SSR Journal of Economics, Business and Management (SSRJEBM)

Homepage: https://ssrpublisher.com/ssrjebm/

Volume 3, Issue 6, 2026 ISSN: 3049-0405

Public Debt Management and Economic Growth in Nigeria

Bassey Eyo Bassey; Essien, Edeheudim Elijah; Joy E. Essien

Department of Accounting, Faculty of Administration and Management Sciences, University of Calabar, Cross River State

Received: 11.05.2026 | **Accepted:** 20.06.2026 | **Published:** 23.06.2026

***Corresponding Author:** Essien, Edeheudim Elijah

DOI: *10.5281/zenodo.20808993*

Abstract **Original Research Article**

Nigeria's fiscal trajectory has reached a critical juncture, characterized by an exponential expansion of public debt surpassing ₦142 trillion by late 2023 and a shrinking fiscal space where debt servicing consumes a significant portion of retained revenue. This study critically examines the impact of public debt management on Nigeria's economic growth over a 54-year period (1970–2023). Utilizing longitudinal data sourced from the Debt Management Office (DMO), the Central Bank of Nigeria (CBN), and the National Bureau of Statistics (NBS), the research employs an ex-post facto design and Ordinary Least Square (OLS) regression to analyze the relationship between Real GDP growth and three primary debt indicators: Domestic Debt Ratio (DDR), External Debt Ratio (EXDR), and the Growth Rate of Total Debt (GRTD). The theoretical framework synthesizes the Dual-Gap Theory, the Crowding-Out Hypothesis, and Keynesian Deficit Financing to identify the "tipping point" of fiscal sustainability. Empirical results reveal that public debt management exerts a statistically insignificant influence on economic growth, signaling a "multiplier failure" in the Nigerian economy. Specifically, the DDR shows a negative drag on growth (b = -0.358$), lending credence to the Crowding-Out effect, while EXDR and GRTD exhibit marginal, non-significant positive relationships. The study concludes that Nigeria's borrowing lacks the "productive efficiency" required to drive sustainable expansion, suggesting that the challenge lies in the strategic allocation rather than the mere volume of debt. Policy recommendations include a moratorium on domestic debt for recurrent spending and a shift toward concessional, project-tied external borrowing.

Keywords: Public debt management, domestic debt ratio, external debt ratio, growth rate of total debt, economic growth, Debt Crowding-Out, Fiscal Sustainability, Real GDP.

1.0 Introduction

The fiscal architecture of developing economies often necessitates a reliance on deficit financing to catalyze structural transformation and provide essential public goods. In Nigeria, the quest for sustainable economic growth has been inextricably linked to public debt acquisition. While theoretical perspectives, such as the Keynesian paradigm, suggest that debt-financed public investment can stimulate aggregate demand, the practical reality in Nigeria has shifted toward the Debt Overhang Theory. Here, the accumulation of debt ceases to be a productive lever and instead becomes a tax on future growth, as an increasing share of national income is diverted to meet debt obligations rather than funding critical infrastructure.

Nigeria's debt profile has undergone an exponential and alarming expansion. Data from the Debt Management Office (DMO) and the Budget Office of the Federation reveal that the total public debt stock comprising both external and domestic liabilities surpassed ₦142.3 trillion by the third quarter of 2023. This trajectory represents a significant leap from the ₦46.25 trillion recorded at the end of 2022. More concerning than the volume of debt is the fiscal sustainability gap; in 2023, debt servicing consumed approximately 76% of the Federal Government's retained revenue, a sharp rise from the 2021 period where ₦4.2 trillion was spent on debt service out of a ₦5.51 trillion revenue pool. This narrowing fiscal space creates a "crowding out" effect, where private investment is stifled and the Human Development Index (HDI) remains stagnant due to underfunding in health and education.

Despite the institutionalization of debt management through the establishment of the DMO in 2000, the efficacy of Nigeria's debt strategy remains under scrutiny. The persistence of "Ways and Means" financing and the securitization of domestic debt have introduced new complexities into the nation's monetary and fiscal stability. As noted by Ekor et al. (2021), the challenge is not merely the size of the debt, but its structure specifically the maturity profiles, interest rate compositions, and the high opportunity cost of servicing domestic obligations in a high-interest-rate environment.

While previous studies have explored the broad impact of sovereign debt, there is a lack of empirical clarity on how the compositional shift between domestic and external debt affects growth during periods of extreme revenue volatility. This study addresses this gap by critically examining the nexus between public debt management and economic growth in Nigeria. Specifically, the research evaluates the impact of the domestic debt ratio, external debt ratio, and the growth rate of total debt on Nigeria's GDP. By doing so, this paper seeks to identify the threshold at which debt management strategies transition from growth-enhancing to growth-inhibiting, providing a roadmap for fiscal resilience in sub-Saharan Africa's largest economy.

