INTERNAL DEBT FINANCING AND NIGERIAN ECONOMIC PERFORMANCE (1989-2022)

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ABSTRACT: The study examined the effect of internal debt financing on Nigerian economic performance for the period 1989-2022. What informed this research was Nigeria's low level of economic growth despite steady increases in the domestic debt stock. The study specifically investigated on effect of Federal Government Bonds, and Treasury Bills on the Nigerian economic performance using the Real Gross Domestic Product as a proxy for economic performance while Money Supply and Interest Rate were used as the control variables. Ex-post facto research design was employed and secondary data were sourced online from the CBN statistical bulletin. Johansson cointegration Test was used to analyse the long-run relationship among the variables in the model while the Vector Error Correction Model was employed to analyse the relationship between the dependent variable and the explanatory variables of the study. Johansson cointegration test results revealed the existence of long-run relationships among the variables of the model. Vector Error Correction Model results revealed that Federal Government Bond as a source of domestic debt financing has significant effect on the Nigerian Real Gross Domestic product for the period in view while Treasury Bill has insignificant effect. Findings further revealed that while money supply and Real Gross Domestic Product are positively related Interest lending Rate and RGDP are negatively related. The research recommends that government should reduce the level of Treasury Bills and increase stock of Federal Government Bond issue in the domestic debt market. Also, government should put in some fiscal measures to maintain a favourable Interest Lending Rate in Nigeria.

Key Words: Federal Government Bond, Treasury Bills, Real Gross Domestic Product, Money Supply, Interest Rate

INTRODUCTION

Economic growth is general increase in the country products, services and outputs. Abula and Modecai (2016) observed that it involves achieving a balance in all sectors of the economy in the process of production of goods and services be it agriculture, finance, manufacturing, health and education. Onyele and Nwokeocha (2016) identified that attaining a sustainable economic balance has been a major goal pursued by the government of Nigeria and other countries. In order to achieve adequate economic growth in the economy, governments need funds to provide internal security, economic services, social and community services, etc., which in turn will lead to an improvement in the standard of living of the citizenry (George-Anokwuru 2023). Hence, the necessity for the introduction of money and capital market debt instruments including Treasury Bills (TBs) and Federal Government Bonds .

Treasury Bills are money market short term securities issued by the Central Bank to raise short-term funds for the government. The maturity period for the instrument ranges from 91, 182 to

364 days. Currently, the major holders of TBs are the Central Bank of Nigeria itself and deposit money banks. TBs were created for the purpose of facilitating transactions between the surplus and deficit economic agents of the economy (George-Anokwuru 2023). FGN Bonds are debt securities (liabilities) of the Federal Government of Nigeria (FGN) issued by the Debt Management Office (DMO) for and on behalf of the Federal Government. Government bonds issued by national governments are often considered low-risk investments since the issuing government backs them (James Julius and Ariel 2024). The FGN has an obligation to pay the bondholder the principal and agreed interest as and when due. The FGN Bonds are considered as the safest of all investments in the domestic debt market because it is backed by the 'full faith and credit' of the Federal Government, and as such it is classified as a risk-free debt instrument. They have no default risk, meaning that it is absolutely certain your interest and principal will be paid as and when due. The interest income earned from the securities are tax exempt (DMO 2023).

Researches reveals that broad money supply and interest rate possesses a long-run association with economic growth. This is evident in the empirical works of Nahida (2018) and Abdullah, Richard, Edward and Christian (2023). Money supply is a critical concept that greatly impacts a country's financial and economic situation. A cursory look at monetary aggregates as at end of year 2022 reveals that broad money (M2) was N48462.07on 2022 and on the average rose by 16.0 per cent above the 2021 figure of N40370.41. Interest lending rate also showed an increase. It was 13.3% in 2022 and showed an increase of 6 % above the 2021 figure of 11.5%. This is expected to fill savings-investment gap and influence both production, consumption and investment expenditure positively if properly used. The administrative key economic objective of any good administration is to promote economic growth with transparency in governance which can facilitate rapid economic recovery and growth. Government borrowing becomes necessary when government revenue sources are inadequate to finance government expenditures. Researches in the context have revealed that domestic debt financing is related to Nigerian economic growth (Nestor & Ebike 2020; Nwamaka, Chukwunulu & Werigbelegha, 2016). It is on this background that the study sought to investigate effect of domestic debt financing on Nigerian economic growth.

