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Nigeria's Rising Debt Profile and Economic Growth Nexus

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Abstract: Nigeria has been battling with rising domestic and external debts for over a decade now after her debt cancellation during the President Olusegun Obasanjo regime. Today, due to dwindling economic fortunes as a result of the deteriorating world prices of their primary exports, in Nigeria's case, oil, the country has resorted to borrowing domestically and externally to run the government. This study therefore examines Nigeria's rising debt profile and economic growth nexus. The study applied modern econometric analytical techniques namely: Co-integration, unit root test and ordinary least square (OLS) for the data analysis. The results revealed that external debt stock, domestic debt stock, inflation rate, exchange rate, gross capital formation, corruption perception index, interest rate had significant effect on economic growth in Nigeria. The results further revealed that with the exception of domestic debt stock, exchange rate and gross capital formation all the other variables had negative significant effect on growth in Nigeria. In line with the findings of the study, the following recommendations are made: To address the challenge of external debt stock, the government should implement sound macroeconomic policies that keep the accumulation of external debt within sustainable limits. They should also implement structural policies that ensure an efficient use of savings and investment. To address the challenge of domestic debt stock monetary policy tools, such as interest rates and money supply should be adjusted to manage the money market and the economy. The apex financial institution can increase can increase interest rates to reduce borrowing and control inflation. To address the challenge of other included variables in the model, the government should consider banning the use of foreign currency within the country; banning locals from possessing foreign currency; restricting currency exchange to government-approved exchangers; the use fixed exchange rates and restricting the amount of currency that may be imported or exported; Enabling and proactive laws should be put in place to check corruption and corrupt practices.

Keywords: External Debt Stock, Domestic Debt Stock, Inflation Rate, Exchange Rate, Gross Capital Formation, Corruption Perception Index, Interest Rate, Economic Growth.

1. INTRODUCTION

Countries all over the world and her government often put in place measures aimed at growing the economy in order to cater for the needs of her citizens and provide them with the dividend of nationhood. To this effect, governments set out plans, policies and programmes aimed at building a national treasury for economic sustenance and the provision of basic infrastructure for the general wellbeing of citizens (Sulaiman, & Azeez, 2019; Nduka, 2019). Thus, budgets are planed with expected expenditures arising from anticipated revenues to be made. However, in the course of managing the national economy, it may

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become imperative to borrow due to shortfalls in anticipated revenues to offset expenditures. Thus, instead of cutting back on spending which may affect critical aspects of the national economy, governments may resort to borrowing to sustain the economy (Abdul, & Mohd, 2021; Ogunjimi, 2019).

In the literature, government borrowings/debts have been viewed as vital fiscal policy tools deployed by government to fund the development of a nation (Udeh, Ugwu, & Onwuka, 2016). Reasons adduced for such debts are financing of important capital projects such as large infrastructural investments, education, and healthcare, industrialization, job creation, stimulus against economic recessions, respond to unexpected events such as natural disasters, wars, crises; to manage money supply, interest rates, and inflation etc, Debts also enable the government to procure funds for developmental needs within a short time rather than raising tax which could be prone to political permutations. Proponents of government debts believe that government is bound to borrow in order to meet the ever increasing need for public expenditures to offset national needs especially in the face of dwindling capital inflow. It is also believed that in the short run, government debt also referred to as public debt can invigorate demand and supply with positive impact on economic growth (Isaac & Rosa, 2017; Abula & Ben, 2019)

The classical economists however, view public debt as wasteful and an unnecessary expansion of government activity which have subjected most countries particularly developing countries into perpetual debt burden (Àkos & Istvàn, 2019). By and large, Nigeria for instance, being largely a monolithic economy has over the years, incurred huge debt burden due to sharp decline in prices of crude oil in the international market resulting in slow accrual of income and revenues to the national purse, fluctuating exchange rate and rising interest rates. The high levels of government debt has led to a stunted GDP growth rate, slowing export growth rate, reduced income per capita, and increasing poverty levels. It has been that over the years, the Nigerian government has operated budget deficits and has had to fill this gap with public debts (Akhanolu, 2018; Eke, & Akujuobi, 2021)

The effect of debt on economic growth of nations remains a contentious issue. Whereby incurring debt is reasonably done for productive purpose such as financing infrastructure development, it can fast track economic growth (Marthia, 2020). However, reckless borrowings without recourse to investments will slow down the economy with adverse effects for citizens (Nur, Shafinar, & Abdul, 2019). Thus, while public debt acts as stimulant to enable governments to continue providing for public good, its excessive accumulation may hamper government's ability to effectively provide basic infrastructural needs like health care, education as well as tackle unemployment. It could lead to higher interest rates thereby discouraging domestic investments. These issues form the foundation of the present study.