1.1 Objectives of the study

The main objective of the study was to examine the effect of public debt management on economic growth in Nigeria. The specific objectives includes to:

1 find out the effect of Domestic debt ratio on real GDP growth rate in Nigeria;
2 examine the effect of External debt ratio on real GDP growth rate in Nigeria;
3 investigate the effect of growth rate of total debt on real GDP growth rate in Nigeria.

1.2 Research questions

The following research questions were developed:

i. To what extent does domestic debt ratio affect real GDP growth rate in Nigeria?
ii. To what extent does external debt ratio affect real GDP growth rate in Nigeria?
iii. To what extent does growth rate of total debt affect real GDP growth rate in Nigeria?

2.1 Theoretical Framework

The relationship between public debt management and economic growth is anchored on three pivotal economic theories. These frameworks explain the necessity of borrowing, the mechanisms of domestic financial displacement, and the expansionary intent of fiscal deficits.

2.1.1 The Dual-Gap Theory

Propounded by Chenery and Bruno (1962), the Dual-Gap Theory remains a cornerstone for understanding debt in developing economies. The theory posits that economic development is constrained by two primary "gaps":

- **The Savings Gap:** The shortfall between domestic savings and the investment required to achieve a target growth rate.
- **The Foreign Exchange Gap:** The shortage of export earnings required to import capital goods for development.

In the Nigerian context, the theory suggests that when internal resources are insufficient to bridge these gaps, the government must resort to external borrowing. This provides the theoretical justification for evaluating the External Debt Ratio. However, as Omoniyi (2018) argues, the theory assumes that foreign capital will be channeled into productive sectors. In Nigeria, the "gap" often persists because external debt is frequently utilized to augment foreign reserves or service existing obligations rather than fueling capital formation, leading to a "debt overhang" rather than growth.

2.1.2 The Debt Crowding-Out Hypothesis

Attributed to economists such as Carl Christ and Milton Friedman (1978), this hypothesis suggests that excessive government borrowing particularly from domestic markets stifles private sector participation. When the government competes for limited loanable funds within the domestic economy, it drives up interest rates and increases the cost of capital. For a developing economy like Nigeria, the crowding-out effect manifests in two ways:

- **Price Effect:** High interest rates on government securities (Treasury Bills and Bonds) make borrowing expensive for private firms.
- **Quantity Effect:** Commercial banks prefer the low-risk profile of sovereign debt over lending to SMEs, effectively starving the real sector of credit.

This hypothesis serves as the empirical basis for testing the Domestic Debt Ratio variable in this study, as it explores whether the government's domestic debt strategy acts as a catalyst or a clog to GDP expansion.

2.1.3 The Theory of Deficit Financing

Rooted in Keynesian economics (1936), the Theory of Deficit Financing argues that during periods of economic downturn, the government should intentionally run budget deficits to stimulate aggregate demand and ensure full employment. Keynesian proponents view debt not as a burden, but as an instrument of fiscal policy to "prime the pump" of the economy.

Nwani & Adukwu (2024) observe that over 85% of Nigeria's budgets since independence have been deficit-based. However, the Nigerian experience often contradicts the Keynesian ideal. While the theory assumes a high Fiscal Multiplier, Nigeria's dependence on imports and high cost of governance leads to "leakages," where borrowed funds do not translate into a proportionate increase in national output. This theory justifies the inclusion of the Growth Rate of Total Debt as a variable to measure the efficiency of deficit-driven growth strategies.

Synthesis of Theoretical Framework

The theoretical underpinnings of this research do not function in isolation; they form a sequential narrative of Nigeria's fiscal challenges. The Dual-Gap Theory explains the *origin* of Nigeria's debt (the need to bridge investment and foreign exchange shortfalls), while the Theory of Deficit Financing explains the *strategy* (the consistent use of budget deficits to drive expansion).

However, the Crowding-Out Hypothesis provides the *cautionary lens*, illustrating the point where excessive reliance on these strategies begins to yield diminishing returns. This study synthesizes these theories by testing the "Tipping Point" where debt management transitions from a growth-facilitator to a growth-inhibitor.

