



## Impact of Public Capital Expenditure on Inflation Rate in Nigeria

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### Abstract

This paper examines the impact of public capital expenditure on inflation rate in Nigeria. The data for the study were sourced from various issues of the Central Bank of Nigeria's statistical bulletin. The data was subjected to unit root test using Augmented Dickey fuller (ADF) approach to ascertain the time series properties. Descriptive statistics was used to assess the socioeconomic characteristics of the variables. Due to the mixed order of integration witnessed in the unit root, ARDL- Autoregressive Distributed Lag approach was used for cointegration and regression analysis. The result found that Public capital expenditure is negatively and statistically significant ( $t_{cal} = -2.903$ ) in influencing Inflation Rate in Nigeria. This outcome is highly directional in the sense that prudent and productive spending will always subdue inflation in any economy; therefore, this study recommend that government should increase its investment in production sectors and encourage skilful and willing citizens to participate, since this would reduce the expenses being incurred on business as a result low currency value and raise the profitability of firms.

## Introduction

Ofanson (2007) argues that in the past, the role of government was to provide for law and order and public amenities. But, with the shifting functions of government, today's roles of government include maintaining full employment, price stability, economic growth and development, equal distribution of income and wealth, and attaining balance of payment equilibrium. This new role of government requires increased government spending. The authors assert that the increase in government spending in Nigeria is attributable to rising government revenue, the increased demand for public goods, and the need to ensure internal and external security (Amassoma et al., 2011).

Nigeria has been able to boost government spending because of oil production revenue and increasing demand for public amenities, including roadways, communication, electricity, education, and health care. Additionally, providing internal and external security for individuals and the country is a growing need. Despite that, there is still a debate going on as to whether or not more government spending results in inflation, which is why this research is required.

It's additionally speculated that an increase in government spending, which is expected to continue rising, will not translate to economic growth and development, given that Nigeria is already one of the poorest countries in the world, and a greater proportion of her population live on less than \$1 per day. The macroeconomic indicators of Nigeria's unsteady economy in recent years include the balance of payments, inflation rate, and exchange rate.

Inflation is seen in many countries, not only Nigeria. The problem is global, and it affects wealthy and impoverished nations equally. In Nigeria, several reasons for inflation have been found. In 1974, the Central Bank of Nigeria (CBN) and the Nigerian Institute of Social and Economic Research in Ibadan held a conference on "inflation in Nigeria" and found that the country's currency issues and their structural rigidities and bottlenecks in the economy were to blame for inflation. There is a lack of agreement on the monetary growth's role in explaining inflation, as the following studies found: Akinnifesi (1977, 1984), Adeyeye and Fakiyesi (1980), and Osake (1983). However, they noted the relevance of variables outside of monetary inflation, which has been especially prevalent since the implementation of SAP (Asogu, 1991).

The last three decades have been defined by hyperinflation in Nigeria. Though inflation affects everything from everyday people to the whole economy, statistics have shown that inflation has always been high in Nigeria. An knowledge of inflation's origins may help policymakers formulate appropriate policies (Ogbole & Momodu, 2015). Conversely, Keynesians believe that a Keynesian stimulus of increased government spending and investment in the economy is necessary for maintaining the stability of the economy and for enhancing productivity and investment. Government helps reduce inequality by investing in those who are less fortunate. Various explanations have been proposed for this issue, and a number of ideas on the subject have been presented in various nations. In many nations, both in practice and in theory, government expenditure has been shown to be followed by inflation.

Nigeria is now experiencing a duality of stagnation and inflation where high levels of unemployment coincide. To try to control inflation, different economic stabilization policies have been attempted throughout time by various Nigerian administrations. We aim to evaluate inflation and the Nigerian economy in this context. The Keynesian school of thought states that government has to spend in order to help boost productivity and private investment (Olayungbo, 2013). And like in other developing nations, the government in Nigeria has seen a rise in both the capital and the recurring spending. Large payments from the sale of oil, and the greater need for public amenities like roads, schools, and hospitals may be due to growing populations that need more internal and external protection.

