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PUBLIC DEBT COMPOSITION AND ECONOMIC GROWTH: A DISAGGREGATED ANALYSIS OF FOREIGN AND LOCAL DEBT

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ABSTRACT

The study examined the impact of public domestic and foreign debt on Nigeria from 1990 to 2020. The study used collected data from the CBN's annual statistical bulletin, consisting of total domestic debt, total foreign debt, and cost of debt servicing. The gross domestic product was used as a proxy for economic development, while domestic and foreign debts outstanding were used as public debt under the period covered. The study used ordinary least squares regression after adjustment on the time series data, testing for stationarity, co-integration, and causality tests, respectively. The test results show that both domestic and foreign debts impacted gross domestic product both positively and negatively as the year changed. It was found that there was a significant relationship between public debt and economic growth in Nigeria. The study, therefore, recommends the need for government spending to be monitored, especially those financed through debt, as well as concentrating more of their borrowing from domestic sources.

I. INTRODUCTION

The debt profile of Nigeria is classified as foreign and internal. Governments consider public debt as a major source of funding. When taxation and other revenue sources are insufficient to sustain government spending, borrowing may be the only option. Thus, public debt refers to the

share of the federal government's accessible resources that were borrowed from third parties to supplement available resources needed for development and emergency demands. According to Isaac and Rosa (2016), optimal borrowing levels in developing economies would likely boost GDP. Government loans are intended to promote long-term infrastructure development that creates employment and benefits the country's economy.

It is commonly understood that governments have always sought loans (both domestic and foreign) to help speed economic development (Ayodele, 2012). According to Attapattu and Padmasiri (2018), most countries borrow to fund infrastructure projects, enhance consumption, or avoid budgetary constraints. A thriving country like Nigeria can afford to borrow, as long as the revenues are employed to help pay down debt and advance the economy.

Public debt is an important macroeconomic statistic that influences a country's image abroad. Direct foreign investment flows are often determined by this factor. Thus, according to Christabel (2013), effective public debt management fosters economic development and stability by lowering borrowing costs and reducing financial risk. Also, public debt is the total of a country's obligations, including municipal, state, and national debts, and shows how much public spending is financed by borrowing rather than revenue (Christabel, 2013). While public debt is one method used to fund government programmes, it is not the sole one since the government can create money to monetise its commitments and avoid paying interest (Eze et al., 2019).

Most development projects in Nigeria are funded by foreign sources. Typically, however, the country's external development finance takes the form of accumulated foreign debt (Eze et al., 2019). Due to capital constraints, rising nations are frequently expected to accumulate debt (both domestic and foreign). They borrow at a rate and in a volume that depends on the link between foreign savings, spending, and economic growth.

So a government should only borrow abroad if the return on capital is higher than the cost of borrowing. According to Amaefule and Umeaka (2016), borrowing nations will increase capacity and output using foreign savings. Baghebo and Edoumiekumo (2012) argue that capital accumulation is essential for economic progress. An investment is made to boost future output and revenues. By this definition, capital accumulation includes "all the processes and institutions involved in owning the means of production, extracting surplus from an economy, mobilising and channelling surplus to establish and increase the productive capacity of the means of production in an economy. However, governments all across the world have used borrowing to fund projects judged vital to reviving development momentum.

Insufficient domestic savings force governments to borrow to support productive activities, according to Ezeabasili et al. (2011). Countries borrow to replenish domestic savings and carry out economic operations. As a result, countries in the second and third worlds, like Nigeria, rely on foreign aid and direct borrowing as their resources are unlikely to be adequate to compete with their first-world counterparts (Amaefule & Umeaka, 2016).

Thus, the general view is that central governments borrow money (both inside and outside their borders) to spur economic growth, which is essential for infrastructure development. According to Sulaiman and Azeez (2012), no government can function effectively and efficiently alone. In principle, the Nigerian federal government's offer to borrow at any time is acceptable as long as the proceeds are used to help the debtor country repay its debts and build its economy.

According to Alejandro and Ileana (2017), while the function of public debt in supporting economic growth has been extensively researched, it has lately resurfaced due to the global financial crisis's impact on state finances. However, external debt typically slows economic growth. Due to the burden of debt on indebted countries, funds for vital economic programmes have been diverted (Ekperiware and Oladeji, 2012). Nigeria's debt crisis has taken on a life of its own. Nigeria's status as one of the world's poorest countries exacerbates the debt crisis.

