IMPACT OF GOOD GOVERNANCE ON PUBLIC DEBT IN NIGERIA

AYENI ABIGAEL. F.
Department of Economics, Nigerian Defence Academy, Kaduna
Email: feranmiayeni6@gmail.com, +2348144146890

NJOKU MITCHELL. O. B
Department Management Studies, Nigerian Defence Academy, Kaduna
Email: basseynjoku@gmail.com, +234803 825 4665

ABSTRACT
Nigeria has faced substantial public debt challenges, exacerbated by corruption and inadequate accountability. This study looks at how good governance has an effect on Nigeria's public debt from 2003 to 2022. It utilizes data on corruption control, political stability without violence, rule of law, and voice and accountability from the World Bank Development Indicator (2023).Details about total external debt and information and communication technology come from the Central Bank of Nigeria Statistical Bulletin (2023). The autoregressive distributed lag model shows in its long-term analysis that PSAV, RLE, VAE (lag-1), and ICT have a positive effect on public debt, while CCE and VAE have a negative effect on public debt. Short-term results show that PSAV RLE, and ICT keep having a positive effect on public debt, while CCE and VAE keep having a negative effect. The study concludes that effective governance, marked by increased accountability and reduced corruption, can significantly alleviate public debt issues. It recommends that the Nigerian government implement robust anti-corruption policies, strengthen the rule of law, and enhance transparency in debt management. Additionally, it suggests improving legislative oversight to ensure all borrowing decisions are scrutinized and approved by parliamentary bodies, with appropriate tools and training for legislators. These measures are essential for better public debt management and for building stakeholder trust.
Keywords: Good Governance; Public Debt; Control of corruption; Voice and accountability; ARDL.
JEL: G38, H63, D73, D79, C39

1. INTRODUCTION

Good governance means managing public matters and resources well, with clear rules and openness. It includes being answerable following laws letting people take part, and meeting citizens' needs. The World Bank (2022) says good governance has several parts, like political stability without fighting or terror, a working government stopping wrongdoing, letting people speak up, and sticking to laws. These parts show how good the governing is. The "government effectiveness" part looks at how well the government can make and carry out plans, give public help, and use resources. Stopping wrongdoing checks if government workers and offices act and don't take bribes or cheat.

Voice and accountability measure how much citizens can engage in political processes, hold the government accountable, and freely express their views. The rule of law compares how laws are implemented and how available legal remedies are to all forms of individuals and enterprises. The measures of political risk, conflicts or terrorism determine whether political instability or occurrence of violence affects the political and economic affairs. The other is, stability in the political environment is crucial in controlling public debt because it reduces risks and uncertainty that might be counter-productive in the long-run for debt management, and which has the propensity to have a positive impact in the level of debt.

Good governance practices, such as transparent budgeting, accountable fiscal management, and effective oversight, promote fiscal discipline. Governments with robust governance frameworks are better able to control spending, avoid excessive borrowing, and manage public

finances prudently, which can help reduce public debt. Transparent and accountable governance structures ensure efficient allocation of resources, minimizing the risk of misallocation or wastage that can lead to higher debt levels. Effective governance also enhances investor confidence, leading to more favorable borrowing terms and reducing debt-related risks. Good governance encourages investment by protecting property rights, controlling corruption, and sustaining competition (Fraj et al., 2018). Development cannot occur without effective governance, and economic growth generates a need for strong institutions and governance systems (Kekere, 2021). The global pursuit of good governance is based on the belief that it fosters greater economic development. Maintaining government budgets requires effective funding policies that promote economic growth. When expected tax revenues fall short of government spending, the options are to increase taxes or borrow funds domestically or internationally.

Public debt results from borrowing due to insufficient revenue. Public debt can be seen as both short-term and long-term loans acquired to meet public expenditures (Oyekale et al., 2024). Although external borrowing can offer benefits, high debt levels can burden economies by diverting resources from productive investments and impeding growth. Nigeria's rising external debt and its impact on economic performance are critical issues requiring thorough analysis (Musa & Ojonugwa, 2024). Nigeria's experience with public debt has been negative, with little improvement in economic indicators despite rising debt levels. Between 1984 and 1986, the debt burden was so severe that foreign correspondent banks hesitated to honor Nigerian letters of credit (Ashogbon et al., 2023). The consistent reduction of resources available for investment due to external debt and the growing debt stock have further discouraged investment because of a lack of confidence in Nigeria's debt management policies (Ebhotemhen, 2020).