A report published earlier this year by the UN showed that spending by governments on health, education, and social protection has risen, going from over \$110 billion USD in 2008 to over \$350 billion USD in 2013. Despite increases and decreases in the same period, inflation rates have trended up and down over the last few decades, rising from 15.39 percent in 1981–1985 to 25.87 percent in 1986–1990, and then soaring to 48.93 percent in 1991–1995, dropping to 12.29 percent in 1996–2000, and increasing again to 15.73 percent in 2001–2005, dropping again to 10.09 percent in 2006–2010, and reaching 11.82 percent in 2011–2015. (CBN, 2016).

The argument amongst academics over the connection between government spending and inflation is still going on. The dispute was determining whether or not increased government expenditure might cause inflation. There is significant disagreement among experts as to whether government spending causes inflation to rise or whether it is inflation that drives government spending to increase (Ezirim et al., 2008). Because of the argument previously described, this research aims to examine the effect of government capital spending on inflation rate in Nigeria

## Literature Review

Even among those known for discussing public spending and its effect on economic development, Keynes was a well-known figure, and he seems to have been in a minority in this regard, with his appearance to provide a stark contrast to what most others in his field were

advocating. Keynes saw public spending as a source of growth, calling it a "exogenous force" that is available to implement fiscal policy. And thus, more government spending will improve jobs' profitability and, through the multiplier effect, boost investment. Yet, the government may provide assistance to boost demand for aggregate production, based on the multipliers, whose economic effect increases with government expenditures. In the Keynesian economic theory, there is no sufficient examination of inflation, which is often brought about by increased government expenditure. This is one of the biggest shortcomings of Keynesian theory.

The Keynesian idea that changes in aggregate investment spending cause changes in the level of aggregate demand is built on the premise that the economy does not have the resources for full employment and that is why increases in demand lead to price rises. However, once full employment has been achieved, the system is bottlenecked. Investment above the full employment level of resources will cause demand to exceed supply. "The lack of significant price distortion until full employment is achieved is because excess demand is the creator of inflation." In the Keynesian paradigm, inflation was traditionally seen as either coming from rising demand or from rising costs. Excess aggregate demand drives up prices across the board.

Wagner's Rule is a political economy term that refers to the law of growing state action in the West, as hypothesized by Adolph Wagner following close research on western European economic trends in the 1800s. He believed that increasing industrialisation and economic progress caused government expansion. Wagner says that as the national real income per capita rises, the proportion of government spending in overall spending rises. The passage quoted earlier explains that industrial development would lead to more political pressure for social advancement and more leeway for companies to account for social factors.

Wagner created three budget-increasing bases in 1893. At the start of the industrialization process, the private sector will be replaced by the public sector. The administrative and protective responsibilities of the state will be amplified. Government also should provide social programs such as education, healthcare, retirement benefits, food assistance, natural disaster relief, environmental protection initiatives, and other such services. Lastly, having more heavy industry will bring about technical advancements, and companies with economies of scale tend to corner markets. Because these impacts have to be covered via the use of government funds, it will be necessary for governments to cover the budget by providing merit and social goods.

A better way to think about contemporary monetarists' understanding of the monetary impact on the economy is that it is the modern perspective of money and its influence, taking into account the human elements that matter more in modern society. While contemporary monetarists are aware of Fisher's equation, they make decisions based on evidence-based findings rather than remaining rooted in their perspective of classical theory. While acknowledging that  $V$  may change over time, they anticipate it to remain rather constant. Further, they claim that the economy will go back to full employment position on its own over time. One reason why you will experience "rigidities" is that a monopolistic power exists among trade unions and big companies, as well as laws that bind you to fixed-term contracts. However, it is expected that market forces will win out in the long run, and corrections will be made to adapt to shifting demand patterns. This, of course, has been happening all along.

Supporters of modern quantity theory argue that the short-term rigidity that can exist will make it difficult for price levels to adjust smoothly, but that, if you accept that as a possibility, the quantity of money circulating in the short term can be used to increase real aggregate demand and thereby raise output and employment assuming that unemployed resources are available. Likewise, having a few extra dollars invested in investments that give back a little of interest on the principal may incentivize spending in interest-sensitive sectors, which would expand

aggregate demand. But with the assumption that  $V$  follows a reasonably consistent and predictable pattern,  $T$  will move towards its maximum employment level on its own. The conclusion contemporary monetarists have reached is that long-term effects on the economy will include little impact on production and employment, but price increases (i.e. cause inflation). Modern monetarists get to the same conclusions as classical theorists, but through a path that is more intuitive and empirical (Goacher, as cited in Onuchuku and Adoghor, 2000). “For short-term contemporary quantity theorists, there is no general acceptance of a standard full employment scenario. Neither do they think of money velocity as constant. Instead, the outcome of inflation is seen as arising from increases in money supply.”

