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Implication of Deficit Financing on Economic Recovery in Nigeria

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ABSTRACT: The study examined the implication of deficit financing on Economic recovery in Nigeria. The study used secondary data from CBN statistical bulletin on various issues as relevant for the period under study (1981-2019). Augmented Dickey Fuller (ADF) unit root test, Johanson Co-integration test and normality test were employed for the analysis. The research findings revealed that deficit financing through External debt borrowing has a significant positive effect on economic recovery in Nigeria. Also Domestic debt has a positive significant effect on economic recovery in Nigeria. The study therefore, recommends that Government should set up monitoring teams that will make sure that the budget is well and carefully implemented and as well as loan borrowed in other to reduce corruption, linkages and wastages, the team will do this by holding everyone accountable for every government money spent. We recommended that government should strive to diversify its revenue base and also demonstrate a high level of transparency in both its monetary and fiscal operations among others. Government should maintain optimum level of external debt as it is one of the mechanisms for economic growth but to an optimum level and that all external debts hould be effectively utilized for the purpose for which it was obtained so as to promote economic growth.

Keywords: Deficit financing, domestic debt, External debt, Real gross domestic product, Economic recovery.

RESEARCH PAPER

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1. INTRODUCTION

1.1 Background of the study

The infrastructure and capital resources necessary to achieve the economic objectives of the government of any economy, however, have been scarce. This has required government interventions in the economy by making available the huge capital expenditures required for large-scale production in industries and the provision of other infrastructure. Government interventions were made possible by the oil boom of the early 1970s, when Nigeria earned unprecedented amounts of foreign exchange through the export of crude oil. Government spending has therefore grown rapidly with a similar growth in bureaucracy. But the ensuing oil glut meant government revenues declined significantly. In order to reduce the increase in spending that resulted from the oil boom, the government was forced to seek other means of financing their spending. Governments then resorted to budget deficits. Large deficits are features common to most developing countries, such as Nigeria. The economic consequences of such a deficit are inflation, devaluation, deterioration of gross domestic product, fiscal adjustment, which constitute an important element of the economic agenda. Deficits are often attributed to high government spending and caused by increased government spending exceeding government revenue. Budget deficit is a situation in which current expenditure exceeds expected current income, which has become a recurring feature of public sector financing in Nigeria. If the government spends more than it increases on taxes, it will have to borrow money. If it borrows by selling government securities, including national cash certificates to the non-bank private sector (non-bank companies and the general public), it will use the existing currency. But in practical experience, the reverse is true in Nigeria. Despite the

huge amount of loan borrowed by the federal government toensure Nigeria's economic development and growth, can it be emphatically argued that deficit financing has boosted Nigeria's economic recovery? A series of studies have been carried out on this subject and a number of results have also emerged in the process. Some researchers believe that deficit financing has a significant effect on the Nigerian economy; others think there is no significant effect on the economy. Their conclusions are contradictory and it is in this context that the study was motivated to fill the knowledge gap on the effects of deficit financing on economic recovery. This study seeks an empirical explanation of the implication of deficit financing on the economic recovery in Nigeria (1981-2019).

2. RELATED LITERATURE REVIEW

2.1 Conceptual framework

2.1.1 DeficitFinancing

Financing the deficit has emerged as an important tool for financing public spending. Deficit financing can be seen as the practice of trying to stimulate a nation's economy by increasing public spending beyond sources of revenue (CBN, 2012) .This means that deficit financing can be defined as financing made bya nation. Corporation or a government to compensate for a Shortfall in income. The government or corporation may undertake deficit financing to provide an economic stimulus. When public spending tends to exceedpublic revenue; the government can turn to deficit financing to cover the budget deficit. CBN (2013) defines deficit financing as a practice in which the government spends more than it receives as income and the difference is made up by borrowing more money from the economy than it extracts through taxes in the expectation that the increase from business activities will bring enough additional income. Income to cover the deficit. However, deficit financing can also be due to government inefficiency, reflecting widespread tax evasion or wasteful spending, rather than the operation of a planned countercyclical policy. The essence of such a policy is that the government spends in excess of the income it receives in the form of taxes, profits from state enterprises, loans from deposits and public funds, and then from various sources.

2.1. 2 External debt

The part of a country's debt that has been borrowed from foreign lenders, including commercial banks, governments, or international financial institutions, is external debt. These loans, including interest, are usually paid in the currency in which the loan was made. In order to earn the necessary currency, the borrowing country can sell and export goods to the lending country. External debt can be defined as debt to non-residents repayable in terms of foreign currency, food or services (World Bank, 2004).

