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RESEARCH ARTICLE

PUBLIC DEBT MANAGEMENT AND NATIONAL DEVELOPMENT IN NIGERIA

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ABSTRACT

The imperative to revisit the effects of public debt management strategy in Nigeria is necessitated by the fact that the country is currently under severe revenue pressure arising from her volatile macroeconomic environment and uncertain global economic outlook. This is due to the structural subsidence of the international price of crude oil. Debt sustainability has for decades been a topical issue in Nigeria because of the recurring and divergent issue on the debt problem and the resultant challenges and contradictions on Nigeria's development. This is despite the assurances given by the Debt Management Office on the sustainability of these debts. The study, therefore, set out to examine whether the debt refinancing strategy adopted by Debt Management Office has a positive impact on employment generation in Nigeria and ascertain whether the regulation of sub national government borrowings facilitates the development of infrastructure in Nigeria. The study utilizes Rational Choice Theory while adopting qualitative content analysis with data majorly driven from secondary sources. The study finds out that the debt restructuring strategy has temporal respite due to the inability of the capital loan projects to regenerate revenues for its repayment as it is either misappropriated or mismanaged of which the consequences are debt accumulation. Thus, the study, therefore, recommends for viable ways of generating internal revenues and a legal framework for adequate monitoring of sub national governments.

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INTRODUCTION

The economic rationale behind countries borrowing is to supplement their insufficient domestic savings which are not enough to carry out their productive activities. The government incurs debt either by external or internal means to promote policies that will bring about national development. The loans are meant to boost the economy of the country thereby improving the living standard of the people. The Nigerian government has in various instances taken financial loan from countries such as China, Britain, Germany and France, the World Bank, IMF, Paris Club, and London Club which resulted in her debt trap in 1987 with the attendant consequences of stringent economic measures such as the Structural Adjustment Program. Nigeria's GDP reached an all high time of \$568.5 billion in 2014 to \$397.30 billion in 2018 making it the biggest economy in Africa (Trading Economics, n.d.). However, the pervasiveness of poverty despite the abundance of resources calls for concern. This is coupled with the concern of rising debt profile in Nigeria.

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A nation's debt management strategy implies national development such that poor debt management could drastically affect the exchange rate, inflation rate, investment, level of infrastructural development, employment rate and the general wellbeing of the nation. Consequently, ineffective management of the nation's debt affects the cost of servicing them which may transcend the capacity of the economy to cope, thereby having negative impact on the national development (Putunoi & Mutuku 2013 quoted in Eyide and Nwezi, 2018). The debt crisis has been one of the major problems in Nigeria recently. This brought about the issue of managing these debts so as not to escalate the more. Hence, the creation of the debt management office on October 4, 2000 (Ideobodo et al, 2019). The foundations of Nigeria's debt began when the colonial government took an external loan of US\$28 million in 1958from the World Bank to finance railway construction (Udeh, Ugwu, & Onwuka, 2016) while that of domestic debt dates back to 1948 (Gbosi, 1998). However, Nigeria's chronic indebtedness after independence started during General Obasanjo's regime in 1977. The regime in 1978 borrowed over N600 million (\$1 billion) and subsequently N734 million (\$1.456 billion). However, the Nigeria's public debt rose exponentially by 96.9 percent in 1987 to N137.58 billion (Essien et al, 2016).

After then, Nigeria's public debt continued to rise unmitigated to N6,188.03 billion in 2004,which caused debt overhang. It is as a result of the following that the DMO was established with the primary function of coordinating the management of Nigeria's debt for all the tiers of government (Essien et al, 2016). In 1986, under the Ibrahim Babaginda's regime, the total debt was driven by external debt over the domestic debt. The continued rise of public debt, especially foreign debt remained unabated until Nigeria sealed an $18 billion debt relief deal from the Paris Club on October 20, 2005 (Babajide and Ujah, 2019). This saw Nigeria's total debt declining by 59 percent and 91 percent, fromN451.5 billion in 2004 to N2,533.47 billion in 2006. paradoxically, as foreign debt declined, the domestic debt was rising unabated such that between 2006 and 2012, the domestic debt accounted for 87.2 percent of the total debt. The servicing of this debt and payment of interest on the loan gulped over 40 billion naira (Essien et al, 2016). Currently, total debt stands at $73 billion by 109 percent in 2018 (Babajide and Ujah, 2019).

Kehinde (n.d.), argued Nigeria's increasing total debt is justifiably attributed to the recent decline in the government's revenue with complementary rise in expenditure. The DMO in its 2016 debt sustainability analysis report revealed that the total debt service to revenue ratio of the federal government, excluding that of the states and local governments contravene 28% threshold set by the DMO (DMO, 2016). According to Mohanty and Panda (2019), a country's debt burden is dependent on how the funds was mobilized, managed and utilized. In other words, if public debt is extravagantly spent on unproductive ventures, it is bound to have adverse effects on capital accumulation and resource productivity. Ideobodo et al, (2019), Essein et al (2016), Akhakpe (2007), generally believed that Nigeria's debt crisis was born out of the mismanagement of resources by the corrupt leaders. However, there is the need to ascertain the management strategy of the debts borrowed by both central and subnational governments and its impact on poverty alleviation, employment creation and infrastructural development in Nigeria.

