

Impact of Domestic Debt on Economic Growth in Nigeria

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ABSTRACT

The study evaluated the impact of domestic debt on economic growth in Nigeria from 1986 to 2020. Given that domestic debt if properly invested in key sectors of the economy, then results would have a positive and significant impact on gross domestic product (GDP) in Nigeria. Multiple regression analysis was utilized, in which Auto-Regressive Distributed Lag (ARDL) model was the method of analysis. The ARDL model investigated long-run and short-run interactions among the variables. The results showed evidence of co-integrating equations.

The results indicated that domestic debt had a positive and significant impact on gross domestic product both in the short-run and the long-run. It also showed that domestic debt servicing exerted negative and significant impact on gross domestic product in both the short-run and the long-run. Similarly, it showed that external debt had a significant and negative impact on economic growth in the short-run; and had a positive and significant impact on economic growth in the long-run. The results also revealed that credit to private sector positively and significantly impacted on LGDP in both the short-run and the long-run. The results imply that 1% rise in domestic debt increases economic growth by 0.2% in the short-run and by 0.5% in the long-run. Thus, the study recommends for continuation of utilizing domestic debt in financing fiscal deficits in Nigeria. This could be done by issuing more federal bonds, treasury bills, and treasury certificates, among others in the economy. Loan contracted should be utilized productively, especially in areas like commercial agricultural, adequate power supply, expansion of rural economies by constructing roads and bridges and ensures proper funds utilization against misappropriation and embezzlements.

(Key words: domestic debt, economic growth, gross domestic product, GDP, domestic debt servicing, auto regressive distributed lag, ARDL)

INTRODUCTION

Domestic borrowing in Nigeria increased after the economy witnessed dwindling oil prices. Adulobi (2018) traces the origin of Nigeria's debt problems to the collapse of the international oil prices in 1981. Corroborating this view, Ali and James (2018) observed that the drop in foreign exchange earnings was as a result of the glut experienced in the international oil market. Consequently, Nigeria began to experience debt problems, to a large extent, due to inadequate income to finance developmental projects.

Ali and James further stressed that the debt burden has clearly been a constraining factor on rapid economic recovery, growth, and development, with debt increasing at a frightening rate. They posited that instead of allocating resources to critical development projects, the burden of high public debt has caused the channeling of funds into debt servicing, thereby crowding out other development initiatives, which would have stimulated the economy.

Okpara (2018) noted that the needed growth was, however, disturbed by two factors, which were the limitation imposed by inappropriate domestic policies and the external factors that were beyond the control of the government. He observes that some of the domestic policies were of little significance because of the perceived temporary effect of the external shocks witnessed by the economy. Economic theories ultimately suggest that reasonable levels of borrowing by a developing country are likely to enhance its economic growth, (Ajayi, 2009). When economic

growth is enhanced, at least at more than 5% growth rate, poverty situation is likely to be reduced. In order to promote growth, countries at early stages of development like Nigeria borrow to supplement what they have because of dominance of small stocks of capital hence they are likely to have investment opportunities with rates of return higher than that of their counterparts in developed economies.

In Nigeria, successive governments often advanced reasons why borrowing is necessary at a material time. Andabai and Eze (2019), revealed three principal reasons for government domestic debt thus, budget deficit financing, implementation of monetary policies and development of instrument so as to deepen the financial market. Governments at all levels borrow to fill the vacuum created by the fiscal gaps in the proposed expenditures and expected revenues within a fiscal period. If government does not want to compromise macroeconomic stability by printing more money and government taxation capability is limited, then debt option becomes the only available avenue that the government can explore to provide social overhead capital for the citizenry.

