Rising Unemployment in Nigeria: Public Debt to the Rescue?

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Abstract
Among the macroeconomic challenges facing Nigeria as a country are weak growth of the economy, ever increasing unemployment rate, and increasing inequality occasioned by increasing poverty. In trying to mitigate these challenges, the Nigeria government usually run aborowing. In all these, the unemployment rate keep rising year-on-year. In this study, we tried to find out whether borrowing will come to the rescue in reducing unemployment in Nigeria, using time series data from 1981 - 2019. Employing the VECM model, we carried out the stationarity and cointegration tests respectively. While the stationarity test confirmed all variables being stationary at I(1), existence of cointegration was also confirmed indicating a relationship between public debt and unemployment which turned out to be an inverse relationship. A high value of ECM was recorded. It was found that unemployment granger causes government debt and debt servicing. The overall result shows that public debt have rendered little or no assistance in combating unemployment in Nigeria. While we do not discourage government from borrowing for the provision of critical infrastructures, corruption should be put in check so as to allow the amount of borrowing be reflected on the infrastructures available, as public debt also have some adverse effects on the economy.

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Introduction
The sustained debate on the issue of economic growth as a panacea for the reduction of unemployment has been resolved by the Keynesians view of fiscal policy. In their view, government's intervention is necessary to enable market economies stabilize by generating high aggregate demand that will be enough in advancing full employment levels. This is on the assumptions by the Keynesians in the 1930's that as long as there is unemployment, public debt will not have a crowding out effect on the private sector (Meeedee & Nenbee, 2011; Fideli & Forte, 2012; Egbulonu & Amadi, 2016). The macroeconomic challenges facing Nigeria as a country includes ever increasing unemployment...
level, increasing economic, health and social inequality occasioned by high level of poverty and weak growth of the economy (Igberi, Odo, Anoke & Nwachukwu, 2016) for which government usually intervenes to stabilize its economy. In trying to boost the economy, one of the strategies used by governments is debt accumulation by way of borrowing. This is done to increase the activities in the country’s economy (Hoag & Hoag, 2006; Ncanywa & Masoga, 2018). Government can owe money either offshore or onshore (domestic) and in most cases causes deficit financing of the economy (Bonga, Chirowa, & Nyamapfeni, 2015; Jaejoon & Manmohan, 2014; Ncanywa & Masoga, 2018). Accordingly public debt assist governments to invest in critical areas of the economy especially in cases that tax revenues cannot cover such investments. However, government expenditures financed using public debt has its detriments (Tsoulfidis, 2007).

In Nigeria today, the debate has been on and is centered on merits, demerits and sustainability of the debts being accrued amid the incessant tax increments. According to Fideli & Forte (2012), amid the sustained increase in government taxes and deficit budget financing, resources from taxpayers is often shifted to bond holders even with a positive increase in the wealth of taxpayers occasioned by the uninterrupted of the intergenerational equities. Accordingly, Obayori (2016) saw fiscal policy as a tool used in mitigating the intricate economic problem of unemployment and persistent fiscal deficit. Since fiscal policy is a tool used by governments to effectively control the economy, it can be said that the primary goal of fiscal policy is to address the high rate of unemployment.

Fiscal policy is a tool used in redistribution of income and welfare. As such, government has been defending the huge debts accruing to the country with this. Public spending remains a tool used in Nigeria to influence growth and development. These expenditures take either the form of capital expenditure, which includes public works and goods or recurrent expenditure, which includes salaries and allowances (Igwe, Edeh & Ukpere, 2015). According to Keynesian economics, increased public spending invigorates the economy by way of increased investment, income, growth and consequently improved economic well-being. However, in the case of Nigeria, the annual budgets have been increasing year-on-year, yet the economy is characterized by high unemployment, hunger, poor investments and poor infrastructural development.