In contrast to economic theory, which has explained how government spending may aid or harm economic development, a balance has yet to be found. Spending in classic Keynesian macroeconomics helps to strengthen the economy via an increased demand on the aggregate, which in turn creates a positive multiplier effect. The second possibility is that government spending will get in the way of private investment, reducing economic stimulation in the near term and decreasing long-term capital accumulation.

Expenses considered productive are counted as spending that is an input in private output, whereas money that is not included in that class is regarded as unproductive (Barro, 1990). Wagner's Law of Increasing State Activity is the oldest theory of government development. This hypothesis argues that a correlation exists between the rise of the public sector, industry, urbanization, and education (Bird, 1971). To explain economic growth, Wagners' believes it is due to the fact that more money has been invested in the public sector because industrial workers have demanded more of it in order to raise their wages. This is because there is less money available to invest in the private sector (Gandhi, 1971; Goffman and Mahar, 1971). Bureau Voting Theory disputed the effects of industrialization and urbanization, instead arguing that increased public sector growth is mostly due to a biased demand for government services (Niskanen, 1971)

## Methods

### Research Design

This study which is the impact of public capital expenditure on selected economic performance indices employs ex-post facto design. According to Ihemeje, Umeh and Ogbaje (2011) It is preferred when the variable or event to be observed has taken place already; therefore, ex-post facto research design will be adopted in this study as a form of descriptive research.

### Sources of Data Collection

The source of data for this study is secondary data from Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistic (NBS) journals as well as other relevant sources on some variables used in this study such as Gross Domestic Product (GDP), Poverty Rates, Inflation rate Capital Expenditure and real exchange rate .

### Techniques of Data Analysis

The study of the impact of public capital expenditure on the selected economic performance indices used Augmented Dickey-Fuller (ADF) approach to test the variables for time series properties (stationarity) before analysis, Autoregressive Distributed Lag model (ARDL) was used for multiple regression and integration to evaluate the effect of the explanatory variables on the dependent variables. The choice of Autoregressive Distributed Lag model (ARDL) in the study come as a result of the mixed order of integration witnessed from unit root test. This approach has equally gained the interest various researchers in several studies of related prior

empirical works such as Onwumere, (2009) and has been adopted by similar studies in Nigeria like Yekini (2001), Ezirim, 2006: and Okafor, (2010).

### **Model Specification**

$$Y = B_0 + B_1 + e_i$$

Where;

Y= Dependent Variables

B<sub>0</sub>= intercept of Y

Y= Dependent Variable

B<sub>1,2,3</sub> are Parameters

e<sub>i</sub>=Stochastic Variables

In specifying the models to be used in this study, the following abbreviations will be applied;

INF                      Inflation Rate

PVR                      Poverty Rate

GDP                      Gross Domestic Product Growth Rate

CAPEXP                Capital Expenditure

RER                      Real Exchange Rate

The above model has been adopted and modified mathematically as follows;

$$INF_R = \beta_0 + \beta_1 CAPEXP + \beta_2 RER + e_i$$

$$GDPGR = \beta_0 + \beta_1 CAPEXP + \beta_2 RER + e_i$$

$$POVTR = \beta_0 + \beta_1 CAPEXP + \beta_2 RER + e_i$$

### **Results and Discussion**

#### **Data Analysis and Interpretation of Results**

In Table 3.1, the values of gross domestic product, capital expenditure, poverty rate, inflation rate and exchange rate were presented. Gross domestic product witnessed fluctuations in its growth rate within the period of study (1981 to 2015). The values range from 1.211%, 1.99%, 0.79%, 0.92%, and 2.96% in 1981, 1982, 1983, 1984 and 1985 respectively. It further fluctuated from 0.46% in 1986 to 3.25% in 1992. The value of gross domestic product maintained steady increased between 1993 and 1995 (1.11%, 1.44% and 2.24% respectively).