Amaefule and Umeaka (2016) noted that the disparity between debt relief and subsequent borrowings in the country's economy is a result of the citizenry's improved standard of living as a result of gross improvements in developmental strides, improved modern infrastructure, portable water supply, and a high standard of education, Amaefule and Umeaka (2016) noted. Thus, the goal of this study is to assess the impact of the federal government’s debt on Nigeria's economic progress.

Statement of the Problem

Nigeria, a developing country, is plagued by economic instability and distortions that threaten

the country's economic stability. These economic abnormalities hurt savings discourage investment, and lower government revenue. Nigeria has regularly used public domestic borrowing in recent years to enhance the supply of vital utilities for its population, including highways, electricity, communication, education, and health, as well as to safeguard the country's internal and external security. However, despite all of these massive borrowings and spending, the country's population continues to live below average. Production and exports of crude oil have historically benefited Nigeria. In countries where the average per capita income is less than one dollar per day, the public perception is that the Nigerian economy needs genuine growth and development.

Many countries, like Nigeria, use borrowing to meet immediate and vital economic demands aimed at improving their inhabitants' welfare and living conditions. A strategy to borrow at any moment is therefore legitimate, as long as the proceeds are used to enable service and ultimate liquidation, as well as increased infrastructure development. However, given Nigeria's massive debt, the country's infrastructure suggests that borrowing by governments throughout the world is not unique to Nigeria. Nigeria is heavily indebted. Therefore, the government is seeking debt relief by offering to reinvest debt service revenues in infrastructure development. The country's debt profile has begun to climb again since 2005, when it was forgiven. As a result of the aforementioned, this study examines the influence of domestic and foreign debt on economic growth in Nigeria.

Purpose of the Study

In view of the above problems, the study examined the impact of domestic and foreign debt on economic growth in Nigeria.

Research Questions

What is the impact of domestic and foreign debt on economic growth in Nigeria?

Hypothesis

Domestic debt and foreign debt have no positive impact on economic growth in Nigeria.

II. Literature Review

The legitimacy of government borrowing stems from neoclassical development models, which advocate for capital-scarce countries to acquire means to expand capital accumulation and maintain a consistent state level of result per capita (Madow et al. 2021). Global economic emergencies have provided additional stimulus to nations (particularly developing ones) to obtain, as they are frequently defied by the requirement for increased use levels and declining capital inflows (Ogbonna et al. 2019). It proposes that public debt emphatically affects economic development in the short run by animating total interest and the result. Be that as it may, hypothetical writing keeps on highlighting a negative debt-development connection over the long haul by swarming out private ventures. Public debt can swarm out private ventures and compromise economic development through higher long-haul loan fees, higher inflation, and higher future distortionary tax collection (Mhlaba et al. 2019). The broad use of domestic borrowing can have extreme repercussions on the economy. Domestic debt administration can consume a critical piece of government income, particularly given that domestic financing costs are higher than unfamiliar ones. The premium expense of domestic borrowing can rise rapidly alongside expansions in the extraordinary supply of debt, particularly in shallow monetary business sectors. Over the long haul, higher loan costs would deter speculation and, in this way, swarm out private ventures. The lower speculation ultimately prompts a lower, more consistent state capital stock and a lower level of results. Thusly, the general long-term effect of debt would be a more modest and complete result, with the result being lower utilisation and decreased economic government assistance. This is likewise alluded to as the weight of public debt, as every age troubles the next by leaving behind a more modest total supply of capital (Kos & István, 2019).

Economic theory suggests that healthy degrees of borrowing by a non-industrial nation are probably going to help upgrade its economic development. Nations in their early stages of development have little capital and will almost certainly have to open doors at higher rates of return than those in advanced economies. As seen by Pattillo, Poirson, and Ricci (2004) in Abdulkarim and Saidatulakmal (2021), as long as these nations utilise the acquired assets for useful ventures and don't experience the ill effects of macroeconomic insecurity, arrangements that mutilate economic impetuses, or sizable unfriendly shocks, development ought to increment and consider opportune debt reimbursement. Whenever this cycle is kept up with after some time, the development will influence per capita pay significantly, which is essential for destitution to decrease. These forecasts

are known to hold even in hypotheses in light of the more reasonable supposition that nations will most likely be unable to acquire uninhibitedly due to the gamble of debt disavowal. It doesn't matter how much debt Nigeria has been taking on recently because the country's economy hasn't grown very much, and there has been a rise in the level of need.

