PUBLIC DEBT AND ECONOMIC GROWTH IN NIGERIA (1987-2020)

SAMSON OLUWOLE OLOWO

Bell University of Technology, Ota, Ogun State, Nigeria

ODUNAYO FEMI OGUNSANWO

Faculty of Management Sciences, Federal University, Oye-Ekiti, Nigeria
odunayoogunsanwo651@gmail.com

KEHINDE OLADEJI ADEKANMBI

Faculty of Management Sciences, Ekiti State University, Ado-Ekiti, Nigeria

DAMILOLA GABRIEL EDEWUSI

Faculty of Management Sciences, Ekiti State University, Ado-Ekiti, Nigeria

ALIU OLUSOLA ADEWOLE

Gary Young Agencies Limited, Prince George, British Columbia, Canada

ABSTRACT

The study investigated the link between governmental debt and economic growth in Nigeria over a 34-year period (1987-2020). The survey examined the effect of external debt, domestic debt service payments, interest rates, and government spending on economic growth as measured by real GDP. The study used the least square econometric technique to determine the relationship between public debt variables and economic growth in Nigeria. Data on real gross domestic product, external debt, domestic debt service payment, interest rate, and government expenditure were gathered from the CBN statistical bulletin (2020). External debt and domestic debt service payments have a negative and substantial influence on economic growth, interest rates have a positive and insignificant effect on economic growth, and government expenditure has a positive and significant effect on economic growth, according to the study. The study indicated that Nigeria's public debt had a negative link with economic growth based on the findings. As a result, debt office management is attempting to put in place mechanisms to ensure that loans are used for the purposes for which they were acquired and channeled towards productive uses, and sourcing external debts should be viewed as a means of long-term development rather than a means of solving short-term problems.

Keywords: Public Debt, Economic Growth, Nigeria

JEL classification: H63, H50, P40

1. INTRODUCTION

Nigeria, like the majority of the world's most indebted and helpless countries, has sluggish economic growth and low per capita income, with insufficient domestic investment money to satisfy educational and other public goals. Nigerian items were primarily needed wares, with trade profit levels too low to consider financing imports, which are often capital-intensive (manufactured) goods that are equally more expensive (Siddique, Selvanathan and Selvanathan, 2015). Nigeria's transition to a mono-economy following the discovery of oil is exacerbating the problem. Around 95 percent of foreign trade income and around 80% of monetary income comes from the oil sector. Nigeria lacks assets for expansion and formative enterprises, such as streets, electricity pipe borne water, and so on, due to her failure to diversify her income sources, as well as debasement and blunder.

Nigeria was forced to secure external debt in order to develop domestic debt as part of its objective for economic growth and improvement. Nigeria obtained its largest external borrowing of 4.396 billion from the World Bank in 1958 to fund rail route construction. Since then, there has been a collection of credits focused on various improvement projects with no clear outcomes, as is customary. In October of 2000, the Debt Management Office (DMO) was established as the amount of advances increased. The Central Bank of Nigeria (CBN) was burdened with the board of public debts obligation prior to the establishment of DMO. Second, the DMO, in collaboration with the CBN and the Federal Ministry of Finance, manages Nigeria's debts (Nwannebuike, Ugwu and Onwuka, 2016). The concerns surrounding debt and debt restructuring prompted Sanusi (2003) to warn that Nigeria's mounting debt is a barrier to economic progress and improvement. Campbell (2009) had a similar viewpoint when he stated that government debt may easily become a burden on the economy, weakening its foundation, and cautioned that experts should understand that accumulating debt also implies accumulating chances by growing claims on unrealized future pay.

It is reasonable to assume that public debt will lead to economic growth. Overemphasis on the negative consequences of debt will create fear of debt, leading to debt evasion instead of invigorating the economy by obtaining the truly necessary cash for infrastructural development and speculation. As a result of the preceding, there were definitely varied opinions on public debt and economic growth, necessitating the need for strategy creators to influence the economy at various levels of debt aggregation in order to equip them to make educated decisions. This is in keeping with the fact that there are times/circumstances when debt is appealing and necessary, and other times when debt should be avoided. In the Nigerian context, there have been few experimental studies on public debt and economic growth, focusing instead on foreign debt and economic growth, as well as internal debt and economic growth. In any event, among the few studies (Bekun and Alola, 2016; Essien, Agboegbulem, Mba and Onumonu, 2016; Favour, Idenyi, Oge and Charity, 2017; Ujuju and Oboro, 2017; Isibor, Akhanolu, Babajide, Oladele and Osuma, 2018, Obisesan, Akosile and Ogunsanwo, 2019) to make reference to a not many that have examined public debt and economic growth have neglected to

experimentally assemble yearly time series information up to 2020 which requires a hearty and late review. The appropriate inquiries that the review wants to answer are: What impact does external debt has on economic growth in Nigeria? How much will domestic debt influence economic growth in Nigeria? How effect treats rate has on economic growth in Nigeria? How impact treats expenditure have on economic growth in Nigeria?

