
[13] Smith M. "Chapter Ending Questions: - Kansas State University," March 3, 1998.
[14] Decker, Omotoye R. Consequences of external borrowing on Nigeria economic growth Oct 7 2006
[15] Omotoye, and Esesnu. "Consequences of External loans on Nigerian Fisical Growth .", 2006.

Decline in fiscal progression makes servicing of a countries debt difficult as it results to increasing accumulation of debt so as to repay debt thus weakening the economy even more.[16]

1.2 Problem Statement

Conducting an in depth analysis and comparative analysis of Africa and south east regions through a case study of Kenya and Singapore could be deemed suspect due to the great divergence in developmental stages and aspects economies. South Asia has positioned itself as an economic powerhouse and even tagged as the Asian Miracle while Africa continues to struggle with both qualitative and quantitative development and labeled as the Dark Continent over sixty years of independence.[17] Hence critics can easily critic the rationale of comparing the two regions and can easily term it as comparing oranges and apples. However it is worth noting that African economies were at per with South East Asian economies and even slightly doing better off than the latter after attainment of their independence.

A good example to this is Kenya and Singapore which will act as our case study in the comparison of how debt is structured and utilized to ensure economic growth is achieved as intended by the respective governments and examine why Singapore transited to a developed country while Kenya is still stuck a developing lower middle income country.

Developing economies are characterized by less developed debt markets, this forces them to look for alternative sources of financing their budgetary needs as the current domestic debt market cannot meet the enormous needs of government without crowding of investors.

[16] Ommasso D. "Nigeria." African Central Government Borrowing, 2011, 113–18. https://doi.org/10.1787/acgd-2011-14-en.

[17] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

External debt is the most preferred tool by these developing countries as its evident in the debt portfolio structure; these credit facilities are majorly denominated in external legal tender. Despite external loans been majorly on concessional terms the problem of prudent management of debt and utilization is very prevalent in many countries.

Mukui's in 2003 observed that increased levels of foreign borrowing in Africa posed great threat to economic growth attributed to the fact that large portions of earnings from exports were directed into credit facility servicing at the expense of investments.[18] Despite numerous studies been undertaken on tis two regions, they have been separate and not comparative. Hence this study seeks to compare the two regions and come up with lessons which Africa can emulate or domestic when it comes to usage of debt as a tool of spurring economic growth.

This study shall be looking into this region for a 27 year period and looking at lessons for Kenya from Singapore from a factual analysis of the two economies in aspects of external borrowing and economic growth. This study poses to answer a key question like; To what extent do external debt impact Africa's to South East Asian economies and what lessons can Africa emulate or domestic them so as to achieve intended objectives as their counterparts in the Asian region.

1.3Research questions

1. What is the relationship between external debt and economic growth in Africa?
2. What is the impact of external debt on economic growth in South East Asia ?
3. What are lessons for Africa from South East Asia, a comparative study of Kenya and Singapore economies?

[18] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

4. What are the perquisite policy prescriptions for prudent management of external debt component?

1.4 Objectives of the study

The main objective of the study is to determine the effects of external debt on economic growth, through a focused comparison of Africa and South East Asia experiences.

1.4.1 Specific Objectives

1. To establish the relationship between external debt and economic growth in African economies.
2. To investigate the relationship between external debt and economic growth in South East Asian economies.
3. To examine lessons for Africa from South east Asia, a comparative study of Kenya and Singapore economies.
4. To recommend optimal policy prescriptions for prudent management of public external debt component.

1.5 Justification of the study

1.5.1 Policy Justification

African member states have external debt management policies which guide their economic and development strategies in their respective economies.

The research will look at common challenges affecting debt management policies in implementation and also look at comparative study of the best practices and principles which can be utilized in the respective areas. This will be useful for the governments involved and policy makers to utilize the findings to enrich the pre-existing data and formulate more sound and evidence based interventions inn attaining economic growth

1.5.2 To the general public

This research outcome will enable the stakeholders involved identify the opportunity and challenges that jeopardize economic growth and the possible ways and means of realizing full benefits of external borrowing in fiscal progression of the respective economies of Africa. This will propel the African economic development in the right direction since foreign borrowing is a perquisite for African economies to fast track their economies growth and development a healthy people means a growing and developing region.

1.5.3 Academic justification

This study will be an addition to the academic sphere as it seeks to add knowledge to pre-existing knowledge and provide up to date factual and evidence based facts. The study will provide relevant information to scholars and it will as well bridge the gap that existed in the literature.

1.6 Literature Review

Introduction

This segment will review literature on how external borrowing and fiscal progression interact for both regions, Africa and South East Asia.

This section will further provide a critical review and expound on the research gap by identifying the missing link in pre-existing literature that has already been undertaken. Lastly, the study will present a summary of the literature review.

1.6.1 The relationship between external debt and economic growth in Africa

Fosu took a first-hand examination on the impact of external borrowing on fiscal growth in the Sub-Saharan Africa region covering sixteen years that is 1970 up to 1986.[19] He modified the augmented production function into "continuous interactive model" based on assumed endogeneity between debt and capital and "discontinuous interactive model" derived from analysis of covariance model to explore direct and unintended consequences of non-domestic borrowing on fiscal growth involving 29 African Countries.[20]

Despite debt measures together with model utilized, outcome of the research found direct substantial inverse consequence of external borrowing to growth of the economy through reduction of marginal productivity of capital. However, when it came to the indirect consequence of borrowing through the variable of investment levels it showed no significant correlation.

This study also revealed that a nonlinear correlation concerning external borrowing and economic growth existed at reduced investment stages however past the 16% threshold ratio it depicted a negative correlation at the same low investment level.

[19] Prof Fosiu, Augunstine. "The consequences of external loan on African economic growth." March 3, 1996.

[20] Mitchell, B.r. 1995. 'Analyzing and monitoring world economy'. Australian Review 36:retrived from https://doi.org/10.1111/aehr.362br1.

In 1999 Iyoha undertook a investigation to evaluate significance of foreign borrowing on economic progression using simulation approach with small macro-economic model on data collected on Sub-Saharan Africa for a 24-year duration from 1970-1994.[21]

The study employed a two stage least estimation method on concurrent equations model involving output and investment demand functions coupled with four identities. Her findings confirmed the theory on debt overhang coupled with the crowding out effect of external borrowing and hence established that amassing of high levels of external borrowing together with huge burden of servicing debt works against economic growth and negatively towards investments in SSA countries. However she also failed to account for the effects of country groupings on external debt, and its implication growth for Africa. According to another study conducted by Were in 2001, she took into account a time series casing 1970 up to 1995, in her quest to sightsee the effect of borrowing overhang on Kenya's economy.[22] She however never established noteworthy proof of existence of harmful outcome of loan service on development but established crowding effect on private investment.

Mohamed undertook a similar quest to explore the consequence of non-domestic borrowing on fiscal progress in Sudan covering 1978 up to 2002. He adopted rate of inflation as a quantity of macroeconomic policy together with the real return on export earning as a proxy for export promotion strategy as the determinants of growth. His findings suggested that real export clearly and considerably promotes economic growth whiles foreign debt and inflation undermines it.

[21] Iyoha M. "Kenya Finance & Banking System - 2000." docshare.tips, June 7, 1999. http://docshare.tips/kenya-finance-amp-banking-system-2000_58b297aab6d87fb5658b46eb.html.

[22] Weree., Mitchell, B.r. 1995. 'Analyzing and monitoring world economy'. Australian Review 36:retrived from https://doi.org/10.1111/aehr.362br1.

Adepoju and other researchers undertook a study to scrutinize effectiveness of non-domestic loans on the fiscal development of Nigeria 2007, covering the phase between 1962 and 2006 duration. They concluded foreign borrowing impedes economic growth effort of Nigeria[23]. Elbadawi together with other researchers in their study tried to establish consequences of non-domestic loans on fiscal progression in Kenya in 1996 financial year.

Their study took into account different ratios tied to debt, this included debt to export ratio, external borrowing to GNP proportion, loan repayment proportion as a portion of debt burden in exploring the consequence of foreign borrowing on the fiscal growth of Kenya.[24]They concluded that borrowing impedes growth of a country economically as a outcome of debt overhang effect. Another study was conducted by Deshpaned in 1997, in his effort to look into debt-overhang theory tracing the consequences of external borrowing stock on growth depicted through investments of a selected numb in 13 Highly Indebted Poor African countries.[25]

He argued that debt overhang theory can better articulated through utilizing total debt payable rather than normal debt obligation. His study employed panel data regression using Ordinary Least Square Estimation for the period 1975-1983 and 1984-1991, all his findings showed an inverse link between external borrowing and investments which are key variable for growth.

[23] Adepoju,K & Salau, 2007. Lessons from Nigeria: external borrowing management and sustainability policies 2007

[24] Eldamawi, I & Njuguna N. 1996. External borrowing for developing countries in Africa and Debt overhang (49-76).

[25] Department of IMF Sub Saharan Region, 2012 April. ' Africa regional Economic Outlook

This is inclusion to his previous works that he had undertaken in 1993 where he attempted to interrogate the challenges posed by the debt overhang theory both in theoretical terms as well as empirical. His investigation covered two decades, 1970 up to 1990. His findings in this research showed that an inverse relationship amongst the variables, the inverse correlation was up to a given limit after the optimum threshold of external borrowing to gross domestic product ratio has been attained.

1.6.2 Relationship between external debt and economic growth in South East Asia

Chowdhury undertook study research on Asian and Pacific countries in 1994; he utilized the granger test. Period covered under his research was from 1970 up to 1988 with an aim of exploring consequences of external borrowing to growth of both Asian and pacific economies.[26]He detected that incremental growth in GDP was attributed by external borrowing leads to increase in external borrowing. Afxentiou together with Serletis carried in 1996 examined correlation between external borrowing and fiscal growth using data set of fifty five developing countries.[27]

They grouped these countries into four categories based on their similarities in terms of debt level and level of per capita GNI. Time periods covered under this investigation are 1970-1980 and 1981-1990 which represent a period of astronomical growth in foreign borrowing and an era characterized by problem of debt service respectively.

[26] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

[27] Afxentiou & Apostolos S. 1996. 'Fisical and external borrowing in developing countries: A case study of developing countries Journal

Results for the period 1970-1980 showed no inverse correlation between the two sets of variable of debt and national economic growth for all the four categories of the countries formed from the 55 developing countries. They explained that these countries were using the external debt to ameliorate the shocks of oil price increase. According to their findings covering the period of 1981 up to 1990 revealed existence of a negative correlation of external borrowing and economic growth. Afxentiou and Serletis in their study of 1996 explained that external debt was misused by these countries and were facing challenges in debt servicing.[28]

In 2008, Abu Bakar undertook an examination on the Malaysian economy by exploring the consequences external national borrowing it posed on the general growth of the economy.[29]His findings revealed that external borrowing impacted the Malaysian economy positively by contributing towards spurring economic growth. This is a clear indication that debt overhang is non-issue.

In 2008, Hassan together Butt examined the interaction of external borrowing on the Pakistan economy. They put into consideration a time period covering 1975 to 2005 utilizing the ARDL methodology.[30] From the variables under review they found that external borrowing was non determinant of debt both short and long-term due improper utilization of foreign borrowing rather for spurring the economy.

[28] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).
[29] Bakar, A. & Hassan 2008. ' Empirical evolution of Malaysian external borrowing.' Economic Research Journal
[30] Ali, R. & Mustafa 2012. Pakistan economy analysis of external borrowing

In 2008, Cholifihani, looked into both the short and long term consequences of external borrowing and salaries on the Indonesian economy. His research covered a period starting 1980 and ending 2005, the outcomes revealed that human capital contributed immensely to GDP while on the other hand external debt had undesirable outcome both at short run and long run.[31] In 2007 Boopen looked into the correlation of foreign borrowing on the Philippine's economy progression, covering 1981 to 2005.[32]

The results showed that external borrowing did not pose any significant risk to negatively impact the growth of the economy hence the Philippine government can take advantage of spurring economic growth using external borrowing as one of the tools

1.6.3 Impact of external debt on Kenya and Singapore economies

In 2003, M'Amanja together with Morrissey undertook an examination on the Kenyan economy by exploring the consequences external national borrowing it posed on the general growth of the economy for a period covering 1996 to 2007.[33] Their findings revealed that external borrowing impacted the Kenyan economy negatively by contributing towards spurring economic growth. This is a clear indication that debt overhang is likely to occur in the future if external borrowing is not managed prudently.

[31] Cholifihani M. 2008 'Public debt service and GDP analysis in Indonesia.' Journal of Business Studies Vol 4

[32] Farid, A. 2015 "Good governance: an approach to improve external debt situation in Pakistan." phd disertation., university of Peshawar

[33] M'Amanja, Daniel, and Oliver Morrissey. "Kenyan economic growth and fiscal policy". No. 05-06:Research Paper, 2005.