Variable	Underlying Theory	Theoretical Linkage
External Debt Ratio	Dual-Gap Theory	Tests the efficacy of foreign capital in bridging the investment-savings gap.
Domestic Debt Ratio	Crowding-Out Hypothesis	Examines the displacement of private sector credit by government borrowing.
Growth Rate of Debt	Deficit Financing (Keynesian)	Assesses whether the rate of borrowing matches the rate of economic expansion.

FIG. 1: Relationship between Dual Gap Theory, Debt Crowding-Out Theory and Deficit Financing Theory and Economic Growth

Source: Researchers conceptualization, (2025)

2.2 Conceptual Framework

The conceptual framework for this study establishes the functional link between Public Debt Management (the independent variable) and Economic Growth (the dependent variable). In the Nigerian context, this relationship is multidimensional, involving the strategic balancing of domestic and external liabilities against the nation's productive capacity.

2.2.1 Schematic Representation of the Framework

The diagram below illustrates the flow of the research. Public debt management is decomposed into three measurable indicators: the Domestic Debt Ratio, the External Debt Ratio, and the Growth Rate of Total Debt. These indices interact with the economy to determine the trajectory of the Gross Domestic Product (GDP).

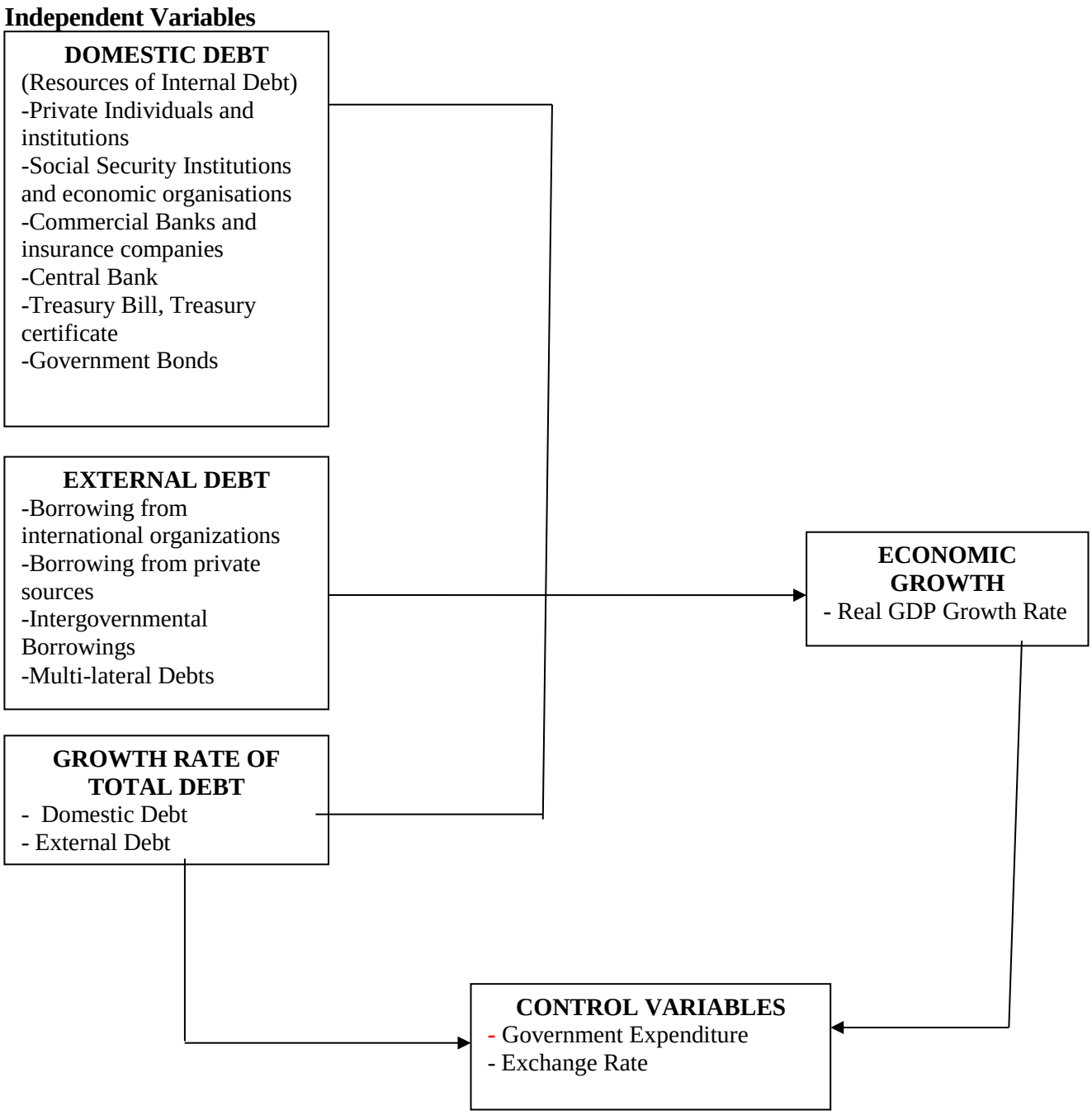

FIG 2. Conceptual framework depicting the link between Public Debt Management and Economic Growth.
Source: Researcher's conceptualization, (2025)