Statement of the Problems

The Nigerian total debt as at 31st December 2023 was N 97,340,708.25 million and composed of 60.74% of internal debt stock N59,120,858.81 million and 39.26% of external debt stock, N38219849.44 million (DMO 2023). Nigeria's debt, like that of most other African countries, appears to be on a ceaseless and perpetual increase. Debt has become a milestone on Nigeria's neck, jeopardizing her economic growth (Okeke, Nwakoby, & Okeke 2022). Nigeria is currently ranked among Sub-Saharan Africa heavily indebted countries with a stunted GDP growth rate, retarded export growth rate, a fast dwindling income per capita and an increasing poverty level (Abdulkarim Saidatulakmal & David 2021) . In spite of her continued recourse to domestic debt financing, Nigerian economy is still characterized by low level of economic growth dwindling economy, adverse interest rates and insufficient availability of credit facilities to the private sector.

Objective of the Study

The general objective of this study is to evaluate the effect of internal debt financing on the economic growth of Nigeria. Specific objectives of the study include:

1. To evaluate the effect of Federal Government Bond on the Nigerian RGDP.

2. To evaluate the effect of Treasury bills on the RGDP.

Research Questions.

1. What is the effect of Federal Government Bond on the Nigerian RGDP.

2. To what extent does Treasury bills affect Nigerian the RGDP.

Statement of Hypotheses

Ho_1: There is no significant effect of Federal Government Bond on the Nigerian RGDP

Ho_2:   There is no significant effect of Treasury Bills on the Nigerian RGDP

Conceptual Review

Rationale for Domestic Debt Financing in Nigeria

To encourage growth, countries at early stages of development borrow to augment the dominance of meagre capital stocks. The anticipation is that the countries are likely to have investment opportunities with rates of return higher than that of their counterparts in developed economies. In Nigeria several factors have been advanced to explain changing domestic debt profile. According to the director general of DMO Oniha (2018) borrowings were largely for financing capital expenditure and to stimulate economic development in Nigeria. It is important to state that when more emphasis is on the negative impact of debt it will lead to morbid fear of debt which would result into debt avoidance when it would have promoted the economy by bringing in the much needed capital for investment and economic growth, (Eze, Ogiji, Igwe & Eze 2021). In spite of her continued recourse to domestic debt financing, Nigerian economy is still characterized by low level of economic growth dwindling economy, adverse interests rates and insufficient availability of credit facilities to the private sector. The Nigerian total debt by the end of year 2023 was N 97,340,708.25 million and composed of 60.74% of internal debt stock(N59,120,858.81 million) and 39.26% of external debt stock (N38219849.44 million) (DMO 2023). According to the Debt Management Office of Nigeria, out of the 60.74% of the internal debt stock of N59,120,858.81 million, the federal government share of the debt was 54.72% or (N 53258011.88 million) while the state and the federal capital territory share of the internal debt stock was 6.02% (N5862846.93 million) (DMO 2023). Government like business firms do experience short falls in their revenue expectations in a given period, when actual revenue performance of government falls short of the projected revenue, government may to borrow in order to finance projects of economic and social importance. Nigeria is one of the most highly indebted countries that have low income growth and low per capita income. Government seems to lack the potentials to generate revenue domestically to meet up with developmental goals and other national in order to attain the desire economic growth. Hence government resorts to borrowing (Omimakinde & Onifade 2022).

Bonds

Government bonds issued by national governments are often considered low-risk investments since the issuing government backs them (James Julius and Ariel 2024). Federal Government of Nigerian (FGN) Bonds are debt securities (liabilities) of the Federal Government of Nigeria issued by the Debt Management Office (DMO) for and on behalf of the federal government. It is a bond issued by the government which carry a fixed rate of interest and traded in the Nigerian capital market. FGN Bonds are considered as the safest of all investments in domestic debt market because it is backed by the 'full faith and credit' of the federal government and as such it is classified as a risk free debt instrument that have no default risk. According to Guruba (2018) the huge infrastructure deficiency in telecommunications, transport, housing and power sectors provide viable prospects for project bond issuance in Nigeria.

