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# Public Debt Management and Economic Growth: A Comparative Analysis of Pre-Covid 19 and Post-Covid 19 Pandemic

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***Abstract***
*This study examine the comparative analysis of pre-COVID-19 and Post COVID -19 debt management on gross domestic product using external debt and servicing debt in Nigeria. Using data set from 2016-2021, the study adopted E x Post Facto research design. Data were extracted from Central Bank of Nigeria (CBN) Statistical Bulletin and World Bank Statistical Bulletin. The inferential statistics of the data was conducted with regression analysis via SPSS statistical software. Based on the result shows that pre COVID-19 pandemic characterized with higher economic growth, debt servicing and debt borrowing when compared with the situation after the pandemic in Nigeria. In addition, the study suggested that the government should restructure and consolidate discretionary spending to free up resources to fund the economic impact related to productivity.*

***Keywords:*** *Debt management, External debt, Servicing debt and Gross domestic product*

## 1.0 INTRODUCTION

Foreign borrowing is generally contracted to gain primary macroeconomic objectives. These consist of boom in funding or intake in addition to financing transient stability of payment deficit (Akinwunmi & Adekoya, 2018). As an end result economic system indulges in outside borrowing to boost up financial improvement and bridge the gap among country wide sales and expenditure. Foreign borrowing ends in boom in increase fees of employment and earnings, technological development through the development in home funding and earnings thereby main to higher intake and financial savings levels. This will therefore ends in boom in export and imports (Onikosi-Alliyu, Mustapha, Yusuf & Shuaib, 2022).

Today it is impossible to find a country that can function without going into debt. Thus, the use of public credit can be explained by the lack of government funds necessary to cover deficits in the balance of payments and the state budget, to finance programs and projects, to maintain the stability of the national monetary unit, etc. Therefore, the effective use of Credit will become a positive factor for economic development. At the same time, however, an excessive and uncontrolled increase in public debt can impair economic independence and become a burden on the national economy (Zhuravka, Filatova, Šuleř & Wołowiec, 2021). However, financing economic development through foreign loans imposes an immediate obligation to pay interest, which must be paid in foreign currency (Onikosi-Alliyu, 2015).

In order to meet this responsibility or contractual obligation to service the foreign debt, external credit must be able to generate additional foreign exchange through investments.
Hence, immoderate overseas loans or borrowing for irrelevant recurrent functions will generate debt provider obligations in order to constrain destiny monetary coverage in addition to monetary growth (World Bank, 2020).

Nigeria being an oil-structured economy, one of the direct effects or impact of COVID-19 is the discount in federal authorities sales through its effect on oil charges. Oil charges fell via way of means of forty five percentage to round USD 30 in step with barrel internal the first region of 2020 (Akanni & Gabriel, 2020). Another thing contributing to chronic drop in global oil and fueloline charges at some point of covid-19 pandemic became the pointy drop in international oil and fueloline consumption, which owned to the fact that important manufacturing and production sports internal the world's important commercial capitals got here to a halt because of the coronavirus pandemic, with the ensuing monetary implications at the increase.

There has been a raging debate regarding Nigeria's growing debt profile. Some humans accept as true with that as lengthy because the debt is being judiciously utilized, it'll result in the usual benefits. However, it's far in opposition to the view of others who put up that the current borrowing ought to be controlled; the creditor nations amongst which China is maximum stated shall take over important assets, thereby ensuing in monetary colonization (Aiyedogbon, Zhuravka, Korneyev, Banchuk-Petrosova & Kravchenko, 2022). This state of affairs is presently going on in Uganda, in which the country's handiest important airport is at the verge of being taken over via way of means of the Chinese. The virus has accounted for tens of thousands and thousands of showed instances globally, in addition to deaths (WHO, 2020). To cut down the unfold of this virus, excessive measures which includes compulsory lockdown and border closure had been launched into via way of means of the entire world (Ibn-Mohammeda, 2020).
Furthermore, coronavirus disease 2019 (COVID-19) is a newly identified virus that first appeared at a food market in Wuhan, China, in late 2019. The new virus is spreading rapidly

around the world, which has been confirmed to be increasing in cases and death rates every day as it is easily transmitted through airborne and human interaction. The emergence of COVID-19 coupled with the decline in oil prices limited the country's fiscal challenges with significant revenue shortfalls and COVID-19 related expenses. These measures have consequently disrupted economic activity around the world. Therefore, the public health challenges posed by COVID-19 are turning into a crucial economic crisis in a very short time. This study therefore assesses the impact of public debt management (external debt and debt servicing) on economic growth amid the COVID-19 pandemic in Nigeria.