The Nexus of Public Debt Components

Public Debt Management: Beyond the mere act of borrowing, debt management in this study refers to the sovereign's ability to structure its debt profile to minimize costs and risks while fostering macroeconomic stability. As Nigeria's debt stock exceeded ₦142 trillion in late 2023, the focus shifts from "acquisition" to "sustainability."

Domestic Debt Ratio (DDR): This represents the government's local liabilities denominated in Naira. While Aladejana et al. (2021) argue that

domestic debt is superior for growth due to its role in deepening local financial markets, excessive DDR poses a **crowding-out risk**. In Nigeria, a high DDR often signals that the government is competing with the private sector for loanable funds, potentially stifling the investment necessary for GDP expansion.

External Debt Ratio (EDR): This denotes obligations to foreign creditors, including multilateral institutions (IMF, World Bank) and bilateral lenders (China, Germany). While EDR provides essential foreign exchange for developmental projects, it exposes the economy to exchange rate volatility. As noted by Ajayi & Edewusi (2020), Nigeria's external debt becomes a "growth-retardant" when the cost of servicing exceeds the returns on the projects funded by those loans.

Growth Rate of Total Debt (GRTD): This dynamic indicator measures the velocity of debt accumulation. A GRTD that consistently outpaces the GDP growth rate indicates fiscal distress. It serves as an early warning signal for potential default and assesses the effectiveness of the Debt Management Office (DMO) in maintaining a sustainable debt-to-GDP trajectory.

2.2.3 Economic Growth: The Dependent Variable

In this study, economic growth is conceptualized as the sustained increase in the country's productive capacity, measured by the Gross Domestic Product (GDP).

- **GDP as a Metric:** As the aggregate monetary value of all finished goods and services produced within Nigeria's borders, GDP serves as the ultimate barometer for debt effectiveness.
- **The Growth Paradox:** Growth is not merely about expansion but about quality and sustainability. This framework posits that for Nigeria, economic growth is achieved only when public debt acts as a catalyst for infrastructure and human capital development, rather than a drain on national revenue through astronomical debt-servicing costs.

2.3 Empirical Review

Recent scholarly inquiries into the debt-growth nexus in Nigeria reveal a landscape of conflicting empirical evidence, particularly regarding the thresholds at which debt transitions from a stimulant to a retardant. Evidence of the "Debt Overhang" and Negative Impact Several contemporary studies support the "Debt Overhang" hypothesis in Nigeria. AmaKalu et al. (2024) utilized data from 1990 to 2022 to examine the impact of debt components on growth. Their findings established that while external debt yielded a positive significant effect, domestic debt and debt servicing exerted a profound negative pressure on economic expansion. This suggests that the high cost of servicing internal obligations consumes resources that would otherwise fund productive sectors. Similarly, Etim and Ikpong (2024), in a long-term analysis (1960–2019), found that while total debt stock might appear benign, the growth rate of total debt had a strong negative influence on GDP, signaling that the velocity of borrowing in Nigeria often outpaces the economy's absorptive capacity.

2.3.2 Evidence of Debt as a Growth Catalyst

Conversely, other empirical works suggest a "Crowding-In" effect where public borrowing stimulates growth. Umaru et al. (2024), spanning the period 1986–2022, found that domestic debt had a positive and significant impact on Nigeria's economic growth, contradicting the findings of AmaKalu et al. (2024). This perspective is bolstered by Etim and Ikpong (2024), whose linear regression results suggested that when analyzed in isolation, both domestic and external debt components exerted positive effects, likely due to their role in funding infrastructural deficits.

2.3.3 The Role of Macroeconomic Stabilizers

The impact of debt is often moderated by external shocks and monetary variables. Nyeche (2024) highlights the significance of the exchange rate and external reserves as critical determinants of real GDP growth. The study

found a positive long-run relationship between exchange rate dynamics and growth using an ARDL framework. This finding is crucial for debt management studies, as it implies that the burden of external debt is highly sensitive to the stability of the Naira and the adequacy of foreign reserves.