Statement of Problem

The argument for government borrowing has often been based on the need to increase economic activities through the stimulation of aggregate demand and sustenance of output per capital level. This argument is further strengthened by declining capital inflows to nations as a result of the global economic crises which have provided justification for countries especially third world countries to borrow to offset increasing expenditure needs. Worse still is the fact that due to dwindling economic fortunes as a result of the deteriorating world prices of their primary exports, in Nigeria's case, oil, they need to keep borrowing domestically and externally to run the government. Be that as it may, most nations, especially in Sub-Saharan African, Nigeria inclusive, have become encumbered by this penchant to borrow which they are unable to service. Corruption, diversion and wrong application of borrowed funds have been mentioned among some of the reasons for the inability of governments to repay these loans. The resultant outcome is that private initiatives to drive the economy through investments are stifled through multiple taxation, fluctuating exchange rates and unending high interest rates (Kengdo, Ndeffo, & Avom, 2020).

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The aftermath of the 2005 debt relief by the Paris Club of creditors gave the country some hope of a prosperous economy devoid of heavy debt burden as resources were expected to be freed up to drive investment and hasten economic growth and development. This hope has however been dashed as the country is back into bigger debt crisis resulting from the excessive borrowing of the Buhari Administration. With her debt profile now at N49.85 trillion at the end of the first quarter of 2023, according to latest data by the debt management office, it is becoming increasingly clear that the nation may be headed for another round of debt crises with soaring poverty pervading the land. This study thus examines Nigeria's rising debt profile and economic growth nexus.

Objective of the Study

The general objective of the study was to examine Nigeria's rising debt profile and economic growth nexus. Specifically, the study sought to:

1. Investigate the effect of external debt stock on economic growth in Nigeria.
2. Evaluate the effect of domestic debt stock on economic growth in Nigeria.
3. Examine the effect of inflation rate on economic growth in Nigeria.
4. Ascertain the effect of exchange rate on economic growth in Nigeria.
5. Determine the effect of gross capital formation on economic growth in Nigeria.
6. Examine the effect of corruption perception index on economic growth in Nigeria.
7. Determine the effect of interest rate on economic growth in Nigeria.

Research Hypothesis

H_0: External debt stock has no significant effect on economic growth in Nigeria.

H_a: External debt stock has significant effect on economic growth in Nigeria.

H_0: Domestic debt stock has no significant effect on economic growth in Nigeria.

H_a: Domestic debt stock has significant effect on economic growth in Nigeria.

H_0: Inflation rate has no significant effect on economic growth in Nigeria.

H_a: Inflation rate has significant effect on economic growth in Nigeria.

H_0: Exchange rate has no significant effect on economic growth in Nigeria.

H_a: Exchange rate has significant effect on economic growth in Nigeria.

H_0: Gross capital formation has no significant effect on economic growth in Nigeria.

H_a: Gross capital formation has significant effect on economic growth in Nigeria.

H_0: Corruption perception index has no significant effect on economic growth in Nigeria.

H_a: Corruption perception index has significant effect on economic growth in Nigeria.

H_0: Interest rate has no significant effect on economic growth in Nigeria.

H_a: Interest rate has significant effect on economic growth in Nigeria.

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2. METHODOLOGY

Model Specification

The model is specified to capture the effect of external debt stock, domestic debt stock on economic growth in Nigeria. Other growth induced variables were also included in the model:

The structural form of the model is:

GDP = f (EDS, DDS, INF, EXC, GCF, COR, INT) (1)

The mathematical form of the model is:

$$GDP = \beta_0 + \beta_1 EDS + \beta_2 DDS + \beta_3 INF + \beta_4 EXR + \beta_5 GCF + \beta_6 COR + \beta_7 INT \quad (2)$$

The econometric form of the model is:

$$GDP = \beta 0 + \beta 1EDS + \beta 2DDS + \beta 3INF + \beta 4EXR + \beta 5GCF + \beta 6COR + \beta_7 INT + \mu_i \quad (3)$$

Where:

GDP = Gross Domestic Product proxied by GDP growth rate

EDS = External Debt Stock

DDS = Domestic Debt Stock

INF = Inflation Rate

EXCH = Exchange Rate

GCF = Gross Capital Formation

COR = Corruption proxied by Corruption perception index

INT = Interest rate

f = Functional relationship

β_0 = intercept of the model

$\beta_1 - \beta_7$ = parameters of the regression coefficients

μ_i = Stochastic error term

Estimation Technique and Procedure

The choice of which technique to be employed by researcher often follows the motivation of the study as well as the likely robustness of the analytical result. Bearing this in mind, the study applied modern econometric analytical techniques namely: Co-integration, unit root test and ordinary least square (OLS) for the data analysis for the purpose of arriving at a dependable and unbiased analysis. The Economic views (E-views) software version 10.0 was adopted for regression analysis.

Test for Research Hypothesis

This study will test the research hypothesis using t-test. The t-statistics test tells us if there is an existence of any significance relationship between the dependent variable and the explanatory variables. The t-test will be conducted at 0.05 or 5% level of significance.

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Decision rule: Reject H_0 if $t_{cal} > t_{\alpha/2}$, (n-k). Otherwise, we accept.

Nature and Source of Data

All data used in this research are secondary time series data covering the period 1988-2020. The data was sourced from the reports and statistical bulletins of the National Bureau of Statistics (NBS), Central Bank of Nigeria (CBN), and World Development Index.

3. RESULT PRESENTATIONS AND DISCUSSIONS

Summary of Stationary Unit Root Test

The study test for stationarity using Augmented Dickey-Fuller (ADF) tests on the data. The ADF tests are done on level series, first and second order differenced series. The decision rule is to reject null hypothesis if the ADF statistic value exceeds the critical value at a chosen level of significance (in absolute terms). The result of regression is presented in appendix 2-9 and the summary is shown in Table 4.1 below.

Table 1: Summary of ADF Unit Root Test Results

	Level = *I*(0)		1st Difference = *I*(1)	
Variables	**No Trend**	**With Trend & Intercept**	**No Trend**	**With Trend & Intercept**
GDP	-1.403053	-1.750162	-1.052901	-6.299816
EDS	1.308730	1.912427	-0.185107	-5.585224
DDS	-0.123974	-2.772998	-0.342691	-5.259567
INF	-1.213612	-2.213612	-0.989557	-4.902861
EXC	1.459609	-0.754548	-1.053717	-5.231445
GFC	-0.554182	-2.537783	-1.497183	-6.416891
COR	0.582270	-2.578343	-0.866066	-6.810740
INT	-0.594963	-2.472117	-6.27746	-6.335275
@1%	-2.639210	-4.273277	-2.644302	-4.296729
@5%	-1.951687	-3.557759	-1.952473	-3.568379
@10%	-1.610579	-3.212361	-1.610211	-3.218382

Source: Researcher computation (2023) using E-view 10.0

Evidence from unit root table above shows that all the study or model variables are not stationary at level difference but stationary at first difference. Since the decision rule is to reject null hypothesis if the ADF statistic value exceeds the critical value at a chosen level of significance (in absolute terms), and accept stationarity when ADF statistics is greater than criteria value, the ADF absolute value of each of these variables is greater than the 1%, 5% and 10% critical value at their first difference but less than 5% critical value in their level form (see appendixes 2-8). Therefore, the study concludes that gross domestic product (GDP), external debt shock (EDS), domestic debt shock (DDS), inflation rate (INF), exchange rate (EXC), gross capital formation (GCF), corruption (COR) and interest rate (INT) are all stationary at their first difference integration *I*(1).

Summary of Johansen Cointegration Test

Cointegration means that there is a correlationship among the variables. Cointegration test is done on the residual of the model. Since the unit root test shows that none of the variable is stationary at level, *I*(0) rather they integrated at their first difference *1*(1), the study therefore test for cointegration among these variables. The result is presented in tables 2 below for Trace and Maximum Eigenvalue cointegration rank test respectively.