Nigeria's current debt situation represents a humongous perfidy of Nigeria's enormous human and material resource base. The consequences are however, revealed in the rate of poverty, unemployment and infrastructural situation in Nigeria. Nigeria's total debt stock rose from N12.1 trillion naira in 2014 to N24.3 trillion naira in 2018. That is about N2.7 trillion or 9.1 percent higher than the N21.725 trillion which was recorded in 2017. Domestic debt accounted for 68.18 percent (Babajide and Ujah, 2019). Nigeria's debt obligation is rising to a daunting level that it threatens to undermine socioeconomic and political development which results in increased debt servicing burden (Kehinde, n.d.). The continuous refinancing, conversion and rescheduling strategy by the Debt Management Office have a temporal respite. This is coupled with the inability of the capital loan projects to regenerate revenues for its repayment. Thus, Akhakpe (2007), argued that if this is not urgently addressed and adequately managed there is a consequence of Nigeria being condemned to remain "under-developed". The DMO, have however argued that the country's total debt to GDP ratio which is at about 19 percent is still sustainable (Babajide and Ujah, 2019). On the contrary, IMF and world bank argued that despite assurances by the DMO on the sustainability of Nigeria's debt profile, the government must be cautious in its freelance borrowings to avoid another debt trap (Leadership, 2018).

Nigeria's debt service payments ratio does not only consume a substantial part of foreign exchange earnings and annual budget, but also act to suppress investment and lower economic development, as a result of debt overhang effect (Kehinde, et al, 2018). The Nigerian government borrows from external sources in other to refinance its local debts and through debt rescheduling and conversion process which involves the release of bonds and treasury bills, the federal government manages its financial debt burden. Also, at intervals, the CBN through monetary policy interventions has helped to revive confidence in the economy. However, with the increasing level of total debt stock especially domestic debt, the Monetary Policy Committee of CBN has revealed that there is an urgent need for the federal government to examine the rate of its financial obligation to domestic stakeholders and develop an effective framework for securitizing its public debts so as to settle its domestic debt obligations (Onuba, 2016).The federal government has between January 2015 and September 2017 incurred a total of N3.49tn in domestic debt servicing payment. Within the same period, a total of $1.07bn (about N326.69bn) was spent to service external debts obtained by both the federal and subnational governments (Afameula, 2018). This revealed the wide margin between the volume of the domestic debt and external debt, which has seen the federal government spending most of its revenues on debt servicing (Afameula, 2018). Also, the country's debt sustainability has become an issue of debate as some experts such as Essein et al, (2016), Aluko and Arowolo (2010), and Akhakpe (2007) have argued that Nigeria's indebtedness is nearing the unsustainable limit. The argument is that with declining capacity to increase revenue as a result of irregular oil revenue, the country's ability to service debt and repay the principal has been impacted. This is capable of rendering the nation's debt unsustainable coupled with the fact that the total debt to Gross Domestic Product ratio is also declining (Afamefula, 2018).

Theoretical analysis of debt management strategy and national development in Nigeria: There are several theoretical postulations in political economy which can be used to explain the study however, the rational choice theory was adopted in the explanation of the character of the Nigerian state in the management of her public debt. Rational choice theory, in economics is also known as public choice theory or rational action theory. It is a framework for understanding the social and economic behaviour of a state (Lawrence and David, 2008). It is an effective framework in explaining the interaction between the state and the economy. The theory seeks to understand how states and classes behave within the prevailing system of social constraints. The major proponents of the theory are Dennis Mueller and Bruno Frey. The basic assumptions of the theory are: first, the aggregate behaviour in society reflects the sum of the choices made by individuals and these choices are based on their preferences and constraints. Political actors that choose in the world of scarce resources are usually influenced by one another, foreign officials, unions and others who have a direct and indirect stake in public policies (Ezeibe, 2016). In a situation where actions (or outcomes) can be analyzed in terms of costs and benefits, a rational individual chooses that which provides the maximum benefit. These choices are aimed at maximal capital accumulation; second, individuals have enough information about how to make the maximal use of their preferences. These preferences are external and not necessarily the consequences of social, cultural or historical influences; third, the preferences are transitive (Muller, 2003). Rational choice comprises of actors who are individuals, politically elected or appointed who formulate and implement policies; interests which are targeted at their self-interest or that of other publics; and the institutional environment, that is the way political choices are made. According to Ezeibe (2016, p. 162), "behind the primary objective of monetary and economic reforms of government particularly to engender healthy competition and investments lies the self-interest of technocrats and reformers who design, monitor and modify these programmes." In other words, how political choices are made influence what political choices are made (Balaam and Veseth, 2010). In economics, one important insight that rational choice analysis provides to the study is the concept of rent-seeking behavior. Rent in the political economy is an unearned income individual or firm receives because of scarcity. Some resources are scarce by nature but other resources are scarce because of human action (Balaam and Veseth, 2010). The weakness of this theory is the fact that not all political choices are economic choices or rationally driven by selfish interests. State actors in most cases act in the general interest of the masses.