Nigeria has faced significant challenges in managing public debt due to fiscal deficits, external borrowing, and economic volatility. The influence of good governance on public debt dynamics is not well understood or explored. Despite international efforts to promote transparency, accountability, and institutional reforms, Nigeria continues to struggle with corruption, inefficiency, and weak governance structures, which impact the sustainability and management of public debt. Nigeria is currently burdened with public debt, both external and domestic, in the following totals: totalled ₦87. 91 trillion (US$ 114. 35 billion) to ₦87. 38 trillion reaching to the amount of 113. 42 US billion in Q2 2023, bettering the preceding quarter's figures by a quarter-on-quarter growth of 0. 61%. External debt was ₦31. 98 trillion. This is broken down into external debt of US$ 41.59 billion and internal debt of ₦55.93 trillion (US$ 72. 76 billion). External debt constituted 36. 38% of the total public debt, with domestic debt representing 63.62%. Lagos had the highest domestic debt at ₦960.50 billion, followed by Delta with ₦371.49 billion, while Jigawa had the lowest domestic debt at ₦42.89 billion, with Kebbi at ₦60.88 billion (National Bureau of Statistics, 2023). This study aims to adding to the available information on the subject to the field of literature by coming up with fresh empirical data on the effectiveness of good governance in enhancing the quality of public debt management in Nigeria. It will evaluate how far the Nigerian government has gone in enhancing the economy through good governance and inform policy decisions on whether good governance has enhanced public debt management.

This study will examine the effect of good governance on public debt in Nigeria from 2003 to 2022. The structure of this study is as follows: Section 2 reviews the literature, Section 3 outlines the methodology, Section 4 presents and discusses the empirical findings, and Section 5 concludes the study.

2. LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 The Keynesian Theory of Public Debt

The Keynesian theory of public debt that was developed in 1936 presupposes that increased as well as efficient government borrowing and debt in the co-ordination of economic affairs and in maintaining economic equilibrium. Keynes insists that in a recession or a depression, which is a period of outright economic decline, governments must act in a utilitarian fashion and spend more and cut taxes to augment demand and asymptotically achieve economic activity. This approach usually results in budget shortages, which requires the intake of loans and hence increasing public debt. The rationale is that deficit spending helps bridge the gap left by reduced private sector spending. Moreover, Keynesian economics emphasizes the multiplier effect of government spending. When the government borrows and spends money, it not only directly stimulates demand but also generates additional rounds of spending as recipients use the funds. This can amplify the initial impact of government spending on economic growth. While Keynesians acknowledge that excessive government borrowing might lead to higher interest rates due to competition with private borrowers, Keynes argued that during periods of economic slack (characterized by unused productive capacity and unemployment), this "crowding out" effect is minimal because the economy is not operating at full capacity. Although Keynes did not entirely dismiss concerns about public debt, he believed that, in the long run, the economic growth spurred by government spending during downturns would increase tax revenues and reduce the relative burden of debt. He suggested that during economic expansions, governments should run budget surpluses to pay down the debt accumulated during downturns. Thus, Keynesian theory views public debt as a tool that can be strategically employed to stabilize the economy, particularly during periods of economic weakness. By boosting demand through deficit spending, governments can mitigate the severity of recessions and support economic recovery. This theory is relevant to this study because it advocates for the strategic use of government borrowing and spending to manage the business cycle and promote economic stability. It highlights the importance of fiscal policy in addressing unemployment and output fluctuations, while also stressing the need for responsible management of public finances over the long term.

2.1.2. Institutional Theory

Institutions encompass the formal and informal rules, norms, and structures that govern behavior within a society or organization. In the context of public debt, institutions include legal frameworks, regulatory bodies, government agencies, and broader governance mechanisms. Institutional theory posits that institutions shape the behavior of individuals and organizations by providing incentives, shaping expectations, and defining acceptable practices. For public debt, institutions determine how governments borrow, repay, and manage debt, and they establish rules for transparency, accountability, and fiscal discipline. Strong institutions are crucial for ensuring fiscal discipline and sustainable debt management. Institutions that promote transparency, accountability, and effective decision-making reduce the risk of fiscal mismanagement, excessive borrowing, and unsustainable debt levels.

