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External debt, domestic debt, external debt servicing and economic growth in Nigeria

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Abstract
This study examines the impact of public debt on Nigeria's economic growth. The objectives are to ascertain the impact of external debt (ED), domestic debt (DD) and external debt servicing (EDS) on Nigeria's economic growth proxied by real gross domestic product (GDP). The study employed the ex post facto research design, while annual time series data for each of the variables were sourced from the Central Bank of Nigeria statistical bulletin for the period 1991 to 2022. The estimation techniques utilised in the study include correlation test, Augmented Dickey-Fuller unit root test, ARDL Bounds test, and the Bruesch-Godfrey LM test for autocorrelation. Findings of the Augmented Dickey-Fuller unit root test indicates that GDP and DD were stationary at level, while ED and EDS became stationary after first difference. The result of the ARDL bounds test revealed that the variables are cointegrated in the long run as the F-statistic value of 6.596 is greater than the upper critical bound value of 4.35. Further findings revealed that in the long-run, only DD has a significant positive impact on GDP. Result of the coefficient of determination suggests that the variables fitted in the model explained about 66.87 percent of the behaviour of GDP in the period under review. Also, the Durbin-Watson statistic of 2.02 suggests that the model is free of serial correlation. The study therefore, recommended among others that the Nigerian government should focus more on domestic sources, as the major source of public debts.

Keywords: Domestic debt, external debt, external debt servicing, economic growth

1. Introduction

All over the world, it has been observed that countries borrow when they are unable to generate enough domestic savings to carry out their productive activities. The funds borrowed are expected to enhance economic growth and development of the country, which in-turn, is expected to be reflective in the living standard of the citizenry. When a government borrows to offset its deficits or for the development of its economy, it is said to have incurred public debt (Okoro, 2013). Public debt refers to the financial claims with or without interest that a government owes its creditors. Nigeria's public debt became pronounced in the 1970s and 1980s. Oyejide *et al.* (2004) opined that the necessity to fund major rebuilding and development projects after Nigeria's civil war between 1967 and 1970 paved the way for the rapid and subsequent rise in Nigeria's public debt obligation.

In Nigeria, like many other nations, public debt is made up of both external and domestic debts. That is, debts may be incurred by the government through borrowing from the domestic or international markets to finance a nation's domestic investment. Funds borrowed from external sources are referred to as external or foreign debts, while those borrowed from internal sources are known as internal or domestic debts. External sources of borrowing include bilateral and multilateral sources, international financial institutions such as the International Monetary Fund, World Bank, African Development Bank, and governments of other countries (The Economic Times,

2025). Internal sources of borrowing comprise domestic financial institutions such as the Federal Reserve or Central Banks, deposit money banks (DMBs), and other non-bank financial institutions such as cooperative societies, discount houses, private groups, and individuals. In Nigeria, domestic debts are contracted by the federal government as well as the state and local governments. Domestic debt instruments issued in Nigeria usually consist of treasury bills (TBs), treasury certificates (TCs) Federal Government development stocks (DS), bonds, and means advances (Eze *et al.*, 2023).

Public debt conveys conditions of repayment not only on total sum borrowed but also on established interest rates and other charges in line with the terms of contract (Hassan & Akhter, 2012). The service cost associated with external debt is known as external debt servicing (interest payable on external debt by the government), while that associated with domestic debt is referred to as domestic debt servicing, that is, interest payable on internal debt by the government (Babu, Symon, Aquilars, & Mose, 2015).

One major reason governments all over the world borrow is to invest in sectors of their economy that can drive economic growth. Economic growth has been defined as the quantitative increase in the productive capacity of a nation. Rahman et al. (2019), view economic growth as the sustained rise in a nation's actual national income over time. Conventionally, economic growth is often measured by Gross Domestic Product (GDP) which is the market value of all final goods and services produced in a country within a fiscal year at market prices (Argandona, 2016). Public debt may have a positive or negative influence on economic growth, depending on its size, the interest charged on borrowed funds, debt-to-GDP ratio, the prevailing economic environment, and how well it is utilised. For instance, while external debt offers financing opportunities for investment in sectors of the economy that can drive the economic growth process, the debt overhang theory highlights that beyond a certain threshold, external debt discourages consumption and investment, thereby limiting economic growth (Elkhalfi *et al.*, 2024). The effect of domestic debt on economic growth can also be positive or negative. Domestic debt can be used to finance fiscal or budget deficits, in anticipation that it would boost investment and quicken economic growth (Boniface, 2024). However, domestic borrowing by governments depletes domestic private savings available for private sector lending. Hence, the dearth of loanable funds in the market raises the cost of capital available for investment. This in turn reduces private investment demand which leads to a reduction in capital accumulation, economic growth, and welfare (Diamond, 1965).