Treasury Bills

Treasury bills are fixed-interest securities issued by the government. Investors receive the nominal amount of the treasury bill back at the end of the term, and invest only an amount that is reduced by the interest amount. In this way, the state receives liquid funds that it can in turn use for investments. Treasury bills are issued by the government and can be purchased by investors at a predetermined interest rate. From a financial perspective, treasury bills are financial concepts with a short term, which can range from several days, weeks to a few months. Rarely is the term longer than one year. Since treasury bills are directly backed by the government, they are very low-risk investments for investors. At the end of the term, investors receive their capital back plus interest. The interest rate is fixed in advance and does not change during the term (Nirmalarajah A 2023)

Money Supply

Money supply in an economy is the total volume of currency in circulation at a particular point in time. It can include cash and its equivalents like currency notes, coins, and bank deposits. The empirical analysis shows that broad money supply, inflation rate, interest rate possesses a long-run association with economic growth. This is evident in the empirical works of Nahida (2018) and Abdullah, Richard, Pearce and Christiana (2023). Money supply is a critical concept that greatly impacts a country's financial and economic situation. An increase in the supply implies that people are spending more, which increases the demand for products and services in the economy. As a result, high demand contributes to a rise in prices. Therefore, the high circulation of money will lead to higher inflation rates. In such situations, the central banks will introduce a contractionary monetary policy to reduce consumer spending. It is usually done by increasing interest rates on consumer loans. Hence, customers will stop borrowing and have to cut down on spending. Thus, it reduces money circulation (Nanditha 2024).

THEORETICAL REVIEW

Keynesian theory

Keynes held the view that increase in public debt through the multiple effects would raise the national income. It linked public borrowing with deficit financing and supports the government to borrow for all purposes so that effective demand in the economy is increased resulting in increased employment and output. The theory did not draw any demarcation between

productive and unproductive expenditure as the classical. According to Keynes, borrowing for consumption is desirable, as borrowing is used for investment in productive goods and consumption expenditure which will induce investment to rise. Relevance of the theory to the current study is that the transmission mechanism through which debts affect growth negatively is its reduction on the resources available for investment by debt servicing, therefore the theory posit that the government should use borrowed funds for productive investment.

Neo-Classical Theory of Solow/Swan

The neo-classical theory (Solow/Swan) of economic growth as adapted from Tejvan (2019) suggests that increasing capital or labor leads to diminishing returns. Therefore, increasing capital has only a temporary and limited impact on increasing the economic growth. As capital increases, the economy maintains its steady-state rate of economic growth. The theory suggests that poor countries that invest more should see their economic growth converge with richer countries. This posit that, in order to increase the rate of economic growth of any nation there is need to increase the proportion of GDP that is invested, which must also be limited as higher proportion of investment leads to diminishing returns and convergence on the steady state of growth.

Empirical Review.

Omodero and Alege (2022) in their study examined the impact of various public-sector bonds on economic growth of Nigeria from 2003-2019 using the multiple regression technique to assess the impact of each class of government bond on GDP. The findings indicated that Treasury Bills and FGN bond impacted positively and significantly on economic growth of Nigeria. On the contrary, Treasury Bond and Inflation affected growth negatively and substantially. However, other government bonds and debts exert insignificant negative influence on economic growth.

Nwala Saleh (2022) in the study examined the relationship between disaggregated domestic public debt and economic growth in Nigeria for the period 2007 Q1 to 2020 Q2. The result revealed that there is a long-run equilibrium relationship between banking sector debt, non-bank public debt, Central Bank of Nigeria debt - ways and means advances and GDP. The result also indicated that while banking sector and non-bank public debt have statistically positive significant effect on economic growth, the Central Bank of Nigeria debt - ways and means advances has a negative but significant effect on growth in Nigeria.

Nwamaka, Chukwunulu and Werigbelegha (2016) in their study examined relationship between domestic debt and the performance of Nigerian economy using data from 1987-2014. Their study showed that interest rate had inverse significant relationship with gross domestic product while a positive significant relationship was found between domestic debt and gross domestic product in Nigeria.

Usman, Hussaini, Ibrahim (2022) investigated on impact of domestic debt on economic growth in Nigeria for the period of 1980-2020 using Autoregressive Distributed Lag (ARDL) model technique. Findings indicated that domestic debt has positive and significant impact on economic growth in the long run while interest rate and government capital expenditure on transfer were found to have a positive but insignificant impact on economic growth. Public debt servicing was found to have negative but significant impact on economic growth. In the

short run, domestic debt, interest rate, and government capital expenditure on transfer were found to have negative and insignificant impact on economic growth while public debt servicing indicated positive but insignificant relationship.

