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Analysis of the Impact of Public Debt on Nigeria's Economy 1981-2016

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**ABSTRACT**

The work examined the impact of public debt on Nigeria's economy for the period 1981 to 2016. The objective of the study is to examine the impact of public debt on economic growth in Nigeria; while the null hypothesis is Public debt has no significant impact on economic growth in Nigeria. The research employed OLS regression techniques. The research shows a long and short run relationship, between the dependent variable and the independent variables. The model explains 56% of the changes in Real Gross Domestic product Growth Rate (GDPGR); R<sup>2</sup> value of 56% shows a relatively high explanatory power of the independent variables on the dependent variable. Prob (F-statistic) 0.000081 shows that the variables are jointly significant. The research recommended that the nation should manage the nation's rising debt profile, so as to avoid future debt trap. This will be achieved by maintaining a higher revenue ratio to lower debt. or lower debt to higher GDP ratio.

Keywords

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**INTRODUCTION**

The impact of public debt on the performance of any economy. has been a case of study for most nations. According to [1], public debt is how much a country owes to lenders outside of itself; it is the accumulation of annual budget deficits, hence higher expenditure to revenue ratio. In Nigeria, Debt Management Office (DMO) was established on 4th October, 2000 to centrally coordinate the management of Nigeria's debt. The need for the creation of a public debt management office was aimed at achieving the following advantages:

- Good debt management practices that make positive impact on economic growth and national development, particularly in reducing debt stock and cost of public debt servicing in a manner that saves resources for investment in poverty reduction programs;
- Prudently raising financing to fund government deficits at affordable costs and manageable risks in the medium- and long-term;
- Achieving positive impact on overall macroeconomic management, including monetary and fiscal policies;
- Consciously avoiding debt crisis and achieving an orderly growth and

development of the national economy;

- Improving the nation's borrowing capacity and its ability to manage debt efficiently in promoting economic growth and national development;
- Projecting and promoting a good image of Nigeria as a disciplined and organized nation, capable of managing its assets and liabilities; Providing opportunity for professionalism and good practice in nation building; [2]

In [3], it was opined that countries borrow for two broad categories: macroeconomic reasons; [higher investment, higher consumption (education and health)] or to finance transitory balance of payments deficits [to lower nominal interest rates abroad, lack of domestic long-term credit, or to circumvent hard budget constraints]. This implies that economy indulges in debt to boost economic growth and reduce poverty. He is also of the opinion that once an initial stock of debt grows to a certain threshold, servicing them becomes a burden, and countries find themselves on the wrong side of the debt-laffer curve, with debt crowding out investment and growth.

According to [4], Nigeria's total debt to Gross Domestic Products (GDP) ratio as of

2016 was 18.60 percent of the country's Gross Domestic Product. The total debt profile of the country is \$57.39bnas at Feb 17, 2017 .Going by the figures, it means that the nation is heading towards a debt trap which will affect its credit worthiness.

**Statement of the Problem**

Today, Nigeria is in a stage where public debt burden is a challenge to the economic growth and development of the Nation.This does not actually portary public debt as a bad economic step, but in Nigeria's situation, governemnt borrow to finance its expansionary fiscal measures, such as providing basic infrastructure for enhanced economic activities which will lead to growth. But such borrowed funds are never

From the foregoing historic record, there is a need therefore, to analyze the impacts and efficiency of public debt on the Nigerian economy, which now forms the aim of this study.

used for it, which creates such a wide gap in our economic apparatus that will affect our future and as such make Nigerians benefits insignifiacntly from its total revenue,since a greater chunck of the said revenue is required annually to service both domestic and external debts.Hence, there is the need for a study to be carried out to ascertain the impact of public debt on the economy of Nigeria.

**Research Questions**

1. What is the impact of publicdebt on economic growth of Nigeria?

2. What is the causality relationship between public debt and economic growth in Nigeria?

**Objectives of the Study:**

The broad objective of the study is to analyse the impact of public debt on the Nigerian economy.

The Specific Objectives of the study are:

- 1. To examine the impact of publicdebt on economic growth in Nigeria.
- 2. To examine the causality relationship between public debt and economic growth in Nigeria.

**Statement of the Hypotheses**

H<sub>0</sub>1: Public debt has no significant impact on economic growth in Nigeria.

H<sub>0</sub>2: There is no causality relationship between public debt and economic growth in Nigeria.

