



IMPACT OF DEBT ON ECONOMIC GROWTH IN NIGERIA.

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Abstract

The study examined the impact of debt servicing on economic growth in Nigeria, focusing on total debt outstanding, domestic debt outstanding, and debt refinancing as key components affecting gross domestic product (GDP). The objectives are to assess the effect of total debt outstanding, evaluate the role of domestic debt outstanding, and analyze the influence of debt refinancing on GDP. An ex-post factor research design was employed, analyzing secondary data from 2008 to 2023. The population included all debt records in Nigeria, with a sample size covering a 16-year period. Data were collected from reputable sources such as the Central Bank of Nigeria and analyzed using multiple regression analysis in E-Views 13. The results indicated that total debt outstanding had an insignificant negative impact on GDP (coefficient = 0.0029, p-value = 0.8698), while domestic debt outstanding significantly influenced GDP positively (coefficient = 0.1401, p-value = 0.0177). Debt refinancing showed no significant effect on GDP (coefficient = 0.0329, p-value = 0.3110). The r-squared value of 0.8877 suggested a strong explanatory power of the model, with 88.77% of the variance in GDP explained by the debt components. In conclusion, the study found that domestic debt positively affects economic growth, while total debt and debt refinancing do not significantly contribute to GDP. Among others, the study recommended that Nigeria returns, thus reducing reliance on external debt.

Keywords: Debt Refinancing, Domestic Debt Outstanding, Economic Growth, Gross Domestic Product, Total Debt Outstanding

1.0 Introduction

Nigeria's economic growth has long been intertwined with its reliance on domestic and external debt, largely driven by its developmental needs, fluctuating oil revenues, and limited domestic savings. As a developing nation, Nigeria often resorts to borrowing to fill fiscal gaps, finance infrastructure projects, and encourage economic development. However, the ability of the country to meet its debt obligations has encountered significant obstacles, frequently straining public finances and hindering economic progress (Akanbi, Uwaleke & Ibrahim, 2022; Essien, 2024).

Debt servicing, which includes the repayment of both interest and principal, carries significant consequences for Nigeria's economic growth. The continuous increase in debt service costs diverts essential resources away from developmental initiatives, limiting investments in sectors like healthcare, education, and infrastructure. For example, research indicates that sizeable debt service obligations can diminish funds available for public investment, potentially slowing economic growth and worsening poverty levels (Adesola, 2010; Yusuf & Mohd, 2021). In 2023, a concerning 73.5% of Nigeria's revenue was allocated to debt servicing, indicating serious challenges to fiscal sustainability (Essien, 2024).

Gross Domestic Product (GDP) is the primary measure of economic performance and serves as the dependent variable in this study. GDP captures the total economic output of Nigeria and provides an indicator of the country's economic health. Studies have consistently used GDP to gauge the impact of various fiscal policies, including debt management strategies, on economic growth (Rahaj, 2021; Akanbi et al., 2022; Yusuf & Mohd, 2021). A high GDP growth rate typically reflects a robust economy, suggesting that the government has effectively managed its resources to promote productivity and development. In contrast, low GDP growth or stagnation may indicate economic challenges, including the potential adverse effects of high debt servicing (Essien, 2024; Ifeanyi, 2023; Nwannebu, Ugwu & Onwuka, 2016).

The relationship between debt and GDP is multifaceted, as debt obligations can either stimulate growth if managed effectively or constrain growth if they consume excessive resources. Scholars have noted that excessive debt servicing, particularly in the context of high outstanding debt levels, can crowd out public investment, limit private sector growth, and slow overall economic performance. This crowding-out effect is especially pronounced in economies like Nigeria's, where debt servicing competes with developmental spending (Adesola, 2010; Adegboyega, 2021; Akanbi et al., 2022). By examining GDP as the dependent variable, this study seeks to

determine the extent to which debt servicing has either supported or hindered Nigeria's economic growth trajectory.