In 2009, Kibui examined the interaction of external borrowing on the Kenyan economy especially on public investment.[34] They put into consideration a time period covering 1970 to 2007 utilizing the time series. From the variables under review they found that borrowing indictors were on higher levels than the recommended level since 1982, external debt and debt servicing GDP ratios revealed a negative correlation both short and long-term. In 2013 Mukui examined the correlation of external borrowing and it's servicing on the Kenya economic growth, covering a period 1980 to 2011.

The results showed that external borrowing and its repayment significant negative impact the growth of the economy hence the Kenyan government should put in prudent debt management policies and look for alternative tools to spur economic growth.

1.6.4 Policy prescription for external debt management

There have been numerous policy prescriptions in regards to prudent external borrowing after global financial debt crisis. Africa has witnessed numerous prescriptions from international institutions such as IMF which advocated for structural adjustments policies to tame public debt crisis. Other scholars and researcher have examined the correlation of external debt on economic development and growth and they have given a variety of prescriptions to ensure undesired requirements are dealt away with.

[34]Kibui, P. (2007). 'The consequences of external borrowing; FDI & fiscal development in Kenya.' Nairobi University

In 2008, Anyanwu, recommended that many debtor countries had obtained external borrowing on concessional terms.[35] He prescribes creation of debt management departments within finance ministries and central banks. These departments would be charged with the responsibilities of administration and negotiation of external loans through developing prudent policies and strategies. The departments should ensure that debt obligations are met in the long run without impacting the economic growth negatively.

In 2000, Silua advocated that industrialized economies to put up checks and balance coupled with regulations as they advance external loans to developing nations.[36] This will ensure that loan facilities extended to them go to intended basis as intended as it will minimize wastage and loss of funds. It will also ensure that developing nations do not take too much debt than their ability to meet their servicing obligation. In 2007, Abeng examination on the utilization of external debt revealed that misappropriation of foreign debt through monumental corruption contributed immensely to higher levels of poverty, unemployment and other undesired outcomes. His policies recommendations entailed debt rescheduling, debt service payments, diversification of export policy drive and accountability to check corruption and fight misappropriation.

[35] Onyekwelu, Uche Lucy, Emma Okoye, and Uche Boniface Ugwuanyi. 2011. '1External borrowing and management strategies' A case study of Nigeria

[36] Prof Fosiu, Augunstine. "The consequences of external loan on African economic growth." March 3, 1996.

1.7 Gaps in the Literature Review

Empirical investigations have divergent findings in their quest of bringing out the nature of the correlation that exist between external debt and economic growth. Most of these studies differ in terms of methodology, geographical location considered for the research, and duration covered. However, numerous studies have established that there is a significant negative correlation between external debt and economic growth, while few exhibited positive correlation in addition some showed no correlation between them.

The lack of existence of a common stand in these findings of previous studies clearly suggests vagueness in existing literature; this has necessitated more enquiries into the external debt-growth nexus. The discussions for and against the actual impact and effectiveness of external debt towards economic growth continues to exist and persist in the macroeconomic to mixed findings of previous researches. Even recent studies such as Panizza and Presbitero still consider their findings to be inconclusive.[37] This study will contribute to the existing literature by comparing datasets of both Africa and South East Asia countries in order to explore the correlation between public debt and economic growth.

[37] Iyoha M. "Kenya Finance & Banking System - 2000." docshare.tips, June 7, 1999. http://docshare.tips/kenya-finance-amp-banking-system-2000_58b297aab6d87fb5658b46eb.html.

1.8 Hypothesis

This study will test the following hypothesis

1. **H1:** Africa's external debt has had a great influence on economic its economic growth.

2. **Ho:** There is no significant effect of Africa's external debt on its economic growth.

3. **H1:** South East Asia's external debt has had a great influence on its economic growth.

4. **Ho**: There is no significant effect of Kenyan external debt on its economic growth.

5. **H1** Africa's external debt have had a great influence on economic its economic growth.

6. **Ho:** There is no significant effect of Africa's debt on its economic growth.

1.9 Theoretical Framework

1.9.1 Debt Overhang Theory

This theory is significant in this study as it brings forth the argument that public debt can only be noble up to a certain threshold, beyond which taxes and other revenues generated thereafter by the country may go into servicing the debt accrued leading to curtailing of future investments and economic growth. Government should put in place policies to act as safeguards to the extent to which the external debt has to be borrowed and the utilization criteria. This will ensure proper and maximum utilization of the external debt.

This theory was first hypothesized by Myers in his paper 1977 in which it entailed the corporate valuation and debt financing.[38] He further continued to investigate the reason as to why companies do not finance their activities with optimum levels debt despite the fact there clearly exists a tax-advantage as a result of deductibility of interest rates.

His reasoning behind this is that, high accumulation of levels could disrupt and affect negatively the probability for entities to reap optimally in future decisions of investment. Debt brings into practice a behaviour where positive net present value projects do not get embarked on as a result of the fact that portions of future earnings from projects are reverted to creditors in the form of pledged outflows. A further study, Krugman defined "debt overhang" as a state whereby government's foreign debt settlement is burdened due to insufficient government income.[39]

The government expenditure becomes higher than its revenues leading to a challenge in foreign debt repayment. Cohen considered that foreign debt posts a non-linear relationship to investment, this being one of the indicators of economic growth.[40] Clements et al. supported Cohen's sentiments by indicating that foreign debt can be a significant factor for economic growth of any nation. But further to this, he explained that borrowing is noble up to a given level, surpassing that limit might lead a nation to "debt Overhang" condition.

[38] Bakar, A. & Hassan 2008. ' Empirical evolution of Malaysian external borrowing.' Economic Research Journal

[39] Onyekwelu, Uche Lucy, Emma Okoye, and Uche Boniface Ugwuanyi. 2011. '1External borrowing and management strategies' A case study of Nigeria

[40] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

According to a study of Claessens and Diwan in 1990 argued "debt-overhang is a state of affairs in which the illiquidity effect, the disincentive effect, or both effect are strong enough to discourage growth in the absence of concessions by creditors".[41] It is important to that the higher levels of stock of debt accumulated or undertaken a given country increases its chances proportionally for sacrificing future economic growth and development for attaining current growth. The debt overhang theory can be well articulated by the aid of the hypothesis of Debt Laffer curve.

The hypothesis brings into comparison the level of a country's economic debt against the servicing debt value. In strengthening this argument Freytag in 2001 stated that the net present value of the debt servicing increased proportionately with the level stock of debt up to a given point past that it will result to a higher face value of the debt depicted with declined efforts.

Decreasing investments, declining economic growth and in addition a reduced net present value of expected debt service.[42]According to scholars such Clements, B research of 2005 observed that increased levels of debt in a country's economy could suppress economic growth especially in developing and underdeveloped countries, they further view that external that a threshold of 50% external to GDP would be attributed as the optimum point beyond which would negatively impact economic growth together with private investments due to crowding out.

[41] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

[42] Department of IMF Sub Saharan Region, 2012 April. ' Africa regional Economic Outlook

According to the study conducted by Were in 2001 he is of the view that effect of debt overhang is much greater as it does not only affect physical capital investments. But also affects other forms of activities for example human capital and technology that are associated with upfront cost in the context of increasing future output.[43]The condition is further worsened by measures at the disposal of government in order to service the debt such as increasing supply of money through printing resulting into inflation and distortion of future government financial policies such as taxes.[44]

1.10 Methodology

This study will utilize verified secondary data from financial institutions such as World Bank, IMF, central banks of respective countries coupled together with statistical data from respective their national of bureau of statistics. This study will cover 45 African countries which are categorized as Sub Saharan and 6 South East Asian countries out of the 11 countries this is due to lack of verifiable data by world bank covering duration of 27 years 1990-2018 utilizing annually data. For the country case, the comparison of this study will compare Singapore and Kenya.

1.10.1 Research Design

This study seeks to investigate the effect of external debt on economic growth using a focused comparison of between economies of Africa and South East Asia, hence the best placed design for the study will be the descriptive design.

[43] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

[44] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

According to Bickman and Rog they held the view that descriptive studies can assist answer questions such as "what is" or "what was." This study will cover the period beginning 1990 to 2017 with 5 variables namely external debt, inflation, foreign direct investment, current account balance and Interest rate on which data will be collected. The data will be annually for the 27 year period for all the 5 variables in this study.

1.10.2 Data Collection

This study will utilize both primary and secondary data; this data will be collected from various sources. This will entail the World Bank statistics website, the Central Bank of various countries and international bodies such as IMF. The data will be collected for 50 year period. This period will be deemed long enough to capture the variations in the variables over the timeline. The study will further seek to utilize questionnaires and interviews for its primary data to assess the effectiveness of the policy measures of debt management.

1.10.3 Data analysis

The study will conduct a multiple regression analysis SPSS analysis tool. Inferential statistics will be analysed using regression analysis to establish the relationship among study variables and to test the hypothesized relationships. Inferential statistics will be carried out using multiple regression models will be used to test the magnitude of the independent variables.[45]

After the magnitude of the predictor variables is established, the variables that revealed the model best will be used in the sequential multiple regression to determine the independent predictors that best predict the dependent variable as recommended by Gall et al (2003).

[45] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

1.10.4 Analytical model

The model is specified as follows:

Yn= (*GDP%, I, ExDT*)……. (I)

Where Yn, GDP%, I, ExDT are measures of economic growth, capital stock, investment and external debt correspondingly. GDP is constitutes Consumption, Investment, Government Spending and exports and imports thus we are going to substitute GDP with government spending, Current account balance and Savings. Thus the model will be as follows:

Yn= (*Gvt, S, C/a, I, EDT*)…….... (II)

Where Y, *Gvt, S, C/a, I, EDT* are measures of economic growth, government spending, current account, investment and external debt respectively. We shall take into account inflation changes in the model as it has a significant impact on the model. Thus the model will be as follows

Yn= (*Gvt, S, C/a, I,Inf, EDT*)……... (III)

Table 1 Summary of the variables

Type	Variable	Operationalization and Proxy of measure	Measurement	Models	Hypothesis Direction	Code
Dependent variable	**Economic Growth**	**GDP Growth rate** Real output growth	%	Times Series Regression Model (TSRM)	Positive/Negative	Y
Independent Variables	**External debt**	External debt to GDP	%	TSRM	Positive/Negative	EDT
	Investment	Total Foreign Direct_of _GdpGD	%	TSRM	Positive	I
	National savings	Saving% of GDP	%	TSRM	positive	S
	Inflation	Annual % change	%	TSRM	positive	Inf
	Government spending	Government spending % gdp	%	TSRM	Negative	Gvt
	Current A/c	Current a/c % of gdp	%	TSRM	positive	C/a

The empirical model is:

$$Y = \alpha + \beta 1X1 + \beta 2X2 - + \beta 3X3 + \beta 4X4 + \beta 5X5 - \beta 6X6 + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(iv)}$$

Economic growth (Y) is the dependent variable while the independent variables are the Foreign Debt converted into USD (X1). The control variables are as follows *Gvt, S, C/a, I,Inf, EDT*. The constraint (α) is a constant constraint, while (β1……β6) are coefficients of the independent variables, (μ) depict exogenous factors not captured by the model.

The strength of the link between the dependent and the independent variables shall be established using the Analysis of Variance, t-test and f-test. Multiple regressions will be applied to test the level of confidence of the two variables at 95%. Relationship between these variables will be demonstrated through graphs while the analysis data will be through tables.

1.10.5 Ethical considerations

During the study the respondents will be informed of their rights of either participating or refusing to participate in the study. They will also be informed that participation in the study is not compulsory and that consent is sought from the respondents. The participants are informed of their right to remain anonymous and that their identity would not be revealed in this study. All ethical issues will be observed during this study.

1.11 Study layout

Chapter one

This chapter comprises of the background, research questions and specific objectives which will guide the study, it will also comprise the problem of the statement. In addition will entail an in depth literature review, hypothesis and justification of the study. Finally it will comprise of the research methodology to be undertaken in the study.

Chapter Two

This chapter will seek to establish the link between external borrowing and economic growth of Africa. It will establish drivers of fiscal growth in African economies, motivation of debt uptake of external borrowing, utilization of the external debt, challenges in ensuring sustainable debt uptake and repayment.

Chapter Three

This chapter will look into the link between external borrowing and fiscal growth in South East Asia. It will further look at how Asia has been able to sustain great intensities of debt and fiscal growth without the risk of falling into debt crisis. The chapter will further investigate the policy measures put into place to ensure effective utilization of debt.

Chapter Four

This chapter will look at lessons which Africa can emulate and learn from South East Asia economies. This study will look at a comparative study of Singapore and Kenya from which the will draw inferences for Africa.

Chapter Five

Chapter five will contain the summary, conclusions and recommendations for optimal policy prescriptions for prudent management of public external debt component.

