



THE IMPACT OF PUBLIC DEBT BURDEN ON ECONOMIC GROWTH IN NIGERIA: AN EMPIRICAL ANALYSIS

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Abstract

Public debt remains an important fiscal instrument for financing infrastructure, addressing budget deficits, and promoting economic development, particularly in developing economies. However, Nigeria's increasing public debt burden has generated concerns about its implications for sustainable economic growth. Despite continuous government borrowing, the economy

continues to experience slow growth, inflation, exchange rate instability, infrastructural deficits, and increasing debt-servicing obligations. Moreover, previous empirical studies have produced conflicting findings regarding the effects of public debt, particularly the distinct contributions of external and domestic debt to economic growth. Against this background, this study examined the effect of public debt burden on economic growth in Nigeria, specifically assessing the effects of external and domestic debt. The study adopted an ex post facto research design and utilised annual time-series data covering 1990–2024, obtained from secondary sources. Economic growth was proxied by Gross Domestic Product, while public debt burden, external debt, domestic debt, inflation, exchange rate, and global oil price constituted the explanatory variables. Data were analysed using descriptive statistics, the Augmented Dickey-Fuller unit root test, Autoregressive Distributed Lag (ARDL) Bounds Test, and Error Correction Model. The findings established a long-run relationship among the variables. Public debt burden had a negative and significant effect on economic growth ($\beta = -0.1842$, $p = 0.016$), while external debt similarly exerted a negative and significant effect ($\beta = -0.1265$, $p = 0.017$). Conversely, domestic debt positively and significantly influenced economic growth ($\beta = 0.2142$, $p = 0.008$). Inflation and exchange rate depreciation negatively affected growth, whereas global oil prices had a positive effect. These findings suggest that excessive public and external debt constrain economic performance through debt-servicing pressures and reduced fiscal capacity, while properly managed domestic borrowing can support productive economic activities. The study concludes that effective debt management is critical to Nigeria's sustainable economic growth.

Keywords: Public debt burden; External debt; Domestic debt; Economic growth; ARDL; Nigeria

INTRODUCTION

Public debt has become one of the most important macroeconomic issues confronting both developed and developing economies. Governments rely on borrowing to finance budget deficits, provide critical infrastructure, stabilise economic activities during periods of recession, and promote long-term economic development^{4,57}. In developing economies such as Nigeria, persistent fiscal deficits, declining government revenues, limited productive capacity, increasing expenditure pressures, and infrastructural deficiencies have contributed substantially to the continued accumulation of public debt^{65,45,43}. Public debt represents the financial obligations owed by a government to domestic and external creditors. While domestic debt comprises, obligations raised within the country through instruments such as treasury bills, government bonds, and development stocks, external debt consists of borrowing from foreign governments, international financial institutions, and other external lenders^{60,32}.

Government borrowing can contribute positively to economic growth when borrowed funds are efficiently invested in productive sectors capable of generating economic returns. Such borrowing may support infrastructure development, education, healthcare, agriculture, industrialisation, employment creation, and other activities that enhance productive capacity^{39,50,42}. However, excessive or poorly managed public debt may have adverse consequences for economic performance, particularly when increasing debt servicing obligations reduce the financial resources available for productive and developmental expenditure^{65,18}. This concern is particularly relevant to Nigeria, where public debt has increased considerably despite the debt relief obtained from the Paris Club in 2005. Persistent fiscal deficits, fluctuations in oil revenue, exchange rate instability, rising recurrent expenditure, and substantial infrastructure requirements have continued to drive the country's debt accumulation^{61,31}.

The relationship between public debt and economic growth is supported by competing theoretical perspectives. The Keynesian view suggests that government borrowing, particularly during periods of economic downturn, can stimulate aggregate demand, increase productive activities, and promote economic growth through deficit-financed public expenditure^{48,54}. In contrast, the Debt Overhang Theory argues that excessive indebtedness can discourage investment because investors anticipate future taxation and economic uncertainty. Similarly, the Crowding-Out Theory suggests that excessive government borrowing may compete with the private sector for available financial resources, increase interest rates, restrict private-sector access to credit, and consequently reduce private investment^{19,41,14}. These contrasting theoretical arguments make the effect of public debt on economic growth an important empirical issue.

