Lafia Journal of Economics and Management Sciences: Volume 9, Issue 2; 2024
ISSN: 2550-732X
Published by Department of Economics, Federal University of Lafia, Nigeria

Public Debt, Fiscal Stability and Economic Growth in Nigeria

Osmond N. Okonkwo[1] & Emmanuel I. Ajudua[2]
[1]Department of Economics, Faculty of Social Sciences, Alvan Ikoku Federal University of Education, Owerri.
[2]Department of Economics, Faculty of Social Sciences, National Open University of Nigeria, Abuja.
Corresponding Email: eajudua@noun.edu.ng

Abstract
This study examines Nigeria's public debt and its impact on fiscal stability. It aims to provide insights into how Nigeria can navigate debt challenges for sustainable economic growth while maintaining fiscal stability. The paper reveals Nigeria's significant increase in external debt from 14% to 40% between 2012 and 2022, affecting Nigeria's development agenda. High borrowing costs and a significant portion of public revenue being allocated to debt servicing have led to reduced investments in critical sectors like education, health, and infrastructure. The paper also discusses the concept of debt overhang and its deterrent effect on investment and economic growth. It also discusses the role of fiscal policy in managing public debt and ensuring fiscal stability. The study assesses the sustainability of Nigeria's public debt policy and its contribution to trade deficits. It also investigates the impact of various components of the national debt burden on economic stability. The study recommends optimizing the debt structure, generating revenue beyond oil, improving tax administration, and implementing public financial management reforms. It also emphasizes the need for anti-corruption measures to enhance expenditure efficiency and fiscal discipline.
Keywords: Debt Servicing, Economic Growth, Fiscal Stability, Public Debt, Revenue Diversification
JEL Classification Codes: E60, E62, H63, H68, O11

1. Introduction

Nigeria's public debt has risen by 123% since 2012, reaching $1083.3 billion in 2023. This increase is attributed to factors like the COVID-19 pandemic and the Russia-Ukraine war. The debt composition has also shifted, with external debt increasing from 14% to 40% between 2012 and 2022 (Debt Management Office, [DMO], 2023). High borrowing costs and rising debt affect Nigeria's ability to finance its development agenda, with a significant portion of public revenue allocated for debt servicing. In 2022, an estimated 96% of the federal government's revenue was used for interest payments, leading to reduced investments in key sectors like education, health, and infrastructure (Ekeruche, Folarin, Ihezie, Okon, & Olasode, 2023).

In Nigeria, public debt has significantly influenced the nation's economic framework. Before 2000, the country battled a hefty foreign debt load, obstructing its efforts to rejuvenate its economy and reduce poverty. The absence of credit support placed Nigerian importers at a competitive disadvantage, undermining investments, expansion, and job creation prospects. Moreover, failure to meet debt service obligations not only limited access to fresh borrowing but also complicated attempts to secure debt relief, thereby inflating interest expenses and penalties. Adept management of debts must be practiced to guarantee that these financial liabilities foster sustainable economic growth by yielding returns higher than the costs associated with their servicing. The complex link among indebtedness, economic growth, and developmental paces stresses the need for a carefully considered strategy toward managing Nigeria's debts in harmony with its wider aspirations towards fiscal stability and enduring development (Adepoju, Salau, & Obayelu 2007; Greyl, Ojo, Certomà, Greco, & Ogbara, 2013).

Nigeria, hitherto one of the biggest economies in sub-Saharan Africa, has been thrown into a severe recession exacerbated by the crashing of oil prices from July 2014 and its hydrocarbon production. This, combined with the economic lockdown and industrial output contraction brought about by the current global COVID-19 pandemic, has had a devastating impact. The dwindling foreign exchange has put immense pressure on the local currency, the Naira, leading to consistent devaluation and depreciation of the exchange rate. The once revered national currency, which was valued at around N162 to $1 in July 2014, has now reached a high of N1,400 to $1. The collapsed oil revenues have resulted in colossal budget deficits, which are being financed through borrowing. If not carefully planned, this could lead to a heavy debt overhang in the near future, further inhibiting economic growth and development (Kolawole, 2021).