Theoretical Review

Debt-Cum Growth Model

Gerald M. established the debt-cumulative-growth model in 1953. In the financial literature, the debt-cum-growth theory was presented to tackle countries' overseas borrowing for investment objectives. According to Matthew and Mordecai (2016), this endeavour was put in place to bridge the gap between domestic investment and savings. With respect to the gain and cost of borrowing, the Debt-cum-Growth Model evaluates debt capacity in the phase of economic growth.

According to Abdullahi et al. (2013), debt-cum-growth relies on foreign investment borrowing to make up the gap between domestic investment and savings. The debt-cumulation-growth model, on the other hand, is based on the assumption that:

Nations would keep their debt paying capabilities if increasing debt contributed (sufficiently) to long-term economic development.

Nations have a good understanding of capital flow behaviour, which can change over time and is intimately tied to the direction of growth in the economy.

A clear knowledge and insight into debt, as well as appropriate economic development to maintain it, would improve nations.

However, according to Matthew and Mordecai (2016), one specific restriction in the model's statement is vulnerable to several conceptual challenges pertaining to its theoretical underpinning and the rigidity of its key assumptions in terms of evaluating debt capacity in a more exact manner. The model's flaw is that it solely considers the difference in savings. However, because international borrowing was made available in foreign currency and the saving surplus was mostly converted into foreign currency, the Debt-Cum-Growth Model remains silent on the subject of transition because it ignores the external economy's production.

In current times, however, the debt-cum-growth hypothesis has been utilised in Nigeria by (Habeeb, 2017) to investigate the influence of public debt on economic growth. For the period from 1986 to 2014, the researcher used the debt-cum-growth hypothesis to describe the long-run link between the Federal Government of Nigeria's debt and foreign debt stock, domestic debt stock, price index, prime lending rate, and gross domestic product.

Keynesian Theory

In 1936, British economist John Maynard Keynes established the Keynesian hypothesis. The influence of government spending on growth is captured by Keynesian theory. According to Keynesian theory, a rise in government spending leads to an increase in aggregate demand, which leads to long-term development. Keynes believed that monetary policy was the best way to generate growth in any economy because it works in the public interest. Public borrowing, on the other hand, may be used to impact the economy's macroeconomic performance (Matthew & Mordecai, 2016). Keynes' theory established the foundation for a macroeconomics framework that considers the entire economy and focuses on government spending, deficits, and taxation in the context of total economic governance.

The Keynesian hypothesis, on the other hand, assumes that:

To support government expenditure, the government can borrow.

When jobless money is taken from private ownership in a method that does not impair private people's consumption rates and

When the government reinvests this money in the economy, total demand expands, resulting in increased output and job growth.

The indirect consequence of public borrowing, on the other hand, is its impact on investment. The process of debt service delivery reduces the capital base available for investment. Furthermore, public debt operates as an implicit tax on a country's wealth, putting future generations at a disadvantage due to lower private capital stock income. According to Jingan (2010), long-term interest rates would rise, private investments that are needed to boost productivity would be swamped, and capital accumulation may be limited.

According to Keynes, such techniques may be employed to manage labour demand and so

keep the economy at full employment. As a result, the government's budget will be slashed during periods of recession and economic growth. As a result, the government should play a far larger role in the economy and attempt to resurrect capitalism by successfully managing both socialism and capitalism.

Finally, he contends that fiscal policy should empower conservative managers to stabilise the economy without resorting to taxes, putting the majority of the decision-making process in the hands of the decentralised market rather than the central planner.

Empirical Review

Panagiotis (2018) used unit root tests using the ARDL model to investigate the relationship between public debt and economic development factors such as private and public consumption, investment, trade openness, and population growth in Greece. According to the unit root tests, the variables have a mixed integration of order zero and 1. According to the ARDL model, trade openness aided economic development while government debt and population growth hampered it. The study also examines the impact of state debt on economic growth. The debt-growth nexus is dependent on debt breaks. The influence of economic growth was gradually fading, and the repercussions were becoming progressively severe.