2.1.3 Economic recovery / growth

The International Monetary Fund (2009) and CBN (2010) agree that economic growth is the increase in the amount of goods and services produced in an economy over time. It is conventionally measured as the percentage rate of increase in Real Gross Domestic Product (RGDP).Economic growth can be defined as the change in the amount of production and real income in an economy over time. An economy grows because it obtains more goods and services, obtains more resources, and uses the resource more efficiently.

Economic recovery in this phase of the business cycle, the economy begins to recoverfrom the negative growth rate. Demands start to pick up due to lower prices and consequently supply starts to react as well. The economy develops a positive attitude towards investment and employment, therefore, production begins to increase. According to Nzotta S.M. (2014), growth occurs when a country experiences technological advancements and technical knowledge that lead to increased productivity and production. Growth is also advocated with the increase in the standard of living of the population over time and the increase in the wealth of the citizens. Economic production or growth refers to the constant process by which the productive capacity of the economy is increased over time to lead to increased levels of national production and income. One could say that economic growth has three components; capital accumulation, population growth and eventual labor force growth, and technological progress.

2. 2 Theoretical framework

There are many theories that seek to explain the implications of deficit financingon economic recovery around the world. For the purposes of this study, the Ricardian equivalent perspective was considered relevant: The Ricardian equivalent perspective From Ricardien's point of view, fiscal deficits are considered neutral in terms of their impact on growth. Deficit financing of budgets is simply a tax deferral. The deficit for a current period is exactly equal to the present value of future tax that is needed to pay off the increased debt resulting from the deficit. In other words, public expenditure must be paid, whether now or later, and the present value of the expenditure must equal the present value of tax and non-tax revenue. Fiscal deficits are a useful mechanism to soften the impact of income crises or to meet irregular spending requirements, the financing of which through taxes can be spread over a period of time. Ricardian equivalence requires the assumption that individuals in the economy are farsighted, have discount rates that are equal to the government's discount rates on spending, and have extremely long time horizons for evaluating the present value of future taxes.

2.3 Empirical framework

Several studies have been conducted to investigate the implications of deficit financing oneconomic growth / recovery. Nwanna and Umeh (2019) examined the effect of deficit financing on Nigeria's economic growth using secondary data from 1981 to 2016. They revealed that deficit financing through borrowing from external debt has a significant negative effect on Nigerian economic growth. Furthermore, domestic debt has a significant positive effect on Nigerian economic growth, while debt service does not have a significant effect on Nigerian economic growth. John O. O., Kenechukwu O. C. and Amalachukwu C. A.(2019) examined the effect of deficit financing on Nigeria's economic growth from 1987 to 2017.Autoregressive vector estimates were used to estimate the model. The analysis carried out revealed that deficit financing has a positive but not significant effect on Nigeria's economic growth. Nwakobi et al. (2018) determined the effect of the budget deficit on selected macroeconomic variables in Nigeria by specifically assessing the effect of the budget deficit on gross domestic product, money supply and inflation. The result of the analysis revealed that the fiscal deficit does not have a significant effect on the gross domestic product, money supply and inflation in Nigeria. The finding also showed that there is a negligible positive relationship between the fiscal deficit and gross domestic product. This is in line with the Keynesian postulation of the existence of a positive relationship between the fiscal deficit and the macroeconomic variables. Onwioduokit and Inam (2018) investigated the relationship between budget deficits and economic growth in Liberia. From the analysis it was clear that there is a long-term relationship between the budget deficit and economic growth in Liberia. There is also a positive and significant relationship between the budget deficit and economic growth in Liberia. Ubi and Inyang (2018)descriptively evaluated the implication of the fiscal deficit in Nigeria's economic development from 1980 to 2016. The study revealed that Nigeria's fiscal deficit has contributed positively to per capita income growth, economic growth and balance of payments stabilization only, but did not reduce unemployment and inflation rates. Bazza *et al*. (2018), evaluated the impact of deficit financing on economic growth in Nigeria during the period from 1981 to 2016 using the ARDL technique. The result of the ARDL regression estimation showed that government deficit financing over the years had had a significant impact on output growth Mododu and Monogbe (2017) examined the influence of the budget deficit on economic performance in Nigeria using Time series data between the periods 1981 to 2015. The results established that the budget deficit significantly stimulates economic performance. These empirical findings support the Keynesian postulation of a significant relationship between the budget deficit and economic performance.