The ratio of public expenditure to GDP has been on the increase and this was as a result of increased or expanded fiscal policy which was given rise to by the oil boom experienced in the country from 1970s. Even when there was decline in the oil boom, the precedence of government expenditure remained the same. Consequently, this expenditure pattern of the federal government gave rise to larger deficits. Gross country relationship between fiscal deficits (as percentage of GDP) and the size of government debt markets confirms that countries with larger fiscal deficits have issued more government securities in domestic markets. As opined by Asogwa and Ezema (2005), the ratio of domestic debt to gross domestic product (GDP) has increased since the early 1960s. According to him, Nigeria is not the only country with increasing rate of domestic debt. Nevertheless, when compared with level of domestic debt of other countries in Sub-Saharan Africa, Nigeria has high ratio of domestic debt to GDP (Alison, 2003).

Domestic debt is a loan sourced internally by the Federal Government through the apex monetary authority – the Central bank of Nigeria (CBN) using either of the instruments including treasury bills, treasury certificates, bonds, and development stocks, etc. Ijeoma and Kelechukwu

(2020), state that government bonds are generally issued to raise funds to finance budget deficits. According to him, domestic debt consists of treasury bills, treasury Certificates and development stocks like: FGN bonds, FGN Savings Bond, FGN Sukuk Rentals, Promissory Notes, and FGN Green Bonds. He maintains that CBN issues treasury bills at discounted prices for maturity period between 91 – 364 days. The government, at the end of the period, buys back at full price treasury bills when discounted at either short- or long-term basis.

Attamah (2005) posited that treasury bills are short term government borrowing instruments, which usually last for about a year. He notes that, the ordinance which empowered the Federal Government to issue treasury bills was first promulgated in 1959, with first issue in 1960 to the tune of N8 million at 4.5%. He observes that there have been several amendments to the amount outstanding and the period of issue. Adesola (2009) observes that debt service is the cash that is required for a particular time period to cover the repaying of interest and principal on a debt. He noted that debt service, irrespective of the nature of debt, results in acute decline in the standard of living, gross social and economic overhead depreciation, high dependence on foreign supports, currency depreciation, balance of payment disequilibria, exchange rate depreciation as well as rising inflation.

Similarly, Kalu, Okai, Chukwu and Amadi (2016), state that domestic debt servicing has put a great set back and threat to the economic growth and development of the country. This fundamentally places enormous burdens on the economy with consequences like high rate of inflation, unemployment, majority of the populace living below poverty line and corruption. This research, therefore, plans to delve into the effect of rising domestic debt on the Nigerian economy.

In Nigeria, evidence shows that domestic debts have been on the increase, but one worries whether this increase has over time, been translated into any meaningful economic development. Available statistics indicate that the rising domestic debt has adverse effect on the growth of the domestic economy. For instance, the ratio of domestic debt to gross domestic product (GDP) in Nigeria increased from 13.38% in 2000 to 14.96% in 2002 fell to 9.44% in 2006 and increased to 13.02% in 2009. The level of domestic debt was 15.03 % GDP in 2011, and by

2013, the ratio rose to 16.12% of GDP. In 2014, the domestic debt ratio to GDP was 17%, thereafter rose to 20.33% in 2015 and maintained steady increase of 23.41% in 2016, 25.34% in 2017, 27.66% in 2018, 29.14% in 2019 and 34.98% in 2020, DMO (2019). DMO (2020) report further states that domestic debt in 1996 was N343.67 billion; by 1998 increased to N537.49 billion, N898.25 billion in 2000, and increased to N1.16 billion in 2002. By 2004, it was N1.37 billion and increased to N1.52 billion in 2005. In 2015 domestic debt stock rose to N12.06 trillion and dropped to N10.84 trillion in 2016. By 2017, the figure stood at N12.58 trillion, however dropped to N12.23 trillion in 2018. It increased in 2019 to N14.2 trillion and by 2020 it was N16.02 trillion.