Institutions that uphold the rule of law enhance the credibility of government commitments, including debt repayment. A credible legal framework assures creditors that debt contracts will be honored, thereby reducing borrowing costs and facilitating access to international capital markets. Similarly, effective regulatory frameworks oversee financial markets and ensure that debt issuance complies with legal and fiscal standards. Institutional mechanisms for debt monitoring, risk assessment, and reporting provide transparency to stakeholders and help mitigate the risk of fiscal crises. Additionally, institutional stability and political continuity are

essential for maintaining investor confidence and stable debt markets. Countries with strong institutional frameworks are better equipped to withstand economic shocks and manage public debt sustainably over the long term. This theory is relevant to this study because it provides a valuable framework for understanding how institutional arrangements influence public debt management and governance practices. Strong institutions that foster transparency, accountability, and fiscal discipline are essential for maintaining sustainable debt levels and ensuring long-term economic stability.

2.2. Empirical Review

Beyene (2024) examined how governance quality influences economic growth in 22 selected Sub-Saharan African countries using Panel Dynamic Generalized Method of Moments (GMM) analysis. The study utilized World Bank panel data from 2002 to 2020 and found that a composite governance index positively and significantly impacts economic growth in all the countries analyzed. Specifically, an improvement of one unit in the governance index led to a 3.05% increase in GDP, suggesting that enhanced governance practices boost economic performance in the region. However, the study also revealed that corruption control and government effectiveness have a negative and significant impact on economic growth, while the rule of law and regulatory quality positively influence growth. Political stability and voice and accountability had no significant effect on economic growth.

Assoum and Alinsato (2023) investigated the relationship between governance, per capita income, and public debt in Sub-Saharan Africa using a neoclassical production function and a dynamic panel threshold model on data from 39 countries covering 2002-2019. Their findings indicated that the relationship between per capita income and public debt is not always direct but depends on the quality of governance. They identified a governance threshold level where public debt starts to benefit income.

Aman (2023) assessed the impact of good governance on debt and economic performance using World Bank data from 1990 to 2020. The study measured economic performance with the PCI and analyzed the debt-to-GDP ratio. The independent variables included voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. While no significant correlation was found between debt-to-GDP and economic development, a strong correlation was established between good governance and economic performance. Good governance did not significantly moderate the relationship between debt-to-GDP and economic development.

Okeke et al. (2023) studied the effects of public debt on economic growth in Nigeria from 1981 to 2021 using the Auto-Regressive Distributed Lag technique. The analysis showed that variables such as Real GDP, Gross Fixed Capital Formation, External Debt, and Debt Service Repayment positively and significantly influenced economic growth, while the exchange rate and domestic debt had negative effects. The positive variables had a p-value less than 5%, whereas the negative variables had a p-value greater than 5%.

Abotsi (2023) explored the impact of governance on the political environment and public debt across 48 African countries using annual data from 1996 to 2022. The study employed the system generalized method of moments (GMM) and assessed regulatory efficiency, corruption control, and rule of law. The findings indicated that countries with similar regulation quality and corruption control levels incur less public debt, while those adhering strictly to the rule of law tend to have higher public debt. Additionally, economic development and government receipts positively influence the reduction of gross government debt, in contrast to government expenditure and investment.