3. METHODOLOGY

3.1 Research Design

The study employed an expo-facto research design as the data been used are historical in nature. The data for the study is collected from the CBN statistical bulletin 2019 and Debt Management Office, Nigeria's Total Public Debt Stock.

This research also intended the period of study from 1981 to 2019.

3.2 Model Estimation Techniques

The analysis is conducted electronically with the use of E-Views, using econometric tools such as Ordinary Least Square (OLS) to estimate the parameters of our regression models combined with co-integration technique to confirm the long run relationship among themodeled variables, the Augmented Dickey Fuller (ADF) unit root test to hedge against spurious regression.

3.3 Model Specification

The model follows the ordinary linear regression model (OLRM) is stated as follows:

RGDP=f (DD, EXD) ----------(1)

In econometrics, equation 1 above is insufficient resulting from absence of error term. Hence, we express the above equation in a functional relationship using linear regression model by introducing constant and error term, hence we have;

$RGDP= \beta 0+ \beta 1DD+ \beta 2EXD +\mu$----------(2)

The variables under research were later normalized which will lead us to log form due to positive skewness of the employed data.

$LOG(RGDP)= \beta 0+ \beta 1LOG(DD)+ \beta 2LOG(EXD)+\mu$ ----------(3)

Where:
RGDP= Real Gross Domestic Product
DD = Domestic Debt
EXD= External Debt
$\beta 0$= Constant
$\beta 1$, $\beta 2$, = Estimation parameters
μ = Error term

4. DATA PRESENTATION AND ANALYSIS

The table below presents the raw data used for analysis in the study, which was gotten from CBN's statistical bulletin 2019 and Debt Management Office, Nigeria's Total Public Debt Stock.

Where:
RGDP=> Real Gross Domestic Product
DD => Domestic Debt
EXD=> External Debt

Table-4.1: Data Presentation of Study Variables

Fiscal Year	RealGDP	Domestic Debt	External Debt	RGDP(LOG)	DD(LOG)	EXD(LOG
1981	15258	11.19	2.33	4.183497611	1.048830087	0.367355921
1982	14985.08	15.01	8.82	4.175659066	1.176380692	0.945468585
1983	13849.73	22.22	10.58	4.141441307	1.346744055	1.024485668
1984	13779.26	25.67	14.81	4.139225895	1.409425869	1.170555059
1985	14953.91	27.95	17.3	4.174754763	1.446381812	1.238046103
1986	15237.99	28.44	41.45	4.182927684	1.453929592	1.617524535
1987	15263.93	36.79	100.79	4.183666366	1.565729788	2.003417445
1988	16215.37	47.03	133.96	4.209926863	1.672374979	2.126975139
1989	17294.68	47.05	240.39	4.237912531	1.672559628	2.380916397
1990	19305.63	84.09	298.61	4.285683979	1.924744352	2.475104348
1991	19199.06	116.2	328.45	4.283279966	2.065206128	2.516469266
1992	19620.19	177.96	544.26	4.292703209	2.250322397	2.735806417
1993	19927.99	273.84	633.14	4.299463497	2.437496886	2.801499752
1994	19979.12	407.58	648.81	4.300576355	2.610212865	2.812117535
1995	20353.2	477.73	716.87	4.3086327	2.679182515	2.855440406
1996	21177.92	419.98	617.32	4.325883303	2.623228609	2.790510348
1997	21789.1	501.75	595.93	4.338239292	2.700487381	2.775195249
1998	22332.87	560.83	633.02	4.348944538	2.748831237	2.801417432
1999	22449.41	794.81	2577.37	4.351204932	2.900263323	3.411176769
2000	23688.28	898.25	3097.38	4.374533528	2.953397226	3.49099449
2001	25267.54	1,017	3176.29	4.402562962	3.007308142	3.501920147
2002	28957.71	1166	3,933	4.461764215	3.06669855	3.594710695
2003	31709.45	1329.68	4478.33	4.501188709	3.123747136	3.651116093
2004	35020.55	1370.33	4890.27	4.544322962	3.136825166	3.689332838
2005	37474.95	1525.91	2695.07	4.573741062	3.183528919	3.43057005
2006	39995.5	1753.26	451.46	4.60201113	3.243846325	2.654619277
2007	42922.41	2169.64	438.89	4.632684099	3.336387679	2.642355686
2008	46012.52	2320.31	523.25	4.662876019	3.365546012	2.718709237
2009	49856.1	3228.03	590.44	4.697718303	3.508937562	2.771175772
2010	54612.26	4551.82	689.84	4.737290149	3.65818508	2.838748373
2011	57511.04	5622.84	896.85	4.759751221	3.749955726	2.952719812
2012	59929.89	6537.54	1026.9	4.777643481	3.815414359	3.011528154
2013	63218.72	7118.98	1373.58	4.800845698	3.852417773	3.137853959
2014	67152.79	7904.02	1631.52	4.827064061	3.897848031	3.212592402
2015	69023.93	8837	2111.53	4.838999683	3.946304855	3.324597256
2016	67931.24	11058.2	3478.92	4.832069542	4.04368444	3.541444442
2017	68490.98	12589.49	5787.51	4.83563338	4.100008137	3.762491754
2018	69799.94	12774.4	7759.23	4.843855049	4.106340511	3.889818625
2019	71387.83	14272.64	9022.42	4.853624181	4.154504312	3.95532304