Annual average output growth increased to 14.5% in 2000-2003, 21% in 2004-2007, 37.8% in 2008-2011 and fell to 15.8% in 2012 - 2014. In 2015, it dropped to 2.65% and stood at -1.62% in 2016. The sharp drop in annual average output growth was again witnessed in 2017 with 0.81%, rose to 1.92% in 2018, 2.21% in 2019 and stood at -3.62% in 2020, (DMO, 2021). This confirms the observations that rising level of debt profile in Nigeria is greater than the rising level of her RGDP. This is not a healthy condition for a growing economy like Nigeria. The level of outstanding domestic debt is equally worrisome as it has grown from N28.4 billion in 1986 to N477.7 billion in 1995. In 2007 domestic debt stock significantly fell to N2.32 trillion in 2008 and increased to N3.76 trillion in 2010. When was N5.62 trillion in 2011, whereas by 2014 stood at N7.9 trillion. According to DMO (2021), domestic debt outstanding as at 2015 reduced to N8.3bn and further increased to N18.3 billion in 2019; and by 2020, it was N20.04 trillion.

Domestic debt service on the other hand, has been on the increase. This increase comprises of the annual charges of the various components of domestic debts. According to DMO (2021), total domestic debt service as at the end of 3rd quarter of 2009 was N70,055,930,482.57 and by 3rd quarter of 2013, rose to N163, 466,253,822.93 and N287,425,148,527.46 at the end of 3rd quarter of 2015. The reports indicate a drop in domestic debt service to N217, 051,657,771.09 in the 2nd quarter of 2016. During the 4th quarter of 2017, it increased to N236, 107,540,993.68 and by the end of the 4th quarter of 2018, dropped to N223,325,142,352.45. The report further states that at the end of 4th quarter of 2020, domestic debt service increased to N254,042,790,938.30

and N612, 712,625,144.40 in the 1st quarter of 2021.

Despite the economic implications of rising domestic debts, the government still borrows given paucity of funds and the fact that there are lots of projects and intervention programs that must be carried out and considering the huge sum of money earmarked to defray domestic debts owed different financial institutions. The reliance by the federal government on loans from the CBN, to finance its large and unsustainable fiscal deficits has affected the growth of the Nigerian economy negatively. There is no doubt that this has slowed down the attainment of macroeconomic stability and sustainable economic growth in Nigeria. In addition, it has crowded out the private sector from the credit market, thereby stalling investment and output growth, (Onyeiwu, 2012; Ozurumba, 2014). It is in line with the aforementioned economic conditions that the study seeks to find out and affirm the degree of domestic debt and its impact on Nigerian economy. This study therefore focused on the following objectives:

1. Examine if domestic debt has a significant effect on economic growth in Nigeria.
2. Determine whether domestic debt servicing has significantly impacted on Nigeria's economic growth.
3. Investigate the extent to which external debt affected economic growth in Nigeria.
4. Evaluate the significant influence of credit to private sector on economic growth in Nigeria

Research Questions

1. Does domestic debt significantly impact economic growth in Nigeria?
2. To what extent has domestic debt servicing impact on Nigeria's economic growth?
3. How much has external debt influenced economic growth in Nigeria?
4. Has credit to private sector any significant influence on economic growth in Nigeria?

Hypotheses

1. Domestic debt has no significant impact on economic growth in Nigeria.
2. There is no significant impact of domestic debt servicing on Nigeria's economic growth.
3. Significantly, external debt has no influence on economic growth in Nigeria.
4. Credit to private sector does not have any significant influence on economic growth in Nigeria.

REVIEW OF RELATED LITERATURE

Theoretical Underpinning

Endogenous growth theory is a transformation and modification of the Solow's exogenous model. Endogenous growth theory shows that investments in skill, human capital, innovation, and knowledge are key ingredients, and factors of economic growth. The theory also centers on positive externalities or external benefits (consumption or production that gives benefit to the consumer) and spillover effects of knowledge and technology-based economy that stimulates growth. It is a long run economic growth at a rate dictated by forces that are internal to the economic system. In the long run the rate of economic growth depends on the growth rate of total factor productivity (TFP) which is determined by the efficiency and intensity of inputs used in production which in turn is determined by the rate of technological development (Romar, 1986). Endogenous growth theory holds that economic growth is primarily the result of endogenous and not external forces. It holds that investment in human capital, innovation, and knowledge are significant contributors to economic growth.