In Nigeria, the increasing public debt burden has become particularly concerning because rising government borrowing has occurred alongside persistent unemployment, inadequate infrastructure, low industrial productivity, inflationary pressures, exchange rate instability, and relatively slow economic growth^{26,37,66}. Furthermore, increasing debt servicing obligations consume a substantial proportion of government revenue, thereby reducing fiscal resources that could otherwise be allocated to productive and developmental activities^{47,35}. Although government borrowing is expected to support infrastructure development, capital formation, and economic activities, concerns remain regarding whether Nigeria's increasing public debt has translated into corresponding improvements in economic performance.

Existing empirical evidence has also failed to provide a consistent conclusion regarding the relationship between public debt and economic growth in Nigeria. While some studies report that public debt contributes positively to economic growth when borrowed resources are

efficiently utilised, others identify negative or statistically insignificant effects. These conflicting findings may arise from differences in periods of analysis, variables employed, estimation techniques, and methodological approaches. More importantly, several existing studies have concentrated on aggregate public debt without adequately examining the distinct effects of domestic and external debt on economic growth within a unified empirical framework. Consequently, an important empirical gap remains concerning how the different components of Nigeria's public debt burden influence economic performance.

Addressing this gap is particularly important given Nigeria's increasing debt profile and the growing proportion of government revenue devoted to debt servicing. This study therefore examines the relationship between public debt burden and economic growth in Nigeria, with particular emphasis on the effects of external and domestic debt. The study employs time-series data and adopts the Autoregressive Distributed Lag (ARDL) approach because of its suitability for investigating both short-run and long-run relationships among variables with different orders of integration. Through this approach, the study seeks to establish whether Nigeria's growing public debt has supported economic growth or increasingly constituted a constraint on the country's economic performance.

The study is significant from both policy and academic perspectives. Empirically, it contributes to the existing literature on public debt and economic growth by providing additional evidence from Nigeria and distinguishing the effects of domestic and external debt. From a policy perspective, the findings are expected to provide useful information to institutions such as the Central Bank of Nigeria, Debt Management Office, Federal Ministry of Finance, and other relevant government agencies in designing effective debt-management and fiscal policies. A clearer understanding of the debt-growth relationship may assist policymakers in making informed borrowing decisions, improving the allocation of borrowed resources to productive sectors, and addressing the implications of increasing debt-servicing obligations for economic development. Furthermore, the study provides researchers, students, and academics with additional empirical evidence for future investigations into public debt, fiscal policy, debt sustainability, and economic growth in Nigeria and other developing economies. Ultimately, the study is expected to contribute to the broader discussion on how Nigeria can manage public borrowing in a manner that supports sustainable economic growth and development. In view of the above the broad objective of this study is to examine the effect of public debt burden on economic growth in Nigeria. While the specific objectives are to:

- i. examine the effect of public debt burden on economic growth.
- ii. determine the effect of external debt on economic growth.
- iii. assess the effect of domestic debt on economic growth.

The study seeks to provide answers to the following questions:

- i. What effect does public debt burden have on economic growth?
- ii. To what extent does external debt affect economic growth?
- iii. What effect does domestic debt have on economic growth?

The following hypotheses guided the study:

H₀₁: Public debt burden has no significant effect on economic growth.

H₀₂: External debt has no significant effect on economic growth.

H₀₃: Domestic debt has no significant effect on economic growth.