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Table 2: Summary of Johansen Cointegration Test

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.827764	183.0904	125.6154	0.0000
At most 1 *	0.762081	128.5647	95.75366	0.0001
At most 2 *	0.669669	84.05412	69.81889	0.0024
At most 3 *	0.509898	49.71669	47.85613	0.0331
At most 4 *	0.423945	29.60929	27.79707	0.0476
At most 5	0.100340	3.375954	15.49471	0.9473
At most 6	0.003159	0.098073	3.841466	0.7541
Trace test indicates 5 cointegrating eqn(s) at the 0.05 level * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values				

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.827764	54.52566	46.23142	0.0053
At most 1 *	0.762081	44.51060	40.07757	0.0148
At most 2 *	0.669669	34.33743	33.87687	0.0340
At most 3 *	0.509898	27.10740	22.58434	0.0349
At most 4 *	0.423945	21.09814	18.13162	0.0274
At most 5	0.100340	3.277881	14.26460	0.9265
At most 6	0.003159	0.098073	3.841466	0.7541
Max-eigenvalue test indicates 5 cointegrating eqn(s) at the 0.05 level * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values				

Source: Researchers computation (2023) using E-views 10.0

Table 2 indicated that trace have 5 cointegrating variables in the model while Maximum Eigenvalue also indicated that there is 5 cointegrating variables. Both the Trace statistics and Eigen value statistics reveal that there is a long run relationship between the variables. This will prevent the generation of spurious regression results. Hence, the implication of this result is that there is a long run relationship between economic growth and other variables used in the model.

Empirical Result of the Model

Having verified the existence of long run relationship among the study model, the study therefore subjects the model to ordinary least square to generate the coefficients of the parameters of the regression model.

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Table 3: Summary of Regression Results

Dependent Variable: GDP
Method: Least Squares
Sample: 1999 2022
Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.90280	2.542953	6.510344	0.0002
EDS	-0.904252	0.073418	-2.921558	0.0127
DDS	0.261232	0.014846	3.285003	0.0019
INF	-0.066447	0.029801	-2.829726	0.0146
EXC	0.033760	0.027126	2.744563	0.0151
GCF	0.182975	0.083704	4.644948	0.0005
COR	-0.218291	0.056290	-3.113573	0.0057
INT	-0.434266	0.134712	-4.478439	0.0008
R-squared	0.665607	Prob(F-statistic)		0.000023
Adjusted R-squared	0.547285	Durbin-Watson stat		1.850859
F-statistic	18.75554			

Source: Researchers computation (2023) using E-views 10.0

Interpretation of Results

To discuss the regression results as presented in Table 3, the study employ economic a priori criteria, statistical criteria and econometric criteria.

Economic A Priori Criteria

This subsection is concerned with evaluating the regression results based on a priori (that is, theoretical) expectations. The sign and magnitude of each variable coefficient is evaluated against theoretical expectations.

From table 3, it is observed that the regression line have a positive intercept as presented by the constant (c) = 12.90280. This means that if all the variables are held constant or fixed (zero), economic growth will be valued at 12.9%. Thus, the a-priori expectation is that the intercept could be positive or negative, so it conforms to the theoretical expectation.

From table 3, the study showed that domestic debt shock; exchange rate and gross capital formation have shown to exhibit a positive impact on economic growth in Nigeria. Thus, a rise in domestic debt shock, exchange rate and gross capital formation will increase economic growth in Nigeria and vice versa. On the other hands, external debt shock, inflation rate, corruption and interest rate have a negative impact on economic growth in Nigeria. This showed that as external debt shock, inflation rate, corruption and interest rate are increasing, economic growth will be decreasing in Nigeria and vice versa.

From the regression analysis, it is observed domestic debt shock, exchange rate, inflation rate; gross capital formation, corruption and interest rate conform to the a priori expectation of the study while external debt shock did not. Although, exchange rate was expected to be either positive or negative, it conformed to the expectation. Thus, Table 4 summarises the a priori test of this study.

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Table 4: Summary of Economic A Priori Test

Parameters	Variables		Expected Relationships	Observed Relationships	Conclusion
	Regressand	Regressor			
β_0	GDP	Intercept	+/-	-	Conform
β_1	GDP	EDS	+	-	Do not Conform
β_2	GDP	DDS	+	+	Conform
β_3	GDP	INF	-	-	Conform
β_4	GDP	EXC	+/-	+	Conform
β_5	GDP	GFC	+	+	Conform
β_6	GDP	COR	-	-	Conform
β_7	GDP	INT	-	-	Conform

Source: Researcher computation (2023) using E-views 10.0

Statistical Criteria

This subsection applies the R^2, adjusted R^2 and the F–test to determine the statistical reliability of the estimated parameters. These tests are performed as follows:

From the study regression result, Table 4 indicated that the coefficient of determination (R^2) is given as 0.665607, which shows that the explanatory power of the variables is high and strong. This implies that 67% of the variations in the economic growth is being accounted for or explained by the variations in external debt shock, domestic debt shock, exchange rate, inflation rate, gross capital formation, corruption and interest rate in Nigeria. While other possible determinants of economic growth not captured in the model explain about 33% of the variation in economic growth in Nigeria.