The AK model (the model that works on the assumption of absence of diminishing returns to capital) is the simplest endogenous model with constant saving rate of endogenous growth. It has a notion of a constant exogenous saving rate. It captures technological progress as a single parameter (A). It assumes that the production function does not show diminishing returns to scale that culminate to endogenous growth; technological changes leading to furtherance of production. Endogenous growth is further backed up with models in which economic agents who

postpone their current consumption to be able to save and perfecting the allocation of resources to research and development resulting to technological growth. The AK model is simplified of the form:

$$Y_t = AK_t^\beta L^\alpha \quad (1)$$

Where, A is a positive constant that reflects the level of technology, K_t is aggregate capital stock (including manpower development), L_t is the amount of labour hired and Y_t = output per capita. The assumed knowledge externality form of the production functions include economies with endogenous growth (AK form, i.e. $\alpha + \beta = 1$) and those with no long run growth (i.e. $\alpha + \beta < 1$) as the classical model (Diamond, 1965).

METHODOLOGY

An ex-post-facto research design is adopted in the research. This research is anchored on the endogenous growth model that explains the growth rate of an economy in the long run, focusing on the endogenous factors. The Cobb–Douglas production function as an endogenous growth model represented by $f(K, L) = K^\alpha L^{1-\alpha}$ indicates that the output growth is a function of capital (K) and labor (L) and the marginal product of capital is the ratio of capita income to output; that is, gross domestic product (GDP). In this investigation, the variables specified in the research include gross domestic product (GDP), domestic debt (DD), domestic debt servicing (DDS), credit to private sector (CPS), interest rate (INR) and external debt (EXD). Time series data is used in this investigation, primarily to achieve results on the impact of domestic debt on economic growth in Nigeria from 1986 to 2020.

The variables used in the research include gross domestic product, domestic debt, domestic debt servicing, credit to private sector, interest rate and external debt. The data for these variables are obtained from the CBN Statistical Bulletin, volumes 30 and 31, 2019 and 2020 as well as index mundi, 2010 data reports. Standard econometric techniques are engaged in the study with the aim of estimating results on the impact of domestic debt on economic growth in Nigeria. These econometric methods include the unit root test through the ADF stationarity test, and Kwiatkowski-Phillips-Schmidt-Shin test statistic;

and the method of the Auto-Regressive Distributed Lag (ARDL) model.

RESULTS

ARDL Short Run and Long Run Coefficients

Tests

Since evidence of long-run association is established among the variables, the short-run and long-run coefficients tests is employed to determine the elasticity or magnitude of the parameters of the variables in both the long-run and the short-run. The estimation results are illustrated below.

Table 1: ARDL Short-Run Coefficients Test

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LDD)	0.028742	0.117208	0.245225	0.8101
D(LDD(-1))	-0.220008	0.105105	-2.093210	0.0565
D(LDD(-2))	0.174424	0.074900	2.328761	0.0366
D(LDDS)	-0.232448	0.082820	-2.806668	0.0148
D(LCPS)	0.156172	0.100703	1.550815	0.1449
D(LCPS(-1))	0.167786	0.055933	-2.999781	0.0102
D(INFR)	0.000169	0.001245	0.136132	0.8938
D(INFR(-1))	-0.002840	0.000981	2.894441	0.0125
D(INFR(-2))	0.002567	0.001136	2.260939	0.0416
D(LEXD)	-0.048269	0.027310	-1.767428	0.1006
D(LEXD(-1))	-0.005793	0.035557	-0.162913	0.8731
D(LEXD(-2))	-0.113360	0.028452	-3.984302	0.0016
CointEq(-1)	-0.658779	0.193637	-3.402129	0.0047

Source: Researcher's compilation from E-view 9

*Note: p-values < 0.05 critical value, reject null hypothesis

Table 1 illustrates the short-run coefficients test results of the ARDL model. The results indicated that domestic debt at lags zero has a positive and insignificant influence on gross domestic product (LGDP) while at lag one, domestic debt (LDD)(-1) has a negative and insignificant effect on gross domestic product; but at lag two, domestic debt (LDD)(-2) has a positive and significant effect on gross domestic product.