**Scope of the Study**

This study is constructively limited on the analysis of the impact of public debt on the

economy of Nigeria captured with data from 1981 to 2016

**Theoretical Literature**

There are numerous theories on public debt.For this work to be comprehensive,some will be discussed.

**Classical School of Thought on Public Debt**

Classical economists (Adam Smith, David Ricardo and J.S.Mill) critically analysed public debt in their various works. They believe that government is unproductive, and that the exerted pressure on available financial facilities will endanger the private sector participation in the economy.The effect of such pressure was enumerated more by J.S Mill which stated that such pressure will lead to higer interest rate. He believes that such pressure will lead

eventually to unemployment of factors of production, hence decreasein economic growth. Adam Smith on his own also projected against government running deficit budgeting, while advising that needed funds should come through taxations for the classical, effective private sector will produce excess saving needed for higher economic growth and development.

**Keynesian Theory of Public Debt**

Keynes on his explanation on demand as it relates to supply to determine employment believes that. government should use budget deficits to influence economic growth. To utilize deficit budget

instrument means to acquire more funds from outside the government revenue. Hence Keynes [5] advocated for increase in government spending, through debt accumulation and cutting of taxation. The

idea was based on his psychological assumptions that such will increase demand which will lead to growth and full employment. Even though issues of

inflation was raised, he also advocated for budget surpluses to eradicate inflation and debt, hence a balanced economy.

### Solows Economic Growth Model

Solows in his response to Harrod-Domar model said that the previous model is based on some unrealistic assumptions, such as fixed factor proportions and constant capital output ratio. Solows in formulating his Long-run growth model said that, if technical coefficients of production are assumed to be variable, the capital labour ratio may adjust itself to equilibrium. Solow demonstrated the difference between warranted and natural

growth rate, saying it is based on the assumptions of fixed proportions in production, his model is based on the assumptions that production takes place according to linear homogeneous production function:  $Y = F(K, L)$ ,  $Y =$  Output,  $K =$  Capital Stock, and  $L =$  Supply of labour force. The functional model shows relationship between input-output ratio which establishes the return to scale.

### Empirical Literature

[6], analyze the impact of public debt on economic development in Nigeria, with the aim of assessing the individual effects of the country's debt stocks and service payments on economic development (Proxied with GDP Per Capita) in Nigeria. They employed ADF, Johansen Co-Integration test, ECM and the Granger Causality test. They found out that External debt stock and external debt servicing have insignificant negative relationship with economic development in Nigeria, and Domestic debt stock has a direct and significant relationship with economic development while domestic debt service payment was significant but inversely related to economic development in Nigeria.

[7], worked on Empirical Analysis of the Macroeconomic Impact of Public Debt in Nigeria, using Vector Autoregressive framework, the Granger causality test, impulse response, and variance decomposition of the various innovations to study the impact. Using domestic debt stock, external debt stock, real GDP, average CPI and prime lending rate as variables, they found out that external debt stock increases prime lending rate, but with a lag, also that the level of external and domestic debt over the period of the study has no significant impact on the general price level and output.

[8], did a work on External Debt and Economic Growth: Evidence from Nigeria, with the aim of showing the relationship between external loan and the economic growth of Nigeria. They employed Co-integration among the underlying variables using Auto-regressive Distributed Lag (ARDL) model after conducting preliminary statistical test to

ascertain the normality of the variables as well as stationary of the data set, using descriptive and unit root tests. The variables used are Real Gross Domestic Product, external debt, exchange rate and consumer price index. The research found out that there is no causal relationship between external debt and economic growth.

[9], researched on the Impact of Government Debt on the Economic Growth of Ghana, the aim of the study was to examine the inadequate government infrastructure and the ineffective management of domestic and external debt in Ghana and to analyze the structure and the dynamics of domestic, external and total debt, bringing out emerging vulnerabilities and future threats. They employed the simple Ordinary Least Squares method. Using Private Consumption Expenditure, Investment expenditure, Domestic Savings, Import, Government Consumption expenditures, National Savings, Inflation, Growth, Domestic Debt and External Debt as variables for the study. The research found out that there is a negative relationship between debt (domestic and external) and growth in the economy of Ghana, and recommended that government debt borrowing should be discouraged while increasing the revenue base; hence tax reform programs should be encouraged.