In trying to finance the budget deficits in Nigeria, various governments embark on a borrowing spree. Therefore this paper investigated whether increased borrowing will come to the rescue in reducing the macroeconomic challenge of increasing unemployment in Nigeria. This is to test the impact of fiscal policy used by government in trying to stem the ever rising unemployment rate in Nigeria, hence attempt to decipher the causes of the ever increasing unemployment and lack of provision of infrastructure in Nigeria that has become the government’s justification for accumulation of huge debts. This study makes contribution to knowledge by looking at the implications of increasing public debt as a fiscal policy tool on reduction of unemployment in Nigeria. We briefly discussed relevant literatures in section 2, presented and explained methodological issues in section 3, outlined, interpreted and discussed our empirical findings in section 4, while concluding the paper in section 5.

Review of Literature
Theoretical Review
Classical Theory of Unemployment
According to the classicals, the only unemployment is the number of persons wishing not to work at the prevailing wage rate and is determined as the difference between total working population (N) and the equilibrium labour (L). The classicals saw total unemployment, U, as the sum of voluntary unemployment, U_V and frictional unemployment, U_F.

Thus \( U = U_V + U_F \)  

The classical school treats labour market as any other market in which labour demand and supply is a function of prices. In a nut shell, \( L^D = f(w/p) \)  

Also, \( L^D = f(w/p) \)  

Where w/p is the real wage rate, on the assumption that (a) producers who hire labour services are profit maximizers, and workers are utility maximizers and (b) wages and prices are flexible, (c) equilibrium
labour and supply are independently determined in the labour market.

**Keynesian Theory of Unemployment**
In contrast to the Classical position, Keynes distinguished unemployment into either voluntary or involuntary. While he literally agreed with the classicals on the definition of voluntary unemployment, he defined involuntary unemployment as the difference between labour demand and what labour demand would have been all things being equal. According to Keynes, labour demand is influenced by money wage rate, and labour supply is influenced by expected real wage rate. He went further to argue that for the fact that employees can predict their expected price, actual price therefore equals expected price.

**The Keynesian Theory of Fiscal Policy**
Keynesian fiscal policy is the management of government spending and taxation with the objective of maintaining full employment. According to Keynes, economies could languish indefinitely with high unemployment if aggregate demand is inadequate. He opined that increased government spending would not only boost demand directly but would also set off a chain reaction of increased demand, same way tax cuts would put more disposable income in the wallets of consumers. Keynes contended that increased government spending, on the other hand, would not only boost demand directly but would also set off a chain reaction of increased demand from workers and suppliers whose incomes had been increased by the government's expenditure. Similarly, a tax cut would put more disposable income in the wallets of consumers, and that too would boost demand. Keynes contended, then, that the appropriate fiscal policy during periods of high unemployment was to run a budget deficit. These ideas flew in the face of the conventional wisdom that budget deficits were always bad (David, Stanley & Rudiger, 2000).

However, it should be of note that the effects of fiscal policy are not the same for everyone. Depending on the political orientations and goals of the policymakers, a tax cut could affect only the middle class, which is typically the largest economic group. In times of economic decline and rising taxation, it is this same group that may have to pay more taxes than the wealthier upper class. Similarly, when a government decides to adjust its spending, its policy may affect only a specific group of people.

**Empirical Review**
From the early 1930’s, there has been discussions, theories and literatures that support the use of fiscal policy in advancing economic growth and development. Keynesian economics proposes for the manipulation of receipts and expenditures side of the budget by government if it must achieve national objectives which is ultimately to stimulate growth. According to him, one of the permanent problems of capitalist economy is demand deficiency and as such he made maintenance of full employment by enlarging the public sector and its associated expenditure the focus of his general theory (Dwyer, 2011; Abubakar, 2016; Aspromourgos, 2018). In the wake of the dwindling economic activity and revenue generation, governments face the challenge of reducing unemployment. However, the possibility of achieving full employment cannot be met without government intervening by way of increasing budget deficits and rising public debt. Hence deficit financing yields positive result in the economy (Ogiogio, 2005; Appah, 2010; Egbulonu & Amadi 2016) though there are dissenting voices to this (Omitogun & Ayinla, 2007).