The influence of government debt on GDP in 16 Latin American nations from 1960 to 2015 was studied by Alenjandro and Ifeana (2017) using Two-Stage Least Squares (2-SLS). GDP per capita starting point, GDP per capita growth rate, gross public debt as a percentage of GDP, investment rate as a percentage of GDP, and population growth rate. The statistics show that while public debt has a beneficial influence on GDP growth, this advantage diminishes when public debt-to-GDP ratios reach 64% to 71%. Up to this point, more debt stimulates growth.

Lucky and Godday (2017) used simple and sophisticated regression models to examine the relationship between public debt and growth in Nigeria from 1990 to 2015. The criteria were GDP, domestic debt, international debt, and total debt. The simple regression findings suggest that total public debt positively impacts Nigeria's GDP. Similarly, the research advised Nigeria to prioritise internal policies above external debt, notwithstanding the latter's negative effects on economic development.

To explore the relationship between public debt and economic growth in Nigeria, Elom-Obed et al. (2017) used a co-integration test, the VECM, and the Granger causality test. The study included real GDP, domestic private savings, foreign debt, and domestic debt as variables. Both external and domestic debts have a negative and severe impact on Nigeria's economic development. The data also showed that both domestic and foreign debt influenced real gross domestic product (RGDP), with a direct link between the two. Stephen and Obah (2017) studied the influence of national savings on Nigerian economic development from 1990 to 2015.

They examined the impact of public debt on Nigerian economic development from 1986 to 2014. This study employs the Johansen co-integration test, the ECM, and the Granger Causality test. Included in the study are factors like Gross Domestic Product and external vs. domestic debt stock. It showed a long-term link between the factors. Exports and foreign debt payments have a negative and modest impact on Nigeria's economic development, whereas domestic debt stock has a considerable impact. According to the study, domestic debt service payments negatively impact Nigeria's economic development. As a result, the report advises the government to cut foreign debt while increasing domestic debt.

Peter and Ferdinand (2016) used unit root tests, co-integration tests, and Granger causality testing to study Nigerian debt and development from 1980 to 2014. The factors studied were total debt, total debt burden, and total debt/GDP ratio. The co-integration results show a long-term link. The Granger Causality research demonstrated that various debt stocks fuelled the Nigerian economy.

From 2008 to 2012, Nassir and Wani (2016) utilised ANOVA to examine the link between government debt and economic growth in Afghanistan. The study looked at the GDP, government stock, commercial bank lending, and foreign debt. The study found that government stock, commercial bank lending, and foreign debt all had a detrimental impact on Afghanistan's GDP (GDP). As a result, the report advises the government to build and execute a system for documenting and monitoring all contingent liabilities. It also advised the government to seek bigger economic changes that would encourage pension funds and insurance firms to buy Treasury bonds.

Precious (2015) used a unit root test and an OLS technique to assess the impact of

government and household debt on economic development in Swaziland from 1988 to 2013. The variables studied were real GDP growth, foreign and domestic debt, government spending, and inflation. The study found that foreign debt has no impact on economic development. As a result, the study advises Swaziland's government to support long-term foreign and domestic borrowing.
Obademi (2012) utilised an upgraded Cobb-Douglass model to examine the influence of Nigerian public debt on economic development. Deficits in the budget were used to calculate external and internal debt. He noted that while debt boosts short-term economic development, it has a major detrimental long-term impact. While borrowed money benefited the Nigerian economy in the near term, he observed that bad debt management hurt it in the long term.

Udoka and Ogege (2012) examined the size of the public debt crisis and its impact on economic development in Nigeria from 1970 to 2010. They used co-integration methods to analyse the link between per-capita GDP and other macroeconomic variables (foreign reserve, debt stock, investment, debt service payment). Political unrest may hamper progress, but other factors contribute to the country's underdevelopment. As a result, they advised reducing the government's debt to avert a Nigerian economic crisis.

