

## **PUBLIC DEBT, DEBT SERVICING, AND ECONOMIC GROWTH IN NIGERIA**

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### **Abstract**

Nigeria's rising public debt profile has become a central issue in economic policy debates, particularly as debt servicing consumes an increasing share of government revenue. This paper investigates the relationship between public debt, debt servicing, and economic growth in Nigeria from 2014 to 2024. Relying on secondary data from the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), World Bank, and International Monetary Fund (IMF), the study employs descriptive statistics and trend analysis to examine the evolution of debt dynamics and their implications for macroeconomic performance. The findings reveal that Nigeria's total public debt increased from ₦12.1 trillion in 2014 to over ₦97 trillion in 2024, while debt servicing rose disproportionately, often exceeding 90% of government revenue in some fiscal years. Although external borrowing initially supported infrastructure investment, rising servicing costs have constrained fiscal space, reduced capital expenditure, and slowed inclusive growth. The evidence suggests a debt overhang effect, where excessive servicing obligations crowd out productive investment and weaken growth prospects. The paper concludes that while moderate borrowing can stimulate growth, Nigeria's current trajectory is unsustainable without reforms in revenue mobilization, expenditure prioritization, and debt management. It recommends a strategic balance between borrowing and domestic resource mobilization, restructuring high-cost debts, and channeling funds into sectors that generate long-term productivity gains.

**Keywords:** Debt servicing, economic growth, fiscal sustainability, Nigeria, public debt.

### **1.0 Introduction**

Public debt has increasingly become a defining feature of Nigeria's macroeconomic landscape. From ₦12.1 trillion in 2014, Nigeria's debt stock surged to over ₦97 trillion by mid-2024, with debt servicing obligations consuming a disproportionate share of government revenue (CBN, 2024; Debt Management Office [DMO], 2024). This upward trajectory reflects not only increased borrowing to finance fiscal deficits but also the structural vulnerabilities of an oil-dependent economy. Following the global oil price crash of 2014-2016, Nigeria's revenue base contracted sharply, compelling government to rely more on debt to sustain recurrent expenditure and limited capital projects (World Bank, 2020). The COVID-19 pandemic further deepened this reliance, as revenue losses and rising health and social expenditures widened fiscal deficits. Subsequent shocks, including the Russia Ukraine conflict and persistent exchange rate volatility, exacerbated external debt servicing costs.

The sustainability of debt remains central to Nigeria's long-term growth trajectory (Anugwom, 2023). While moderate borrowing can finance infrastructure and catalyze growth, excessive debt servicing crowds out investment in productive sectors, undermines fiscal sustainability, and threatens macroeconomic stability (IMF, 2023). In Nigeria, debt service-to-revenue ratios have frequently exceeded internationally accepted thresholds, with the Federal Government reporting in 2022 that over 90% of its retained revenue was expended on debt servicing (BudgIT, 2023). This situation raises concerns about a debt overhang effect, where rising obligations constrain the fiscal space required for social spending and productive investment (Elkhalfi et al., 2024). The tension between the need for debt-financed growth and the risks of fiscal distress underscores a critical policy dilemma. (Adrian et al., 2024).

The decade under review captures major shifts in Nigeria's debt-growth nexus. The 2014 oil price collapse, exposed the fragility of Nigeria's mono-product economy, while the subsequent recession in 2016 highlighted the dangers of revenue volatility (NBS, 2017). Between 2020 and 2022, the COVID-19 pandemic and Russia Ukraine war imposed external shocks that increased borrowing needs and raised global interest rates, driving up debt servicing costs (AfDB, 2023). At the same time, Nigeria's participation in regional and global initiatives such as the African Continental Free Trade Area (AfCFTA) and debt restructuring programs sought to stimulate economic recovery and integration (Abdulkarim & Salihu, 2025). Yet, the paradox persists: despite unprecedented borrowing, Nigeria's economic growth has remained modest, averaging below 3% per annum, barely above population growth (World Bank, 2023). Existing literature on Nigeria's public debt has largely focused on the relationship between debt accumulation and economic growth in aggregate terms (Ogechukwu & Promise, 2025).

In light of the complex fiscal landscape marked by overlapping global crises, exchange rate instability, and significant fiscal reforms, this paper addresses a critical gap in the existing literature by examining the interactive effect of debt servicing on Nigeria's economic growth within the 2014-2024 timeframe. While broader regional studies often aggregate the experiences of various Sub-Saharan African economies, Nigeria's unique dependence on oil revenues and its rapidly rising debt-servicing obligations necessitate a focused, country-specific analysis. By delving into this specific period, the study aims to provide a clear understanding of the sustainability of Nigeria's borrowing practices and their profound implications for long-term development.

The primary objective of this study is to examine the trends in Nigeria's public debt and debt servicing between 2014 and 2024, assessing their direct relationship with economic growth. Furthermore, it seeks to identify the broader macroeconomic implications of the nation's rising debt burden for fiscal sustainability and, ultimately, to recommend robust policy strategies to ensure that borrowing practices genuinely support inclusive and sustainable growth. This study's findings are significant as they will not only fill the existing literature gap but also provide crucial data and policy insights for policymakers, researchers, and other stakeholders concerned with Nigeria's fiscal future and long-term economic stability.