The analytical utility of rational choice theory is that it explains the character of managers of the Nigerian state and its implications on national development. In Nigeria, political institutions are seen as a direct instrument for the accumulation of wealth. The government policies are most times made in an thesis to the public interest. The government may and often implement policies, borrow outrageously or invest massively in sectors that have little contribution to make to the critical sectors of the economy so long as the interests of policymakers and major economic actors are protected. Most times these policies have a negative effect on the economy. For example, a situation whereby savings and investment due to insufficient revenue had to be augmented with unsustainable loans with adverse consequences of huge domestic and external debt overhang and stagflation, accompanied with rapid deterioration in social conditions especially the accentuation of poverty so long as the selfish interest of government officials and major businesses are served (Ezeibe, 2016). State governments often take loan for recurrent expenditures and in most cases where capital projects are embarked upon, they are either substandard, uncompleted, or abandoned and the contract awards are inflated. Furthermore, these critical sectors keep resurfacing in future budgetary allocations without any viable progress such as the second Niger bridge, the Ajeokuta steel, federal road networks (such as Lagos-Ibadan and Enugu-Port Harcourt road) and power projects. When a loan is unable to regenerate revenue for its repayment the consequences is the creation of debt burden and increasing debt servicing. In most cases, taking further debts to pay off existing debt inform of refinancing will lead to debt accumulation and this is worsened by the fact that each fiscal policy year is sustained by domestic and external debt with insufficient revenue to sustain such debt.

Analysis of Nigeria’s Staggering Economy and Her Public Debt Profile: Debt relief under the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative program helped to salvage sub-Saharan Africa, Nigeria inclusive from the debt trap which cut down their debt by two-third in 2008 (Gill and Karakülah, 2018). However, public debt in sub-Saharan countries, Nigeria in particular has been rising at an increasingly rapid rate in the post debt relief era. The international financial institutions have in this regard been sounding the alarm bell concerning borrowings by the Nigerian government and other African countries. In 2016, the African Development Bank warned African governments, Nigeria inclusive to be cautious about international borrowing given the consequences of reckless external borrowing such as the decline in revenues, increase indebtedness and budget deficits (Maroon Square, 2019). However, despite the warnings, DMO and the Ministry of Finance claimed that the country is still within borrowing limit and argued that the country's Debt to GDP ratio which is currently at 21 percent is within the international threshold of 55 percent (Maroon Square 2019).
However, the character of the Nigerian political elites creates a skeptical illusion on the prudential use of loans by the government. Nigeria's politician is characterized by the primitive accumulation of public wealth which most times are immersed in elephant projects and policy inconsistency. As noted earlier, the first major external loan of US$28 million was acquired from World Bank by Nigeria in 1958 to finance railway construction (Udeh, Ugwu, & Onwuka, 2016) while that of domestic debt dates back to 1948 (Gbosi, 1998). However, in 1987, Nigeria’s debt rose significantly and was attributed to the fall in international crude oil price with a consequence of first economic recession. Nigeria’s total debt the increased substantially by 96.9 percent to N137.58 billion (Essien et al, 2016). However, the country secured debt forgiveness in 2005 after paying up 18 billion dollars part of 30 billion dollars of debt forgiven.

In the same vein, in 2016, the country witnessed another economic recession owing to declining oil revenue which also resulted in the dependence of the nation's budget on loan. The total debt stock in Nigeria comparing external and domestic debts includes debt by the federal government, 36 states and the federal capital territory. The debt currently stands at $73.213 Billion or N22.429 trillion (Proshare, 2018). China is Nigeria highest creditor and Nigeria debt to China alone represents about 8.5 percent of Nigeria's external debt as at June 30, 2018 (Ujah and Eboh, 2018). This made Nigeria the top debtor nations to China. Meanwhile, the current increase in the total debt is attributable to the need to fund infrastructure and to supplement the declining government revenue which in turn is targeted to improve the living standard of Nigerians. Worthy of observation is that the Nigerian government funding of its yearly budget is dependent on borrowings with expected revenue always unattainable. For example, the 2018 budget is configured with an N1.643 trillion borrowing window, comprising of N850 billion external component and N793 billion to be sourced locally (Oladeinde, 2018). The chronicle of Nigeria debt from 2010 to 2018 revealed that Nigeria’s debt was $35 billion in 2010, but rose to $41 billion in 2011, $48 billion in 2012, $64 billion in 2013, $67.7 billion in 2014, $63.8 billion in 2015, $57.8 billion in 2016, $70 billion in 2017 and then $73 billion in 2018 (Akintunde, 2018 and DMO, 2019). Many analysts have argued that the increase in the government's appetite for borrowing and the nature these loans are negotiated and managed have implications on national development. The implication of the above is that public debt in Nigeria is rising to the level that almost 50% of government revenue is spent in servicing or refinancing these debts. As a monocultural economic nation, this is worsened by the unstable GDP and international oil price market.

Debt Refinancing and Unemployment in Nigeria: How a country manages its public debt has implications on the nation's economy.