Fiscal stability is crucial for a country's economic health and development. It involves a government's ability to maintain balanced budgets, manage public debt effectively, and ensure sustainable economic growth without excessive borrowing or inflation. Key reasons for fiscal stability include creating a predictable economic environment, enhancing investor confidence, promoting resource allocation, controlling inflation, maintaining price stability, ensuring debt sustainability, funding social programs, reducing poverty and inequality, promoting economic resilience, enhancing credit rating, and promoting efficient public-sector management. It also helps in preventing debt crises and promoting sustainable development. Fiscal stability also enhances international confidence in a country's economic management, leading to better terms in international trade and finance. Therefore, focusing on fiscal stability can create a conducive environment for long-term economic prosperity and improved quality of life for citizens. Implementing sound fiscal policies, diversifying the economy, and improving revenue generation are essential steps towards achieving and maintaining fiscal stability.

Economic stability is considered a fundamental element in the efficient handling of government borrowing, as it forms the basis for both macroeconomic and financial stability. The cooperative effort between managing government loans and policies on currency, as exemplified by Croatia's experience (Raspudić Golomejić, 2007), underscores the essential nature of synchronizing budgetary and economic strategies to reach favourable results. In a similar vein, creating a Fiscal Stability Code in Britain has underscored how vital stringent guidelines are for directing budgetary actions and boosting financial trustworthiness (Emmerson, Frayne, & Love, 2004). Though following these prescriptions might not ensure economic prosperity, they significantly contribute to building assurance in policymaking procedures. Economic equilibrium demands an approach that thoughtfully weighs accurate predictions against potential fiscal planning risks. The need to manage budget overspending amidst escalating debt has prompted this study of public debt and fiscal stability in Nigeria.

This study aims to assess Nigeria's public debt and its impact on fiscal stability, economic growth, and the causes of rising debt. It also examines the sustainability of Nigeria's public debt, its impact on social and economic development, and the effectiveness of government debt management strategies. The study further compares Nigeria's public debt and fiscal stability with other developing countries, identifying lessons learned and successful strategies that could be applied to Nigeria.

2. Current Public Debt Situation and Debt Management in Nigeria

The role of public debt within the fiscal structures of nations, especially those in sub-Saharan Africa such as Nigeria, cannot be understated. Grasping the diverse categories of public debt is critical for managing debts efficiently and achieving economic growth sustainably. As highlighted by (Adepoju *et al.*, 2007), practices in debt management considerably affect economic expansion, with the procurement of foreign funds being particularly pivotal. In Nigeria's case, a historically significant level of foreign debt has negatively impacted its economy by obstructing investment and evolution due to difficulties related to debt servicing. Meanwhile, (Wynne & Mear, 2016) points out the crucial need for government financial reporting to be accountable, which ties directly into the requisite (transparency and supervision) in public debt administration. Delving into both viewpoints reveals the delicate equilibrium necessary for employing indebtedness as an asset for development purposes while adhering to prudent fiscal protocols to uphold stability and endorse advancement. By identifying and comprehending different types of public debt, decision-makers can execute informed strategies that advance sustainable economic betterment in Nigeria.

Public debt, also known as government or sovereign debt, can be categorized based on factors such as the source of borrowing, the nature of the debt instrument, and the duration of the debt. Primary types of public debt include domestic debt, external debt, marketable debt, non-marketable debt, short-term debt, medium-term debt, and long-term debt (Aybarç, 2019). Development debt is borrowed for development projects, budget deficit debt, and other purposes. Bilateral debt is owed to a single foreign government, while multilateral debt is owed to international organizations. Concessional debt is extended on terms more generous than market loans, with low interest rates and long repayment periods. Non-concessional debt is borrowed at market rates, with higher interest rates and shorter repayment terms. Public debt is used to finance various projects and infrastructure, and its duration can vary depending on the source of borrowing, the debt instrument's nature, and the debt's purpose (Arellano, Atkeson, & Wright, 2016).

2.1 Trends in Public Debt

2.1.1 Global Trends in Public Debt

Many countries experienced significant increases in public debt following the 2008 financial crisis, as governments borrowed to stimulate economies and bail out financial institutions. The COVID-19 pandemic led to unprecedented borrowing as countries worldwide implemented stimulus packages to support economies and healthcare systems. Many developing countries have increased their reliance on domestic debt to avoid currency risks associated with external debt. There has been a rise in borrowing from non-traditional lenders, including private creditors and emerging economies like China. Historically low interest rates, particularly in advanced economies, have made borrowing cheaper, encouraging higher levels of public debt (Razinkova, Grynko, Nebaba, Botvinov, & Pryimachenko, 2024).