Public debt is of macroeconomic importance as it helps provide investible funds and lessen budget constraints by making funds available to finance balance of payments and fiscal deficits. The World Bank (2020) emphasised that nations, especially resource-scarce economies, borrow to improve capital formation and investments which are often deterred by the lack of domestic savings. For several reasons, developing countries like Nigeria tend to rely on borrowed funds, foreign equity portfolio investment (FEPI) and foreign direct investment (FDI) flows to harness and grow the economy (Shkolnyk & Koilo, 2018). Moreover, given the low level of domestic economic activities to guarantee quality internally generated funds, the use of external debt by developing countries to address the challenges of economic growth and development has become more of an issue of necessity that is difficult to avoid rather than a choice.

Despite its benefits, poor management of public debt could cause financial distress and economic crisis in the debtor country

due to debt servicing (Onyele & Nwadike, 2021). In most cases, debt servicing problem occurs when economic resources that should have been employed for carrying out productive developments are rather used in financing debt. Huge debt service payments inflict a number of limitations on prospects of a country's economic growth rate. These limitations include the slowing down of productive investment, and the draining of scarce economic resources reserved for domestic development of a country. Corroborating this, Oyejide et al. (2004) assert that increased borrowing by government and resultant repayment obligations have some consequences on the domestic economy due to the possibilities of debt overhang and crowding out of the private sector from credit market thereby hindering economic growth whereas growth is one of the foremost reasons for incurring debt. If borrowed funds are not invested in economically viable projects, repayment of the principal sum and agreed interest becomes difficult.

Like most less industrialised nations, Nigeria has suffered from several economic upheavals arising from insufficient funds, collapse of local industries, frequent fiscal deficit, low exports, constant balance of payment deficit due to rising imports, etc. This situation has led to widening of savings-investments gap and accumulation of debt that requires a large proportion of government revenue and draw down on foreign reserves to service (Onyele & Nwokoacha, 2016). Regardless of these challenges, Nigeria over the years has continued to borrow from external and internal sources to finance her deficit budgets which are targeted towards achieving economic growth and other macroeconomic objectives. For instance, after receiving debt pardon from the Paris Club in 2006, Nigeria's external debt has exhibited upward trends, rising from ₦438.89 billion in 2007 to ₦18,702.25 billion in 2022. By the end of 2023, Nigeria's external debt had increased to ₦38, 219.85 billion. Domestic debt rose from ₦2,169.64 billion in 2007 to ₦22,210.36 billion in 2022. By 2023, Nigeria's domestic debt had increased to ₦53,258.01 billion (CBN, 2023).

A critical observation indicates that between 2022 and 2023, external debt increased by 104.36%, while domestic debt increased by 139.79%. Despite the alarming increase in total public debt over the years, economic growth in Nigeria has relatively been slow. For instance, the economy grew from 6.6% in 2007 to 8.00% in 2010 before it declined to 4.23% in 2012. Gross domestic product increased to 6.67% in 2013 but thereafter, continued to decline till it reached -1.62% in 2016 due to the economic recession occasioned by fall in global oil prices. The economy recovered very slowly from 0.81% in 2017 to 2.21% in 2019, before it declined to -1.94% in 2020 due to the Covid-19 pandemic. The economy recovered by 3.65% in 2021, but continued to decline to 2.86% in 2023 (World Bank, 2025).

Considering the abysmal performance of economic growth in Nigeria over the years, it becomes imperative to question the role public debt has played in fostering economic growth in the country. To this end, the study investigates the impact of public debt on economic growth in Nigeria. Specifically, the study examines the impact of external debt, domestic debt and external debt servicing on economic growth in Nigeria.

