DOMESTIC DEBT AND THE PERFORMANCE OF NIGERIAN ECONOMY (1987-2014): AN EMPIRICAL INVESTIGATION

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ABSTRACT

The study examined the empirical relationship between domestic debt and the performance of Nigerian economy using data spanning (1987-2014). Secondary data were used and collected from Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics. Hypotheses were formulated and tested using Ordinary Least Square (OLS) model. The study indicates that interest rate has inverse significant relationship with Gross Domestic Product in Nigeria. There is a positive significant relationship between domestic debt and Gross Domestic Product in Nigeria. The coefficient of determination indicates that about 68% of the variations in gross domestic product can be explained by changes in domestic debt variables (DMD, INT, INFR) in Nigeria. This implies that a good portion of gross domestic product trends in Nigeria is explained by domestic debt variables. Government should maintain a debt bank deposit ratio below 35 percent and resort to increase use of tax revenue to finance its projects as it is our believe that tax revenue is far from the optimum. Government should divest itself of all projects which the private sector can handle including refining crude oil (petroleum product) and transportation but should provide enabling environment for private sector investors such as tax holidays, subsidies, guarantees and most importantly improved infrastructure.

Keywords: Causality, Domestic Debt, Gross Domestic Product, Economic Growth, Nigeria.