CHAPTER TWO

Debt and Economic Performance in Africa

2.0 Introduction:

This chapter outlines debt profile and economic viewpoint of Sub-Saharan Africa using key macroeconomic variables that are essential in the valuation of growth and development of an economy in line with the findings of the study. Macroeconomic variables under consideration are linked up to GDP growth and are in line with objective one which seeks to establish if there exist a significant relationship between economic growth and external debt in Africa. The study also sought to recommend and evaluate alternative borrowing instruments used in the worldwide financial market to establish their effect on total external debt of the region.[46]

2.1 Descriptive Statistics of Africa's Economy

This sub section will entail descriptive analysis as carried out in this study and macroeconomic performances over the years to date. The findings from this study revealed that, it can be observed that GDP had a lowest of 373.827 billion and a high of 1738.452 billion over the period under review. The mean GDP rate was 850.0008 billion with a standard deviation of 497.0827 billion. On the other hand, foreign debt had a low of 172.978 billion and a high of 558.84 billion.[47]

[46] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.
[47] Study results of the researcher 2019

The mean foreign debt was 268.6184 billion with a standard deviation of 105.238 billion. The rest of the variables can be observed from the table. This is a clear indication that external debt and economic growth have been on a steady increase over the years in Africa.

Table: 2. 1 Africa Model Descriptive Statistics

Descriptive	*GDP_PCENT*	*GDP_USD*	*InvstGDP*	*NatSavingsGDP*	*InfPCENT*	*CA/cGDP*	*ExtdebtGDP*
Mean	4.000678571	850.0007857	20.0995	18.15935714	11.76275	-1.00118	36.8541786
Standard Error	0.410585377	93.93979222	0.323078579	0.562316461	1.291558988	0.393789	2.17408984
Median	4.352	583.246	19.9655	18.234	9.632	-1.2	38.059
Standard Deviation	2.1726136	497.0826568	1.70957115	2.975499027	6.834287774	2.083735	11.5042021
Sample Variance	4.720249856	247091.1677	2.922633519	8.85359446	46.70748938	4.341951	132.346665
Kurtosis	-0.485868901	-1.34908824	-0.95781906	-0.775906264	9.589330175	1.396924	-1.5047504
Skewness	-0.512853046	0.588607529	0.065479215	0.1288891	2.892229373	0.420814	-0.0184266
Range	7.792	1364.625	6.29	10.734	33.569	9.825	33.093
Minimum	-0.652	373.827	17.004	13.248	5.355	-5.936	20.603
Maximum	7.14	1738.452	23.294	23.982	38.924	3.889	53.696
Sum	112.019	23800.022	562.786	508.462	329.357	-28.033	1031.917
Count	28	28	28	28	28	28	28
Confidence Level(95.0%)	0.842451607	192.7485324	0.662902489	1.153778074	2.650060146	0.807988	4.46086387

Source: Table 2 shows the descriptive statistics on all the variables under study.

2.2 Macroeconomic performance of Sub-Saharan Africa

Until the end 1960 Africa enjoyed a moderate growth of real output whiles 1970s witnessed notable increase as this phase was considered by huge influx of external direct investment and prompt flourishing in commodity prices at the global arena. Economic performance however deteriorated in late 1970s and was exacerbated by the world-wide fiscal and economic crunches in the early 1980s whose impacts were much felt especially 1983 where SSA recorded a negative GDP growth of -1.13 percent.[48]

[48]Easterly, W. "Can external aid purchase development?" Journal of economic Perspectives 17, (2003): 23-48.

The impacts of global economic downturn on developing economies in 1980s were so severe such that the decade was referred to as "lost decade" for Africa with regards to its development endeavours.[49] Although many countries in the developing regions managed to restore growth fortunes after 1980s global economic distress, stagnation persisted in Sub-Saharan Africa until the first half of 1990. Prior to the emergence of the global financial crisis, the region's output grew impressively 6.4 percent, which is higher than world economic growth of 4.6 percent for the period between 2004 and 2008.

The Crisis negatively affected real output growth in the subsequent year with growth dropping to 2.6 percent in 2009. It however maintained a constant rate of 4.9 percent for 2012 and 2013 and was projected to pick up an upward trend with a rate of 5.4 percent and 5.5 percent for 2014 and 2015 respectively. Middle-income economies within the region also suffered the impact of the 2007 crisis with output growth declining to 2.7 percent against pre-crisis rate of 5.1 percent whilst low- income economies appeared relatively resilient with a decline of 0.5 percentage points from pre-crisis period to 2013 as compared to middle-income countries of 2.4 percentage points.

Africa has witnessed some appreciable level of real GDP per capita growth of 5.7% on average within a period of 1998 to 2008 whilst the period 1988 to 1998 recorded an average of 3.7 percent.[50] Following the decline in the global demand and commodity prices as a result of economic downturn in 2008, World Economic Organization in 2009 recorded that Sub-Saharan Africa's real GDP growth declined by almost 1.7 percentage points between 2007 to 2008.

[49]Jimmy,. Adeniyi (2014). "Budget Deficit & Public Debt Management in Developing Countries" Financial Management (2): 38.

[50] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

Thus from 6.21% to 5.17%. However, the evidence has shown that Africa's economic progression performance in the past was been predominated by tremendous growth performance of commodity exporting countries in the region who took advantage of the increasing global demand and prices.[51]

Fiscal deficits widened across the region and remained one of the major sources of vulnerability for many countries according to IMF in 2014. Factors such as ambitious public investments, large increase in public sector wages, rising subsidies and transfers, and weak revenue generating systems may be responsible for the rising trend in fiscal deficits in numerous countries 2013. 2.3

2.3 Economic Growth and External debt in Sub-Saharan Africa

The study further conducted a Regression analysis on the datasets of Sub-Saharan African countries covering the 27years covered under the study as shown in the table three below. This was taken into account so as to establish the magnitude impact the independent variables had on the dependent variables.

Model Coefficients in this study were as follows; Dependent Variable: GDP annual growth, and Predictors: Investment %GDP(X1), savings% GDP (X2), Inflation(X3), External Debt %GDP (X4), Current account %GDP (X5) and error term (€).

Table: 2. 2 Africa regression statistics

Regression Statistics	
Multiple R	0.799328
R Square	0.638924
Adjusted R Square	0.53576
Standard Error	1.508045
Observations	28

[51] Huq, M. M. (1989). "Adjustment and Equity of Ghana Economy" Palgrave Macmillan.

Source: statistics under the study

The table above of Africa shows the model fit results. The Pearson correlation, r, was 0.799 suggesting that the predictors had a high correlation on the dependent variable of GDP. The R square of 0.6389 reveals that the 63.89% of the variance in GDP is attributable to the predictors under the study. This was an indication that the model was significant.

Table 2. 3: AFRICAANOVA TEST

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	80.46087344	16.09217	7.534772	0.00029716
Residual	22	46.98587267	2.135721		
Total	27	127.4467461			

Source: Research Data (2019)

The results from the findings under the study revealed that the model was statistically significant since the probability value (0.000297<0.05) % at 95% level significance confidence level which implied that the model is statistically significant. The ANOVA results are shown in the above table. It can be observed that the residuals sums of squares are less than the regression leading to the conclusion that the model accounts for more of variance in GDP fluctuations. The F statistic was 7.535 and was significant (p<.05). This confirms that the independent predictors have a relationship with the dependent variable thus we choose the alternate hypothesis (H1) external debt has significant impact on economic growth.

2.4 Impact of External Debt on economic Growth

This study further conducted a correlation and regression analysis to establish the link between external debt and economic growth as follows;

Table: 2. 4 Africa Correlation

	GDP_PCENT	*InvstGDP*	*GNatSavingGDP*	*InfPCENT*	*vtDEBTGD*	*CA/cGDP*	*ExtGDP*
GDP_PCENT	1						
InvstGDP	0.36186221	1					
GNatSavingGD	0.74600399	0.642243	1				
InfPCENT	-0.3819196	-0.44185	-0.423973697	1			
GvtDEBTGDP	-0.5056787	-0.85584	-0.744287119	0.252331	1		
CA/cGDP	0.44762766	-0.23427	0.514138682	0.001735	-0.09135	1	
ExtGDP	-0.4987522	-0.86346	-0.741647055	0.297394	0.987858	-0.05286	1

Outcomes from the above analysis reveal Africa had a negative association between GDP and external debt with inflation. The association tallies were -0.4987 and -0.3819 correspondingly. However, a strong positive link between gross national savings with GDP and the correlation score was 0.746. However there were moderate positive correlation between current account balance and GDP with correlation scores of 0.4476 and strong one with investment ranking a score of 0.74600. This is a clear indication that external debt has a negative impact on economic growth of Africa.

Table: 2. 5Africa coefficient model

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-3.090106095	10.707838	-0.28858	0.775602	-25.2968029	19.11659075	-25.29680294	19.11659075
InvstGDP	-0.463681336	0.545718932	-0.84967	0.40466	-1.59543313	0.668070461	-1.595433133	0.668070461
NatSavingsGDP	0.857706402	0.27774241	3.088136	0.005372	0.2817039	1.433708905	0.281703898	1.433708905
InfPCENT	0.078510084	0.050031736	1.569206	0.130872	-0.02524939	0.182269553	-0.025249386	0.182269553
CA/cGDP	-0.25782713	0.316133372	-0.81556	0.423492	-0.91344762	0.397793355	-0.913447616	0.397793355
ExtdebtGDP	-0.009401232	0.05783521	-0.16255	0.872355	-0.12934412	0.110541652	-0.129344116	0.110541652

Source; research study [52]

GDP = -3.0901-0.464X1+0.858X2 +0.079X3-0.009X4-0.258X5 +€

[52] Source; research study Alex Mwangi 2019

The findings from data analysis of Africa in this study, obtained from the IMF database of 2019 revealed that Investment and external debt had a counter correlation with fiscal development in Africa. This infers an upswing in these variables results into an equivalent reduction of fiscal advancement in Africa.

However, National savings and inflation had a direct link with fiscal growth in Africa, inferring that a rise in these variables leads to an equivalent rise in fiscal growth. This is in line with debt overhang a nexus and alternate hypothesis (H1) that external debt has a significant impact on economic growth of Africa.

2.5 External debt Crisis and external debt in Africa

Upsurge in oil prices made huge oil cash available for International Commercial Banks which increased their liquidity out of which funds were liberally lent to countries without any proper scrutiny of their creditworthiness. By early 1982, there was a sudden drop in oil prices with a swift rise in international lending rate causing balance of payments problems in many countries. Shortly Mexico announced its inability to settle debts owed to creditors, followed by other Latin American countries. Whilst this strategy seemed to relieve debtor countries of debt service burden in the short run, it led to continual postponement of debt into the future without finding the fundamental structural defect of their economies that causes the problem.[53]This method persisted until 1990s where debt levels of majority of countries in the region were pronounced unsustainable.

[53] Mitchell, B.r. 1995. 'Analyzing and monitoring world economy'. Australian Review 36:retrived from https://doi.org/10.1111/aehr.362br1.

International financial community has been providing assistance to debtor countries since the emergence of the debt crisis in attempt to reduce their external indebtedness, reduce poverty, foster growth, and to achieve external viability.[54] This assistance takes the form of lending to developing countries with high concessions, and provision of debt reliefs. This assistance has helped to some extent reducing external indebtedness of countries but could not halt the increasing BOP deficits, fiscal imbalances, rate of foreign loans coupled with poverty.

Numerous developing nations in Africa have undergone some economic reforms based on recommendations from international financial community as a trial to reduce external loan hikes together with deleterious effect on growth. The SAP program was characterized by adoption of austerity measures, cutting down public expenditures level, laying-off of public sector workers, and devaluation of national currencies. These measures created some difficulties and deepened external debt service burden and some political leaders saw the initiative as a threat to their political sovereignty.

In Africa, the era of SAP meant decrease in income, high unemployment, increasing poverty, austerity, and declining standard of living.[55] Consequently, some resisted the SAP and ERP initiative and undertook partial implementation of the program hence not much was achieved in terms of growth. At the end tail of 1990 nations begun to abandon SAP and ERP program due to its failure in meeting outlined growth objectives.

[54] "Why Asia succeded while Africa Has not"n.d https://repository.library.georgetown.edu/bitstream/handle
[55] Department of IMF Sub Saharan Region, 2012 April. ' Africa regional Economic Outlook

Foreign credit escalated unsustainably levels despite the continual rescheduling for poor nations. The debt of SSA jumped from US$60.71 billion to US$176.36 billion representing 190.5 percent increase for the decade of 1980 to 1990.[56] The situation was compounded by general feeling of development failures among developing countries. IMF and World Bank in their effort to find more comprehensive strategy to deal with the debt problem established a group whose core mandate was to assess the magnitudes of multilateral debts in developing countries and find alternative solutions.

A multilateral fund intended to deal with the debt problem on condition of countries adopting and pursuing stringent reforms and adjustment programs was suggested.[57] By 1995 the debt stocks of most Sub-Saharan African countries were so huge with high debt service burden. Multilateral Fund proposal was adopted and later transformed into HIPC in 1996 where some countries were declared as Highly Indebted Poor Countries based on the magnitude of their debt stocks. Out of a total of 44 poor countries declared as heavily indebted, 33 were from Africa.[58]This initiative was to relieve poor countries of their indebtedness basically through debt cancellation. In September 1999, the original HIPC program was revised into Enhanced HIPC initiative following complaints from NGOs, development experts, and HIPC countries that too little reliefs were being granted at slow pace, and the number of beneficiary countries was small.