Steady growth was again experienced in GDP from 1997 to 2000 before a sudden drop in 2001 to 0.77% which then ran through the end of the study period ranging from 2.21%, in 2002; 0.61% in 2003; 2.04% in 2004; 1.23% in 2005; 1.29% in 2006; 0.67% in 2007; 1.42% in 2008; 0.83% in 2009; 2.01% in 2010; 0.81% in 2011; 1.04% in 2012; 0.95% in 2013; 1.06\$ in 2014 and 0.57% in 2015 respectively.

There were fluctuations in the values of government capital expenditure between 1981 and 1985 with N6.57 million in 1981; N6.42 million in 1982; N4.89 million in 1983; N4.1 million in 1984 and N5.46 million in 1985 respectively. Appreciation in the values of government capital expenditure began with N8.53 million in 1986 and ended with N1312.61 million in 2015 respectively.

The pattern of movement in the values of poverty rate in Nigeria even though there was a little drop in value in 1982; 1989; 1992; 2002; and 2009 respectively, suggested that poverty is on the increase in the country. This is evidenced by the geometric increase witnessed after 2010 till the last period of this study. Inflation rate fluctuated throughout the period of this study ranging from 20.9% in 1981; and 9.9% in 2015 respectively.

Within the study period, inflation rate was at its highest point in the year 1995 which equally marked the beginning of the geometric increase witness in poverty rate after previous periods of arithmetic movement. Exchange rate maintained steady trend between 1981 and 1985 with its values moving from 0.63N/\$ to 0.89N/\$. After the Structural Adjustment Programme (SAP) of 1986 presumably, fluctuations was witnessed in the naira value between 1986 and 1993. After this period, the value of the Naira appeared fixed against the U.S Dollar between 1994 and 1998. Exchange rate fluctuated from 1999 through the rest period of this study. Looking at the trend of movement in the variables used for this study, one can understand inconsistency in the values which invariably may agree with theoretical assumptions. Having presented the data used for the analysis, the study progressed to look at the socioeconomic characteristics of the variables using descriptive statistics as presented in table 4.1 below.

### Descriptive Statistics

Table 1. Descriptive statistics based on the variables used in the analysis

Variables	GDP growth rate (%)	Capital Expenditure (M'N)	Poverty rate (%)	Variables	Exchange rate
Mean	1.434143	384.4611	53.89429	19.60286	72.15707
Median	1.211000	241.6900	54.40000	12.50000	22.05000
Maximum	4.625000	1312.610	76.00000	72.80000	172.3210
Minimum	0.376000	4.100000	27.50000	5.400000	0.630000
Std. Dev.	0.890797	415.3088	13.51300	17.12587	66.76271
Skewness	1.671999	0.823079	-0.294445	1.600805	0.195665
Kurtosis	6.142739	2.300056	2.331943	4.633788	1.261328
Jarque-Bera	30.71124	4.666315	1.156594	18.84103	4.631839
Probability	0.000000	0.096989	0.560853	0.000081	0.098675
Sum	50.19500	13456.14	1886.300	686.1000	2525.497
Sum Sq. Dev.	26.97964	5864368.	6208.439	9972.050	151546.8
Observations	35	35	35	35	35

Source: computed by the author from CBN statistical bulletin 2008 and 2015, using E-view 9.0

Table 1 show that for the 35years data used to analyze of the study, the cumulative values of GDP growth rate, capital expenditure, poverty rate and inflation rate were 50.19%; N13456.14 million; 1886.30% and 686.1% respectively. The mean values of GDP growth rate, capital expenditure, poverty rate and inflation rate were 1.43%; N384.46 million; 53.89% and 19.60% respectively.

The maximum and minimum values of 4.62% and 0.37% were recorded in GDP growth rate within 2015 and 1981 respectively. The maximum and minimum values of N1312.61 million and N4.10million were recorded in capital expenditure between 2015 and 1981 respectively. Also, the maximum and minimum values of 76.0%and 27.5% were recorded in poverty rate within the period of study (between 1981 and 2015) respectively. Inflation rate recorded

maximum and minimum values of 72.8% and 5.40% in 2015 and 1981 respectively. The maximum and minimum values of 172.3210N/\$ and 0.630000N/\$ were recorded in exchange rate between 2015 and 1981 respectively. The maximum and minimum values of N1312.61 million and N4.10million were recorded in capital expenditure between 2015 and 1981 respectively.