## 2.0 LITERATURE REVIEW

### Debt Management

Debt control is the status quo of the situations for the problem and redemption of public securities. It includes the method of administering the national debt that is, supplying for the fee of hobby and arranging the reinforcing of adulthood bond. Once a debt is raised, it turns into contractually compulsory for the fee in their pursuits and capital as at while due (Onaolapo & Kayode, 2015). The manner those money owed are controlled have plenty of implications for authorities sales and expenditure because the debt and their hobby might ought to be repaid from modern-day authorities sales or through issuance of recent debt contraptions. Unless new debt contraptions are issued, the on the spot impact of debt control is that the greater the share of modern-day profits set apart to pay off and carrier money owed, the much less may be the quantity that might be to be had to satisfy modern-day budgetary responsibilities and vice versa. Debt control is consequently a coverage due to the outcomes on profits that might in any other case be to be had to satisfy modern-day financial responsibilities (Afolabi, 1999).

Indebted as a result of the divergence between government spending and government spending and government revenue, when government spending exceeds revenue, the differences must be covered by creating debt. According to Onaolapo and Kayode (2015), indebtedness can be internal and external. Domestic debt occurs when the government borrows money within the domestic economy, and external debt also occurs when the government borrows money outside the domestic economy. The debt overhang phenomenon occurs when significant resources are used to service debt so that economic growth is stifled. It becomes such a tax on national production that the amount spent hampers significant economic growth activities as it reduces the resources available to the government to implement pro-growth economic policies (Nwannebuike, Ugwu & Onwuka, 2016).

According to the World Bank (2020), debt is of paramount importance for developing economies, which are always burdened with resource constraints. The alternative is to borrow to accelerate investment and capital formation, as domestic savings and foreign exchange earnings needed to fund investment in the local economy are often scarce. Debt is therefore inevitable for most economies, but it will only be useful if it is wisely spent for the purpose for which it was originally classified (Nwadike, 2021).

Ohwofasa et al. (2012) post that the genesis of the debt crises in Nigeria commenced in early 1980 whilst authority's sales commenced to dwindle because of volatility in costs of crude oil at the worldwide market. The fall in authority's sales affected the execution of improvement projects prompting the authorities to seek deficit budget financing, in particular from outside assets to debt accumulation. The International Commercial Banks's willingness to furnish loans to growing nations performing below the pretext of assisting to foster monetary improvement pressure compounded the debt hassle in Nigeria (Aiyedogbon et al, 2022). Undoubtedly, the non-stop rise in borrowings has negatively affected improvement packages in Nigeria as servicing the money owed consumes a quantum of the overseas exchange income with a concomitant effect on internet overseas reserves this is grossly insufficient to finance improvement projects.

## 2.1 External debt

External debt is non-heritable to supplement domestic saving so as to extend investment, to bridge the gap between government expenditure and government financial gain. The macroeconomic argument against capital flight is that it perverse exportation if domestic savings and interchange that's scarce in low income countries and has the consequence of minding growth (Ajayi & Khan, 2000). it's typically believed that the personal sector shifts its fund abroad. The linkage between capital flight and external debt is the debt overhand argument, that states that giant debt discourages domestic investment (Ajayi & khan, 2000).