[56] Battaile, Hernández & Norambuena (2015).” African Central Government Borrowing”
[57] Gould, E.2015. ‘ Imperatives of Domestic Debt Payments And Economic Growth’’
[58] Griffiths , M. & O’callaghan, T. (2013). “Key Concepts in International, Routledge” Retrieved from the Hong Kong Economic Journal

UNCTAD in 2004 reported that the primary objective of EHIPC creativity was geared towards creating a stronger bond amid credit relief and strategies that were designed to suit country's circumstance.[59] Severity of Sub-Saharan Africa's debt problem is well appreciated when viewed within the context of debt ratios. Debt to GNP ratio for the region stood at 97.1 percent in 1988. Madagascar recorded 192 percent; Congo Democratic Republic had 205 percent, and that of Mozambique hitting 375 percent.[60] Over the last decade, debt burden of Sub- Saharan Africa has grown worse than any other region facing debt service problem.[61] Debt to export ratio for Highly Indebted Poor Countries for which 80 percent are SSA countries stood at an alarming rate of 565.4 percent.[62]

Economic analysts have cautioned about possible re-occurrence of debt crisis that hit the region in the past and sent most countries into IMF bailout, HIPC. The rising debt stock may be attributed to a situation where significant proportion of borrowed funds are channelled into recurrent expenditures which produces no or little resources towards future servicing of the debt hence governments continually resort to further borrowing for debt service.

[59] Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

[60] Prof Fosiu, Augunstine. "The consequences of external loan on African economic growth." March 3, 1996.

[61] Iyoha, M. A. (1999). "External debt; economic growth in sub-Saharan African countries". An econometric study.

[62] Ibid 59

2.6 Debt management strategy in African economies

Governments aim at borrowing at low cost to finance developmental projects but the structure and composition of debts portfolio is of utmost concern since it determines the influence of appropriate surprises on government economy jointly with its long term spending plan.[63] Public debt managers are obliged to select appropriate debt instruments to increase required funds to it.

Beginning of debt catastrophe during 1980s, Sub-Saharan Africa has been enjoying assistance from the international financial community so as to improve their debt situation. Among the measures used by the Community to assist countries include Paris Club Rescheduling, credit reduction, ERP, SAP, HIPC and EHIPC. These measures were to some extent effective in helping the beneficiary countries in reducing their debt stocks which enabled a lot of them re-enter the foreign financial market to mobilize funds. However, most countries in SSA that have undergone the HIPC program continue to face debt service problem.[64]

2.7 Conclusion

This chapter entailed establishing the significance of external debt on economic growth over the 27 years. The findings of this study through data analysis revealed that the correlation of external debt and economic growth had a negative relationship. This is in line with the study's debt overhang paradigm in the theoretical framework.

[63]Gill, Mukui, Gideon K.., Consequences of external borrowing on Kenyan economic Growth. Unpublished, MBA Project (2013).

[64] Department of IMF Sub Saharan Region, 2012 April. 'Africa regional Economic Outlook' 2012

The study also revealed Africa had a negative current account implying that it a net importer, this accounts to why Africa results to external borrowing. Africa imports more than it exports and the study recommends a reverse of the trend by value addition and production of competitive both in quality and priced goods to positively contribute to economic growth.

External debts in African countries have been on the rise reflecting policy directions increasingly favouring current expenditure over investments, low tax revenue mobilization, increasing public sector wage and low fiscal consolidation in most countries. Projections have rated Africa's growth to remain robust within the top 30 percent in the world in near-term outlook.[65] Concerns however remain regarding how this growth can be achieved without resulting from increased external borrowing and be translated into combating widespread poverty and inequality in attaining her development goals.

[65] Filmer,. 2014. 'Youth unemployment in Sub-Saharan Africa analysis' a world bank report 2014

CHAPTER THREE

South East Asia Economic Growth and External debt

3.0 Introduction:

This chapter scrutinized the association between external borrowing and fiscal growth of South East Asia economies, over the period 1990-2017, by considering a set of control macroeconomic variables such as national investment, government expenditure, current account balance, national savings as well as inflation patterns.

3.1 Economic Overview Performance in South East Asia

Table: 3. 1South East Model Descriptive Statistics

Descriptive	*GDP_PCENT*	*GDP_USD*	*InvstGDP*	*NatSavingsGDP*	*InfPCENT*	*ExtdebtGDP*	*CA/cGDP*
Mean	5.625392857	1225.858	29.4713	37.40485714	11.57139286	55.22371821	7.751625
Standard Error	0.601771282	148.0772	0.858887	0.409254171	3.242280908	3.504214669	0.859060745
Median	5.81825	810.219	28.48175	37.566	4.71975	56.59625	8.08575
Standard Deviation	3.184274315	783.5508	4.544803	2.165569516	17.15653792	18.54256111	4.545722186
Sample Variance	10.13960291	613951.8	20.65524	4.689691331	294.3467935	343.8265725	20.6635902
Kurtosis	4.057378628	-1.21342	-1.06528	-0.238041271	2.696295023	-0.823552124	-1.256613938
Skewness	-1.409251633	0.676235	0.445748	-0.053318459	2.089441704	0.444564871	0.043953445
Range	16.33	2288.207	15.054	8.7915	53.134	61.76125	14.2605
Minimum	-5.2535	367.766	21.925	32.7095	1.8825	33.3825	1.062
Maximum	11.0765	2655.973	36.979	41.501	55.0165	95.14375	15.3225
Sum	157.511	34324.02	825.1965	1047.336	323.999	1546.26411	217.0455
Count	28	28	28	28	28	28	28
Confidence Level(95.0%)	1.23473268	303.8293	1.762291	0.839720196	6.652610909	7.190054594	1.762647053

Source: Research Data (2019)

Table 3.1 shows the descriptive statistics on all the variables under study. It can be observed that GDP had a lowest of 367.866 billion and a high of 2655.973 billion over the period under review. The mean GDP rate was 1225.858 billion with a standard deviation of 497.0827 billion. On the other hand, foreign debt had a low of 33.3825% to GDP and a high of 95.14375%. The mean foreign debt was 55.223% of GDP with a standard deviation of 18.54. The rest of the variables can be observed from the table.

Generally the South East Asian economies realized better economic growth in the phase period of 1991 through to 1995; the region experienced improved economic growth rate 1998 to1995, while the inflation rates were stable and impacted economic growth favourably in the same period. The high economic performance of growth of the South East Asian countries is said to have been attained through improved economic environments characterized by strong appreciation of yen currency after 1985 period and the implementation of robust policies enabling growth.[66]

These policies entail as sound macroeconomic policies and resource allocation policies in enhancing efficiency such as privatization of government-owned enterprises, deregulation of prices policies, interest rates policies, the liberalization of trade policies and the promotion policies of export-oriented sectors. However despite the economic growth there current account deficit in some south East Asian countries such Malaysia and Thailand.

[66] Gratis G 2013. ' Global world bank review' world bank group no. 8 2013: pp18-19

This was majorly attributed by a rampant growth in imports and investments to keep up with production of export goods. There was a concurrent increase in vast quantities of foreign private capital inflows realized at that time to the economy. During the period of 1991 to 1995, foreign inflows could finance their foreign exchange gap and investment saving gap in a sustainable way, since they did not have any significant impact increment in the debt-export and debt-GNP ratios. East Asian countries were praised for their remarkable economic performance prior to 1997. Their achievement narrative was prompted the World Bank and others terming the development of the region as the Asian Miracle.

Subsequently, however, limitations to this spectacular title of development were imposed by critics. For example, Krugman in 1994 termed the achievements were as a result of "perspirations rather than inspirations".[67] One of the innovative attribute of Asian development is the advent of trade in intermediate goods. This led to a creation of a sophisticated supply chain which promoted regional economic integration. However, a symbolic supply chain that links the finance and information sectors was introduced as a complement to the supply chain of merchandized trade. Trade has over the years acted as a unifier of all manufactured semi-products made in countries within and outside of South East Asia. Generally countries in the South East Asia region have little levels of infrastructural capacity.[68]

[67] Krugman, P. R., Enders, T., & Rhodes, W. R. (1994). LDC Debt Policy. In American Economic Policy in the 1980s (pp. 691-740). University of Chicago Press.
[68] Simamata, D. 2013. The the consequences of international debt borrowing on South East Economy. South East Economies Journal , 201-212

Kumar come up with an index for each country; a high index score indicates high infrastructural capacity while a low index score indicates low infrastructural capacity. According to this index ranking of 2005 the United States was placed first position in value of infrastructural improvement, with an index score of 20.66 while Singapore on the other hand was ranked highest within South East Asian region, followed by Malaysia.

In 2000, Indonesia's score was higher than Vietnam's, but in 2005, the latter surpassed the former. In this perspective, suitable infrastructure is a critical prerequisite for the regional development of South East Asia. The financial necessities for infrastructure investment are enormous for South East Asian countries, requirements up to USS596 billion for energy, transport, water, sanitation and telecommunications over 2006 to 2015.[69]

South East Asia's private sector can only provide approximately US$163.7 billion and while Asia bas savings totalling US$3,992 billion, with reserves of US$3,710 billion. South East Asia itself only has savings of US$457 billion and reserves of US$409 billion.[70] Even so the region can tap on a collected total of US$863 billion, which is nominally greater than the amount required for the provision of infrastructure. In other words, the required amount for infrastructure funding in the South East Asia region is well within reach.

[69] Cheung, C. M. G., Li, X., Cheng, C. Y., Zheng, Y., Mitchell, P., Wang, J. J., & Wong, T. Y. (2013). Prevalence and risk factors for age-related macular degeneration in Indians: a comparative study in Singapore and India. American journal of ophthalmology, 155(4), 764-773.

[70] Simamata, D. 2013. The the consequences of international debt borrowing on South East Economy. South East Economies Journal , 201-212

3.2 External Borrowing and Economic Growth South East Asia

The study undertook an analysis of South East Asia external debt and economic growth for seven selected countries out of the ten countries, namely Singapore, Malaysia, Vietnam, Indonesia, Philippines, Cambodia, and Thailand and excludes Laos, Brunei and Myanmar which lacked verifiable data from the IMF and World Bank database.

Model Coefficients

a. Dependent Variable: GDP annual growth

b. Predictors: Investment %GDP(X1), savings% GDP (X2), Inflation(X3), External Debt %GDP (X4), Current account %GDP (X5) and error term (€)

Table: 3. 2 South East Asia regression statistics

Regression Statistics	
Multiple R	0.47644053
R Square	0.226995579
Adjusted R Square	0.051312756
Standard Error	3.101501563
Observations	28

*Source: Research Data (2019)*The findings from this study shown in table above of South East Asia show the model fit results. The Pearson correlation, r, was 0.476 suggesting that the predictors had a low correlation on the dependent variable of GDP. Hence only 47.6% variability of Y (economic growth) can be explained by all sets of variables under the study X1, X2, X3, X4 and X5 thus the model was insignificant.

Table: 3. 3South East Asia: ANOVA

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	62.14441594	12.42888	1.292076	0.303051401
Residual	22	211.6248627	9.619312		
Total	27	273.7692787			

Source: Research Data (2019)

The ANOVA findings obtained from the datasets obtained from the IMF and World Bank reveal that model was statistically insignificant as the probability value the model was 0.3030>5% at 95% significance confidence level. These outcomes contradict the theory of this study which predicted a correlation between external debt and economic growth in South East Asia. Hence we reject the alternate hypothesis and choose the null hypothesis (H0) there is no correlation between external debt and economic growth.

