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AN EMPIRICAL STUDY OF DEBT MANAGEMENT AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

This study evaluated the effect of debt management on economic growth in Nigeria. Ex-post facto research design was adopted for the study. Data were collected from secondary sources. A regression model was adopted for the analysis. The population of the study was three hundred and fifty (352) respondents from debt management office Abuja. The sample size for the study was one hundred and fifty (150) respondents that were selected from various departments of the debt management office. The study revealed that foreign debt has a positive and significant effect on the economic growth in Nigeria. Domestic debt was equally found to have a positive and significant effect on the economic growth of Nigeria. Total debt has a positive effect on the economic growth in Nigeria. The study concluded that debt management is an important factor on the economic growth of developing nations like Nigeria. It was recommended that financial experts, policy makers, and Central Bank of Nigeria (CBN) should integrate suitable as well as appropriate measures towards ensuring effective management of domestic debts in order to enhance gross domestic product as well as the economic growth of Nigeria. That the Nigerian government should put in place more management techniques and restriction on access to external or foreign debt as most of the external debt cannot be accounted for in the infrastructural projects claimed by some of the ministries, and that part of the external debts should directed towards encouraging investment in the system so as to increase capital formation and to achieve sustainable economic growth in the country. The Federal Government of Nigeria should use debt liquidation method in managing total debt in the country in order to avoid unnecessary borrowing in the economy in order to allow for effective and efficient economic growth in the country.

Key terms: Public debt, Domestic debt, Total debt, Debt management, Economic growth and Gross Domestic Product (GDP)

INTRODUCTION

The debt management and economic growth debate remain topical in Nigeria given the controversies that usually surround the government's plans to borrow to fund the annual budget deficits. Over the past two decades, a broad consensus has been developed that good debt management can help countries to reduce their borrowing costs, contain financial risk, and develop their domestic debt market structure (Ajayi, Adebayo & Awonusi, 2021).

Debt management is commonly considered as a programme or policy that helps debtors in acquiring and clearing off debts. Debt management is the process of establishing and executing a strategy for managing government’s debt in order to raise the required amount of funding at the lowest possible cost over medium to long run, which is consistent with a prudent degree of risk (International Monetary Fund & World Bank. 2014).

The quest for economic growth and development forced Nigeria to acquire external debt (Udeh, Ugwu & Onwuka, 2018;). Debt or borrowings have been described as an important instrument of fiscal policy available to government to fund the development of a nation. Debt is employed in causing the settlement of expenditures that will ultimately increase productivity and improve the growth of the economy (Muhammad, Ruhaini, Nathan & Arshad, 2017). However according to Ekor, Orekoya, Musa & Damisah, (2021), the major obstacle for Nigeria’s economic development over the last two decades has been its increasing debt overhang, poorly structured debt in terms of maturity, currency, or interest rate composition, and large and unfunded contingent liabilities which have been inducing or propagating economic crises in many countries.

One of the problems facing contemporary developing nations of the world including Nigeria is arguably the issue of rising domestic debt stock and the unpleasant implications to the economy especially when such debt curved out of control (Mba, Yuni & Oburota, 2013). The rising domestic/internal debt originated from the challenging of fiscal position resulting from dwindling oil revenue coupled with the need to implement several reform initiatives at both national as well as sub-national levels of government (Barbara, Eric, & Colleen, 2015). Essien, (2016) asserted that increasing debt has triggered numerous macroeconomic issues including liquidity challenge, increasing inflation rate, high monetary expansion, limited loanable funds for private investment among others. Increase in domestic debt has the tendency to increase interest rates which results in the crowding out of the private sector from the local credit market which in the long run have a negative effect on the economy (Ajayi, Adebayo & Awonusi, 2021).