2. Literature Review

2.1 Empirical Literature

Empirical studies have examined the relationship between public debt and economic growth in both developed and developing countries. However, mixed findings have been reported, making it difficult for researchers to reach a consensus. Some findings by researchers are presented below. For instance, a study

conducted by Ikwuo et al. (2024) explored the contribution of public debt to economic growth in Nigeria. Domestic debt, external debt and domestic debt servicing were employed as proxy for public debt. Data on the selected variables were sourced from the Central Bank of Nigeria Statistical bulletin, National Bureau of Statistics and Debt Management Office for the period 1990 to 2022. Using ordinary least square (OLS) regression technique, the study found that the variables are related in the long-run, and that economic growth was negatively and significantly affected by domestic debt and domestic debt servicing, while external debt had a significant positive effect on economic growth in Nigeria. The study therefore, concluded that the success of economic growth depends on the adequate utilisation of public debt, and thus, recommended among others that external debt acquired should be basically for economic reasons, rather than for political or social reasons.

Boniface (2024) examined the impact of domestic debt on economic growth for the period 2007 to 2022. Using trend analysis, SWOT analysis, and regression analysis, the study discovered that the three domestic debt instruments (treasury bills, FGN bonds, and treasury bonds) employed in the study contributed immensely to the economic growth of Nigeria in the short run. The study however, recommended among others that the government should reduce its domestic borrowing and ensure more effective and strategic use of funds.

Elkhalfi et al. (2024) analysed the impact of external debt on economic growth in emerging countries for the period 1990 to 2022. Employing the fixed effect panel model, the study found that initially, increase in the stock of external debt improved economic growth. However, the excess debt accumulated led to diminishing returns which impacted negatively on economic growth. The study therefore recommended that in order to avert the negative impact of external debt, there should be prudent management of borrowed funds.

In another study, Okeke, Anisiobi and Madueke (2023) evaluated the impact of public debt on economic growth in Nigeria. Economic growth was proxied by real gross domestic product, while gross fixed capital formation, external debt, exchange rate, domestic debt, and debt service repayment were used as measures of public debt. The result of the Autoregressive Distributed Lag estimates revealed that the past values of real gross domestic product, gross fixed capital formation, external debt, and debt service repayment had significant positive impacts on economic growth in Nigeria, while exchange rate and domestic debt had insignificant negative impacts on economic growth in Nigeria. Based on the findings, the study suggested that government should formulate and effectively implement policies that would boost domestic revenue generation by broadening the revenue base, improving capacity to tax and curtailing ineffective government spending.

Similarly, Onyenwife, et al. (2023) conducted a study to determine the effect public debt has on the tradeable and non-tradeable sectors of the Nigerian economy. The data set which spanned through the period 1981-2020 was analysed using the generalised linear model (GLM). The study found that external debt and debt from non-bank sources impacted positively on tradeable sector's growth. Conversely, debt obtained from bank sources, and its associated servicing cost impacted negatively on tradeable sector's growth. On the other hand, it was found that external debt and debt acquired from non-bank sources impacted positively and significantly on the growth of the non-tradeable sector. Further findings indicated, that debts sourced from banks had insignificant positive effects on the non-tradeable sector of the economy, while the associated service cost was observed to have significant negative impact on the

growth of the non-tradable sector of the economy. Based on the findings, the study concluded that public debt can be beneficial or non-beneficial to the growth of an economy, depending on its utilisation. The study therefore, recommended among others that diversification in financial sources could be veritable in curbing the negative effects associated with debts sourced from banks.

Another study conducted by Eze et al. (2023) investigated the impact of public debt on Nigeria's economic growth. The researchers found that public debt impacted negatively on economic growth in Nigeria. Moreso, while exchange rate was observed to have impacted positively on the economic growth of the country, interest rate on the other hand had no significant impact on the country's economic growth. The authors concluded that public debts are essential for meeting up deficits in internal resources, and are also potent for propelling the economy. The study therefore, suggested that in order to minimise public debt, the Nigerian government must make frantic effort in ensuring the diversification of the economy.

Ekperiware et al. (2022) analysed the role public debt has played in engendering economic growth in Nigeria. Using Vector Error Correction Model (VECM), the study revealed that public debt did not engender economic growth in Nigeria. The study also highlighted that in the short-run, domestic debt and economic growth are inversely related, but however, are proportionally related in the long-run. They argued that external debt and debt servicing contributed to reduction in the growth rate of the country. The authors concluded that public debt is a major evil plaguing the growth of the Nigerian economy and that this could be due to wrong allocation of borrowed funds to unproductive projects. The study therefore, advised that the Nigerian government should utilise borrowed funds for the purpose it was collected for.