1.1. OBJECTIVES OF THE STUDY

The main objective of the study is to investigate the effect of public debt on economic growth in Nigeria. However, the specific objectives are to:

1. ascertain the impact of external debt on economic growth in Nigeria.
2. examine the effect of domestic debt servicing on economic growth in Nigeria.
3. establish the impact of interest rate on economic growth in Nigeria;
4. evaluate the effect of government expenditure on economic growth in Nigeria

1.2. RESEARCH HYPOTHESES

The following hypotheses were stated in null form and testable at 5% level of significance

1. External debt has no significant impact on economic growth in Nigeria.
2. Domestic debt servicing has no significant effect on economic growth in Nigeria
3. Interest rate has no significant impact on economic growth in Nigeria
4. Government expenditure has no significant impact on economic growth in Nigeria

2. LITERATURE REVIEW

2.1. PUBLIC DEBT AND ECONOMIC GROWTH

The amount an economy owes to moneylenders outside of itself is referred to as public debt. People, organizations, and a variety of governments can make up these groups. The terms "public debt" and "sovereign debt" are frequently used interchangeably (Kimberly, 2016). The term "public debt" refers to the total amount of a country's obligations, which includes debts owed to local, state, and federal governments, and shows how much public spending is funded through borrowing rather than taxation (Makau, 2008). The government's public debt is a measure of the money it owes to organizations, government departments, and other authorities in and outside Nigeria. The financial crisis has also sparked debate over the specific relevance of debt, both internal and external (Nzotta, 2004; Hassan and Akhter, 2012).

The quantity of external and internal debt might be included in the structured public debt. In terms of the relationship between foreign debt and economic growth,

a healthy level of getting is likely to boost economic growth through capital aggregation and efficiency growth, given that nations in the early stages of development have limited capital and venture valued open doors. Debt is divided into two categories: helpful debt and d weight debt, for example. When an advance is contracted for improvement reasons, such as framework, processing plants, acquiring industrial facilities, and so on, it is thought to be useful. In any event, debt is welcomed to fund wars and current spending bills are extra weight debts (Ntshakala, 2015). Debt can also be divided into two types: beneficial and ineffective debt. A debt is useful when it is used to fund projects that generate revenue for the government, but it is useless when it is used to fund wars and other humanitarian aid in times of crisis. This type of debt is a burden on the local economy, forcing the government to rely on additional taxation to pay for the overhauling and reimbursement (Bekun and Alola, 2016).

According to economic theory, an agricultural nation's healthy levels of acquisition are likely to boost its economic growth. When economic growth is improved (over 5%), the economy's neediness situation is likely to be significantly altered. Countries in the early stages of development, such as Nigeria, must expand in order to sustain growth due to a scarcity of capital. As a result, they will most likely have lucrative open doors with better rates of return than their partner in created economies. As long as purchased assets are given back internally, this becomes enticing. Reserves are employed wisely for useful speculation and do not suffer from the negative impacts of macroeconomic instability. Growth along these lines is likely to accelerate, taking into consideration timely debt repayment. If this cycle continues for a while, growth will have a significant impact on per capital pay, which is a signal that neediness is decreasing (Igbodika, Jessie and Andabai, 2016).

Even in light of more rational suppositions that governments will most likely be unable to acquire publicly due to the risk of debt disavowal, this assumption is acknowledged to hold. Despite the fact that the debt overhang model does not explicitly break down the effect on growth, the ramifications remain that large debt stocks lower growth by primarily reducing speculation with a safe adverse consequences associated with debt stocks will in general reduce the benefit anticipated from strategy changes that would improve productivity and growth, such as exchange progression and monetary change. When this happens to the government, it will be less willing to incur current costs if it realizes that the future benefit in terms of improved results will be incompletely realized (Igbodika, Jessie and Andabai, 2016).