From Table 1 the skewness values of 1.672, 0.823, -0.29 and 1.60 were observed in the values of GDP growth rate, capital expenditure, poverty rate and inflation rate respectively. All the variables in the study except poverty rate (which showed negative trend) showed positive distribution of the value curve. This is an indication that the values tends to increase as the years increases. However, the skewness value of -0.29 recorded for poverty rate showed negative distribution of the value curve for poverty rate which is an indication that the values tend to decrease as the years increases. It is necessary to proceed with the unit root test to establish the stationarity of the variables used in the study. A closer view on the descriptive statistics table presented in Table 1 shows that the data were normally distributed.

Table 2. Stationarity Properties of the Variable Used in the Analysis

Variables	Augmented Dickey-Fuller		Order of Integration
	1(0) Level	1(1) FD	
GDP growth rate	-7.765285	-8.609866***	I(0)
Capital expenditure	0.536145	-7.305632***	I(1)
Poverty rate	-1.378090	-6.075139***	I(1)
Inflation rate	-2.787913	-5.618758	I(1)
Exchange rate	-0.148237	-6.047158	I(1)
Test critical values:			
1% level	-3.639407	-4.273277	
5% level	-2.951125	-3.557759	
10% level	-2.614300	-3.212361	

An evaluation of the characteristics of the individual series is necessary before doing any analysis of the data, since it is important to understand the possible issues prior to conducting analysis on the data. The unlogged variables used in the study that have undergone the Augmented Dickey Fuller (ADF) unit root test are included in the table that follows.

Table 3 shows the cointegrating form of the relationship between the variables included in the model.

Table 3. cointegration analysis of GDP growth model

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GDPGR(-1))	0.198415	0.146263	1.356558	0.1917
D(CAPE)	-0.002422	0.000687	-3.523071	0.0024***
D(INFR)	0.021342	0.008483	2.515802	0.0216**
D(INFR(-1))	0.037739	0.009699	3.890937	0.0011***
D(POVR)	0.041147	0.025199	1.632883	0.1199
D(POVR(-1))	0.002426	0.029067	0.083472	0.9344
D(POVR(-2))	0.016865	0.027903	0.604424	0.5531
D(POVR(-3))	0.033062	0.025165	1.313813	0.2054
D(RER)	0.007970	0.005403	1.475042	0.1575
<b>CointEq(-1)</b>	<b>-2.020833</b>	<b>0.261026</b>	<b>-7.741879</b>	<b>0.0000***</b>

Source: computed by the author using E-view 9.0. Note \*\* and \*\*\* stand for 5% and 1% respectively.

From Table 3, it is observed that there is cointegration between GDP and capital expenditure establishing existence of long run relationship between the two variables. On the other hand, inflation rate was significant at 5 percent level; indicating cointegrating relationship between the variables. The result further showed that although poverty rate showed no cointegrating sign in the analysis; but capital expenditure was significant which still establishes the possibility of long run relationship among the variables.

Table 4. long run cointegrating form of GDP growth model

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAPE	-0.001198	0.000308	-3.896587	0.0011***
INFR	-0.009360	0.005230	-1.789572	0.0904*
POVR	-0.011322	0.010283	-1.101039	0.2854
RER	0.003944	0.002613	1.509167	0.1486
C	2.374387	0.448798	5.290543	0.0000***

Source: Computed by the author using E-view 9.0 \* and \*\*\* stand for 10% and 1% respectively.

Following the approach of Stevenson (1988), economic performance is examined for the cointegration analysis ARDL. This is on the basis that the purpose of the cointegration analysis is to test for evidence of long-run relationship, and it is therefore appropriate to assume that actual and expected rates of equilibrium adjustment are equal. The maximum number of lags is 1 due to the sample size of 35 years in this study.

The ARDL cointegration results are consistent with Anari and Kolari (2002) but contradict to Zhou and Clementa (2010). Alternatively, since the relationship runs from capital expenditure to GDP growth, the results of P-value and t-statistics in Table 4.3 and 4.4 indicate the cointegration results are rather perfect. It indicates that capital expenditure cointegrated with GDP growth rate all at the 95% levels of significance respectively. The equilibrium adjustment mechanism was rightly signed (CointEq(-1)) and indicate the possibility of the variables which were integrated of order 1 to adjust itself back to long run equilibrium within a shortest possible time (-2.020833).

