IMPACT OF GOVERMENT DEBT ON NIGERIA'S ECONOMY GROWTH

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Introduction

- Debt is created by the act of borrowing

- According to Oyejide et al (1985) as the resource or money in use in an organization which is not contributed by its owner and does not in any other way belong to them.

- Productive and deadweight debt

- Internal and External Debt

OBJECTIVE OF THE STUDY

The main focus of this study is to:

1. To determine long-run relationship between public debt (internal and external) and economic growth in Nigeria.

2. To examine the link between public debt (internal and external) and economic growth.

3. To examine the effect of public debt accumulation on economic growth of Nigeria.

Nigeria External Debt policies

- External Debt
- Pre SAP Perood (1962 - 1985)
- Structural Adjustment Programme (SAP) (1985 -1991)
- Post SAP Period (1997 - 1998)
- Democratic Period (1999 - 2006)

Sources of Nigeria External Debt

- Paris Club
- The London Club of Creditor
- Multilateral Creditors
- Bilateral and Private Creditors

Impact of External Debt on Nigeria's Economy Growth

- Hameed et al, (2008) opined that too much of external debt could dampen growth by hampering investment and productivity growth because of the fact that when greater percentages of reserves (foreign currency) are consumed in meeting debt service, exchange rates fall and creditworthiness erodes; causing reduction in access to external financial resources.

- Declining People Welfarism

- Erode Foreign Inflow

Theoretical Framework

- Dependency Theory
- The Dual Gap Theory

Model Specification

The model is adopted from a simple open macroeconomic debt growth model employed by Schalarek (2004); and Izedonmi and Ilaboya (2012). The model is specified of the functional form:

RGDP = f (GOVD, INF, EXR, CPI).......... (1)

RGDP =a0 + alID + a2ED + a3INF + a4EXR + 05CPI +μ

Where:

RGDP Real Gross Domestic Product;

ID=Internal debt;

ED= External Debt;

INF Infrastructure proxied as index of Energy Consumption;

EXR = Exchange Rate;

CPI = Corruption Perception Index;

a0-a4- Parameters to be estimated;

u = Error term

Multiple Regression model

Model	Standardized coefficient	t	Sig.
Constant		-2.231	.033
ID	.288	3.982	0.00
EXD	-.101	-2.487	0.19
CPI	.137	2.093	0.45
INF	.734	7.690	0.00
EXR	- .170	-2.128	0.42

Interpretation of the findings

- Internal Debt have positive relationship with Nigeria’s economy growth and can affect it significantly

- INF have positive relationship with Nigeria’s economy growth and can affect it significantly.

- External Debt have negative relationships to the GDP of Nigeria and cant affect it significantly .

- CPI have positiverelationship with Nigeria’s GDP but can't affect it significantly

- INF have positive relationship with Nigeria’s GDP but can't affect it significantly.

Summary of the findings

The findings of the study reveal that if the cause of consistent borrowing is not curbed the economy will slump further resorting to surplus budgeting and igniting increases in unemployment, decreases in total investment, falling reserves, increased exchange rate high inflation and consequently increased poverty.

Recommendations

- Borrowing is thus recommended as a last resort by the government to revitalize the economy, and if necessary, the loans should be sourced within the economy so that when the principal and interest on the loans are paid back, it will serve as a crowd-in-effect, which in turn accelerates economic activities in the country.

- Also, other alternative sources of government revenue especially taxation hitherto neglected should be explored to minimize dependence on borrowed funds to revamp the economy.

- Finally, power should be made steady so that the costs of sectors that rely on alternative energy sources to thrive can be decreased Thus, such monies can be utilized for remunerative alternative employment.