Nigeria's public-sector debt has a long history dating back to before 1960. Sanusi (2003) traced the national debt from $23 million (1.0 percent GDP in 1960) to $8.231.5 million (16.2% GDP in 1980) and then to $1.160 billion (83.6 percent GDP in 2002) before remaining at $6.54 trillion (17.8% GDP) on December 30, 2012. (DMO, 2012). According to Udoka and Ogege (2012), these stances restrict the government from collecting worker for hire debts and provider credit via un-recognized authority installment endorsements worth roughly 1.1 trillion dollars ($650 million). This trend may continue, as the 2013 financial plan set aside $7.2

billion for estimated credit requirements for the short and medium term (2013-2015) fiscal years, with N565 billion ($3.67 billion) set aside for domestic acquisitions.

The benefits of economic expansion are recognized by Lipsey and Chrystal (2004) in the following ways: Growth's key benefit is its long-term commitment to raising living standards and escaping poverty. Over a period of 10 years or more, the collective effects of what appear to be small growth rates become immense; new mechanical objects transform the entire approach to living humans in the economy. As citizens' typical wage grows, their utilization patterns may shift. As more useful cars are supplied, the government is forced to build more streets; it is far easier for a rapidly growing economy to reallocate funds to avoid destitution and extreme hardship. It is possible to reduce wage disparities without lowering anyone's compensation through economic growth. According to the Robert Solow neo-classical growth model, growth is dependent on capital accumulation, which increases the supply of capital goods to extend the usable limit, as well as appropriate saving to support expanded asset distribution to ventures (Lipsey and Chrystal, 2004).

2.2. EMPIRICAL LITERATURE IN NIGERIA

Obisesan, Akosile, and Ogunsanwo (2019) investigated the impact of external debt on Nigerian economic growth during a 37-year period (1981-2017). The focus looked at the effect of external debt, external debt management installments, and swapping scale on economic growth as a proxy for true GDP. The link between foreign debt factors and economic growth in Nigeria was studied using the least square econometric approach. The analysis revealed that in Nigeria, external debt and external debt administration installments have a negative impact on economic growth, whereas switching scale has a positive impact. External debt has a negative impact on Nigeria's economic growth, according to the analysis. By studying the relationship between debt elements and economic growth inside Solow's (1956) growth structure, Adamu, Salihu, Musa, Abdullahi, and Bello (2018) attempted to improve current writing on the debt growth-nexus. The evaluation focused on the econometric method of the Autoregressive Distributive Lag (ARDL) model, which was applied to time-series data for Nigeria between 1981 and 2016. External debt has a negative relationship with economic growth in both the short and long run, according to the findings. According to the evidence, an increase in external debt will result in a drop in economic growth.

Paul (2017) investigates the impact of Nigeria's external debt on the country's economic growth. Auxiliary sources are used to acquire information for the review. The following are some of the factors that are used to obtain data: Gross Domestic Product (GDP), External debt administrations, external debt stock, external save, and conversion scale. The scope of the study spans the years 1985 to 2015. The ordinary least square regression, ADF unit root test, Johansen cointegration, and mistake rectification tests are used to dissect the data. According to findings, debt management installment has a minor impact on Nigeria's economic growth, however external debt stock has a positive and critical impact on Nigeria's

growth list. External saving and shifting scale are two control factors that have a favorable and crucial impact on growth. The ADF unit root test reveals that none of the components are fixed at their initial levels. The Johansen cointegration test reveals a long-term link between external debt and growth (GDP). It also revealed that the components' relationship is driven by something akin to a single normal stochastic pattern. The causality test reveals that external debt and GDP are unidirectionally related.

The external debt crisis and Nigeria's economic growth were examined by Aguwamba and Adeghe (2017). GDP, external debt, and external debt administration installments are the components that span 30 years (1979-2008). The dependent variable is GDP, while the autonomous variables are external debt and external debt administration installments. For the assessment, a cointegration econometric model is used, and the Unit root test is used to determine the components' stationarity. The findings show a positive association between GDP and external debt, but a negative relationship between GDP and external debt administration installments. In Nigeria, Amassoma and Adeniran (2017) looked into the relationship between external debt and economic growth. Even if external getting is aimed at putting an economy on the growth cycle's pedal, it is only effective if the assets obtained are utilised effectively and in a well-coordinated manner. This has not been the case in Nigeria due to a lack of optimally utilizing contractual advances for its specific purpose, resulting in reimbursement becoming a burden, resulting in a great deal of disagreement among researchers, strategy producers, and government organizations, to name a few. Between 1980 and 2014, this study looked into the relationship between external debt and domestic speculation through economic growth in Nigeria. To determine the said association, the review used an OLS regression approach. The findings reveal that external debt has a negative and crucial influence on private interest in Nigeria, but domestic debt had an impact on private interest in Nigeria over the study period, suggesting that external debt is a barrier to private interest in Nigeria. As a result, the research concludes that foreign debt is inversely related to private enterprise, suggesting that an increase in external debt reduces private speculation, slowing economic growth in the country.