III. METHODOLOGY

The study used the expo facto design. It utilised unit root through the use of the ADF unit root test, co-integration, and an error correction model (ECM) to assess the influence of public indebtedness on economic development in Nigeria from 1991 to 2020. The unit root test is used to look at the integration order of the series in the inquiry. The co-integration and error correction models, on the other hand, were used to explore the short-run and long-run coefficients of the variables, as well as to estimate the model of Nigerian public debt and economic growth. The gross domestic product (GDP), aggregate external debt (TExD), aggregate domestic debt (TDD), total debt (domestic plus external TD) (TD), and the cost of debt servicing are the variables used in the model (CDS). The data for this study came from the Central Bank of Nigeria's (CBN) statistics bulletin for the year 2020.

Model Specification

With a few modifications, this model definition matches the theoretical framework of this study (neo-classical growth theory). According to the idea, output (Y) is a function of technology, labour, and physical capital. Y = f is the neoclassical growth theory's equation (A, K, and L). 1. Where Y is the total production, A is the figure based on current technology, K is the quantitative measure of the size of the stock of produced capital, and L is the total number of workers employed during that time period (Precious, 2015).

As a result, a rise in government spending implies an increase in government purchases of goods and services for present and future consumption. This rise, however, is justified if it leads to improvements in health care and education, as well as energy and transportation, which are thought to be accelerators for economic growth. This study supports the premise that if public debt is used to fund investments in education, health, power, transportation, and development, it is deemed productive and is projected to contribute to economic growth through enhanced capital, labour, and technology. As a result, government spending will grow.
Then, GDP = f (TDD, TExD, TD, CDS) .....(1)
Where:
GDP = is the gross domestic product,
TDD = domestic debt,
TExD = is the foreign debt
TD = is the total debt (domestic and foreign debt) and
CDS = is cost of debt servicing.
In linear function, the relationship is specified thus:
$GDP_t = ß0 + ß1TDD_t + ß2TExD_t + ß3TD_t + ß4CDS_t + µt$ .....(2)

The appropriate expectation will be ß1> 0; ß2> 0; ß3<0.

IV. RESULTS

Table 4.1: Descriptive Statistics

Variables	GDP	TDD	TEXD	TD	CDS

Mean	44720.94	4268.355	2779.462	7047.817	755.8446
Median	25466.22	1639.583	1207.118	4207.122	307.6500
Maximum	152324.1	16274.64	18022.42	34297.07	4622.600
Minimum	596.0447	116.1987	328.4538	444.6525	19.40000
Std. Dev.	47547.02	4866.994	3660.388	7908.114	1134.379
Skewness	0.886744	1.123104	2.713346	1.890716	2.060378
Kurtosis	2.509995	2.942430	11.24162	6.265054	6.440812
Jarque-Bera	4.231704	6.310961	121.7165	31.19976	36.02477
Probability	0.120531	0.042618	0.000000	0.000000	0.000000
Sum	1341628.	128050.6	83383.86	211434.5	22675.34
Sum Sq. Dev.	6.56E+10	6.87E+08	3.89E+08	1.81E+09	37317670
Observations	30	30	30	30	30

Source CBN Statistical Bulletin, 2020

The data covers the public debt of the Federal Republic of Nigeria and its gross domestic product from 1991 to 2020. This constitutes total domestic debt (TDD), total foreign debt (TEXD), cost of debt servicing (CDS), and gross domestic product (GDP) for the period under review. The normality test uses the null hypothesis of normality against the alternative hypothesis of non-normality. If the probability value is less than the Jarque-Bera chi-square at the 5% level of significance, the null hypothesis of the regression is not rejected. Given the results in Table 4.1, it is apparent that all the variables are normally distributed since all the probabilities are less than the Jarque-Bera chi-square distribution. They also passed the significance test at the 5% level.

Table 4.2: Unit Root Test

Variables	**t-stat**	**Crit. Value**	**Order of Integration**	**Sig. at**	**P-value**
GDP	-4.859920	-3.595026	1(1)	5%	0.0032
TDD	-4.746069	3.587527	1(1)	5%	0.0040
TEXD	-3.473186	1.024908	1(1)	5%	0.0019
CDS	-6.295640	-2.976263	1(1)	5%	0.0000
ECM	-4.704288	-2.991878	1(1)	5%	0.0011

Researcher's computation on EViews 10

The unit root is carried out using the Augmented Dickey-Fuller (1981) test for all the variables in order to determine whether the time series data is non-stationary or not. The essence of this test is to avert the challenges of prediction arising from unit root in time series data. A variable is stationary (has no unit root problem) if the test statistics are greater than the critical value in absolute terms. The test result shows the four variables were stationary at the first difference, with constant and trend at the 0.05 level of significance.