Abdulmumin (2022) conducted a study on public debt and economic growth in Nigeria. The study highlighted that external debt contributed significantly to the increase in Nigeria's economic growth, while domestic debt had an unfavourable significant influence on the nation's economic growth. Findings showed that for every unit increase in domestic debt, Nigeria's economic growth would retard by 0.0005 units. The study concluded that public debt plays a veritable role in determining Nigeria's economic growth, and thus, advised that the Nigerian government should opt for external debt rather than domestic debt as it causes a decline in the nation's economic growth.

In another study Yusuf, Mohd and McMillan (2021) examined the dynamics between public debt and economic growth in Nigeria. Employing data from 1980 to 2018, and the Autoregressive Distributed Lag (ARDL) Bounds test technique of analysis, the study found that external debt was instrumental in improving Nigeria's economic growth in the short-run, while domestic debt and debt service repayment were instrumental in reducing Nigeria's economic growth. In the long-run however, external debt and debt serving had unfavorable impacts on economic growth as they were instrumental in the reduction of the nation's economic growth rate. Domestic debt on the other hand, had a favourable impact on the economic growth of the country. The study therefore, suggested among others, that in order to achieve long run economic growth, the Nigerian government must endeavour to utilise borrowed funds in the diversification of the economy, and that government should focus more on domestic debt and avoid external debt where necessary.

Chile (2020) analysed the contribution of public debt to economic growth in Nigeria. Using data from 1981 to 2018, The study

revealed that public debt had a bi-directional impact on economic growth in Nigeria. The study observed that initially, public debt contributed to the increase of the nation's economic growth both in the short and long-runs. However, beyond the optimal threshold level of 40.2%, public debt began to have adverse effects, causing economic growth to decline in both time periods. The study also discovered that inflation and fiscal deficits curbed economic growth, while trade openness improved the economic growth of the country. It was based on these findings that the study recommended among others that, other alternatives to measure debt sustainability in the country be explored.

Essien *et al.* (2016) empirically analysed the macroeconomic impact of public debt in Nigeria. Specifically, the study investigated how public sector borrowings impacted on prices, interest rates and output in the country. The estimation techniques employed in the study include Vector Autoregressive framework, the Granger causality test, impulse response, and variance decomposition. From the result estimates, the research found that both external and domestic debt did not impact significantly on the general price and output in the country.

3. Methodology

3.1 Research Design

For the purpose of this study, the ex-post facto research design is adopted on the basis that it allows the estimation, as well as determination of the causal relationship between the dependent and independent variable(s) without necessarily controlling any of the variables. In essence, data for this kind of research is taken as given without any manipulations.

3.2 Model Specification

Three variables (external debt, domestic debt, and external debt servicing) have been chosen as proxies for the independent variable (public debt), while the dependent variable (economic growth), is being measured by real gross domestic product (GDP). The technical relationship between these variables is presented both in the functional and econometric forms respectively as follows:

$$GDP = f(ED, DD, EDS) \quad 1$$

$$GDP_t = \lambda_0 + \lambda_1 ED_t + \lambda_2 DD_t + \lambda_3 EDS_t + \varepsilon_t \quad 2$$

Where:

GDP = Real Gross Domestic Product
ED = External Debt
DD = Domestic Debt
EDS = External Debt Servicing
λ_0 = Intercept
λ_1-λ_3 = Coefficient estimates, and
ε_t = Error term

3.3Estimation/Evaluation Techniques

For estimation purpose, the correlation test was conducted to determine if the variables are related to each other. The Augmented Dickey-Fuller unit root test was also conducted to ascertain the stationarity of the series, while the Varsoc test was used to determine the maximum lag for each of the variables. The Autoregressive Distributed Lag (ARDL) bounds test technique was used to determine if a long run relationship exists between the variables.

For evaluation, both the statistical and econometric criteria were used to judge if the regression estimates conform with statistical and econometric requirements. The t-statistic and the F-statistic are employed as statistical evaluators, while the Durbin-Watson statistic and multicollinearity test are carried out as econometric evaluation process. These are done in order to avoid econometric problems such as serial correlation and multicollinearity. The former implies that the explanatory variables have relationship with each other, while the latter implies that one or more of the explanatory variables are related with the error term.