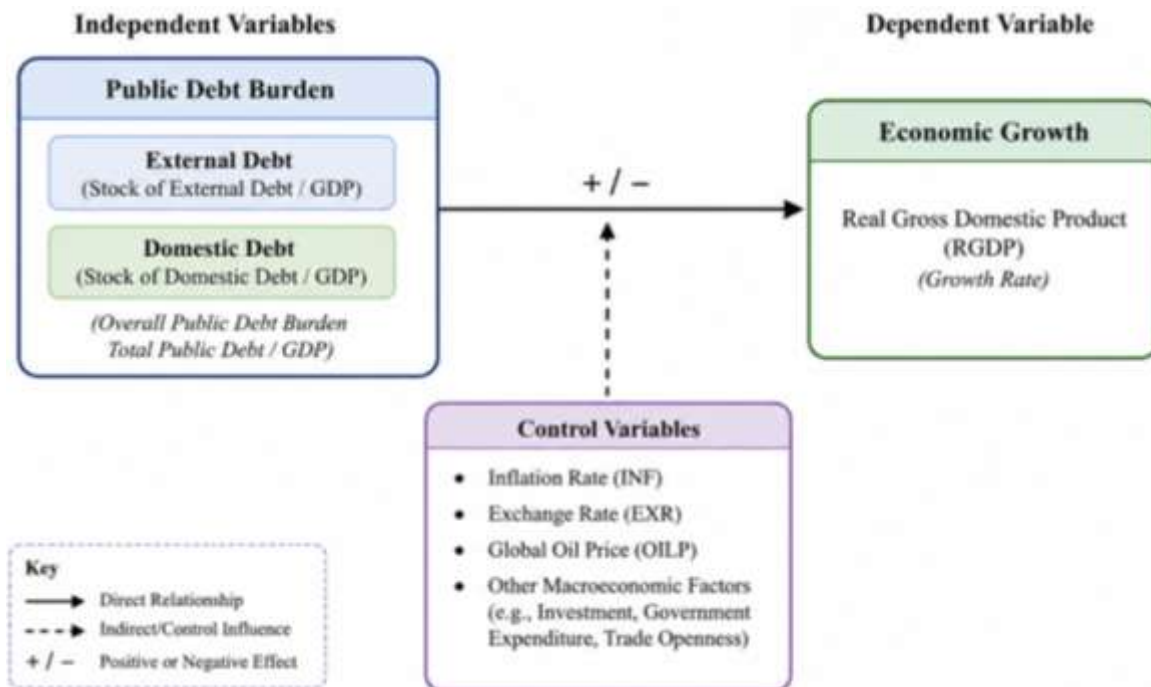


Figure 1: Research Conceptual Framework

LITERATURE REVIEW

Theoretical Review

In this study, authors review related theories to the context of public debt burden, and economic growth. The highlighted theories are; the Keynesian Theory, the Debt Overhang Theory, and the Crowding-Out Theory.

Keynesian Theory

The Keynesian theory, which was developed by John Maynard Keynes, is an economic theory that advocates for government action in the economy via fiscal policy, including public spending and borrowing¹⁷. The theory suggests that borrowing will lead to higher aggregate

demand, higher investment, the generation of new jobs, and economic growth, particularly in the event of economic recession or less private sector investment^{38,21}. In the opinion of (2015)³⁴, the theory suggests that deficit financing using public debt might be needed to fund infrastructure and developmental projects that boost productive capacity. The author adds that if the borrowed money would be used effectively for investment in productive areas like transportation, power supply, health care, education and industrial development, Nigeria's government borrowing can be a positive factor in stimulating the growth of the economy. The Keynesian theory, however, also acknowledges that borrowing too much without using it to improve the productive capacity of the economy can have inflationary consequences and fiscal instability^{30,6}.

Debt Overhang Theory

The Debt Overhang Theory proposed that the excessive public debt would have negative impacts on economic growth if the debt level were too high for an economy to sustain²⁴. The theory assumes that investors could be deterred from investing in case they expect that the earnings from the investment will be mostly utilized for debt repayments instead of productive investment^{22,20}. In the study of (2023)⁶⁵, finds that in debt-burdened countries, the debt repayment budget can crowd out investments in capital and/or social development, stressing that such a drop in economic productivity can impact long-term economic growth. (2024)²⁰ suggests that the theory is especially relevant for developing countries where increasing debt service pressures are curbing expenditures on development.