Table: 3. 4South East Asia Coefficient Model

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	5.766203585	14.95673925	0.385525	0.703551	-25.25217512	36.784582	-25.252175	36.7845823
InvstGDP	-0.144488177	0.823949779	-0.17536	0.8624	-1.853255434	1.5642791	-1.8532554	1.56427908
NatSavingsGDP	0.259462998	1.01218305	0.25634	0.80007	-1.83967617	2.3586022	-1.8396762	2.35860217
InfPCENT	-0.1281674	0.138927876	-0.92255	0.366251	-0.416286181	0.1599514	-0.4162862	0.15995138
ExtdebtGDP	-0.002823859	0.066464742	-0.04249	0.966494	-0.140663298	0.1350156	-0.1406633	0.13501558
CA/cGDP	-0.509404519	0.850284721	-0.5991	0.555227	-2.272787102	1.2539781	-2.2727871	1.25397806

The findings from data analysis of South East Asia obtained from the IMF database of 2019 reveal that Investment, Inflation, external debt and current account had a counter correlation with fiscal development in South East Asia. This infers an upswing in these variables results into an equivalent reduction of fiscal advancement in South East Asia. However, National savings had a direct link with fiscal growth in Africa, inferring that a rise in this variable leads to an equivalent rise in fiscal growth. This is in line with the proposed hypothesis (H1) external debt has a negative impact on the economic growth of South East Asia

Table: 3. 5 South East Asia correlation

	GDP_PCENT	*GDP_USD*	*InvstGDP*	*NatSavingsGDP*	*InfPCENT*	*ExtdebtGDP*	*CA/cGDP*
GDP_PCENT	1						
GDP_USD	-0.129483648	1					
InvstGDP	0.380570981	-0.28351	1				
NatSavingsGDP	-0.005887409	0.300126	0.291301	1			
InfPCENT	-0.25199996	0.635859	-0.08996	0.068138579	1		
ExtdebtGDP	0.212790792	-0.86183	0.387614	-0.45445937	-0.3880059	1	
CA/cGDP	-0.187013686	-0.13294	-0.65958	0.113710538	-0.5522504	-0.166973208	1

Source: Research Data (2019)

Findings from the analysis under this study revealed that South East Asia had a negative association between current account balance, inflation and national savings to GDP. The association tallies were -0.187, -0.251 and -0.251 correspondingly. However there were moderate positive correlation between investment and external debt to GDP with correlation scores of 0.380 and 0.213 respectively.

The results revealed that external borrowing had a positive significant impact on economic growth. Hence South East Asia can effectively utilize debt as a tool for spurring economic growth. The findings are consistent with the alternative hypothesis that economic growth has a significant impact its economic growth.

Foreign borrowing coupled with its administration are currently compellingly been brought to light through debates among academicians and policymakers, more so after the International Financial Crisis that took place in 2008. Despite numerous debates and studies having ventilated in to the issue there still has not been conclusive results into the issue especially for countries in Asia, more specifically Southeast Asia, which are depicted by low levels of infrastructure capacity.[71]

[71] Simamata, D. 2013. The the consequences of international debt borrowing on South East Economy. South East Economies Journal , 201-212

Due to significant insufficient investments in infrastructure since 2000, most South East Asia governments have heavily relied on external sources such as FDI, ODA to finance infrastructure development projects.

Thus, public debt, of which a majority has been utilized for infrastructure investment or social programs in order to achieve higher economic productivity, has not become a matter of concern to these South East Asia economies yet. During the late 1990s, several South East Asia countries suffered heavy losses during financial meltdown due to the main reasons of being "maturity mismatch" when short term debt was used to finance domestically long-term oriented investment projects.

In this period, borrowing by government, fuelled by financial bailout and deficit spending, to catalyse demand rose to an average range of 35% to 50% of GDP in Malaysia, and Thailand, and to a range of 90% to 100% of GDP in Indonesia and the Philippines during the Asian crisis[72]. Towards the tail end in 2000, public borrowing to GDP ratio was over 60% according to Maastricht criterion in these four Southeast Asian countries[73]. Along with an acute increase in public borrowing to GDP ratio during this crisis, South East Asian economies experienced a significant slowdown with the devaluation of currencies, increasing inflation and bad debt, bankruptcies of corporations and companies, and a high unemployment rate.

[72] Rosegrants, M. 2000. Transformation of Asian rural economy. The unfinished revolution; The development bank report vol 1
[73] Fischers, K 2003. Analysis of globalization and its challenges. American review, (1-30)

For instance, Indonesia's GDP decreased by 15%, Thailand's and Malaysia's also decreased by nearly 10% in 1998[74]. More recently, although the Global Financial Crisis in 2008 did not directly affect South East Asia economies. It still caused deterioration in economic growth of the countries that much rely on trade.

Thailand, Singapore, Malaysia through the decline in demand for Southeast Asian goods on the global market, which lead to a drop in export value by more than 25 percent in the first half of 2009.[75] In addition, the current financial situation in Europe may still lead to a global economic slowdown if the debt problems are not resolved, and may even push the global financial system into another deep crisis compared to that of 2008.[76]The public debt has caused external borrowings that have resulted in the sovereign bond crises and economic crises in the origin of Euro Crisis. The aftermath of the public debt crisis in Europe is a good lesson for South East Asia countries in prudent budgetary management and policies. In fact, the borrowing debt to GDP ratio began to rise again in some South East Asia countries.

Particularly, it has increased significantly and reached the range of 48-55% at the end of 2015 in Malaysia, Vietnam, Thailand, and Lao. Singapore is a country which is ranked as the highest in per capita income in Southeast Asia region coupled with a high public borrowing ratio compared to the GDP (105.6%) and ranked the 13th globally as per 2015[77].

[74] Thao, P. 2011. 'Consequences of foreign borrowing on fiscal on economic development of six ASEAN countries.
[75] Ravenhill,M. (2014).Review of Political Economy of Asia Pacific Trade Agreements. Oxford University Press, New York, 314-332.
[76] Park, D., & Shin, K. (2013). Lessons from South East Asian countries in Financial Crisis moments
[77] Wiboew,M 2017. "Public Debt analysis and fiscal progression of South East Asian Countries."

Hence, despite the debt levels of South East Asia countries are still under the safety level, it is essential that government borrowing and its implications towards the growth of South East Asia countries should be taken into consideration to prevent undesired effects in the long run.

Specifically, the study examined the debt growth relationship in the past 27 years (1990-2017) of selected South East Asia countries, whose data on public debt and macroeconomic indicators are available, namely Indonesia, Malaysia, Philippines, Thailand and Singapore. In addition, this chapter examines the debt over hang theory which determines the maximum affordable public debt level beyond which additional indebtedness may reduce the economic growth. Future studies are recommended to examine comparative implications of foreign borrowing on fiscal progress among South East Asia countries based on the particularities of each country in this region.

3.2.1 Evidence external from Selected South Asia East Countries

The issues on the sustainability of foreign borrowing have intensively been discussed in the context of analysing the case of the dramatic triggers of the debt crisis experienced in the 1980's credit crunch in early 1980s. For example, National Bureau of Economic Research undertook the Project on Developing Country Debt in 1989 to seek to provide a detailed and comprehensive examination on debt crunch in the said period. It took into account the financial meltdown in two aspects, the entire financial system and specific debtor country. A key aim of was to give an in depth insight why some countries had caved in due to the debt crisis such as Argentine and Mexico while on the other hand some economies survived such as Indonesia.[78]

[78] Rosegrants, M. 2000. Transformation of Asian rural economy. The unfinished revolution; The development bank report vol 1

Another critical objective was to comprehend the fact despite numerous economic adjustments why many debtor countries were unable to recover. In this studies Sachs 1989 argued, by referring to the interest rate-export growth rate relationship that borrowing crisis emerged from putting together a mixture of policy actions by borrowing countries, global macroeconomic shocks and unlimited bank lending.[79] Problems of debt management can be resolved through drawing lessons from practical experience of past years. Examining formulas of loan dynamics, that borrowing capacity is dictated by the ability of an economy to generate the return flow through debt service by continuing growth of saving, exports, and governmental receipts in the one side and the costs represented by the interest rate on the other.[80]

3.3 Conclusion

The second objective was to investigate the relationship between external debt and economic growth in South East Asian economies. The findings from the chosen seven South East Asian Countries excluding Laos, Brunei and Myanmar due to lack of verifiable credible data from World Bank and IMF datasets indicate that there existed a weak negative impact of external debt on economic growth.

The study findings revealed that external borrowing was insignificant in spurring economic growth of these nation a findings recommend that East Asia country's its within manageable levels. The Findings revealed that national savings was a key indicator in propelling economic growth. This finding is in line with other earlier findings under the region.

[79] Sach, Jean.s,. Reional Financial sytems reforms geared towards international integration, 1995(1-118).
[80] Fishlew, A. (1988). Analysis of tools for policy makers in developing countries on foreign loan management, 181-223.

CHAPTER FOUR

EXTERNAL DEBT AND ECONOMIC GROWTH; A CASE STUDY OF KENYA AND SINGAPORE

4.0 Introduction:

This section entails debt profile coupled with economic viewpoint of both Singapore and Kenya using key macroeconomic variables that are essential in the valuation of the economy. This is line with objective three which sought to establish if there existed a significant link concerning growth and external debt in the two economies. This study also sought to recommend and evaluate alternative borrowing instruments used in the worldwide financial market to establish their effect on total external debt of the region.

4.1 Macroeconomic performance of Singapore and Kenya

Table 4. 1Model Descriptive Statistics of Kenya

	GDP%	*GDP-USDB*	*InvstGDP*	*tsavingsGi*	*Inf%*	*debtGDP*	*CA/cGDp*	*Ext debt*
Mean	3.64039286	29.0975	18.69925	14.3155	11.00664	43.88889	-2.36579	9574809947
Standard Error	0.4578274	3.980462	0.555272	0.566913	1.815872	1.994006	0.967536	1016554540
Median	4.141	17.43	18.4245	14.528	7.7965	43.9675	-2.435	7117969396
Standard Deviation	2.42259489	21.06263	2.938224	2.99982	9.608692	10.55129	5.119721	5379101017
Sample Variance	5.86896603	443.6342	8.633161	8.998922	92.32695	111.3297	26.21155	2.89347E+19
Kurtosis	-0.72329361	-0.12333	0.411179	1.961316	5.870069	-1.28444	1.10471	3.406867158
Skewness	-0.27832879	1.039583	0.422012	0.932117	2.269803	-0.11192	0.929106	2.039738048
Range	9.482	71.343	12.783	13.808	44.425	31.844	21.785	20927367214
Minimum	-1.08	7.869	13.519	9.878	1.554	30	-10.368	5496278265
Maximum	8.402	79.212	26.302	23.686	45.979	61.844	11.417	26423645479
Sum	101.931	814.73	523.579	400.834	308.186	1228.889	-66.242	2.68095E+11
Count	28	28	28	28	28	28	28	28
Confidence Level(95.0%)	0.93938423	8.167234	1.139324	1.163209	3.725862	4.091363	1.985221	2085797628

Source: Research Data (2019)[81]

[81] Source: Research Data (2019)

Table above reveal the expressive data on the variables under analysis. It can be observed that GDP had a lowest of 7.86 billion and a high of 79.212 billion (USD) over the period under review. The mean GDP rate was 29.097 billion with a standard deviation of 21.062 billion. However, Kenya foreign debt had a low of 549 billion (Ksh) to GDP and a high of 2.68 trillion (Ksh). The mean domestic debt was 87.64% of GDP with a standard deviation of 13.11%. The rest of the variables can be observed from the table.

Table: 4. 2 Singapore Model Descriptive Statistics

	GDP_PC	*GDP-B*	*InvstGDP*	*GNatSavingGDP*	*InfPCENT*	*GVTRVN-GDP*	*GVTEXP-GDP*	*GvtDEBTGDP*	*CA/cGDP*
Mean	6.1	158.5015	29.58232	46.24942857	80.59021	25.2438214	16.76135714	87.6376786	16.667071
Standard E	0.7	18.62985	0.974809	0.691969269	2.206295	0.99063103	0.389102842	2.47766638	0.9125291
Median	6.6	107.1755	29.968	45.996	76.271	23.4315	16.8655	92.8785	16.642
Standard E	4	98.5799	5.158204	3.661557202	11.67461	5.24192667	2.058938709	13.1105782	4.8286501
Sample Va	16	9717.997	26.60707	13.40700114	136.2966	27.4777952	4.239228608	171.88726	23.315862
Kurtosis	0.2	-1.15228	-0.39996	-0.368250763	-0.98176	-1.07488835	0.076116372	-1.3707804	-0.2139438
Skewness	-0	0.648653	-0.36255	0.134614174	0.552277	0.47419025	0.453526292	-0.3181881	0.0424514
Range	17	297.779	20.542	14.496	36.926	17.462	7.986	39.583	19.286
Minimum	-2	38.9	17.662	38.968	63.058	17.37	13.593	67.358	6.773
Maximum	15	336.679	38.204	53.464	99.984	34.832	21.579	106.941	26.059
Sum	170	4438.043	828.305	1294.984	2256.526	706.827	469.318	2453.855	466.678
Count	28	28	28	28	28	28	28	28	28

Source: Research Data (2019)

Table above shows the descriptive statistics on all the variables under study. It can be observed that GDP had a lowest of 38.9 billion and a high of 336.679 billion over the period under review. The mean GDP rate was 158.5 billion with a standard deviation of 98.5799 billion. On the other hand, Singapore lacked foreign debt but domestic borrowing on the other hand had a low of 67.358% to GDP and a high of 106.941%.The mean domestic debt was 87.64% of GDP with a standard deviation of 13.11%. The rest of the variables can be observed from the table.

Singapore and Kenya share similar economic journey after their independence in 1960s from their colonial masters, Kenya was better placed in economic and GDP levels, however Singapore reversed the trend through major economic policies and implementation that propelled it to be a global economic power house.