The inability of the Nigerian economy to effectively meet its debt servicing requirements has exposed the nation to a high debt service burden. The resultant effect of the debt service burden creates additional problems for the nation particularly and increasing fiscal deficit which is driven by higher levels of debt servicing. Debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities. Poorly structured debt in terms of maturity, currency, or interest rates composition and large and unfunded contingent liabilities have been important factors in inducing or propagating economic crises in many countries throughout history. (Eke &Akujobi, 2021)

Debt management needs to be linked to a clear macroeconomic framework, under which governments seek to ensure that the level and rate of growth in public debt are sustainable. Public debt management problems often find their origins in the lack of attention paid by policymakers to the benefits of having a prudent debt management strategy and the costs of weak macroeconomic management. In the first case, authorities should pay greater attention to the benefits of having a prudent debt management strategy, framework, and policies that are coordinated with a sound macro policy framework. In the second, inappropriate fiscal, monetary, or exchange rate policies generate uncertainty in financial markets regarding the future returns available on local currency-denominated investments, thereby inducing investors to demand higher risk premiums. Particularly in developing and emerging markets, borrowers and lenders alike may refrain from entering into longer-term commitments, which can stifle the development of domestic financial markets, and severely hinder debt managers' efforts to protect the government from excessive rollover and foreign exchange risk. A good track record of implementing sound macro policies can help to alleviate this uncertainty. This need to be combined with building appropriate technical infrastructure such as a central registry and payments and settlement system--to facilitate the development of domestic financial markets.

Debt comprises of all forms of borrowing (internal and external) that is carried out by a government. All over the world, the issue of public debt proliferation suffered by numerous developing countries has attracted global attention. This experience which is occasioned by the fall in oil prices, exchange rate volatility, increasing interest rate etc. has exerted a negative effect on the economy of developing economies across the globe especially Nigeria (Favour, Ideniyi, Oge & Charity,2017).

One of the major problems faced by Nigeria is its inability to manage its debt effectively and efficiently. This brought about the establishment of the Debt Management Office in 2000 which is charged with the management of the country's public debt. So far, the Debt Management Office is seen by many as having been unable to manage Nigeria's increasing debt profile.

Statement of the problem

It is generally believed that Nigeria has not appropriately managed its debt or directed it for economic growth, as systemic corruption appears to make it impossible for the country to derived the necessary benefits of leveraging in debt to finance gigantic capital or infrastructure projects in energy, roads, transportation, housing etc to facilitate growth in the economy. The consistent upsurge in Nigerian's internal and external debt profile without an obvious growth in its capacity usage have over time caused the frequent quest for debt management scheduling and cancellation experienced by Nigeria and several other developing countries across the globe.

In Nigeria the issue of poor debt management and its servicing are causing waste of resources that could have been used to finance developmental projects in the country. The problem of poor debt management has been characterized by inability to service debt as at when due and negotiating for more external loans to finance some sector projects in Nigeria. The experience in Nigeria has shown that the external and domestic borrowings at the state level are part of the limbs of the country's debt management impediments. Debt service burden in Nigeria has hindered fast growth and development and has also worsened social issues. Nigeria's expected debt service is seen to be increasing function of her output and as such resources that are to be used for developing the economy are indirectly taxed away by foreign creditors in form of debt service payments. This has further increased uncertainty in the Nigerian economy which discourages foreign investors and also reduces the level of private investment in the economy.

The overall economic growth performance of Nigeria has been unimpressive. To finance growing budgetary deficits and reset the economy on a sustainable growth path, the Nigerian government has progressively accumulated massive debts from external and internal sources. In spite of the huge amount of foreign exchange obtained mainly from its oil and gas wealth, economic growth has been slow while the incidence of poverty has increased tremendously in Nigerian economy.

Successive governments' in Nigeria have raised debt at an unprecedented pace. Nigeria is currently plagued by severe budget crisis within which they have problems to repay their short and long-term liabilities. Government expenditure in Nigeria has been largely financed by internal and external borrowing for many decades. The Federal government and most States have borrowed heavily to finance the implementation of capital projects, unable to cover their recurring spending and loan commitments as a result of weak revenue generation.

Presently, the Nigerian government spends more money servicing debts than it spends on education and health. The economy is over-burdened by massive government debts and debts service costs that have consume more than half of the actual revenues generated in the country and this is said to have affected the economic growth of the country either positively or negatively. Following the gap in the research focus of previous researches, this study empirically examines the effect of debt management on the economic growth of Nigeria.

Research objectives

i. To determine the significant influence of domestic debt on gross domestic product (GDP)in Nigeria.

ii. To assess the significant effect of external debt on gross domestic product (GDP) in Nigeria.

iii. To examine the significant effect of debt management on gross domestic product (GDP) in Nigeria.

Research hypotheses

Ho_1: Domestic debt does not have a significant influence on gross domestic product (GDP) in Nigeria.