Moreover, provided the expansion rate of real (or nominal) gross domestic product is bigger than the important (or nominal) rate of interest on debt and as long the productivity of borrowed resources is a minimum of up to the interest modified on the debt, then external debt is in step with economic process (Iyoha, 2000). To realize economic growth, domestic savings ought to be supplemented by many varieties of external help that foreign borrowing is a vital one. The mechanisms through which external debts have an effect on economic growth is investment (Onah, 1994). Investment behaviour is adversely littered with debt sexual union particularly in indebted economics. The debt burden will depress investments and have economic process through illiquidity and rational motive effects (Onaolapo & Kayode, 2015)

## 2.2 Debt Servicing

Chinaemerem and Anayochukwu, (2013) described debt servicing as the everyday price of installments of loans taken via way of means of a rustic from home and outside sources. For servicing debt, a rustic or company organization ought to have the ones timely coins flow. If a rustic is not able to honor its debt provider duties within side the absence of required funds. This variable is predicted to be inversely associated with financial increase provision. This is due to the fact that the better the quantity of cash required to provider current home and overseas debts, the lesser might be the quantity of fund to be had for provision of qualitative and quantitative financial increase. Debt servicing is described via way of means of Adesola, (2009) because the coins this is required for a specific term to cowl the repayment of hobby and important on a debt. He similarly referred to that debt servicing consequences to acute decline within side the general of dwelling, gross social and financial overhead depreciation, excessive outside dependence, foreign money depreciation, and stability of price disequilibria, alternate charge depreciation and growing inflationary charge.

Several research have led to examine an impact on of debt provider on financial increase and feature suggested that debt provider has a bad effect on financial increase (Audu, 2004; Villanueva et al. 2006; Ogunmuyiwa, 2011; Malik, Hayat. & Hayat, 2010; Muhammed and Ahmed, 2005). It has additionally been tested that general effective maintenance (which include system, equipment, processes, and employees) has a wonderful courting with commercial enterprise economic performance (Banker et al. 2014). However, opposite research are implementing courting among debt provider and financial increase (Adesola 2009; Malik et al, 2010; Shabbir, 2009; Chinaemerem and Anayochukwu, 2013; Benedict, Rina & Toan,2013). There also are researchers choosing an impartial stance when it involves the connection among financial increase and debt provider (Muhammed & Hammed, 2005; Audu. 2004; Nazifi, 2014). Debt offerings via way of means of the government are argued to generate favorable consequences for the use via way of means of increasing infrastructure centers and provision of fundamental social services and improve the same old of dwelling which together improves the financial wellbeing (Sulaiman and Azeez, 2012). A current take at the usage of a linear version suggests that debt provider and financial increase do no longer have a wonderful courting, at the same time as the nonlinear version of debt provider and financial provider have a wonderful affiliation within the location for future (Tajudeen, 2020).

### 2.3 Economic Growth

A fundamental needful to financial improvement in a rustic is financial increase. This informs why Nigeria increase constantly dominates the principle coverage thrust of government's improvement objectives. Essentially, financial increase is associated with guidelines aimed toward reworking and restructuring the actual financial sectors (Obisesan, Akosile & Ogunsanwo, 2019). Nevertheless, the shortage of enough home assets, financial savings and funding to guide and sustain the sectors is a primary obstacle to financial improvement withinside the use of a due to the distance among financial savings and funding (Imimole & Imoughele 2012). Ullah and Rauf (2013) stated that every time there's boom in actual GDP of a rustic it'll boosts up the typical output and financial increase. The financial increase is beneficial to boom the earning of the society, assist the country to deliver the unemployment at low stage and additionally beneficial withinside the deliveries of public services. Economic increase happens every time humans take assets and rearrange them in approaches that are greater valuable. Economic increase refers to the amount of products and services produced; it says not anything approximately the manner wherein they're produced. Economic increase may be measured in nominal phrases, which consist of inflation, or in actual phrases, which can be adjusted for inflation i.e. via way of means of the percentage fee of boom in the gross home product (GDP). Economic increase measures increase in monetary phrases and appears at no different components of improvement (Ayres & Warr, 2010).

Economic increase can be positive or negative. Negative increase can be used to explain a scenario wherein the financial system is shrinking. Negative increase is related to financial recession and financial depression. Gross national product (GNP) is on occasion used as an opportunity degree to gross home product (Obisesan, Akosile & Ogunsanwo, 2019). In order to evaluate more than one countries, the records can be quoted in an unmarried currency, primarily based totally on both prevailing alternate fees or buying energy parity. Then, it will evaluate countries of various populace sizes, the consistent with capita discern as quoted. To compensate for modifications within side the fee of cash (inflation or deflation) the GDP or GNP is normally given in "actual" or inflation adjusted, phrases in preference to the real cash discern compiled in a given year, that's known as the nominal or modern-day discern (Ayres & Warr, 2010).