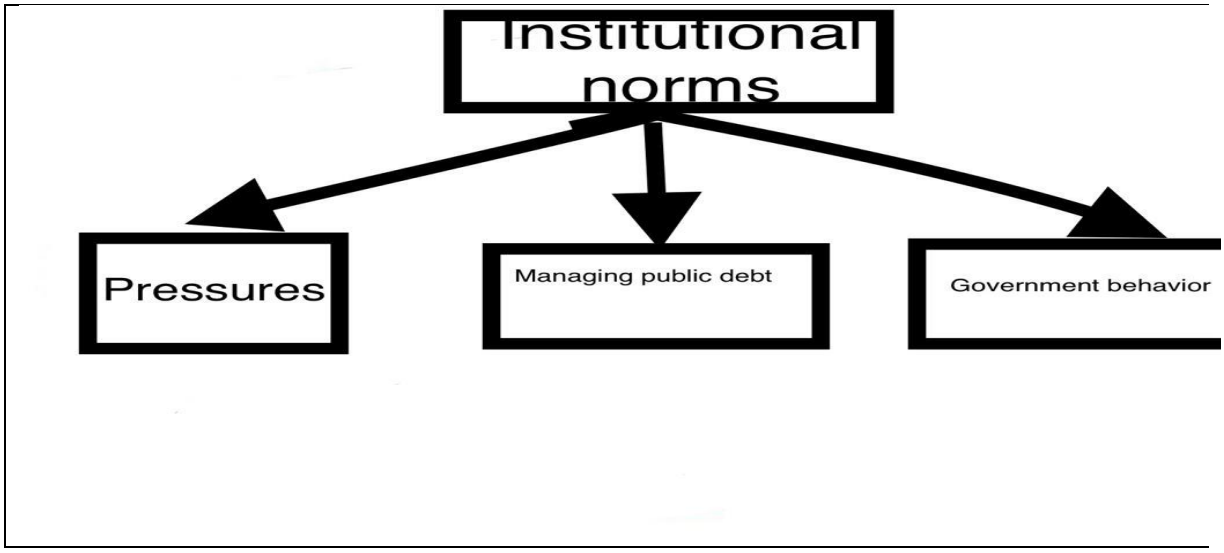
2.3 Gap in Literature and Value Addition

While substantial research has been conducted on the effects of government debt on economic growth and development, the specific impact of good governance on public debt globally remains underexplored. Previous studies have used various measures and variables, but none have considered investment in information and communication technology (ICT) as a significant factor influencing public debt. This study aims to address this gap by incorporating ICT investment as a control variable, given its potential to improve governance and public debt management through enhanced transparency, efficiency, data management, citizen engagement, and financial oversight. By including ICT investment alongside other variables, this research will examine its impact on good governance and public debt in Nigeria from 2003 to 2022.

3. METHODOLOGY

3.1 Theoretical Framework

Having reviewed various theories in the previous chapter institutional theory was found more suitable for this work.



Source: Constructed by the Author (2024)

In this diagram, institutional theory connects good governance with public debt management by highlighting how institutional norms, pressures, and practices shape government behaviors and decisions regarding public finances and debt. Understanding these dynamics is crucial for promoting fiscal sustainability, reducing risks, and enhancing economic stability.

3.2. Model Specification

This study employed the method used by Okeke et al. (2023) to investigate the impact of good governance on public debt in Nigeria. The ARDL model was chosen due to its high flexibility in addressing various integration orders, unlike OLS, which requires level integration, and the cointegration model, which necessitates first-difference integration.

TEXDO=f (CCE, PSAV, RLE, VAE, ICT) ----------(i)

$$\text{TEXDO}=\propto_0+\gamma_1 CCE+\gamma_2 PSAV+\gamma_3 RLE+\gamma_4 \text{VAE}+\gamma_5 ICT+et------(ii)$$

$$\Delta\text{TEXDO}_t=\propto_0+\sum_{i=1}^{\rho}\sigma_1\Delta L\text{TEXDO}_{t_{t-1}}+\sum_{i=0}^{\rho}\sigma_2\,\Delta CCE_{t-1}+\sum_{i=0}^{\rho}\sigma_3\,\Delta PSAV_{t-1}+\sum_{i=0}^{\rho}\sigma_{4i}\,\Delta RLE_{t-1}+\sum_{i=0}^{\rho}\sigma_{5i}\,\Delta\text{VAE}_{t-1}+\sum_{i=0}^{\rho}\sigma_{6i}\,\Delta ICT+et\ldots\ldots(iii)$$

Where: TEXDO = Total External Debt Outstanding; CC= Control of Corruption Estimate; PSAV= Political Stability and Absence of Violence; RLE= Rule of Law Estimate; VAE= Voice and Accountability Estimate ; ICT= Information and Communication Technology ;$\propto_0$ = Intercept;σ_1, σ_2, σ_3, σ_4, $\sigma_5$and σ_6= Represent short-run dynamics of the model and γ_1, γ_2, γ_3, $\gamma_4$and $\gamma_5$represent the long-run elasticities.