Summary of empirical review of literature

The summary of empirical literature review was provided in Table 1

TABLE 1. Summary of Empirical Review of Literature

S/N	Author(s)	Topic	Methodology	Periods Covered	Findings/Recommendation
1	Amakalu et al., (2024)	Public Debt and Economic Growth in Nigeria	Secondary data	1990 – 2022	Domestic debt and debt servicing had a negative and significant effect; while external debt had a positive and significant effect on economic growth.
2	Nyeche (2024)	Impact of Exchange Rate on Economic Growth in Nigeria	Secondary data	1985 – 2021	Exchange rate had a positive and statistically significant effect on real GDP in Nigeria while trade openness had a positive and not statistically significant impact on real GDP in Nigeria, external reserves had a positive and statistically significant impact on real GDP in Nigeria.
3	Umaru et al., (2024)	Impact of Domestic Debt on Economic Growth in Nigeria	Auto Regressive Distributed Lag (ARDL) regression method	1986 – 2022	The study revealed that that public debt had positive and significant impact on economic growth in Nigeria.
4	Etim and Ikpong (2024)	Public Debt and Economic Growth in Nigeria.	Linear regression	1960 – 2019	External, domestic and the combine effect of domestic and external debt exerted a positive effect on economic growth. While the growth rate of total debt had a strong negative influence on economic growth.
5	Nguyen (2023)	Public Debt Management and Economic Growth: A threshold regression Approach.	Regression threshold models	2000 – 2020	There is a correlation between national debt-to-GDP and GDP growth

Source: Researcher's Compilation (2025)

Gap in Literature:

The review of extant literature reveals a significant empirical divergence. While authors like Umaru et al. (2024) see domestic debt as a catalyst, AmaKalu et al. (2024) view it as a hindrance. Furthermore, while most studies focus on absolute debt levels, there is a paucity of research that integrates the Growth Rate of Total Debt alongside Debt-to-GDP Ratios in the post-2023 "Naira Float" era. This study fills this gap by utilizing the most recent data (up to 2024) to harmonize these conflicting findings and provide a definitive stance on Nigeria's current debt-service-to-revenue crisis.

3.0 Research Methodology

This study adopts an ex-post facto research design. This quasi-experimental approach is suitable for analyzing historical, non-manipulable data to determine the statistical association between public debt management and economic growth.

3.1 Variable Description and Apriori Expectations

The variables selected for this study are categorized into dependent, independent, and control variables, as summarized in Table 2.

TABLE 2: Variable Operationalization and Apriori Expectations

S/N	Variables	Types	Measurement/Proxy	Apiori Expectation
1	Economic Growth (RGDP)	Dependent	Percentage change in total value of all finished goods and services produced within a country, adjusted for inflation. $\frac{\text{GDP at current price}}{\text{GDP Deflator}} \times 100$	
2	Domestic Debt Ratio	Independent	$\frac{\text{Total Domestic debt}}{\text{GDP at current basic price}} \times 100$	Positive
3	External Debt Ratio	Independent	$\frac{\text{Total External debt}}{\text{GDP at current basic price}} \times 100$	Positive
4	Growth Rate of Total Debt	Independent	$\frac{\text{Current debt - Previous debt}}{\text{Previous Period debt}} \times 100$	Positive
5	Government Expenditures Ratio	Control	$\frac{\text{Total Government expenditure}}{\text{GDP at current basic price}} \times 100$	Positive
6	Exchange Rate	Control	The value of Nigerian Naira (NGN) against foreign currencies.	Positive

Source: Researcher's Compilation, (2025)

3.2 Model specification

The model to be adopted for this study is therefore stated thus;

EG = *f* (PD)

GRGDP = *f* (DDR, EXDR, TDR) -- Equation 3.1

Where:

EG = Economic Growth

GRGDP = Growth rate of Real GDP

PD = Public debt

DDR = Domestic debt ratio

EXDR = External debt ratio

GRTD = Growth rate of total debt

In order to enhance the robustness of the model, Exchange rate (EXR) and Government expenditure ratio (GEXPR) are introduced into the model as control variables. Hence, the model is restated as follows:

GRGDP = *f* (DDR, EXDR, GRTD, EXR, GEXPR) Equation 3.2

Thus, in econometrics form, with the introduction of a constant co-efficient and the error term, the model is ultimately expressed as:

$GRGDP = \beta_0 + \beta_1 DDR + \beta_2 EXDR + \beta_3 GRTD + \beta_4 EXR + \beta_5 GEXPR + \varepsilon$ --Equation 3.3

Where:

B_0 = Constant

β_1- β_5 = Coefficient of variables

ε = Error term

3.3 Justification for Model Selection

The use of Real GDP (RGDP) as the dependent variable follows the precedents of Ochinyabo & Adeniyi (2024) and Adegbie et al. (2022). By adjusting for inflation via the GDP deflator, this study ensures that the measured growth reflects actual increases in national output rather than mere price fluctuations.