3.4 Sources of Data

Secondary data on the respective variables were sourced from the Central bank of Nigeria Statistical Bulletin, 2023 edition,

and the World Bank Development Indicators, 2025.

4. Results and Discussion

4.1 Description of the Data

The data series used in this research are Real Gross Domestic Product (GDP) at constant market price in Billions of Naira, Nigeria's external debt (ED) in Billions of Naira, Nigeria's domestic debt (DD) in Billions of Naira, and Nigeria's external debt servicing (EDS) in Billions of Naira. The researcher further took the logarithm of the data series (GDP, ED, DD, EDS) by converting the data to a uniform digit for efficient analysis.

4.2 Presentation and Discussion of Results

Correlation test and stationarity test, are presented in the subsections below.

4.2.1 Correlation Test

Table 1: Correlation Result Continue

	LED	LDD	LEDS
LED	1.00		
LDD	0.7146	1.00	
LEDS	0.3802	0.7206	1.00

Source: Author's Computation

The correlation matrix table above examines the existence of strong correlation between two or more of the explanatory variables (LED, LDD, LEDS) in the model. A strong correlation among any two of the independent variables will create a problem of multicollinearity, violating assumption number 4 of the classical least square. The golden rule is that if the correlation between any two of the explanatory variables is between 0.8 and above, then there is likelihood that the model will have a multicollinearity problem, and such variable(s) should not be considered in the model. In essence, one of the variables must be dropped so as to produce unbiased estimators. As observed in Table 1, the correlation matrix result shows a maximum correlation coefficient of 0.72 which is less than 0.8. This implies that there is no multicollinearity problem in the model.

4.2.2 Stationarity Test Result

Table 2: Augmented Dickey-Fuller Stationarity Test Result

Variables	Z(t) statistics	CV 5%	Z(t) 1st diff	CV 5%	O of I
LGDP	-2.621	-1.697			I(0)
LED	-1.319	-1.697	-2.986	-1.699	I(1)
LDD	-1.845	-1.697			I(0)
LEDS	-1.618	-1.725	-1.924	-1.734	I(1)

Source: Author's Computation using STATA 17.0

The stationarity test result indicates that two of the variables (LGDP and LDD) are stationary at level, that is, integrated of order zero I(0), while the other two variables (LED and LEDS) became stationary after taking their first difference, that is, integrated of order one I(1). This implies that the variables exhibit a mixed order of integration which calls for the adoption of the Autoregressive Distributed Lag (ARDL) bounds technique in the analysis of the long-run relationship between the variables. This model was developed solely to address a stationarity/nonstationary situation with some degree of dynamism (Pesaran, Shin & Smith, 2001). This approach is also known as the Bound testing method of long run relationship analysis. According to Pesaran, Smith, and Shin (2001) the ARDL model is superior to the Johansen and Juselius (1990) technique, in terms of efficiency and consistency in both large and small sample analysis of cointegration test. We therefore proceed with the model estimation as presented in the next subsection.

4.3 Model Estimation

Table 3: Optimal Lag Selection

Variables	LGDP	LED	LDD	LEDS
Lags	1	2	1	1

Source: Author's Computation

From the respective varsoc test we arrived at the optimal lags for each of the variables. The optimal lag for LED is 2, while that of LGDP, LDD, and LEDS are 1 respectively. The result as presented in Table 3 was generated using STATA 17.0.

4.3.1 Bound Test

Table 4: Bound Test Result

Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	6.596	3
Significance	I0 Bound	I1 Bound
5%	3.23	4.35

Source: Author's Computation

For the Autoregressive Distributed Lag (ARDL) bounds test, the decision rule is that if the computed F-statistic value is higher than the I1 bound critical value, we reject the null hypothesis of "no long run relationship", and conclude that there is a long run relationship. On the other hand, if the F-statistic is less than the I0 bound critical value then we cannot reject the null hypothesis of "no long run relationship". However, if the F-statistic value falls between the I0 and I1 bound critical values, then we are indecisive on the existence of long run relationship.

The bound test result in Table 4 above shows that the F-statistic of 6.596 is above the I1 bound critical value of 4.35. We therefore, conclude that there is long run relationship between the variables. Hence, the bound test is conclusive and we reject the null hypothesis and conclude that there is cointegration between GDP and public debt. The study therefore, concludes that the estimated model meets the necessary condition of cointegration between the variables. We therefore proceed to examine if the model will satisfy the second condition by providing sufficient evidences on the existence of long run relationship.