3.3 Data and Sources

This research uses only secondary data sources. Data on CCE, PSAV, RLE, VAE were obtained from the World Bank Development Indicators (2023), while data on TEXDO and ICT were obtained from the Central Bank of Nigeria Statistical Bulletin (2023).

4. RESULTSAND DISCUSSION OF FINDINGS

4.1. Result of the Descriptive Statistics

Table 1
Result of the Descriptive Statistics

	TEXDO	CCE	PSAV	RLE	VAE	ICT
Mean	4756.141	-1.140480	-1.934425	-1.084074	-0.623560	8395.441
Median	2403.290	-1.109194	-1.944763	-1.058311	-0.649991	7813.065
Maximum	18702.25	-0.900949	-1.635588	-0.842660	-0.319363	21150.71
Minimum	438.8900	-1.417654	-2.211123	-1.512510	-0.868943	399.2300
Std. Dev.	5433.898	0.119118	0.153183	0.183954	0.167308	6272.055
Skewness	1.381500	-0.711485	0.274551	-0.867361	0.473600	0.389884
Kurtosis	3.793991	3.701189	2.408969	3.109428	2.132955	2.081844
Jarque-Bera	6.887159	2.097090	0.542358	2.517693	1.374130	1.209206
Probability	0.031950	0.350447	0.762480	0.283981	0.503050	0.546291
Observations	20	20	20	20	20	20

Source: Authors' own work

Table 1 provides the descriptive statistics for all variables in the study. For the period from 2003 to 2022, the mean values of most variables are negative, with the exceptions of total external debt outstanding (TEXDO) and information and communication technology (ICT). The standard deviations are generally low, indicating that the values are close to their true values, except for TEXDO and ICT, which show more variation. TEXDO exhibited significant variability, with a minimum of 438.89 and a maximum of 18,702.25, whereas the control of corruption estimate (CCE) had a mean of -1.14 and ranged from -1.42 to -0.90. Most variables, except CCE and regulatory quality (RLE), exhibit positive right skewness. The kurtosis estimates for TEXDO, CCE, and RLE fall within the standard range of +3 or -3, indicating a mesokurtic (normal) distribution. Conversely, PSAV, VAE, and ICT fall outside this range, reflecting leptokurtosis with more pronounced lower tails than a normal distribution. Additionally, the Jarque-Bera test probabilities suggest that all variables, except TEXDO, follow a normal distribution at the 5% significance level.