4.0 Data Presentation and Discussion

4.1 Descriptive Statistics

The descriptive properties of the variables from 1970 to 2023 (54 years) are summarized in Table 3. The mean Real GDP growth (GRGDP) stood at 4.49%, though with a high standard deviation (9.41), indicating significant economic volatility. The Domestic Debt Ratio (DDR) averaged 12.48%, showing lower volatility compared to the External Debt Ratio (EXDR), which reached a maximum of 60.97%. Notably, the Exchange Rate (EXR) exhibited the highest dispersion (Std. Dev = 160.25), reflecting the historical devaluations of the Naira. Jarque-Bera tests indicate that most variables, with the exception of DDR, deviate from a normal distribution, justifying the use of robust econometric techniques.

4.2 Diagnostic Tests

- **Correlation Matrix:** The analysis reveals low to moderate correlation among the independent variables. No pair exceeded the 0.60 (60%) threshold typically associated with severe multicollinearity, suggesting the model is statistically stable.
- **Unit Root Test:** Using the Augmented Dickey-Fuller (ADF) Fisher Chi-square and Choi Z-stat tests, all variables were found to be stationary at the second difference [I(2)]. The p-values (0.0000) confirm that the dataset is stable for long-run analysis.
- **Co-integration:** The Engle-Granger test confirms a long-run equilibrium relationship among the variables. The tau-statistics and z-statistics for all variables were significant at the 5% level ($p < 0.05$), validating the long-term nexus between public debt management and economic growth.

4.3 Regression Results and Hypotheses Testing

The study utilized Ordinary Least Square (OLS) regression across three models to test the specific effects of the debt components.

Table 10: Summary of OLS Regression Models

Predictor	Coefficient	t-Stat	P-value	Significance
Domestic Debt Ratio (DDR)	-0.358	-1.214	0.230	Non-Sig
External Debt Ratio (EXDR)	0.024	0.336	0.738	Non-Sig
Growth Rate of Total Debt	0.051	1.320	0.192	Non-Sig

- **Hypothesis 1 (Domestic Debt):** The results show that DDR has a negative but non-significant effect on GRGDP (beta = -0.358, $p > 0.05$). This supports the Debt Overhang theory, albeit weakly, suggesting that rising domestic debt creates a slight drag on growth without reaching statistical significance. The null hypothesis (H_0) is accepted.

- **Hypothesis 2 (External Debt):** EXDR shows a negligible positive effect on growth (beta = 0.024, p > 0.05). This indicates that while external debt provides capital, its impact on Nigeria's real GDP is currently marginal and non-significant. The null hypothesis (H_0) is accepted.
- **Hypothesis 3 (Debt Growth Velocity):** The Growth Rate of Total Debt (GRTD) shows a positive but non-significant relationship with growth (beta = 0.051, p > 0.05). While the direction aligns with Keynesian theory, the lack of significance highlights the inefficiency of debt-driven expansion in the study period.

Econometric Robustness

The Durbin-Watson (DW) statistics across the models (ranging from 1.99 to 2.14) are approximately 2.0, indicating the absence of first-order serial autocorrelation. The F-statistics for all models were significant (p < 0.001), confirming that the combined debt management variables significantly explain the variations in economic growth, even if individual coefficients are non-significant

4.4 Discussion of Findings

The empirical results of this study provide a nuanced perspective on the relationship between public debt management and economic growth in Nigeria between 1970 and 2023.

4.4.1 Domestic Debt Ratio (DDR) and Economic Growth

The regression analysis revealed that the Domestic Debt Ratio (DDR) exerts a negative and insignificant influence on economic growth (beta = -0.358, p > 0.05). This finding aligns with the Debt Crowding-Out Hypothesis, suggesting that as the Nigerian government increases its domestic borrowing, it inadvertently restricts credit availability for the private sector. The statistical insignificance implies that while domestic debt is a drag on growth, it has not yet reached a catastrophic "tipping point," but rather reflects an inefficient utilization of loanable funds.

