

Assessment of the Causal Effects of Public Debt and Control of Corruption on Budget Expenditure Performance of Oil-Producing African Countries

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Abstract

This study investigated the effect of public debt and control of corruption on budget expenditure performance of oil producing countries in Africa. Specifically, the study examined the effect of public debt on budget expenditure performance of oil producing countries in Africa and investigated the moderating effect of control of corruption on the relationship between public debt and budget expenditure performance of oil producing countries in Africa. The study adopted expo-facto research design. Census sampling technique was used since all the 18 oil producing countries in Africa were included in the study. Data gathered for this study was analyzed based on quantitative econometric techniques such as descriptive analysis, correlation analysis and panel regression analysis. The study found that public debt has a positive but insignificant effect on the government final consumption expenditure of oil-producing countries in Africa, with a coefficient of 0.0119 and a probability value of 0.821 (>0.05). Also, when examining the relationship between public debt and budget expenditure performance with the moderating variable of control of corruption, the interaction effect was found to be positive but insignificant. The coefficient of 0.0253479 with a probability value of 0.809 (>0.05) suggests that the moderating effect of control of corruption on the relationship between public debt and budget implementation performance is not statistically significant. From the findings made, it was established that public debt maintained a positive effect on budget expenditure performance.

Keyword: Budget, Budget expenditure performance, Control of corruption, Oil-producing African countries, Public debt.

1. Introduction

Budget expenditure refers to the proposed costs that the government would incur in order to provide and maintain itself, its economy and society as a whole. Liston (2020) defines budget expenditure as the cost of expenses that the government is obligated to incur in the performance of its functions. In the government's annual financial reports, budget expenditure performance refers to the overall actual government expenditure. Budget expenditure has evolved from the nominal consequence of estimated revenues and expenditures of government forwarded to the legislature for review and approval into a powerful tool used for a variety of purposes including administrative, economic and social as well as political objectives (Adegoroye, 2018; Arogundade Olaoye, 2016). For this reason, preparing a budget is not as important as the budget's actual performance. Maranga (2018) defines budget expenditure performance as the actual expenses that the government makes at various levels on the basis of the public's common needs and desires, such as the provision of infrastructure, pension and other economic issues.

Public debts improve the government's budget expenditure performance (BEP). Public debts indicate the total amount of debt owed by the government (Nwanedo, 2021; Nemanja, 2015). Public debt is used when the government's internally generated revenue is not sufficient to implement the budget. The purpose of public debt is the same as the purpose of government revenue, but the main difference is that the public debt can be repaid by the government, whereas the revenue cannot. Therefore, to reduce the government's financial obligations, public debt is only used when it is considered essential to implement the budget or to implement certain policies. Public debt is classified into domestic and foreign debt. Foreign debts are incurred on a regular basis to cover the government's capital expenditure in most oil producing countries. As a result, the financial resources mobilized from outside the government's territory attract some extra costs from the creditors, which are commonly referred to as debt servicing cost (Okwu et al., 2016).

Public debts, domestic or foreign, are considered to be due after a certain period. Domestic debts tend to be preferred over foreign debts whenever possible,

mainly due to exchange rate and interest rate (Dada & Abanikanda, 2019). No matter what the category is, the proper use of public debt is likely to improve a country's BEP. Practical experience shows that many, if not most, African countries are owing debts that will take a long time to pay back. Some of the reasons why oil-producing economies incur public debts include: war, large and persistent budget deficit, rapid growth of public sector, implementation of development programmes, natural disasters and pandemics, fluctuating government revenues, economic volatility, debt servicing, and imbalance between repayments (Nemanja, 2015; Okwu, et al., 2016).

In order to improve budget expenditure performance, most African governments established budget-review committees (BRCs) to address discrepancies that may arise during the preparation or execution of a budget. Some also implemented budget reform policies to improve financial planning and fiscal governance of the budget (Adegoroye, 2018; Marta & Simon, 2015). Olayungbo & Olayemi (2018) argued that these BRCs and reforms have had little impact on budget performance, as evidenced by persistent budget deficits in most African countries. This further highlights the increased need for public sector competency in terms of budget expenditure performance if sustainable growth and development are to be achieved.