Table 4.3: Co-integration Test

Unrestricted Co-integration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.861425	121.2451	47.85613	0.0000
At most 1 *	0.743529	67.88370	29.79707	0.0000
At most 2 *	0.554620	31.14370	15.49471	0.0001
At most 3 *	0.291526	9.305331	3.841466	0.0023
Trace test indicates 4 co-integrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Researcher's computation on Eviews 10

Co-integration analysis helps to clarify the long-run relationship between integrated variables. The table above shows that there are four co-integrating equations, and all of them are significant at the 0.05 level of significance. Based on the evidence above, we can safely reject the null hypothesis (H0), which says that there are no co-integrating vectors, and conveniently accept the alternative

hypothesis (H1), which predicts the presence of co-integrating vectors. Thus, we can conclude that a long-term relationship exists among the variables. This can be inferred from the fact that the Max-Eigen statistics of (121.2451) is greater than the critical value of (47.85613).

This result means that the hypothesis of no co-integration among the variables should be rejected. The results confirm that economic growth in Nigeria has an automatic mechanism and that GDP in Nigeria responds to deviations from equilibrium in a balancing manner. Analysis results also show that public debt has a big impact on the level of gross domestic product.

Table 4.4: Granger Causality Test

Null Hypothesis:	**Obs**	**F-Statistic**	**Prob.**
TDD does not Granger Cause GDP	23	7.79061	0.0048
GDP does not Granger Cause TDD		7.38578	0.0057
TEXD does not Granger Cause GDP	23	0.34547	0.9104
GDP does not Granger Cause TEXD		4.50632	0.0253
CDS does not Granger Cause GDP	23	4.69529	0.0226
GDP does not Granger Cause CDS		3.01474	0.0724

Researcher's computation on EViews 10

The Granger causality test is used to determine the cause-and-effect relationship that exists between the target variable and the explanatory variables. These results produced evidence of a bi-causal relationship between total domestic debt and gross domestic product, while gross domestic product granger causes total external debt. In other words, both gross domestic product and the cost of debt servicing have an effect on each other.

Table 4.5: Parsimonious Error Correction Model (ECM)

Dependent Variable: D(GDP)
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1244.617	804.5271	1.547017	0.1414
D(GDP(-1))	0.229093	0.300826	0.761546	0.4574
D(TDD)	1.843818	1.577309	1.168964	0.2595
D(TDD(-1))	4.962925	2.057722	2.411854	0.0282
D(TEXD)	-0.777112	0.299915	-2.591102	0.0197
D(TEXD(-1))	0.958643	0.664609	1.442416	0.1685
D(CDS)	-1.480218	1.054617	-1.403559	0.1796
D(CDS(-1))	-2.216756	1.192534	-1.858863	0.0815
ECM(-1)	-0.563695	0.767215	-0.734729	0.4731
R-squared	0.863796	Mean dependent var		5977.155
Adjusted R-squared	0.795693	S.D. dependent var		4367.130
S.E. of regression	1973.955	Akaike info criterion		18.28718
Sum squared resid	62343975	Schwarz criterion		18.72597
Log likelihood	-219.5897	Hannan-Quinn criter.		18.40888
F-statistic	12.68382	Durbin-Watson stat		2.020844
Prob(F-statistic)	0.000013			

Researcher's computation on EViews 10

GDPt = 1244.617 + 1.843818TDDt + -0.777112TEXDt + -1.480218CDSt + Ut .....(2)

Given the results of the co-integration test, which revealed the existence of co-integration among variables in the economic growth model, a dynamic error correction model (ECM) is considered appropriate for the analysis. Table 4.5 reports the long-run parsimonious error correction results. The error correction term shows the speed of adjustment to restore equilibrium in the dynamic model. In particular, the ECM coefficients show how quickly or slowly the variables converge to equilibrium, and the ECM coefficient is expected to have a negative sign. As observed by Gujarati (2009), a highly significant error correction term is a strong confirmation of the existence of a stable long-term relationship. The result of the error correction model indicates that the error correction term ECM (-1) is well specified and the diagnostic statistics are good. The ECM (-1) variable has the correct a priori sign and is statistically significant. The speed of adjustment of -0.563695 shows a high level of adjustment. In particular, approximately 56% of the previous year's disequilibrium or deviation from the long run of GDP is corrected in the current year.