For the period 1980 to 2016, Ukpe, Umeh, Ater, and Asogwa (2017) investigated the impact of private venture and external debt on economic growth in Nigeria. Optional data was obtained and analyzed using a radically redesigned ordinary least squares method. The final result revealed that the coefficient of assurance (R^2) was 0.65, indicating that 65% of the variety of farming result was clarified by public external debt, unfamiliar direct speculation, domestic private venture and work. Furthermore, the coefficients of public external debt (- 0.315) and domestic private speculation (- 0.488) were large and negative, indicating that unit increases in public external debt and domestic private venture both reduce agrarian growth by 0.315 and 0.488 metric tons, respectively. Surprisingly, the coefficient of work (1.487) was positive and large, indicating that increasing labor productivity by one unit will increase farming output by 1.487 metric tons. Udoffia and Etido (2016) investigated the impact of external debt on Nigerian economic growth. The

conventional view holds that external debt has a negative impact on economic growth over time, but Ricardian proportionality holds that external debt has a positive impact while the Ricardian proportionality theory suggests the lack of bias of external debt to growth. External debt has been built up in Nigeria principally on the assumption that it will be used for speculating. Udoffia and Etido (2016) examined Nigeria from 1980 to 2012 using the cointegration test and the blunder amendment test. The findings of this study confirmed the traditional relationship between external debt and growth. Similarly, the review discovered that Nigeria does not have a debt overhang problem.

Ibrahim (2016) uses an autoregressive dispersed slack (ARDL) bound testing approach to investigate the effects of external debt on public capital interest in Nigeria from 1970 to 2013. The precise findings reveal that foreign debt and debt management have a negative impact on public capital speculation, despite the fact that current genuine GDP is positive. As a general rule, observational proof suggests that, on average, external debt has little impact on public speculation over the time span under consideration. In the long run, it is confirmed that the concept of helpless domestic reserve funds and venture produces greater debt management installments and divides available assets for economic and social interest. Okwu, Obiwuru, Obiakor, and Oluwalaiye (2016) used relevant econometric methodology to examine the effects of domestic debt on Nigerian economic growth from 1980 to 2015. Genuine total national production (RGDP) was used as an economic growth intermediary, while domestic debt stock (DDS) and domestic debt overhauling expenditure (DDSE) were used as determining variables, with government expenditure (GEXP) and banks' loaning rates (BLR) acting as directing factors. The factors' informational indexes were created using relevant publications from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). On the basis of the individual benefits of the logical variables, the results demonstrated a significant short- and long-term good outcome for DDS; however, the bad consequences for DDSE were minor. The elements had a large impact on each other and had a lot of power in revealing differences in economic growth during the era. In the end, domestic debt offered both short- and long-term growth potential.

From 1985 to 2013, Akinwunmi and Adekoya (2016) looked at external shops and their effects on Nigerian economic growth. Optional data was gathered from the Central Bank of Nigeria's Statistical Bulletin, the Nigeria Bureau of Statistics in various forms, and other sources. The data was subjected to the Durbin Watson auto-correlation test to ensure the unwavering quality of the data, as well as symptomatic tests such as the unit root test (Augmented Dickey Fuller) and Johansen cointegration test to determine the fixed and non-fixed nature of the data and the long-term relationship between the reliant and autonomous factors. The executives in Nigeria used multiple regression to test for a relationship between plausible components and external stores. The study discovered that external storage and illustrative factors had a significant link. Durbin-Watson is 0.97 times more prominent than R2 0.90, indicating that the data is deceptive. The unit root test revealed that EXR, MPR, IFR, and FDI are fixed at the first differential level, and

the co-combination test revealed that p-esteem is lower than the Trace and Max-Eigen measurement which is a proof of co-joining between the factors. The results of the regression study also reveal that logical factors clarify and reflect 90% of the variety in external stores, demonstrating that the model is well-matched. Furthermore, the multiple regression results reveal that GDP, MPR, and FDI are really demonstrably important, but IFR and EXR are truly insignificant. This implies that FDI, MPR, and GDP all play a significant role in Nigeria's external reserves. It also implies that a good economic performance is a good sign for foreign direct investment, which influences the economy's stores position.