On the hand Kenya failed to capitalise and sustain of the momentum from the attainment of independence[82]. Kenya been a dominant economy in East Africa while Singapore is the dominant economy in South East Asia will shall look at an in-depth comparison of their economic growth and usage of debt in accelerating their economies.

4.2 Kenya economic performance since independence to date

Kenya possessed a progressive respectable commencement on the economic growth in the 1960s after attainment of her independence[83]. Reservations that dominated the period her attainment of her independence period of 1963 were resolved through vigorous and vibrant encouragement from capitalistic African class. During the phase 1963 up to 1973 gross domestic product per capita increased averagely by 1.88%, was achieved despite an increment in the population growth by 3.3% and worldwide slowdown towards including the oil shock of 1973[84].

[82] Sach, Jean., Warrmer, Åslud, & Fischers,. Reional economic reforms geared towards international integration, 1995(1-118).
[83] Colliers, & Lah, (1984). Transition of poverty to wealth a case study of Kenya 1960-1979, 1007-1018.
[84] Schulz, T. Why and How global Inequality in the Distribution of Personal Income prevails: Population Economics 1998.

The promising incremental performance in Kenya was majorly contributed for the first decade was majorly attributed by unfinished land reform that entailed reallocation of colonial land to more productive and efficient smallholders, increasing area of cultivation of high value cash crops.

Another major occurrence of the Kenyan economy during the mid-decade of 1970s was occurrence of the coffee boom which was about by the great frost in Brazil[85]. Averagely, GDP grew by more than 2.7% and was majorly contributed by enormous returns from coffee overshadowing the vast economic challenges and economy weaknesses the economy was facing at the time. The oil shock occurrence of 1979 coupled with creeping recession to the economy accelerated its downward trajectory.

The economic problems resulting from the accumulation of macroeconomic distresses and global misfortunes were worsened by massive drought together with political instability. This resulted in Kenya adopting IMF contractionary polices as it was out of options to spur economic growth, policies such as use of structural adjustment programs.In 2000, the economy registered declined rates of growth of 0.6 per cent, growing to 3.8% in 2001, but diminishing to 0.5 % in the following year 2002[86]. The 2002 elections were characterized by peaceful transition of power coupled with economic optimism. There was upsurge accelerated economic growth under Mwai Kibaki's government.

[85] Cuddingten, J. Developing countries explosion of raw commodity export, World Bank Report 1989.
[86] Pots, Dickens. The consequences of declining Urbanization in SSA countries: case study of evidence based analysis on Environmental and Urbanization issues, 251-255. 2009

The economy grew consistently from 2.9% in 2003 to reach an all high of 7.1% in 2007[87]. The improved economic growth was strengthened through execution of radical and methodical reforms to the economy through introduction and implementation of the Economic Recovery Strategy together with a favorable enabling external environment.

The Economic Recovery Strategy was a framework set up to deal with country's macroeconomic distresses and structural weaknesses[88]. The new government in 2002 come up with reforms addressing not only economic matters but also governance in line with enhancing economic performance. The Kenyan economy economic growth has retained its resilience despite numerous external and internal shocks arising from persistent prolonged drought, lengthy general elections marked with political tensions coupled with global economic slowdown expanding by 4.9 per cent in 2017 from to 5.9 per cent in of 2016[89]. The stable economic growth is as a result of better weather conditions boosting agricultural activities and uplifting both business and investor confidence following political stability in the country.

4.3 Singapore's economic growth performance

Singapore's economic growth from 1965 to 2017 can be broadly be classified into four shorter periods: 1965–1980, 1980–1990, 1990–2000, and 2000–2017 as shown in the figure below. The initial phases were attributed by Singaporean government engagements to develop export centred industrialization policies and prompt capital accrual to stimulate quantitative growth[90].

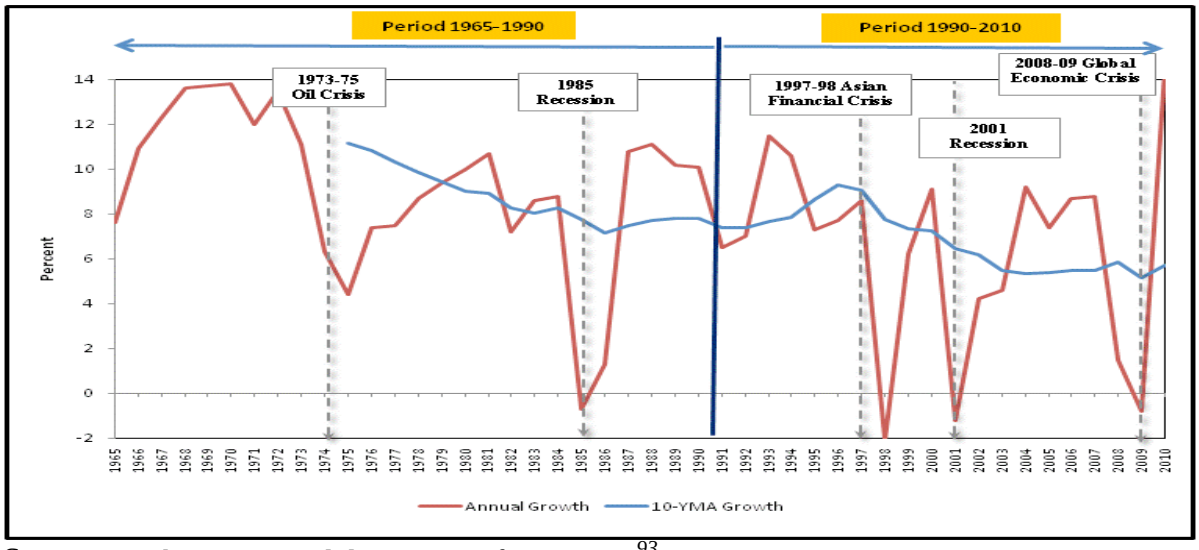
[87] Opalo, K. (2014). Initialization of Kenyan elections and parliament, 2013. Journal of Eastern-African Studies.
[88] Mweanzwa, E.K., T. A. (2014). Challenges and prospects of SDGS in Kenya: Analysis of Kenya Vision 2030
[89] Osewe.,k (2017). Consequences of inflation on fiscal growth in Kenya 2017 (Doctoral dissertation).
[90] Poon-Kim, S. Singaporean fiscal stability in 1978

In the commencement phase , Singapore key polices were geared towards spurring fiscal growth by creating an enabling environment to increase foreign direct investment , coming up with extensive employment opportunities and increasing productive capacity[91]. During this period, Singapore attained rapid growth. However, due the oil crisis of 1973 which had been triggered by the global recession of 1974–1975, there was a slump in the economic growth. The second phase of Singapore's economic growth was experienced during the period of 1980 to1990.

This phase of economic growth was shaped through implementation of government policies which were put in place in to reorganize the industrial sector placing more emphasizes on usage of high technology manufacturing coupled with great value added services. A major recession began in 1985, it was partly attributed by a slump in global demand, especially from the US[92]. After 1990 economic growth was influenced by a transformative government strategic planning to convert Singapore into a developed nation, which laid more emphasises on qualitative development. The phase that followed of 2000–2017 economic growth as majorly driven and catalysed by rapid growth in globalization, increased penetration of information technology, and the ever increasing instability in the world economy. Singapore has cemented itself as a dominant country of the east region as a developed nation with the highest GDP per capita.

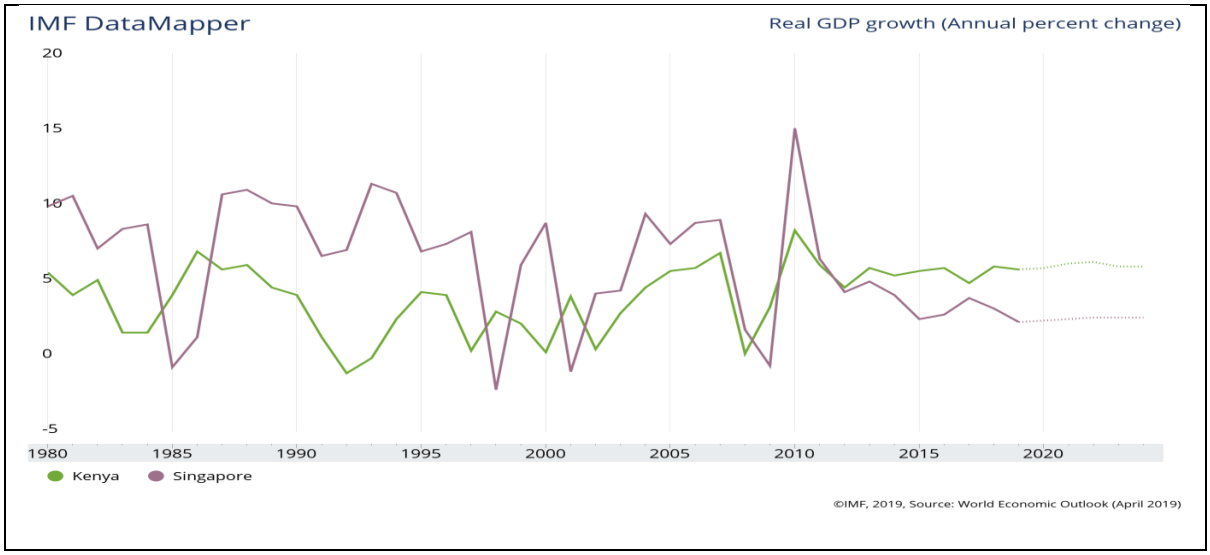
[91] Mitchell, B.r. 1995. 'Analyzing and monitoring world economy'. Australian Review 36:retrived from https://doi.org/10.1111/aehr.362br1.
"Why Asia succeded while Africa Has not"n.d https://repository.library.georgetown.edu/bitstream/handle
[92] Riggh,Jk. The Asian Survey; a case study of Singapore and recession (1988)., 340-352.

Figure 4. 1 Singapore' Average Growth, 1965–2010



Source: Database statistical department of Singapore [93]

Figure: 4. 2 comparative Kenya and Singapore annual% Change



Source IMF world economic outlook April 2019

[93] Database statistical department of Singapore

4.4 Kenya and Singapore national debt and structure

Table: 4. 3 Singapore Regression Statistics

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.389832492
R Square	0.151969372
Adjusted R Squa	-0.04076486
Standard Error	4.048500954
Observations	28

Source: Research Data (2019)

The table above of Singapore shows the model fit results. The Pearson correlation, r, was 0.5013 suggesting that the predictors had a high correlation on the dependent variable of GDP. Hence 38.98% variability of Y (economic growth) can be explained by all sets of variables under the study X1, X2, X3, X4 and X5 thus the model was insignificant.

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	64.6183259	12.92367	0.788492	0.569133814
Residual	22	360.5879194	16.39036		
Total	27	425.2062453			

Source: Research Data (2019)

The ANOVA findings obtained from the datasets obtained from the IMF and Central bank of Singapore reveal that model was statistically insignificant as the probability value the model was 0.3568>5% at 95% significance confidence level. These outcomes contradict the theory of this study which predicted a no correlation between external debt and economic growth in Singapore.

Hence we reject the alternate hypothesis and choose the null hypothesis (H0) there is no correlation between external debt and economic growth in Singapore.

Table: 4. 4 Kenya Regression Statistics

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.738191676
R Square	0.544926951
Adjusted R Square	0.441501257
Standard Error	1.810472354
Observations	28

Source: Research Data (2019)

The regression statistics obtained from the Kenya dataset under the study in the table above of shows the model fit results. The Pearson correlation, r, was 0.545 suggesting that the predictors had a high correlation on the dependent variable of GDP. Hence 54.4% variability of Y (economic growth) can be explained by all sets of variables under the study X1, X2, X3, X4 and X5.

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	86.35025949	17.27005	5.268777	0.002489681
Residual	22	72.11182319	3.27781		
Total	27	158.4620827			

Source: Research Data (2019)

The ANOVA findings obtained from the datasets obtained from the IMF and Central bank of Kenya reveal that model was statistically significant as the probability value (0.00249<0.05)% at 95% significance confidence level of as shown above. The F statistic was 3.569 and was significant (p<0.05). This confirms that the predictors have a relationship with the dependent variable.

4.5 Model Coefficients

a. Dependent Variable: GDP annual growth

b. Predictors: Investment %GDP(X1), savings% GDP (X2), Inflation(X3), External Debt %GDP (X4), Current account %GDP (X5) and error term (€)

Table: 4. 5 Singapore Coefficient Model

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-3.64789947	9.91945908	-0.36775	0.716573	-24.2196	16.9238	-24.2195985	16.92379956
InvstGDP	1222.492433	1141.524859	1.070929	0.29581	-1144.885	3589.8701	-1144.88523	3589.870094
NatSavingsGDP	-1222.28643	1141.512488	-1.07076	0.295884	-3589.638	1145.0656	-3589.63843	1145.065575
InfPCENT	0.614308605	0.464920747	1.321319	0.199973	-0.349878	1.5784952	-0.34987801	1.578495221
ExtdebtGDP	0	0	65535	#NUM!	0	0	0	0
CA/cGDP	1222.441298	1141.511529	1.070897	#NUM!	-1144.909	3589.7913	-1144.90872	3589.791315

Source: Research Data (2019)

GDP = -3.6478+1222.49X1-1222.29X2 +0X3+0.614X4+1222.44X5 +€

External borrowing had no link with fiscal growth in Singapore; gross national savings had an inverse affiliation with fiscal growth. This infers that an increase in these variables gives an inverse equivalent outcome in fiscal growth in Singapore.

