

## **MOUNTING DOMESTIC DEBT AND DEBT SERVICING DEBACLE: *IMPLICATIONS*** ***FOR ECONOMIC GROWTH IN NIGERIA***

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### **ABSTRACT**

This study is an empirical investigation on Mounting Domestic Debt and Debt Servicing Debacle: Implications for Economic Growth in Nigeria. It adopted ARDL regression approach and secondary data sourced from Central Bank of Nigeria (CBN) statistical bulletin, Debt Management Office (DMO) and World Bank Development Indicators (WBDI) database were used. Variables employed include GDP growth rate, debt servicing, domestic debt, external reserve and exchange rate among others. The finding indicates that the domestic debt burden had an adverse effect on the nation growth prospect. Furthermore, high levels of domestic debt, slowing economic growth and spiraling debt servicing challenges lead to devaluation of the nation's currency. The following recommendations were made for policy implementation by the managers of the economy. The government should strive to finance budget deficit by improving on the present revenue base, rather than resorting to domestic borrowing. This can be achieved by improving its revenue sources and efficient pursuit of tax reforms; secondly, government over-reliance on a single commodity (crude oil) to run its affairs can be catastrophic in times of negative shocks in the global oil market. Therefore the much touted diversification of our productive base in potential revenue yielding sectors such as agriculture, manufacturing, service sector and solid minerals development will go a long way in enhancing our revenue sources. The government therefore is advised to put in more efforts towards achieving this laudable goal.

**KEYWORDS:** Domestic Debt; Economic Growth; External Reserve; ARDL & Causality