The estimation results as well indicated that domestic debt servicing (LDDS) has a negative and significant impact on gross domestic product

(LGDP) whereas credit to private sector (LCPS) at lag zero exert positive and insignificant impact on gross domestic product; but at lag one, credit to private sector (LCPS)(-1) has a positive and significant effect on gross domestic product in the short run in Nigeria.

More so, the results show that inflation rate at lag zero (INFR) has a positive and insignificant impact on gross domestic product while at lag one, inflation rate (INFR)(-1) has a negative and significant influence on LGDP; but inflation rate at lag two (INFR)(2) influenced on gross domestic product positively and significantly in Nigeria. Similarly, the results indicated that external debt at lags zero and two [(LEXD) and (LEXD)(-1) has a negative and insignificant effect on gross domestic product while at lag two external debt (LEXD)(-2) has a negative and significant effect on gross domestic product in the short run. In the same view, despite the fact that the above results include different lags, it should be noted that the research only considers the lags that satisfied the goals of the study based on its significant status or meeting the a priori expectation of the variables in question.

Table 2: ARDL Long run Coefficients Test.

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LDD	0.522075	0.115961	4.502171	0.0006
LDDS	-0.550982	0.131760	-4.181722	0.0011
LCPS	0.699922	0.079112	8.847226	0.0000
INFR	-0.009761	0.001923	-5.075467	0.0002
LEXD	0.263123	0.058606	4.489723	0.0006
C	2.038854	0.323661	6.299359	0.0000

Source: Researcher's compilation from E-view 9

*Note: p-values < 0.05 critical value indicates rejection of null hypothesis

Model: $LGDP = 2.038854 + 0.522075LDD - 0.550982LDDS + 0.699922LCPS -$

(0.115961) (0.131760) (0.079112)

[4.502171] [-4.181722] [8.847226]

$0.009761INFR + 0.263123LEXD$

(0.001923) (0.058606)

[-5.075467] [4.489723]

$R^2 = 0.999827$; Adj- $R^2 = 0.999587$; F-stat = 4168.612, and Prob(F-stat) = 0.000000, DW stat =

2.400297

Table 2 above reveals the long-run coefficients test results of the ARDL model for which the variables under consideration were estimated. From the results, domestic debt, credit to private sector and external debt have a positive and significant impact on gross domestic product while domestic debt servicing and inflation rate exert negative and significant influence on gross domestic product in the long run in the economy.

In the same vein, these claims are supported by the p-values and coefficients of the variables estimated from the ARDL long-run coefficients test. From the results, the coefficients of LDD, LDDS, LCPS, INR, and LEXD are 0.522075, -0.550982, 0.699922, -0.009761, and 0.263123, respectively and their p-values include 0.0006, 0.0011, 0.0000, 0.0002, and 0.0006, respectively.

Hypothesis One: Domestic debt has no significant impact on economic growth in Nigeria.

From Tables 1 and 2, the coefficient of domestic debt in the short-run is 0.174424 and its p-value is 0.0366; whereas in the long-run, the coefficient and p-value of the domestic debt are 0.522075 and 0.0006, respectively. The p-values of the coefficient in both the short-run and long-run are statistically significant at 5 percent critical level. Since the coefficient of the estimated variable is positive and their respective p-value is less than 0.05 is statistically significant in both the short-run and the long-run, the null hypothesis is rejected and the study concludes that domestic debt has a positive and significant effect on economic growth in Nigeria.

