

IMPACT OF PUBLIC DEBT ON ECONOMIC GROWTH IN NIGERIA

(1970-2019)

BY

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CERTIFICATION

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DEDICATION

This project is dedicated to the El Elyon, The Most High God.

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ABSTRACT

This study analyzed the impact of public debt on economic growth in Nigeria. Specifically, it assessed the impact of domestic debt on growth, examined the impact of external debt on Nigeria's and investigated the impact of debt service on growth in Nigeria.

Annual time series secondary data was used in the study. World Development Indicators (2020), Central Bank of Nigeria Statistical Bulletin (2020), and Penn World Table version 9.0 were used to compile data on real GDP, domestic debt, external debt, debt service, inflation, trade, government expenditure, population, FDI, trade openness, exchange rate, interest rate and capital formation. The data was analyzed using econometric methods, namely the Autoregressive Distributed Lag (ARDL) Model. The unit root test, utilizing both the Augmented Dickey-Fuller (ADF) and Phillip and Perron (PP) tests, the lag order of the ARDL models using VAR lag order selection criteria, and the bound test were all carried out.

From the results of the study, it was discovered that domestic debt stock (DMD) has an insignificant and negative relationship with real GDP in Nigeria. However, external debt stock has an insignificant and positive relationship with economic growth while total public debt service was statistically insignificant and negatively related to RGDP in Nigeria.

The study concluded that the domestic debt of Nigeria has not been instrumental in aiding economic growth in Nigeria and an increase in the level of total debt service to the various creditors to the economy would decrease the level of growth in Nigeria. It is also ascertained that the external debt is preferable to domestic debt in terms of the general economic growth. Although, statistically insignificant, accumulated external debt stock has contributed positively to the economy for the period 1970-2019.