Table 1. Nigeria's Total Public Debt Portfolio as at March 31, 2019

	Debt Category	Amount Outstanding (US$'M)	Amount Outstanding (₦'M)	% of Total
A.	**Total External Debt**	**25,609.63**	**7,860,875.93**	**31.51%**
	FGN + States & FCT only	25,609.63	7,860,875.93	31.51%
B.	**Total Domestic Debt**	**55,664.46**	**17,086,204.66**	**68.49%**
	FGN Only	42,721.68	13,113,420.29	52.56%
	States & FCT	12,942.77	3,972,784.37	15.92%
C.	**Total Public Debt(A+B)**	**81,274.09**	**24,947,080.59**	**100%**

Source: Debt Management Office

Table 2. Analysis of the relationship between total debt and unemployment rate in Nigeria between 2010-2018

Year	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total debt (billion US $)	73	70	57.8	63.8	67.7	64	48	41	35
Unemployment rate (%)	22.6	17.5	13.4	9.0	7.8	10.0	10.6	6.0	5.1

Source: Total Debt rate was gotten from DMO, while unemployment rate was gotten from World Data Atlas, retrieved from https://knoema.com/atlas/Nigeria/Unemployment-rate

Table 2. Subnational Governments Plus Fct Internally Generated Revenue, Monthly Allocation And Total Debt As At 2018

State	Total state generated revenue ngn	Net facc alllocation ngn	Total revenue available ngn	Total external debt	Total domestic debt ngn
	2018	2018	2018	2018	2018
Abia	14,834,904,447.49	55,326,313,520.15	70,161,217,967.64	98,582,798.91	67,017,185,656.92
Adamawa	6,204,876,665.62	49,510,206,574.39	55,715,083,240.01	97,790,423.73	89,659,119,455.46
Akwa ibom	24,210,810,102.72	202,365,072,519.99	226,575,882,622.71	45,657,647.14	198,663,229,326.07
Anambra	19,305,267,646.94	55,249,945,897.31	74,555,213,544.25	107,041,487.48	33,490,668,536.72
Bauchi	9,690,832,177.58	54,020,849,574.37	63,711,681,751.95	133,930,757.08	92,367,170,606.61
Bayelsa	13,636,545,716.78	153,104,866,273.55	166,741,411,990.33	56,623,178.71	130,043,473,800.97
Benue	11,215,482,725.16	55,441,078,188.72	66,656,560,913.88	39,610,851.64	97,347,605,190.14
Borno	6,524,300,904.06	63,271,702,953.51	69,796,003,857.57	21,618,240.11	68,381,705,608.58
Cross river	17,552,112,937.09	36,954,686,823.13	54,506,799,760.22	188,773,736.81	167,955,848,722.32
Delta	58,439,598,672.31	213,634,192,630.29	272,073,791,302.60	63,286,948.43	228,805,996,159.83
Ebonyi	6,144,587,065.65	44,955,009,442.29	51,099,596,507.94	66,653,026.12	55,597,352,310.28
Edo	28,425,496,842.23	69,169,646,683.36	97,595,143,525.59	276,253,922.96	86,820,254,212.61
Ekiti	6,465,374,250.65	39,325,661,893.63	45,791,036,144.28	106,208,598.19	118,011,414,814.34
Enugu	22,145,937,216.00	53,104,455,149.92	75,250,392,365.92	126,177,662.23	55,032,067,848.83
Gombe	7,343,549,621.53	43,808,127,576.80	51,151,677,198.33	37,406,069.57	63,337,930,142.60
Imo	14,884,271,810.31	54,181,645,137.52	69,065,916,947.83	59,515,586.62	98,782,494,271.48
Jigawa	9,246,250,836.03	60,327,926,310.65	69,574,177,146.68	32,008,444.77	35,163,169,800.26
Kaduna	29,446,386,924.74	68,849,941,237.76	98,296,328,162.50	227,252,685.58	84,637,112,775.54
Kano	44,107,375,284.25	84,205,898,067.21	128,313,273,351.46	63,409,069.74	117,082,317,490.54
Katsina	6,961,870,329.00	61,651,483,460.57	68,613,353,789.57	62,133,706.90	30,852,661,159.10
Kebbi	4,881,961,005.78	54,580,176,454.58	59,462,137,460.36	45,605,534.73	67,442,333,186.56
Kogi	11,334,113,743.55	53,376,978,657.33	64,711,092,400.88	31,584,158.36	84,922,376,449.78
Kwara	23,046,944,295.60	44,573,231,265.18	67,620,175,560.78	48,599,040.43	59,135,900,168.96
Lagos	382,181,548,627.13	119,024,027,795.54	501,205,576,422.67	1,426,428,935.47	530,243,773,934.40
Nasarawa	7,566,920,656.91	47,550,214,527.97	55,117,135,184.88	59,183,665.51	85,363,486,609.87
Niger	10,432,190,956.63	57,521,609,575.96	67,953,800,532.59	61,345,344.97	41,831,488,692.26
Ogun	84,554,199,593.67	39,644,151,088.39	124,198,350,682.06	103,256,042.18	98,716,941,494.10
Ondo	24,788,059,725.53	64,686,727,822.91	89,474,787,548.44	79,854,005.14	49,123,506,028.25
Osun	10,381,663,677.98	22,837,305,434.54	33,218,969,112.52	99,085,406.37	148,101,237,664.94
Oyo	24,635,074,074.49	59,289,159,988.50	83,924,234,062.99	104,997,383.47	91,515,756,366.15
Plateau	12,726,479,548.41	43,885,148,418.59	56,611,627,967.00	28,874,208.63	100,366,504,576.83
Rivers**	112,780,373,912.23	172,627,019,316.69	285,407,393,228.92	78,278,786.10	225,592,469,150.22
Sokoto	18,762,009,020.05	54,460,056,835.47	73,222,065,855.52	39,218,901.04	38,604,705,528.74
Taraba	5,968,809,583.11	47,877,801,462.16	53,846,611,045.27	21,611,262.68	61,508,573,011.13
Yobe	4,382,259,456.05	52,874,949,262.92	57,257,208,718.97	27,486,482.07	27,772,599,253.39
Zamfara	8,206,695,592.14	40,831,825,094.60	49,038,520,686.74	33,524,208.01	59,900,241,661.65
Total states exc fct	1,103,415,135,645.40	2,494,099,094,934.45	3,597,514,230,579.85	4,198,870,225.90	3,689,190,673,684.42
Fct/ abuja	65,519,663,654.82	73,169,929,940.52	138,689,593,595.34	31,848,844.12	164,245,377,802.60
Total states inc fct	1,168,934,799,300.22	2,567,269,024,874.97	3,736,203,824,175.19	4,230,719,070.02	3,853,436,051,487.02