The assumption that there is a resource curse is based on the fact that a large number of oil producing African countries have not been able to leverage this economic asset into high-quality budget expenditure performance. For example, oil prices have fallen sharply since June 2014, which has led to a loss of oil price stability across oil-producing countries, reducing the revenue that could have been used to achieve optimal budget expenditure performance. Meanwhile, scholars have regarded fluctuations in oil prices since the 1970s as an important source of volatility that should be taken seriously, which has, at times, led to global shocks (Justine, 2020; Adedibu, 2018). The search for public debts among African countries over the years has resulted in huge discrepancies between expected government budget expenditure and expected revenue (Olowo, Daramola, Ogunsanwo & Edewusi, 2020). In this context, mismanagement of the facility to generate the expected level of growth that guarantees expected repayment most often results in budget deficits, as is the case for many oil producing African countries with annual increases in public debts. This could be a result of embezzlement of public funds, despite the fact that the government receives a large amount of revenue each year from oil revenues (Adanne, 2019).

Deficit budgets have become the norm and have occurred many times in developing countries as

well as in some developed countries (Justine 2020). Global economy statistical reports for 2020 show that total revenue for some oil-producing countries include \$13,27trillion for Iraq, \$23,34 trillion for the Republic of Congo, \$21,38 trillion for the Kingdom of Libya, and \$8,58 trillion for Iran, \$6,68 trillion for Mexico, etc. (Choong et al.; 2018). Therefore, it can be concluded that some oil producing countries generate more revenue than other countries and this should be an advantage to stimulate higher BEP, but the expenditure budget of oil-producing countries in Africa continues to outpace their revenue (Adanne, 2019; Jong, Joong & Sang, 2019). This seems to contradict the researcher's observation that as oil producing countries generate higher revenue, there appears to be a trend of reliance and uncontrolled expenditure spree among oil producing countries in Africa resulting in poor BEP, necessitating the acquisition of debts.

In addition to these conflicting expectations, separate studies have been published by various scholars on issues related to public debt and budgetary expenditure performance, with mixed and conflicting results. In a study conducted by Ahlborn and Schweickert (2016), a positive impact of public debt on economic growth was reported which was confirmed by the studies of Precious (2015), Isaac and Rosa (2016), Saifuddin (2016), DucAnh (2017), Panagiotis (2018), Amani (2018), Yared (2019) and Liston (2020). However, a contrary finding was discovered by Charan (2016) that public debt had a negative impact on economic growth and subsequently confirmed by the studies of Bobga et al., (2015), Siddique et al. (2015), Marta and Simon (2015), Naeem (2015), Akram (2016), Nassir and Wani (2016), Serrao (2016), Gomez and Sosvilla (2017), Saxena and Shaner (2018), Choong et al. (2018), Kurecic et al., (2019) and Justine (2020). These mixed results justify further research on whether public debt is a useful method to improve expenditure budget.

There are several possible explanations for these mixed findings. First, the geographical location of the research could be a contributing factor. For example, Ahlborn and Schweickert (2016) conducted the study in Germany, and Serrao (2016) in Belgium. Secondly, different time frames were used in the data set. For example, in Charan (2016), the data set was used from 1959-1995, whereas in DucAnh's (2017), the data was used from 2007-2015. This was likely due to the need to capture more recent negative issues impacting fiscal performance, such as pandemic, terrorism, and vandalism of government facilities. Thirdly, the differences in the method of data analysis were also a contributing factor to the mixed findings. For example, Panagiotis et al. (2018) used Autoregressive Distributed Lag (ARDL) method, whereas Saxena and Shaner (2018) used Ordinary

least squares technique. This necessitated this current study with the hope of looking at it from an African point of view and the difference in methods.

2. Literature Review

This section, reviewed the relevant variables, the theories, and the empirical studies in identifying the gaps filled by this study.

2.1 Conceptual Review

The respective variables of this study and the basis of their connectivity were adequately reviewed.

Public Debts

Because of the mismatch between government revenue and expenditures, the concept of public debt was born (Amaefule, 2018). The mismatch between revenue and expenditures meant that the available revenue was not sufficient to meet the government's expenditure needs. Therefore, the government was able to borrow money from individual, group, corporate companies, corporate entities or nations to increase its revenue yield. The funds borrowed from external entities are simply considered as public debt. According to Imoisi (2021), public debt is another source of fund for the government to finance its operational activities. However, the funds are to be repaid with or without interest depending on the terms and conditions of the contract. When the borrowing costs are paid on a regular basis in accordance with the terms and conditions agreed upon, it is known as interest payment. Payment of other economic value to the creditor to reduce the outstanding and principal amounts is called principal payment (Akram, 2016).