Ho_2: External debt does not have a significant effect on the gross domestic product (GDP) in Nigeria.

Ho_3: Debt management does not have a significant effect on gross domestic product (GDP) in Nigeria.

Scope of the study

This research work focus on the effect of debt management on economic growth in Nigeria. The variables that were considered are domestic debt (internal debt), foreign debt or external debt, total debt management and economic growth measured by gross domestic product (GDP) of the country for the period 2000-2022.

Conceptual framework

Public debt

This is how much a country owes to lenders outside of itself. it can include individual, business and even other governments. It can be domestic or foreign and is often referred to as national or sovereign debt (Muhammad, 2017).

Despite the cancellation of Nigeria’s debt in Paris and London Club in 2006, the country still employed deficit financing especially in 2009 and 2010 when it provided debt instruments of about N524billion and N867billion respectively, this attempt was clearly awkward as it occasioned the payment of an increased interest rate of $42billion owed to the Paris Club (Nwankwo, 2010). The Debt Management office (DMO) Nigeria announced on March 31st, 2023, that Nigeria's total public debt stock reached N46. 25 trillion or $103.1bn at the end of December 2022, reflecting a 14.46% increase from the previous year's figure of N39. 56 trillion.

Nigeria's total public debt could rise to 37.1% of its gross domestic product (GDP) this year, close to the government's self-imposed limit of 40%.

Debt management

This is the process of establishing and executing a strategy for managing a government debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other goals that government may have set. Debt management is intended to design the government's debt portfolio in a targeted and efficient way. Debt management arises from the need to minimize debt burden on the economy, which emanates from deficit of fiscal operations (George-Anokwuru and Inimino 2020)

The IMF (2014) describes debt management as the process of establishing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cover cost over the medium to long run, consistent with a prudent degree of risk. Debt management is an everyday business that is not only relevant when a budget deficit has to be financed or maturing debt has to be repaid.

Debts have been categorized into two broad forms such as the external debt which is contracted outside the country and domestic debt which is described as debts raised from individual and corporations within the country. Furthermore, the reproductive debt and dead weight debt are other classification of debts. The former is referred to as a loan raised to cause the acquisition of assets that is urgently required for productive activities e.g. borrowing for electricity, refineries, acquisition of factors etc. Meanwhile, the latter - deadweight debt is referred to as debts contracted to execute unproductive activities e.g. debt undertaken to promote war or finance current expenses (Ndieupa, 2018).

Domestic/internal debt

Internal debt consists of government borrowing within her domestic economy. This type of debt, unlike the external borrowing does not increase the total resources available to that country (Akhanolu, Babajide, Akinjare, Oladeji & Osuma, 2018).

. Aladejana, Okeowo, Oluwalana and Alabi (2021) opined that there is a bi-directional causality between public debt and economic growth in Nigeria and concluded that debt is positively related to economic growth. They noted that the role of debt on economic growth is more contentious in empirical than in theoretical studies, hence to our knowledge, there is further problem of debt overhang that cropped up as a result of non-debt servicing which has not been consciously tackled in previous studies in Nigeria. They also ascertained that domestic debt is better-off and superior to external debt in terms of overall growth and infrastructural development, and that domestic debt accumulation contributes significantly to the development process of the nation as it leads to a rise in aggregate demand, output and employment generations.

External debt

External debt involves a country, for example Nigeria borrowing money from foreign countries or issuing a Euro bond to finance capital projects. The funds can be borrowed from the foreign government or business men and private citizens of the foreign country. External debt increases a country's total available resources in the future because of the future obligation of repaying the debt and meeting interest commitment. There is simply a transfer of resources from one end to the other for public services purpose. Internal debt only affects a transfer of purchasing power among the citizens of the country, thus there is no giving up of reveal output to another country. Instruments used for internal debt include treasury bills, treasury certificates, treasury bonds, development stock and federal government of Nigeria bonds. (Akhanolu, Babajide, Akinjare, Oladeji, & Osuma, 2018).

Gross Domestic Product (GDP)

Gross Domestic Product is defined in terms of growth representing the total number of goods and services produced within the geographical boundary of a nation. It also represents an increase in the economic capacity to produce goods and services relative to their output in the previous year. Economic growth can be estimated in nominal terms e.g. inflation or adjusted inflation by the percentage rate of increase in national output (GDP) Ajayi and Adewusi (2020).