Table 5: ECM and Long Run Equation

D.LGDP	Coefficient	Std err.	t-statistic	P>t
ADJ	-0.2507	0.0780	-3.21	0.005
LR: LED	-0.0679	0.0999	-0.68	0.505
LDD	0.9511	0.1399	6.80	0.000
LEDS	0.0690	0.0729	0.95	0.356
SR: LED	-0.0328	0.0696	-0.47	0.643
L1	0.0103	0.0642	0.16	0.875
LDD	-0.1528	-.1832	-0.83	0.415
LEDS	0.0031	0.0137	0.23	0.823
CONS	0.9103	0.1923	4.73	0.000
R-Squared = 0.6687	Adj R-Squared = 0.5292	DW = 2.01967	Log likelihood =35.102582	

Source: Author's Computation using Stata 17.0

From the estimated ECM equation above, the adjustment coefficient is negative and significant. It implies that GDP is expected to adjust to equilibrium in the long run with an adjustment speed of 25.07 percent. This implies that the estimated model has provided sufficient evidences on the existence of long run relationship between GDP and public debt in Nigeria. The long run equation reveals that domestic debt has a positive and significant effect on GDP. As domestic debt increases by 1-unit, economic growth would increase by 0.95 units. Conversely, External debt exhibited an inverse relationship with economic growth. As Nigeria increases her external debt by 1unit, economic growth would decline insignificantly by 0.0679 units. The insignificant effect of external debt is affirmed by its probability value of 0.5 which is greater than the 5 percent (0.05) level of significance. External debt servicing interacted positively with Nigeria's economic growth. However, its impact on economic growth in the country is insignificant as revealed by its probability value of 0.36 which is greater than the 5 percent (0.05) level of significance. Thus, a unit increase in external debt servicing would cause Nigeria's economic growth to improve inconsequentially by 0.0690 units.

The short-run analysis reveals that all the independent variables had inconsequential impacts on Nigeria's economic growth. For instance, A unit increase in external debt would amount to an inconsequential reduction in Nigeria's economic growth by -0.0328 units, while a unit increase in Nigeria's domestic debt, would cause the country's economic growth to decline insignificantly by -0.1528 units. On the other hand, a unit increase in external debt servicing would result to an inconsequential increase in Nigeria's economic growth by 0.0031 units. The insignificant nature of the variables is attributed to their respective probability values of 0.643, 0.415 and 0.823, which are all greater than the 5 percent (0.05) level of significance. Thus, in the short-run, the estimated model shows the exact relationship between the variables with a positive and significant intercept of 0.91 which reveals the level of GDP at zero debt effects. This significant status of the intercept suggests that there are other variables that predict the country's level of economic growth in the short run aside public debt. Following outcomes from the estimated model, the study concludes that external debt and domestic debt have negative relationship with GDP, while external debt servicing has positive relationship with GDP in the short run.

The coefficient of determination reveals that public debt predicts about 66.87 percent of the variance in Nigeria's GDP, hence, the estimated model has a good fit. The Durbin-Watson statistic of 2.02 suggests the absence of autocorrelation problem in the model. This is also affirmed by the serial correlation test as presented in Table 6 below.

Table 6: Bruesch-Godfrey LM Test for Autocorrelation

Lags(p)	chi2	df	Prob > chi2
1	0.253	1	0.6150

Source: Author's Computation

The result in table 4.6 shows that the model estimated does not have the problem of serial or auto-correlation as the observed chi2 value is 0.253, and its corresponding probability value which is 0.6150 is not significant at the 5 percent (0.05) level of significance. Thus, the null hypothesis of the residuals of the model being serially correlated is rejected and its alternate hypothesis of no serial correlation is accepted. This also makes the estimates of the model valid for making predictions and also for policy options.

4.4 Hypotheses Testing

Hypothesis One: "External debt does not have any significant impact on Nigeria's

economic growth in the long-run." From Table 5, the absolute student t-statistic value for external debt (ED) -0.65 and its corresponding probability value of 0.505 indicates that external debt has an insignificant impact on Nigeria's economic growth over the period under study. This assertion is made on the basis that the absolute student t-statistic value for external (ED) of -0.65 is less than 2 and its corresponding probability value of 0.505 is greater than the 5 percent (0.05) level of significance, therefore, we accept the null hypothesis and reject the alternative hypothesis.