While Ricardian economics opined that public debt arises from the ordinary and extraordinary expenditures of the state on mostly unproductive labourers. Their position is that any savings from government should form part of contributors’ capital or otherwise it becomes income addition. He concluded that wasteful nature of public expenditure actually gives rise to the primary burden. The burden could not have arisen from the method of financing the public expenditure meaning that whether it is from loans or taxes makes no difference (Churchman, 2001). Buchanian economics on the other hand is more concerned with who bears the burden of public debt against the Keynesians position that receivers of interest payments and borrowers are same country. His argument being that the issue of government debt is centered on the real cost of government spending that sacrifices private production and that except for transfer costs, debt financing is not futuristic. The classical economists viewed capital formation as sacrifice for government expenditure costs though its unquestionability is
never in doubt. It is obvious that the Buchanan’s view is applicable whether under full employment or not (Tsoulfidis, 2007; Wagner, 2013).

The studies by Gregoriou & Ghosh (2007), Ranjin & Sharma (2008), Lui, Hsu & Younis (2008) all agree that irrespective of the degree of variation among countries, those that budget huge expenditures often experiences a higher growth level. In Obayori’s study (2016) looking at the impact of fiscal policy on unemployment in Nigeria, he agreed that fiscal policy is effective in reducing unemployment in Nigeria with its attendant adverse effects on inflation thereby supporting expansionary policies corroborating the studies by Egbulonu & Amadi (2016), Nwosa (2014) in the case of Nigeria and Athanasius (2013) in the case of Greece, Shadi (2014) in the case of Jordan. However some researchers found a negative relationship between fiscal policy and unemployment (Auerbach & Gorodnichenko, 2012; Mehmood & Sadiq, 2010) while Holden & Sparrman (2011) found no effect of fiscal policy on unemployment in 20 Organisation for Economic Co-operation and Development, (OECD) countries studied.

Methodology
We specify the distributed lag model, showing the effect of rising debt on the macroeconomic variable, unemployment using time series data from 1981-2019. We adopted total external debt, debt servicing, government total debt – summation of domestic and external debts, and government expenditure - that is summation of recurrent and capital expenditure.

Sources of Data and Description
All macroeconomic and fiscal policy variables data employed in this study were extracted from various editions of National Bureau of Statistics (NBS) publications in addition to 2019 edition of Central Bank of Nigeria (CBN) publications. While time series data of the total external debt, debt servicing, government total debt and government expenditure are sourced from CBN statistical bulletin, 2019, unemployment rate was sourced from NBS annual report, 2017 and 2019.

Theoretical Framework
John Maynard Keynes theory of fiscal policy forms the theoretical underpinning of this study. According to the Keynesian theory, to spur aggregate demand, governments usually uses appropriate policy mix involving taxation and expenditure, but however the totality of aggregate demand is determined by level of employment. Keynes model expresses output (Y) in an open economy, such as Nigeria’s, as a positive function of consumption (C), investment (I), government expenditure (G) and trade balance or balance of payment (X-M). This is mathematically expressed as:

\[ Y = C + I + G + (X-M) \]  ... (4)

Given that, \( C + I + G \) = Aggregate demand (A) which implies that a positive change in government expenditure increases aggregate demand and vice versa. We therefore modified equation (1) to a functional format relevant to the study, taking into consideration key macroeconomic variables, such as real gross domestic growth rate, unemployment and inflation, as the dependent variables and fiscal policy variables, such as government expenditure, government debt stock and government revenue, as the independent variables.