Source: CBN statistical bulletin 2019 and Debt Management Office, Nigeria's Total Public Debt Stock. (Authors compilation)

4.2 Stationarity/Unit Root Tests

To avoid running a spurious regression and to correct the non normality of data from the descriptive statistic, unit root test is carried out to ensure that the variables employed in this study are stationary at same unit before further analysis. For this purpose, Augmented Dickey Fuller (ADF) test is employed to adjust the variable data to same uint and if necessary, a differencing test is done to ensure stationary of data. The result of the test is presented in the table below.

Table-4.2: Results of Unit Roots Tests using Augmented Dickey Fuller (ADF)

Variables	ADF Statistic	Critical Values			Order	Difference
		1%	5%	10%		
RGDP(LOG)	-3.434088	-3.621023	-2.943427	-2.610263	1(1)	1st
DD(LOG)	-4.566144	-3.621023	-2.943427	-2.610263	1(1)	1st
EXD(LOG)	-4.724835	-3.621023	-2.943427	-2.610263	1(1)	1st

Source: Author's Extractions from E-views Output Generation

The Augmented Dickey-Fuller (ADF) unit root test result for individual stationarity is interpreted using the p-value to ascertain the level of individual stationarities of the variables. For the individual unit root test, all the variables show a ADF P-value less than 0.05 which depicts individual stationarity after 1st differencing.

The result of the ADF shows that the variable at their level are not stationary but, become stationary after the first differencing. Hence, the series are all intergraded series in order of 1 (1) indicating that there are all stationary at first differencing. Since the prerequisite of co-integration is the integration of all variables at same level, this parameter therefore leads to co-integration of employed variables. Hence, this justifies that our model is no longer spurious as previously specified in the ordinary lease square ,that is, if the value of the R2 is greater than the Durbin-Watson, the model is spurious but, by the reason of the stationary of the residual variable at second differencing, the model is no longer spurious. And as such we proceed to test for long run relationship.

4.3 Co-Integration Test

Having tested the stationarity of each variable, the next step is to test for co-integration between the variables. The Johansen procedure is used to identify long run relationship among the variables. Co-integration of the dependent variable with the independent variables forms a dynamic basis through which forecast can be made.

Table-4.3: Co-integration Tests

Sample (adjusted): 1983 2019				
Included observations: 37 after adjustments				
Trend assumption: Linear deterministic trend				
Series: RGDP DD EXD				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.200068	14.33118	29.79707	0.8215
At most 1	0.122246	6.071707	15.49471	0.6871
At most 2	0.033150	1.247333	3.841466	0.2641
Trace test indicates no cointegration at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.200068	8.259475	21.13162	0.8871
At most 1	0.122246	4.824375	14.26460	0.7638
At most 2	0.033150	1.247333	3.841466	0.2641
Max-eigenvalue test indicates no cointegration at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegrating Coefficients (normalized by b'*S11*b=I):				

4 .4 Error Correction Model

Table-4.4: Error Correction Model

Vector Error Correction Estimates			
Included observations: 37 after adjustments			
Standard errors in ( ) & t-statistics in [ ]			
CointegratingEq:	CointEq1		
RGDP(-1)	1.000000		
DD(-1)	-0.406676		
	(0.04350)		
	[-9.34921]		
EXD(-1)	0.187669		
	(0.05117)		