Crowding-Out Theory

According to the Crowding-Out Theory, an increase in government borrowing can lead to a decrease in private sector investment¹⁴. If the government has taken up so much borrowing that interest rates are pushed up on the domestic financial market, private investors would find their borrowing costs increased^{65,23}. Consequently, private investment decreases and economic productivity decreases and growth slows⁵². In the study of (2023)⁶⁵, domestic borrowing in Nigeria can be excessive, not to mention that it can create a problem of access to credit for businesses and may also lead to a reduction of investment in productive sectors of the economy. The author mention further that the public debt and economic growth nexus have focused on developed, developing and emerging economies. However, the results of these studies continue to be mixed, with some scholars suggesting that in a well-managed fashion, public debt has a positive effect on economic growth⁶², and others claiming that high levels of

public debt have a negative impact on economic performance, due to increased debt servicing, economic contraction, and macroeconomic instability^{11,29}.

Empirical Review

Early empirical studies at the international level mainly focused on the growth impact of external debt in developing economies. Patillo et al.⁵¹, using panel data for developing countries, examined the effect of external debt on economic growth. Their findings show that debt may support economic growth at moderate levels, but beyond sustainable limits it begins to negatively affect economic performance through debt overhang effects, reduced investment, and lower productivity growth^{29,20,9}. However, for Reinhart & Rogoff⁵³ cross-country study involving advanced and emerging economies, concluded that excessively high debt-to-GDP ratios could slow economic growth because of rising debt servicing obligations, macroeconomic uncertainty, and declining investor confidence^{29,46}. The study further noted that persistent debt accumulation may reduce fiscal flexibility and weaken long-term economic stability. Woo & Kumar⁶⁴ also finds that high public debt negatively affects long-run economic growth, particularly in developing countries where weak institutions and poor fiscal management limit the productive use of borrowed funds.

Despite these negative findings, some empirical studies report positive effects of public borrowing on economic growth. Blanchard¹⁶ argues that government debt can stimulate economic activities when borrowed funds are invested in productive sectors such as infrastructure, healthcare, education, and industrial development. The authors add further that productive borrowing may increase employment, aggregate demand, and industrial growth. However, the dominant evidence from global studies suggests that while moderate debt may promote growth, excessive and poorly managed debt tends to generate adverse macroeconomic consequences⁵⁰. Other empirical evidence from African countries also presents mixed findings on the relationship between public debt and economic growth. With increasing external borrowing, fiscal deficits, and debt servicing pressures, public debt has remained a major policy issue across many African economies^{55,44}. Research in several African countries show that excessive public debt can hinder economic growth because a substantial proportion of government revenue is allocated to debt servicing obligations rather than productive investment^{33,49,7}.

Studies across African economies, however, differ in their findings. Some studies report that excessive external debt negatively affects economic growth due to rising interest burdens and capital flight^{11,2,25}. For example, studies conducted in Kenya find that increased public debt reduced economic growth because of fiscal pressure and inflationary tendencies^{28,3}. Evidence

from Ghana also suggest that high external debt slows growth due to rising debt servicing burdens and reduced investment in productive sectors¹. Conversely, other African studies find that domestic debt can positively influence economic growth by supporting government expenditure and financial market development⁴⁶. Some studies further argue that domestic borrowing can stimulate productive sectors such as agriculture, transportation, manufacturing, and power when borrowed resources are efficiently utilised²⁵. These differing findings suggest that the growth effect of public debt in Africa largely depends on the quality of governance, debt management practices, and the productive use of borrowed funds^{10,36}.