**2.4 Empirical review**

Aiyedogbon et al. (2022) examined the short- and long-term effects of public debt on economic growth in Nigeria. The model was estimated using an autoregressive distributed lag cointegration test (ARDL) method for long-term studies. At the same time, contemporary dynamics were studied using an unconstrained error correction model. The data was collected from the Central Bank of Nigeria statistical bulletins and annual reports covering the years 1990 to 2020. The study uncovers evidence of a long-term association between study variables. The study also finds that all explanations are statistically significant. In particular, economic growth is substantial, responding negatively to changes in external debt at 0.19% and debt service at 0.07%, in contrast to its positive response to changes in domestic debt and the exchange rate at 0.27% and 0.18%. Olamide and Maredza (2021) used the ARDL technique on time series data from 1990 to 2019 to examine a description of the current pre-COVID-19 scenario in South Africa in relation to foreign debt ratio to GDP. The authors also discussed what was known about the debt-to-GDP concept before the COVID-19 epidemic, which will likely serve as a springboard for future research on South Africa's growing debt during and after the pandemic. According to the results, corruption, inflation and the payment of foreign debt have a negative impact on economic growth, but investment has a beneficial effect. External debt was beneficial to growth in the short term but negative in the long term. As a result, they are demanding that, in addition to the targeted fight against tax evaders and evaders for higher state revenues, public institutions should also be improved and strengthened. Olusanya. Wright, Nair, Boo, Halpern, Kuper, and Backhaus (2020) examined the impact of COVID-19 and the Nigerian economy and found that COVID-19 is negatively related to macroeconomic variables. In addition, the country's budget estimate also negatively impacted given the large fluctuations between budgetary assumptions and attitudes during the COVID-19 pandemic. Consequently, more than 50% of the state budget would be financed by external borrowing which will further increase Nigeria's debt burden. Sulaiman and Azeez (2012) used the Empirical Corridor for analysis the impact of foreign debt on economic growth in Nigeria. Data from 1970 to 2010 were analyzed using the ordinary least squares method using an error correction model. The variables were found to have a long-term relationship. The study also found that external debt has a significant positive impact on Nigeria's economic growth. Ndubuisi (2017) examined the relationship between external debt and economic development in Nigeria from 1985 to 2015. Economic growth was the dependent variable while external debt was external Debt service, exchange rate and foreign exchange reserves were the explanatory variables. The study uses an error correction model and a causality test. Among other things, it was found that the level of Nigeria's foreign debt has a strong positive impact on economic growth. In addition, the analysis reveals a one-way causality in Nigeria between foreign debt and economic development. Odubuasi, Uzoka and Anichebe (2018) looked at the connection among Nigeria’s monetary boom and debt components among 1981 and 2017 . External debt, debt provider payments, and authorities capital spending had been protected as explanatory variables withinside the look at. The co-integration, an error-correcting technique, and a granger causality test had been used for the evaluation. As a result, the variables had a lengthy-time period association. Furthermore, the evaluation discovered that outside debt has a large fine effect on Nigeria’s monetary boom. Festus and Saibu (2019) checked out the consequences of outside debt on Nigerian monetary boom from 1981 to 2016. They used the autoregressive allotted lag (ARDL) model, which found, among different things, that outside debt had a giant bad have an effect on Nigeria’s monetary boom. Festus and Saibu (2019) checked out the consequences of outside debt on Nigerian monetary boom from 1981 to 2016. They used the autoregressive allotted lag (ARDL) model, which found, among different things, that outside debt had a positive effect on Nigeria’s monetary boom. Eke and Akujuobi (2021) investigated the effect of Nigeria’s national debt on monetary boom from 1981 to 2018. They looked at suggests that adjustments in overseas money owed have a large and bad effect on monetary improvement within side the brief run, the usage of a co-integration and error correction model. Domestic debt, meanwhile, has a considerable fine effect on Nigeria’s monetary boom. Onyele and Nwadike (2021) tested the effect of Nigeria’s public debt burden on monetary boom from 1981 to 2019, The general debt to GDP ratio changed, even as the debt provider value to authorities sales ratio changed into used to decide sales sufficiency. Reserve sufficiency changed into additionally measured: the brief-time period outside debt to reserve ratio. The look at exhibits that within side the lengthy run, debt burden, sales adequacy, reserve adequacy, and trade price all have a large bad effect on monetary improvement while the usage of the autoregressive allotted lag (ARDL) model. In the close to run, adjustments in earnings and reserve adequacy have a good effect on monetary boom, while adjustments in debt burden have a bad effect. Ugwuanyi et al. (2021) tested the consequences of outside debt control on Nigerian monetary boom from 1986 to 2018. GDP, a proxy for monetary boom, changed into calculated as a characteristic of outside debt provider, stability of payments, overseas debt, and trade price. The look at demonstrates that outside debt control had a giant fine effect on Nigeria’s economic system .