## **2.0 Conceptual Review**

The relationship between public debt, debt servicing, and economic growth is a central theme in development economics, particularly for nations like Nigeria. Public debt refers to the total financial obligations of a government, accumulated through domestic and external borrowing. This debt is often incurred to finance budget deficits, fund major infrastructure projects, and stimulate economic activity. Debt servicing, on the other hand, is the cost of carrying this debt, comprising both interest payments and principal repayments. These payments represent a direct claim on a country's revenue, reducing the fiscal resources available for essential public services and capital expenditure.

Economic growth, typically measured by the annual change in a country's Gross Domestic Product (GDP), is the ultimate objective. The conceptual link is twofold: public debt can be a catalyst for growth when funds are invested efficiently in productive sectors, but it can also become a constraint on growth when debt servicing obligations become excessive. In an ideal scenario, the returns from debt-financed projects for example a new port or power plant, would generate enough revenue to service the debt and contribute to sustained economic expansion. However, in practice, debt can become a trap if borrowing is used for recurrent expenditure, if projects are inefficiently managed, or if external shocks, like a fall in oil prices or a global

recession reduce a nation's ability to repay its loans. This tension between debt's potential and its risks forms the core of the conceptual debate. The complex relationship between public debt, debt servicing, and economic growth has attracted sustained scholarly attention, particularly in developing economies where fiscal imbalances are persistent. In Nigeria, several recent studies provide compelling evidence of a paradoxical interaction between rising debt obligations and growth outcomes.

Recent empirical studies reveal that the effect of public debt is highly dependent on its type and cost. Ojonye et al. (2024), for example, found that both domestic and external debt exerted a significant negative impact on long-run economic growth, suggesting that the accumulation of debt has become a constraint rather than a driver of development. This finding is supported by Oladele and Ojiekwe (2025), who used an ARDL model to show that while domestic debt could have a positive effect, external debt and rising debt servicing costs were counterproductive, leading to a significant negative relationship with real GDP. Similarly, Udo and Antai (2024) concluded that despite a positive short-run effect, rising debt service obligations created a significant long-run debt overhang that ultimately curtailed Nigeria's growth prospects.

This consensus on the negative long-term impact of debt is further reinforced by evidence that debt is not being effectively channeled into productive investment. Chukwu et al. (2021) examined the link between public debt and public investment and found that debt had an insignificant effect on public investment, implying that borrowed funds are not being effectively channeled into productive capital projects. This finding is echoed by Dzugwahi et al. (2024), who explored the link between debt and infrastructural development and found that debt servicing costs had a significant negative association with capital expenditure. This dynamic highlights how the rising debt burden crowds out crucial public investment and reinforces the argument that debt can stifle long-term development when rising repayment obligations limit the government's capacity to fund essential infrastructure projects.

The macroeconomic implications of this trend are stark. The International Monetary Fund (IMF, 2023) highlighted that Nigeria's debt service-to-revenue ratio was among the highest in Sub-Saharan Africa, a warning that without revenue reforms, fiscal sustainability would be at risk. This challenge is not just the volume of debt, but the critical mismatch between weak revenue mobilization and growing repayment obligations. Civil society reports provide additional insights into the practical consequences. BudgIT (2023) documented that in 2022, about 96% of Nigeria's retained revenue was consumed by debt servicing, leaving minimal fiscal space for capital expenditure. The African Development Bank (AfDB, 2023) echoed these concerns, noting that Nigeria's tax-to-GDP ratio, at below 7%, is among the lowest in Africa, making debt obligations disproportionately heavy compared to regional peers.

Comparative regional studies further underscore Nigeria's predicament. Adedokun (2020), using panel data for West African countries, concluded that while debt had positive effects on short-term stabilization, long-term growth was undermined by the persistent rise in debt servicing costs, especially in countries with weak institutional capacity. These findings resonate with the Nigerian case, where rising obligations increasingly outweigh the developmental value of new borrowings. Similarly, Turman et al. (2024) examined the impact of external debt on Nigeria's economic growth and found a negative impact on growth, also noting that an unfavorable exchange rate significantly influenced debt stock, highlighting how external factors can exacerbate a country's debt challenges.

Taken together, the empirical literature reveals a consistent pattern: moderate debt can support growth when revenues are strong and borrowing is strategically targeted, but excessive debt

servicing erodes fiscal space and undermines long-term development. The evidence points to a trajectory where growing obligations, fragile revenue mobilization, and limited capital investment combine to produce a classic debt overhang scenario. These findings provide strong justification for a study of the 2014-2024 period, as this decade has been characterized by overlapping fiscal crises, rising debt burdens, and modest growth outcomes that require deeper investigation.