Nigeria's economic development has been persistently hampered by its increasing public debt and the accompanying strains of servicing that debt. With the total outstanding debt rapidly escalating, a significant share of the national budget is directed towards servicing this debt rather than toward investment in vital sectors such as infrastructure, healthcare, and education, all crucial for achieving sustainable economic progress (Akanbi et al., 2022; Essien, 2024; Adesola, 2010). Compounding this issue is the domestic outstanding debt, which, although it can provide some stability, places additional strain on local financial markets. This dependency causes interest rates to rise and creates a "crowding out" effect, restricting private sector investment, a fundamental component for long-term economic stability (Adegboyega, 2021; Yusuf & Mohd, 2021; Akanbi et al., 2022).

Furthermore, efforts aimed at refinancing debt to relieve immediate pressure have often resulted in increased long-term costs without resolving the fundamental issues of sustainability. Inadequately structured refinancing can ultimately worsen the debt load, limiting the future fiscal space essential for growth (Chukwu, 2023; Adegboyega, 2021; Akanbi et al., 2022). The impact of these debt factors is reflected in Gross Domestic Product (GDP), the dependent variable of this study. Nigeria's elevated debt service-to-GDP ratio shows that considerable resources are redirected from productive investments, hindering economic growth and illustrating the "debt overhang effect," where excessive debt servicing obligations stifle growth (Essien, 2024; Ifeanyi, 2023; Nwannebuike et al., 2016).

Consequently, this study intends to investigate how debt through total debt, domestic debt, and refinancing influences Nigeria's GDP. By exploring these issues, the research aims to shed light on the structural constraints affecting growth and provide practical recommendations for policy reforms aimed at achieving debt sustainability.

Specifically, the study aims to: assess the extent to which total debt outstanding has affected gross domestic product in Nigeria, evaluate the significant role of domestic debt outstanding on gross domestic product in Nigeria and analyze the influence of debt refinancing on gross domestic product in Nigeria.

Research Hypotheses

After examining the explicit and implicit objectives of the study, the following hypotheses are formulated in their null forms:

H₀₁: There is no significant effect of total debt outstanding on Nigeria's Gross Domestic Product.

H₀₂: There is no significant effect of domestic debt outstanding on Nigeria's Gross Domestic Product.

H₀₃: There is no significant effect of debt refinancing on Nigeria's Gross Domestic Product.

2.0 Literature Review.

Conceptual Framework

Concept of Debt Servicing

Debt servicing encompasses the scheduled repayments of interest and principal on national debt. This financial obligation is crucial for maintaining a country's creditworthiness but can exert significant fiscal pressure, particularly in developing economies. Research highlights that high debt servicing obligations often divert resources away from public investment and essential services, impeding economic growth (Ekperiware, Adeyinka, Oyetade & Ogullah, 2023; Yusuf & Mohd, 2021; Adegbite, Ayadi & Ayadi, 2008). In the case of Nigeria, debt servicing accounts for a substantial portion of government revenue, restricting its capacity to support growth-driven investments in sectors like infrastructure and education. This has contributed to a broader economic challenge, as high debt servicing impacts fiscal flexibility and impedes overall economic development.

Concept of Debt Refinancing

Debt refinancing refers to the process of restructuring existing debt obligations, typically to alleviate immediate fiscal pressures by extending the repayment period or securing new terms. This practice is common in countries like Nigeria, where high debt burdens threaten fiscal stability. Scholars suggest that while refinancing can provide temporary relief, it does not necessarily reduce the overall debt load, as it often results in a longer debt servicing period with accumulated interest (Adegbite et al., 2022).

In the Nigerian context, GDP growth is often seen as an indicator of the effectiveness of government policies, including debt management practices. High GDP growth typically reflects a robust economic environment and suggests that the government is successfully balancing fiscal responsibilities with investments in growth-oriented sectors (Adegbe et al., 2022; Ekperiware et al., 2022). Conversely, slow or negative GDP growth may indicate underlying economic issues, such as the adverse effects of high debt servicing costs (Izedonmi & Ilaboya, 2012).