[10] did a research termed Investigating the Impact of Public Debt on Economic Growth in Jamaica. The paper employed an autoregressive distributed-lag model method. The variables used for the research are change in real GDP, ratio of debt to GDP, investments, inflation, labour, and openness. From the result, it implies

that debt has a statistical and significant inverse relationship with economic growth at high levels in Jamaica. That is, the greater the level of debt, the more the economy growth decreases.

[11], investigated the Impact of External Debt on Economic Growth in Nigeria, using the ARDL Bound Testing Approach. They aimed at proffering appropriate policy measures that will reduce the adverse effect of external debt and with positive implication on poverty. The variables in the research are growth rate of real GDP, ratio of external debt to GDP, ratio of debt service stock to GDP, ratio of national expenditure to GDP, real exchange rate and trade openness. The research found that External debt impacts negatively on output, that there is unidirectional causality between external debt and economic growth. Consequently, the study recommends, government should embark on prudent borrowing and encourage export-oriented growth.

[12] researched on the Impact of Public Debt on Economic Growth of Pakistan. The study employed Autoregressive Distributed Lag (ARDL) technique with Real GDP, public debt, private investment, population growth and Human capital as variables for the research. Results of the study suggest that public debt and economic growth has positive but statistically insignificant relationship.

[13] investigated the Impact of Public Debt on the Economic Growth of Jordan. They aimed at examining the impact of public debt and debt service on the economic growth of Jordan through statistical and economic methods. The study employs least squares method. The variables used are External Debt, Domestic Debt, Total Public, Debt Gross Domestic, Product Public Debt % of GDP and Public Debt per capita in Jordan. The results of the analysis indicate that there is a negative impact of total public debt, especially the external debt on economic growth.

[14] examined the impact of public debt on the economic growth of 23 OECD countries. Using OLS method with rate of growth of real GDP, rate of capital accumulation, rate of export growth, public debt to GDP ratio, growth rate of investment and growth rate of employment as variables, they found that the marginal impact of debt is negative but very small and statistically insignificant in almost all cases.

[15], researched on the the Impact of Growing Public Debt on Economic Growth

in the European Union, aimed to explore the transmission mechanism regarding the short term impact of public debt and growth, and to evaluate the direct effect of higher indebtedness on economic growth for countries in the EU, which are in the epicenter of the sovereign debt crisis. They employed panel estimation on a generalized economic growth model, augmented with a debt variable; results across all models indicate a statistically significant non-linear impact of public debt ratios on annual GDP per capita growth rates. They concluded that the threshold value for the 'new' member states is lower than for the 'old' member states.

[16], examined the effects of public debt on economic growth in Kenya, with the aim of investigating the impact of external and domestic debt and its productiveness on the Kenyan economy. Using regression method, they employed External Debt, Internal Debt and Productive debt as variables. They found out that, there was a negative relationship between external public debt and economic growth, a significant positive relationship between internal public debt and economic growth and a positive relationship between productive debt and economic growth in Kenya.

[17], investigated public debt and economic growth as it relates to economic systems in Scandinavia, with aim of proving their argument that different degrees of fiscal uncertainty, at comparable levels of public debt between those economic systems, constitute a major source of heterogeneity in the debt-growth relationship. Using econometrics research method, they used level of initial income, population growth, investment as gross fixed capital formation, foreign direct investment, Openness, public debt and inflation rate as variables for the study. The result of their findings supports their assumption; Continental countries face more growth reducing public debt effects, than especially Liberal countries. There, public debt apparently exerts neutral or even positive growth effects, while for Nordic countries a non-linear relationship is discovered, with negative debt effects kicking in at public debt values of around 60% of GDP.

[18], investigated the relationship between Public Debt and Economic Growth in Bangladesh. The aim of the study was to analyze the trend and patterns in public debt, and its relationship with investment

and growth in Bangladesh, observe the direct relationship between public debt and economic growth and to observe the potential influence of public debt on investment; therefore examine the indirect influence of public debt on economic growth through its impact on investment. The study used OLS method with Total investment (as proxied by gross capital formation), Total public debt, Gross domestic product, Openness to

international trade (as proxied by, export and import), Real interest rate, Remittance inflow, Money supply and Total debt service as variables. Results show that public debt is positively related to both investment and economic growth. The empirical findings also suggest that public debt has an indirect positive effect on growth, through its positive influence on investment.