Mboto, Okoi, Edom and Ukongim (2022) assessed the implication of domestic debt on the growth of the Nigerian economy using treasury bills, treasury bond and other domestic debt instruments on economic growth. The ex-post facto research design was used. Secondary data were gotten from the CBN statistical bulletin for the period 1990 to 2019. Findings from the analyses showed that there was an insignificant effect of treasury bill on the growth of the Nigerian economy both in the short run and long run. The study showed that there is a significant short run effect of treasury bond but an insignificant long run effect on the growth of the Nigerian economy and lastly, it was discovered that domestic debt instruments other than treasury bond in Nigeria had no significant effect on economic growth.

Omimakinde and Onifade (2022) investigated on the relationship between domestic debt and economic growth of Nigeria. The paper examined the relationship between domestic debt and economic growth in Nigeria. The results revealed that domestic debt does not have significant impact on economic growth in the short run but significant negative impact in the long-run. The study therefore recommended that government should monitor the disbursement of loan on real growth-enhancing capital projects instead of recurrent expenditure.

From the above literature reviewed, it is evident that the impact of domestic debts on economic performance is mixed. That is, some scholars arrived at positive relationships, while others found a negative relationship. The present study aims to contribute to the existing researches by exploring the time series data over the period 1989-2022.

METHODOLOGY

The study adopted ex-post-factor research design and data for the period 1989-2022 were explored. Real Gross domestic product (GDP) was used as the dependent variable to measure economic growth in Nigeria, domestic debt instruments Federal Government Bond (FGB) and Treasury Bills were used as the dependent variables while two control variables Interest Rate (INT) and Money Supply where also used in the model. Data used were secondary data sourced from CBN statistical bulletin (2022).

Model Specification

Linear relationship was established between economic growth proxied by Real Gross Domestic Product (RGDP) and the other variables comprising of Federal Government Bond (FGB), Treasury Bills, Interest Rate (INT), and Money Supply. The model is specified thus:

$$RGDP = C(1)*FGB + C(2)*TRB + C(3)*INT + C(MOS)$$

Where:

FGB = Federal Government Bond.

TRB = Treasury Bills

INT = lending Interest Rate.

MOS = Money Supply

The Stochastic Model is thus:

GDP = β_o +β_1FGB + β_2 TRB + β_3 INT + $\beta4$MOS +μt

Method of Data Presentation and Analysis

To ensure that the data set employed in analysis is stationary, unit root test was carried out through Augmented Dickey Fuller (ADF) test statistics. The stationarity test was carried out so as to avoid spurious relationship. The Vector Error Correction Model was the analytical technique employed in this research study. VECM is used to calculate the speed at which short disequilibrium converge into long-run equilibrium relationship. The analytical tool employed is E-view 10

Data Presentation and Analysis

This section deals with the analysis and presentation of data as well as the interpretation of results.

Unit root test

The unit root test was carried out using Augmented Dickey Fuller (ADF) test to determine whether data set were stationary. Results are displayed in table 4.1 below.

Table 4.1 Augmented Dickey Fuller (ADF) Unit Root Test

Variables	ADF T Statistics	ADF T Critical value	Prob Value	Remark	Equation
RGDP	-3.318741	-2.957110	0.0223**	Stationary	Intercept
FGB	-5.504094	-3.052169	0.0004**	Stationary	Intercept
TRB	-5.168602	-2.957110	0.0002**	Stationary	Intercept
INTR	-6.099298	-2.957110	0.0000**	Stationary	Intercept
MOS	-3.929879	-2.957110	0.0050**	Stationary	Intercept

***Denotes statistical significance at 5% level   Source: Authors Estimation from E-view 10*

The ADF unit root test results of the model presented in   table 4.1 revealed the order of integration of the variables. A variable is stationary if the probability is less than 0.005. The Augmented Dickey-Fuller (ADF) unit root test results showed that all the variables are stationary at first difference, 1(1). The decision is taken from the observed probabilities of each of the variables which are all less than 0.05 respectively.