As argued in the theoretical framework, domestic debt should ideally catalyze growth via infrastructural investment; however, in Nigeria, high servicing costs often divert these funds into recurrent expenditures. This result is consistent with the findings of Okeke et al. (2023) and Essien et al. (2016), who also observed the negligible impact of domestic liabilities on Nigeria’s output. Conversely, it contradicts the "growth-catalyst" view proposed by Eyide and Nzewi (2018), suggesting a modern shift where domestic debt has become more of a burden than a benefit.

4.4.2 External Debt Ratio (EXDR) and Economic Growth

Contrary to the domestic debt findings, the External Debt Ratio (EXDR) showed a positive but statistically insignificant effect on growth (beta = 0.024, p > 0.05). This result provides weak support for the Dual-Gap Theory, indicating that while foreign capital technically bridges the savings-investment gap, its contribution to the Real GDP growth rate is marginal.

The lack of significance suggests that the "Big Push" envisaged from external borrowing is often neutralized by exchange rate volatility and the high cost of foreign debt servicing. This aligns with Essien et al. (2016) but negates the findings of George-Anokwuru & Inimino (2020) and Eyide & Nzewi (2018), who found external debt to be significantly detrimental. The positive coefficient in this study suggests that external debt could be a growth driver if the structural bottlenecks such as project mismanagement and revenue leakages are eliminated.

4.4.3 Growth Rate of Total Debt (GRTD) and Economic Growth

The Growth Rate of Total Debt (GRTD) exhibited a positive and insignificant influence on economic growth (beta = 0.051, p > 0.05). While this aligns with Keynesian Deficit

Financing (which posits that borrowing stimulates demand), the lack of statistical significance indicates a "multiplier failure" in the Nigerian economy. This implies that the velocity at which the government acquires new debt is not matched by a proportional increase in productive output.

The finding suggests that Nigeria's debt management strategy is currently in a state of "fiscal neutralism," where debt is growing, but the economic returns are stagnant. This result differs from Ushie (2023), who found a positive and significant influence, highlighting that in the most recent fiscal years (up to 2023), the efficacy of total debt in driving GDP has weakened significantly.

5.1 Conclusion

This study investigated the impact of public debt management on economic growth in Nigeria from 1970 to 2023. Through the application of the Ordinary Least Square (OLS) regression technique, the research established that public debt management has a statistically insignificant influence on economic growth in Nigeria.

The decomposition of debt components revealed a dichotomy in impact: the Domestic Debt Ratio (DDR) exerts a negative drag on growth, lending credence to the crowding-out effect, while the External Debt Ratio (EXDR) and Growth Rate of Total Debt (GRTD) show marginal positive but insignificant relationships with GDP. Ultimately, the study concludes that Nigeria's borrowing over the last five decades has lacked the "productive efficiency" required to drive sustainable economic expansion. The findings suggest that the challenge is not merely the volume of debt, but a systemic failure in the strategic allocation and management of borrowed capital.

5.2 Recommendations

Based on the empirical findings, the following policy recommendations are proposed to realign Nigeria's debt management with its growth objectives:

1. **Strict Fiscal Consolidation and Domestic Debt Moratorium:** Since domestic debt exerts a negative and insignificant influence on growth, the Federal Government should implement a moratorium on new domestic bond issuances for recurrent expenditure. Instead, the government should leverage the fiscal space created by the removal of fuel subsidies and improved oil revenue to fund domestic commitments. Policy focus must shift toward reducing the domestic debt stock to lower interest rates and encourage private sector credit.
2. **Shift Toward Concessional External Borrowing:** While external debt showed a positive coefficient, its insignificance stems from poor management. The government should strictly prioritize **concessional loans** (from the World Bank, IMF, and AfDB) with low-interest rates and long moratorium periods, ensuring these funds are strictly earmarked for self-liquidating capital projects rather than administrative costs.
3. **Active Debt Restructuring and Diplomacy:** To mitigate the burden of accumulated debt, the Ministry of Finance and the Debt Management Office (DMO) should proactively engage in **debt-for-development swaps** and restructuring agreements with bilateral and multilateral partners. This includes seeking debt forgiveness or conversion strategies that allow the government to redirect debt-service funds toward critical human capital sectors like health and education.
4. **Institutional Reforms in Debt Utilization:** To reverse the insignificant impact of total debt, the government must establish a robust **independent monitoring framework** for debt-funded projects. This ensures that every Naira borrowed is tied to a specific infrastructural project with a proven high social and economic rate of return, thereby transforming public debt from a fiscal burden into a growth catalyst.

REFERENCES

Abdelhafidh, S. (2020). Does the external debt composition matter for economic growth in Tunisia? *Economics Bulletin*, 40(4), 2802-2818.