This study proceeded with regression analysis to check for the impact of public capital expenditure on on inflation rate.

$$INF = \beta_0 + \beta_1 CAE + \beta_2 RER + e_i \dots \dots \dots 1$$

Table 5. Regression result of the effect of public capital expenditure on inflation rate in Nigeria

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFR(-1)	0.681738	0.172209	3.958781	0.0005***
INFR(-2)	-0.362258	0.177963	-2.035581	0.0514*
CAPE	-0.002289	0.012448	-0.183906	0.8554
RER	-0.072491	0.082426	-0.879465	0.3866
C	20.18167	6.244391	3.231967	0.0031***
R-squared	0.492523			
Adjusted R-squared	0.420026			



F-statistic	6.793717***			
Prob(F-statistic)	0.000593			
Durbin-Watson stat	1.885177			

Source: Computed by the author using E-view 9.0; \*, \*\* and \*\*\* respectively refers to 10%, 5% and 1% levels of significance.

Table 5 reports the ARDL regression estimates of capital expenditure and inflation rate. The coefficient value of inflation in the first period lag (0.681738 at 1 per cent level of significance) was an indication that the economy experienced less inflationary period in the previous years. This is evident in the t-statistic value of 3.958781 and p-value of 0.0005 less than critical value of 2.0411 and 0.05 respectively. The economic implication of this is that a percentage change in inflation caused capital expenditure to decrease by 68.17% in the previous period/years. In the same vein, the current status of inflation in the economy was represented by coefficient of elasticity in Table 4.5 above, current period (lag of two years) shows a better inflationary period than the previous years. This implies that a percentage change in inflation will lead to -0.3622 proportionate decrease in government capital expenditure proxy by CAE. The coefficient of capital expenditure (-0.002289 statistically insignificant) it explains that capital expenditure negatively and insignificantly related to inflation rate in the period of study. If the coefficient of capital expenditure is -0.002289; negatively insignificant, it means that a decrease in capital expenditure will cause inflation to increase by 0.2%. On the other hand, exchange rate negatively and insignificantly affected the changes in inflation rate within the reference period.

This outcome could be as a result of relatively decreased in the level of productivity in the various sectors of the economy in recent times. This has caused near insignificant output from several productive sector; this is evidence in value of the Naira against major currencies of the world. Based on the magnitude of the coefficient of determinations (R<sup>2</sup>), and the significance of the model measured by the F-statistic; the regression result in table 4.5 above shows that the value of R<sup>2</sup> is 0.492523. This implies that 49.25% of the total variation observed in the dependent variable (Inflation), is explained by the independent variables (government capital expenditure and exchange rate). This implies that capital expenditure has about 49.25% Influence on the inflation in Nigeria. The unexplained variation (i.e 1 – 0.492523) is further left stochastic. The F-statistic value of 6.79371 at 5% level of significance show that the model for measuring inflation was well formulated while the Durbin Watson statistics is used to test the existence of serial correlation between the variables. Durbin Watson is equal to 1.885 closer to 2; this is an indication that serial auto correlation was not a problem in the study.

The results of this study were explicit in explaining the effect of public capital expenditure on inflation proxy by (INFR) within the period under review. The sign and magnitude of the coefficient of elasticity for public capital expenditure against inflation rate is evident that the former has significant and negative influence on the later. The t-statistic value of -0.183906 is less than critical t-value (2.0) while probability (p-value) of 0.8554 is greater than critical p-value (0.05). Therefore, the study concluded that there is negatively and significantly influence of public capital expenditure on inflation rate within the study period.

## Conclusion

This study seeks to investigate the impact of public capital expenditure on inflation rate in Nigeria. The study concluded that Public capital expenditure negatively and significantly impacted on inflation rate; this outcome is highly directional in the sense that prudent and productive spending will always subdue inflation in any economy; therefore, this study recommends that government should increase its investment in production sectors and

encourage skillful and willing citizens to participate, since this would reduce the expenses being incurred on business as a result low currency value and raise the profitability of firms.

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