To ground this study in established economic principles, it will draw on three key theories that explain the complex relationship between debt and economic performance. The Debt Overhang Hypothesis posits that when a country's debt reaches a level where future repayments are expected to be a significant portion of its future output, it discourages new investment. The theory suggests that potential investors, both domestic and foreign, will be hesitant to commit capital to a country if they believe that a significant portion of the returns from their investments will be used to service existing public debt. This creates a disincentive for investment, thereby reducing the country's long-term growth prospects. In Nigeria's context, the hypothesis is particularly relevant as the country's high debt-service-to-revenue ratio could signal to investors that future revenues are already committed, making new projects less attractive.

Another relevant theory is the Crowding-Out Hypothesis, which explains how government borrowing can negatively impact the private sector. The theory argues that when the government increases its borrowing from the domestic financial market example, by issuing treasury bills, it competes with the private sector for available loanable funds. This increased demand for funds drives up interest rates, making it more expensive for private firms to borrow for investment and expansion. Consequently, government borrowing "crowds out" private investment, slowing economic growth and job creation. In Nigeria, this theory is evidenced by the government's heavy reliance on domestic borrowing, which has been cited as a major reason for the limited credit available to small and medium-sized enterprises (SMEs).

The Solow Growth Model is another important theory that provides a foundational framework for understanding the long-run determinants of economic growth. It posits that growth is a function of capital accumulation, labor force growth, and technological progress. In the context of public debt, this model can be extended to analyze how debt-financed capital accumulation (e.g., building roads, power plants) can increase a country's productive capacity and lead to short-term growth. However, if debt servicing obligations drain resources that could be used for investment in physical and human capital, it can hinder long-term growth and lead the economy to a lower steady-state growth path. Therefore, the model serves as a useful tool for evaluating whether debt contributes to or detracts from sustainable long-term development.

### **3.0 Methodology**

This study adopts a quantitative research design to examine the relationship between public debt, debt servicing, and economic growth in Nigeria over the period 2014 to 2024. A quantitative approach is most appropriate for this investigation as it allows for systematic analysis of macroeconomic indicators, enabling the identification of trends, correlations, and policy implications. The choice of timeframe is deliberate, covering a decade marked by significant fiscal and economic turbulence, including the 2014 oil price crash, the 2016 recession, the COVID-19 pandemic, the Russia-Ukraine war, and Nigeria's participation in regional frameworks such as the African Continental Free Trade Area (AfCFTA). These overlapping events make the period especially relevant for understanding the interplay between rising debt burdens and growth performance.

The study relies exclusively on secondary data drawn from reputable and publicly accessible sources to ensure reliability and transparency. Core data on Nigeria’s public debt stock, debt servicing obligations, and government revenue are obtained from the Debt Management Office (DMO) annual reports and the Central Bank of Nigeria (CBN) statistical bulletins. Macroeconomic indicators such as real Gross Domestic Product (GDP) growth, inflation, and government expenditure patterns are sourced from the National Bureau of Statistics (NBS), while supplementary data on debt sustainability thresholds and international comparisons are taken from the World Bank’s World Development Indicators (WDI), the International Monetary Fund (IMF), and the African Development Bank (AfDB). Using multiple data sources strengthens validity by allowing cross-verification of reported figures.

In terms of analytical techniques, the study employs descriptive statistics and trend analysis to explore the trajectory of public debt, debt servicing, and economic growth across the review period. Trend analysis is applied to illustrate the evolution of these variables, particularly highlighting the relationships between rising debt servicing costs and GDP performance. Graphical tools such as line charts and bar graphs are utilized to visually represent debt and growth dynamics, offering clearer insights into the patterns of fiscal stress and economic response. The analysis also adopts a comparative lens by situating Nigeria’s debt trajectory within broader Sub-Saharan African experiences, drawing upon IMF and AfDB datasets. This comparative element enriches the study by contextualizing Nigeria’s challenges alongside peers facing similar fiscal pressures. For example, differences in tax-to-GDP ratios, external borrowing strategies, and debt servicing efficiency across countries provide useful insights into Nigeria’s unique vulnerabilities.

By combining descriptive statistics, trend analysis, and comparative perspectives, this methodology ensures a robust exploration of Nigeria’s debt-growth nexus. The approach facilitates not only an understanding of how debt and debt servicing have evolved but also provides the analytical basis for interpreting their implications on economic growth and fiscal sustainability.

#### **4.0 Data Presentation, Analysis and Discussion**

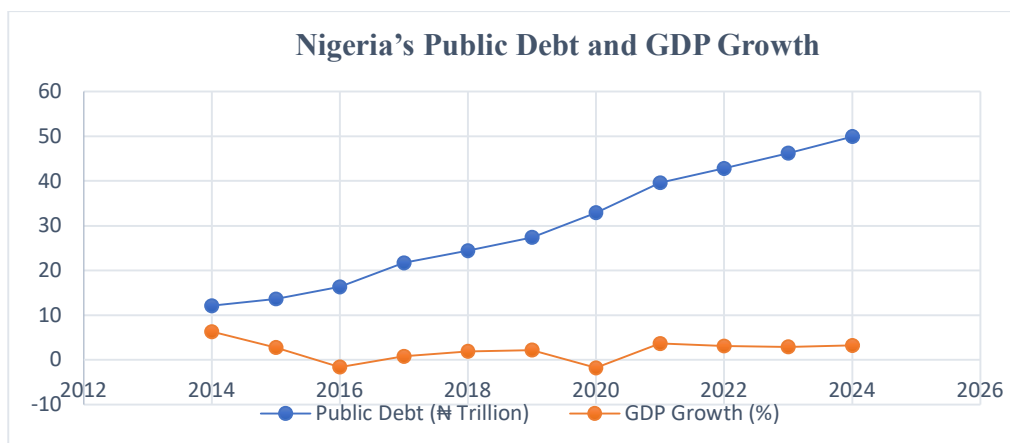
This section presents and interprets Nigeria’s public debt, debt servicing, and economic growth patterns between 2014 and 2024. The analysis is based on descriptive statistics and trend analysis, supported by tables and charts that illustrate the evolution of key fiscal indicators. Together, these visuals provide insight into how Nigeria’s rising debt stock and servicing obligations have shaped macroeconomic performance during a turbulent decade.