On the other-hand, Investment, inflation and current account balance had a direct connection with fiscal growth in Singapore inferring an increase in the variable would result to an equivalent rise in fiscal growth. This contradicts the hypothetical position hence we reject the alternate and choose the null hypothesis (Ho) external debt has no impact on economic growth in Singapore.

Table: 4. 6 Kenya Coefficient Model

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*ower 95.0%*	*pper 95.0%*
Intercept	2.360357528	2.749267942	0.85854	0.399852	-3.34128	8.06199	-3.34128	8.06199
InvstGDP	0.841956747	0.295830916	2.846074	0.009396	0.228441	1.455473	0.228441	1.455473
NatSavingsGDP	-0.574279019	0.25834398	-2.22292	0.036809	-1.11005	-0.03851	-1.11005	-0.03851
InfPCENT	-0.183358093	0.071696224	-2.55743	0.017957	-0.33205	-0.03467	-0.33205	-0.03467
ExtdebtGDP	-0.061308835	0.026827291	-2.28532	0.032295	-0.11695	-0.00567	-0.11695	-0.00567
CA/cGDP	0.515109263	0.253156872	2.034743	0.054103	-0.00991	1.040124	-0.00991	1.040124

Source: Research Data (2019)

GDP = 2.360+0.842X1-0.574X2-01833X3-0.0613X4+0.515X5 +€

External borrowing, inflation and gross national savings revealed a negative link with fiscal growth in Kenya. This infers a unit rise in outlined parameters leads to inverse outcome decrease in fiscal growth in Kenya. However, investment and current account balance had a direct association with fiscal progression in Kenya. This infers a unit growth leads to a direct equivalent growth in fiscal progression. Hence the analysis results of the coefficient support the alternate hypothesis (H1) that external debt has a negative impact on economic growth of Kenya.

The Kenyan economy runs a deficit budget every year due to inability to generate enough revenue through taxes hence public debt is a preferred tool to bridge the gap. Since Kenya a limited domestic debt market, the government extends its loan borrowing to external sources to fill in the gap without crowding the private investors. Borrowing internally and externally is regulated by a legal framework under the Kenyan law.

For domestic borrowing, Act 420, gives the cabinet secretary legal guidelines on how to borrow domestically on behalf of the government through issuance of Treasury bills and bonds. It's worth noting that domestic debt have no limit to amounts the government can raise unlike external borrowing is capped to 500 billion but for upper limits approvals through parliament should be sort.

Since 1990s there has been a significant drop in development assistance towards Kenya from traditional lenders resulting from the misappropriation of funds coupled with lack of accountability and perceived poor governance. With rising of new economic power houses such as China there has been unregulated increased influx of external funds and mismanagement of the same has increased in equal measure

Table: 4. 7 Kenya debt profile

DEBT TYPE	13-Jun	14-Jun	15-Jun	16-Jun	17-Jun	18-Jun
DOMESTIC DEBT						
Central Bank	39,170	65,700	63,335	99,856	54,506	110,782
Commercial Banks	524,505	617,221	730,419	927,307	1,142,889	1,266,457
Sub-total: Banks	563,675	682,921	793,754	1,027,163	1,197,395	1,377,239
Non-bank Financial Institutions	486,880	601,406	626,690	787,970	915,315	1,101,596
Total Domestic	**1,050,555**	**1,284,327**	**1,420,444**	**1,815,133**	**2,112,710**	**2,478,835**
As a % of GDP	23.40%	25.50%	24.40%	27.10%	27.60%	28.00%
As a % of total debt	55.50%	53.00%	50.00%	50.30%	47.90%	49.10%
EXTERNAL DEBT						
Bilateral	217,970	248,636	405,562	491,864	669,839.70	759,016.70
Multilateral	507,920	593,397	680,192	794,797.50	839,721.70	825,298.70
Commercial Banks	58,928	234,799	276,937	432,377	634,108.90	830,652.10
Suppliers Credits	15,207	16,452	16,628	16,628	15,303.10	16,725.20
Sub-Total	800,025	1,093,284	1,379,319	1,735,667	2,158,973.40	2,431,692.70
GUARANTEE DEBT						
Bilateral	39,667	41,278	39,495	56,487	52,728.80	56,371.20
Multilateral	3,870	3,943	4,439	4,044	4,667.00	4,547.30
Commercial	0	0	0	0	77,783.80	75,787.50
Sub-Total	**43,537**	**45,221**	**43,934**	**60,531**	**135,179.60**	**136,706**
Total External debt	**843,562**	**1,138,505**	**1,423,252**	**1,796,198**	**2,294,153**	**2,568,398.70**
As a % of GDP	18.80%	22.60%	24.40%	26.80%	30.00%	29.00%
As a % of total debt	44.50%	47.00%	50.00%	49.70%	52.10%	50.90%
GRAND TOTAL	**1,894,117**	**2,422,832**	**2,843,696**	**3,611,331**	**4,406,863**	**5,047,234**
Total debt As a % of GDP	42.10%	48.00%	48.80%	53.80%	57.50%	57.10%
Memorandum item						
GDP (in Ksh million)	4,496,000	5,044,236	5,831,528	6,709,671	7,658,138	8,845,854

Source: *CBK Treasury Dept*[94]

[94] *CBK Treasury Dept, June 2019*

Singapore Department of statistics defines describes external loans as overseas loans extended to corporates, government and household sectors but excludes banking and securities and trade credits however, it excludes borrowing by the banking sector, securities and trade credits. It's worth noting that IMF and World Bank have no external borrowing records as the last recorded external loan was in 1994 of 5million USD. Singaporean government borrows domestically for purposes which are not related to budgetary needs using three tools namely, Singapore Government securities which is key in creating and developing a robust debt market.

It also issues special Singapore government securities which are non-tradable as they are strictly utilized to meet investments requirements of the central provident fund. Lastly Singapore savings bonds are issued individuals investors with long term savings options. Domestic borrowing is regulated through a legal frame work of government securities Act and Local treasury bill Act for the issuance and management by the monetary Authority of Singapore. The total Singapore borrowing as 2019 is 562 Billion USD.

Table 4. 8 Singapore debt profile

Type of Government Borrowing	**Mar 2019 (S$b)**
SSB	4
T-bills	10
SGS Bonds	119
SSGS	428
Total Singapore Government Borrowing	562

Figure 4. 3 Kenya and Singapore fiscal growth comparison

Source: imf world economic outlook April 2019

Chapter 5

SUMMARY, CONCLUSION AND RECCOMMENDATIONS

5.0. The Introduction

The study was determined to establish the impacts of external on economic growth of Africa and South East Asia, with the main focus being Kenya and Singapore as case study. In order to achieve this conclusion, the study was steered by three objectives, and they entailed, to explore the relationship between external debt and economic growth in African economies, To investigate the relationship between external debt and economic growth in South East Asian economies, and to examine the lessons for Africa From south East Asia economies, a comparative study of Kenya and Singapore.

Moreover, six hypothesis also directed the study, and these were, **H1:** Africa's external debt has had a great influence on economic its economic growth, **Ho:** There is no significant effect of Africa's external debt on its economic growth, **H1:** South East Asia's external debt has had a great influence on its economic growth, **Ho**: There is no significant effect of Kenyan external debt on its economic growth, **H1** Africa's external debt have had a great influence on economic its economic growth, and **Ho:** There is no significant effect of Africa's debt on its economic growth.

5.1 Summary of Findings

From the data analysis from the two regions and a country example revealed mixed results on the consequences of external loans and general debt. South East Asia economies revealed a very weak negative link which is very insignificant as it's below 1% unlike Africa which is greatly affected of the two.

Africa has a lower total combined GDP of 1739.8 Billion while South East six Countries have a higher GDP of 2695.8 Billion; as is depicted by Singapore which has no correlation with fiscal growth.

On the country example aspect, Kenya has depicted undesired consequences on utilization of external debt while Singapore on the other hand lacked external borrowings as its debt structure is squarely based on a strong domestic debt market which is able to finance the government and private sector without crowding out the latter.

This summary will go by analyzing objective by objective that guided this study. The first objective was to establish the relationship between external debt and economic growth in African economies. In this case, it was found that external debt had a negative impact on spurring economic growth and this is evident from the findings of this study.

These findings are consistent with Fosu who took a first-hand examination on the impact of external borrowing on fiscal growth in the Sub-Saharan Africa region covering sixteen years that is 1970 up to 1986[95]. He found out that a result of external borrowing resulted in unintended consequences of non-domestic borrowing on fiscal growth involving 29 African Countries.

[95] Fosu, Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

This findings are further in line with Iyoha who undertook an investigation in 1999 to evaluate significance of foreign borrowing on economic progression using simulation approach with small macro-economic model on data collected on Sub-Saharan Africa for a 24-year duration from 1970-1994[96]. Her findings confirmed the theory on debt overhang coupled with the crowding out effect of external borrowing and hence established that amassing of high levels of external borrowing together with huge burden of servicing debt works against economic growth and negatively towards investments in SSA countries.

The second objective was to investigate the relationship between external debt and economic growth in South East Asian economies. The findings from the chosen 6 South East Asia Countries excluding 4 which data was not verifiable in World Bank and IMF datasets indicate a weak inverse correlation. This implied that external borrowing was insignificant in spurring economic growth of these nations. The Findings revealed that national savings was a key indicator in propelling fiscal growth. This finding is in line with other earlier findings under the region.

In 2007 Boopen looked into the correlation of foreign borrowing of Philippine's fiscal growth, covering 1981 to 2005[97]. The results showed that external borrowing did not pose any significant risk to negatively impact the growth of the economy hence the Philippine government can take advantage of spurring economic growth using external borrowing as one of the tools.

[96] Iyoha M. "Kenya Finance & Banking System - 2000." docshare.tips, June 7, 1999. http://docshare.tips/kenya-finance-amp-banking-system-2000_58b297aab6d87fb5658b46eb.html.
[97] Farid, Asif. "good governance: an approach to improve external debt situation in Pakistan." phd diss., university of peshawar, 2015.

Third objective was to compare consequences of external borrowing on fiscal growth of both Kenya and Singapore. Findings from data of the two countries under the period of study revealed contradicting results. Kenya was negatively impacted by usage of non-domestic loans to spur economic growth while Singapore on the other hand external borrowing did not have any impact. It is worth noting the findings revealed Singapore had a surplus budget as indicated by the current account balance indicating it earned more from exports thus it accounts to why they did not have external debt to spur economic growth.

Kenya's outcomes are in sync with previous researches; in 2003, M'Amanja together with Morrissey undertook an examination on the Kenyan economy by exploring the consequences external national borrowing it posed on the general fiscal growth for a duration covering 1996-2007[98]. Their findings revealed that external borrowing impacted the Kenyan economy negatively by contributing towards spurring economic growth. This is a clear indication that debt overhang is likely to occur in the future if external borrowing is not managed prudently. In 2013 Mukui examined the correlation of external borrowing and it's servicing on the Kenya economic growth, covering a period 1980 to 2011 and this revealed a negative relationship[99].

[98] M'Amanja, Daniel, and Oliver Morrissey. Economic growth and Kenyan economic policy. No. 005-06- Research, 2005.

[99] Mukui, G.K., 2013. Consequences of external borrowing on Kenyan economy. Unpublished MBA Project.

5.2 Recommendations

There have been numerous policy prescriptions in regards to prudent external borrowing after global financial debt crisis. Recommendations for this study are in line with objective 4, lessons can be drawn from South East Asia's country of Singapore which has no external debt but has achieved strong economic growth. In line with objective one Africa has witnessed numerous prescriptions from international institutions such as IMF which advocated for structural adjustments policies to tame public debt crisis, putting in place measures of debt management and advocating for better governance and transparency. Other scholars and researcher have scrutinized the correlation of external borrowing on economic development and they have given a variety of prescriptions to ensure undesired requirements are dealt away with.

In 2008, Anyanwu recommended that numerous borrower countries had acquired external borrowing on concessional terms[100].

He prescribes creation of debt management departments within finance ministries and central banks. These departments would be charged with the responsibilities of administration and negotiation of external loans through developing prudent policies and strategies. The departments should ensure that debt obligations are met in Future without impacting the fiscal growth negatively.

[100] Emerenini, Fabian Mmaduabuchi, and Anyanwu Uchenna Nnanna. "Foreign borrowing and management" evidence from Nigeria. no. 1 (2015): 243-258.