According to Akinwunmi and Adekoya (2018), the inability of Nigeria to accumulate domestic resources to bridge the abnormal budget deficit experienced in the country over the years propelled the consistent dependence on public debt especially foreign debt which is often typified by adverse lending conditions, instability of foreign exchange rates and the potential repudiation that occasions debt overhand, hence exerting negative effects on the economic growth of Nigeria.

Economic Growth

Economic growth is defined in terms of achievement of yearly increases in both the total and per capita output of goods and services. In other words, it refers to the sustained increase in the actual output of goods and services. Economic growth can be viewed in two senses: in one sense as, the increase in the productive capacity of the economy leading to an increase availability of goods and services in the economy over some given period of time. In another sense, as sustained increase in per capita output of goods and services over a period of time. (George-Anokwuru & Inimino, 2020)

According to Ekpo (2017) economic growth refers to a rise in national income and product; in other words, it is the percentage change in two consecutive years' output or GDP. It connotes a sustained increase in GDP over-time. Economic growth is measured by the increase in the amount of goods and services produced in a country. Thus, growth is also expressed in terms of increases in the gross output of the economy per period of time. All countries desire to achieve faster rates of economic growth because economic growth is seen to be the most effective way to bring about higher living standards in the economy, economic growth also offers the prospect for the reduction of poverty and it is an important instrument for acquiring power and prestige – political and military strengths are dependent upon economic power, also the more a country can produce and satisfy the needs of her citizens, the more the country will be respected by other countries.

An economy that is growing will produce more goods and services in each consecutive time period. Growth is always thought of as a desirable objective for any economy but there is no agreement over the annual growth rate which an economy should attain. Generally, economists believe in the possibility of continual growth. For instance, once at full employment, the economy must continue to grow in order to remain at full employment. Growth occurs when an economy's productive capacity increases which in turn, is used to produce more goods and services. Factors which lead to growth include improvements in the skill and training of labour force, increase in productivity, i.e., output per hour of work, better management and technology, enlarged excellence and higher excellence of the stock of capital. Furthermore, two related factors explain the poor performance of Nigerian economy. They are inadequate productive capacity and inadequate administrative (executive) capacity. Regarding inadequate productive capacity, the country has a very limited capacity (that is, the knowledge and skills needed) to produce goods and services. The country lacks the knowledge and skills needed to produce most of the goods her citizens want. As a result, Nigerians have had to depend on other countries for the production of most of the services and goods they need or want to consume, including basic needs of the individuals (Ademola, Tajudeen & Adewumi, 2018).

The Ricardo theory of public debt

The theory was postulated by Ricardo in 1819. According to Chappelow (2020), the Richardian Equivalence is an economic theory that says that financing government spending out of current taxes or future taxes will have equivalent effect on the overall economy. The theory argues that people will save based on their expectation of increased future taxes to be levied in order to pay off the debt. Ajayi and Adewusi (2020) adapted Ricardo theory to recommend that government should ensure that contracted national debts were directed towards encouraging investment in the country and government through necessary monitoring committees should ensure that national debts were directed toward the provision of basic amenities and services required for the development of communities and societies of the nation. The theory maintained that the expected and unexpected expenditures of government basically include payments approved to maintain economic balance despite the ineffectiveness of most laborers in the economy.

Empirical reviews

Favour, Ideniyi, Oge and Charity (2017) assessed public debt and economic growth in Nigeria. Specifically, the study investigated the extent to which foreign debt impacted national output in Nigeria; ascertained if domestic debt significantly impacts national output in Nigeria; determined the degree of causal relationship existing between the explanatory variables and national output in Nigeria. The study adopted the quantitative research method. Secondary time series data spanning forty five years (1970-2015) was amassed in the study from the Central Bank of Nigeria. Results temming from the study revealed that external debt has significant negative impact on economic growth within the period under study; domestic debt (DMD) has significant negative relationship with economic growth within the period under consideration and external debt and domestic debt granger cause RGDP in Nigeria with causality running from external debt and domestic debt to RGDP. Premise on the result, the study suggested government should reduce external debt and the ones obtained should be strictly used for purposes intended to ensure positive effect and government should cut down on domestic borrowing and ensure that the already borrowed.

