The Effect of Public Debt on the Economic Growth and Development in Nigeria

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Abstract : This paper examines the influence of public debts (external and internal) on economic growth and development in Nigeria from (1980-2015). The study uses aggregate GDP as a proxy for economic growth, per capital income as a proxy for standard of living and Government expenditure on health as a proxy for human capital development, while Foreign Direct Investment, Unemployment rate, and Oil revenue were used as control variables. The study made use of ex-post facto research design with the data extracted from the Central Bank of Nigeria (CBN) Statistical Bulletin and the World Bank database. It adopted a multiple regression analysis of the ordinary least square (OLS) method with the help of E-View version 3.0. The results revealed that external debt has a negative and insignificant effect on GDP, per capital income and human capital development. The study concluded that external debts were being channeled to meet the recurrent expenditures of the nation's economy at the expense of productive investment that could stimulate growth and poverty alleviation. It, however, recommended that government should ensure that the bulk of the total borrowings are mostly sourced from within the domestic economy so that the repayment of the principal and interest will serve as a crowd in-effect rather that crowd out-effect which in turn further accelerates the country's economic growth and development.

Keywords : economic growth, external debt, internal debt, Nigeria
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