2.1.2 Trends in Nigeria's Public Debt

In Nigeria, the total public debt is around $100 billion, driven by persistent budget deficits and the need to finance critical infrastructure projects. The mismanagement and imprudence of leaders contributed to the debt levels (Soludo 2003). Encouraged by oil money and the pursuit of development, numerous contracts were given, which subsequently became challenging to fulfill owing to fluctuations in oil revenue. The unrestrained deficit financing aimed at bridging the financial gap and mitigating the effects of declining oil revenue was implemented, resulting in an expanded deficit. The rapid pursuit of development inevitably strained the nation's management resources, with no significant efforts to optimize expenditures. The collapse of the global oil market led to a substantial decline in government finances, prompting the search for alternative funding sources through both domestic and external borrowing (Ajudua & Ugwuoke, 2016).

The debt-to-GDP ratio has increased, reaching approximately 30-35%, prompting considerable concerns given Nigeria's revenue constraints and economic challenges. External debt components include multilateral institutions, bilateral agreements, and international capital markets. Oil price volatility, the COVID-19 pandemic, and high debt servicing costs limit funds available for development and social services. Government measures and strategies include economic diversification efforts, improved revenue collection, and debt management strategies. The rising debt levels pose significant risks, particularly for countries with limited revenue bases and economic vulnerabilities like Nigeria. Effective debt management, economic diversification, and prudent fiscal policies are essential to ensure long-term fiscal stability and sustainable development (Adegbie, Otitolaiye, Aguguom, & Ajayi, 2022).

2.1.3 Debt Sustainability and Risk Analysis

The debt-to-GDP ratio is a crucial indicator of a country's fiscal well-being, representing the ratio of a country's public debt to its gross domestic product (GDP). It helps understand a country's ability to repay its debt and is a critical measure of fiscal sustainability. Global trends show that the post-2008 financial crisis, the COVID-19 pandemic, advanced economies, emerging markets, and stabilization efforts have all contributed to increased debt levels (Onyele, Ikwuagwu, & Opara, 2023).

Nigeria's debt-to-GDP ratio was relatively high in the early 2000s, leading to debt relief through the Paris Club in 2005. However, Nigeria's debt-to-GDP ratio remained relatively low for several years as the government maintained a cautious borrowing stance. Over the past decade, Nigeria's debt-to-GDP ratio has been on a gradual upward trajectory, with a current ratio of approximately 37-40% as of 2023. Factors influencing the debt-to-GDP ratio include economic growth, fiscal policies, budget deficits, revenue mobilization, external factors like exchange rates, and global economic conditions. A higher GDP growth rate can help stabilize or reduce the ratio by increasing the denominator (GDP), while low or negative growth rates can worsen it. Fiscal consolidation, revenue enhancement, economic diversification, and debt management strategies are essential for managing the debt-to-GDP ratio (Onyele & Nwadike, 2021).

Expenditure efficiency, revenue enhancement, and economic diversification are critical for improving the efficiency of public expenditure, promoting economic growth and fiscal sustainability. Economic diversification can help reduce dependency on oil revenues, promote growth in other sectors, and balance domestic and external borrowing to manage risks associated with exchange rates and interest rates. Debt restructuring and negotiations can also improve debt terms and reduce the burden of debt servicing (Osam, Okolie, & Ezeamama, 2022). Monitoring and managing the debt-to-GDP ratio is crucial for maintaining fiscal health and economic stability. For Nigeria, the key lies in enhancing revenue generation, improving expenditure efficiency, and diversifying the economy to reduce reliance on oil revenues. Effective debt management strategies and prudent fiscal policies are essential to ensure sustainable debt levels and promote long-term economic growth.

2.1.4 Risk Factors and Mitigation Strategies

The management of public debt is a critical aspect of maintaining fiscal stability and sustainable economic growth. Key risk factors associated with public debt include revenue volatility, which is influenced by the country's dependence on oil exports, a narrow tax base, and low tax compliance rates. Exchange rate risk is also a concern, as a significant portion of Nigeria's debt is denominated in foreign currencies, increasing the cost of servicing external debt. Import-export imbalances and high domestic interest rates can exacerbate these pressures (Fourie & Blom, 2022). Interest rate risk is another concern, as rising interest rates increase the cost of borrowing and debt servicing, crowding out private sector investment. High debt servicing burden limits fiscal space for development expenditures, and a large proportion of short-term debt increases refinancing risks and liquidity pressures. Economic growth risks include slow growth, weak economic growth, and structural challenges such as infrastructural deficits, unemployment, and poor diversification (Isin, 2018).