Rafindadi and Musa (2018) empirically analyzed the impact of public debt management strategies on Nigeria's debt profile. The study specifically assessed the impact of debt refinancing (DRF), and measured the impacts of debt forgiveness (DF) and debt conversion (DCV) scheme on the public debt profile of Nigeria. The study employed the econometric research approach as secondary time series data spanning thirty-seven years (1981-2016) were gathered from the Central Bank of Nigeria annual statistical bulletin, Debt Management Office Records and World

Development Index (WDI). Data gathered in the study were analyzed inferentially. Findings stemming from the study showed that debt refinancing has negative impact on total debt profile in Nigeria. Furthermore, the study ascertained that debt forgiveness was detected to have significant negative impact on the debt profile of the country while debt conversion on its part was found to be having significant effect on the Nigeria's debt profile. Following these findings, the study suggested that government should strengthen debt refinancing in order to reduce debt profile ofthe country, seek for debt forgiveness and provide more instruments for debt conversion with aview to drastically reduce the Nigeria's national debt profile.

George-Anokwuru and Inimino (2020) examined external debt and economic growth in Nigeria. The paper focused on the impact of external debt on economic growth in Nigeria from 1980 to 2018. Secondary data on real gross domestic product, external debt, external debt service and exchange rate were sourced from CBN statistical bulletin. The Augmented Dickey-Fuller unit root test and Autoregressive Distributed Lag techniques were used as the main analytical tools. The result of the unit root test revealed that the variables were stationary at order zero and one, which satisfied the requirement to employ the ARDL Bounds testing approach. The ARDL Bounds test revealed the existence of long run relationship among the variables. The study also revealed that external debt and external debt service have negative and significant relationship with economic growth in Nigeria both in the long run and short run. The study also revealed that exchange rate has positive and significant relationship with economic growth in Nigeria during the period of study both in the long run and short run. The study recommended that government should ensure that the terms of borrowing and the projects for which the borrowed funds are put should be those that benefit the economy and the people. Government should also ensure that debt proceeds are efficiently managed so that Nigeria can avoid a repeat of the ugly history of debt overhang. The study concluded that debt is an important development resource but its misuse can be disastrous as had been the Nigerian experience before it got out of the debt trap in 2005.

Adebayo, Tunji and Mojeed (2021) examined debt management and gross domestic product using lessons from the Nigerian economy. The methodology was a time series data of the gross domestic product and debt growth from 1990 to 2019. The statistical tools used in the study are Correlation Matrix, Autoregressive Model, Unit Root Test for the explained variable, and Granger Causality Test for the variables. The findings revealed that there is a negative relationship between debt accumulated overtime and the GDP in successive years, meaning that debt has always increased consistently within the years but GDP has not grown reasonably to justify the debt increase. The study showed that debt accumulations by various administrations in Nigeria have not been able to significantly drive the Gross Domestic Product to a commensurate magnitude. The study concluded that now that government seems to have an unquenchable thirst for debt, it is expected that more efforts should be geared towards planning to manage our debts responsibly and efficiently to the good of all. The study recommended that urgent need to be taken for the Nigerian economy to be diversified aggressively to other sources of revenue like solid minerals and agriculture since it is conspicuous from the study that most of these critical sectors might not have felt the impact of the borrowed funds. It is also important that borrowed fund should be used for the purpose they are meant so that by so doing the Gross Domestic Product (GDP) would be enhanced.

Eke and Akujuobi (2021) had a study on public debt and economic growth in Nigeria between 1981-2018. The study employed unit root through the application of the Philip-Peron unit root test, co-integration and vector autoregressive model (VAR) were also analyzed. The variables utilized in the model consist of the gross domestic product (GDP), aggregate external debt (TXD), aggregate domestic debt (TDD), and the inflationary rate proxied with the consumer price index (CPI). Data used in the analysis are obtained from the statistical bulletin of the Central Bank of Nigeria (CBN), 2018 publications. The study revealed that a significant relationship exists between public debt and economic growth in Nigeria with the model exhibiting a short-run causal relationship. Both the aggregate domestic debt and aggregate external debt exert significant effects on economic growth. Also, whereas both the domestic debt and inflation variables, with their positive and negative coefficients, respectively met the priori expectation, the external debt variable, on the other hand, with the negative coefficient, failed the priori expectation test. The study recommended that the Nigerian Debt Management Office should pay more attention to external borrowings in Nigeria. To this end, agencies such as the Economic and Financial Crimes Commission should prosecute culprits without delays to serve as deterrent. Also, since short-term domestic borrowings manifest more under gross domestic product, more of the short-term domestic borrowings should be contracted than the external borrowings, in order to engender economic growth. They stated that the negative coefficient of the external debt variable is indicative of the fact that external borrowings in Nigeria, within the period under review, ended up being misappropriated, since the borrowings contributed negatively to economic growth.