From the opinions of present literature, there may be proof of divergent conclusions at the real effect of public debt on financial boom in each evolved and growing economies. Many of such conclusions range with the fashions and statistics used to derive them. However, the bulk of the research verify the existence of a nexus and this is poor in nature. Furthermore, at the same time as the A-priori expectancies are consistent with the bulk of the reviewed literature, the outcomes is probably extraordinary thanks to disparity in scope and methodology. In spite of those findings, and given the contemporary financial state of affairs of dwindling authorities sales supplied with the aid of using the COVID - 19 pandemic, the authorities seeks to attain speedy financial boom with the aid of using perseverance to get entry to capital markets regionally and the world over for extra debts.

## 3.0 METHODOLOGY

The study adopted Ex-Post Facto to screen viable relationships with the aid of using staring at present situation or nation of affairs and looking returned in time for workable contributing factors. The nature of statistics for this looks at basically secondary statistics and is time collection in nature. The statistics had been sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and World Bank Statistical Bulletin The variables extracted are; external debt, servicing debt and gross domestic product.

### 3.1 Method of Data Analysis

In analyzing the data collected, t-test statistical tool to determine whether there is significance differences in the economic growth and debt borrowing before and after COVID 19 pandemic (2016-2018 and 2019-2021 respectively) in Nigeria. This was done with the aid of Statistical Package for Social Sciences (SPSS) version 20.0 software packages.

**Decision rule:**

Using SPSS, 5% is considered a normal significance level. The acceptance or rejection criterion was based on the computed mean value and confidence interval of the difference.

## 4.0 Analysis and Results

### 4.1 Test of Hypotheses

**PRE COVID 19 (EXDT, SVDT and GDP)**

**Table 2: One-Sample Statistics**

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|
| PRGDP | 3 | 392.5300 | 15.00297 | 8.66197 |
| PREXDT | 3 | 45233.6667 | 9254.60244 | 5343.14721 |
| PRSVDT | 3 | 57.7667 | 61.55017 | 35.53601 |

**Table 3: One-Sample Test**

| | Test Value = 0 | | | | | |
|---|---|---|---|---|---|---|
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| PRGDP | 45.316 | 2 | .000 | 392.53000 | 355.2605 | 429.7995 |
| PREXDT | 8.466 | 2 | .014 | 45233.66667 | 22243.9597 | 68223.3736 |

| | | | | | | |
|---|---|---|---|---|---|---|
| PRSVDT | 1.626 | 2 | .246 | 57.76667 | 95.1324 | 210.6658 |

**POST-COVID 19 (EXDT, SVDT and GDP)**

**Table 4: One-Sample Statistics**

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|
| POGDP | 3 | 388.0467 | 71.46065 | 41.25782 |
| POEXDT | 3 | 287176.0000 | 362893.36387 | 209516.58132 |
| POSVDT | 3 | .1533 | .03786 | .02186 |