Concept of Economic Growth

Economic growth refers to the increase in a country's production of goods and services over time, often measured by Gross Domestic Product (GDP). This concept is essential for understanding how well a country's economy is performing and whether its policies are fostering sustainable development. In Nigeria, economic growth is particularly relevant given the nation's substantial public debt and the pressures debt servicing imposes on its finances (Adegboyega, 2021; Rahmon, 2016; Omodero & Alpheaus, 2019). Economic growth not only reflects national prosperity but is also tied to employment opportunities, living standards, and poverty reduction, making it a key focus in policy discussions.

A stable or growing economy enables better fiscal management by generating sufficient revenue to support government programs and debt repayment. However, research suggests that Nigeria's economic growth has been stunted due to high debt service obligations, which divert funds from public investment in infrastructure, education, and healthcare (Ijirshar, Joseph & Godoo, 2016; Matthew & Adetayo, 2022). This situation illustrates the impact of fiscal constraints on growth, as heavy debt burdens often limit the resources available for development initiatives.

For economies reliant on debt financing, like Nigeria, maintaining sustainable growth is challenging but critical for long-term financial stability. Growth-driven policies that enhance productivity and diversify revenue sources are essential to reducing dependence on borrowing. Therefore, in the context of this study, economic growth serves as the dependent variable, providing a benchmark to evaluate the success of debt management policies and their impact on Nigeria's overall economic stability (Aiyedogbon, Zhuravka, Korneyev, Banchuk-Petrosova & Kravchenko, 2022; Ekperiware et al., 2023)

Theoretical Review

Debt Overhang Theory

The **Debt Overhang Theory**, introduced by economists Paul Krugman and Jeffrey Sachs, posits that high levels of debt can discourage investment and reduce economic growth due to the anticipated future burden of debt repayment. In developing economies, excessive debt is believed to create a "debt overhang" that limits future investment as returns on these investments will likely be used to repay creditors instead of benefiting the economy. In Nigeria's context, this theory is highly relevant, as the government's substantial debt servicing obligations are seen to limit fiscal flexibility, diverting funds from productive sectors that could otherwise stimulate growth (Yusuf & Mohd, 2021; Ekperiware et al., 2022) (Yusuf & Mohd, 2021).

The Debt Overhang Theory suggests that payables may be hesitant to lend further if they believe their loans will be used to service existing debt, leading to higher interest rates and further financial strain. In Nigeria, this is observed through the crowding-out effect, where debt servicing costs absorb a large portion of government revenue, reducing the funds available for critical development projects (Izedonmi & Ilaboya, 2012). These dynamics align with the objectives of this study by underscoring how debt overhang impedes Nigeria's economic growth by diverting resources from public investment to debt repayment obligations (Didia & Ayokunle, 2020).

One key assumption of the Debt Overhang Theory is that debt negatively impacts investment by reducing the anticipated returns on economic activities, as future income is anticipated to serve debt obligations rather than development. However, a limitation of the theory is that it does not fully account for how different types of debt, like domestic versus external debt, may uniquely impact economic growth (Ekperiware et al., 2023).

Keynesian Debt-Growth Theory

The **Keynesian Debt-Growth Theory**, based on the ideas of economist John Maynard Keynes, posits that government borrowing can stimulate economic growth if borrowed funds are directed towards productive investments, especially during periods of economic recession. Keynes argued that during economic downturns, when private sector spending is low, public sector investment financed by debt can increase aggregate demand, leading to job creation, income growth, and ultimately economic expansion (Keynes, 1936; Otieno, 2023). In the Nigerian context, this theory is relevant as the government frequently relies on debt to finance infrastructure and stimulate growth. Keynesian theory, therefore, provides a basis for examining the potential benefits and drawbacks of Nigeria's debt servicing practices (Aiyedogbon et al., 2022; Oluwalaiye, Akintola & Olaleye, 2020).

One assumption of Keynesian Debt-Growth Theory is that debt can promote economic growth if the funds are allocated efficiently towards projects that generate long-term economic returns. However, this assumption is often challenged in Nigeria, where inefficient allocation of funds and corruption can lead to unproductive debt. Studies show that in Nigeria, the impact of public debt on economic growth varies based on factors such as debt management practices and the productive use of borrowed funds (Didia & Ayokunle, 2020; Adegbite et al., 2022).