Research design

Expost facto research design was adopted for this study since secondary data from Central Bank of Nigeria (CBN) statistical bulletin was used. Time series data was adopted in doing the analysis.

Purposeful sampling technique was used and the study covered the period 2000-2022). Purposefully, the variables for public debt are domestic debt, foreign debt and total debt. The measure or indicator for economic growth in this study is gross domestic product (GDP)

Model specification

The model to be adopted by the research is Gross Domestic Product GDP as a function of public debt, made up of domestic debt, foreign debt and total public debt.

GDP = f (public debt)

Analytical model

GDP = f (DD, FD, TD) ……... (1)

Thus linear equation (1) we obtained

$GDP = \beta_0 + \beta_1 DD + \beta_2\ FD + \beta_3\ TD + U$…. (2)

Where;

β_0 = The intercept or autonomous parameter estimate

$\beta_1 - \beta_3$ are the slope or the coefficient of the independent variables to be determined

DD = Domestic debt

FD = Foreign debt

TD = Total debt

GDP Gross Domestic Product

U = error term (stochartie term)

Apriori Expectation

This refers to the supposed relationship between and or among dependent or independent variables of the models as determined by the postulations of economic theory. We then differentiate partially with respect to each variable to obtain apriori sign expectations.

$$\frac{\Delta GDP}{\Delta DD} = \beta 1 > \text{………….} \ 3$$

$$\frac{\Delta GDP}{\Delta FD} = \beta 2 > 0 \ \text{…………} \ 4$$

$$\frac{\Delta GDP}{\Delta TD} = \beta 3 > 0\text{…………..}5$$

Descriptive statistics for all variables

Date: 06/28/23
Time: 22:45
Sample: 2000- 2022

	LGDP	DDB	TD	FD
Mean	3.682814	3.657759	5.443097	5.395849
Median	3.711842	3.548456	5.657256	5.597337
Maximum	4.254193	4.630253	7.250231	7.010348
Minimum	3.005683	2.837908	3.086487	3.033028
Std. Dev.	0.452580	0.636723	1.467405	1.276331
Skewness	-0.155048	0.244018	-0.253264	-0.394879
Kurtosis	1.514443	1.528239	1.595676	1.752843
Jarque-Bera	2.303039	2.404260	2.228697	2.179118

Probability	0.316156	0.300553	0.328129	0.336365
Sum	88.38753	87.78622	130.6343	129.5004
Sum Sq. Dev.	4.711049	9.324570	49.52537	37.46746
Observations	22	22	22	22

All the variables as shown by the results above have positive mean and positive standard deviations which is an indication that the variable used within the time period are good for the analysis. The probability of the variables is also positive

Unit Root test

The unit root test was conducted on the datasets to determine their stationarity properties for a meaningful analysis. Using the Augmented Dickey-Fuller Statistics, the results of the unit root are presented below:

Augmented Dickey-Fuller Unit Root Tests

S/N	Variables	ADF Stat	Critical Values			**Prob.**	Order of Integration @ 5%
			1% level	1% level	1% level		
1	GDP	-3.822896	-3.769597**	-3.004861**	-2.642242**	0.0089	1 (0)
2	DDB	-3.755030	-3.069597**	-3.004861**	-2.642242**	0.0452	1 (1)
3	FD	-4.215591	-3.769597**	-3.004861**	-2.642242**	0.0037	1 (1)
4	TD	-5.243604	-3.788030**	-3.012363**	-2.646119**	0.0004	1 (1)

** ***Suggests Stationarity at the given level of Significance***
Source: Researcher’s Computation (2023)

The results above indicate that the T-stats are more negative than the critical values. We rejected the H_0 and accepted H_1. The series are stationary at different orders of integration.