Table 3. Capital and Recurrent Expenditure value of Six States in Nigeria in 2018

State	Total revenue	Budget (N)	Capital expenditure (N) billion	Recurrent expenditure (N) billion	Percentage ratio
Lagos	501,205,576,422.67	1.046 trillion	699	347	67:33
Rivers	285,407,393,228.92	510 billion	379	132	75:25
Akwa Ibom	226,575,882,622.71	646.6 billion	431	94.6	66:34
Ekiti	45,791,036,144.28	98.6 billion	32.1	66.4	33:67
Enugu	75,250,392,365.92	103.5 billion	47.8	55.2	41.4:58.6
Ebonyi	51,099,596,507.94	208.3 billion	165.0	43.32	79:21
Kano	128,313,273,351.46	246 billion	152	82	61:39
Delta	272,073,791,302.60	308 billion	150.6	147.5	50:52

Source: Authors compilation

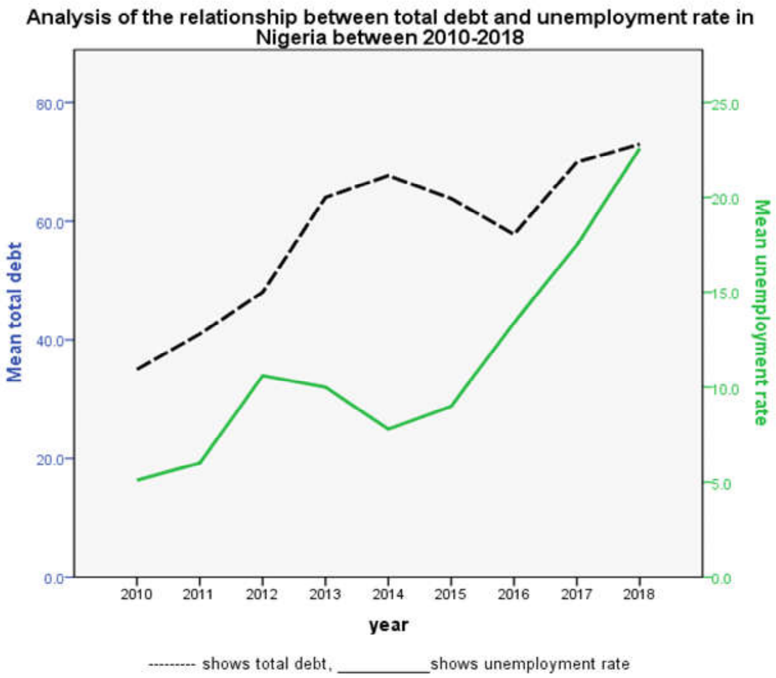

Figure 1.