The causes of government debt can be divided into two categories; macroeconomic and to finance temporary balance of payment (BOP) deficits. Macroeconomic causes include increased investment and consumption (education, health, etc.), while the other causes include falling nominal interest rates in foreign countries, a shortage of domestic long term credit, or avoidance of hard budget constraints (Arogundade & Olaoye, 2016; Adegoroye, 2018). When we look at the use of government debt and government revenue from the point of view of budgetary expenditure performance, we can agree that they serve the same purpose, which is to increase the resources available to the government.

Most developing countries around the world borrow money from the rest of the world to support their income, that is to say, to fill the budget gap and to cover their basic financing requirements. Thus, the funds borrowed are intended to improve the standard of living of the people through economic development (Jack & Veronique, 2017). Governments usually borrow money through the issuance of state bonds, bills, and securities.

Developing countries could also directly borrow money from international organizations like the World Bank or International Finance Institutions (Abula & Ben, 2016). Public debt is also called national debt, state borrowing, state debt, state debt, or state interest, which includes all the debts owed by a country to its creditors under contract.

Ahlborn and Schweickert (2016) described public debt as "one of the primary sources of income for the government". This is a common practice in most developed economies, but it has recently been adopted by emerging economies. Public debt is often used to control the economy by changing the composition, volume and return on public debt. For example, a portfolio of long-term debt can reduce the overall liquidity of an economy, while a portfolio of short-term debt tends to increase it. Public debt can also be used as a tool for controlling inflation and exchange rate movements because it makes up a significant proportion of the total credit supply of an economy (Alejandro & Illena, 2017). To Charan (2016), however, public debt as an element of the method of financing used by governments worldwide, even though this method is frequently exhausted in other measures (e.g. currency creation and sale of state assets).

Nigeria is not alone; many developing countries have borrowed solely to fund their current account deficit. Recently, 36 countries have signed up for the post-completion point for heavily indebted countries, including the Republic of Congo, the Republic of Ghana and the Republic of Chad. Adedibu (2018) adds that as the debt accumulated in the 1980s, international financial institutions focused on providing financial and technical support to the debtor countries. The aim of this support was to promote economic growth at the cost of poverty reduction and debt burden. Public debts can be domestic or foreign. Meanwhile, Domestic debts are the funds borrowed from within the domestic territory of the borrowing government (Imoisi, 2021). In other words, domestic debts refer to the debts incurred within the national boundaries of a country. According to Charan (2016), domestic debt is an additional tool for managing the economy. For example, it is a way to fill the gap in domestic savings, especially when government revenue from domestic sources is declining. Governments with high recurrent budget deficits may be forced to close budget gaps by utilizing domestic savings through domestic debt issuance.

Gomez and Sosvilla (2017), however, affirmed foreign debt as "the debt owed by the government of a country outside the territory of that country or the money borrowed from a foreign country." To Afolabi et al. (2017), it is debt owed by the public or private sectors of a country to third parties from outside that country. Consequently, foreign debts are debts owed to third parties in a foreign country

and payable in a foreign currency, goods or services. These funds mobilized from outside the territory of the government are likely to incur some additional costs for the creditors, commonly referred to as debt servicing costs. These costs are expected to be paid in addition to the principal amount of the debt. In most countries, foreign debts are paid in foreign currencies.

Control of Corruption (COC)

Corruption is any act that is considered immoral and unethical. Cielik and Goczek (2018)) argued that corruption is a broad concept with important implications for economic and social development. Besides damaging domestic or foreign expenditure and economic growth, corruption also worsens poverty (UNDP, 2021). According to the UNDP, corruption is the abuse of public authority for private gain through the use of money, threats, bribes, influence, prejudice, fraud or money laundering (Dorasamy, 2021). Similarly, Bitterhout and Simo-Kegne (2020) believed that corruption or unethical practices are widespread and long-lasting (e.g., undermining the effectiveness and legitimacy of governments, judicial systems, and market or economic systems).

