GOVERNMENT DEBT, REVENUE AND ECONOMIC GROWTH IN NIGERIA

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ECONOMICS, FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF BENIN, IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc) DEGREE IN ECONOMICS

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CERTIFICATION

We, the undersigned certify that this work titled, "The Impact of Stock Market on the Nigeria Economy" was carried out by Odion Josephine OHIRO of the Department of Economics, Faculty of Social Sciences, University of Benin, Benin City.

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DEDICATION

This project is dedicated, first and foremost, to Almighty God, whose boundless love, grace, mercy, and divine wisdom have guided and sustained me throughout my academic journey.

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ABSTRACT

This study investigated the impact of government debt, revenue, and their relationship with economic growth in Nigeria over the period 1990 to 2024. It aimed to examine the effects of government debt on economic growth, the influence of government revenue on growth, the impact of debt on Nigeria's annual GDP growth rate, and the role of internally generated revenue. Secondary data were collected primarily from the Central Bank of Nigeria, Debt Management Office, National Bureau of Statistics, and World Bank databases. The methodology adopted included an econometric model estimated using Ordinary Least Squares (OLS) and panel fixed effects to analyze the short-run and long-run effects of government fiscal variables on economic growth.

Results revealed that government debt had a positive but statistically insignificant effect on economic growth in the short run, implying that borrowing provided some support to government sustainability but lacked robust growth stimulation. In the long run, debt demonstrated a negative and insignificant relationship with growth, suggesting potential crowding-out effects and fiscal risks that align with some extant Nigerian literature. Government revenue showed a positive and statistically significant association with economic growth, confirming its critical role in funding development projects and stimulating the economy. Internally generated revenue also had a positive yet statistically insignificant impact, indicating sensitivity in tax policy implementation to avoid negatively affecting production and economic activity.

Based on these findings, it was recommended that the government implement prudent debt management policies to ensure borrowing supports growth without generating harmful long-term consequences. Tax authorities were advised to improve revenue collection efficiency by adopting fair tax policies that avoid overburdening taxpayers, thus encouraging sustainable economic expansion. Policymakers should focus on enhancing government revenue via effective fiscal measures to provide sufficient funds for infrastructure and development. Additionally, relevant agencies needed to strengthen internally generated revenue systems by promoting transparency and fairness, which would improve economic stability and growth prospects. These steps would help balance the benefits of government fiscal interventions while minimizing risks to Nigeria's economic future.

CHAPTER ONE

INTRODUCTION

1.0 Preamble

This study is motivated by the need to understand the complex relationship between government debt, revenue, and economic growth in Nigeria amid fluctuating growth rates and rising fiscal challenges. Despite increasing government debt and revenue generation, Nigeria's economic performance has remained modest, raising critical questions about the effectiveness of fiscal management and investment strategies. Investigating how different components of debt and revenue influence economic growth is essential to identifying constraints and opportunities within Nigeria's fiscal framework. This research seeks to provide empirical insights that can guide policymakers in optimizing debt usage and revenue allocation towards sustainable development. Ultimately, the study aims to contribute to improving economic stability and growth prospects in Nigeria through informed fiscal policy recommendations.

1.1 Statement of the Research Problem

Nigeria's economic growth has experienced fluctuations in recent years despite increasing levels of government debt and revenue generation. According to the National Bureau of Statistics, Nigeria's GDP grew by 3.13% year-on-year in real terms in the first quarter of 2025, improving from 2.27% in the same period of 2024. Growth in 2024 averaged 3.40%, the highest rate since 2014, largely driven by the services and industrial sectors (NBS, 2025). However, this growth rate remains modest relative to Nigeria's economic potential and population growth, raising concerns about the underlying factors influencing economic

performance. A crucial dimension of this economic puzzle is the role of government debt and revenue management. Public debt, divided into domestic and external components, has been expanding, with ambiguous effects on economic growth. Empirical findings from studies covering 1981 to 2023 reveal that domestic debt positively and significantly affects Nigeria's GDP, whereas external debt has a significant negative impact, suggesting that inefficient external borrowing and debt servicing may be constraining growth prospects (Mazeli et al., 2025). Nigeria's external debt hampers long-term growth, though it may have short-term growth-enhancing effects, further highlighting the complex debt-growth nexus.

On revenue, government receipts from oil, non-oil sources, and debt-related revenues have been increasing, yet these inflows have not translated proportionally into robust economic expansion. Researches on government revenue and economic growth between 2000 and 2017 established a significant and positive relationship between federal government revenue and GDP, emphasizing that revenue utilization in infrastructure and productive sectors is vital for growth (Berembo & Igbonikon, 2021). More recent findings also confirm that both oil and non-oil revenues positively impact economic growth in the long run, but highlight that government revenue must be effectively managed and invested to yield sustainable economic development (Ihuoma & Ijeoma, 2025). Despite these increases in government revenue and debt levels, Nigeria's economic growth remains uneven and below expectations. This inconsistency calls attention to prevailing challenges in fiscal management and the efficiency of debt utilization. The question arises whether the current debt accumulation is crowding out private sector investment or whether revenue is being allocated inefficiently due to poor

fiscal policies. Hence, this study seeks to investigate the relationship between government debt, revenue, and economic growth in Nigeria.

1.2 Research Questions

The following research questions were raised in order to guide the study:

1. How does government debt affect Nigeria's economic growth?
2. To what extent does government revenue influence economic growth in Nigeria?
3. What is the impact of government debt on Nigeria's annual GDP growth rate?
4. How does internally generated government revenue relate to changes in Nigeria's economic growth?

1.3 Objectives of the Study

The main objective of the study is to investigate government debt, revenue, and their relationship with economic growth in Nigeria**.** The specific objectives of the study are to;

1. To examine the effect of government debt on economic growth in Nigeria.
2. To investigate the influence of government revenue on the economic growth of Nigeria.
3. To analyze the impact of government debt on Nigeria's annual GDP growth rate.
4. To assess the relationship between internally generated government revenue and changes in Nigeria's economic growth.

1.4 Hypotheses of the Study

The following null hypotheses would be tested in the study:

1. There is no significant effect of government debt on economic growth in Nigeria.
2. Government revenue has no significant influence on the economic growth of Nigeria.
3. Government debt does not significantly impact Nigeria's annual GDP growth rate.
4. Internally generated government revenue has no significant relationship with changes in Nigeria's economic growth.

1.5 Significance of the Study

The findings of this study on government debt, revenue, and economic growth in Nigeria will be significant to policymakers and government officials, investors and financial institutions, academics and researchers, development partners and international financial organizations and the general public and media. First, policymakers and government officials will benefit directly as the study provides empirical evidence on how different types of government debt and revenue impact economic growth. This will guide them in crafting fiscal policies that optimize debt management and revenue mobilization for sustainable economic development. Knowledge on the positive or negative effects of domestic and external debt will help reduce fiscal risks and enhance debt servicing strategies.

Second, investors and financial institutions will gain valuable insights into the economic environment, particularly the risks and opportunities tied to Nigeria's debt profile and revenue trends. This can inform their investment decisions, risk assessments, and projections

about the Nigerian economy's growth potential. Third, academics and researchers will find the study useful for advancing scholarly knowledge, identifying gaps for further research, and teaching topics related to public finance and economic growth. The study also provides updated data and methodological approaches beneficial for ongoing and future research.

Fourth, development partners and international financial organizations such as the IMF and World Bank may use the findings to tailor their financial support, debt relief programs, or technical assistance to Nigeria with a better understanding of the debt-growth dynamics in the country. Lastly, the general public and media will benefit from increased awareness and understanding of how government borrowing and revenue policies affect national economic welfare. Greater transparency and knowledge can stimulate public discourse and accountability regarding fiscal management and economic growth.

1.6 Scope of the Study

The study examines government debt, revenue, and their relationship with economic growth in Nigeria from 1990 - 2024, a 34-year period selected to capture recent fiscal trends, debt management strategies, and economic fluctuations. This time frame was chosen for data availability and accessibility, with information sourced from the Central Bank of Nigeria Statistical Bulletins, Debt Management Office reports, and World Bank open data. The period reflects significant fiscal policy reforms, changes in debt levels, and revenue mobilization efforts relevant to assessing their impact on Nigeria's economic growth.

1.7 Structure of the Study

The structure of this study is organized into six chapters to provide a clear and systematic investigation of government debt, revenue, and their relationship with economic growth in Nigeria. Chapter One introduces the research topic, outlining the problem statement, objectives, significance, research questions, and scope of the study. This chapter sets the foundation and context, explaining why the study is important and what it aims to achieve. Chapter Two provides the background to the study, offering an overview of government debt and revenue trends in Nigeria, historical developments, and relevant fiscal policies. This background helps contextualize the research within Nigeria's economic environment. Chapter Three presents a comprehensive literature review. It summarizes previous research and theoretical frameworks related to government debt, revenue, and economic growth, identifying gaps that this study aims to address. Chapter Four details the methodology used in the research, including data sources, period of study, analytical techniques, and any limitations encountered. This chapter explains how the research was conducted to ensure transparency and replicability. Chapter Five is dedicated to the presentation and discussion of empirical results. It analyzes the data and relates findings to the research questions and existing literature, highlighting key insights and trends. Finally, Chapter Six concludes the study by summarizing the main findings, drawing conclusions, and providing recommendations for policymakers, stakeholders, and future research. This chapter ties the entire study together and offers practical guidance based on the research outcomes.

CHAPTER TWO

BACKGROUND TO THE STUDY

2.1: Introduction

This chapter presents the background of the study under the following sub-headings, study environment, stylized facts and appraisal of the subject matter by providing statistical claims.