To mitigate these risks, Nigeria should focus on enhancing revenue generation, improving tax administration, effective debt management, exchange rate management, fiscal policy reforms, economic diversification and growth, risk mitigation in financial markets, strengthening institutions and governance, and implementing anti-corruption measures. By addressing these risk factors through comprehensive and targeted mitigation strategies, Nigeria can build a more resilient and prosperous economy (Fourie & Blom, 2022).

Effective management of public debt and associated risks requires a multi-faceted approach involving revenue diversification, prudent fiscal policies, efficient debt management, and robust economic growth strategies. For Nigeria, addressing these risk factors through comprehensive and targeted mitigation strategies will be essential to ensure fiscal stability and sustainable economic development. By enhancing revenue generation, optimizing debt management, and promoting economic diversification, Nigeria can mitigate risks and build a more resilient and prosperous economy (Georgescu, 2014).

2.2 Fiscal Policy and Government Revenue

Nigeria's taxation policies are crucial for its fiscal health and economic development. The country has evolved its tax structure to address revenue generation, economic diversification, and fiscal stability. Key aspects of Nigeria's taxation policies include direct taxes such as Personal Income Tax (PIT), Corporate Income Tax (CIT), Capital Gains Tax, Value Added Tax (VAT), Customs and Excise Duties, Stamp Duties, Education Tax, and Petroleum Profits Tax (PPT) (Okonkwo, 2018). Nigeria has introduced annual Finance Acts since 2019, updating tax laws, improving administration, and aligning with global best practices. These acts have brought changes such as increased VAT, tax incentives for SMEs, and adjustments to the CIT rate. Tax incentives and reliefs include the Pioneer Status Incentive (PSI), sector-specific incentives, and tax credits.

The country has also introduced rules to tax digital transactions and services provided by non-resident companies with a significant economic presence in Nigeria. The Federal Inland Revenue Service (FIRS) is responsible for the administration and collection of federal taxes and has been instrumental in implementing tax reforms and improving compliance. It has adopted various technological solutions, such as the Integrated Tax Administration System (ITAS), to enhance efficiency and taxpayer services (Dibia & Onwuchekwa, 2019). State Internal Revenue Services (SIRS) each state has its own tax authority responsible for collecting state taxes, including personal income taxes (for residents) and other local levies. Businesses often face challenges due to overlapping tax jurisdictions and multiple taxes from federal, state, and local governments.

Challenges and opportunities in Nigeria's taxation policies include low tax revenue, an informal economy, tax evasion and avoidance, and broadening the tax base. Efforts to include more taxpayers in the formal tax system, particularly from the informal sector, can significantly boost revenue. Improved enforcement and taxpayer education can improve compliance rates, and continued investment in digital tax administration tools can streamline processes and reduce administrative costs (Anyaduba & Otulugbu, 2019).

Nigeria's taxation policies are pivotal in shaping its fiscal landscape and economic development. Ongoing reforms, such as the annual Finance Acts and technological advancements in tax administration, aim to address revenue challenges and improve efficiency. However, tackling issues like low tax revenue, informal sector integration, and tax compliance remains critical. By broadening the tax base, enhancing compliance, and leveraging technology, Nigeria can strengthen its tax system, providing a robust foundation for sustainable economic growth and development (Chigbu & Njoku, 2015).

2.3 Long-term Fiscal Stability Measures

To achieve enduring financial steadiness, nations in development must maneuver through the intricate dynamics of local regulations and global obligations. As pointed out in (Mayer, 2009), the realm of policy extends beyond mere trade actions to include vital macroeconomic and exchange-rate strategies essential for realizing developmental goals with efficacy. This highlights the importance of embracing a holistic perspective on fiscal stability that weighs both inward and outward contributing factors. As observed in (Bunescu & Comaniciu, 2010), economic policies differ from one nation to another due to distinct economic conditions and preferences regarding policy.

Gleaning lessons from the fiscal management practices across various countries can provide critical guidance for establishing resilient economic frameworks. Through scrutinizing different national fiscal approaches, like Romania's commitment to budgetary discipline, decision-makers can discern foundational concepts and methodologies conducive to persistent financial equilibrium (Georgescu, 2014). By welcoming such cross-referential knowledge, crafting sound financial directives customized to fit each nation's unique situation becomes achievable, thus promoting sustained fiscal health over time.