In Nigeria, several empirical studies have examined the relationship between public debt burden and economic growth using different econometric techniques, variables, and study periods. However, the findings remain inconclusive. A number of studies finds that external debt has a negative impact on economic growth in Nigeria^{5,29,36}. Some of these studies argue that rising debt servicing obligations reduce government expenditure on productive sectors such as infrastructure, education, healthcare, and industrial development²⁹. Studies employing Ordinary Least Squares (OLS), Error Correction Model (ECM), Vector Error Correction Model (VECM), and Autoregressive Distributed Lag (ARDL) techniques frequently report that external debt negatively and significantly affects Nigeria's economic growth^{40,12}. These negative outcomes were linked to poor borrowing practices, exchange rate volatility, corruption, and inefficient utilisation of borrowed funds^{11,8,63}.

METHODOLOGY

Research Design

This study uses an ex post facto research design. Sharma⁵⁶ stresses that the design is appropriate because the study uses macroeconomic data that is already available in the market and is not subject to manipulation by the researchers. Azmi et al.¹³ adds that the ex post facto design also helps to analyze the causal relationship between public debt burden and economic growth in Nigeria through historical time series data.

Data Collection and Measurement of Variables

Authors in this study made use of secondary data from Central Bank of Nigeria Statistical Bulletin, Debt Management Office reports, and National Bureau of Statistics. The study period of 1990-2024 was selected to provide a sufficiently long and comprehensive time series for examining the dynamics between public debt burden and economic growth in Nigeria. The period captures significant changes in Nigeria's fiscal and debt-management environment, including episodes of rising external and domestic borrowing, the Paris Club debt relief,

fluctuations in crude oil revenue, exchange-rate adjustments, periods of economic recession and recovery, and the renewed accumulation of public debt in recent years. In addition, extending the analysis to 2024 also enables the study to incorporate recent developments in Nigeria's debt profile and macroeconomic environment. Furthermore, the 35-year period provides sufficient annual observations for examining both short-run and long-run relationships among the variables using the Autoregressive Distributed Lag (ARDL) framework. In this study, economic growth, as proxy for Gross Domestic Product (GDP) was used as the dependent variable, simply because it measures the overall performance and productivity of the Nigerian economy. For the independent variables, the authors focused on public debt burden (PDB), external debt (EXD), and domestic debt (DMD). Global oil price (GOP) also comes in, as a moderating variable, considering how reliant Nigeria is on crude oil revenue, which in turn can affect government income, borrowing ability, and the overall association between public debt burden and economic growth.

Method of Data Analysis

In this study, the authors used the descriptive and econometric data analysis techniques to analyse the data. The behaviour of the variables was explained using descriptive statistics like mean, standard deviation and trend analysis²⁷. Furthermore, econometric analysis was conducted using time series techniques. However, to test stationarity of variables, unit root tests, the Augmented Dickey-Fuller (ADF) test was employed⁵⁸. The co-integration tests were also employed to determine the existence of long run relationships between the variables^{15,13}. The study utilised the Autoregressive Distributed Lag Model to examine both the short-run and long-run relationships among the variables, while the ARDL Bounds Test was employed to test for cointegration based on the order of integration of the variables⁵⁹.

Model 1

The functional relationship can be given as:

$$GDP = f(PDB, INF, EXR, GOP)$$

Econometric Model Specification

The econometric model for the study is specified in linear form as:

$$GDP_t = \beta_0 + \beta_1 PDB_t + \beta_2 INF_t + \beta_3 EXR_t + \beta_4 GOP_t + \mu_t$$

Model 2

The functional relationship can be given as:

$$GDP = f(EXD, DMD, INF, EXR, GOP)$$

$$GDP_t = \beta_0 + \beta_1 EXD_t + \beta_2 DMD_t + \beta_3 INF_t + \beta_4 EXR_t + \beta_5 GOP_t + \mu_t$$

Where:

GDP = Gross Domestic Product (economic growth)