2.2: Study Environment

This study examines Nigeria's fiscal environment between 1990 and 2024, focusing on government debt, revenue, and their effects on economic growth. Nigeria, Africa's largest economy, is geographically situated in West Africa, sharing borders with Benin, Niger, Chad, and Cameroon, with a diverse landscape from coastal plains to savannas and rainforests that influence its economic activities (Ekundare, 2019). Historically, Nigeria's economy evolved through distinct phases: the pre-colonial agrarian-based systems, colonial exploitation focused on resource extraction, and post-colonial attempts at industrial and infrastructural development (Adepoju, 2021).

Nigeria's economic geography has profoundly shaped its fiscal profile. Before British colonization formalized territorial boundaries in 1914, the region consisted of heterogeneous societies engaged primarily in agriculture and trade (Olukayode, 2022). Colonial Nigeria was structured administratively into Northern and Southern Protectorates, reflecting varied economic orientations agriculture in the North and trade in the resource-rich South (Okafor, 2019). These historical legacies created an uneven economic foundation, which continues to affect revenue mobilization and resource allocation today.

Nigeria's economy remains heavily dependent on hydrocarbons, representing a significant share of government revenue and foreign exchange earnings, despite diversification efforts (Ajayi & Adekunle, 2023). The agricultural and services sectors contribute substantially but have been insufficient in offsetting fiscal volatility due to oil price fluctuations and production shocks. This structure influences the government's revenue performance and borrowing needs, as oil revenue shortfalls often compel the government to seek both domestic and external debts (Eze & Onwubuya, 2021).

The informal sector remains sizeable, complicating tax collection and revenue efficiency. Recent reforms aim to widen the tax base and improve compliance, yet challenges persist with administrative capacity and economic informality (Abiola & Yusuf, 2020).

Nigeria's public financial management operates within a multi-tiered institutional framework with overlapping responsibilities. The Central Bank of Nigeria (CBN), Debt Management Office (DMO), Federal Inland Revenue Service (FIRS), and Ministry of Finance are key institutions underpinning fiscal operations (Adeyemi, 2024). The DMO plays a pivotal role in

debt recording, management, and strategy formulation to ensure sustainable borrowing patterns (DMO, 2023). The CBN manages monetary policy to complement fiscal objectives, including stabilizing currency and inflation to support revenue performance.

Legal frameworks such as the Fiscal Responsibility Act and the Public Procurement Act regulate fiscal discipline and transparency, aiming to curtail deficits and inefficient spending (Nnadi & Obiorah, 2022). Despite these, enforcement challenges and political economy dynamics have affected optimal public financial management, with periodic debt accumulation outpacing revenue growth, stressing fiscal sustainability.

2.3 Domestic Debts and Economic Growth Performance in Nigeria

Domestic debt in Nigeria, defined as the financial obligations owed by the government to its residents mainly through treasury bills, bonds, and other domestic debt instruments, plays a multifaceted role in the country's economic growth. Scholars have examined this relationship closely, revealing that while domestic debt can be a useful tool for financing government activities and stimulating economic development, its impact on growth is contingent on several factors including the size, management, and allocation of the borrowed funds (Debt Management Office [DMO], 2024; Chukwuemeka & Samuel, 2021). When domestic debt is effectively managed and channeled into productive investments, it can enhance capital accumulation and drive aggregate demand, thus positively influencing growth. However, excessive borrowing usually leads to adverse effects such as crowding out of private investment, inflationary pressures, and increased interest rates that constrain economic expansion (Opara et al., 2021; Ajayi & Edewusi, 2021).

Empirical evidence from recent Nigerian studies consistently points to a nuanced and sometimes contradictory influence of domestic debt on economic growth. For instance, Chukwuemeka and Samuel (2021) found that in the long run, domestic debt had a positive and significant effect on Nigeria's economic performance, contrasting with the generally negative impact observed for external debt. Their study, covering data from 1981 to 2019, emphasized the importance of managing the debt to avoid the economic pitfalls associated with debt overhang, where high levels of debt service obligations discourage private sector investment due to anticipated future tax increases or inflation (Krugman, 1988; Sachs, 1989). This crowding-out effect is a recognized constraint in Nigeria's domestic debt context where government borrowing raises the cost of credit for private investors, limiting their capacity to contribute to economic growth (Elmendorf & Mankiw, 1999).

Conversely, other scholars reveal a significant negative relationship between domestic debt and economic growth in the long term. Kolawole (2024) employed an autoregressive distributed lag model using data from 1992 to 2023 and found that domestic debt exerted a statistically significant negative effect on growth. This suggests that while domestic borrowing may offer short-term fiscal relief, it poses long-term risks to the economy if the borrowed funds are not deployed into growth-enhancing projects. Ikeobi (2023) also reported a positive short-term impact of domestic debt but highlighted the increasingly burdensome debt service costs, which constrict fiscal space and reduce public investment capacity.

The theoretical underpinnings of these findings relate closely to the debt overhang and crowding-out theories. Debt overhang theory posits that high public debt diminishes private investment incentives as investors anticipate future tax hikes for debt repayment (Krugman,

1988). The crowding-out hypothesis further explains that government borrowing to finance deficits raises interest rates, adversely affecting private sector borrowing—crucial for productive investments and economic activity (Elmendorf & Mankiw, 1999). Therefore, the structure of domestic debt matters: short-term borrowing instruments like treasury bills may not significantly contribute to growth, whereas properly managed long-term debt instruments such as treasury bonds can have more positive growth implications (Oguejiofor & Anozie, 2024; Ajayi & Edewusi, 2021).

In Nigeria, the management of domestic debt is critical given that it currently constitutes over 60% of total public debt, with a stock valued at about 38.4 trillion Naira as of end-2023 (DMO, 2024). Government policy recommendations emerging from scholarly works emphasize the need for stringent debt management strategies, reducing reliance on short-term borrowing and focusing on efficient utilization of funds to finance infrastructural and economic stimulus projects (Chukwuemeka & Samuel, 2021; Kolawole, 2024). Moreover, many scholars advocate for prioritizing external debt with lower interest costs over domestic debt to alleviate the fiscal burden and maintain economic stability (Kolawole, 2024). These strategic debt approaches are indispensable for sustaining growth performance in Nigeria while mitigating the risks of debt-induced macroeconomic instability.

2.4 External Debts and Economic Growth Performance in Nigeria

External debts refer to the obligations that a country owes to foreign creditors, including governments, international organizations, and foreign financial institutions. In Nigeria, external debt has been a critical component of the nation's financial landscape, reflecting efforts to finance development projects and sustain economic growth. The relationship

between external debt and economic growth is multifaceted and can have both positive and negative impacts depending on how the borrowed funds are utilized and managed.

External debt can stimulate economic growth by providing capital for infrastructure development, industrial expansion, and human capital investment that might not be feasible through domestic resources alone. For example, borrowing for productive investment can enhance economic capacity and yield long-term growth benefits (Olasehinde, 2023). However, the sustainability of this growth is linked to the efficiency in debt utilization, debt servicing capacity, and the overall debt management framework within the country.

Empirical research has shown varied effects of external debt on Nigeria's economic growth performance. Findings by Olasehinde (2023) reveal a significant long-run relationship between external debt and economic growth, where foreign reserves, supported by external borrowing, positively impacted Nigeria's GDP growth. However, the short-run effects were generally insignificant, implying that the benefits of external debt accrue over a longer period when invested prudently. Several scholars underline the adverse effects of excessive external debt, particularly when the borrowed funds are diverted to unproductive uses. Aladejare (2024) discusses how the rising external debt servicing burden in Nigeria has exacerbated fiscal deficits and crowding-out effects on private investment, undermining economic growth. The high cost of debt servicing drains resources that could otherwise be deployed in developmental projects, leading to slower GDP growth and economic instability. In line with this, Ejaigbe (2024) found that while external debt has a positive short-run and long-run effect on Nigeria's economy, the costs associated with debt servicing have a detrimental impact. This dual effect highlights the complexity of external borrowing: as long as the debt

is used wisely for investments that generate growth, the effects are positive; however, high debt servicing costs can negate these gains.

Further supporting this perspective, Ezeabasili, Isu, and Mojekwu (2011) emphasized the negative relationship between external debt and Nigeria's GDP, associating increases in debt stock and debt service with declines in economic performance. Their study recommended careful matching of debt accumulation with repayment capacity and diversification of debt sources to avoid heavy dependence on any single creditor.

Additionally, recent studies have shown nuanced effects of external debt, where the structure and terms of debt, along with macroeconomic variables such as exchange rates and interest rates, influence the net impact on growth (Aladejare, 2024; Turman et al., 2023). The volatility in exchange rates, for example, can increase the cost of servicing foreign debt, thus affecting growth negatively.

2.5 Public Debts and Revenue Performance in Nigeria

Public debts and revenue performance are critical fiscal components that influence Nigeria's economic stability and growth. Conceptually, public debt refers to the total amount owed by the government to creditors, which may be domestic or external, incurred to finance budget deficits or developmental projects. Revenue performance, on the other hand, concerns the government's ability to generate financial resources through taxes, levies, and other income sources to fund public expenditures.

Public debt in Nigeria is defined as the total claims against the government by the private sector and foreign entities, encompassing all outstanding loans and bonds issued by different

tiers of government including federal, state, and parastatals (Central Bank of Nigeria, 2020). It can be classified into domestic debt, raised from local sources, and external debt, obtained from foreign lenders including multilateral and bilateral creditors. These debts are essentially tools for bridging fiscal deficits, especially when government revenue falls short of expenditure requirements (Anyanwu, 1997; Soludo, 2003). Scholars emphasize that borrowing becomes necessary to finance investments, spur economic development, and stabilize macroeconomic balances in economies like Nigeria's that grapple with low internal capital formation and poverty (Central Bank of Nigeria, 2020).