Hypothesis Two: There is no significant impact of domestic debt servicing on Nigeria's economic growth.

From the estimation results as presented in Tables 1 and 2, the coefficient of domestic debt servicing in the short-run is -0.232448 while its corresponding p-value is 0.0148, which is less than the 5 percent critical value. In the long-run, the coefficient of domestic debt servicing is -0.550982 and its p-value is 0.0011, which is also less than 5 percent chosen critical value. Thus, since the coefficients of the variable is negative and its p-values are statistically significant in both the short-run and the long-run, the H₀ is rejected and the study concludes that domestic debt servicing has a negative and significant impact on Nigeria's economic growth in the short run while it

has a positive and significant impact on economic growth in the long run.

Hypothesis Three: External debt has no significant impact on economic growth in Nigeria.

From Tables 1 and 2 above, the coefficient of external debt in the short-run is -0.113360 and its p-value is 0.0016, which is less than the value at 5% critical level. In the long-run, the coefficient and p-value of external debt are 0.263123 and 0.0006, respectively. Since the results indicated in the coefficient of the variable is negative and significant in the short-run; and positive and significant in the long-run, the study rejects the H₀ and concludes that external debt exerts significant negative impact on economic growth in the short run, while exhibiting a positive and significant impact on economic growth in the long run.

Hypothesis Four: Credit to private sector does not have any significant impact on economic growth in Nigeria.

Given the results presented in Tables 1 and 2, the coefficient of credit to private sector in the short-run is 0.167786 and its associated p-value is 0.0102, which is less than 5% level of significance; whereas in the long-run, the coefficient and p-value of the variable are 0.699922 and 0.0000, respectively. Since the coefficients of the variable is positive and the p-values are statistically significant in both the short-run and the long-run, the null hypothesis is rejected and the research concludes that credit to private sector has a positive and significant influence on economic growth in Nigeria both in short run and long run.

DISCUSSION OF FINDINGS

The result in objective one revealed that domestic debt at 5 percent critical value has a positive and significant effect on gross domestic product both in the short-run and the long-run. Thus, the study estimated on the average that 1% rise in domestic debt results in 0.2% increase in gross domestic product in the short-run and 0.5% improvement in gross domestic product in the long-run in Nigeria. The result agrees with the endogenous growth theory, a transformation and modification of the Solow's exogenous model. It identified endogenous factors to include capital, labor and technology.

It also postulated that investments in human capital, innovation and knowledge are the major factors of economic growth and development of any economy. The theory explained that long-run economic growth rate is dictated by forces that are internal in the economic system. In the long-run, economic growth rate depends on the total factor productivity (TFP), determined by intensity and efficient use of inputs in production which in turn, resulted in improvement in technological development of the nation (Romar, 1986).

The result in objective two revealed that that domestic debt servicing exerts negative and significant impact on gross domestic product in both the short run and the long run in Nigeria. This is evident in economic challenges Nigeria is grappling with today, such as rising inflation rates, exchange rates, unemployment, etc.

Theoretically, the results are in line with the debt over-hang postulation promulgated by Myers (1977). The theory opined that if the accumulation of public debt becomes huge to such extent that it becomes difficult for the debtor country to service the debt, further debt accumulation will be unproductive. Thus, it would negatively impact on the economic progress of the country. The theory focuses on the fact that a counter-productive effect of debt instrument drastically reduces investment opportunities and slows level of growth in the nation's economy. In contrary, the results do not conform to the discovery of Ugwu (2017) who carried similar studies on the effect of domestic debt servicing on gross domestic product and other related topics in the nations like South Africa, Euro area Countries, Kenya, Nigeria, and found that domestic debt servicing had a positive and insignificant effect on gross domestic product in the various nations of the study.