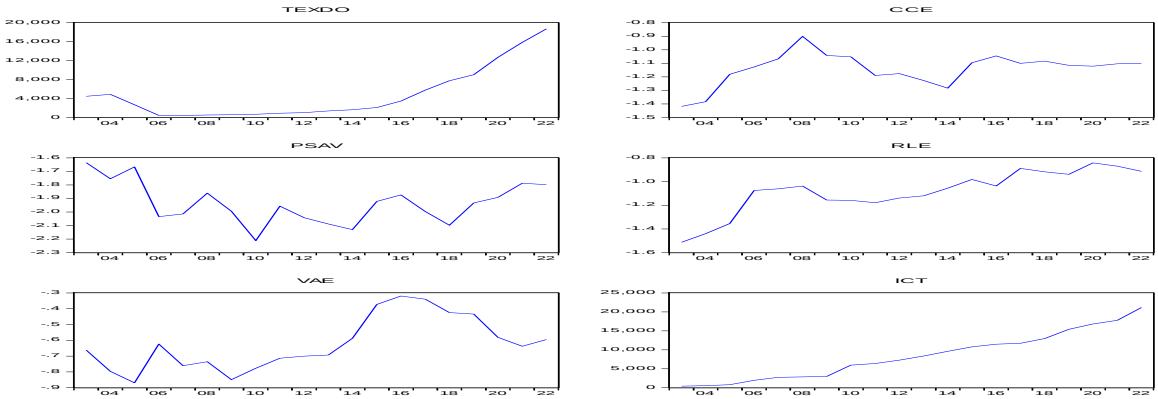


Figure 1: Trend analysis of the variables of the study
Source: Eviews 9 output

Figure 1 illustrates the trend analysis of the study variables from 2003 to 2022. Political Stability and Absence of Violence (PSAV) and Voice and Accountability Estimate (VAE) exhibit a similar pattern: both began at high levels in 2003 but saw a decline in 2004. This suggests that PSAV and VAE follow a clustered pattern with unpredictable fluctuations over the study period. Both variables experienced increases in 2005 and decreases in 2010, with their trends otherwise marked by clustered volatility. In contrast, the Rule of Law Estimate (RLE) and VAE showed a steady decline from 2003 to 2006 before alternating between upward and downward trends. Total External Debt Outstanding (TEXDO) and Information and Communication Technology (ICT) also display similar trends, characterized by relatively stable patterns.

Table 2:Result of ADF Unit Root Stationarity Test

Variables	ADF at level	ADF at 1st difference	Order of integration
TEXDO	0.738542	-5.051114	**I(1)**
CCE	-3.879164	----------	**I(0)**
PSAV	-1.153787	-5.399248	**I(1)**
RLE	-2.592461	-4.547194	**I(1)**
VAE	-1.508125	-4.250456	**I(1)**
ICT	-1.111104	-4.427477	**I(1)**
ADF Critical value (%) = -3.73			

Source: Authors' own work

Table 2 presents the results of the ADF unit root test for stationarity, conducted with both an intercept and trend. This approach was selected because tests without a trend indicated that the variables were non-stationary. According to the ADF values in Table 2, TEXDO, PSAV, RLE, VAE, and ICT are stationary at the first difference, as their ADF values exceed the cumulative ADF test critical value of -3.73 at the 5 percent significance level. This suggests that the means and variances of these variables, when differenced, are I(1), or integrated of order one. Conversely, the Control of Corruption Estimate (CCE) exhibits no unit roots at the level, indicating that it is stationary at the level. This is supported by an ADF value of -3.879164 for CCE, which is above the critical cutoff value of -3.73 at the 5 percent level, signifying stable means and variances in its original form. These findings indicate that the endogenous variables are integrated of different orders, which is suitable for applying the ARDL model in this study.

Table 3: Result of ARDL Bounds Test of Cointegration

Test Statistic	Value	K
F-statistic	13.15280	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: Authors' own work

Table 3 displays the results of the ARDL Bounds Test for cointegration. The F-statistic of 13.15280 exceeds the upper bound (I1) at the 10%, 5%, and 1% significance levels. This indicates that the variables in the study have a long-term relationship with the dependent variable.

Table 4: Result of Long Run ARDL Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
TEXDO(-1)	0.919510	0.094796	9.699868	0.0000
CCE	-0.543851	0.228237	-0.217050	0.8321
PSAV	0.397684	0.013191	0.441689	0.6673
RLE	0.065159	0.821289	0.551816	0.5921
VAE	-0.385550	0.626193	-2.838291	0.0161
VAE(-1)	0.560566	0.327168	3.370290	0.0062
ICT	0.225412	0.079363	2.840273	0.0161
C	0.750197	0.783449	0.438995	0.6692
R-squared	0.990593	Mean dependent var	4770.763	
Adjusted R-squared	0.984607	S.D. dependent var	5582.395	

Source: Authors' own work

The long-run ARDL results shown in Table 4 reveal that the Control of Corruption Estimate (CCE) negatively impacts public debt, as measured by Total External Debt Outstanding (TEXDO). Specifically, a percentage increase in CCE is associated with approximately a 54 percent reduction in TEXDO, reflecting the expected negative impact. According to theory, an increase in CCE should reduce public debt. This result aligns with the findings of Beyene (2024), who noted a substantial negative effect of control of corruption on public debt. Political Stability and Absence of Violence (PSAV) positively affects total external debt outstanding (TEXDO), with a 1% increase in PSAV leading to approximately a 40% rise in TEXDO. Despite this seemingly counterintuitive positive relationship, it might be attributed to ineffective governance that does not implement long-term economic strategies and reforms, potentially hindering improvements in fiscal discipline and debt reduction. This finding is consistent with Aman (2023) but contradicts Assoum and Alinsato (2023), who found a negative impact. The Rule of Law Estimate (RLE) shows a positive but insignificant impact on public debt, with a percentage increase in RLE leading to about a 7 percent rise in public debt in the long run, holding other factors constant. The Voice and Accountability Estimate (VAE) has a negative and significant impact on public debt, but this result is not consistent with Abotsi (2023). A percentage increase in VAE leads to approximately a 39 percent decrease in public debt. Conversely, the lagged VAE (VAE lag -1) has a positive and significant impact, with a one percent increase resulting in about a 56 percent increase in TEXDO. Finally, the

coefficient for Information and Communication Technology (ICT) reveals a positive and significant impact on Nigeria's public debt. A percentage increase in ICT results in about a 23 percent increase in TEXDO.