Test of hypotheses

Estimations of the Hypothesis Regression Model

Hypothesis one: Domestic debt does not significantly contribute to economic growth in Nigeria

Summary of Diagnostics Tests for the Regression Model for hypothesis 1

R^2	F-Stat	DW	x^2x^2(HET)	RESET-F
0.99	1411.973	2.3	0.39	2.84

Source: Researcher’s Computation (2023)

The analysis shows that domestic debt has a significant contribution on the gross domestic product (GDP). The coefficient of determination R^2 is 0.99 meaning that 99% of the variability in GDP (dependent variable) was influenced by domestic debt (independent variable). The F-statistic of 1744.642 is greater than 2, showing overall significance of the regression model. The F. sig level of 0.0002 is less than the 0.5 which suggest that Ho is not true. Therefore, domestic debt has a significant and positive contribution on gross domestic product (GDP). Thus, domestic debt is an instrument or a revenue source for economic growth in Nigeria.

Estimations of the Hypothesis Regression Model

Hypothesis two: Evaluate the influence foreign debt on economic growth in Nigeria.

Summary of Diagnostics Tests for the Regression Model for hypothesis 2
Diagnostics Tests for the Regression

R^2	F-Stat	DW	$x^2 x^2$(HET)	RESET-F
0.99	1645.887	2.0	0.40	0.60

Source: Researcher's Computation (2023)

The analysis shows that foreign debt has a significant contribution on the gross domestic product (GDP). The coefficient of determination R^2 is 0.99 meaning that 99% of the variability in GDP (dependent variable) was influenced by the foreign debt (independent variable). The F-statistic of 1744.642 is greater than 2, showing overall significance of the regression model. The F. sig level of 0.0002 is less than the 0.5 which suggest that Ho is not true. Therefore, foreign debt has significant and positive contribution on gross domestic product (GDP). Thus, external debt is an instrument for economic growth in Nigeria.

The effect of total debt management on economic growth in Nigeria was also tested using GDP as a proxy for economic growth. This test was done to enable comparison of the results. Therefore, the model for this is stated below:

A summary of the results of the Ordinary Least Square (OLS) regressions was presented in the table below

Table-2. Dependent Variable: HDI Method: Least	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**	

Squares Sample: 1 10 Included observations: 10 **Variable**					
C	0.443806	0.006321	70.21097	0.0000	
TR	1.19E-05	1.80E-06	6.612665	0.0002	
R-squared	0.845343	Mean dependent var	0.482600		
Adjusted R-squared	0.826011	S.D. dependent var	0.017840		
S.E. of regression	0.007441	Akaike info criterion	-6.786649		
Sum squared resid	0.000443	Schwarz criterion	-6.726132		
Log likelihood	35.93325	F-statistic	43.72733		
Durbin-Watson stat	2.124961	Prob(F-statistic)	0.000167		

GDP = 0.44+1.19+TR+U-----------------regression equation
Adjusted R-square = 0.82
GDP = dependent variable
TD = independent variable (total debt)

The analyses revealed that total debt has a positive and significant effect on GDP. The coefficient of determination R2 is 0.845, meaning that 84.5% of the variability in GDP (dependent variable) was influenced by the TD (independent variable). Hence, 15.5% variability in GDP was explained by other factors outside TD. The f-statistics of 43.72733 shows overall significance of the regression model. F-sig. level of .0001 is less than 0.05 which suggests that Ho is not true. Therefore, total debt has significant and positive influence on gross domestic product thus foreign and local debts are instruments for economic growth in Nigeria.

Summary of findings

The findings of this study were summarized as follows:

i) Domestic debt management has a positive effect on the economic growth of Nigeria

ii) Foreign debt management has a significant effect on the economic growth of Nigeria

iii) Total debt management has a positive and significant effect on the economic growth of Nigeria.

5.3 Recommendations

Based on the findings of this study, the following recommendations were made;

1. Government should use domestic or internal debt to finance budget deficit when necessary and repayment should be prompt to avoid debt overhang.
2. That the Nigerian government should put in place better debt management techniques and restriction on access to foreign debt as most of foreign debt cannot be accounted for.
3. Borrowed funds should be put into judicious use as that will bring about economic growth.
4. The government should use debt liquidation method in managing debt in the country in order to avoid unnecessary borrowing in the economy.

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