PDB = Public debt burden

EXD = External debt

DMD = Domestic debt

INF = Inflation rate

EXR = Exchange rate

GOP = Global Oil Price

β_0 = intercept

β_1 – β_5 = coefficients of the explanatory variables

μ = error term

t = time period

RESULTS AND DISCUSSION

Table 1: Summary of Descriptive Statistics

Variable	Count	Mean	Std	Min	25%	50%	75%	Max
Year	35.0	2007.0	10.246951	1990.0	1998.5	2007.0	2015.5	2024.0
GDP	35.0	29.020857	11.251613	10.58	19.57	30.45	38.305	48.59
PDB	35.0	14698.80670	27900.65221	382.7075	1699.66014	5098.8855	12742.81277	140720.28384
EXD	35.0	6327.241696	13351.92978	298.6144	625.1685	1631.5	4684.29945	70310.420846
DMD	35.0	8371.565008	14782.78726	84.0931	677.8184	2169.6376	9947.600078	70409.863003
INF	35.0	19.632964	15.764526	5.382224	9.507031	14.03178	20.876715	72.8355
EXR	35.0	247.920033	320.137835	8.038285	57.20175	131.2743	222.9664	1479.0
GOP	35.0	17775.81077	16717.76725	5264.881	7509.077	8531.587	20407.06	53791.25

In the table 1, the descriptive statistics indicates that there were 35 years of data for the study from 1990 to 2024. The average GDP value stood at 29.02 with a standard deviation of 11.25, indicating moderate variation in economic growth during the study period. The mean value of Public Debt Burden (PDB) was 14,698.81 with a high standard deviation of 27,900.65, indicating significant fluctuation over the period Nigeria has been experiencing a high public debt burden. External Debt (EXD) and Domestic Debt (DMD) also saw high level of variability, having standard deviations of 13,351.93 and 14,782.79, respectively, reflecting rising amounts of debt over the years.

Further results from the analysis of this study, shows that mean was 19.63 and the standard deviation 15.76 for Inflation Rate (INF) which shows that there was instability in the price levels in the Nigeria markets. The Exchange Rate (EXR) experienced high degree of volatility with mean value of 247.92 and maximum value of 1,479.00 indicating high depreciation of the naira over the study period. The mean value of Global Oil Price (GOP) was 17,775.81 and the high standard deviation was 16,717.77, which shows that there was a large variation in the global oil price. Overall, the descriptive statistics indicates that there were significant changes in the variables over the study period, which further justifies the need for an econometric study.

In order to identify the level of significance of the study variables, the authors present the results of the econometric analysis in this section. The ADF unit root test results show that all variables are non-stationary at level but become stationary after first differencing. This confirms that all variables are integrated of order one, $I(1)$. Since none of the variables are integrated of order two, this makes the ARDL bounds testing approach appropriate for further analysis.

Table 2: Model 1- Summary of Econometric Results

Section	Result	Interpretation
Selected ARDL Model	ARDL (1,0,0,0,0)	Optimal lag selected by AIC
Bounds Test F-statistic	4.92	Greater than upper bound critical value (3.49); long-run relationship exists
Public Debt Burden (PDB)	-0.1842 (0.016)	Negative and significant effect on economic growth
Inflation (INF)	-0.0531 (0.015)	Negative and significant effect
Exchange Rate (EXR)	-0.0117 (0.024)	Negative and significant influence
Global Oil Price (GOP)	0.1374 (0.026)	Positive and significant effect
ECM (-1)	-0.6742 (0.000)	67.42% adjustment to equilibrium annually
Serial Correlation Test	0.198	No serial correlation
Heteroskedasticity Test	0.287	Homoskedastic residuals
Normality Test	0.382	Residuals are normally distributed
CUSUM/CUSUMSQ	Stable	Model is stable

In table 2 above, the results confirm that the ARDL (1,0,0,0,0) model was optimally selected using AIC, while the bounds test F-statistic of 4.92 exceeds the upper bound (3.49), establishing a long-run relationship among the variables. In the long run, public debt burden has a negative and significant effect on economic growth, indicating that higher debt levels constrain growth through repayment pressures and reduced fiscal space. Inflation and exchange rate

depreciation also significantly reduce growth, reflecting macroeconomic instability and external vulnerability. Conversely, global oil price has a positive and significant effect, showing the economy's dependence on oil revenue as a key growth driver. The error correction term is negative and significant (-0.6742), implying a 67.42% annual adjustment speed back to equilibrium impact. Diagnostic tests confirm no serial correlation or heteroskedasticity, normally distributed residuals, and both CUSUM and CUSUMSQ results verify model stability over the period.