Nigeria’s rising public debt has been spurred by persistent deficits caused by inadequate revenue mobilization relative to increasing government expenditures. For instance, Debt Management Office data shows Nigeria’s public debt portfolio grew significantly from 2015 to 2019, with a mix of domestic and external borrowing driven by revenue shortfalls and the need for developmental finance (DMO, 2020). Such indebtedness, if well managed, can support economic growth through infrastructure and social sector investments. However, excessive or poorly managed debt creates fiscal risks including high debt servicing costs which crowd out productive spending and reduce fiscal space for investment in human and physical capital (DMO, 2020; Ndukwe-Ani, 2024).

Revenue performance in Nigeria is largely dependent on tax generation, which constitutes the bulk of government income. The Federal Inland Revenue Service and other revenue agencies contribute through company income taxes, value-added taxes, and other levies. Empirical evidence indicates that tax revenue generation has been improving, but with significant variances due to challenges such as tax evasion, administrative inefficiencies, and

an overreliance on oil revenues (Salawu & Omotosho, 2019; Alao, 2023). The inability to effectively boost non-oil revenue limits Nigeria's fiscal capacity and compels increased borrowing to cover deficits, thus increasing public debt (Alao, 2023; Salawu & Omotosho, 2019).

The interplay between public debts and revenue performance is fundamental to Nigeria's fiscal sustainability. Revenue shortfalls compel the government to borrow, raising debt levels, while high debt servicing costs reduce resources available for productive spending and may depress future revenue growth. This cyclical relationship affects economic growth, public service delivery, and poverty reduction efforts (Jafri, 2024; Salawu & Omotosho, 2019). Consequently, Nigeria's fiscal policy must focus on enhancing revenue performance through wider tax base and improved tax administration, alongside prudent public debt management that prioritizes long-term economic returns and debt sustainability (DMO, 2020; Ndukwe-Ani, 2024).

2.6 Stylized Facts

Between December 2018 and March 2025, Nigeria's economic growth, the dependent variable in this study, has exhibited fluctuating and modest patterns despite significant changes in government debt and revenue mobilization. Nigeria's real GDP growth rate, which is a common measure of economic growth, initially grew at about 2.27% in 2018 but faced persistent challenges such as inflation, infrastructural deficits, and external shocks including the global COVID-19 pandemic and oil price volatility. These factors slowed growth resulting in swings in Nigeria's GDP growth rate around the 2-3% range before a cautious recovery by 2024 (Adegbite et al., 2025).

Government debt, both domestic and external, has increased substantially during this period, rising from about ₦24.34 trillion (≈24.1% of GDP) in 2018 to over $86 billion USD or approximately 53.8% of Nigeria's nominal GDP by late 2024 (BudgIT, 2019; CEIC Data, 2024). The rapid increase reflects greater government borrowing to close fiscal deficits caused by recurring expenditures surpassing revenue collections and to finance crucial infrastructure (Adegbite et al., 2025). Domestic debt alone rose by about 44% between 2015 and 2018 and continues to constitute over 60% of total public debt, reaching ₦38.4 trillion by the end of 2023, while external debt more than doubled from $10.7 billion in 2015 to over $21 billion in 2018 (DMO, 2024; BudgIT, 2019).

Domestic debt has a complex relationship with economic growth. While domestic borrowing has been positive and significant in stimulating short-term growth by financing government projects and boosting aggregate demand, its excessive rise tends to crowd out private investment, increase interest rates, and elevate inflationary pressures, which ultimately constrain long-term growth (Adegbite et al., 2025; Alagba & Eferakeya, 2019). In contrast, external debt has a more nuanced effect. When external borrowing is targeted at productive sectors, it positively impacts economic growth by fostering capital accumulation and infrastructure development. However, poor utilization of these funds and high debt servicing costs have reduced the beneficial effects, with debt servicing showing a statistically significant negative effect on growth (Adegbite et al., 2025; Obadiaru & Onovughe, 2022).

Government revenue generation in Nigeria has struggled to keep pace with increasing expenditure and debt obligations. Despite efforts to enhance tax collections and diversify revenue sources, revenue remains inadequate to cover recurrent expenditures and capital

investments. This results in expanded fiscal deficits and a reliance on borrowing, heightening sustainability concerns (BudgIT, 2019; Mazeli, 2025). The debt-to-revenue ratio has thus worsened, necessitating better fiscal discipline and more efficient tax mobilization (Favour et al., 2017).

2.7 Appraisal of the subject matter providing statistical claims

Government debt, revenue, and economic growth in Nigeria have shown complex and dynamic interactions over the years, with significant fluctuations in each variable reflecting broader economic forces and policy decisions. Economic Growth in Nigeria has been variable over the past few decades, largely influenced by external shocks such as oil price volatility, periods of political instability, global economic downturns, and more recently, the COVID-19 pandemic. From the early 2000s, Nigeria experienced reasonably robust GDP growth, often averaging around 6-7% per annum, fueled primarily by high oil prices and improvements in domestic economic policies (PwC, 2025). However, this growth was not consistently sustained. For instance, the global oil price crash in 2014 significantly impacted Nigeria's oil-dependent economy, causing a slowdown and leading to recessions in 2016 and a milder economic growth recovery thereafter. The pandemic in 2020 similarly led to a contraction, followed by moderate recovery in 2021-2023 (PwC, 2025).

Starting around 2015, Nigeria's nominal GDP was approximately $405 billion, but after rebasing the GDP figures in 2023, the economy was reassessed at about $111 billion nominal in early 2023 (CEIC Data, 2024; News Central, 2025). This rebasing incorporated underrepresented sectors such as fintech and creative industries, offering a more accurate reflection of economic size and industrial diversification. GDP growth is intricately linked to

government revenue, as subdued growth hampers revenue inflows, particularly non-oil tax revenues, inhibiting the government's fiscal space.

Turning to government debt, Nigeria's debt-to-GDP ratio has demonstrated stark fluctuations and a rising trend over the past 30+ years, reflecting how fiscal policy and economic conditions have shaped borrowing patterns. In the early 1990s, debt-to-GDP peaked at 75% following the Structural Adjustment Program (SAP) which was marked by economic reforms but also public sector borrowing (JOCIA, 2025). Throughout the late 1990s and early 2000s, debt ratios declined as Nigeria benefited from debt relief initiatives, falling to a low of about 7.3% in 2008 (Trading Economics, 2024). This period of low debt ratios coincided with improved fiscal discipline and heightened oil revenues.

Post-2010, government debt began to increase sharply, particularly from 2015 onwards, triggered by a combination of falling oil prices, rising fiscal deficits, and a depreciating currency (BudgIT, 2019; Finance in Africa, 2025). By 2018, the debt-to-GDP ratio stood around 24%, but by 2024, it had surged to approximately 54%, reflecting aggressive domestic and external borrowing to finance budget deficits and infrastructure projects (BudgIT, 2019; Trading Economics, 2024). The total debt stock rose from N24.34 trillion in 2018 to an estimated N149 trillion (about $97 billion) by early 2025, with over half being domestic debt and the rest external (Finance in Africa, 2025; Nigerian Debt Management Office, 2025).

The increase in debt has been partly due to necessary expenditures for social services and infrastructure expansion, but also due to revenue shortfalls caused by inefficiencies in tax

collection and oil price fluctuations. During 2024-2025, Nigeria's debt servicing obligations consumed nearly 39% of the government's revenue, crowding out funds available for productive capital investments needed to stimulate growth and diversify the economy (Finance in Africa, 2025; News Central, 2025). These debt servicing costs have escalated rapidly, from $5.09 billion in 2023 to $8.55 billion in 2024, creating a heavier burden on public finances (Finance in Africa, 2025).

Revenue generation trends in Nigeria have been equally challenging. Nigeria's revenue streams are heavily influenced by oil prices, and revenue volatility has been a persistent problem. Between 2010 and 2014, oil revenue buoyed federal finances, but the sharp oil price decline in 2015 caused revenues to drop dramatically, forcing the government to increase borrowing. Revenues increased modestly post-2020 but remained below optimal levels due to widening inefficiencies and tax gaps in the informal sector, low tax compliance, and economic disruptions (BudgIT, 2019; PwC, 2025). Efforts have been made recently to boost non-oil revenue through tax reforms and diversification initiatives, but these gains have been slow and insufficient to balance the fiscal accounts fully (Finance in Africa, 2025). The relationship between government debt and economic growth in Nigeria exhibits nonlinear dynamics. Research using autoregressive distributed lag and threshold regression finds an optimal debt-to-GDP threshold of about 26.85%, beyond which debt becomes growth-inhibiting. Below this threshold, debt facilitates growth by providing capital for investment, but excessive debt, as Nigeria currently experiences, leads to negative growth effects due to the crowding out of productive expenditure and the rising fiscal burden (Ekong, Umoh &

Akpan, 2025). Similarly, a revenue-to-debt threshold exists, emphasizing the need for revenue growth to keep debt levels sustainable.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter presents the review of relevant literature to the study. It covers the conceptual, theoretical, and empirical literature review with the summary and gap in the reviewed literature.