2000, Silua advocated that industrialized economies to put up checks and balance coupled with regulations as they advance external loans to developing nations[101]. This will ensure that loan facilities extended to them go to the intended basis as it will minimize wastage and loss of funds. It will also ensure that developing nations do not take too much debt than their ability to meet their servicing obligation.

In line with objective three under this study, Findings in this study revealed that despite Kenya running a deficit budget and using external loans as a bridge for the gap towards its development and economic growth, the findings depicted an inverse relationship thus numerous researchers have been looking into why the intended debt wasn't getting the desired outcome. In 2007, Abeng carried out an examination on the utilization of external debt which revealed that misappropriation of foreign debt through monumental corruption contributed immensely to higher levels of poverty, unemployment and other undesired outcomes[102].

Kenya and other African countries should strengthen their anti-corruption agencies to enhance transparency and proper utilization of funds. His policies recommendations entailed debt rescheduling, debt service payments, diversification of export strategy acceleration and culpability to fight misappropriation. Kenya should strengthen its internal borrowing and reduce on external borrowing and further boost its export to have a positive current account balance like Singapore as revealed in this study.

[101] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.
[102] Oguanobi, Chukwunonso S. Ekesiobi Chibuike R., and Emilia M. Mgbemena Ogochukwu T. Ugwunna. "An Examination of External Shocks and Government Revenue in Nigeria."

Political stability policies should be implemented to ensure that it does not interfere with the macroeconomic environment of African economies as is depicted in the Kenyan election cycle; a significant decline in the economic growth is recorded after every five year election period in Kenya.

Governance is a key ingredient to economic growth as is clearly learnt from Singapore where economic blue prints are strictly implemented by those in power unlike in Africa where each government comes up with its on blue print leaving many projects incomplete thus not sparking economic growth.

5.3 Areas for Further Research

Economic growth of any African nation is attributed by many factors both domestic and external either positively or negatively.[103] It's the work of the government to come up with a workable combination of these variables and formulate an appropriate matrix that spurs economic progression cognizant of the prevailing business environment complex. This research has focused only on the utilization of a common variable of external borrowing by two regions and the results are divergently different. Therefore further scrutiny into factors that are responsible should be relooked. Some of these variables include governance, misappropriation of external borrowing, and the impact of devolved units of government, as well as the role of individual and informal sector to spur growth in the economy.[104]

[103] Ommasso D. "Nigeria." African Central Government Borrowing, 2011, 113–18. https://doi.org/10.1787/acgd-2011-14-en.
[104] Fajana F. "Imperatives of Domestic Debt Payments And Economic Growth," May 7, 2003. Imperatives_of_Domestic_Debt_Payments_And_Fiscal_Growth_the_Nigerian_Evidence.

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Oguanobi, Chukwunonso S. Ekesiobi Chibuike R., and Emilia M. Mgbemena Ogochukwu T. Ugwunna. "An Examination of External Shocks and Government Revenue in Nigeria."

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Appendix

Datasets

	Singapore	Singapore	Singapore	Singapore	Singapore	Singapore	Singapore	Singapore	Singapore
YEAR	GDP % change	GDP USD	Inv%GDP	savings%GDP	Inflation	govt revenue%GDP	govt exp%GDP	gross debt%GDP	CC/ac %GDP
1990	10.044	38.9	35.64	43.719	3.45	29.343	17.459	70.913	8.078
1991	6.687	45.473	33.969	44.687	3.44	28.494	18.376	73.655	10.718
1992	7.088	52.157	35.492	46.716	2.244	29.696	16.844	76.233	11.223
1993	11.537	60.645	37.171	43.943	2.291	32.532	16.831	68.679	6.773
1994	10.925	73.776	32.865	48.133	3.095	33.832	13.593	68.195	15.268
1995	7.028	87.892	33.841	50.276	1.725	32.065	16	67.358	16.435
1996	7.532	96.401	35.022	49.451	1.379	34.609	20.981	68.755	14.43
1997	8.291	100.164	38.204	53.464	2.023	34.832	16.865	68.287	15.26
1998	-2.225	85.708	31.569	53.127	-0.271	29.258	19.972	81.481	21.558
1999	6.095	86.285	32.703	49.691	0.024	28.305	17.651	83.569	16.987
2000	8.898	95.836	34.899	45.706	1.348	28.189	17.913	79.866	10.808
2001	-0.952	89.285	27.76	41.619	1.015	26.218	21.579	93.689	13.858
2002	4.212	91.942	25.48	38.968	-0.392	21.913	18.207	94.324	13.489
2003	4.435	97.002	17.662	40.493	0.487	19.577	17.647	97.644	22.832
2004	9.549	114.187	23.123	41.312	1.672	19.137	15.912	94.687	18.188
2005	7.489	127.418	21.389	43.446	0.468	19.909	14.176	92.068	22.057
2006	8.86	147.794	22.349	47.479	0.963	19.757	14.333	85.117	25.13
2007	9.112	179.981	23.165	49.223	2.105	23.79	13.681	84.717	26.059
2008	1.788	192.231	30.534	45.012	6.628	24	17.894	95.343	14.478
2009	-0.603	192.406	27.79	44.639	0.597	17.37	17.322	99.66	16.849
2010	15.24	236.42	28.238	51.68	2.823	21.074	15.043	96.981	23.442
2011	6.516	276.622	27.051	48.621	5.248	23.073	14.467	100.448	21.57
2012	4.271	291.61	29.852	46.767	4.576	22.145	14.354	104.783	16.914
2013	4.952	305.157	30.445	46.286	2.359	21.335	14.783	101.207	15.841
2014	4.116	313.26	30.084	47.971	1.025	21.072	15.71	96.116	17.886
2015	2.505	306.254	26.535	43.524	-0.523	21.185	17.637	99.409	16.989
2016	2.844	316.558	27.012	44.557	-0.532	21.473	17.222	103.73	17.545
2017	3.929	336.679	28.461	44.474	0.576	22.644	16.866	106.941	16.013

AFRICA							
YEAR	GDP_PCENT	InvstGDP	GNatSaving	InfPCENT	GvtDEBTG	CA/cGDP	ExtGDP
1990	1.5	19.511	16.341	7.544861	53	-0.32	44.272
1991	-0.139	18.867	14.729	8.934307	55	-1.295	45.565
1992	-0.652	19.74	14.917	9.486543	53	-1.224	45.06
1993	0.451	17.774	13.248	9.524845	59	-1.176	49.344
1994	1.422	17.004	13.625	27.44798	62	-1.569	52.754
1995	3.843	17.578	13.725	11.42594	56	-2.233	46.805
1996	5.004	18.35	14.727	7.191647	51	0.139	41.279
1997	3.537	19.077	16.776	7.647174	52	-1.54	38.942
1998	2.396	20.258	16.043	6.435733	48	-3.021	38.252
1999	2.323	18.255	15.889	4.356434	62	-2.027	53.696
2000	4.017	18.171	18.862	4.500789	67.633	1.154	52.577
2001	4.714	18.374	16.791	5.147468	64.983	-1.018	53.011
2002	6.558	19.522	17.967	4.705791	57.547	-0.907	50.127
2003	5.054	19.542	18.476	5.679418	52.14	-0.435	43.799
2004	7.14	20.191	20.78	4.136632	47.464	1.074	37.866
2005	6.342	19.728	23.129	6.598985	38.901	3.889	31.447
2006	6.017	20.298	23.982	6.389439	29.252	3.884	23.421
2007	6.71	21.764	22.695	6.547881	25.485	1.429	23.153
2008	5.806	22.249	21.975	10.29698	24.724	0.182	20.603
2009	3.836	23.294	20.147	7.322001	28.622	-2.378	24.295
2010	7.114	22.028	20.819	3.976553	27.421	-0.808	22.31
2011	5.267	20.646	20.299	5.046102	29.588	-0.582	21.589
2012	4.687	21.713	19.879	6.58836	29.623	-1.707	23.015
2013	5.22	21.57	19.39	4.905209	31.625	-2.161	23.749
2014	5.065	22.471	19.191	4.403803	33.56	-3.611	25.386
2015	3.162	22.665	17.172	3.855922	39.497	-5.936	29.224
2016	1.354	21.191	17.992	5.43052	44.403	-3.696	34.258
2017	2.941	20.955	18.896	5.263419	46.35	-2.14	36.118

Kenya							
Year	GDP_PCENT	GDP_USD	InvstGDP	NatSavingsGDP	InfPCENT	ExtdebtGDP	CA/cGDP
1990	4.134	12.18	26.302	15.081	17.782	85.97	-5.79
1991	1.339	11.501	23.385	14.857	20.084	95.83	-2.501
1992	-1.08	11.327	17.205	10.837	27.332	87.82	-3.155
1993	-0.095	7.869	18.884	14.307	45.979	131.9	11.417
1994	2.531	9.422	17.439	13.781	28.814	104.99	7.733
1995	4.287	11.944	17.581	11.716	1.554	83.76	-2.369
1996	4.148	13.565	13.519	11.767	8.864	57.65	0.485
1997	0.411	13.742	14.267	10.286	12.096	49.95	0.459
1998	2.983	15.739	13.814	11.368	5.612	48.87	1.787
1999	2.199	14.353	16.317	23.686	4.984	51.29	7.37
2000	0.347	14.136	18.054	16.643	7.77	48.89	-1.41
2001	3.979	14.536	19.403	17.2	5.824	42.81	-2.203
2002	0.481	14.764	16.437	15.64	2.156	46.81	-0.797
2003	2.949	16.796	16.878	17.667	5.983	45.57	0.788
2004	4.635	18.064	17.517	16.788	8.381	43.35	-0.729
2005	5.665	21.001	18.215	16.904	7.823	34.63	-1.311
2006	5.854	25.826	18.634	16.694	6.041	25.94	-1.939
2007	6.851	31.958	20.457	17.147	4.265	23.7	-3.31
2008	0.232	35.895	19.613	14.15	15.101	21.36	-5.462
2009	3.307	37.022	19.333	14.922	10.552	23.12	-4.411
2010	8.402	40	20.735	14.809	4.309	22.2	-5.926
2011	6.112	41.672	21.703	12.497	14.022	24.22	-9.206
2012	4.563	50.422	21.476	13.112	9.378	23.74	-8.362
2013	5.879	55.125	20.106	11.318	5.717	25.39	-8.783
2014	5.357	61.547	22.432	12.047	6.878	28.01	-10.368
2015	5.718	64.236	21.466	14.749	6.582	31.33	-6.693
2016	5.869	70.876	16.199	10.983	6.318	31.96	-5.217
2017	4.874	79.212	16.208	9.878	7.985	31.81	-6.339

ASEAN+5							
Year	GDP-per	GDP-USDB	INVESTGDP	SAVING%GDP	Inflation%	TOTper-change	DEBT%GDP
1990	8.48	328.866	38.318	28.551	9.053	2.143	54.5
1991	7.427	366.533	39.327	26.894	12.413	-0.862	45.74
1992	6.748	415.94	37.165	27.017	8.081	-0.112	55.64
1993	7.655	465.058	34.15	27.634	7.029	-0.046	53.24
1994	7.553	527.709	35.381	28.238	7.41	1.466	54.7
1995	8.072	611.819	36.599	28.876	7.968	2.706	64.2
1996	7.478	682.541	36.132	29.027	6.908	2.643	47.4
1997	3.743	636.557	34.506	29.186	5.342	-2.95	46.7
1998	-8.282	405.947	22.687	27.971	28.391	-1.577	54.74
1999	2.914	492.52	18.787	23.136	10.432	5.338	52.3
2000	5.451	518.792	24.199	27.399	2.598	1.198	62.224
2001	3.334	503.229	24.951	27.171	6.395	-3.288	58.363
2002	5.08	571.858	24.626	26.451	6.244	-0.529	55.464
2003	5.676	649.523	26.188	28.153	4.197	0.094	52.57
2004	5.976	727.309	25.968	27.257	4.808	1.38	50.428
2005	5.31	809.101	27.328	27.196	7.597	0.994	45.776
2006	5.49	974.739	26.402	28.713	8.596	1.343	40.535
2007	6.242	1,159.93	26.273	28.499	4.713	3.336	37.631
2008	5.351	1,360.48	28.395	30.589	9.27	3.458	36.407
2009	2.436	1,338.28	25.662	30.6	3.168	-2.856	38.294
2010	6.913	1,663.75	28.593	31.322	4.527	2.021	36.468
2011	4.723	1,920.11	28.58	31.155	5.794	-1.925	35.203
2012	6.203	2,036.58	29.587	29.899	3.803	0.487	36.468
2013	5.056	2,102.54	28.977	28.807	4.564	-0.019	38.046
2014	4.615	2,106.80	28.409	29.471	4.559	0.658	38.33
2015	4.895	2,042.71	28.018	29.523	3.194	1.157	39.622
2016	4.96	2,147.47	28.245	30.256	2.359	1.177	39.281
2017	5.36	2,319.29	28.635	30.697	3.092	-0.192	39.293
2018	5.24	2,436.16	29.207	29.768	2.804	-0.869	39.921