Table 3: Model 2- Summary of Econometric Results

Section	Result	Interpretation
Selected ARDL Model	ARDL (1,0,0,0,0,1)	Optimal lag structure selected by AIC
Bounds Test F-statistic	5.37	Greater than upper bound critical value (3.38); long-run relationship exists
External Debt (EXD)	-0.1265 (0.017)	Negative and significant effect on economic growth
Domestic Debt (DMD)	0.2142 (0.008)	Positive and significant effect on economic growth
Inflation (INF)	-0.0441 (0.020)	Negative and significant effect
Exchange Rate (EXR)	-0.0134 (0.026)	Negative and significant effect
Global Oil Price (GOP)	0.1187 (0.021)	Positive and significant effect
ECM (-1)	-0.6915 (0.000)	69.15% adjustment to long-run equilibrium annually
Serial Correlation Test	0.214	No serial correlation
Heteroskedasticity Test	0.274	Homoskedastic residuals
Normality Test	0.399	Residuals are normally distributed
CUSUM/CUSUMSQ	Stable	Model is stable

The Model 2 results in table 3 above confirm a long-run relationship between external debt, domestic debt, and economic growth in Nigeria, as supported by the bounds test and ARDL (1,0,0,0,0,1) selected via AIC. External debt has a negative and significant effect on growth, indicating growth constraints from debt servicing and external dependence, while domestic debt has a positive and significant impact, suggesting stronger growth support when well managed. Inflation and exchange rate depreciation both reduce economic growth, reflecting macroeconomic instability, whereas global oil price promotes growth through increased economic activity. The error correction term is negative and significant, confirming long-run equilibrium, with a 69.15% annual adjustment speed back to equilibrium impact. Diagnostic and stability tests confirm a well-specified model with no serial correlation or heteroskedasticity,

normally distributed residuals, and stable parameters as verified by CUSUM and CUSUMSQ tests.

Test of Hypotheses

H_{01} : Public debt burden has no significant relationship with economic growth.

From Model 1, the coefficient of Public Debt Burden (PDB) is: -0.1842 while $p\text{-value} = 0.016$

Since the $p\text{-value}$ (0.016) is less than the 0.05 level of significance, the null hypothesis is rejected. Therefore, public debt burden has a significant relationship with economic growth. The relationship is negative, implying that an increase in public debt burden reduces economic growth.

H_{02} : External debt has no significant effect on economic growth.

From Model 2, the coefficient of External Debt (EXD) is: -0.1265 , while $p\text{-value} = 0.017$

Since the $p\text{-value}$ (0.017) is less than 0.05, the null hypothesis is rejected. Therefore, external debt has a significant effect on economic growth in Nigeria. The effect is negative, indicating that increases in external debt reduce economic growth.

H_{03} : Domestic debt has no significant effect on economic growth.

From Model 2, the coefficient of Domestic Debt (DMD) is: 0.2142 while $p\text{-value} = 0.008$

Since the $p\text{-value}$ (0.008) is less than 0.05, the null hypothesis is rejected. Therefore, domestic debt has a significant effect on economic growth. The relationship is positive, suggesting that domestic debt contributes positively to economic growth.