Model Specification and Justification
This study focuses on macroeconomic variable, unemployment. Taking into account the rising debt profile of the country, consequently, the predictors are made to capture the components of government debt and the burden of debt servicing in Nigeria – country’s external debt outstanding, country’s summation of government debts, amount used in servicing debts and government expenditure as a control variable. This will be used to test the following hypothesis:

The model specified for the study is as follows:

\[ \Delta \text{LogUEMP}_t = \rho_0 + \rho_1 \Delta \text{LogTEDO}_{t-i} + \rho_2 \Delta \text{LogGTDS}_{t-i} + \rho_3 \Delta \text{LogTDS}_{t-i} + \rho_4 \Delta \text{LogGEXP}_{t-i} + \rho_5 \text{ect} + \epsilon_t \]  ... (5)

\( \Delta \text{LogUEMP}_t \) represent unemployment rate; \( \Delta \text{LogTEDO}_t \) represents external debt outstanding; \( \Delta \text{LogGTDS}_t \) represents summation of Government debts – by this we mean the sum of domestic and offshore debts; \( \Delta \text{LogTDS}_t \) represents total debt servicing; summation of government expenditure is represented by \( \Delta \text{LogGEXP}_t \) – meaning sum of capital and recurrent expenditures;
while 'ect' and 'ε' are error correction term and stochastic error term respectively.

**Estimation and Discussion of Results**

**Descriptive Statistics Test Results**

Statistical properties of the time series variables from 1981-2019 as used in the model is as shown in table 1. The highest and lowest values of unemployment (UNEMP) were 23.9 and 7.2 respectively. The value of external debt outstanding (TEDO), Government total debt stock (GTDS), total debt servicing (TDS) and government total expenditure (GEXP) peaked at 4,890.27, 25,712.45, 2,454.07 and 9,714.84 Billion naira respectively. The standard deviation of all the independent variables are high indicating that the data points are well spread out around the mean. This is supported by the substantial value of the difference between the maximum and minimum values of the independent variables showing the existence of large variance in all the variables.

### Table 1: Descriptive statistic

| Variable | UNEMP | TEDO | GTDS | TDS | GEXP |
|----------|-------|------|------|-----|------|
| Mean     | 9.582051 | 1205.042 | 4771.112 | 397.5644 | 2064.192 |
| Median   | 7.200000 | 633.1444 | 2608.530 | 131.0500 | 947.6900 |
| Maximum  | 23.900000 | 4890.270 | 25712.45 | 2454.070 | 9714.840 |
| Minimum  | 2.300000 | 2.331200 | 13.52000 | 1.010000 | 4.100000 |
| Std. Dev. | 6.353817 | 1303.502 | 6441.305 | 614.3064 | 2555.425 |
| Skewness | 1.083865 | 1.335349 | 1.942559 | 2.033373 | 1.211891 |
| Kurtosis | 2.853768 | 3.866697 | 6.135702 | 6.356718 | 3.611431 |
| Jarque-Bera | 7.670704 | 12.81116 | 40.50600 | 45.18472 | 10.15392 |
| Probability | 0.021594 | 0.001652 | 0.000000 | 0.000000 | 0.006239 |
| Sum      | 373.7000 | 46996.64 | 186073.4 | 15505.01 | 80503.48 |
| Sum Sq.Dev. | 1534.097 | 64566496 | 1.58E+09 | 14340148 | 2.48E+08 |
| Observation | 39 | 39 | 39 | 39 | 39 |

Source: Authors computation using e-view 9

**Unit Root Test Results**

Unit root tests were conducted using Augmented Dickney-Fuller (ADF) and Phillip-Perron (PP) based on Akaike Information Criterion (AIC) which resulted in all the variables being stationary at I(1). The result is presented in table 2.