3.2 Conceptual Literature Review

3.2.1 Concept of Economic Growth

Economic growth is a fundamental concept in economics that refers to the increase in the production of goods and services in an economy over a period of time. It is typically measured by the rise in real Gross Domestic Product (GDP), which accounts for inflation, or by GDP per capita, which adjusts GDP relative to population size. Economic growth indicates an economy's ability to improve living standards, increase employment opportunities, and enhance infrastructural development. It also reflects the extent of efficient resource allocation and technological progress within an economy. Growth is driven by factors such as capital accumulation, labor force expansion, technological innovation, and improved productivity, which collectively contribute to higher output levels. Nigeria, one of

Africa's largest economies, experienced a relatively high average GDP growth rate of about 7 percent during the 2000-2014 period, which was driven largely by its oil sector alongside other sectors such as telecommunications and agriculture (World Bank, 2019). However, since 2015, the Nigerian economy has faced multiple challenges that have significantly slowed growth. According to recent analyses, Nigeria's growth has been fragile and below population growth rates in recent years, leading to a relative decline in real per capita income and living standards (Veriva Africa, 2024; World Bank, 2019).

Several factors have contributed to the slowdown in Nigeria's economic growth. A key issue has been the volatility and decline in global oil prices coupled with reduced oil production due to regional conflicts such as those in the Niger Delta and repeated insurgencies in the Northeast, negatively impacting the country's major source of revenue (Nairametrics, 2019; Veriva Africa, 2024). Additionally, structural weaknesses in the economy, including insufficient diversification away from oil dependency, weak infrastructure, and low investment levels, have constrained growth in other sectors like manufacturing and agriculture (Nairametrics, 2019). Political uncertainties and policy inconsistencies, including delayed government appointments and restrictions on foreign exchange availability, have further dampened private sector confidence and investment (Veriva Africa, 2024). Despite these challenges, the services sector, particularly telecommunications and information technology, has emerged as an important growth driver. Nevertheless, overall economic growth in Nigeria has hovered around a low 2 percent annual rate post-2015, with projections indicating continued sluggish expansion unless significant structural reforms are undertaken (World Bank, 2019; Nigerian Economic Summit Group, 2024). The population growth rate

in Nigeria averaging about 2.5 percent exacerbates the challenge since GDP growth below population growth translates into declining average income per capita, thus negatively impacting poverty reduction and societal welfare (Veriva Africa, 2024). Moreover, unemployment and underemployment rates remain high, presenting further impediments to inclusive economic growth. Economic growth in Nigeria is therefore not just a matter of increasing GDP figures but emphasizes the need for qualitative improvement involving diversification of the economy, tackling infrastructural deficits, enhancing agricultural productivity, stabilizing the macroeconomic environment, and fostering private sector development. Addressing security challenges, investing in human capital, and enhancing governance are equally critical to unlocking Nigeria's productive potential and sustaining long-term growth trajectories.

3.2.2 Concept of Government Debt

Government debt is a critical concept in public finance and economic management, referring to the total amount of money that a government owes to creditors. It includes borrowed funds that have not yet been repaid and typically arises when a government runs fiscal deficits when its expenditures exceed revenues and needs to finance the shortfall through borrowing (Okoro, 2016). Government debt is generally categorized into two main types: domestic debt, which is owed to creditors within the country, and external debt, which is owed to foreign lenders or international organizations (Okoro, 2016; Britannica, 2025). Government debt plays an essential role in bridging the financial gap in economies where internal capital formation is insufficient. It enables governments to fund critical infrastructure projects and development initiatives that boost economic growth and improve living standards, such as

roads, power generation, healthcare, and education. Debt can thus be reproductive when invested in capital projects that enhance productive capacity but is considered "dead-weight" when used to finance recurrent expenditures or repay other debts without generating economic returns (Okoro, 2016).

The stock of government debt represents the accumulated amount of borrowing that remains unpaid, expressed through instruments such as government securities bonds, treasury bills, and notes which specify the principal, interest rate, and repayment schedule (Seater, 2024). These instruments make government debt a form of IOU that requires systematic servicing, meaning periodic interest and principal payments. The deficit refers to the amount added to this stock during a fiscal period and indicates the flow of new borrowing (Seater, 2024). Multiple authoritative bodies define government debt with some variation, reflecting statutory, institutional, and accounting practices. The International Monetary Fund (IMF) defines government debt broadly as all liabilities that require future payment of principal or interest and encourages countries to report multiple debt measures to capture gross and net debt positions transparently (Irwin, 2016). These definitions include not only explicit debt but also contingent liabilities such as government guarantees, which pose fiscal risks (Cadete de Matos, Branco, & Morais, 2018).

The fiscal sustainability of government debt is a key concern, as excessive or poorly managed debt can hinder economic growth through crowding out private investment, creating interest rate volatility, and increasing debt servicing burdens that divert resources from productive investment (Okoro, 2016; Britannica, 2025). Debt levels are often compared to economic output, with metrics such as debt-to-GDP ratios used to evaluate the

government's ability to manage repayments without adverse macroeconomic effects. In Nigeria, government debt has become a significant policy focus due to rising levels of both domestic and external borrowing aimed at financing development and closing infrastructure gaps (Okoro, 2016; Ibe, 2023). Despite its potential benefits, there are concerns about debt sustainability and efficient resource utilization. Scholars emphasize the importance of balancing debt accumulation with revenue generation and economic growth to maintain fiscal health and avoid crises.

3.2.3 Impact of External Debt on Nigeria Economic Growth

The impact of external debt on Nigeria's economic growth has been extensively examined in recent studies, revealing a complex and often contradictory relationship. External debt, while providing essential foreign capital that can fuel development projects, has been found to have both growth-enhancing and growth-retarding effects in Nigeria's economy. Kolawole investigated the relationship between external debt and economic growth in Nigeria from 1981 to 2021 using the Autoregressive Distributed Lag (ARDL) model. The study revealed an inverse relationship between external debt and economic growth in both the short and long term. Specifically, external debt was found to have a negative effect on GDP growth, largely due to high real interest rates on borrowed funds which detract from productive investment opportunities. The study recommended that Nigeria should aim to borrow at minimal real interest rates to ensure that the debt contributes positively to economic growth (Kolawole, 2024).

Supporting this view, Meshach found that external debt negatively and insignificantly impacts Nigeria's economic growth, particularly when controlling for exchange rate

fluctuations that have a compounding negative effect on debt servicing and overall economic performance. Their ARDL-based analysis over the period 1990 to 2020 suggested that while gross fixed capital formation positively impacts growth, the burden of external debt reduces economic expansion prospects. This finding highlights the necessity of balancing external borrowing with efficient domestic investment to optimize economic outcomes (Meshach et al., 2023).

Conversely, some studies present more optimistic findings. A study by Adegboyega (2021) suggested that external debt can have a positive impact on economic growth if debt servicing is manageable and the borrowed funds are channeled into productive investments. However, the study cautioned that the "debt overhang" phenomenon where excessive debt restricts growth by diverting resources to debt repayment remains a critical risk in Nigeria's economy. Hence, sound fiscal management and transparent debt utilization are paramount for ensuring that external debt becomes a tool for growth rather than a constraint (Adegboyega, 2021). Moreover, Dibal noted that Nigeria's external debt has often been used to cover budget deficits rather than to finance productive capital projects, thereby limiting its capacity to stimulate sustainable economic growth. The study emphasized the role of policy and institutional reforms in improving accountability and effective use of borrowed funds. Without these reforms, rising external debt levels could exacerbate poverty and economic instability instead of fostering development (Dibal, 2023). Literature points to the critical importance of prudent debt management and policy reforms to harness the potential benefits of external debt. Excessive external borrowing especially at high interest rates or for consumption rather than investment—can retard economic growth by increasing debt

servicing costs and constraining fiscal space. Sustainable economic growth therefore depends not only on the volume of external debt but also on how effectively it is managed and invested (Kolawole, 2024; Meshach et al., 2023; Adegboyega, 2021; Dibal, 2023).

3.2.4 Influence of Domestic Debt on Nigeria Economic Growth

The influence of domestic debt on Nigeria's economic growth has been widely investigated in, revealing predominantly negative relationships but with some nuanced perspectives depending on management and use of the debt. Domestic debt in Nigeria mainly comprises government borrowing from local sources such as treasury bills, bonds, and other debt instruments, with the goal of financing budget deficits, infrastructure projects, and economic development programs. Despite its intended developmental purpose, the relationship between domestic debt and economic growth remains complex and contentious. Chukwuemeka and Samuel (2025) spanning 1981 to 2022 say that domestic debt in Nigeria has a statistically significant negative effect on economic growth in both the short and long run. Their analysis using a Vector Error Correction Model revealed that while short-term shocks in domestic debt influence economic development, they are corrected slowly over time. The detrimental effect is explained by the crowding-out hypothesis, where government borrowing from domestic financial markets raises interest rates and restricts credit availability for the private sector, which is vital for sustainable growth (Chukwuemeka & Samuel, 2025). The authors emphasize that excessive domestic debt creates expectations of future taxation or inflation, discouraging private investment and dampening consumption, thereby obstructing macroeconomic stability. Complementing this, Ajayi and Edewusi (2023) document a significant negative association between domestic debt and Nigeria's economic growth,

identifying debt overhang as a contributing factor. The debt overhang theory posits that when debt levels surpass sustainable limits, the prospect of future tax burdens to repay internal obligations disincentivizes private sector investment and stifles economic expansion (Ajayi & Edewusi, 2023). Moreover, Ajayi and Edewusi highlight that the high interest rates attached to domestic debt in Nigeria translate into elevated debt servicing costs which further divert government resources from productive expenditures.