The adjusted R^2 in Table 4supports the claim of the R^2 with a value of 0.547285 indicating that 55% of the total variation in the dependent variable (economic growth) is explained by the independent variables (the regressors)). Thus, this supports the statement that the explanatory power of the variables is high and strong.

The F-statistic: The F-test is applied to check the overall significance of the model. The F-statistic is instrumental in verifying the overall significance of an estimated model. The hypothesis tested is:

H_0: The model has no goodness of fit

H_1: The model has a goodness of fit

Decision rule: Reject H_0 if $F_{cal} > F_{\alpha}$ (k-1, n-k) at α = 5%, accept if otherwise.

Where

V_1 / V_2 Degree of freedom (d.f)

V_1 = n-k, V_2 = k-1:

Where; n (number of observation); k (number of parameters)

Where k-1 = 8-1= 7

Thus, n-k = 33-8 = 25

Therefore: $F_{0.05(7,25)} = 2.40$ (From F-table) … … F-table

F-statistic = 22.71815 (From Regression Result) … F-calculated

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Therefore, since the F-calculated > F-table as observed in Table 5, the study reject H_0 and accept H_1 that the model has goodness of fit and is statistically different from zero. In other words, there is significant impact between the dependent and independent variables of the study.

Econometric Criteria

In this subsection, the following econometric tests are used to evaluate the result obtained from the study model; autocorrelation, multicollinearity and heteroscedasticity.

Test for Autocorrelation

Using Durbin-Watson (DW) statistics which the study obtains from the regression result in table 4, it is observed that DW statistic is 1.850859 or approximately 2. This implies that there is no autocorrelation since d* is approximately equal to two. 1.850859 tends towards two more than it tends towards zero. Therefore, the variables in the models are not autocorrelated and that the models are reliable for predications.

Evaluation of Research Hypotheses

The t-test is used to know the statistical significance of the individual parameters. Two-tailed tests at 5% significance level are conducted. The result is shown on Table 5 below. Here, the study compare the estimated or calculated t-statistic with the tabulated t-statistic at $t_{\alpha/2} = t_{0.05} = t_{0.025}$ (two-tailed test).

Degree of freedom (df) = n-k = 33-8 = 25

So, the study has:

$T_{0.025(25)} = 2.060$ … … … Tabulated t-statistic

In testing the working hypotheses, which partly satisfies the objectives of this study, the study employs a 0.05 level of significance. In so doing, the study is to reject the null hypothesis if the t-value is significant at the chosen level of significance; otherwise, the null hypothesis will be accepted. This is summarized in table 5 below.

Table 5: Summary of t-statistic

Variable	t-calculated (t_{cal})	t-tabulated ($t_{\alpha/2}$)	Conclusion
Constant	6.510344	2.060	Statistically Significance
EDS	-2.921558	2.060	Statistically Significance
DDS	3.285003	2.060	Statistically Significance
INF	-2.829726	2.060	Statistically Significance
EXC	2.744563	2.060	Statistically Significance
GFC	4.644948	2.060	Statistically Significance
COR	-3.113573	2.060	Statistically Significance
INT	-4.478439	2.060	Statistically Significance

Source: Researcher computation (2023) using E-views 10.0

Decision Rule

1. If calculated t-value > tabulated t-value, we reject the null hypothesis and accept the alternative hypothesis
2. If calculated t-value < tabulated t-value, we accept the null hypothesis and reject the alternative hypothesis

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The study begins by bringing the working hypothesis to focus in considering the individual hypothesis.

Hypothesis One

H_0: External debt shock has no significant impact on economic growth in Nigeria.

H_1: External debt shock has significant impact on economic growth in Nigeria.

Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of -2.921558 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that external debt shock has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that external debt shock has a significant impact on economic growth in Nigeria.

Hypothesis Two

H_0: Domestic debt shock has no significant impact on economic growth in Nigeria.

H_1: Domestic debt shock has significant impact on economic growth in Nigeria.

Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of 3.285003 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that domestic debt shock has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that domestic debt shock has a significant impact on economic growth in Nigeria.

Hypothesis Three

H_0: Inflation rate has no significant impact on economic growth in Nigeria.

H_1: Inflation rate has significant impact on economic growth in Nigeria.

Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of -2.829726 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that inflation rate has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that inflation rate has a significant impact on economic growth in Nigeria.