2.4 Challenges in Revenue Generation

Generating income poses significant obstacles for state administrations, especially in nations with abundant resources like Nigeria. Kenya's newfound oil and gas reserves (Chakava, 2019) and Nigeria (Adegbie *et al.*, 2022) highlight the crucial need for robust economic policies to maximize revenue acquisition. Challenges like tax adherence, skirting taxes, and dodging them entirely are formidable barriers to generating revenue sustainably. In particular, the petroleum profit tax stands as a critical income source in Nigeria; however, the lack of accountability regarding societal benefits in extraction areas can spur unrest and diminish operational efficacy. Moreover, inadequate tax management alongside frail economic strategies can obstruct financial advancement and hamper overall growth prospects. To tackle these issues effectively, authorities must bolster mechanisms for ensuring greater compliance with taxation laws, uphold substantial reform efforts related to tax enforcement methods, and compel comprehensive transparency when it comes to utilizing revenues generated towards bettering citizen well-being through concrete actions.

2.5 Efficiency in Expenditure Utilization

Efficiency in expenditure utilization is crucial for achieving desired outcomes, improving public services, and promoting economic development. In Nigeria, improving expenditure efficiency can have significant impacts on fiscal stability and overall economic performance. Key strategies for enhancing expenditure efficiency include Public Financial Management (PFM) reforms, such as performance-based budgeting, medium-term Expenditure Framework (MTEF), fiscal responsibility and transparency laws, open and competitive procurement processes, value for money audits, monitoring and evaluation (M&E), data and analytics, human resource management, and sector-specific strategies (Amos & Jibir, 2024).

Performance-based budgeting links resource allocation to specific outcomes and performance indicators, ensuring that funds are directed towards programs that deliver results. Medium-term Expenditure Framework (MTEF) aligns spending with strategic priorities and improves predictability and stability in funding. Fiscal Responsibility Laws enforce fiscal discipline and transparency through open budgeting processes and publishing detailed reports on expenditures.

Public procurement reforms involve competitive bidding, e-procurement systems, regular audits, independent oversight, and data-driven decision making. Data-driven decision making can streamline financial management processes, improve data accuracy, and facilitate real-time monitoring of expenditures. Human resource management involves capacity building, training and development, performance incentives, internal controls, anti-corruption measures, and sector-specific strategies (Baghebo, 2012).

Health financing reforms improve efficiency in healthcare expenditure through better management of health funds, reducing waste, and directing resources to critical areas like primary healthcare. Expanding health insurance schemes can improve access to healthcare and reduce out-of-pocket expenditures for citizens. Investing in teacher training and development improves the quality of education and outcomes for students. Public-Private Partnerships (PPPs) can enhance efficiency in infrastructure development by involving the private sector in financing, constructing, and managing projects (Adegboye & Akinyele, 2022).

Community involvement and social accountability are essential for improving expenditure utilization in Nigeria. Participatory budgeting involves community engagement, allowing citizens to review and verify the use of public funds, and promoting transparency and accountability. By adopting these practices, Nigeria can ensure that public funds are used effectively to achieve desired outcomes, enhance public services, and promote sustainable economic development.

3. Impact of Public Debt on the Nigerian Economy

Public debt can considerably influence a nation's economy, with both beneficial and detrimental outcomes. These effects are contingent on the debt magnitude, the utilization of the borrowed capital, and the prevailing economic conditions (Kur, Abugwu, Abbah, & Anyanwu, 2021). On the positive side, public debt can finance critical infrastructure such as roads, schools, and healthcare systems, stimulating productivity and attracting investments. During economic downturns, fiscal policy plays a pivotal role, as governments borrow to implement stimulus packages that boost aggregate demand, safeguard businesses, and preserve jobs, thereby fostering economic recovery. However, excessive borrowing can crowd out private investment by raising interest rates, which reduces businesses' ability to secure affordable capital. If borrowed funds are misallocated, the economy risks experiencing diminished long-term growth potential (Ogunjimi, 2019).

Fiscal policy which is a compensating mechanism to deal with aggregate demand at full employment level of income (Ajudua & Imoisi, 2018), is directly impacted by public debt levels, as debt servicing obligations constrain a government's capacity to allocate funds to priority areas such as healthcare, education, and infrastructure. High debt can lead to fiscal instability, leaving governments with limited flexibility to respond to economic shocks through counter-cyclical fiscal measures. For instance, rising debt burdens may compel governments to increase taxes or reduce spending, which can stifle economic growth and exacerbate income inequality. Effective fiscal policy entails balancing debt accumulation with sustainable revenue generation and expenditure efficiency to maintain fiscal stability and avoid defaults, which erode investor confidence (Matthew & Mordecai, 2016).