### Table 2: Unit root test

| Variable | ADF root test statistic | 5% Critical value | Integration order |
|----------|-------------------------|-------------------|-------------------|
| TEDO     | -2.453241 0.1349 -2.108993 0.4983 | -1.549109 0.0021 -3.825493 0.0059 | I(1) I(1) |
| GTDS     | 4.074071 1.0000 3.830128 1.0000 | -4.256957 0.0093 -4.256826 0.0002 | I(1) I(1) |
| TDS      | 6.939715 1.0000 8.913718 1.0000 | -3.981472 0.0003 -4.063408 0.0003 | I(1) I(1) |
| GEXP     | 4.642623 1.0000 4.231209 1.0000 | -4.237467 0.0003 -3.937429 0.0044 | I(1) I(1) |
| UNEMP    | 1.062495 0.9963 -2.108993 0.2424 | -6.106581 0.0000 -10.96373 0.0000 | I(1) I(1) |

Source: Authors computation using e-view 9
Result of Lag Order Selection Criteria
As presented in table 3, the Akaike information criterion (AIC) recommends optimal lag length of lag 3. Based on the outcome, we therefore adopted lag 3 for our estimations.

| Lag | LogL   | LR     | FPE     | AIC     | SC      | HQ      |
|-----|--------|--------|---------|---------|---------|---------|
| 0   | -1274.013 | NA    | 4.98e+24| 71.05626| 71.27620| 71.13302|
| 1   | -1120.450 | 255.9376| 4.00e+21| 63.91390| 65.23350| 64.37447|
| 2   | -1085.898 | 47.98842| 2.56e+21| 63.38325| 65.80251| 64.22764|
| 3   | -1019.794 | 73.44943*| 3.29e+20*| 61.09967*| 64.61860*| 62.32787*|

* indicates lag order selected by the criterion; LR: sequential modified LR test statistic; FPE: Final prediction error; AIC: Akaike information criterion; SC: Schwarz information criterion; HQ: Hannan-Quinn information criterion
Source: Authors computation using e-view 9

Table 4 is the outcome of the cointegration test. Using 5% level of significance, the result confirms existence of a cointegrating relationship between the variables and this corresponds to the point at which the values of the trace statistic and Max-Eigen statistic is greater than their critical values at the 5% level of significance.

| Hypothesized No of CE(s) | Trace Statistic | 0.05 Critical Value | Max-Eigen Statistics | 0.05 Critical Value |
|---------------------------|-----------------|---------------------|----------------------|---------------------|
| None *                    | 167.9177        | 69.81889            | 73.66623             | 33.87687            |
| At most 1 *               | 94.25143        | 47.85613            | 44.04910             | 27.58434            |
| At most 2 *               | 50.20232        | 29.79707            | 27.98175             | 21.13162            |
| At most 3 *               | 22.22057        | 15.49471            | 21.80836             | 14.26460            |
| At most 4 *               | 0.412211        | 3.841466            | 0.412211             | 3.841466            |

Source: Authors computation using e-view 9

Long Run Output
Presented in table 5 is the long-run result of the estimated VECM with UNEMP as the dependent variable. The coefficient of GTDS, TDS and GEXP are all insignificantly and negatively signed, indicating an inverse relationship, while the coefficient of TEDO is positive and significant. This result shows that in the long run government total debt (GTDS), total debt servicing (TDS) and government expenditure reduces unemployment (UNEMP) in the long run while total external debt outstanding (TEDO) increases unemployment. Thus, a unit positive increase in GTDS, TDS and GEXP reduces UNEMP by 49.75%, 4.47% and 33.67% respectively while a 1% increase in TEDO increases unemployment by 11.19% in the long run. This supports the findings of Fideli & Forte (2012) that government expenditure and deficit financing in the long run negatively impacts on unemployment.
Table 5: Long-run VECM cointegrating result with UNEMPdep variable

| Variable | Coefficient | Std. error | t-Statistic |
|----------|-------------|------------|-------------|
| TEDO     | 11.19173    | 21.8308    | 0.51266     |
| GTDS     | -49.75320   | 44.1737    | -1.12631    |
| TDS      | -4.467274   | 2.45823    | -1.81727    |
| GEXP     | -33.67393   | 7.92067    | -4.2514     |

Source: Authors computation using e-view 9

Table 6: VECM short-run dynamics; UNEMP = Dep. Var.