	[3.66735]		
C	-3.845415		
Error Correction:	D(RGDP)	D(DD)	D(EXD)
CointEq1	-0.007103	0.323077	-0.848608
	(0.04261)	(0.16816)	(0.53265)
	[-0.16669]	[1.92127]	[-1.59317]
D(RGDP(-1))	0.457041	-0.361209	-0.458163
	(0.16063)	(0.63386)	(2.00780)
	[2.84535]	[-0.56986]	[-0.22819]
D(DD(-1))	-0.055194	0.245598	-0.136457
	(0.04176)	(0.16477)	(0.52194)
	[-1.32183]	[1.49051]	[-0.26144]
D(EXD(-1))	-0.007966	-0.004709	0.361656
	(0.01360)	(0.05367)	(0.17001)
	[-0.58571]	[-0.08774]	[2.12725]
C	0.015486	0.067090	0.066370
	(0.00575)	(0.02271)	(0.07193)
	[2.69088]	[2.95424]	[0.92265]
R-squared	0.338302	0.173770	0.186291
Adj. R-squared	0.255590	0.070492	0.084577
Sum sq. resids	0.007661	0.119290	1.196906
S.E. equation	0.015472	0.061056	0.193399
F-statistic	4.090113	1.682538	1.831520
Log likelihood	104.4271	53.63586	10.97607
Akaike AIC	-5.374440	-2.628965	-0.323031
Schwarz SC	-5.156749	-2.411274	-0.105339
Mean dependent	0.018323	0.080490	0.081347
S.D. dependent	0.017933	0.063329	0.202136
Determinant resid covariance (dof adj.)		3.07E-08	
Determinant resid covariance		1.99E-08	
Log likelihood		170.5573	
Akaike information criterion		-8.246343	
Schwarz criterion		-7.462653	

Source: E-View Output generation

VEC Residual Serial Correlation LM Tests		
Null Hypothesis: no serial correlation at lag order h		
Date: 07/05/21 Time: 14:49		
Sample: 1981 2019		
Included observations: 37		
Lags	LM-Stat	Prob
1	8.376515	0.4967
Probs from chi-square with 9 df.		

Source: E-View Output generation

Table 4.5 above present result of the Vector Error Correction Model (VECM) for RGDP, DD, andEXD to test for long run and short run shocks correction as a result of non cointegration of the data. The various coefficient values of the short run equilibrium is compared against the long run equilibrium to ascertain the level of bounce backs in addressing non long run cointegration issues of the model.

After differencing, the adjustment coefficient (Const) value of -3.845415 shows that, the previous period deviation from long run equilibrium is corrected in the short run at an adjustment speed of 3.845415 . For RGDP coefficient, a unit change in RGDP is associated with -0.007103 unit decrease in RGDP in the short run *Ceteris Paribus* against the long run coefficient of 1.000000. For DD coefficient, a unit

change in DD is associated with a 0.323077 unit increase inDD in the short run *Ceteris Paribus* against the long run coefficient of -0.406676.. For EXD coefficient, a unit change in EXD is associated with a -0.848608 unit decrease in EXD in the short run *Ceteris Paribus* against the long run coefficient of 0.187669. A post estimation auto-correlation test is done using the LM test, which reveal a value 0.4967. This depicts that the set of data after correction for error in the model has no serial correlation that will impede that outcome of further VEC regression.

4.5 Ordinary Least Square output (log linear output regression)

Table-4.5: Regression output for model 3

Dependent Variable: D(RGDP)				
Method: Least Squares (Gauss-Newton / Marquardt steps)				
Sample (adjusted): 1983 2019				
Included observations: 37 after adjustments				
D(RGDP) = C(1)*(RGDP(-1) - 0.406675659368*DD(-1) +				
0.187668882806*EXD(-1) - 3.84541480402) + C(2)*D(RGDP(-1))				
+ C(3)*D(DD(-1)) + C(4)*D(EXD(-1)) + C(5)				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.007103	0.042613	-0.166686	0.8687
C(2)	0.457041	0.160627	2.845346	0.0077
C(3)	-0.055194	0.041756	-1.321829	0.1956
C(4)	-0.007966	0.013601	-0.585706	0.5622
C(5)	0.015486	0.005755	2.690875	0.0112
R-squared	0.338302	Mean dependent var		0.018323
Adjusted R-squared	0.255590	S.D. dependent var		0.017933
S.E. of regression	0.015472	Akaike info criterion		-5.374440
Sum squared resid	0.007661	Schwarz criterion		-5.156749
Log likelihood	104.4271	Hannan-Quinn criter.		-5.297694
F-statistic	4.090113	Durbin-Watson stat		1.908900
Prob(F-statistic)	0.008662			

