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Dynamics of Domestic Debt and the Growth of Nigeria's Economy

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ABSTRACT

This study examines the dynamics of domestic debt and economic growth in Nigeria over the period 1981-2016. To achieve the objective of the study, annual time series data on Gross Domestic Product (GDP) at current prices, domestic debt outstanding on Treasury Bills (TRB), Treasury Certificates (TRC) and Development Stock were collected from the publications of the Central Bank of Nigeria and analyzed using the Johansen co-integration and Autoregressive Distributed Lag (ARDL) models. The result of Johansen co-integration suggests that the variables have a long-run equilibrium relationship. The ARDL model reveals that most of the variables that are statistically significant have negative impact on GDP. Only TRC has a positive impact on GDP. It is therefore recommended that the government should reduce the level of domestic debt it raises over time because of its negative impact on economic growth process in Nigeria.

KEYWORDS Domestic Debt; ARDL; GDP