**Table 1:**  
***Nigeria’s Public Debt and GDP Growth***

Year	Public Debt (₦ Trillion)	GDP Growth (%)
2014	12.1	6.3
2015	13.6	2.7
2016	16.3	-1.6
2017	21.7	0.8
2018	24.4	1.9
2019	27.4	2.2
2020	32.9	-1.8
2021	39.6	3.6
2022	42.8	3.1
2023	46.2	2.9
2024	49.9	3.2

**Sources:** Author’s Compilation 2025.

The table above shows public debt rises monotonically from ₦12.1trn (2014) to ₦49.9trn (2024), roughly a four-fold increase across the decade. Growth, by contrast, is volatile: the oil-price shock and 2016 recession flip growth negative (-1.6%), COVID-19 brings another contraction in 2020 (-1.8%), and post-pandemic recovery is modest (2.9-3.6%). The juxtaposition suggests debt buildup did not translate into commensurate output gains; instead, growth hovers near population growth, implying limited per-capita improvement. The widening gap between debt and growth after 2019 points to pressure on fiscal space and questions the productivity of marginal borrowing.



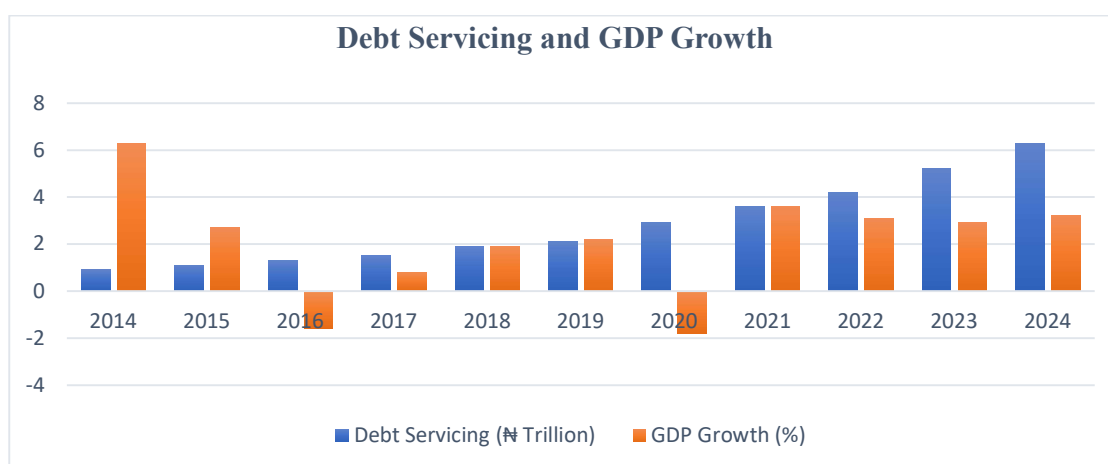
The chart shows a rising debt line with two visible “growth dips” in 2016 and 2020. After 2020, the debt line keeps climbing while the growth line recovers but flattens around ~3%, visually emphasizing divergence between indebtedness and real activity. Debt rising steeply from ₦12.1trn in 2014 to nearly ₦50trn in 2024, while GDP growth oscillates widely. Noticeable dips occur in 2016 (recession, -1.6%) and 2020 (COVID-19, -1.8%), after which growth stabilizes around 3%. The divergence debt climbing while growth stagnates underscores the limited growth yield of Nigeria’s debt accumulation. The divergence between rising debt and stagnant growth, also indicates that the scale of borrowing has not translated into transformative economic expansion. This trend highlights inefficiencies in the utilization of borrowed funds, much of which have been directed toward recurrent expenditure and debt servicing rather than capital formation. The persistence of low growth despite rising debt suggests that Nigeria is experiencing features of a debt overhang, where new borrowings fail to generate the productivity gains required to sustain repayment.