The result in objective three revealed that external debt at 5 percent critical value has a significant and negative effect on gross domestic product in the short-run; but in the long-run, external debt has a positive and significant impact on gross domestic product in Nigeria. Hence, the research estimated averagely that 1% increase in external debt will decline gross domestic product by 0.11% in the short run and increase gross domestic product by 0.3% in the long run in the economy.

In theory, the results are in line with Harrod (1948) and Domar growth theory. The Harrod-Domar growth models were interested in finding income

growth rate necessary for a smooth and uninterrupted working of the economy. The theory opined that investment plays a crucial role in economic growth of a country. This is because investments create income and augment the productive capacity of the economy by raising its capital stock. If investment is taking place, real income and output continues to improve in the economy. However, the results are in contrary to the findings of Onakoya and Ogunade (2017), Elom-Obed, Odo, ElomObed and Anoke (2017), examined the influence of external debt in the countries like Tanzania, Ghana, Pakistan, Nigeria discovered that external debt had an insignificant and negative influence on gross domestic product in the various economies of the study.

The result in objective four revealed that credit to private sector has a positive and significant influence on gross domestic product in both the short-run and the long-run in Nigeria. Thus, it is estimated on the average that 1% rise in credit to private sector will lead gross domestic product to improve by 0.2% in the short run and by 0.7% in the long run in the economy. The results are in line with the findings of Ugwu (2017), and Bakare, Ogunlana, Adeleye and Adebayo (2016) who did research on the impact of credit to private sector on gross domestic product and other related topics across nations including Sudan, Nigeria; the studies found positive and significant effect of credit to private sector on gross domestic product in the economies. However, the results contradict the discovery of Ramzan, Faridi and Tariq (2010) that evaluated the effect of credit to private sector on gross domestic product in Pakistani economy and found that credit to private sector had negative and insignificant impact on gross domestic product in the economy.

CONCLUSION

If this paper's recommendations are adopted by the authorities in Nigeria, then the obstacles of debt, in this case domestic debt to economic growth, will be minimized within the shortest period of time.

RECOMMENDATIONS

This paper drew the following recommendations:

1. Given that the study discovered that domestic debt exerts positive and significant impact on economic growth in Nigeria both in the short run and the long run, government should continue to utilize domestic debt in financing fiscal deficits in the economy. This can be done by issuing more federal bonds, treasury bills, treasury certificates, promissory note, treasury bonds, development stocks, federal government green bond and federal government savings bond in the economy. In so doing, domestic debt will continue to impact on economic growth of the nation positively and significantly.

2. Sequel to the fact that domestic debt servicing has a negative and significant impact on gross domestic product proxied for economic growth in Nigeria both in the short run and the long run, government should re-structure its domestic debt servicing strategies as the present structure is negatively and significantly affecting economic growth of the nation. This can be achieved by channeling the loan contracted domestically to productive investments such as commercial agricultural production, improvement of rural economy by constructing access roads with bridges, establishment of cottage industries and guides against misappropriation and embezzlements of funds by corrupt political office holders. In so doing, the servicing of the domestic debt would not affect the growth of the economy negatively and significantly.

3. More so, since the analysis revealed that external debt has a negative and significant influence on economic growth in the short run; and in the long run, it exerts positive and significant influence on gross domestic product proxied for economic growth, government should also continue to utilize external debt in financing investment deficits in the economy as that brings about improvement in the economic growth of the nation in the long-run. This can be realized by investing meaningfully the contracted external loans on productive investments devoid of financial corruption in the economy.

4. In the same vein, since the research indicated that credit to private sector has a significant and positive influence on gross domestic product proxied for economic growth in both the short run and the long run, the Central Bank of Nigeria, should as a matter of priority, formulate and implement appropriate monetary policies with view to extending more credits to investors in all critical subsectors of the economy. This can be

done by applying policies which target low interest rate, special directive and reduction in bank ratio, among others. If this is done, credit to private sector will continue to improve economic growth of Nigeria significantly both in the short run and the long run.

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