**Table 5: One-Sample Test**

| | Test Value = 0 | | | | | |
|---|---|---|---|---|---|---|
| | T | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| | | | | | Lower | Upper |
| POGDP | 9.405 | 2 | .011 | 388.04667 | 210.5286 | 565.5648 |
| POEXDT | 1.371 | 2 | .304 | 287176.00000 | -614301.0905 | 1188653.0905 |
| POSVDT | 7.015 | 2 | .020 | .15333 | .0593 | .2474 |

In the above tables, the mean of pre COVID 19 gross domestic product (GDP) is 392.53 while that of post COVID 19 is 388.05. In this case the mean of pre GDP COVID is higher than that of post COVID 19. Looking at the confidence interval of the difference, pre COVID GDP has lower value of 355.26 and 429.80 upper value while the post COVID 19 GDP has 210.53 and 565.56 respectively. This however is an indication that pre COVID 19 Pandemic has higher economic growth than the economic situation after the COVID 19 pandemic is being affected by the negative impact of COVID 19. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that there is a difference between the economic growth before and after COVID 19 pandemic in Nigeria.

On the other hand, the mean of pre COVID 19 external debt (EXDT) is 45233.67 while that of post COVID 19 is 287176.00. In this case the mean of pre EXDT COVID is higher than that of post COVID 19. Looking at the confidence interval of the difference, pre COVID EXDT has lower value of 22243.96 and 68223.37 upper value while the post COVID 19 EXDT has -614301.09 and 1188653.09 respectively. This however is an indication that level of pre COVID

19 Pandemic has higher external borrowing than the situation after the COVID 19 pandemic, hence more money were borrowed before the COVID 19. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that there is a difference between the external borrowing before and after COVID 19 pandemic in Nigeria.

In the above tables, the mean of pre COVID 19 servicing debt (SVDT) is 57.77 while that of post COVID 19 is 0.15. In this case the mean of pre SVDT COVID is higher than that of post COVID 19. Looking at the confidence interval of the difference, pre COVID SVDT has lower value of 95.13 and 210.67 upper value while the post COVID 19 SVDT has 0.06 and 0.25 respectively. This however is an indication that pre COVID 19 Pandemic has higher servicing on debt than the that of after the COVID 19 pandemic. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that there is a difference between the serving debt before and after COVID 19 pandemic in Nigeria.

**Decision**

From the analysis, the result shows that pre COVID 19 pandemic characterized with higher economic growth, debt servicing and debt borrowing when compared with the situation after the pandemic in Nigeria.

**5.0 CONCLUSION AND RECOMMENDATION**

This study empirically examined the comparative analysis on debt management and gross economic growth in Nigeria using external debt and servicing debt amid of COVID-19 in Nigeria. Using data set from 2016-2021 (Periods covered the current recession and COVID 19 pandemic in the country). The study adopted *E x Post Facto* research design. Based on the findings, it was observed that there is a difference between the pre and post COVID 19 pandemic in Nigeria in terms of economic growth, debt borrowing and debt servicing. However, indication that pre COVID 19 Pandemic has higher economic growth than the economic situation after the COVID 19 pandemic as being affected by the negative impact of COVID 19. Indicates that level of pre COVID 19 Pandemic has higher external borrowing than the situation after the COVID 19 pandemic, hence more money were borrowed before the COVID 19.

Even before COVID 19 pandemic, the country's debt/borrowing had been on increase and accumulating tremendously. The policy implication of this is that policymakers need to ensure that tight control and transparency of external borrowing needs to be ensured in solving the COVID-19 problem. In addition, the study suggested that the government should restructure and consolidate discretionary spending to free up resources to fund the economic impact related to productivity.

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## APPENDIX

| Years | GDP | EXDT | % | SVDT |
|---|---|---|---|---|
| 2016 | $404.65 | $35,717,779,489 | 10.19% | 4.40 |
| 2017 | $375.75 | $45,780,013,170 | 28.17% | 43.80 |
| 2018 | $397.19 | $54,202,577,785 | 18.40% | 125.10 |
| 2019 | $448.12 | $60,047,046,402 | 10.78% | 28.70 |
| 2020 | $309.02 | $70,570,530,053 | 17.53% | 17.20 |
| 2021 | $407.00 | $95,780,000,000 | 16.70% | 16.90 |