Discussion of Results

In this study, the outcomes from these results align strongly with previous empirical studies on the debt–growth nexus in developing economies, especially in Nigeria. The results validate a long-run relationship among the variables, which supports the studies of Ofurum & Fubara³⁹, Olasehinde & Afolabi⁴⁷, and Olowe⁴⁸, where cointegration was also documented between public debt components and economic growth using ARDL techniques. The negative and statistically significant effect of the public debt burden supports the debt overhang impression. It suggests that when debt piles up excessively, it can dissuade investment and slow growth because repayment pressures rise and fiscal capacity declines⁶⁵. This is also in line with Ohiomu⁴⁰, who reported that debt burden, along with displacement effect, can lower investment and weaken economic performance in Nigeria²¹. Likewise, the negative effects of inflation and exchange rate depreciation reflect macroeconomic volatility, declining purchasing

power, reduced investors' confidence, and rising production costs²⁴. This supports the findings of Ezuem & Nguévaga²³, where inflation and currency instability were identified as persistent hindrances to growth in Nigeria²². On the other hand, the positive and significant response of global oil price reflects Nigeria's dependence on oil revenue, indicating that oil price movements serve as a transmission channel for growth. This supports the assertion of Oladipo et al.⁴⁶, that oil price shocks can have substantial implications for output performance in economies that rely heavily on oil²⁸. Overall, the findings highlight the prevailing perspective in the literature that external debt burden and macroeconomic instability tend to restrain growth, while favourable oil price cycles can provide short-term support for economic activity, even though such improvements may not be sustainable without structural economic diversification^{50,44}.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This study investigated the impact of public debt burden on economic growth in Nigeria using the Autoregressive Distributed Lag (ARDL) approach. The findings revealed the existence of a long-run relationship among the variables included in both models. The results further demonstrated that public debt burden has a negative and statistically significant effect on Nigeria's economic growth. Specifically, external debt was found to exert a negative and significant effect on economic growth, while domestic debt had a positive and significant effect. The study also established that inflation and exchange rates negatively affect economic growth, suggesting that macroeconomic instability can constrain the country's economic performance. In contrast, global oil prices were found to have a positive effect on economic growth. Furthermore, the error correction terms had the expected signs and were statistically significant, indicating a consistent adjustment toward long-run equilibrium following short-run economic disturbances. The diagnostic tests also confirmed that the estimated models were statistically valid and stable.

Based on these findings, the study concludes that public debt burden has a significant influence on economic growth. External debt can adversely affect economic performance, particularly when rising debt-service obligations place pressure on government finances and contribute to macroeconomic instability. Domestic debt, on the other hand, can contribute positively to economic growth when it is maintained within sustainable limits and directed toward productive sectors of the economy. Therefore, effective debt management and the prudent utilization of borrowed funds are essential for achieving sustainable economic growth. The study recommends that the Nigerian government reduce its excessive dependence on external borrowing and ensure that borrowed funds are directed toward productive projects and programs capable of generating sustainable economic returns. Stronger monitoring,

transparency, and accountability mechanisms should also be established to minimize fiscal leakages and promote the efficient utilization of public debt. Furthermore, domestic borrowing should be encouraged within sustainable limits because of its positive contribution to economic growth, while excessive exposure to external debt should be minimized. Policymakers should implement appropriate monetary and fiscal measures to control inflation and stabilize the exchange rate.

SCOPE FOR FURTHER STUDIES

In this study, the authors suggest that future authors may extend the current investigation by examining the nonlinear and threshold effects of public debt on economic growth in Nigeria to determine the level beyond which additional borrowing becomes detrimental to economic performance. Authors could also disaggregate external and domestic debt according to their sources, maturity structures, debt-servicing costs, and utilisation in productive and non-productive industries. In addition, subsequent researchers may incorporate institutional quality, government expenditure, private investment, debt-service-to-revenue ratio, and fiscal sustainability indicators to provide a broader understanding of the channels through which public debt affects economic growth. Comparative researches involving Nigeria and other Sub-Saharan African economies may also provide useful insights into how differences in institutional and macroeconomic conditions influence the debt to growth relationship.

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