Johansen Co-integration Result

The study used Johansen Co-integration test to ascertain the existence of long-run relationship in the variables of the model. The summary of the results are shown in table 4.2a and 4.2b below.

Table 4.2a   Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
one *	0.991442	160.1464	69.81889	0.0000
t most 1 *	0.846898	74.45132	47.85613	0.0000
t most 2 *	0.780897	40.67161	29.79707	0.0019
t most 3	0.506912	13.34379	15.49471	0.1028
At most 4	0.033674	0.616573	3.841466	0.4323

Trace test indicates 3 cointegrating eqn(s) at the 0.05 levelSource: Authors   Estimation from E-view 10

Johanson Co-integrating test revealed three co-integrating equations using the Trace test statistics. This is considering the fact that the trace test statistics probability figures of 0.0000, 0.0000 and 0.0019 are lower than 0.005 which indicates three cointegrating equations. Trace test statistics affirmed that the variables were co-integrated. And there is existence of long run relationship among the variables.

Table 4.2b   Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.991442	85.69512	33.87687	0.0000
At most 1 *	0.846898	33.77971	27.58434	0.0070
At most 2 *	0.780897	27.32782	21.13162	0.0059
At most 3	0.506912	12.72722	14.26460	0.0862
At most 4	0.033674	0.616573	3.841466	0.4323

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level

Johanson Co-integrating test further revealed three co-integrating equations using the Maximum Eigenvalue value test statistics. Analysis of results of table 4.2b showed that Maximum Eigenvalue test statistics probability figures of   0.0000, 0.0070 and 0.0059 are lower than 0.005. This therefore indicate three cointegrating equations. Both Trace statistics

and Maximum Eigenvalue statistics of Johansson Co-integration test revealed existence of long run relationship among the variables of model.

Vector Error Correction Regression

Table 4.3

Error Correction:	D(GDP)	D(FGB)	D(INTR)	D(MOS)	D(TRBILL)
CointEq1	-0.120060	-0.003598	0.094035	0.102010	0.033898
	(0.05875)	(0.01973)	(0.07489)	(0.05390)	(0.02954)
	[-2.04366]	[-0.18236]	[1.25560]	[1.89256]	[1.14747]
F-statistic	3.943025	26.96282	1.262111	2.287175	1.385475

The VECM result of the model in table 4.2 showed that the error correction from the Real Gross Domestic Product is appropriately signed with a negative coefficient value of -0.120060. This showed that about 12% disequilibrium in the short run is adjusted every year by changes in the explanatory variables of the model.

Vector Error Correction Coefficients

Results of the VEC coefficients of the variables are displayed at the ECM regression table of table 4.3 above. Each of the variables are analyzed with respect to their relationship with Real Gross Domestic Product in the model. In the table, the coefficients are displayed in the first row followed by **The** the Standard errors which are in brackets ( ) and T-statistics in parenthesis [ ]

Federal Government Bond (FGB)

Federal Government Bond has a coefficient value of -0.003598 which revealed that there is negative relationship between Federal Government Bond and Real Gross Domestic Product in Nigeria. The significance of the relationship w7u6 further tested with the F-statistics in the model.

Treasury Bill (TRBILL) Coefficient

Treasury Bills coefficient value of 0.033898 revealed that there is a positive relationship between Treasury Bill and Real Gross Domestic Product in Nigeria. This revealed that Treasury Bill has direct relationship with Real Gross Domestic Product.

Interest Rate (INTR)

Interest Rate has a positive coefficient value of 0.094035 in the model as displayed in table 4.2. The results indicate an indirect relationship between Interest rate and RGDP. The expectation is that a reduction in Interest rate will increase the Nigerian RGDP. The positive coefficient is not in conformity with the a priori expectation.

Money Supply (MOS)

Money Supply has a coefficient value of 0.102010 which revealed that there is positive relationship between money supply and Real Gross Domestic Product in Nigeria. The finding is in conformity with aprori expectation. It is expected that increase in money supply will positively affect the RGDP.

The F-test

The VECM F-test results of table 4.3 was used to evaluate the individual significance of the variables, Federal Government Bond, Treasury bills on the dependent variable Real Gross Domestic Product. **Decision Rule :** If the calculated F-statistics is greater than 2.53 it denotes rejection of the null hypotheses.