Empirical Review

Essien (2024) examined the impact of debt servicing on Nigeria's economic growth from 2005 to 2021, with a focus on foreign and domestic debt servicing's effects on GDP. Using an ex-post facto design, the study utilized the Ordinary Least Square (OLS) regression method with GDP as the dependent variable. Findings revealed that both foreign and domestic debt servicing have a significant impact on GDP, suggesting that debt management practices in Nigeria may impede growth if not handled carefully. The study concluded that sincere debt management could stimulate economic growth and recommended that debt servicing should be handled strategically to avoid stifling Nigeria's economic potential.

Chukwu (2019) investigated the impact of public debt and debt servicing on economic growth in Nigeria from 1980 to 2019, focusing on public debt servicing and exchange rates as key variables. The study, using OLS regression, found that public debt servicing had an insignificant impact on GDP growth, suggesting inefficiencies in debt management. The study recommended economic diversification to reduce reliance on debt and mitigate the effects of fluctuating oil revenues.

Yusuf & Mohd (2021) explored how government debt influences economic growth in Nigeria between 1980 and 2018. Utilizing the ARDL technique, the findings revealed a negative long-term effect of external debt on growth and a positive impact of domestic debt in the long term. The study advocated for directing borrowed funds towards diversifying Nigeria's economy and improving revenue generation capacity.

Rahaj (2021) analyzed the impact of external and domestic debt on Nigeria's economic growth, focusing on debt service as a key limiting factor. The study found that high debt service payments reduced the capacity for growth by limiting funds available for productive expenditure. The recommendation emphasized the need for Nigeria to maintain debt service obligations below foreign earnings to prevent adverse effects on GDP growth.

3.0 Methodology

This study employed ex post facto research design which is a category of research design in which the investigation starts after the fact has occurred without interference from the researcher. Ex post facto research design is ideal for conducting social and economic research when is not possible or acceptable to manipulate the characteristics of human participants.

The population of the study involves all debt servicing records in terms of total debt outstanding, domestic debt outstanding, and debt refinancing as well as the economic growth record from inception. For this study the sample size will be sixteen (16) years ranging from 2008-2023. Secondary source of data was employed and gathered from Central Bank of Nigeria (CBN) statistical bulletin 2022 Edition, National Bureau of Statistics Data Bank and Federal Inland Revenue Services Publications for the period of 2008-2023. The data gathered from Central Bank of Nigeria statistical bulletin was analyzed using Multiple Linear regression Analysis with the aid of E-View (Version 13). This method was employed because of the merit of reducing error sum of squares, efficiency, easy to interpret, and comprehend.

Model Specification (In Implicit Form):

$$y = f(X)$$

$$f(x) = \beta_0 + \sum_{i=1}^n \beta_i X_i + \ell$$

$$\therefore y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \ell$$

For this study (In Explicit Form)

$$\text{Economic Growth} = f(\text{Debt Refinancing})$$

$$GDP_t = f(TBO_t, DBO_t, DRF_t) \dots \dots \dots (1)$$

The model can then be written as;

$$GDP_t = \beta_0 + \beta_1 TBO_t + \beta_2 DBO_t + \beta_3 DRF_t + \mu_t \quad \dots\dots\dots (2)$$

Where;

GDP = Gross Domestic Product

TBO = Total Debt Outstanding

DBO = Domestic Debt Outstanding

DRF = Debt Refinancing

β_0 = Constant Term

$\beta_1 - \beta_5$ = Coefficient of Independent Variables

μ = error term

4.0 RESULTS AND DISCUSSION

The study uses an extensive analysis and presentation of the data collected. The descriptive analyses of the variables used in this study were presented. This was followed closely by a discussion and interpretation of the results formulated for this study. The analysis of the instrument was carried out based on the statistical tools adopted. The researcher's position in this study was clearly stated under the result presentation and discussion that was further elaborated in the interpretation of the results. These views were within the theoretical framework of this study. The results of this study were analyzed using E-Views (Version 13).