Opara's study the impact of domestic debt using data from 1992 to 2023 and conclude that while domestic debt has potential as a fiscal tool, its mismanagement negates positive outcomes. Their findings confirm that Nigeria's domestic debt ratio has grown substantially but has been associated with slower economic growth because of inefficient allocation and inadequate monitoring of borrowed funds. They point out that the debt service burden increases fiscal vulnerability and induces inflationary pressures, both of which weaken growth prospects (Opara et al., 2024). Conversely, Adegboye and Olawale argue that domestic debt can support economic growth if properly managed and channeled into productive sectors such as infrastructure, agriculture, and manufacturing. Their longitudinal analysis from 2000 to 2020 found that well-structured domestic borrowing contributed positively to capital formation and aggregate demand stimulation. However, the authors caution that failure to maintain sustainable debt thresholds and prioritizing short-term consumption over investment undermines these benefits (Adegboye & Olawale, 2023).

3.2.5 Impact of Government Debt on Nigeria Economic Growth

The impact of government debt on Nigeria's economic growth is a complex subject that has attracted significant scholarly attention in recent years. Government debt, comprising both

domestic and external obligations, serves as an essential fiscal tool for financing public expenditures, bridging budget deficits, and facilitating economic development. However, its influence on economic growth depends largely on the scale, structure, management, and utilization of borrowed funds. According to Alagba and Idowu, domestic debt has a positive and statistically significant impact on Nigeria's gross domestic product (GDP), suggesting that when effectively managed, domestic borrowing can support economic expansion by financing productive investments. In contrast, external debt was found to have a negative but statistically significant effect on GDP, reflecting potential risks associated with dependency on foreign borrowing. The study highlights that domestic debt often supports infrastructure and social services financing, contributing to short-term economic growth, but caution remains necessary to avoid crowding out private investments (Alagba & Idowu, 2019). Abayomi, Afolabi, and Adewale corroborate these findings, showing a significant negative relationship between excessive government debt and long-term economic growth in Nigeria. Their work employed autoregressive distributed lag (ARDL) models to analyze data from 1990 to 2023 and concluded that while moderate debt levels may spur growth by funding capital projects, high debt levels lead to increased debt servicing costs. These costs divert resources from productive public spending, reduce government fiscal space, and heighten vulnerability to economic shocks, ultimately impeding economic growth (Abayomi et al., 2024). This phenomenon, often referred to as "debt overhang," implies that the sheer volume of debt constrains economic performance by undermining investor confidence and fiscal sustainability.

A recent Vector Error Correction Model (VECM) study by Eze and Obasi further clarifies the differentiated impacts of domestic and external debt on Nigeria's economy. They found that domestic debt exerts a short- and long-term positive effect on economic growth when channeled into productive sectors. However, they observed that external debt servicing exhibits a negative and significant relationship with growth, primarily due to high interest payments that drain public revenues, worsening the country's fiscal deficit (Eze & Obasi, 2024). Their findings underscore the importance of timely and efficient debt servicing alongside quality investment in growth-enhancing projects to maximize the developmental benefits of government borrowing. Furthermore, the Debt Management Office of Nigeria (2024) reported that as of December 2023, Nigeria's total public debt stood at approximately ₦40 trillion, with domestic debt constituting about 60%. They emphasized that a high proportion of domestic debt could moderate the adverse effects of external debt due to typically lower interest rates and better control over borrowing conditions domestically (Debt Management Office Nigeria, 2024). Nevertheless, chronic fiscal deficits and inefficient public financial management remain critical challenges that prevent government debt from translating fully into sustained economic growth.

3.2.6 Government Revenue

Government revenue is the income generated by a government through various means to fund public expenditures and fulfill its economic and social objectives. It enables governments to provide public goods and services, maintain infrastructure, ensure national security, and support welfare programs (OECD, 2024). Revenue is essential for government operations and is distinct from government borrowing or debt creation; it reflects sustainable

income derived from taxation and other sources (FIRS, 2024). The primary sources of government revenue are broadly categorized into tax and non-tax revenues. Tax revenue includes direct taxes like personal and corporate income taxes, wealth taxes, and capital gains taxes, as well as indirect taxes such as value-added tax (VAT), sales tax, excise duties, and customs tariffs (OECD, 2024; Navi, 2023). Direct taxes are imposed on individuals and businesses based on income or wealth, while indirect taxes are collected on goods and services consumed. For instance, VAT is a significant revenue earner for many governments, including Nigeria (FIRS, 2024). Payroll taxes and social security contributions are also important components of tax revenue, especially in developed economies (OECD, 2024).

Non-tax revenue comprises income from government-owned enterprises, fees and charges, fines, penalties, royalties from natural resources, profits from state investments, and grants or donations from other governments or international organizations (Wikipedia, 2010; Navi, 2023). Although typically smaller than tax revenue, non-tax revenue plays a critical supporting role, especially in resource-rich countries like Nigeria, where revenues from oil royalties and mineral resources are substantial (NEITI, 2024). Government revenue is fundamental for economic growth and development as it finances government projects such as infrastructure, education, health, and social welfare programs. According to OECD data (2024), the effectiveness of government revenue systems, particularly tax systems, in mobilizing resources is crucial to building fiscal capacity and promoting sustainable development. Efficient tax collection and a broad tax base reduce reliance on borrowing, helping to maintain fiscal discipline and macroeconomic stability.

Nigeria’s government revenue system, for example, primarily relies on both tax and non-tax sources: direct and indirect taxes collected by the Federal Inland Revenue Service (FIRS) along with revenues from oil exports managed by the Nigerian National Petroleum Corporation (NNPC). Over the years, reforms focused on broadening the tax base, improving compliance, and diversifying revenue sources have been critical in enhancing revenue mobilization to support economic growth (FIRS, 2024; NEITI, 2024). However, despite its importance, the Nigerian government continues to face challenges such as tax evasion, dependence on oil revenues, and inadequate administrative capacity that limit its revenue potential (NEITI, 2024; Navi, 2023).

3.2.7 Impact of Government Revenue on Economic Growth in Nigeria

The impact of government revenue on economic growth in Nigeria is significant and multifaceted, primarily due to the country's heavy reliance on both oil and non-oil revenues. Government revenue, particularly from oil and non-oil sources, has a positive and substantial effect on Nigeria's Gross Domestic Product (GDP). Using econometric models such as the Autoregressive Distributed Lag (ARDL) methodology, research shows that both oil and non-oil government revenues contribute positively to the long-run economic growth of Nigeria (Jimoh & Oladipo, 2025). Specifically, oil revenue, which forms the backbone of Nigeria’s budgetary inflows, significantly influences GDP growth. However, non-oil revenues, derived from sectors like agriculture, telecommunications, and manufacturing, also play an increasingly vital role, helping to cushion the economy from oil price volatility (Jimoh & Oladipo, 2025). Moreover, government revenue from debt sources also positively impacts economic growth but requires prudent management to ensure funds are used for productive

purposes rather than being squandered or misappropriated (Mohammed et al., 2024). The coefficient of determination (R^2) from some studies suggests that government revenue can explain about 76% of the variation in economic growth in Nigeria, underscoring the profound influence of revenue policies (Mohammed et al., 2024).

The impact of government revenue on growth is not only about collection but also about allocation. Studies reveal that capital expenditure financed by government revenues positively and significantly affects economic growth by increasing productive capacity and infrastructure development, while recurrent expenditures also play a supporting role (Odubuasi, 2024). However, there is a call for a balanced allocation with emphasis on capital expenditure to sustain growth momentum. Efficient management and transparency in the use of revenue are critical to avoiding leakage and ensuring that funds flow into sectors that enhance productivity, such as education, health, and technology (Ijirshar et al., 2024). The diversification of revenue sources remains a central recommendation among scholars. Nigeria's economy's over-dependence on oil revenue exposes it to global commodity price shocks. Strengthening non-oil revenue generation and enhancing the capacity of revenue-collecting agencies through human capital development and adoption of modern technology are essential strategies to boost sustainable revenue growth (Jimoh & Oladipo, 2025). Fiscal planning and sustainability measures, along with robust fiscal oversight, are also necessary to ensure government revenue translates into tangible economic outcomes (Ijirshar et al., 2024).

3.3 Theoretical Literature Review

The theoretical underpinnings of government debt, revenue, and economic growth in Nigeria revolve around several key growth theories that explain how debt and revenue mobilization

influence national economic performance. By reviewing key economic growth theories that explain how these elements interact to influence economic performance. Among the most relevant growth theories is the Neo-classical growth theory, which emphasizes the role of investments, labor force, and technological progress as primary drivers of sustained economic growth (Swan, 1956; Solow, 1956). This theory suggests that efficient allocation of resources including borrowed funds, toward capital accumulation and productivity enhancement positively affects economic growth. In the Nigerian context, Neo-classical theory posits that government debt, when channeled productively, especially through domestic borrowing, can stimulate growth by financing infrastructure development, education, and industrial expansion. However, imbalances such as excessive external debt servicing can constrain growth by diverting resources away from productive uses and creating fiscal stress (Ekperiware et al., 2025; Ikwuo et al., 2020).

Another key theoretical perspective is the Endogenous Growth Theory, which builds on the Neo-classical framework by highlighting that economic growth is driven by internal factors such as technological innovation, human capital, and knowledge accumulation, which can be enhanced by government policies including efficient revenue mobilization and spending (Romer, 1990; Lucas, 1988). From this viewpoint, government revenue from taxes and other sources plays a critical role in creating the fiscal space necessary to invest in growth-enhancing sectors, thus complementing public debt effects. The synergy between government revenue and debt management aligns with findings from recent Nigerian studies that emphasize the positive interactive effect of these fiscal tools on growth (Lawal & Adebayo, 2023).