Findings revealed that Federal Government Bond has F-statistics value of 26.96282 which is greater than the observed critical value of 2.5. This led to the rejection of the null hypothesis one with conclusion that Federal Government Bond has significant effect on Nigerian Real Gross Domestic Product. Null hypothesis two was accepted with conclusion that Treasury Bills has insignificant effect on the Real Gross Domestic Product. This is considering the fact that it has F statistic value of 1.385475 which is greater than the observed critical value of 2.5.

Diagnostics Test

Diagnostics Test

Table 4.4 VEC Serial correlation LM Test Table

Equation	F-stat	Prob.	Remark
HDI= f (CIT, TEDT PPT),	1.309193	0.3414	Accept null hypothesis

Null hypothesis: No serial correlation   *Source: Authors Estimation from E-view 10*

Results of the diagnostic tests are presented in table 4.4, the Serial correlation test was conducted using VEC Serial correlation LM. The study reveal that the model passes the diagnostics tests against serial correlation functional form misspecification, this is considering the fact that the probability values 0.3414 of the F-statistics is higher than, 5%. Thus, the stated null hypothesis of no serial correlation is accepted.

DISCUSSION OF FINDINGS

The study examined impact of internal debt financing on Nigerian economic growth for the period 1989-2022. Two domestic debt sources, Federal Government Bond, and Treasury Bills were used as the independent variables while Money supply and Interest Rates were used as the as control variables. In spite of her continued recourse to domestic debt financing, Nigerian economy is still characterized by low level of economic growth, a dwindling economy with adverse interests rates and insufficient availability of credit facilities to the private sector. Nigeria is currently ranked among Sub-Saharan Africa as one of the heavily indebted countries

with a stunted GDP growth rate, retarded export growth rate, a fast dwindling income per capita with an increasing poverty level (Abdulkarim Saidatulakmal & David 2021).

In the statistical update of the CBN, in the year 2021 Federal Government Bond claimed 72.5% and in 2022 it increased to 73.9% of entire public domestic debt (CBN 2022). Findings of the study revealed that Federal Government Bond as source of domestic debt financing has significant effect on Nigerian economic growth over the period in view. The finding is consistent with the empirical work of Omodero and Alege (2022), who found that federal government bond impacted positively and significantly on economic growth of Nigeria. Also the work of Onogbosele and Ben (2016) revealed that Federal Government Bonds exerted more pressure on the growth rate of gross domestic product in Nigeria. The work of Micheal, Oluwabunmi and Nelson (2021) negated the finding, their research found that government bond exhibited an insignificant positive relationship with Economic growth. The Federal Government Bonds are considered as the safest of all investments in domestic debt market because it is backed by the 'full faith and credit' of the Federal Government, and as such it is classified as a risk free debt instrument. They have no default risk, meaning that it is absolutely certain your interest and principal will be paid as and when due. The interest income earned from the securities are tax exempt (DMO 2023).

The introduction of TBs as a money market instrument grew out of the need to match economic agents with surplus funds, with those in need of funds temporarily. The study revealed an insignificant effect of Treasury Bills on the economic growth for the period in view. This conforms with George-Anokwuru (2023) and Mboto, Okoi, Edom and Ukongim (2022) who in her study revealed that treasury bills have negative and insignificant relationship with economic growth. Treasury Bills provide the government with a highly flexible and combatively cheap means of borrowing funds, and are issued through a competitive bid auction. To George-Anokwuru (2023) Treasury Bills have the ability to increase economic growth in Nigeria if they are tailored towards enhancing investment potentials in the economy.

Interest rate maintained an indirect relationship and negative effect on the RGDP. The result is in agreement with findings of Nwamaka, Chukwunulu and Werigbelegha (2016) who empirically found that interest rate has insignificant relationship with GDP in Nigeria. Money supply is a critical concept that greatly impacts a country's financial and economic situation. An increase in the supply implies that people are spending more, which increases the demand for products and services in the economy. As a result, high demand contributes to a rise in prices. Therefore, the high circulation of money will lead to higher inflation rates. In the model, Money Supply Money Supply had positive   relationship with Real Gross Domestic Product over the period in view. The empirical analysis of Nahida (2018) and Abdullah Richard Pearce Christiana (2023) showed that broad money supply, inflation rate, interest rate possesses a long-run association with economic growth.