Mbah, Umunna, and Agu (2016) used the ARDL bound testing method to assess the presence of long-run harmony in cointegration and error correction models over the period 1970-2013 to examine the presence of long-run harmony relationship among the factors. The Granger causality test was also employed to determine the direction of causality among the variables. The study's findings reveal a long-term link between the variables, with external debt having a negative impact on yield. The discovery also established a one-way causation between external debt and economic development. From 1984 to 2012, Olasode and Babatunde (2016) used the Autoregressive Distributed Lag (ADL) model to capture the influence of external debts on Nigerian economy suitability and growth. The primer and ordinariness tests reveal that the factors are slanted but not consistently distributed, whereas the econometric trial of Stationarity (Unit Root Test) and Co-combination Tests reveal that all of the factors exhibit Stationarity at first glance and the presence of a long-run relationship between the factors was additionally affirmed by the Johansen Cointegration test. The result of the ordinary least squares approach confirms the existence of a double behavior, as the slack 1 of external debts is positive, whereas external debts in the current year have a negative impact on the economy's presentation.

3. RESEARCH METHOD

3.1. THEORETICAL FRAMEWORK

In an effort to determine the relationship between external debt and economic growth in Nigeria, the study adopted the famous Cobb-Douglas production function with constant return to scale in line with the one used by previous studies such as Amassoma (2011). Thus, it is stated in the equation 1 as:

$$Y = A_t \, K_t^{\alpha} \, L_t^{1-\alpha} e^{u_t} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots . \qquad 1$$

Y_t is the output of the economy and it represents real GDP at time t; A_t, K_t, and L_t are productivity factor, the physical capital stock and the labour force respectively at time t, μ_t is the stochastic error term and e is the base of natural logs. The impact of external debt can be captured through the A_t component of (Y_t). Since the objective of this study is to measure the nexus between external debt and related components (exchange rate, external debt and external debt servicing) on the performance of Nigerian economy through the changes in A_t, the study therefore,

assumes that A_t is a function of external debt and the other components that are incorporated.

$$A_t = f\ (ED_t Z_t \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots . \qquad 2$$

Where: ED= External debt; and Z = Control variables which include exchange rate and external debt servicing.

Therefore, by combining equation 1 and 2, we obtained equation 3:

$$Y_t\ =\ K_t^{\alpha 1}\ L_t^{\alpha 2}\ ED_t^{\alpha 3}\ Z_t^{\alpha 4} e^{u_t} \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots \dots . \qquad 3$$

Where α1, α2, α3, and α4, are the constant elasticity of output relative to L, ED and Z.

Thus, taking the natural log of equation 3, we have:

$$Ln\ Y_t\ =\ \alpha_0 + \alpha_1 LnK_t +\ \alpha_2 LnL_t +\ \alpha_3\ ED_t + \alpha_4\ LnL_t + \alpha_5\ LnZ_t$$
$$+\ \mu_t \dots \dots \dots \dots \dots . \qquad 4$$

Where:

All the variables remain the same as defined above, α0 is the constant term, and μt is the stochastic error term which represents all the variables that are not captured in the model.

3.2. MODEL SPECIFICATION AND ESTIMATION TECHNIQUE

The empirical model of this study is based on the conclusion of the theoretical framework, in an effort to establish a link between external debt and economic growth. Special reference is made to the work done by Amassoma (2011), which is modified for the purpose of the study.