Hypothesis Four

H_0: Exchange rate has no significant impact on economic growth in Nigeria.

H_1: Exchange rate has significant impact on economic growth in Nigeria.

Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of 2.744563 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that exchange rate has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that exchange rate has a significant impact on economic growth in Nigeria.

Hypothesis Five

H_0: Gross capital formation has no significant impact on economic growth in Nigeria.

H_1: Gross capital formation has significant impact on economic growth in Nigeria.

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Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of 4.644948 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that gross capital formation has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that gross capital formation has a significant impact on economic growth in Nigeria.

Hypothesis Six

H_0: Corruption has no significant impact on economic growth in Nigeria.

H_1: Corruption has significant impact on economic growth in Nigeria.

Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of -3.113573 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that corruption has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that corruption has a significant impact on economic growth in Nigeria.

Hypothesis Seven

H_0: Interest rate has no significant impact on economic growth in Nigeria.

H_1: Interest rate has significant impact on economic growth in Nigeria.

Decision:

Applying the above decision rule to the hypothesis, it showed that the calculated absolute t-value of -4.478439 is greater than tabulated absolute t-value of 2.060 which result to rejecting the null hypothesis that interest rate has no significant impact on economic growth in Nigeria and accepting the alternative hypothesis that interest rate has a significant impact on economic growth in Nigeria.

CONCLUSION AND RECOMMENDATIONS

The study showed that external debt shock has a negative and statistical significant impact on economic growth in Nigeria. This implies that a rise in external debt shock, decreases economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding is that a 1% increase in external debt shock will bring about 0.90 or 90% decrease in economic growth in Nigeria and a unit fall will cause a 90% rise in economic growth in Nigeria scenario.

The study indicated that domestic debt shock has a positive and statistical significant impact on economic growth in Nigeria. This implies that a rise in domestic debt shock will increase economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding also showed that a 1% increase in domestic debt shock will bring about 0.26 or 26% increase in economic growth in Nigeria and a unit fall will cause about 26% fall in economic growth in Nigeria scenario.

The study revealed that inflation rate has a negative and statistical significant impact on economic growth in Nigeria. This implies that a rise in inflation rate, decreases economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding is that a 1% increase in inflation rate will bring about 0.07 or 7% decrease in economic growth in Nigeria and a unit fall will cause a 7% rise in economic growth in Nigeria scenario.

The study showed that exchange rate has a positive and statistical significant impact on economic growth in Nigeria. This implies that a rise in exchange rate will increase economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding also showed that a 1% increase in

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exchange rate will bring about 0.03 or 3% increase in economic growth in Nigeria and a unit fall will cause about 3% fall in economic growth in Nigeria scenario.

The study disclosed that gross capital formation has a positive and statistical significant impact on economic growth in Nigeria. This implies that a rise in gross capital formation will increase economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding also showed that a 1% increase in gross capital formation will bring about 0.18 or 18% increase in economic growth in Nigeria and a unit fall will cause about 18% fall in economic growth in Nigeria scenario.

The study revealed that corruption has a negative and statistical significant impact on economic growth in Nigeria. This implies that a rise in corruption, decreases economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding is that a 1% increase in corruption will bring about 0.22 or 22% decrease in economic growth in Nigeria and a unit fall will cause a 22% rise in economic growth in Nigeria scenario.

The study revealed that interest rate has a negative and statistical significant impact on economic growth in Nigeria. This implies that a rise in interest rate, decreases economic growth in Nigeria and vice versa under the period been reviewed. The implication of the finding is that a 1% increase in interest rate will bring about 0.43 or 43% decrease in economic growth in Nigeria and a unit fall will cause a 43% rise in economic growth in Nigeria scenario. In line with the findings of the study, the following recommendations are made: To address the challenge of external debt stock, the government should implement sound macroeconomic policies that keep the accumulation of external debt within sustainable limits. They should also implement structural policies that ensure an efficient use of savings and investment. To address the challenge of domestic debt stock monetary policy tools, such as interest rates and money supply should be adjusted to manage the money market and the economy. The apex financial institution can increase can increase interest rates to reduce borrowing and control inflation. To address the challenge of other included variables in the model, the government should consider banning the use of foreign currency within the country; banning locals from possessing foreign currency; restricting currency exchange to government-approved exchangers; the use fixed exchange rates and restricting the amount of currency that may be imported or exported; Enabling and proactive laws should be put in place to check corruption and corrupt practices.

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