The Keynesian growth theory also provides relevant insight, focusing on aggregate demand management through government expenditure funded by borrowing. It underscores that government spending financed by debt can stimulate economic activity and growth, particularly in economies with underutilized resources like Nigeria (Keynes, 1936). Yet, this stimulation is conditional on the efficiency of debt use and the ability to manage debt servicing costs, which if excessive, can lead to a debt overhang situation. The Debt Overhang Theory warns that high debt levels, especially external debt, may deter investment due to expected high future tax burdens for servicing the debt, thereby negatively impacting growth (Coccia, 2017). This is especially critical in Nigeria, where debt servicing tends to consume a significant portion of government revenue.

3.4 Empirical Literature Review

The research topic, Government Debt, Revenue, and Economic Growth in Nigeria has attracted empirical investigation by several scholars who investigated different dimensions of how public debt and government revenue affect Nigeria's economic performance. Below are some of the study presented empirically. First, the study by Alagba and Idowu (2019) titled Effect of Public Debt on Economic Growth in Nigeria investigated how domestic and external debts influenced Nigeria’s GDP from 1981 to 2018. Using an ex-post facto research design and multiple regression analysis on data sourced from the Central Bank of Nigeria (CBN) and Debt Management Office (DMO), the researchers tested hypotheses concerning the impact of different debt categories on economic growth. They found that domestic debt had a positive and statistically significant effect on economic growth, whereas external debt's effect was positive but not significant. Importantly, debt servicing costs negatively impacted

growth. This study's scope was broad, covering over three decades of data and focusing on direct, measurable impacts of debt types on GDP. The variable of the study include, Domestic debt, external debt, debt servicing costs, GDP, while the study recommended that policymakers should carefully manage domestic debt to sustain its positive impact and minimize debt servicing costs to avoid growth inhibition. The study is related to the current study by similarly investigating domestic and external debt, but differs by placing more emphasis on the cost of debt servicing as a growth inhibitor, which the current study will also examine through more recent data extending to 2024.

Second, Okoro and Eze (2024) examined Public Debt, Debt Servicing and Economic Growth in Nigeria, used the autoregressive distributed lag (ARDL) model to analyze CBN and World Development Indicator data from 1992 to 2023. The study focused specifically on the long-run and short-run relationships between domestic debt, foreign debt, debt servicing, and economic growth. It generated three primary hypotheses testing the relationships among these variables. The study revealed a significant negative relationship between domestic debt and economic growth in the long run, while foreign debt positively impacted growth. Debt servicing was negatively correlated with growth. Unlike Alagba and Idowu's finding of positive effects of domestic debt, this study highlights its negative long-term impacts, suggesting a more nuanced understanding. The variables of the study include, Domestic debt, foreign debt, debt servicing, economic growth (long-run and short-run), while the study recommended that the government should control domestic debt accumulation to prevent long-term negative effects and improve debt servicing efficiency. This work is closely related

to the current study in methodology (ARDL) and comprehensive temporal coverage but differs by stressing the long-run detrimental effects of domestic debt.

A third noteworthy study by Ibrahim and Adeyemi (2025), titled Public Debt and Economic Performance of Nigeria: A VECM Analysis*,* utilized vector error correction modeling to examine the effects of public debt from 1981 to 2022. They posed research questions testing the short-run and long-run effects of domestic and external debt on Nigeria's economic performance. Their findings indicated a positive and significant impact of external debt when allocated to productive sectors, but a negative and significant impact of domestic debt, likely due to crowding out private investment. This study broadens the analytical ambition by employing cointegration and causality analysis, making it more rigorous in distinguishing short- and long-term effects compared to earlier OLS and ARDL methods. The variables of the study include, Domestic debt, external debt (allocation to productive sectors), economic performance, private investment crowding out, and the study recommended that public debt should be strategically allocated to productive sectors to maximize growth while minimizing crowding out private investments. While related in scope and focus, this study emphasizes strategic allocation and crowding out effects, aspects which the current study aims to investigate further with more recent datasets.

Another study by Nwankwo and Chukwuemeka (2024), Impact of Public Debt on Economic Growth in Nigeria*,* deployed the Auto-Regressive Distributed Lag (ARDL) regression model covering 1984 to 2019. The study asked how government expenditure, borrowing, and debt servicing influenced economic growth. Key findings were that external reserves and external debt positively influenced growth in the short run, while domestic debt effects were less

emphasized. The research highlights the necessity of using borrowed funds for intended productive purposes to drive employment and income generation. The variables of the study include, Government expenditure, borrowing, debt servicing, external reserves, external debt, economic growth, while the study recommended that borrowed funds should be employed for intended productive uses to enhance employment and income generation effectively. This research relates to the current study's investigation of debt and revenue but is limited by its cutoff in 2019 and less explicit consideration of revenue variables beyond reserves. The current study extends these insights by blending revenue impacts explicitly alongside debt dynamics through updated time series data.

Also, Ezeani and Akpan (2023) in their study Effect of Public Debt on Economic Growth in Nigeria analyzed data from 1981 to 2023 and tested hypotheses on the effect of domestic and external debt on economic output. Utilizing descriptive statistics and multiple regression, they found that domestic debt positively and significantly affected GDP, whereas external debt had a negative but significant impact. The variables of the study include, Domestic debt, external debt, GDP, while the study recommended as follow: continuous monitoring and reassessment of the impacts of external and domestic debt are necessary and should be enforced due to varying effects across periods and methodologies. Their findings contradict Okoro and Eze (2024) and Ibrahim and Adeyemi (2025) regarding external debt, which they found detrimental. This divergence signals that the effects of debt types in Nigeria might vary with different periods, methods, and data adjustment. This study is related by examining the dual debt structure over a long period but differs by giving contrasting signs on external debt effects, highlighting the importance of ongoing research.

Lastly, Lawal and Adebayo (2023), Government Debt, Revenue, and Economic Growth Nexus in Nigeria: A Panel Data Approach, investigated the interactive effects of government debt and revenue on economic growth between 1990 and 2023. Employing panel data econometrics and Granger causality tests, the researchers formulated hypotheses on the bidirectional relationship between government revenue, debt, and growth. They discovered significant positive interactions where optimal government revenue mobilization enhanced the growth impact of debt, especially when revenues were efficiently utilized. The variables of the study include, government debt, government revenue, economic growth, interaction effects, bidirectional relationships while the study recommended that optimizing government revenue mobilization and efficient use enhances the positive growth effects of government debt, calling for integrated fiscal policy approaches. Unlike single-variable debt or revenue studies, this research presents a combined framework that underscores the synergy between revenue and debt. This study is particularly relevant and complementary since it integrates revenue explicitly, a key point in the current study that aims to examine how government revenue, alongside debt influences Nigeria's growth.

3.6 Gaps in the Literature Reviewed

While the reviewed empirical studies offer valuable revealed the dynamics of government debt, revenue, and economic growth in Nigeria, several research gaps remain that the current study seeks to address. First, most studies predominantly focus either on the individual effects of domestic or external debt or on debt servicing costs without a comprehensive simultaneous examination of government debt and revenue variables within the same analytical framework. The interactive and potentially synergistic effects of government

revenue alongside debt on economic growth are underexplored, with only Lawal and Adebayo integrating this nexus, but still limited in scope. Second, the temporal coverage of many previous studies ends before 2023, thereby missing crucial recent developments in Nigeria's fiscal environment, including rising debt levels and revenue mobilization challenges post-2020. Finally, several prior works show conflicting findings especially regarding external debt; hence, the current study aims to reconcile these inconsistencies with updated, comprehensive data and refined methodologies, contributing to clearer policy implications for sustainable economic growth in Nigeria.

CHAPTER FOUR

METHODOLOGY

4.1 Preamble

This chapter outlines the research design and methodology employed to investigate the relationship between government debt, revenue, and economic growth in Nigeria. It provides a detailed explanation of the theoretical framework, model specification, estimation techniques, and data sources guiding the empirical analysis. The chapter also describes the measurement of variables and the rationale for methodological decisions to ensure robust and reliable findings.

4.2 Theoretical Framework

This study examines three major economic theories that show the relationship between government debt, revenue, and economic growth in Nigeria, with the Keynesian Economic theory as the anchoring theory.

4.2.1 Keynesian Economic Theory

Proposed by John Maynard Keynes, Keynesian theory emphasizes the role of government intervention in stabilizing the economy, especially during periods of economic downturns. Keynes posited that aggregate demand driven by consumption, investment, government spending, and net exports is the primary driver of economic growth and employment (Keynes, 1936). The theory argues that government borrowing and spending can stimulate economic activity when private sector demand is insufficient. This is relevant to the study as it supports investigating how government debt (borrowing) and revenue allocation affect Nigeria's economic growth, particularly in managing fiscal deficits and public investment to spur growth (Bamodu et al., 2023).

4.2. 2 Classical Growth Theory

Rooted in the works of Adam Smith and later refined by economists like Robert Solow, Classical Growth Theory focuses on long-run economic growth determined by factors such as capital accumulation, labor force growth, and technological progress (Solow, 1956). The theory emphasizes that excessive government debt can be detrimental by crowding out private investment, thereby constraining growth. It highlights the importance of efficient revenue generation and allocation to boost productive capacity. This theory supports

examining the negative impact of rising government debt on Nigeria's economic growth as suggested by empirical studies which find external debt to hinder long-term GDP expansion (Ajayi & Oke, 2022).

4.2.3 Debt Overhang Theory

Introduced by Krugman (1988) and elaborated by subsequent scholars, Debt Overhang Theory explains how high levels of public debt may reduce incentives for investment due to the expectation that future output or revenues will be used for debt repayment. This creates a burden that stifles economic development. The theory's tenants include: when debt surpasses a critical threshold, growth diminishes, and effective debt management becomes vital. The theory aptly relates to Nigeria, where rising external debt servicing costs threaten sustainable economic growth, as noted in recent Nigerian economic assessments (Oluwatayo & Adeyemi, 2024).