Source: E-View Output generation

To ensure that the set of data was free from serial auto-correlation the Durbin Watson statistic for the model specified is computed. The Durbin Watson statistics for the model specified is estimated at 1.908900. The Durbin Watson statistics for thedata is within the standard of 2 indicating the absence of auto-correlation. The Durbin Watson statistics ensures that the residuals of the proceeding and succeeding sets of data do not affect each other to cause the problem of auto-correlation. Thus, this model exhibit low risk of potential autocorrelation problem as the model shows a DW statistics of approximately 2.

For model fitness, the R^2 value is used to establish the level of overall fluctuation the study independent variables (DD & EXD) can collectively cause RGDP as the dependent variable to change. The R square value of approximately 0.338 shows that DD and EXD cause RGDP to fluctuate at approximately 33.8%; this means that 66.2% fluctuation of the Real Gross Domestic Product is caused by other factors not considered in this study like; debt service, external reserves, aggregate savings, and private consumption expenditures. The R^2 adjusted value of approximately 0.255 revealed shows that, there will be a 0.083(0.338–0.255) variation from the sampled result of R square if the other omitted factors are considered. This means that if debt service, external reserves, aggregate savings, and private consumption expenditures are considered, there will be either 8.3% increase or decrease in the level of fluctuation DD and EXD can cause RGDP to change. The Fisher statistic reveals a value of 4.090113 with a probability value of 0.008662 which prove that the overall model is statistically significant.

5 Summary of Finding, Conclusion and Recommendations

5.1 Summary of Findings

The study examines theimplication of deficit financing on Economic recovery in Nigeria. It adopts a time-series data spanning 1981 to 2019 variables for the study. The estimation which started with ADF test reveals that all the variables were stationary at first difference, and this led us to conducting a co –integration test which indicated there is no existence of co –integrating equation in the model. As a result of non cointegration of the dataVector Error Correction

Model (VECM) was conducted for RGDP, DD, and EXD to test for long run and short run shocks correction, which depicts that the set of data after correction for error in the model has no serial correlation that will impede the outcome of further VEC regression. The various coefficient values of the short run equilibrium is compared against the long run equilibrium to ascertain the level of bounce backs in addressing non long run cointegration issues of the model.

In light of the test being carried out, the following are the key findings to the study:

- The result of the Augmented Dickey Fuller Test (ADF) indicates that the data achieves stationary after the first differencing at the order of 1(1). While the co-integration result reveals a non Co-integration equation in the model.
- Domestic debt (DD) has a significant positive effect on economic recovery in Nigeria.
- Findings reveal that deficit financing through External Debt (EXD) borrowing has a significantly positive effect on economic recovery in Nigeria.

5.2 CONCLUSION

In conclusion, the study which was aimed at studying the implication of deficit financing on economic recovery in Nigeria, found that deficit financing has a significant positive effect on the nation's economic recovery.

Therefore, the study infers a significant relationship between deficit financing and economic recovery in Nigeria. However, suffice to say that the various means of financing budget deficit such as external debt, domestic debt etc. have to be properly managed in order to achieve economic development of the nation in the long run.

5.3 RECOMMENDATIONS

- Government should setup monitoring team that will make sure that the budget is well carefully implemented and as well as loan borrowed in other to reduce corruption and wastage.
- Government must put a stop to unproductive loans, wasteful spending and unregulated money supply with government putting into structure strategies designed to achieving increased and sustained productivity in economic sectors.
- Government and policy makers should carefully study the present state of the economy before deciding on measures through which deficit will be financed.
- Government should strive to diversify its revenue base and also demonstrate a high level of transparency in both its monetary and fiscal operations among others
- Finally, government should maintain optimum level of external debt as it is one of the mechanisms for economic growth but to an optimum level and that all external debtshould be effectively utilized for the purpose for which it was obtained so as to promote economic growth.

5.4 Contributions to knowledge

The study has been able to contribute to knowledge in no little measure, and the contributions are believed to be significant. Some of the contributions of the study to knowledge are enumerated below:

- It filled knowledge gap by extending the period captured to the year 2019 (that is, the most recent available data at the time of the analysis).
- It also helps investors to realize that the nation's economy is fit even when the budget is running at a deficit.
- And lastly, it adds to the rich collection of works in literature.

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