The Effect of Deficit Financing on Macro-Economic Variables in Nigeria (1970-2013)

Authors : Ezeoke Callistus Obiora, Ezeoke Nneka Angela

Abstract : The study investigated the effect of deficit financing on macroeconomic variables in Nigeria. The specific objectives included to find out the relationship between deficit financing and GDP, interest rate, inflation rate, money supply, exchange rate and private investment respectively on a time series covering a period of 44 years (1970 – 2013). The Ordinary Least Square multiple regression produced statistics for the coefficient of determination (R2), F-test, t-test used for the interpretation of the study. The findings revealed that Deficit financing has significant positive effect on GDP and exchange rate. Again, deficit financing has a positive and insignificant relationship inflation, money supply and investment. Only interest rate recorded negative yet insignificant relationship with deficit financing. The implications of the findings are that deficit financing can be a veritable tool for boosting economic development in Nigeria, but the influential positively rising exchange rate implies that deficit financing devalues the Naira exchange rate to other currencies indicating that deficit financing can affect Nigerians competitive advantage at the world market. Thus, the study concludes that deficit financing has not encouraged economic growth in Nigeria.

Keywords : deficit financing, money supply, exchange rate, inflation, GDP, investment, Nigeria
Conference Title : ICSRD 2020 : International Conference on Scientific Research and Development
Conference Location : Chicago, United States
Conference Dates : December 12-13, 2020