Amassoma (2011)) model is stated as follow:

$$RGDP = f\ (EXTD, INTD) -5$$

Where:

RGDP = Real Gross domestic product

EXTD = External debt

INTD = Internal debt

The present study adopts and augments the model proposed by Amassoma (2011) by dropping including internal debt, interest rate and government expenditure to the list of variables used by Amassoma (2011). The justification for the inclusion of interest rate and government expenditure is to account for the rate at which the debt has matured over time and the degree of its influence on Nigerian economy. Based on this, the proposed model for the study will therefore be stated as:

$$RGDP = f\ (EXTD, INTD, INTR, GOVT) - - - - - - - - - - - - - - - - -6$$

In order to secure normality and homoskedasticity, the equation (6) becomes log-linear model through log transformation, this is because the variables are in value and percentage

$$lnRGDP = \alpha_0 + \alpha_1 lnEXTD_t + \alpha_2 lnINTD_t + \alpha_3 lnINTR_t + \alpha_4 lnGOVT_t + U_t - 7$$

Where:

RGDP = Real gross domestic product expressed in constant term

EXTD = External debt

INTD = Internal debt

INTR = Interest rate

GOVT = Government expenditure

et = error term

For easy analysis, this study adopts the regression of ordinary least square method of multiple regression analysis.

3.3. DESCRIPTION AND SOURCES OF DATA

Real Gross domestic product (RGDP): This is the annual value of real gross domestic product based on constant local currency. It measures economic performance.

External debt: External debt is account for the money borrowed from other countries and or institutions other than the home country, it measures the degree of external outstanding debt.

Internal debt: Internal debt is account for the money borrowed within the country.

Interest rate: This is the rate charged on borrowed money by another party or country.

Government expenditure: Government expenditure is the total amount of funds on capital and recurrent expenditure over a fiscal annual period of time.

Interest rate: Interest rate is a sum of fund paid on a prescribed fee made available to a user of funds.

The data employed are majorly based on secondary data. The variables are real gross domestic product, external debt, internal debt, interest rate and government expenditure and were sourced from Central bank of Nigeria Statistical Bulletin, National Bureau of Statistics.

4. RESULTS AND DISCUSSION

4.1. PRESENTATION OF RESULTS

The table 1 shows the regression of the ordinary least square results conducted on the specified model with E-view 9.0. The OLS results revealed the relationship that exists between the dependent variable and each of the independent variable.

Table 1: OLS Result

Variables	Co-efficient	Standard error	t-statistics	Probability
C	4.070343	0.264715	15.37631	0.0000
EXTD	-0.130246	0.034935	-3.728204	0.0009
DBS	-0.037344	0.011288	-3.308394	0.0027
INT	0.043698	0.182838	0.239000	0.8129
GEX	0.321331	0.019990	16.07436	0.0000

$R^2 =$ 0.934013   Adj R^2= 0.924238   *D.W.*= 0.653053
N = 34   *F-stat*= 95.54343   Prob= 0.000000
Source: Author's Computation (2021)

RGDP = 4.070343 + 0.130246EXTD + 0.037344DBS + 0.043698INT + 0.321331GEX + μ --- 4

4.2. INTERPRETATION OF RESULT

If all of the explanatory variables are left constant, the economic growth proxy (RGDP) will increase by 40.70 percent, according to the results of the least square regression in table 4.1. The computed coefficient of EXTD is (-0.130246), which is significant but adversely associated to RGDP. This predicted 1% increase in EXTD will have a 13.02 percent negative impact on GDP growth. Domestic debt servicing (DBS) has a -0.037344 negative slope co-efficient and is statistically significant at the 5% level of significance. The result, however, showed that a unit rise in domestic debt payments would slow Nigeria's economic development by 3.73 percent. Furthermore, in Nigeria, the interest rate (INT) has a positive but small effect on economic growth. The interest rate coefficient is 0.043698. According to the findings, a 1% change in the interest rate will enhance economic growth by 4.36 percent insignificantly. Government spending had a coefficient of 0.321331 with a probability value of 0.00, indicating a positive and significant effect on economic growth. As a result, any increase in government spending will boost economic growth by 32.13 percent. All of the variables' significant values, as well as their probability values, were considered. As a result, all of the findings have substantial ramifications for Nigeria's economic growth.

The coefficient of multiple determinations (R2) as determined by e-view 9.0's least square regression is 0.934013, implying 93.4 percent, with an adjusted R2 of 0.924238, implying 92.4 percent. As a result of the ordinary least square multiple regression, the explanatory factors (EXTD, DBS, INT, and GEX) described 92

percent of the behavior of the dependent variable (RGDP), while the stochastic variable accounted for the remaining 8%.

4.3. TEST OF HYPOTHESES

<u>Decision Rule</u>:

If T-cal > T-tab, accept H_1 and reject H_0 and
If T- cal < T-tab. accept H_0 and reject H_1.