Conclusion

Based on the findings of this study It was concluded that use of Federal Government Bond as sources of financing domestic debt in Nigeria has significantly affected economic growth, Treasury bills as source of domestic debt financing has insignificant effect on economic growth. There is positive effect of money supply and Real Gross Domestic Product in while interest rate has negative effect.

Recommendations

The study hereby recommends.

- ➢ That the government should reduce the level of Treasury Bills and increase stock of Federal Government Bond issue in the domestic debt market.
- ➢ Government should put in some fiscal measures to maintain a favourable interest lending
- ➢ The study also recommends that the government should prudently invest borrowed fund so as to boast the growth of the economy

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Appendixes

Table of Analysis

Year	GDP in Billions of Naira	TRBILL in Billions of Naira	MOS in Billions of Naira	INTR in %	FGB in Billions of Naira
1989	17294.68	24.13	45.9	16.77	
1990	19305.63	25.48	47.42	21.74	
1991	19199.06	57.76	75.4	16.70	
1992	19620.19	119.75	111.11	19.11	
1993	19927.99	116.38	165.34	26.29	
1994	19979.12	170.93	230.29	14.27	
1995	20353.2	276.91	289.09	14.12	
1996	21177.92	179.63	345.85	13.74	
1997	21789.1	364.52	413.28	7.81	
1998	22332.87	378.53	488.15	10.03	
1999	22449.41	361.76	628.95	12.99	
2000	23688.28	465.54	878.46	21.27	
2001	25267.54	584.54	1269.3	23.44	
2002	28957.71	733.76	1505.96	24.77	
2003	31709.45	825.05	1952.92	20.71	72.56
2004	35020.55	871.58	2131.82	19.18	72.56
2005	37474.95	854.83	2637.91	17.95	250.83
2006	39995.5	695	3797.91	16.9	643.94
2007	42922.41	574.93	5127.4	16.94	1186.16
2008	46012.52	471.93	8643.43	15.48	1445.6
2009	49856.1	797.48	9687.51	18.36	1974.93
2010	54612.26	1277.1	11101.46	17.59	2901.6
2011	57511.04	1727.91	12628.32	16.02	3541.2
2012	59929.89	2122.93	15503.41	16.79	4080.05
2013	63218.72	2581.95	18743.07	16.72	4222.04
2014	67152.79	2815.52	20415.61	16.55	4792.28
2015	69023.93	2772.87	20885.52	16.85	5808.14

2016	67931.24	3277.28	24259	16.87	7564.94
2017	68490.98	3579.8	28604.47	17.6	8715.81
2018	69799.94	2735.97	29774.43	16.9	9334.74
2019	71387.83	2651.51	34257.9	15.4	10524.16
2020	70014.37	2720.44	36038.01	13.6	11830.26
2021	73382.77	3786.14	40370.41	11.5	13963.22
2022	74752.42	4422.72	48462.07	12.3	16421.56

Processed Table of Analysis

Year	GDP	FGB	INTR	MOS	TRBILL
1989	9.758154		2.819592	3.826465	3.183456
1990	9.868152		3.079154	3.859044	3.237894
1991	9.862617		2.815409	4.322807	4.056296
1992	9.884314		2.950212	4.710521	4.785406
1993	9.899881		3.269189	5.108004	4.756861
1994	9.902443		2.658159	5.439339	5.141254
1995	9.920993		2.647592	5.666738	5.623693
1996	9.960714		2.620311	5.846005	5.190899
1997	9.989165		2.055405	6.024125	5.898581
1998	10.01381		2.305581	6.190623	5.936295
1999	10.01902		2.56418	6.444052	5.890981
2000	10.07274		3.057298	6.77817	6.143198
2001	10.13728		3.154444	7.146221	6.370825
2002	10.27359		3.209633	7.317186	6.598182
2003	10.36437	4.284414	3.030617	7.577081	6.715444
2004	10.46369	4.284414	2.953868	7.664731	6.770308
2005	10.53143	5.524775	2.88759	7.877742	6.750903
2006	10.59652	6.467606	2.827314	8.242206	6.543912
2007	10.66715	7.078476	2.829678	8.542354	6.354248
2008	10.73667	7.27628	2.739549	9.064555	6.156831
2009	10.8169	7.588288	2.910174	9.178593	6.681457
2010	10.90801	7.973018	2.867331	9.314832	7.152347
2011	10.95973	8.172221	2.773838	9.443697	7.454668
2012	11.00093	8.313865	2.820783	9.648815	7.660552
2013	11.05436	8.348074	2.816606	9.838579	7.8563
2014	11.11473	8.474762	2.806386	9.924055	7.942902
2015	11.14221	8.667016	2.824351	9.946811	7.927638
2016	11.12625	8.93128	2.825537	10.09654	8.094769
2017	11.13446	9.072894	2.867899	10.26132	8.183062