Management of public debt has an impact on the living standard of the people thus, the level of unemployment, cost of living and the poverty rate is a necessary factor of inefficient management of its economy including public debt. As earlier stated, one of the major economic rationales for borrowing is to supplement the nation's domestic savings and investment which is invariably needed for human capital and infrastructural development. However, proper management of such debt is of paramount importance. According to the Debt Management Office, debt refinancing is one of the major strategies in managing Nigeria's debt others include debt conversion, restructuring, debt servicing and debt for equity ratio. Refinancing entails the replacement of an existing debt obligation with a new debt obligation under different terms usually a favourable term than the previous one. It involves a situation whereby a borrower applies for a new loan or debt instrument which can be used to pay down the previous obligation. The primary aim of refinancing debt is usually to pay off the liabilities from an existing debt to avoid undue debt burden and overhang. The terms and conditions of refinancing vary widely by country based on enlisted economic and political factors including credit rating, credit worthiness and political stability of the nation. Borrowers usually refinance to receive lower interest rates payable or to otherwise reduce their repayment burden. According to the DMO (2019), Nigeria's debt refinancing strategy is aimed at rebalancing its debt local and foreign debt profile, from the present 69:31 percent to a target ratio of 60:40 percent as indicated in the 2019-2023 debt management framework. The former Minister of Finance, Femi Adeosun revealed that $5.5 billion loans which the government seeks for approval by the national assembly, is made up of $3billion refinancing of inherited debts and $2.5 billion new loan for the 2017 budget (Oluseyi, 2017). In reaction to the above, Economic alert (2017), argued that a situation where $3 billion is borrowed externally to refinance maturing bills, although would result in the reduction of total debt stock by as much as 9 percent, and subsequently domestic debt obligations, however, this would cause an increase in external debt stock by as much as 46 percent to N6.3 trillion ($20.6 billion). Under this scenario, debt to GDP ratio would rise by 3 percent, from an estimated 16 percent in 2017 to 19 percent in 2018. IMF (2014), revealed that in a situation whereby Nigeria spends more than 50 percent of its revenues on debt servicing, does not permit for critical investment in the necessary sectors of the economy. In the same vein, Amine Mati, the Senior Resident Representative and Mission Chief for Nigeria argued that although Nigeria's debt to Gross Domestic Product shows that it is still within the creditworthy threshold revealed by the DMO, Mati claimed that the high proportion of the country's revenue spent on debt servicing as a result of poor revenue generation (Afamefula, 2018). Public debt is diverting more resources. The consequences are increased debt servicing and refinancing and continuous debt accumulation.

Besides, Afamefula (2017), argued that continuous debt refinancing debt strategy by Nigeria instead of taking actual steps to gradually reduce and exit debt overhang is a demonstration of poor economic management. He argued that even though the government claimed that its borrowings is targeted at reviving critical sectors of the economy which have potential to increase the Gross Domestic Product, grow the economy and generate employment, the Federal Government's penchant for borrowing has not reduced the pain and misery of well-meaning Nigerians. Rate of The Nigeria National Bureau of Statistics reveals that the rate of unemployment in Nigeria increased from 18.8 percent in the third quarter of 2017 to a saddening 23.1 percent in the third quarter of 2018 without much hope of declining, especially with the current state of the economy. Amid Nigeria's first recession after two decades of democratic dispensation, there has been high cost of doing business, poor infrastructure, increase poverty rate, rising inflation and interest rate as a result of poor economic management thus, the labour market is saturated. The NBS in its report further revealed that the third quarter of 2017, economically active or working-age population (15 – 64 years of age) was 111.1 million, however, in the third quarter of 2018, it increased to 115.5million. The population of labour force (that is, population able and willing to work) increased from 75.94 million in the third quarter of 2015 to as high as 90.5million in the third quarter of 2018 (Oladeinde, 2018).

The estimated population of underemployed persons or part-time employment increased from 13.20 million in the third quarter of 2015 to 18.21 million in the third quarter of 2018. The unemployed population, that is active population that does not work at all or works for few hours (under 20 hours a week with minute pay) increased from 17.6 million in the third quarter of 2017 to 20.9 million in the third quarter of 2018 (Oladeinde, 2018). Also, the Nigerian economy is characterized by a huge informal economy that spans from the vast population of unemployed/underemployed who struggle to eke out a living in Nigeria. The table above shows a continuous rise in the total debt rate while the unemployment rate is also rising in Nigeria. This entails that there is no positive significant effect of rising debt profile and improvement in employment conditions in Nigeria. The continued refinancing of loans has not shown any positive effect on the economy to stimulate investment and infrastructural development which will increase employment. This is implicated in the fact that most capital loans acquired are either mismanaged or misappropriated. In addition, most capital loans in Nigeria due to its inability to regenerate repayment revenue have resulted in debt accumulation which has a negative effect on employment generation in Nigeria.

Regulation of Subnational Government Borrowings and State of Critical Infrastructure in Nigeria: Infrastructural development is identified as a critical key propeller for sustainable development. Development of critical infrastructure contributes significantly to human development such as poverty reduction and improvement in quality of life as well as attainment of sustainable development goals. (Grownigeria, 2018). Unfortunately, despite the huge amount of money spent on the development of infrastructure in Nigeria, inadequate infrastructure greatly impedes ease of doing business and hampers standard quality of living in general. Hence, the need for aggressive pursuit of the infrastructure development project. The Nigeria federal system is composed of three-tiers of government which include the federal, the 36 States, one Federal Capital Territory and 774 Local Governments. The federal government and the state have concurrent functions in the development of infrastructure in Nigeria. In various instances, both tiers of government continue to spend and also allocate a huge sum of money for infrastructure development. In most cases, due to the huge financial need for infrastructure, the government engages in borrowings to augment meager savings. Huge debt borrowings coupled with reckless spending over the years led to Nigeria witnessing its first debt overhang with consequent harsh economic measures such as the structural adjustment program. This led to the development of borrowing guidelines for subnational governments. The DMO in justification for the regulation of subnational governments in Nigeria revealed that over the years, the Nigerian economy has been recording slow and low growth rates averaging less than three percent per annum, low domestic investment, rising rate of unemployment and wide balance of payments deficits which led the country into a situation of debt overhang, that is, debt stock exceeded its future repayment capacity. This situation discouraged foreign and domestic investment and created difficulties in accessing funds from the international capital market by both the public and private sector.