Foreign Direct Investment (FDI)

Since the early 1980's, oil-producing African countries have seen a surge in foreign direct investment (FDI) (Ologunde et al., 2020). According to a 2017 survey conducted by UNCTAD, total FDI in Africa increased from 50 billion US dollars in 1980 to 1.5 trillion US dollars in 2015. This surge has caught the attention of academics who studied the impact of FDI on economic growth during the mid-2000. Ndieupa (2018) described FDI as a "combined package" that includes: production techniques, physical capital, management skills, marketing expertise, products and services, business organizational processes and advertising. Liston (2020) argued that FDI boosts the economy of the host country through capital accumulation, introduction of new goods and knowledge, transfer of management skills, and foreign technology. It also improves the stock of knowledge of the host nation through transfer of skills. Hlongwane (2019) argues that FDI plays an essential role in host country economic growth through the increase of investable capital and technological spill-over. In support of this, Alejandro and Ileana (2017) observed FDI as one of the best ways to draw flows from abroad. FDI has also become an important factor in building capital in Africa's developing countries.

Budget Expenditure Performance

Government's annual financial reports refer to budget expenditure performance as the overall actual government expenditure. Maranga (2018) defines budget expenditure performance as "the actual expenditure incurred by the government at

various levels in meeting the common needs and wants of the population, such as the provision of infrastructure, pensions, etc." According to Ghazo and Abu (2018), "the performance of budget expenditure is the driving force behind the economic growth of any nation because it determines the level of consumption in different households". As a result, an increase in government expenditure should lead to an increase in household consumption. Government's budget expenditure performance includes both capital and recurrent expenditure over a given period (Aregbeyen & Insah, 2018).

Government capital expenditure (GCA) includes all government investments, transfer payments and consumption (Liston 2020). The term "government capital expenditure" is often used interchangeably with "capital goods and services" (Al-Zeaud, 2015). The term "capital goods" is used to describe goods and services that government's purchase for immediate use in order to meet the collective needs of a group of people or a community. Similarly, Aregbeyen and Insah (2018) stated that government capital expenditure is the total amount of money spent by a government on acquiring things that are of a lasting nature. Examples include: Bridges and roads; Schools and hospitals; Hospitals and highways; Prisons; Dams; Irrigation system; Public administrative buildings; Equipment and machinery; Supply of electricity power; Pipes borne water; Transportation system; Educational and health facilities. Regarding this, this could mean that government acquisition of capital goods and services creates future benefits (Aregbeyen & Insah, 2018).

Government recurrent expenditure (GSP) is the recurrent expenditure incurred by the government over the year, such as: Transportation costs, Personnel costs, Utility services cost, Stationery cost, Telephone services cost, Hospitality cost, Office equipment cost, Furniture maintenance (Al-Zeaud, 2015). Meanwhile, these expenses could reoccur daily, monthly or quarterly. Furthermore, government recurrent expenditures are also called running expenditures. The combination of capital and recurrent expenditures usually determines the pace of a country's growth and development at any given point in time (Maranga, 2018). Budget expenditure performance has been at the forefront of macroeconomic policy in most oil-producing African countries due to the accumulation of public needs of an expanding population.

Government Final Consumption Expenditure (GFCE)

GFCE, as argued by Aregbeyen and Insah (2018), concerns the value of the goods produced and the services provided to households by the government, rather than the actual cost of obtaining those goods

and services. These scholars further explained that GFCE consists of the costs, including imputed costs, of the government on the individual and collective consumption services of the population. From the point of view of Guerrero and Castaneda (2021), GFCE includes the recurrent costs of the government with the help of public funds to meet the common needs of the community, such as salaries, maintenance costs, security costs and public order costs.

2.2 Theoretical Review

This study reviewed incremental theory of budgeting and pure theory of public expenditure.

Incremental Theory of Budgeting

This theory is thought to have originated in 1964 with Aaron Wildavsky, who argued that "budget expenditures are incremental from one year to the next, but not complete." In other words, budgets are always increasing, and the reasons for this constant increase may not be very obvious or clear. In Africa, where there is a large number of developing countries, budget expenditures rarely decrease when compared to the preceding year. Unfortunately, the increase in the budget is often invisible. The origin of understanding about budget lies in the fact that it is rarely examined as a whole each year; rather, it is constructed from the preceding year's budget with a focus on a limited range of increases/departures (Wildavsky, 1964).