| Variables | Coefficient | T-Statistics | Probability |
|-----------|-------------|--------------|-------------|
| LOG(TEDO(-1)) | 0.00000     | 0.00000      | 0.00000     |
| LOG(GTDS(-1)) | 0.00000     | 0.00000      | 0.00000     |
| LOG(TDS(-1)) | 0.00000     | 0.00000      | 0.00000     |
| LOG(GEXP(-1)) | -0.804688   | 0.25889      | -3.10821    |
| ECT_{t-1}  | -1.120212   | 0.45676      | -2.452531   |
| C          | 0.181319    | 0.22234      | 0.81552     |

R² = 0.777252 ; Adj R² = 0.495103 ; F-Statistic = 2.754765
Source: Authors computation using e-view 9

**VECM Short Run Output**

From the short-run VECM output of model as shown in table 6, error correction term (ECT) has a negative value and is less than one (1) with a significant coefficient indicating a high speed of adjustment of 112%. The value of R² is 0.777252 indicating that about 77.73% of the changes in the level of unemployment in Nigeria within this time period is explained by these variables. The most striking observation here is that the values of TEDO, GTDS and TDS are all zero (0) meaning that in the short run all these variables do not have any impact on unemployment. However, government expenditure is -0.804688 meaning that for a 1% increase in government expenditure there is a corresponding 0.81% decrease in unemployment. The value of the F-statistic is significant at 2.75. The sign and direction of government expenditure lays credence to the findings of Egbulonu and Amadi (2016) that government expenditure reduces unemployment in Nigeria marginally in the short-run.

**Granger Causality Test Output**

Granger Causality Test Conducted on the Variables employing F-statistics constructed under the null hypothesis of no causality to measure the causality direction among variables is presented in table 7. From the output, summation of government debt outstanding granger causes unemployment in Nigeria during the period under review, this is same for debt servicing and summation of government budgetary expenditure as they both granger causes unemployment in Nigeria. However, within the study period, outstanding external debts (TEDO) granger causes outstanding summation of government debt while TEDO and GTDS granger causes TDS. GTDS granger causes TDS and GEXP. In same vein, GEXP and TDS granger causes each other. In all these cases the probability values is less than the 5% level.
Table 7: Granger causality

| Null Hypothesis          | F-Statistic | Prob % |
|--------------------------|-------------|--------|
| GTDS Granger Causes UNEMP| 3.37389     | 0.0317 |
| TDS Granger Causes UNEMP | 3.78762     | 0.0209 |
| GEXP Granger Causes UNEMP| 8.80819     | 0.0003 |
| TEO Granger Causes GTDS  | 3.73367     | 0.0220 |
| TEO Granger Causes TDS   | 5.41342     | 0.0044 |
| GTDS Granger Causes TDS  | 8.38891     | 0.0004 |
| GTDS Granger Causes GEXP | 4.53139     | 0.0101 |
| GEXP Granger Causes TDS  | 3.81473     | 0.0203 |
| TDS Granger Causes GEXP  | 9.00214     | 0.0002 |

Source: Authors computation using e-view 9

Variance Decomposition of the Model Test

Output

From the variance decomposition output in 8, the variable unemployment, in forecast year 1 accounted for 100%. During the same forecasting period, shocks to total external debt servicing outstanding (TEDO) accounted for 0% of the variations in unemployment (UNEMP). Similar explanations hold for the variations in the total debt outstanding (TEDO) in the other forecast periods. The same applies for the other variables. Also while some variables like GTDS on TDS were increasing, UNEMP on TDS was decreasing. This is in line with what Ncanywa & Masoga (2018) who found that debt servicing imposes liquidity constraint, hence large payments of debt service deprives a country of needed funds thus becoming the opportunity cost by inducing low economic growth.