The t-calculated value 3.728204 of external debt (EXTD) is bigger than the t-tabulated 1.697 in testing hypothesis 1. As a result, the null hypothesis is rejected, and the study concludes that external debt has a negative and considerable impact on economic growth.

The t-calculated value of domestic debt servicing (-3.308394) is more than 1.697, according to the test of hypothesis 2. As a result, the analysis rejects the null hypothesis and concludes that domestic debt service payments have a negative and considerable impact on economic growth.

The hypothesis 3 test revealed that the t-calculated exchange rate value (0.239000) is less than 1.697. The investigation rejected the alternate hypothesis and supported the null hypothesis based on the decision rule. As a result, the study indicated that interest rates have a favorable but minor impact on the economic growth.

The t-calculated value of government expenditure (16.07436) is more than 1.697, according to the test of hypothesis 4. The study rejected the null hypothesis and endorsed the alternative hypothesis based on the choice rule. As a result, the researchers concluded that government spending had a favorable and considerable impact on economic growth.

4.4. IMPLICATION OF FINDINGS

The empirical research revealed a negative short run link between Nigeria's current level of public debt and economic development. This is demonstrated in the analysis by the negative effects of external debt and domestic debt payments on economic growth. The findings revealed that, in the short term, an endeavor to boost productivity would be futile. External debt will slow economic growth in the short term by preventing capital from being invested. As a result of this finding, it is apparent that external debt is harmful to economic growth and development. The upshot of this finding is that the accumulation of external debt puts pressure on economic growth because the repayment and maintenance of external debt diminishes the country's foreign exchange revenues. The fiscal load of debt servicing has been identified as a major impediment to Nigerian economic development, as well as a major reason for the failure of structural adjustment programs to restore economic growth in the country. As a result, in an effort to lower the country's massive external debt, the Nigerian government routinely diverts resources to meet debt service commitments rather than directing resources to infrastructure development that would improve the citizens' well-being.

The size of government spending suggests that the government is paying close attention to infrastructure and salaries, which is consistent with theoretical and empirical expectations. Despite this, all of the money borrowed both domestically and internationally is used or spent judiciously in the development of Nigerian economy. As a result, the Nigerian government should make every effort to prevent public funds from being diverted for personal use, which will help the country's economic stability, as it has in other developing countries throughout the world.

Finally, the debt pattern in Nigeria over the last five years is concerning, as external debt and its repayment have a detrimental impact on economic growth. The considerable effect means that if foreign borrowing is utilised for its intended purpose without being siphoned or diverted to unproductive sectors, economic growth will be boosted. As a result, the Nigerian government should step up efforts to lower the country's debt burden while also boosting real-estate development.

5. CONCLUSION

This study looked at the impact of Nigeria's public debt on economic development over a 34-year period (1987-2020). To determine the association between public debt variables and economic development in Nigeria throughout the study period, the researchers used the least square econometric technique. External debts are required to bridge the gap between internal and external resources and to stimulate the economy. However, in order to avoid significant repercussions, it must be used appropriately. The purpose to which the fund is put is more essential than the amount borrowed. When it comes to foreign debt, this should be the most crucial issue on any good accountant's and economist's mind. It should be addressed with caution in order to ensure optimal use and a larger return than interest (cost of fund) (Nwannebuike, Ike, & Onwuka). External debt refers to the portion of a country's national debt that is owed to foreign individuals, institutions, or governments. External debt significantly impacted Nigeria's economic growth during the research period, as witnessed and corroborated by this study. It is a proven fact that inefficient debt use makes payback difficult; interest will continue to accrue (at a rate almost equal to the capital), repayment will become a difficulty, and the debt will become a bad debt (Olasode & Babatunde, 2016).

To summarize, interest rates have a minor impact on economic growth in Nigeria, whereas external debt, domestic debt servicing, and government spending have a substantial impact. The study's conclusion is that Nigeria's public debt has a negative and considerable impact on the country's economic growth. The findings of the study are in line with those of Nwannebuike, Ike, and Onwuka (2016), who determined that public debt has a negative and significant impact on Nigeria's economic growth. As a result, the study recommends that the Debt Management Office put in place mechanisms to ensure that loans are used for the purposes for which they were obtained and channeled towards productive uses, and that sourcing external debts be considered as a means of long-term development rather than just a means of solving short-term problems; prior to accessing debt, the modalities of incurring external debt and their application should be technically and strategically

assessed, and the Debt Management Office should set a maximum limit on loans that state and federal governments can obtain based on specified criteria.

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