**Table 2- Debt Servicing and GDP Growth**

Year	Debt Servicing (₦ Trillion)	GDP Growth (%)
2014	0.9	6.3
2015	1.1	2.7
2016	1.3	-1.6
2017	1.5	0.8
2018	1.9	1.9
2019	2.1	2.2
2020	2.9	-1.8
2021	3.6	3.6
2022	4.2	3.1
2023	5.2	2.9
2024	6.3	3.2

**Sources:** Author’s Compilation 2025.

Table 2 above, shows debt servicing accelerates from ₦0.9trn (2014) to ₦6.3trn (2024), outpacing the growth of the debt stock itself. Periods of stress (2016, 2020) coincide with weak or negative growth, but the more striking feature is the post-2020 step-up in servicing (₦3.6→₦6.3trn) alongside only tepid growth (2.9-3.6%). This pattern is consistent with a debt-overhang/crowding-out channel: more fiscal resources are pre-committed to interest and amortization, leaving less for capital expenditure and productivity-enhancing outlays. The rising servicing bill therefore helps explain why recovery momentum stalls below 4%.



The chart above shows a steadily climbing servicing bar, juxtaposed with a growth line that dips in 2016 and 2020 and never meaningfully “catches up”. The visual takeaway: servicing costs structurally trend up while growth oscillates in a narrow band. Debt servicing climbs from under ₦1trn in 2014 to over ₦6trn in 2024. Growth collapses in 2016 and 2020 but recovers modestly afterward. The visual shows a structural decoupling: servicing rises relentlessly while growth fluctuates narrowly. This supports the debt-overhang effect where rising obligations crowd out growth-inducing investments.

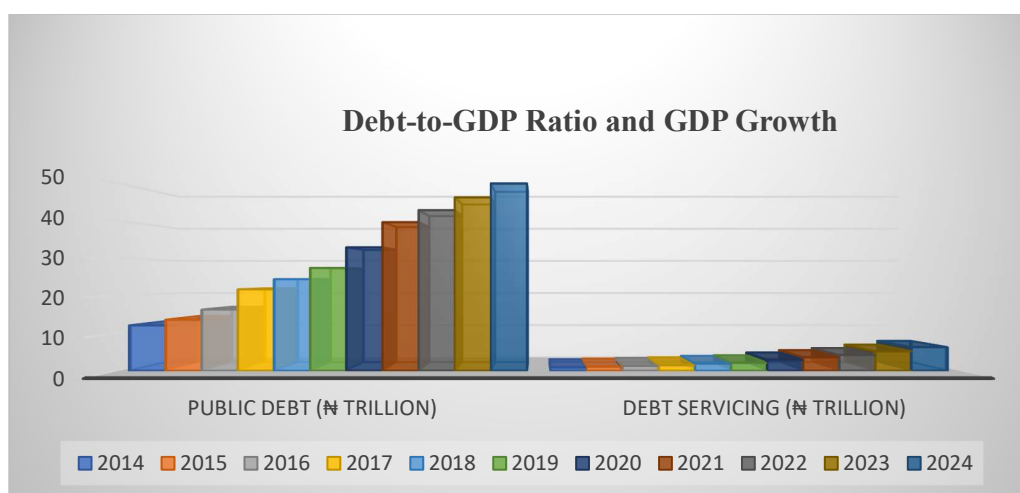
**Table 3:**  
***Debt-to-GDP Ratio and GDP Growth***

Year	Public Debt (₦ Trillion)	Debt Servicing (₦ Trillion)
2014	12.1	0.9
2015	13.6	1.1
2016	16.3	1.3
2017	21.7	1.5
2018	24.4	1.9
2019	27.4	2.1
2020	32.9	2.9
2021	39.6	3.6
2022	42.8	4.2
2023	46.2	5.2
2024	49.9	6.3

**Sources:** Author’s Compilation 2025.

Table 3 above, shows debt-to-GDP climbs from ~12% to ~30%, reflecting both faster debt accumulation and soft nominal output growth during shock years. Growth volatility (2016, 2020 contractions) mechanically lifts the ratio, but the ratio continues edging up even as growth

returns, evidence that borrowing outruns GDP expansion. The macro narrative here is classic: when the denominator (GDP) fails to accelerate, sustainability optics deteriorate even if the absolute ratio remains moderate by international standards. Persistently rising ratios, combined with high servicing, signal increasing vulnerability.