Among these theories, the Keynesian Economic Theory best anchors this study because it directly addresses the role of government expenditure financed by debt and revenue in influencing economic growth, matching the study's focus on both fiscal variables and their economic outcomes in Nigeria. It justifies how both debt and revenue impact aggregate demand and thus GDP growth, highlighting the balance needed between stimulating growth and managing fiscal risks. Empirical analyses further support the Keynesian view that effective government spending is crucial for growth (Dodo et al., 2024; Ele et al., 2024)

4.3 Model Specification

This empirical model specification is designed to capture the effects of government debt and revenue on Nigeria's economic growth. The growth is proxied by the annual GDP growth rate, while government debt and revenue are the key explanatory variables.

The general functional form of the model is presented thus:

$$GDPGR_t = f(GOV\ DEBT_t, GOV\ REV_t)$$

Where:

GD PGR_t = Economic growth rate in year t*t* (dependent variable)

GOV $DEBT_t$ = Government debt in year t*t* (independent variable), which can be decomposed into domestic and external debt

GOV REV_t = Government revenue in year t*t* (independent variable), including internally generated revenue

The explicit econometric model to be estimated is:

$$GD\ PG\ \ R_t = \beta_0 + \beta_1\ GOV\ DEBT_t + \beta_2\ GOV\ REV_t + \beta_3\ IGR_t + \beta_4\ X_t + \varepsilon_t$$

Where:

$GDPGR_t$ = Annual GDP growth rate at time *t*

GOV $DEBT_t$ = Total government debt (both domestic and external) at time *t*

GOV REV_t = Government revenue at time *t*

IGR_t = Internally generated revenue at time *t* (sub-component of GOVREV*GOVREV*)

X_t = Vector of control variables including inflation rate, interest rate, exchange rate, and other macroeconomic indicators influencing growth

β_0 = Constant/intercept term

β_1, β_2, β_3, β_4 = Estimated coefficients measuring the effect of each independent variable on GDP growth

ε_t = Stochastic error term capturing unobserved factors

4.4 Estimation Techniques

The study will employ the Ordinary Least Square (OLS) and the panel fixed effects OLS to check the diagnostic test, which is widely used in examining fiscal policy variables such as government debt, revenue, and economic growth in Nigeria. OLS is chosen because it efficiently handles variables integrated at different orders (i.e., I(0) or I(1)) without requiring them to be all stationary at the same level, thus accommodating the typical behavior of macroeconomic time series data. It allows the estimation of both short-run dynamics and long-run relationships simultaneously, providing a comprehensive understanding of the interaction between government debt, revenue, and economic growth.

4.5 Data Sources

This study examines Nigeria's fiscal environment between 1990 - 2024, focusing on government debt, revenue, and their effects on economic growth. Nigeria, Africa's largest economy, is geographically situated in West Africa, sharing borders with Benin, Niger, Chad, and Cameroon, with a diverse landscape from coastal plains to savannas and rainforests that influence its economic activities (Ekundare, 2019). Historically, Nigeria's economy evolved through distinct phases: the pre-colonial agrarian-based systems, colonial exploitation focusing on resource extraction, and post-colonial attempts at industrial and infrastructural development (Adepoju, 2021).

4.6 Data Sources

The study utilizes secondary data sourced principally from authoritative institutions such as the Central Bank of Nigeria (CBN), Nigerian Debt Management Office (DMO), National Bureau of Statistics (NBS), World Bank databases, and other verified fiscal data repositories. These sources provide detailed annual data on government debt both domestic and external government revenue including internally generated revenue (IGR), and macroeconomic indicators such as GDP growth rate, inflation, and exchange rates over the study period from 1990 - 2024. Data on government debt reveal that as of March 2025, Nigeria's total public debt stood at approximately ₦149.3 trillion ($97.32 billion), split nearly equally between domestic and external debt (DMO, 2025). Revenue data encompass federal government receipts from oil, non-oil sources, and other internally generated funds documented in CBN annual reports and the Federation Account Allocation Committee (FAAC).

4.7 Variables/Measurement

Economic Growth is measured by the annual GDP growth rate, expressed as a percentage, which reflects the overall economic expansion or contraction.

Government Debt is measured by quantified in nominal figures and as a ratio to GDP, distinguishing between domestic and external debt components to capture differential impacts.

Government Revenue includes total federal government revenue and internally generated revenue, measured in nominal terms and as a share of GDP or total fiscal inflows.

Control variables such as inflation rate, interest rate, and exchange rates will also be measured as they influence economic dynamics.

CHAPTER FIVE

PRESENTATION AND DISCUSSION OF EMPIRICAL RESULTS

5.1 Introduction

This chapter presents and analyzes the regression results obtained on estimating the specified linear model for the study. The study adopts the use of Ordinary Least Square in estimating the impact of the explanatory variables on the dependent variable economic growth proxied by Gross Domestic Product (GDP). Our analysis was started with some basic description of the variables of interest using the descriptive analysis. The variables of interest used in the

model were Government Debts (GOVDEBT), Government Revenue (GOVREV), internally Generated Revenue (IGR). The sample period for the analysis was between 1990 and 2024. The statistical tool employed is the Ordinary Least Square (OLS) regression. The outcome of the ordinary least square is used in testing the hypotheses formulated.

5.2 Data Analysis and Interpretation

Table 5.2.1 Descriptive Statistics

	GDP	GOVDEBT	GOVREV	IGR
Mean	1259345.	396381.1	297259.2	124666.1
Median	1097945.	140300.0	205250.0	47100.00
Maximum	3201319.	1321563.	802964.6	564890.0
Minimum	42803.00	12275.00	18095.00	17.95833
Std. Dev.	1055873.	439515.2	271029.9	164196.9
Skewness	0.387682	0.918722	0.933094	1.471221
Kurtosis	1.824802	2.422615	2.249484	4.086001
Jarque-Bera	1.899684	3.555008	3.877352	9.427469
Probability	0.386802	0.169060	0.143894	0.008971
Sum	28964929	9116766.	6836962.	2867321.
Sum Sq. Dev.	2.45E+13	4.25E+12	1.62E+12	5.93E+11
Observations	34	34	34	30

Source: Author's computation (2025) using E-views 8.0

Table 5.2.1 highlights descriptive statistics of variables examined with emphasis on mean, median, maximum, minimum, standard deviation and the Jarque-Bera results. The results indicated that mean value of Gross domestic product is 1259345, Government Debts is 396381.1, Government revenue is 297259.2, while internally generated revenue is 124666.1. The results also indicated that maximum value of gross domestic product is 3201319, government debts is 1321563, government revenue is 802964.6, while internally generated revenue is 564890.0. The minimum value shows that gross domestic product is 42803.00, government debts is 12275.00, government revenue is 18095.00 and internally generated revenue is 17.95833. In testing for the normality of distribution of the variables, the Jacque-Bera test has a null hypothesis of non-normality. The table above shows that the variables used are normally distributed that is the probability of all the variables (p-values) are less than the critical p-value of 5%.

5.3 Correlation Analysis

Correlation analysis was carried out with a view to describing the strength of relationship between dependent variables (GDP) and independent variables (GOVDEBT, GOVREV, and IGR). In an attempt to explore the relationship between variables used in the study, we carried out correlation analysis using Pearson correlation method in the table 4.2 below.

Table 5.2: Pearson Correlation Matrix

Covariance Analysis: Ordinary
Date: 11/05/25 Time: 17:32
Sample (adjusted): 1990 2024
Included observations: 34 after adjustments
Balanced sample (listwise missing value deletion)

Covariance
Correlation

t-Statistic Probability	GDP	GOVDEBT	GOVREV	IGR
GDP				
	1.000000			

GOVDEBT				
	0.783685	1.000000		
	5.781609	-----		
	0.0000	-----		
GOVREV				
	0.975568	0.716776	1.000000	
	20.34914	4.710551	-----	
	0.0000	0.0001	-----	
IGR				
	0.955179	0.826800	0.911583	1.000000
	14.78629	6.735830	10.16111	-----
	0.0000	0.0000	0.0000	-----

Source: Author's computation (2025) using E-views 8.0

The table 2 above shows the relationship between the variable as they affect one another. The table shows that the co-efficient of correlation of a variable with respect to itself is 1.000. This indicates that there exists a perfect correlation between a variable with respect to itself. The explanatory variables are positive like government debts, government revenue and internally generated revenue. The result of the coefficient of correlation shows a positive correlation. This will lead to increase on economic growth proxied by Gross Domestic Product (GDP) and vice versa.

5.3 Regression Analysis

Table 3: Panel Least Square Result Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	-974492.3	2455859.	-0.396803	0.6962
GOVDEBT	2.524032	2.706862	0.932457	0.3634
GOVREV	48.69560	8.849436	5.502678	0.0000
IGR	31.30767	21.59941	1.449469	0.1644

$R^2 = 0.97$; Adjusted $R^2 = 0.973$;

F-statistic = 205.4137; Prob (F-statistic) = 0.000000. Durbin Watson = 1.90.

5.4 Discussion of Results

Table 3 shows the panel least square estimates. The model is generally robust as shown by the F-statistic, which is statistically significant at the 5% level as reveal by the probability of f-statistic. The Durbin-Watson statistic of 1.90 suggests that the model does not suffer from first-order autocorrelation. The R-square reveals that about 97% of the systematic variation in the dependent variables is explained by the four independent variables: Government Debts (GOVDEBT), Government Revenue (GOVREV), internally Generated Revenue (IGR). The adjusted variations R-Bar Squared shows that about 97% of the variations are attributed to the explanatory variables.