On a broader macroeconomic level, public debt can fuel inflation and exchange rate volatility, particularly when financed through money creation or external borrowing. Inflationary pressures erode purchasing power, while dependence on foreign-denominated loans exposes the economy to exchange rate risks, raising debt servicing costs and straining the balance of payments. Well-structured fiscal policies that prioritize efficient debt utilization, diversification of revenue sources, and improved fiscal discipline are essential to mitigate these challenges. For Nigeria, sustainable economic growth requires prudent fiscal management, leveraging debt for productive investments while ensuring long-term fiscal and macroeconomic stability (Kur *et al.,* 2021; Ogunjimi, 2019).

Excessive repayments can also pressure the balance of payments. Socially, heavy debt servicing reduces funding for essential services like healthcare and education, exacerbating inequality and limiting economic opportunities. Properly managed debt, however, can support development, but Nigeria's challenge remains in ensuring sustainable debt levels through diversification, economic growth, and improved fiscal management with significant efforts having been directed towards formulating and implementing suitable economic goals through various National Development Plans and policies enacted by successive governments. These initiatives aim to drive economic growth and foster sustainable development (Egbulonu & Ajudua, 2017).

4. Implications for Nigeria's Fiscal Stability

Nigeria's fiscal stability is influenced by various factors, including public debt levels, revenue generation, expenditure management, and economic growth. High public debt levels lead to substantial debt servicing costs, which consume a significant portion of government revenues, reducing the fiscal space available for essential public services and development projects (Osam *et al*., 2022). This increases the risk of default, which can lead to loss of investor confidence and higher borrowing costs in the future. Mitigation strategies include effective debt management strategies, balancing domestic and external debt, prioritizing concessional loans, and lengthening the maturity profile of debt (Amos & Jibir, 2024).

Revenue generation is also affected by Nigeria's heavy reliance on oil revenues, making its fiscal stability vulnerable to oil price fluctuations. To mitigate this, revenue diversification, improving tax collection efficiency, and promoting growth in agriculture, manufacturing, and services are crucial. Expenditure management is also affected by inefficient public spending and corruption, leading to wastage and reduced impact on economic growth and development (Kur *et al,* 2021). Mitigation strategies include public financial management reforms, anti-corruption measures, and strengthening anti-corruption measures. Economic growth constraints, such as slow economic growth and high unemployment and poverty, can be mitigated through economic diversification, investment in sectors like agriculture, manufacturing, technology, and services, and infrastructure investment (Onyele *et al.,* 2023).

External factors such as exchange rate fluctuations, global economic conditions, foreign reserves management, and hedging strategies can also impact Nigeria's fiscal stability. Mitigation strategies include building and maintaining adequate foreign exchange reserves, using financial instruments to hedge against currency and interest rate risks, and strengthening institutional capacity and governance (Matthew & Mordecai, 2016). Institutional and governance factors, such as weak institutional capacity and corruption, can undermine fiscal stability by reducing the effectiveness of fiscal policies and public financial management. Mitigation strategies include institutional strengthening, promoting transparency and accountability in government operations and public finances, and strengthening institutions and governance to improve the overall effectiveness of fiscal policies and public financial management (Kur *et al*., 2021).

By implementing these strategies, Nigeria can enhance its fiscal stability, reduce vulnerabilities, and create a more resilient economic environment capable of supporting sustainable development and improved living standards for its population.

5. Conclusion

Nigeria's fiscal stability is a complex issue influenced by public debt levels, revenue generation, expenditure management, economic growth, external factors, and institutional governance. High public debt levels impose significant debt servicing costs, limiting the government's ability to fund essential public services and development projects. To mitigate these risks, effective debt management strategies are necessary, including balancing domestic and external debt, prioritizing concessional loans, and extending the maturity profile of debt. Nigeria's heavy reliance on oil revenues exposes the economy to significant volatility, necessitating diversification of revenue sources and improved tax collection efficiency.

Expenditure management is another critical area, with inefficiencies and corruption in public spending leading to resource wastage and diminished impact on economic growth.