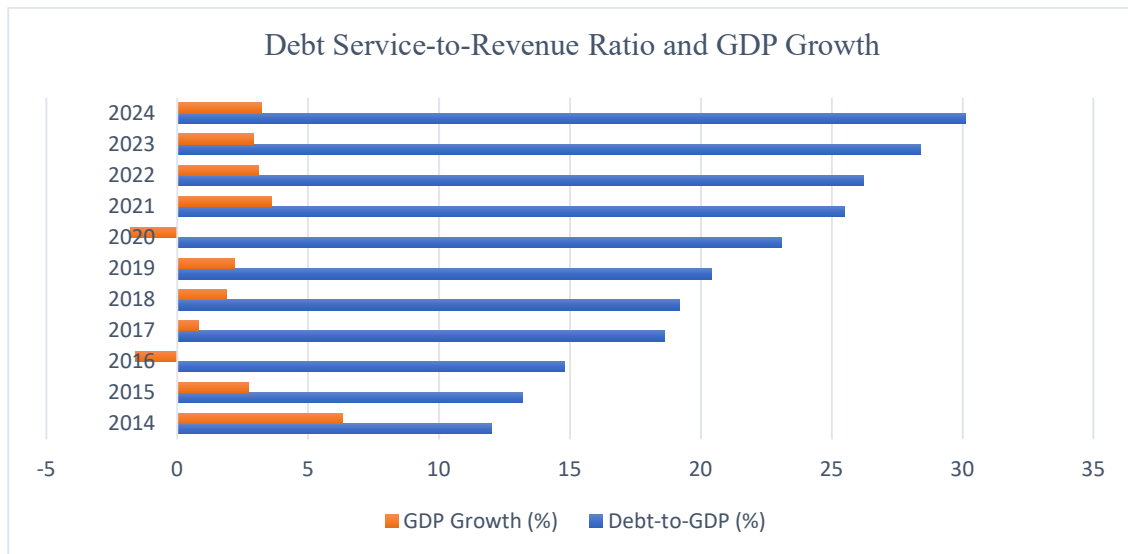


The above bar chart depicts a gently rising debt-to-GDP line stepping up around 2017 and again after 2020, with the growth line dipping where the ratio accelerates. The inverse co-movement at key stress points is visually apparent. Both debt stock and servicing rise, but servicing accelerates faster after 2019, implying worsening debt affordability. Between 2014 and 2024, debt quadruples, while servicing grows more than sixfold. The widening gap in slope signals rising effective borrowing costs and fiscal stress despite moderate stock ratios. This trend reflects the effects of rising interest costs, exchange rate depreciation, and Nigeria’s reliance on shorter-tenor domestic instruments. The implication is that debt sustainability challenges are less about stock ratios and more about the flow burden of servicing. In other words, Nigeria’s debt challenge is primarily a liquidity problem rather than a stock problem, as the ability to service obligations is eroded by narrow revenue generation.

**Table 4:**  
**Debt Service-to-Revenue Ratio and GDP Growth**

Year	Debt-to-GDP (%)	GDP Growth (%)
2014	12.0	6.3
2015	13.2	2.7
2016	14.8	-1.6
2017	18.6	0.8
2018	19.2	1.9
2019	20.4	2.2
2020	23.1	-1.8
2021	25.5	3.6
2022	26.2	3.1
2023	28.4	2.9
2024	30.1	3.2

**Sources:** Author’s Compilation 2025.



Debt-to-GDP climbs from 12% (2014) to 30% (2024), spiking during recession years when growth turns negative. Although ratios remain below international red flags, the persistent upward trajectory combined with weak growth sends a warning: borrowing is outpacing GDP expansion, threatening long-run sustainability. This underscores the fragility of Nigeria’s fiscal strategy: while debt levels appear moderate compared to peers, the limited growth response means sustainability concerns are rising. With growth stagnant near 3% and borrowing escalating, debt-to-GDP ratios risk breaching sustainable levels if current trends persist.

**Table 5:**  
**Debt Service-to-Revenue Ratio and GDP Growth**

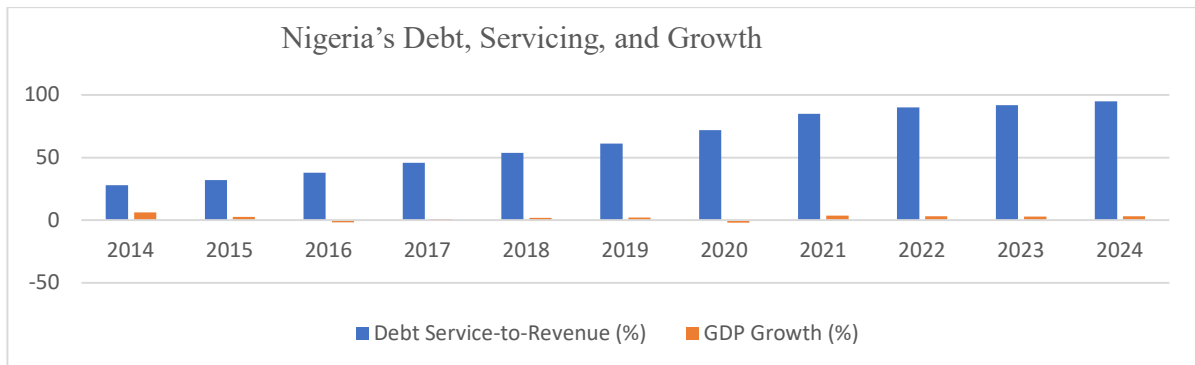
Year	Debt Service-to-Revenue (%)	GDP Growth (%)
2014	28	6.3
2015	32	2.7
2016	38	-1.6
2017	46	0.8
2018	54	1.9
2019	61	2.2
2020	72	-1.8
2021	85	3.6
2022	90	3.1
2023	92	2.9
2024	95	3.2

**Sources:** Author’s Compilation 2025.

This is the most policy-salient ratio: it escalates from 28% (2014) to 95% (2024). Regardless of the absolute debt size, a government that devotes ~9/10 of revenue to servicing has minimal room for capital budgets or social investment. The ratio’s rise through 2021–2024, despite a growth rebound-confirms a revenue constraint (narrow tax base, FX effects on external service, and higher domestic rates). High service-to-revenue levels are consistent with episodes of expenditure compression and under-execution of capital projects, which in turn dampen medium-term growth.