**METHODOLOGY**

**Research Design**

The work will employ ex-post facto research design. In line with previous similar studies on the analysis of the impact of the public debt on Nigerian economy, ordinary least square regression will be used to test the hypothesis of the

study. Being an empirical analysis of the impact of the public debt on Nigerian economy, the data to be used will be of secondary form. These will be collected from CBN statistical bulletin and World bank .

**Theoretical Framework**

The linkage between public debt and economic growth has occupied a central position in Keynes analysis of fiscal policy instrument. In examining this on Nigeria's data, the study will utilize Keynes theory. The application of this theory, however,

has been extended and augmented to incorporate the economic variables such as Gross Domestic product Growth Rate , Domestic Debt, External Debt outstanding, Exchange Rate, Inflation and Interest Rate

**Model Specification**

In this study, we adopted the statistical method of multiple regression approach. The functional relation of the model is given as:

$$GDPGR = f(DDEBT, EDEBT, EXCH, INFL, INT) \dots \dots \dots (1)$$

The Econometrics model is specified as follows:

$$GDPGR_t = \beta_0 + \beta_1 LDDEBT_t + \beta_2 LEDEBT_t + \beta_3 EXCH_t + \beta_4 Infl_t + \beta_5 INT_t + \mu_t \dots (2)$$

Where: GDPGR=Real Gross Domestic product Growth Rate  
LDDEBT=Log of Domestic Debt outstanding  
LEDEBT=Log of External Debt outstanding  
EXCH=Exchange Rate  
Infl=Inflation  
INT=Interest Rate

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  = parameters ,  $\mu$  = Stochastic Error term and  $t$  = Time Period  
Apriori expectations are:  $\beta_1, \beta_2$  and  $\beta_4 > 0$ , &  $\beta_3$  and  $\beta_5 < 0$ .

**Method of Evaluation**

In analysing the impact of public debt on the Nigerian economy, we adopted the OLS method; real Gross Domestic Product Growth Rate (GDPGR) is the dependent variable, while domestic debt (DDEBT), External Debt (EDEBT), Exchange rate (EXCH) Inflation, (INFL) and Interest Rate (INT) are the independent variables. The analytical procedures involved are; first, unit root test will be carried out for each of the variables so as to ascertain the time series properties of the data set, and obtain the stationary status at 5% level of significance using Augmented Dickey Fullertest. Next, test of

Cointegration will be performed in order to discover the long run relationship properties of the data, because this is a multivariate analysis with a mixture of variable at I(1) and I(0), pasaran bound test cointegration will be utilized to find the long run relationship between the variables, after which ECM and Estimation analysis, Statistical test of the T-test and F-test probability ratio using the P-value, will be interpreted to show the independent and joint influence of the variables. Granger causality test will also be conducted to determine the forecasting ability of a date over another.

**Decision Rule**

- If p-value < level of significance (0.05); then null hypothesis is rejected.

If p-value > level of significance (0.05); then we fail to reject the null hypothesis.

**Presentation and Analysis of Results**  
**Unit Root Test**

Table 1: The ADF unit Root Test for the series of GRGDP, LEDEBT, LDDEBT, INT, INFL and EXCH

Variables	ADF Test Statistics	5% Critical value	Order of integration	Remark
GRGDP	-5.032261	-3.544284	I(0)	stationary at level form
LEDEBT	-4.287723	-1.951000	I(1)	stationary at first difference
LDDEBT	-4.466951	-2.951125	I(1)	stationary at first difference
INT	-8.515391	-2.951125	I(1)	stationary at first difference
INFL	-3.835428	-3.548490	I(0)	stationary at level form
EXCH	-3.041324	-1.951000	I(1)	stationary at first difference

From the table, Real Gross Domestic product Growth Rate (GDPGR) and Inflation (Infl) are integrated at I(0), while Domestic Debt outstanding (DDEBT), External Debt outstanding(EDEBT),Exchange Rate (EXCH),

and Interest Rate (INT) are integrated at first order, I(1).

**Test of Co-integration**

Table 2  
ARDL Bounds Test  
Date: 09/09/18 Time: 16:53  
Sample: 5 36  
Included observations: 32  
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	23.81841	5

**Critical Value Bounds**

Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

The Bound Test in Table 2 reveals that there is a long run relationship between the dependent and independent variables . The f-statistic ( 23.81841) is greater than the upper and lower bound test values of 2.62

and 3.79 respectively at 5% level of significance, which is in line with Bound testing rule.