Implementing public financial management reforms, adopting anti-corruption measures, and enhancing transparency are necessary to ensure efficient utilization of public funds. Economic growth constraints, such as slow growth, high unemployment, and poverty, further complicate fiscal stability. External factors, such as exchange rate fluctuations and global economic conditions, also play a significant role in Nigeria's fiscal stability. Strong institutional and governance frameworks are crucial for maintaining fiscal stability. Strengthening institutional capacity, enhancing transparency and accountability, and implementing robust anti-corruption measures will improve the effectiveness of fiscal policies and public financial management.

Nigeria's fiscal stability can be enhanced through a comprehensive set of policy recommendations. These include optimizing debt structure, focusing on securing favourable loans, extending debt maturity profiles, and enhancing debt transparency. Revenue generation can be diversified through tax reforms, focusing on non-oil revenue, and enhancing tax administration through technology adoption and capacity building.

Expenditure management can be improved through performance-based budgeting and a medium-term expenditure framework. Anti-corruption measures can be strengthened, and transparency initiatives can be promoted. Economic growth can be promoted through sectoral development, incentives for private sector investment, and investment in infrastructure through public-private partnerships.

External risk management can be achieved through building and maintaining foreign reserves, strengthening the sovereign wealth fund, and implementing hedging strategies. Institutional and governance reforms can be strengthened through training and development for public officials, improving the efficiency and effectiveness of fiscal institutions, and promoting transparency and accountability.

References

Adegbie, F. F., Otitolaiye, E. D., Aguguom, T. A., & Ajayi, A. (2022). Public debt management and economic growth in Nigeria. *WSEAS Transactions on Business and Economics*, *19*, 1046–1060.

Adegboye, A., & Akinyele, O. D. (2022). Assessing the determinants of government spending efficiency in Africa. *Future Business Journal, 8*(1), 47. https://doi.org/10.1186/s43093-022-00142-8

Adepoju, A. A., Salau, A. S., & Obayelu, A. E. (2007). *The effects of external debt management on sustainable economic growth and development: Lessons from Nigeria*. https://mpra.ub.uni-muenchen.de/id/eprint/2147

Ajudua, E. I., & Imoisi, A. I. (2018). Fiscal policy and manufacturing sector output nexus in Nigeria. *Dutse Journal of Economics and Development Studies, 6*(1), 58-65.

Ajudua, E. I., & Ugwuoke, T. I. (2016). Public debt and Nigerian economy: an empirical review. *AKSU Journal of Management Science, 1*(2), 80 - 90

Amos, A., & Jibir, A. (2024). Government spending efficiency in Nigeria: a comparison of economic sectors from 2010-2022. *African Journal of*

Social and Behavioural Sciences, *14*(1). https://journals.aphriapub.com/index.php/AJSBS/article/view/2538

Anyaduba, J. O., & Otulugbu, P. O. (2019). Taxation and income inequality in Nigeria. *Accounting and Finance Research, 8*(3), 118–135.

Arellano, C., Atkeson, A., & Wright, M. (2016). External and public debt crises. *NBER Macroeconomics Annual*, *30*(1), 191–244. https://doi.org/10.1086/685957

Aybarç, S. (2019). Theory of public debt and current reflections. In *Public economics and finance*. IntechOpen. https://books.google.com/books?hl=en&lr=&id=5B3_DwAAQBAJ&oi=fnd&pg=PA23&dq=Types+of+Public+Debt&ots=q2uwgltN-D&sig=fJCZFyYWCjwL86W-E8ELArhQAZs

Baghebo, M. (2012). Effective utilization of tax revenue in Nigeria. *International Journal of Academic Research in Business and Social Sciences*, *7*(2), 280–289.

Bunescu, L., & Comaniciu, C. (2010). Issues On fiscal policy objectives in Romania after 2000. *Studies in Business and Economics*, *5*(3), 116–129.

Chakava, L. A. (2019). *A Review of the fiscal regime and tax compliance in the oil and gas industry in Kenya*. https://su-plus.strathmore.edu/bitstream/handle/11071/6770/A%20Review%20of%20the%20fiscal%20regime%20and%20tax%20compliance%20in%20the%20oil%20and%20gas%20industry%20in%20Kenya.pdf?sequence=4

Dibia, N. O., & Onwuchekwa, J. C. (2019). Taxation and economic growth in Nigeria. *Accounting and Taxation Review*, *3*(2), 111–119.