Adebayo, A. A., Tunji, S. T., & Mojeed, R. G. (2021). Debt management and gross domestic product: Lessons from the Nigerian economy. *The International Journal of Business and Management*, 9(2), 78-90.

Adegbie, F., Aguguom, T., & Ajayi, A. (2022). Public debt management and economic growth in Nigeria. *WSEAS Transactions on Business and Economics*, 19(1), 1046-1060.

Adesola, W. A. (2019). Debt servicing and economic growth in Nigeria: An empirical investigation. *Global Journal of Social Sciences*, 8(2), 1-11.

Ajayi, I., & Edewusi, D. G. (2020). Effect of public debt on economic growth of Nigeria: An empirical review. *International Journal of Business and Management Review*, 8(1), 18-38.

Akujor, J. C., Onodi, B. E., & Okonye, E. E. (2022). Effects of debt servicing on economic development in Nigeria. *ANAN Journal of Contemporary*, 3(3), 92-109.

AmaKalu, I., Abagha, U., & Onyinyechi, J. E. (2024). Public debt and economic growth in Nigeria. *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 29(4), 50-58.

Anaemena, H. C., Onwuatuelo, M. J., Ogbonna, K. S., & Ezeaku, C. N. (2023). Effect of public debt on the Nigerian economic development. *Journal of Management Sciences*, 60(1), 200-212.

Boakye, G., & Atuilik, W. (2024). Public debt, debt servicing and economic growth. *International Journal for Multidisciplinary Research (IJFMR)*, 6(3), 1-16.

Central Bank of Nigeria (2023). *Annual Statistical Bulletin*. Central Bank of Nigeria.

Debt Management Office. (2020). *Nigeria's debt management strategy, 2020–2023*. DMO Abuja.

Debt Management Office. (2023). *Nigeria public debt portfolio as at December 31, 2023*. DMO Abuja.

Domar, E. D. (1946). Capital expansion, rate of growth, and employment. *Econometrica*, 14(2), 137–147. https://doi.org/10.2307/1905364

Essien, S. N., Agboeguleum, N. T. I., Mba, M. K., & Onumonu, O. G. (2016). An empirical analysis of the macro-economic impact of public debt in Nigeria. *CBN Journal of Applied Statistics*, 7(1), 125-145.

Etim, R., & Ikpong, E. (2024). Public debt and economic growth in Nigeria. *International Journal of Geography and Environmental Management*, 10(5), 72-107.

Eyide, M. U., & Nzewi, U. (2018). Debt management and economic development in Nigeria. *International Accounting and Taxation Research Group Review*, 2(2), 75-90.

Festus, G. E., & Saibu, M. O. (2019). *Effect of external debt on Nigerian economy: Further evidences* (MPRA Paper No. 92704). Munich Personal RePEc Archive.

Friedman, M. C. (1978). *Crowding out or crowding in: The economic consequences of financing government deficits* (NBER Working Paper). National Bureau of Economic Research.

George-Anokwuru, C. C., & Inimino, E. E. (2020). External debt and economic growth in Nigeria. *International Journal of Research and Innovation in Social Science*, 4(4), 254-265.

Harrod, R. (1939). An essay in dynamic theory. *Economic Journal*, 49(1), 14-33. https://dx.doi.org/10.2307/2225181

International Monetary Fund & World Bank (2001). *Guidelines for public debt management*. IMF Publication Services.

Keynes, J. M. (1936). *The general theory of employment, interest, and money*. MacMillan Company Ltd.

Nwani, O. C., & Adukwe, P. (2024). Effects of deficit financing on economic development in Nigeria. *Nigerian Journal of Management Sciences*, 25(2), 67-78.

Nyeche, E. (2024). Impact of exchange rate on economic growth in Nigeria. *International Journal of Advanced Economics*, 4(6), 242-250.

Ochinyabo, S., & Adeniyi, V. (2023). Managing external public debt for economic growth in Nigeria: Analysis of the components. *Policy and Development Issues in Nigeria*, 1(1), 406-422.

Okeke, C. T., Anisiobi, C. A., & Madueke, C. M. (2023). Public debt and economic growth: Empirical evidence from Nigeria. *International Journal of Research and Innovation in Social Science (IJRISS)*, 1(1), 705-718.

Umaru, M., Ndigefe, E. J., & Zechariah, W. (2024). Impact of domestic debt on economic growth in Nigeria. *International Journal of Social Sciences and Management Research*, 10(10), 156-166.

Ushie, O. S. (2023). An empirical study of debt management and economic growth in Nigeria. *Global Scientific Journal (GSJ)*, 11(7), 964-984.