This created the need to regulate and monitor financial responsibilities of subnational government (DMO, 2008). The National Assembly under the 1999 Constitution was vested with the power to make laws relating to matters that concern government borrowings. Subnational governments that wish to borrow have to pass through several institutions such the Securities and Exchange Commission, Ministry of Finance, the Debt Management Office for prior approval and in a situation where the borrowing involves commercial banks, the borrowing chain may include the Central Bank of Nigeria (Abubakar, n.d.). In addition to this, the DMO Act of 2003, empowers the Federal DMO to maintain a reliable database of all loans taken or guaranteed by the federal or state governments or any of their agencies and also ensure that all financial institutions planning to lend money to the state governments or any of their agencies must obtain the prior approval by the Minister of Finance. Borrowing limits were also set for states and federal government in yearly fiscal policy through the Fiscal Responsibility Act of 2007 (Abubakar, n.d.). issuance of securities by the Sub-nationals are permitted only if the total amount of outstanding loans at any particular time, including the proposed loan, does not exceed 50 percent of the actual revenue of the concerned sub-national for the preceding year. Furthermore, the monthly debt service ratio of a state government, which includes the commercial bank loan being proposed, should not exceed 40 percent of its monthly federation allocation of the preceding 12 months. In cases of loan default, the federal government deducts money from the statutory allocations from the affected subnational monthly share to fulfill such loan agreement. According to the general guideline on borrowing regulations for the subnational governments, "subnational shall devise or put in place a collateral arrangement such as a sinking fund to hedge against potential default to protect investors" (Okonjo-Iweala, n.d.). Despite the stated borrowing regulations for the subnational government and project execution monitoring by various government agencies concerned especially the DMO, infrastructure remains a dream yet to be actualized in Nigeria. infrastructure in the country had been in a dilapidated state despite huge financial borrowings in the past years. Every new government administration doles out its economic policies and plans with infrastructure as a priority. This economic plan is usually backed up by huge financial loan policy sadly, none of these projects did regenerate revenue for supplementing repayment of loans borrowed. The government even goes to the extent of further borrowings to maintain these weak infrastructures. The poor state of infrastructure in Nigeria has grave effect on the standard of living of Nigerians. The perennial electricity shortages, the deplorable state of roads, ports, and rail transport system, housing problems, lack of proper water and sanitation infrastructure are major hindrances to national development in Nigeria. According to the Ministry of Budget and National Planning (2017), the value of Nigeria's total infrastructure stock that is, power, road, water, rail, airports, telecoms, and seaports) represents only 35 percent of the country's GDP which is far below the level of other emerging economies, where the average is 70 percent. In this regard, Nigeria needs to invest about$3 trillion in infrastructure over the next 30 years if it is to meet up with the sustainable development goals (Ministry of Budget and National Planning, 2017). However, even the huge amount already expended on infrastructure cannot be said to have translated to development. For example, in the area of the power, Sahara reporter (July 13, 2019), revealed that between 2015 and 2018, the federal government is said to have invested N900 billion in the power sector. In addition, Sahara reporters (May 26, 2018), also revealed that the Nigeria has spent over $8bn on the nearly moribund Ajaokuta steel company cited in Kogi state since its inception. The steel plant which is the second-largest in Africa and 12th largest iron ore in the world is not only moribund but has remained a big center for massive looting and wastage of the nation's resources. Exacerbating the extravagancy of state governments spending of borrowed funds is the minimal regulations of state budgets which are formulated and implemented without due diligent coordination, approval or adequate monitoring from the DMO, this is coupled with the fact that there are macro effects of the state government spending on the overall economy of Nigeria.