Debt Management Office (2023). *Nigeria Public Debt Statistical Bulletin Q2, 2023—Debt Management Office Nigeria*. https://www.dmo.gov.ng/publications/other-publications/nigeria-public-debt-statistical-bulletin/4600-nigeria-public-debt-statistical-bulletin-q2-2023

Egbulonu, K. G., & Ajudua, A. (2017). Determinants of economic growth in Nigeria: A macroeconomic approach. *International Journal of Innovative Finance and Economics Research, 5*(1), 22-33.

Ekeruche, M. A., Folarin, O., Ihezie, E., Okon, A., & Olasode, T. (2023). *Fiscal policy options for growing out of debt: Evidence from Nigeria*. Brookings. https://www.brookings.edu/articles/fiscal-policy-options-for-growing-out-of-debt-evidence-from-nigeria/

Emmerson, C., Frayne, C., & Love, S. (2004). *Updating the UK's code for fiscal stability*. IFS Working Papers. https://www.econstor.eu/handle/10419/71597

Chigbu, E. E., & Njoku, O. C. (2015). Taxation and the Nigerian economy:(1994-2012). *Management Studies and Economic Systems*, *2*(2), 111–128.

Fourie, D. J., & Blom, P. P. (2022). Challenges, strategies and solutions to manage public debt in South Africa. *African Journal of Public Affairs*, *13*(1), 27–53.

Georgescu, G. (2014). Public debt, sovereign risk and sustainable development of Romania. *Procedia Economics and Finance*, *8*, 353–361.

Greyl, L., Ojo, G. U., Certomà, C., Greco, L., & Ogbara, N. (2013). Digging deep the oil world: Corporate liability and environmental justice strategies. *EJOLT Report*, *9*, 1–73.

Isin, A. A. (2018). Tax avoidance and cost of debt: The case for loan-specific risk mitigation and public debt financing. *Journal of Corporate Finance*, *49*, 344–378.

Kolawole, B. O. (2021). Fiscal stability and macroeconomic environment in Nigeria: A further assessment. *Theory, Methodology, Practice-Review of Business and Management*, *17*(02), 53–66.

Kur, K. K., Abugwu, C. O., Abbah, C. S., & Anyanwu, O. (2021). Public debt and economic growth: What we know today about the Nigerian economy tomorrow. *African Social Science and Humanities Journal*, *2*(4), 192–206.

Matthew, A., & Mordecai, B. D. (2016). The impact of public debt on economic development of Nigeria. *Asian Research Journal of Arts & Social Sciences*, *1*(1), 1–16.

Mayer, J. (2009). Policy space: What, for what, and where? *Development Policy Review*, *27*(4), 373–395. https://doi.org/10.1111/j.1467-7679.2009.00452.x

Ogunjimi, J. (2019). The impact of public debt on investment: Evidence from Nigeria. *DBN Journal of Economics & Sustainable Growth*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3466870

Okonkwo, O. N. (2018). Determinants of taxation in Nigeria, 1980-2014. *International Journal of Research in Arts and Social Sciences*, *11*(2), 20–33.

Onyele, K. O., Ikwuagwu, E. B., & Opara, C. C. (2023). Government debt sustainability and investments in Nigeria: Trends and risk thresholds amidst macroeconomic swings. *PanAfrican Journal of Governance and Development (PJGD)*, *4*(1), 18–52.

Onyele, K. O., & Nwadike, E. C. (2021). Impact of national debt burden on economic stability in Nigeria. *Economics and Business*, *35*(1), 91–106. https://doi.org/10.2478/eb-2021-0006

Osam, M., Okolie, P. I. P., & Ezeamama, M. C. (2022). Impact of national debt and cost of governance on Nigeria's GDP: 1999–2021. *European Journal of Finance and Management Sciences, 6*(4), 1-18.

Raspudić Golomejić, Z. (2007). Coordination of public debt management and running monetary policy in Croatia. *Financial Theory and Practice, 31*(2), 153–183.

Razinkova, M., Grynko, T., Nebaba, N., Botvinov, R., & Pryimachenko, D. (2024). *Patterns and trends in research on external public debt management*. https://www.businessperspectives.org/images/pdf/applications/publishing/templates/article/assets/19511/PMF_2024_01_Razinkova.pdf

Wynne, A., & Mear, F. (2016). *Government financial reporting-good practices from sub-Saharan Africa.* https://dora.dmu.ac.uk/bitstream/handle/2086/19182/Government%20Financial%20Reporting%20-%20Good%20Practices%20from%20sub-Saharan.pdf?sequence=1