The ratio’s rise through the post-COVID recovery period illustrates that even when growth resumes, Nigeria’s fiscal position remains constrained. Unlike debt-to-GDP, which measures stock, the service-to-revenue ratio captures fiscal liquidity stress directly. It confirms that

Nigeria’s debt sustainability challenge is rooted not only in rising obligations but also in chronically weak revenue mobilization.



The chart above shows a steepening line trending toward the 100% “red zone”, with growth wobbling below it. The visual impression is fiscal space being “eaten up” as the line approaches parity with revenue. The ratio rises sharply from 28% (2014) to 95% (2024). Growth shows no corresponding surge, staying near 3%. The near-100% service-to-revenue ratio indicates that almost all government revenue is consumed by debt obligations, leaving little for capital expenditure. This chart most vividly depicts Nigeria’s fiscal squeeze or let say, Nigeria’s exceptionally narrow revenue base, with tax-to-GDP ratios below 7%-among the lowest globally (AfDB, 2023). The near-100% ratio indicates that virtually all government revenue is absorbed by servicing obligations, leaving little fiscal room for development spending.

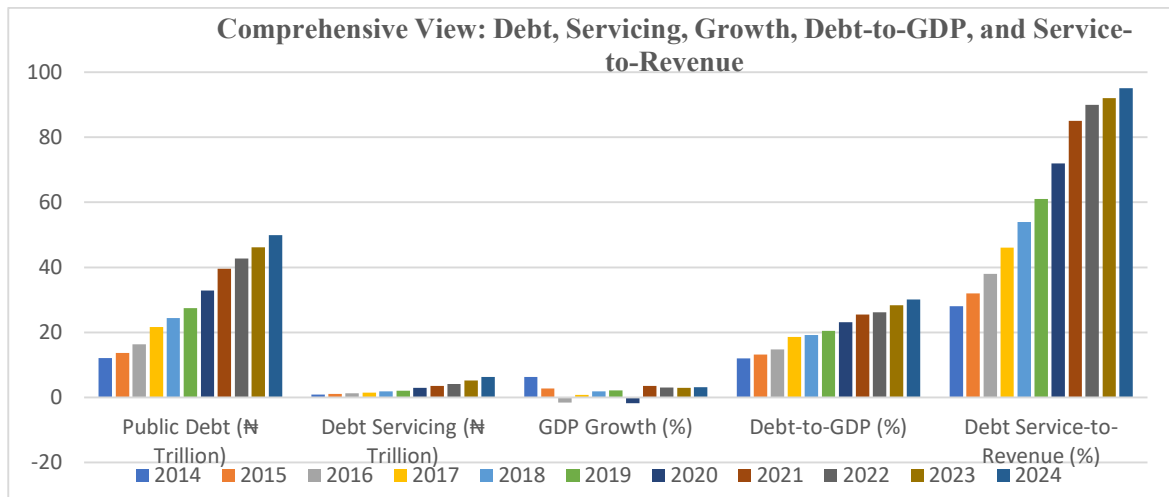
**Table 6:**

***Comprehensive View: Debt, Servicing, Growth, Debt-to-GDP, and Service-to-Revenue***

Year	Public Debt (₦ Trillion)	Debt Servicing (₦ Trillion)	GDP Growth (%)	Debt-to-GDP (%)	Debt Service-to-Revenue (%)
2014	12.1	0.9	6.3	12.0	28
2015	13.6	1.1	2.7	13.2	32
2016	16.3	1.3	-1.6	14.8	38
2017	21.7	1.5	0.8	18.6	46
2018	24.4	1.9	1.9	19.2	54
2019	27.4	2.1	2.2	20.4	61
2020	32.9	2.9	-1.8	23.1	72
2021	39.6	3.6	3.6	25.5	85
2022	42.8	4.2	3.1	26.2	90
2023	46.2	5.2	2.9	28.4	92
2024	49.9	6.3	3.2	30.1	95

**Sources:** Author’s Compilation 2025.

Table 6 above shows a Comprehensive View: Debt, Servicing, Growth, Debt-to-GDP, and Service-to-Revenue (2014-2024) Both series trend upward, but the slope of servicing steepens notably after 2019, implying rising effective carrying costs (rate/mix effects, FX pass-through, and shorter-tenor domestic paper). The debt stock increases by ~3.7x (₦12.1→₦49.9trn), while servicing increases by ~7x (₦0.9→₦6.3trn). This divergence indicates deteriorating debt affordability: each additional naira of debt is associated with a larger servicing burden than earlier in the period. Without revenue deepening or refinancing into cheaper/longer-tenor instruments, this trajectory compresses discretionary spending and heightens rollover risk.