**Regression Model**

Table 3

Dependent Variable: D(GDPGR)

Method: Least Squares

Date: 09/09/18 Time: 17:05

Sample (adjusted): 2 36

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.886618	1.930797	0.459198	0.6496
D(LDDEBT)	1.007978	8.103697	0.124385	0.9019
D(LEDEBT)	1.206980	2.489578	0.484813	0.6316
D(INFL)	-0.088056	0.073838	-1.192554	0.2431
D(INT)	-0.290394	0.268022	-1.083468	0.2878
D(EXCH)	-0.084201	0.074768	-1.126159	0.2697
ECM(-1)	-1.073361	0.182388	-5.885029	0.0000
R-squared	0.563643	Mean dependent var	0.328886	
Adjusted R-squared	0.470137	S.D. dependent var	9.026340	
S.E. of regression	6.570423	Akaike info criterion	6.779890	
Sum squared resid	1208.773	Schwarz criterion	7.090960	
Log likelihood	-111.6481	Hannan-Quinn criter.	6.887271	
F-statistic	6.027928	Durbin-Watson stat	1.973959	
Prob(F-statistic)	0.000383			

### DISCUSSION OF THE RESULTS

From the above result,  $R^2$  shows the explanatory power of the variables. Inflation (Infl), Domestic Debt outstanding (DDEBT), External Debt outstanding (EDEBT), Exchange Rate (EXCH), and Interest Rate (INT) explained 56% variability in the gross domestic product (GDPGR). This implies that the model explains 56% of the changes in Real Gross Domestic product Growth Rate (GDPGR) and the remaining 44% is explained by other variables captured by the error term.

To check if the independent variables are jointly significant to explain the dependent variable or the overall significance of the model, we use F-statistic. So given the F-Prob value of 0.000383, we can conclude that there is statistically significant relationship between the explanatory variables and the dependent variable. This is because the prob value of 0.000383 is less than 0.05 i.e. at 5% level of significance which led to the rejection of the null hypothesis.

The coefficient of Log of Domestic Debt outstanding (LDDEBT) is 1.007978 and it gives a positive relationship with GDPGR, it shows that percentage increase in LDDEBT will lead to 1.007978 increases in Real

Gross Domestic product Growth Rate (GDPGR). The coefficient of Log of External Debt outstanding (LEDEBT) is positive, it shows that percentage increase in Log of External Debt outstanding (LDDEBT) will lead to 1.206980 increases in Real Gross Domestic product Growth Rate (GDPGR). The coefficient of Inflation (Infl) is negative, it shows that a unit change in inflation rate in the country will lead Real Gross Domestic product Growth Rate (GDPGR) to decrease by 0.088056. The coefficient of Interest Rate (INT) is negative which shows that a unit change in interest rate will lead Real Gross Domestic product Growth Rate (GDPGR) to decline by 0.290394. Also the coefficient of Exchange Rate (EXCH) is negative which implies that a change in exchange rate of the nation will lead Real Gross Domestic product Growth Rate (GDPGR) to decline by 0.084201.

The error correction coefficient, which indicates the speed of adjustment, has a negative sign. This is expected as it is the condition for accepting the model. From the result of the model presented above, the ECM is -1.073361 which means that the speed of adjustment in the short run is 100% and the ECM is statistically significant (0.0000).

**Granger Causality test**

Pairwise Granger Causality Tests

Date: 09/09/18 Time: 18:36

Sample: 1 36

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
LDDEBT does not Granger Cause GDPGR	34	1.07360	0.3550
GDPGR does not Granger Cause LDDEBT		0.78810	0.4642
LEDEBT does not Granger Cause GDPGR	34	3.47883	0.0442
GDPGR does not Granger Cause LEDEBT		2.90471	0.0708
INFL does not Granger Cause GDPGR	34	0.37817	0.6884
GDPGR does not Granger Cause INFL		1.61671	0.2159
INT does not Granger Cause GDPGR	34	1.54265	0.2309
GDPGR does not Granger Cause INT		0.42878	0.6554
EXCH does not Granger Cause GDPGR	34	1.31469	0.2841
GDPGR does not Granger Cause EXCH		0.25303	0.7781