4.1 Presentation of Results

Table 4.1: Covariance Analysis Ordinary

Correlation t-Statistic Probability	GDP	TD	DR	DD
GDP	1.000000 ----- -----			
TD	0.206138 0.815894 0.4273	1.000000 ----- -----		
DR	0.725465 4.082355 0.0010	-0.028207 -0.109287 0.9144	1.000000 ----- -----	
DD	0.698475 3.780119 0.0018	0.042061 0.163048 0.8727	0.937797 10.46152 0.0000	1.000000 ----- -----

Source: Extracted from Eviews 13

Table 4.1 presents the results of the covariance analysis using ordinary correlation to examine the relationships among the variables: Gross Domestic Product (GDP), Total Debt (TD), Debt Refinancing (DR), and Domestic Debt (DD) in Nigeria from 2008 to 2023.

The correlation between GDP and Total Debt is 0.206, indicating a weak positive relationship. The t-statistic of 0.816 and a probability value of 0.4273 suggest that this relationship is statistically insignificant at a conventional level, implying that changes in Total Debt do not have a significant immediate impact on GDP.

The correlation between GDP and Debt Refinancing is 0.725, which shows a strong positive relationship. The t-statistic of 4.082 and a probability value of 0.001 indicate that this relationship is statistically significant, suggesting that increases in Debt Refinancing are associated with higher GDP, highlighting the potential positive influence of refinancing on economic growth.

The correlation between GDP and Domestic Debt is 0.698, also indicating a strong positive relationship. The t-statistic of 3.780 and a probability value of 0.0018 show that this relationship is statistically significant, suggesting that higher levels of Domestic Debt are positively associated with GDP growth in Nigeria.

The correlation between Total Debt and Debt Refinancing is -0.028, indicating a very weak and negative relationship. The t-statistic of -0.109 and a probability value of 0.9144 suggest that this relationship is statistically insignificant, implying that variations in Total Debt are not significantly associated with changes in Debt Refinancing.

The correlation between Total Debt and Domestic Debt is 0.042, showing a very weak positive relationship. The t-statistic of 0.163 and a probability value of 0.8727 indicate that this relationship is statistically insignificant, suggesting that Total Debt and Domestic Debt are not strongly related.

Lastly, the correlation between Debt Refinancing and Domestic Debt is 0.938, showing a very strong positive relationship. The t-statistic of 10.462 and a probability value of 0.000 indicate that this relationship is statistically significant, suggesting that increases in Debt Refinancing are strongly associated with higher levels of Domestic Debt.

The highest correlation is observed between Debt Refinancing and Domestic Debt (0.938), indicating the strongest positive relationship among the variables in this study. This suggests that Debt Refinancing has a significant influence on Domestic Debt in Nigeria.

Table 4.2: Regression Analysis (Dependent Variable: LOG(GDP))

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TD)	-0.002868	0.017150	-0.167224	0.8698
LOG(DR)	0.032906	0.031213	1.054245	0.3110
LOG(DD)	0.140118	0.051602	2.715362	0.0177
C	9.573828	0.329625	29.04460	0.0000
R-squared	0.887652	Mean dependent var		11.05969
Adjusted R-squared	0.861726	S.D. dependent var		0.170635
S.E. of regression	0.063451	Akaike info criterion		-2.474768
Sum squared resid	0.052339	Schwarz criterion		-2.278718
Log likelihood	25.03553	Hannan-Quinn criter.		-2.455280
F-statistic	34.23736	Durbin-Watson stat		1.999616
Prob(F-statistic)	0.000002			

Source: Extracted from Eviews 13

Table 4.2 presents the results of the regression analysis examining the impact of Total Debt, Debt Refinancing, and Domestic Debt on the Gross Domestic Product (GDP) in Nigeria from 2008 to 2023. The dependent variable is the natural logarithm of GDP, while the independent variables are Total Debt, Debt Refinancing, and Domestic Debt. The purpose of the analysis is to determine how these debt components collectively influence economic growth, as measured by GDP.