2018	11.15339	9.141498	2.827314	10.30141	7.914241
2019	11.17588	9.261429	2.734368	10.44167	7.882885
2020	11.15646	9.378416	2.61007	10.49233	7.908549
2021	11.20344	9.544182	2.442347	10.60585	8.239102
2022	11.22194	9.70635	2.509599	10.78854	8.39451

Vector Error Correction Estimates
Date: 01/01/80   Time: 00:18
Sample (adjusted): 2005 2022
Included observations: 18 after adjustments
Standard errors in ( ) & t-statistics in [ ]

Cointegrating Eq:	CointEq1
GDP(-1)	1.000000
FGB(-1)	0.103943
	(0.01411)
	[7.36719]
INTR(-1)	0.192132
	(0.04908)
	[3.91482]
MOS(-1)	-0.215171
	(0.02880)
	[-7.47103]
TRBILL(-1)	-0.069808
	(0.01096)
	[-6.36985]
C	-9.747074

Error Correction:	D(GDP)	D(FGB)	D(INTR)	D(MOS)	D(TRBILL)
CointEq1	-0.120060	-2.242781	0.091106	-0.189362	0.140136
	(0.05875)	(0.26494)	(0.20093)	(0.26670)	(0.56685)
	[-2.04366]	[-8.46514]	[0.45343]	[-0.71001]	[0.24722]
D(GDP(-1))	0.079748	-0.275512	0.169266	0.273872	0.157014
	(0.24707)	(1.11424)	(0.84501)	(1.12164)	(2.38393)
	[0.32278]	[-0.24727]	[0.20031]	[0.24417]	[0.06586]
D(FGB(-1))	-0.003598	0.080474	-0.060441	0.204218	-0.296960
	(0.01973)	(0.08899)	(0.06749)	(0.08958)	(0.19039)
	[-0.18236]	[0.90433]	[-0.89562]	[2.27977]	[-1.55975]

D(INTR(-1))	0.094035	0.057836	-0.107339	0.035027	-0.277205
	(0.07489)	(0.33775)	(0.25614)	(0.34000)	(0.72263)
	[1.25560]	[0.17124]	[-0.41906]	[0.10302]	[-0.38361]
D(MOS(-1))	0.102010	-0.956428	0.471537	-0.062875	0.766678
	(0.05390)	(0.24308)	(0.18435)	(0.24470)	(0.52008)
	[1.89256]	[-3.93456]	[2.55785]	[-0.25695]	[1.47415]
D(TRBILL(-1))	0.033898	-0.113623	0.086857	-0.092358	0.518881
	(0.02954)	(0.13323)	(0.10104)	(0.13411)	(0.28504)
	[1.14747]	[-0.85285]	[0.85967]	[-0.68866]	[1.82037]
C	0.022498	0.462988	-0.105114	0.120646	-0.012298
	(0.01497)	(0.06749)	(0.05119)	(0.06794)	(0.14441)
	[1.50329]	[6.85965]	[-2.05357]	[1.77570]	[-0.08516]
R-squared	0.682614	0.936334	0.407732	0.555071	0.430431
Adj. R-squared	0.509495	0.901607	0.084676	0.312383	0.119757
Sum sq. resids	0.005454	0.110923	0.063795	0.112402	0.507753
S.E. equation	0.022266	0.100419	0.076155	0.101086	0.214847
F-statistic	3.943025	26.96282	1.262111	2.287175	1.385475
Log likelihood	47.37556	20.26275	25.24116	20.14352	6.572298
Akaike AIC	-4.486173	-1.473639	-2.026795	-1.460391	0.047522
Schwarz SC	-4.139918	-1.127383	-1.680540	-1.114135	0.393778
Mean dependent	0.042125	0.301219	-0.024682	0.173545	0.090233
S.D. dependent	0.031793	0.320134	0.079599	0.121904	0.228996