There is uni-directional Causality relationship between Log of External Debt outstanding (LEDEBT) and real Gross Domestic product Growth Rate (GDPGR) in Nigeria; hence Log of External Debt outstanding (LEDEBT) Granger Causes Real

Gross Domestic product Growth Rate (GDPGR). There is no Causality between Log of Domestic Debt outstanding (LDDEBT), Inflation (Infl), Interest Rate (INT), Exchange Rate (EXCH) and real Gross Domestic product Growth Rate (GDPGR)

**CONCLUSION AND RECOMMENDATIONS**

The work examined the impact of public debt on Nigeria's economy for the period 1981 to 2016. The study shows a long and short run relationship between the dependent variable and the independent variables. The coefficient of Log of Domestic Debt outstanding (LDDEBT) is 1.007978 and it gives a positive relationship with GDPGR, The coefficient of Log of External Debt outstanding (LEDEBT) is positive, it shows that percentage increase in Log of External Debt outstanding (LDDEBT) will lead to 1.206980 increases in Real Gross Domestic product Growth Rate (GDPGR). The coefficient of Inflation (Infl) is negative, it shows that a unit change in inflation rate in the country will lead Real Gross Domestic product Growth Rate (GDPGR) to decrease by 0.088056. The coefficient of Interest Rate (INT) is negative which shows that a unit change in interest rate will lead Real Gross Domestic product Growth Rate (GDPGR) to decline by 0.290394. Also the coefficient of Exchange Rate (EXCH) is negative which

implies that a change in exchange rate of the nation will lead Real Gross Domestic product Growth Rate (GDPGR) to decline by 0.084201. The error correction coefficient, which indicates the speed of adjustment, has a negative sign, the ECM is -1.073361 which means that the speed of adjustment in the short run is 100 % and the ECM is statistically significant (0.0000). The model explains 56% of the changes in Real Gross Domestic product Growth Rate (GDPGR). Prob(F-statistic) 0.000081 shows that the variables are jointly significant. There is uni-directional causality relationship between Log of External Debt outstanding (LEDEBT) and Real Gross Domestic product Growth Rate (GDPGR) in Nigeria; hence Log of External Debt outstanding (LEDEBT) Granger Causes Real Gross Domestic product Growth Rate (GDPGR). There is no Causality between Log of Domestic Debt outstanding (LDDEBT), Inflation (Infl), Interest Rate (INT), Exchange Rate (EXCH) and real Gross Domestic product Growth Rate (GDPGR).



### CONCLUSION

Borrowing of funds to finance expansionary fiscal policy measure of a state is not detrimental to the economic viability of such state, but when such debts are not properly utilized, it becomes a big problem. From our analysis, it can be established that there exist long run relationship between Nigeria's Public debt and economic growth. Also, the research shows that the control variables have negative relationship with the economy of the state, hence for the nation to benefit

well and not pay back double, the nation's exchange rate stability should be given enough priority, so that the value of naira at the time of borrowing will still be the same at the time of repayment. The international acceptable Debt to GDP ratio should also be taken into consideration as the nation's debt profile increases. Presently, from the research output, there exist positive relationship between the nations debt and economic growth.

### RECOMMENDATIONS

Following from the research findings above, it is recommended that;

- (1) The nation should ensure stable exchange rate value of Naira. Such should be achieved through the Central bank of Nigeria monetary policy instruments. The research analysis shows a negative relationship between exchange rate and economic growth. Hence the volatility of the nation's exchange rate affects overall economic activities of the country negatively, and should be addressed. To achieve high Naira to Dollar ratio, the nation should consider interest rate manipulation to attract foreign funds, selling foreign assets, reduction of inflation and investment in the real sector to discourage importation.
- (2) Even though the research findings indicate positive relationship between public debt (domestic and external) and

economic growth, there is still need to professionally manage the nation's rising debt profile so as to avoid future debt trap. To professional manage debt profile means, to maintain a low debt to Revenue or GDP ratio, so that, the cost of servicing such debt will not take greater chunk of the nation's resources which will affect capital investment negatively.

(3) The predictive power of the external debt on the Real Gross Domestic product Growth Rate (GDPGR) shows that, the nation's economic growth rest on external factors. Such should not be the case; thus, the nation's economic growth should be internally determined through enhanced economic activities, accordingly, the government is advised to influence increase in local productivities and access local financial facilities more.

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