The table above reveals that Lagos, Delta, Rivers, Akwa Ibom, Cross River, FCT, Osun, Bayelsa, Ekiti and Kano are the top 10 states with the highest domestic debt profile, while Lagos, Edo, Kaduna, Cross River, Bauchi, Enugu, Anambra, Ekiti, Oyo, and Ogun are the top 10 highest external debt profile state. Of these states 10 states, Osun state has the poorest internally generated revenue. In addition, Yobe, Kebbi, Taraba, Ebonyi, Adamawa, Ekiti, Borno, Kastina, Gombe and Nasarawa are the top 10 poor internally revenue-generating states in Nigeria. while Lagos, Rivers, Delta and Kano are the lead IGR states in Nigeria. The fact is that the fiscal budgetary allocation of states is usually dependent on federal allocation. Most states in Nigeria struggle to pay recurrent expenditure even though capital expenditure is always a top priority, despite this, states rarely meet up its budgetary demand and in most cases resort to borrowings to meet up with salary payments. Poor investment in capital expenditure has consequences in the poor critical state of infrastructure. States resort to a bailout by the federal government for survival. The table above reveals a commitment of most state governments in capital expenditure with Enugu state as the only state with high recurrent expenditure over capital expenditure. Although this is applaud, the reality on the ground is that these state budgets are always underperforming and only 10 states in Nigeria have fiscal sustainability as of 2018. For example, the 19 northern states (excluding Kebbi) have a combined estimate of N2.85 trillion; of which N1.18 trillion was for salaries and overheads and the N1.65 trillion for developmental projects in 2018 while the 17 southern states have a cumulative budget of N6.12 trillion, voting N3.86 trillion for capital projects and the N2.21 trillion for recurrent (BudgiT, 2018). Despite the huge amount of money budgeted for the capital project, BudgiT (2018) revealed that 42% of Capital Projects in the proposed 2018 budget has no direct positive impact on the people. Most state ironically struggles to meet up with their recurrent expenditures and in most instances, loans taken are channeled to recurrent expenditure instead of capital projects which have not spurred development. While lamenting on the amount expended on the Niger Delta development project, Kachukwu (2018), claimed that despite the federal government spending over $40 billion in Niger Delta in the past ten years, there is no corresponding projects which will affect positively the lives of every Niger Deltas to show for such huge expenses. He argued that instead, some of the money were shared among former militants in the form of Amnesty program rather of channeling them to regenerative ventures, cleaning up the Niger Delta polluted environment or setting up industries that can employ people. He alleged that on white paper, there are about 11000 projects purportedly executed with the $40 billion but in reality, there is nothing factual to suggest that over 11000 projects were ever carried out in the region.

This unjustified corrupt act is regrettably what is obtainable every year, as trillions of Naira are read out in every annual budget preparation and presentation(Ehiorobo, 2018). The government in Nigeria has a culture of allocating more percentage of the budget to capital expenditure. Although states in Nigeria have through their budgetary plans shown concern on the need for increased capital spending, on the contrary, there has not been an impact of the money spent on capital projects on national development. Funds needed to finance capital expenditure are primarily driven by commercial loans which is usually in an unsustainable lending rate. Furthermore, BudgiT (2018), decried that "capital line items under the direct supervision of ministries, departments, and agencies (MDAs) usually go into administrative items which include the procurement of cars, retrofitting of government offices, training, consultancies, purchase of furniture and computers and so on. Given that the funds marked for capital expenditure will be largely borrowed there is a great disconnect from the developmental goals of government, as stated in its Economic Recovery and Growth Plan (ERGP). Lastly, Nigeria is littered with abandoned projects spanning from roads, water projects, poor housing, and estate management, failing health and educational facilities to the epileptic power supply. This affects the cost of living and ease of doing business in Nigeria. The resultant consequence is de-industrialization currently witnessed as companies and manufacturing sectors are moving their investments farther from Nigeria to favourable countries such as Ghana and South Africa.

Conclusion

The study examined the impact of public debt management on national development and indicators such as unemployment and infrastructure were correlated with financial debt management strategy. The study discovered that there is no significant relationship between public debt management strategy and unemployment and infrastructure development in Nigeria. The unemployment rate in Nigeria reached its peak in 2018 at 23 percent.

Nigeria is also considered as the poverty capital of the world with over 81 million poor Nigerians. This is antithetical to the fact that Nigeria is endowed with human and natural resources. Government borrowings for the development of infrastructure has not translated to development as the state of infrastructure in Nigeria is in a critical condition. Government officials due to poor monitoring and regulations mismanage and misappropriate funds meant for the development of these infrastructures. In fact, according to Transparency International, Nigeria ranks 146 in the world making it one of the most corrupt countries of the world. Debt refinancing strategy employed by the DMO has an immediate caution on the sustainability of financial debt in Nigeria, however, its long-term implication is adverse such that it results in debt accumulation and increased debt servicing ratio. This is worsened by the inability of most capital loan projects to regenerate revenue for its repayment.

Recommendation

Based on the findings, the study made the following recommendations:

- There is a need for the federal government to reduce its overdependence on external debt for financing the bulk of its budget. The government should aggressively pursue the process of diversification of the economy. This will result in the buoyant and robust economy free from oil dependency. The subnational government should devise revenue-generating means while consolidating its tax collection strategy this is to reduce their dependence on federal allocation.
- In as much as there are borrowing guidelines, the adequate legal framework should be established to monitor subnational government spending and unbiased prosecution of state governments who default on the purpose of capital loan expenditure. Judicious and prudential utilization of capital loans will ensure infrastructural development which will, in turn, spur the development of other sectors of the economy. In this regard, the independence of the anti-graft agency and the judiciary cannot be overemphasized.
- Lastly, justified borrowing is not entirely condemnable, the study recommends the government should spend wisely in critical projects that can stimulate development in the country.

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