Viewed jointly, three messages emerge. First, scale: debt and servicing both rise materially, but servicing rises faster, compressing fiscal flexibility. Second, efficiency: growth fails to accelerate with debt accumulation, implying weak transformation of liabilities into productive assets, likely due to a high share of recurrent uses, rising interest costs, and lags in project execution. Third, sustainability: ratios worsen on both stock (debt-to-GDP) and flow (service-to-revenue) metrics, pointing to mounting vulnerability even as the economy exits recessionary episodes. Policy levers that follow logically include domestic revenue mobilization (to repair the denominator of the service-to-revenue ratio), reprofiling/refinancing to lower effective rates and extend duration, tighter project selection (to raise the growth yield of borrowing), and FX/liability-mix management to reduce pass-through from exchange shocks.

This composite view shows the simultaneous trajectories: debt and servicing rising steeply, debt-to-GDP ratios edging upward, and service-to-revenue ratios climbing dangerously close to 100%, all while GDP growth lingers below 4%. The chart encapsulates Nigeria’s debt dilemma: higher liabilities without proportional economic transformation, validating concerns of a debt overhang and crowding-out of growth.

### 5.0 Summary, Conclusion and Recommendations

This study investigated the nexus between public debt, debt servicing, and economic growth in Nigeria over the period 2014-2024. Using descriptive statistics and trend analysis, the results reveal several consistent patterns. First, Nigeria’s public debt stock increased steadily from ₦12.1 trillion in 2014 to nearly ₦50 trillion in 2024, reflecting persistent fiscal deficits and heavy reliance on borrowing. Second, debt servicing obligations rose more steeply than the debt stock itself, expanding from under ₦1 trillion in 2014 to over ₦6 trillion by 2024. Third, economic growth during the same period remained volatile and subdued, averaging below 3%, with sharp contractions in 2016 and 2020 due to the oil price crash and COVID-19 pandemic. Fourth, debt-to-GDP ratios rose gradually from 12% to 30%, while debt service-to-revenue ratios escalated dangerously from 28% to 95%, highlighting Nigeria’s fiscal vulnerability.

In conclusion the evidence suggests that Nigeria’s debt accumulation has not translated into significant growth-enhancing outcomes. Instead, rising debt servicing has crowded out capital expenditure, reduced fiscal space, and constrained long-term investment in productive sectors. The findings align with the debt overhang hypothesis, which posits that excessive obligations dampen investment incentives, and the crowding-out theory, which highlights how domestic borrowing restricts private sector credit access. While Keynesian theory acknowledges the

potential growth benefits of debt-financed expenditure, Nigeria's case illustrates that such benefits are limited when borrowed funds are disproportionately allocated to recurrent spending and servicing obligations. The overall conclusion is that Nigeria is caught in a debt sustainability dilemma: borrowing is necessary to bridge fiscal gaps, but the scale and structure of repayment obligations undermine the very growth that borrowing is meant to sustain.

In light of these findings, several policy recommendations are proposed to restore fiscal sustainability and ensure that debt supports inclusive growth:

1. **Enhance Domestic Revenue Mobilization:** Nigeria must expand its tax base by reforming tax administration, reducing leakages, and diversifying revenue sources beyond oil. Raising the tax-to-GDP ratio to levels closer to African peers (15–20%) would significantly reduce dependence on debt and improve the debt service-to-revenue ratio.
2. **Reprofile and Restructure Debt:** Government should actively renegotiate high-cost short-term domestic borrowings into longer-tenor, lower-interest instruments to ease liquidity pressures. External debt restructuring may also be explored where feasible, especially for expensive Eurobonds.
3. **Prioritize Productive Borrowing:** New borrowings should be strictly tied to capital projects with clear growth and revenue multipliers, such as infrastructure, energy, and agriculture. Stronger monitoring frameworks are required to ensure borrowed funds are not diverted to recurrent consumption.
4. **Expenditure Rationalization:** Government must cut wasteful recurrent expenditure, reduce administrative overheads, and channel savings toward critical capital investments. This would improve the growth yield of borrowing and enhance long-term sustainability.
5. **Strengthen Debt Management Institutions:** The Debt Management Office (DMO) and fiscal authorities should enhance transparency, publish comprehensive debt sustainability analyses, and enforce strict borrowing limits aligned with Nigeria's revenue capacity.
6. **Promote Private Sector Participation:** Reducing domestic borrowing pressures requires creating conditions for private sector-led investment in infrastructure through public-private partnerships (PPPs). This would allow government to leverage private finance while preserving fiscal space.
7. **Macroeconomic Reforms:** Exchange rate stabilization, energy sector reforms, and policies that attract foreign investment are necessary to boost growth and broaden the fiscal base. Without parallel reforms, debt management alone will not resolve the sustainability challenge.

Nigeria's debt trajectory between 2014 and 2024 reflects a critical inflection point in its development journey. While debt can remain a legitimate tool for financing development, its growth-inducing potential is undermined when servicing obligations overwhelm fiscal resources. Unless urgent reforms are undertaken to expand revenue, restructure debt, and improve the efficiency of public spending, Nigeria risks perpetuating a cycle of rising obligations, weak growth, and fiscal fragility. A deliberate rebalancing toward sustainable borrowing and productive investment is essential for breaking this cycle and securing long-term economic resilience.

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