The coefficient of Total Debt is -0.002868, indicating a negative relationship between Total Debt and GDP. This suggests that for every 1% increase in Total Debt, GDP is expected to decrease by approximately 0.29%. However, this effect is statistically insignificant, as shown by the t-statistic of -0.167 and a probability value of 0.8698, which is much higher than the 0.05 threshold for statistical significance. This implies that variations in Total Debt do not have a meaningful impact on GDP within the study period.

For Debt Refinancing, the coefficient is 0.032906, showing a positive but statistically insignificant relationship with GDP. This coefficient suggests that a 1% increase in Debt Refinancing would potentially increase GDP by about 3.29%. However, the t-statistic of 1.054 and the probability value of 0.3110 indicate that this positive effect is not statistically significant at the 5% level. Therefore, Debt Refinancing does not appear to have a substantial influence on economic growth based on the data analyzed.

Domestic Debt has a coefficient of 0.140118, indicating a positive and statistically significant relationship with GDP. This suggests that a 1% increase in Domestic Debt is associated with a 14.01% increase in GDP, demonstrating a strong positive impact on economic growth. The t-statistic of 2.715 and a probability value of 0.0177, which is below the 0.05 significance level, confirm that this relationship is statistically significant. Hence, Domestic Debt plays a significant role in enhancing GDP in Nigeria during the study period.

In terms of the model's overall fit, the R-squared value is 0.8877, indicating that 88.77% of the variation in GDP can be explained by the combined effects of Total Debt, Debt Refinancing, and Domestic Debt. This high R-squared value suggests that the model has a strong explanatory power, providing a reliable assessment of the relationship between the debt components and GDP. The adjusted R-squared value of 0.8617, which accounts for the number of predictors, also supports this conclusion, indicating that about 86.17% of the variance in GDP is explained even after adjusting for the degrees of freedom.

The F-statistic is 34.237, with a corresponding probability value of 0.000002. This indicates that the overall regression model is statistically significant, confirming that the combined influence of Total Debt, Debt Refinancing, and Domestic Debt has a significant effect on GDP. The significance of the F-statistic suggests that the independent variables, when considered together, provide meaningful insight into the variation of GDP, validating the overall effectiveness of the model.

Test of Hypothesis

Hypothesis One

H₀₁: There is no significant effect of Total Debt on Nigeria's Gross Domestic Product.

The coefficient of Total Debt (TD) in Table 4.3 is -0.002868 with a p-value of 0.8698. Based on the decision rule, since the p-value (0.8698) is greater than the significance level (0.05), we fail to reject the null hypothesis. This indicates that Total Debt does not have a statistically significant effect on Gross Domestic Product (GDP) in Nigeria. The negative coefficient further suggests that although there is an inverse relationship between Total Debt and GDP, this relationship is not significant, implying that changes in Total Debt do not meaningfully influence Nigeria's economic growth during the period under review.

Hypothesis Two

H₀₂: There is no significant effect of Domestic Debt on Nigeria's Gross Domestic Product.

The coefficient of Domestic Debt (DD) is 0.140118 with a p-value of 0.0177. Since the p-value (0.0177) is less than the significance level (0.05), we reject the null hypothesis. This result indicates that Domestic Debt has a statistically significant effect on Gross Domestic Product in Nigeria. The positive coefficient suggests a direct relationship, implying that an increase in Domestic Debt contributes positively to economic growth. Therefore, the evidence supports that Domestic Debt is a significant driver of GDP in Nigeria during the study period.

Hypothesis Three

H₀₃: There is no significant effect of Debt Refinancing on Nigeria's Gross Domestic Product.

The coefficient of Debt Refinancing (DR) is 0.032906 with a p-value of 0.3110. Since the p-value (0.3110) is greater than the significance level (0.05), we fail to reject the null hypothesis. This suggests that Debt Refinancing does not have a statistically significant effect on Gross Domestic Product in Nigeria. While the positive coefficient indicates a potential positive relationship between Debt Refinancing and GDP, the lack of statistical significance implies that variations in Debt Refinancing do not meaningfully impact economic growth in Nigeria during the study period.