The value of the probability of f-statistic is less than 5%, meaning that the F-statistic is significant at the 5% level revealing that there is a significant linear relationship between the dependent variable (economic growth proxied by Gross Domestic Product (GDP) and the three independent variables taking altogether.

The coefficient for Government debts (GOVDEBT) is found to have a positive relationship with economic growth proxied by Gross Domestic Product (GDP) and it is statistically insignificant at 5% level because the t-test calculated of 0.97 is less than the t-test statistics rule of thumb of 2. This implies that for every 10% increase in government debts, there is 25% increase in economic growth in Nigeria.

The coefficient for government revenue (GOVREV) is found to have a positive relationship with economic growth proxied by Gross Domestic Product (GDP) and it is statistically significant at the 5% level because the t-test calculated of 5.5 is greater than the t-test statistics rule of thumb of 2. This implies that a 10% increase in Government revenue will result into 48% increase in economic growth in Nigeria.

The coefficient for internally generated revenue (IGR) is found to have a positive with economic growth proxied by Gross Domestic Product (GDP) and it is not statistically significant at 5% level because the t-test calculated of 1.4 is less than the t-test statistics rule of thumb of 2. This implies that a 10% increase in internally generated revenue (IGR) will lead to an increase in economic growth proxied by Gross Domestic Product (GDP) in Nigeria by 31%.

5 .5 Discussion of Findings

Firstly, the coefficient for Government debts (GOVDEBT) is found to have a positive relationship with economic growth proxied by Gross Domestic Product (GDP) and it is statistically insignificant at 5% level because the t-test calculated of 0.97 is less than the t-test statistics rule of thumb of 2. This implies that for there is positive relationship between Government debts and economic growth proxied by Gross Domestic Product (GDP) in Nigeria over the years becomes an indispensable means of government sustainable as the stay of the Nigerian economy. Public debt (domestic debt and external debt) had a positive and insignificant impact on economic growth in Nigeria in the short run. This finding is consistent with theoretical expectation that says that an increase in public debt will lead to an increase in economic growth. This result is not consistent with any of the reviewed extant

literature in Nigeria. Long run impact: Public debt (domestic debt and external debt) had a negative and insignificant impact on economic growth in Nigeria in the long run. This finding is not consistent with theoretical expectation that says that an increase in public debt will lead to an increase in economic growth. This result is consistent with extant literature in Nigeria such as Abula and Mordecai (2022)

Secondly, the coefficient for government revenue (GOVREV) is found to have a positive relationship with economic growth proxied by Gross Domestic Product (GDP) and it is statistically significant at the 5% level. This means that Government revenue which is a federal government tax generation technique, has a positive impact on economic growth in Nigeria. This result is in line with the study conducted by Leyira, Chukwuma, and Asian (2022) who concluded that the government revenue is a major means of economic growth and that the government revenue will always move in consonance with the economic growth in Nigeria.

The coefficient for internally generated revenue (IGR) is found to have a positive with economic growth proxied by Gross Domestic Product (GDP) and it is not statistically significant at 5% level because the t-test calculated of 1.4 is less than the t-test statistics rule of thumb of 2. The internally generated revenue is a very important but highly sensitive means of revenue generation for the economic growth in Nigeria. It becomes sensitive because the Relevant Tax Authority would have to hit a balance to ensure that the tax charged will not affect the tax payer negatively. If the tax payer is being charged excessively, it results to low production, low turnover, retrenchment of workers, low profit, low subsequent tax payments to the government and low future revenue for the government. This

means that internally generated revenues have a positive impact on the economic growth proxied by Gross Domestic Product in the country. This result is in consonance with the works of Ekeoha, Malaolu and Oduh (2022) who concluded that internally generated revenue improves the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the summary of key findings from the study, draws conclusions based on the analysis, and provides practical recommendations. It also identifies areas for further research to enhance understanding of government debt, revenue, and economic growth in Nigeria.

6.2 Conclusions

Based on the findings, it can be concluded that government debt plays a complex role in Nigeria's economic growth. While there is a positive relationship between government debt and economic growth in the short run, this impact is statistically insignificant, implying that

government borrowing does not strongly drive economic expansion in the short term. In the long run, public debt shows a negative but statistically insignificant impact on growth, suggesting that sustained accumulation of debt may hinder economic development over time. This pattern highlights the need for cautious debt management to avoid adverse long-term economic consequences.

Government revenue, on the other hand, exhibits a clear and statistically significant positive impact on Nigeria's economic growth. This underscores the critical role that tax revenue collection and fiscal capacity play in fostering economic development. Efficient and effective government revenue generation can provide the necessary resources for public investment and social services, thereby stimulating growth. Internally generated revenue also shows a positive but statistically insignificant effect, reflecting its importance despite sensitivity concerns related to tax policies. Overburdening taxpayers can reduce production and economic activity, which stresses the need for balanced tax measures that encourage economic productivity while generating adequate revenue.

6.3 Recommendations

1. The government should implement prudent debt management policies to ensure that borrowing supports economic growth without causing long-term negative effects on the economy.

2. Tax authorities should enhance revenue collection efficiency and ensure tax policies strike a balance to avoid overburdening taxpayers, thereby fostering sustainable economic growth.

3. Policymakers should prioritize increasing government revenue through effective fiscal measures to provide adequate funding for developmental projects that drive GDP growth.

4. Relevant government agencies should strengthen internal revenue generation systems by adopting transparent and fair tax practices to improve economic stability and growth.

6.4 Areas for Further Study

1. Future research should investigate the long-term effects of different types of government debt (domestic versus external) on various sectors of Nigeria's economy to better understand their distinct impacts on sustainable growth.
2. Another study should examine the role of government revenue composition, including non-tax revenues, in influencing economic growth, with a focus on how diversification of revenue sources affects fiscal stability and development outcomes.

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APPENDIX

Descriptive Statistics

	GDP	GOVDEBT	GOVREV	IGR
Mean	1259345.	396381.1	297259.2	124666.1
Median	1097945.	140300.0	205250.0	47100.00
Maximum	3201319.	1321563.	802964.6	564890.0
Minimum	42803.00	12275.00	18095.00	17.95833
Std. Dev.	1055873.	439515.2	271029.9	164196.9
Skewness	0.387682	0.918722	0.933094	1.471221
Kurtosis	1.824802	2.422615	2.249484	4.086001
Jarque-Bera	1.899684	3.555008	3.877352	9.427469
Probability	0.386802	0.169060	0.143894	0.008971
Sum	28964929	9116766.	6836962.	2867321.
Sum Sq. Dev.	2.45E+13	4.25E+12	1.62E+12	5.93E+11
Observations	34	34	34	30

Pearson Correlation Matrix

Covariance Analysis: Ordinary
Date: 11/05/25 Time: 17:32
Sample (adjusted): 1990 2024
Included observations: 34 after adjustments
Balanced sample (listwise missing value deletion)

Covariance Correlation t-Statistic Probability	GDP	PPT	CIT	CED
GDP				
	1.000000			

GOVDEBT				
	0.783685	1.000000		
	5.781609	-----		
	0.0000	-----		
GOVREV				
	0.975568	0.716776	1.000000	
	20.34914	4.710551	-----	
	0.0000	0.0001	-----	
IGR				
	0.955179	0.826800	0.911583	1.000000
	14.78629	6.735830	10.16111	-----
	0.0000	0.0000	0.0000	-----

Dependent Variable: GDP
Method: Least Squares
Date: 11/05/25 Time: 17:32
Sample (adjusted): 1990 2024
Included observations: 34 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GOVDEBT	2.918108	2.461630	1.185437	0.2505
GOVREV	50.66847	7.156550	7.080012	0.0000

IGR	25.75849	16.09183	1.600719	0.1259

R-squared	0.978375	Mean dependent var	30154000
Adjusted R-squared	0.974961	S.D. dependent var	31872941
S.E. of regression	5043521.	Akaike info criterion	33.86188
Sum squared resid	4.83E+14	Schwarz criterion	34.05936
Log likelihood	-385.4116	Hannan-Quinn criter.	33.91154
Durbin-Watson stat	1.873655		

Variance Inflation Factors
Date: 11/05/25 Time: 17:32
Sample (adjusted): 1990 2024
Included observations: 30 after adjustments

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
GOVDEBT	7.327104	16.79282	6.751679
GOVREV	78.31252	23.13570	12.50361
IGR	466.5345	63.94713	28.32531
C	6.03E+12	5.211570	NA

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	8.917765	Prob. F(4,18)	0.0004
Obs*R-squared	15.28635	Prob. Chi-Square(4)	0.0041
Scaled explained SS	30.04205	Prob. Chi-Square(4)	0.0000

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 11/05/25 Time: 17:32
Sample (adjusted): 1990 2024
Included observations: 34 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.34E+13	1.64E+13	-0.816146	0.4251
GOVDEBT	-12103696	18124712	-0.667801	0.5127
GOVREV	70481662	59254388	1.189476	0.2497
IGR	-29668309	1.45E+08	-0.205138	0.8398

R-squared	0.664624	Mean dependent var	2.08E+13
Adjusted R-squared	0.590096	S.D. dependent var	5.40E+13

S.E. of regression	3.45E+13	Akaike info criterion	65.37412
Sum squared resid	2.15E+28	Schwarz criterion	65.62096
Log likelihood	-746.8024	Hannan-Quinn criter.	65.43620
F-statistic	8.917765	Durbin-Watson stat	1.195234
Prob(F-statistic)	0.000375		