Table 5:Result of Short Run ARDL Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(TEXDO(-1))	0.506272	0.202317	2.502369	0.0313
D(CCE)	-0.983419	0.015279	-1.499092	0.1647
D(PSAV)	0.775432	0.565219	1.972447	0.0768
D(RLE)	0.522514	0.066366	1.405250	0.1902
D(VAE)	-0.830829	0.915319	-2.595887	0.0267
D(ICT)	0.695095	0.348692	1.993438	0.0742
ECM(-1)	-0.428460	0.179616	-2.385425	0.0383
C	-0.826139	0.272044	-0.885491	0.3967
R-squared	0.789696	Mean dependent var	767.3322	
Adjusted R-squared	0.642483	S.D. dependent var	1609.347	

Source: Authors' own work

The short-term ARDL results presented in Table 5 show that Political Stability and Absence of Violence (PSAV), Rule of Law Estimate (RLE), and Information and Communication Technology (ICT) positively influence public debt in Nigeria, aligning with the findings of Ben and Ben (2019). Conversely, the Control of Corruption Estimate (CCE) and Voice and Accountability Estimate (VAE) negatively affect public debt. The coefficient for CCE indicates a negative but insignificant effect on public debt, with a percentage increase in CCE linked to a 98 percent reduction in public debt, which meets expectations. The results also show that a percentage increase in PSAV results in a significant 78 percent increase in Total External Debt Outstanding (TEXDO), an unexpected finding that may suggest ineffective governance is encouraging borrowing. The RLE coefficient reveals a positive but insignificant effect on public debt, with a percentage change in RLE leading to a short-term increase in public debt of about 52 percent, holding other factors constant at a 5% significance level. In contrast, VAE has a negative impact, with a percentage change in VAE resulting in a short-term decrease of approximately 83 percent in public debt. ICT also positively impacts public debt, with a percentage change in ICT leading to a 70 percent increase in public debt.

The error correction coefficient (ECM) of -0.428460 indicates that about 43 percent of past errors are corrected in the current year. This significant negative ECM supports a stable long-term relationship between public debt and the studied variables. Additionally, an R-squared value of approximately 80 percent suggests that about 80 percent of the variation in public debt is explained by the independent variables.

Table 6: Result of Breusch-Godfrey Serial Correlation LM Test

F-statistic	**0.293029**	**Prob. F(1,13)**	**0.2760**
Obs*R-squared	0.809314	Prob. Chi-Square(1)	0.1786

Source: Authors' own work

We used the Breusch-Godfrey test to check for any serial correlation in the model. The results, presented in Table 6, show that the F-statistic probability value is 0.2760, which is higher than the 5 percent critical value. This means we fail to reject the null hypothesis, suggesting that there is no serial correlation in the model.

Table 7: Result of Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	**0.280946**	**Prob. F(5,14)**	**0.3262**
Obs*R-squared	0.277691	Prob. Chi-Square(5)	0.2801
Scaled explained SS	1.445669	Prob. Chi-Square(5)	0.9193

Source: Authors' own work

Table 7 indicates that the model does not exhibit heteroscedasticity. The F-statistic probability value of 0.2809 is higher than the 5 percent critical value. Therefore, we do not reject the null hypothesis of homoscedasticity, suggesting that the model's variance is consistent and stable.