From the long run results above, changes in the current dependent variable (GDP) were explained by changes in the past year's dependent variable (GDP) (lagged once). Specifically, the model suggested that a unit change in each of the past year's GDP (lagged once), present and past years' TDD (lagged once), present and past years' TEXD, present and past one-year CDS (lagged one) and present and past one-year 0.229093, 1.843818, 4.962925, -0.777112, 0.958643, -1.480218 and -2.216756, respectively, has the potential to induce changes in monetary policy by the respective numerical sizes. Negative signs show that GDP will fall by that amount, and positive signs show that GDP will rise by that amount.

This analysis on the impact of public debt on economic growth is presented in the table above. The result obtained from the dynamic model indicates that the overall coefficient of determination (R2) shows that 86.38 per cent of the growth of GDP is explained by the variables in the equation. Because the adjusted (R2) tends to purge the influence of the number of included explanatory variables, the adjusted R2 of 0.795693 shows that after removing the influence of the explanatory variables, the equation still explains the dependent variable by approximately 80%.The Durbin Watson (D.W) statistics of 2.020844 are within the 2.0 benchmark of acceptance. Thus, in the mode, the study can conclude that there is no sign of auto-correlation or serial correlation in the model specification; hence the assumption of linearity is not violated. At the 0.05 level of significance, there is a relationship between public debt and economic growth in Nigeria. The F-statistics of 12.68382 have a p-value of 0.000013, which is less than 0.05. We therefore reject the null hypothesis.

Discussion of Findings

From the above finding, it is evident that debt, especially domestic debt, has a significant impact on gross domestic product and, consequently, on economic growth and development. Similarly, foreign debt also contributed to economic growth, both positively and negatively. This further shows that public debt is not simply a burden to Nigeria, and it has the potential to influence economic growth. In this regard, it is evident that the challenges of economic development lie in the utilisation of borrowed funds rather than the debt itself.

According to Alenjandro and Ifeana (2017), public debt has a positive effect on GDP growth in Nigeria. Lucky and Godday (2017) also found that public debt has a positive effect on GDP growth in Nigeria. In a more precise term, Stephen and Obah (2017) using the Johansen co-integration test, the ECM, and the Granger Causality test noted that foreign debts have a negative and modest impact on Nigeria's economic development, whereas domestic debt stock has a considerable positive impact on economic growth. Also, Peter and Ferdinand (2016) used Granger causality to show that both Nigeria's domestic and foreign debt stocks helped the economy grow.

Contrary to this, Nassir and Wani (2016) found that government stock, commercial bank lending, and foreign debt all had a detrimental impact on Afghanistan's gross domestic product. Also, Precious (2015), using a unit root test and an OLS regression, found that foreign debt has no impact on economic development in Swaziland.

V. CONCLUSION

Therefore, the conclusion drawn from this study is that a negative coefficient of the external debt variable in the base year (-0.777112) is indicative of the fact that external borrowings in Nigeria, during the period under consideration, were not properly channelled into infrastructure development, which has a multiplier effect on the economy. As a result, local debts were more beneficial to the economy than international loans. This would also imply that foreign borrowing was being misappropriated, with the result that economic growth would be negatively impacted.

Recommendation

The following suggestions are based on the findings reached:

The Nigerian Debt Management Office should pay more attention to external borrowings in Nigeria.

To serve as a deterrent, agencies like the Economic and Financial Crimes Commission should prosecute offenders as soon as possible.

Because domestic borrowings have a bigger impact on GDP than borrowings from outside the country, domestic borrowings should be contracted more than borrowings from outside the country to help the economy grow.

Policymakers should take steps to make sure that domestic loans are properly managed so that the

country can be more productive.

The government should make sure that debts that the country has paid off are used to encourage investment in the country, which leads to more capital formation and, as a result, long-term economic growth.

The government should make sure that national debts are used to provide basic amenities and services that help communities and societies grow and improve in the country by using the right monitoring bodies.

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