Table 8: Results of Decomposition of Variance for Model

| Forecast Year | Relative Variance In: | Percentage of Forecast Variance Explained by innovations in |
|---------------|------------------------|----------------------------------------------------------|
|               | SE                     | LOG (UNEMP) | LOG (TDS) | LOG (GTDS) | LOG (TDO) | LOG (GEXP) |
| 1             | Log(UNEMP)             | 0.443824    | 100.0000  | 0.000000   | 0.000000  | 0.000000   |
| 2             |                        | 0.472545    | 88.92672  | 8.295604   | 1.770603  | 0.753514   | 0.253561   |
| 3             |                        | 0.506865    | 77.67559  | 8.741129   | 10.27975  | 2.742834   | 0.560697   |
| 4             |                        | 0.569976    | 64.38691  | 6.981245   | 9.247697  | 18.36686   | 1.017286   |
| 5             |                        | 0.595787    | 62.28299  | 10.99168   | 8.492601  | 17.36111   | 1.096623   |
| 6             |                        | 0.639121    | 58.12374  | 10.08872   | 11.82022  | 16.91140   | 3.055922   |
| 7             |                        | 0.662446    | 54.55690  | 11.79237   | 12.49285  | 16.25378   | 4.904107   |
| 8             |                        | 0.716817    | 50.09132  | 10.71825   | 16.02663  | 17.19898   | 5.964811   |
| 9             |                        | 0.730804    | 49.81008  | 10.69269   | 15.98213  | 17.01099   | 6.505008   |
| 10            |                        | 0.750594    | 48.45536  | 10.29061   | 18.35394  | 16.64741   | 6.252686   |
| 1             | Log(TEDO)              | 0.394633    | 46.85814  | 53.14186   | 0.00000   | 0.000000   | 0.000000   |
| 2             |                        | 0.623569    | 43.22127  | 46.95719   | 3.916403  | 0.032973   | 5.872158   |
| 3             |                        | 0.793011    | 30.82601  | 42.16489   | 16.77627  | 0.777966   | 9.454860   |
| 4             |                        | 0.936047    | 32.17222  | 38.49796   | 14.73069  | 14.021535  | 13.57759   |
| 5             |                        | 1.024433    | 35.99455  | 35.40027   | 12.98473  | 1.104674   | 14.51578   |
| 6             |                        | 1.062030    | 37.98644  | 34.29068   | 12.31131  | 1.080055   | 14.33151   |
Conclusion and Recommendations

In investigating whether increased borrowing will assist in ameliorating the macroeconomic challenge of increasing unemployment in Nigeria in order to test the impact of fiscal policy used by government in trying to stem the ever rising unemployment rate in Nigeria, in an attempt to decipher the causes of the ever increasing unemployment and lack of provision of infrastructure in Nigeria that has become the government's justification for accumulation of huge debts. The cointegration, VECM, Granger causality and variance decomposition functions have been employed in analysing time series data sourced from the National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) for the period from 1981 to 2019. A high value of ECM was confirmed at 112%. While GEXP and TDS granger causes each other, it is evident from the result output that GTDS, TDS and GEXP all granger causes UNEMP (Unemployment). The overall result is indicative that public debt have not in any way helped in reducing unemployment in Nigeria. In trying to solve the problem of unemployment using public debt, job creation, stronger growth of the economy and transparency should be the guiding principles in managing borrowed funds. Nigeria been naturally

Source: Authors computation using e-view 9
endowed with both human and material resources, it should however vigorously pursue the diversification of the economy so as to explore other avenues of revenue generation rather than depending largely on borrowing. A situation where servicing of borrowed funds takes a greater percentage of the country’s revenue is not healthy enough especially in the face of the ever increasing unemployment rate in Nigeria. While we do not totally toe the line of discouraging government from borrowing for the provision of critical infrastructures, corruption should be put in check so as to allow the amount of borrowing be reflected by the availability of infrastructures having in mind the negative implications of huge borrowing on the economy. Borrowing for consumption should be discouraged at all cost. Thus, further studies should be on the effects of corruption on massive borrowing in Nigeria.

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