Hypothesis Two: "Domestic debt does not have any significant impact on Nigeria's economic growth in the long-run." From Table 5 the absolute student t-statistic value for domestic debt (DD) of 6.80 and its corresponding probability value of 0.000 implies that domestic debt has a significant impact on the growth of the Nigerian economy in the period under review. This assertion is made given that the absolute student t-statistic value of 6.80 is greater than 2, and its corresponding probability value of 0.000 is less than the 5 percent (0.05) level of significance. We therefore, reject Hypothesis Two in its null form, and accept it alternative form.

Hypothesis Three: "External debt servicing does not impact significantly on the economic growth of Nigeria in the long run." The information in Table 5 also shows that the absolute student t-statistic value for external debt servicing (EDS) is 0.95, with a corresponding probability value of 0.356. This suggests that external debt servicing does not have any significant impact on the economic growth of Nigeria. This assertion is on the basis that the absolute student t-statistic value for external debt servicing (EDS) of 0.95 is less than 2, and that its corresponding probability value of 0.356 is greater than the 5 percent (0.05) level of significance. Thus, Hypothesis Three is accepted in its null form, while its alternative form is rejected.

4.5 Discussion of Findings

Evidence from the short-run regression estimates indicates that none of the variables - external debt, domestic debt and external debt servicing- had significant impact on economic growth in Nigeria. This may be due to the allocation of borrowed funds to unproductive economic activities such as the purchase of foreign vehicles for government officials over the years, as well as huge resources allocated towards the fight against insurgencies in the country. The opportunity cost is that little resources may be allocated to the productive sector(s) of the economy which may frustrate the ability of those sectors to bring about the desired economic growth. Another reason for the insignificant performance of public debt in the short run could be linked to the incessant embezzlement of borrowed funds over the years. More so, high interest rates charged on external loans as well as stringent terms and conditions associated with the disbursement of such loans could be contributory factors responsible for the insignificant impact of external debt, as well as external debt servicing on Nigeria's economic growth in the short-run.

The short run regression result also indicates that external debt (ED) and domestic debt (DD) are both inversely related with economic growth in Nigeria. This result aligns with the findings by Ekperiware et al. (2022). External debt servicing was also seen to have a negative relationship with economic growth in the short-run. This outcome corroborates the findings by Yusuf, Mohd, and McMillan (2021).

From the long run regression result, only domestic debt was observed to have a significant impact on Nigeria's economic growth during the period under review. This finding also aligns with the findings reported by Ekperiware et al. (2022), and Yusuf, Mohd and McMillan (2021). The

positive impact of domestic debt implies that as domestic debt rises, economic growth in the country also increases. This could be due to the fact that domestic borrowings are channeled to productive economic ventures in the country. External debt has negative impact on economic growth. This could be because, most external borrowings come with conditions that are not favourable to the growth of the country. Some of the conditions include devaluation of the exchange rate which causes inflation and reduces the purchasing power of the people. This slows down economic growth. External debt servicing on the other hand did not impact significantly on economic growth. This could be because, overtime, large proportion of Nigeria's GDP is used for debt servicing. This reduces the revenue available for execution of capital projects and some recurrent expenditures that could drive economic growth in the country.

5.Conclusion and Recommendations

Based on the findings, the study concludes that domestic debt contributes significantly to the increase in the economic growth of Nigeria. This means that as Nigeria increases her domestic borrowing, the tendency for the economy to grow increases. External debt servicing influence on economic growth though positive, is insignificant. Hence, any increase in external debt repayment leads to an insignificant increase in the country's economic growth. The findings also revealed that external debt has an insignificant negative impact on economic growth in the long-run. As external debt increases, Nigeria would experience an insignificant decrease in her economic growth. Based on these findings, the following recommendations are made for possible consideration:

1. The use of domestic sources as the major source of borrowing: The Nigerian government should do more of domestic borrowings as it is obligated to pay back such loans to the lenders. This would force the government to utilise such borrowings in useful economic activities in the country that would promote economic growth.
2. Adequate use of external debts: The Nigerian government must endeavour to use the external debt borrowings for investment in proper capital projects such as infrastructures like roads, bridges, factories, hospitals, and for repairs of dilapidated infrastructures, and as well, the provision of essential social amenities such as security, electricity, water supply and others that are essential for production activities to thrive in the country.

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