4.3 Discussion of Findings

The analysis revealed that Total Debt has an insignificant negative impact on GDP, as indicated by the coefficient and high p-value. This suggests that increasing Total Debt does not contribute positively to Nigeria's economic growth, implying potential issues with the country's debt management strategies. The weak and statistically insignificant relationship between Total Debt and GDP could be attributed to the high cost of debt servicing, which might hinder the productive allocation of financial resources, thereby limiting the positive effects of borrowed funds on the economy.

Secondly, the study found that Domestic Debt significantly influences GDP positively, highlighting its vital role in economic development. The strong and statistically significant relationship between Domestic Debt and GDP implies that borrowing within the domestic market may be a more sustainable strategy for Nigeria. This positive impact may be attributed to the fact that domestic borrowing, when effectively managed, can stimulate economic activities through government spending and investment in critical infrastructure. As a result, Domestic Debt appears to be a crucial factor driving economic growth in Nigeria, supporting the second objective of evaluating its effect on GDP.

Lastly, the findings indicate that Debt Refinancing does not have a significant effect on GDP, as demonstrated by its statistically insignificant coefficient. Although there was a positive relationship observed, the lack of significance suggests that refinancing activities alone do not substantially contribute to economic growth in Nigeria. This outcome may reflect the challenges associated with high-interest rates or ineffective refinancing strategies that do not translate into productive investments. Therefore, while Debt Refinancing might be aimed at reducing debt service costs, it does not appear to generate immediate economic growth benefits as anticipated in the third objective of the study.

5.0 Conclusion and Recommendations

In addressing the first research objective, the analysis revealed that Total Debt Outstanding does not have a statistically significant effect on GDP. This suggests that the substantial accumulation of total debt, which includes both domestic and external components, has not effectively translated into enhanced economic growth. The inability of Total Debt to foster GDP growth may be attributed to the high costs associated with debt servicing, which divert critical resources away from productive investments and development-oriented projects.

For the second objective, the results showed a significant positive effect of Domestic Debt Outstanding on GDP. This indicates that domestic borrowing, when managed effectively, can serve as a vital tool for economic growth by providing essential funding for government spending and infrastructure development. The positive relationship between Domestic Debt and GDP suggests that local debt markets offer a more sustainable source of financing, with lower risks associated with exchange rate fluctuations compared to external debt. This finding answers the second research question, demonstrating that Domestic Debt plays a crucial role in driving Nigeria's economic growth, provided it is prudently managed and allocated towards growth-promoting sectors.

Regarding the third objective, the analysis found that Debt Refinancing does not have a statistically significant impact on GDP. Although refinancing is often used as a strategy to alleviate immediate debt servicing burdens, the lack of a significant positive effect suggests that the benefits of refinancing have not been fully realized. This may be due to suboptimal refinancing practices or the absence of comprehensive fiscal reforms accompanying the restructuring of debt obligations.

Based on the findings of this study, several recommendations are provided to support the sustainable growth of Nigeria's economy through more effective debt management strategies.

Given that Total Debt Outstanding did not show a significant impact on economic growth, it is recommended that Nigeria adopts a more strategic approach to its overall debt portfolio. The government should focus on reducing external debt exposure and prioritize borrowing for projects with high economic returns. Implementing stringent criteria for debt acquisition and ensuring that borrowed funds are allocated to productive sectors, such as infrastructure, healthcare, and education, can enhance the growth impact of total debt.

Since Domestic Debt was found to have a significant positive influence on GDP, Nigeria should prioritize domestic borrowing as a preferred source of financing. The government is encouraged to develop a more robust domestic debt market, leveraging local financial institutions and instruments that align with national development priorities. By focusing on transparent and accountable domestic borrowing practices, the government can mitigate the risks associated with external debt and capitalize on the stabilizing effects of local funding. Additionally, promoting domestic debt instruments, such as government bonds and treasury bills, can attract private investors and stimulate economic activities.

The study's findings indicate that Debt Refinancing did not significantly enhance GDP growth. Therefore, Nigeria should reassess its refinancing strategies to ensure they provide long-term economic benefits rather than temporary relief. The government should negotiate better terms for refinancing existing debt, focusing on reducing interest costs and extending repayment periods without increasing the overall debt burden.

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