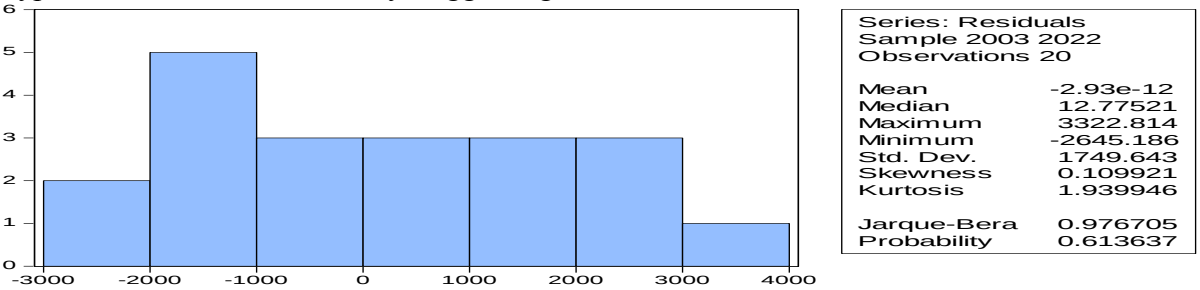


Figure 2: Normality Test
Source: Eviews 9 output

Figure 2 shows that the model follows a normal distribution. This is supported by the Jarque-Bera test result, with a probability value of 0.6136, which is well above the 5 percent significance level.

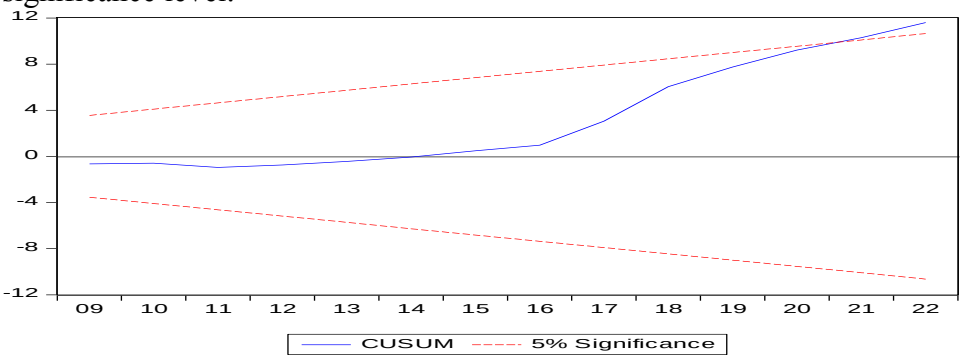


Figure 3: Stability Test
Source: Eviews 9 output

Figure 3 reveals that our model remained stable from 2003 to 2021 but began to show variability after 2021. Throughout this period, the baseline (blue line) stayed within the 5 percent boundaries (red lines). However, starting in 2021, the baseline started to diverge from these boundaries. Given this, we accept the null hypothesis, which suggests that the model was stable.

5. CONCLUSION AND POLICY RECOMMENDATION

5.1. Conclusion

Good governance in Nigeria has been inconsistent and hasn't significantly impacted public debt, largely due to weak corruption control that hampers government effectiveness. The study, which employed the ARDL model, reveals that both the Control of Corruption Estimate (CCE) and the Voice and Accountability Estimate (VAE) have a negative effect on public debt in both the short and long term. This suggests that improving these areas could help lower public debt in Nigeria. Although domestic credit to the private sector and market capitalization show positive but insignificant effects, Information and Communication Technology (ICT) has a notable and significant impact on public debt. This indicates that better Political Stability and Absence of Violence (PSAV), Rule of Law Estimate (RLE), and ICT can enhance public debt

management. Overall, effective governance is crucial for managing public debt, with improvements in corruption control linked to reduced public debt.

5.2 Recommendations

Based on the findings of the study, here are some recommendations:

i. The Nigerian government should address corruption and mismanagement by implementing strong anti-corruption policies and practices. Strengthening the rule of law and ensuring that those involved in corrupt activities are held accountable can reduce the risk of debt misuse.

ii. The Nigerian government should improve transparency and accountability by implementing robust mechanisms for reporting and monitoring public debt. Regularly publishing detailed and accurate reports on debt levels, servicing costs, and future projections will build public trust and provide stakeholders with the information needed to assess debt sustainability.

iii. The government should strengthen legislative oversight by empowering legislative bodies to play a more active role in debt oversight. Ensuring that all major borrowing decisions are subject to parliamentary scrutiny and approval is essential. Legislators should be equipped with the necessary tools and training to effectively review and monitor debt-related activities.

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