The theory states that part of the reason for budget increases is leftover expenditures that were not executed before. However, this has been criticized and limited by certain factors. For example, in Philipp (2015), the theory does not provide a chance or create an opportunity for innovation or improvement, as it does not broaden its scope to include new things or changes in situations. The theory examines past budgets in order to plan for a new one. However, this examination may not have much effect in some oil-producing nations, as it may not take into account current economic and political trends. This theory is pertinent to this study as it is real-world in that budgets actually increase each year, but it may not always be fully implemented. On the other hand, an increase in budget leads to growth and development because items in budget are meant to improve the standard of living of citizens. The extent to which the budget would be implemented depends on the resources available. In oil-producing countries, the government's ability to execute budget expenditures is determined by oil revenue. In cases where oil revenues are sufficient, the budget is implemented through borrowings.

Pure Theory of Public Expenditure

It is widely accepted that the theory was first formulated in 1954 by the American economist, Professor Samuelson. To this theorist, public

expenditure explains how public services are organized and how they are paid for. Samuelson (1954) introduced the concept of public goods in his theory. The main difference between a public good and a private good, according to Samuelson, is that the use of public goods by a citizen does not cause a reduction or risk for other people. In other words, after a citizen consumes a public good, it does not change. This theory has so many truth and clarifications that it is almost impossible to apply Samuelson's idea of public good to practice, since there is almost no example of such good in the world. More importantly, it did not explain how citizens pay for the public goods through taxes, but not all citizens get maximum benefits from the tax paid. Furthermore, it did not account for the anomalies of the economy, such as recession, inflation, and wars, where public goods may not be available to everyone at the same rate.

The relevance of this theory to this research is that public expenditure is required to produce and distribute public goods. This aids in the generation of value and income for the government. The characteristics of public goods make it impossible for the market to produce and distribute them competently, because if it does, it may not generate much benefit. In essence, the theory explains the relationship of public goods to public expenditure. It affirmed that public goods must be planned for in government budgeting, as if the market were to produce them, maximum benefit would not be generated. Thus, this study underpinned by the theory of public expenditure.

2.3 Empirical Review

In Belgium, the impact of public debt on budget execution was examined by Serrao (2016) using OLS analysis. Research results show the existence of a negative relationship between public debt and budget performance in advanced countries. Abula, Ben and Ozovehe (2016) examined the impact of government borrowing on economic development in Nigeria from 1986 to 2014. Test of co-integration, error correction method (ECM) and human relations Johansen's Granger results were used in the analysis. The results of the ECM indicate that foreign loan services and foreign loans have a negative and negligible impact on the economic development of Nigeria, while internal borrowing has a significant effect on the economic development of Nigeria. Economic development. Udeh et al. (2016), meanwhile, examined the GDP as a function of external debt, external debt service, using exchange rate as a control. The study was conducted between 1980 and 2013 and used error correction and normal least squares methods and thus found that exchange rate has a positive relationship with GDP, in when foreign debt inventories and service payments of foreign debt negatively affect GDP.

Ndubuisi (2017) examined how external debt impacted on Nigeria's economic growth from 1985 to 2015 using ordinary least squares and other statistical tools. The results show that debt service payments have a negligible negative impact on economic growth, while external debt has a significant positive effect on Nigeria's economic growth. Lucky and Godday (2017) investigated the link between the government's debt structure and the growth performance of the Nigerian economy from 1990 to 2015 using simple and multiple regression analysis. The results show that total government debt has a positive and significant impact on gross domestic product; foreign borrowing has had a negative and significant impact on economic growth; internal borrowing has had a positive and significant impact on economic growth. In Oman, Sami and Mbah (2018) examined the relationship between external debt and economic growth using ARDL analysis. The study shows a negative but significant effect of external debt on Oman's economic growth. Yared (2019) studied the causes and solutions to the rising public debt trend in the United States. Theoretically, it is concluded that the continuous increase in public debt contributes to the improvement of the economy thanks to people's living standards.

Along with these conflicting expectations of famous researchers, specific studies have been carried out by different researchers on issues related to public debt and budgetary efficiency with different contradictory conclusions. In a study conducted by Ahlborn and Schweickert (2016), a positive effect of public debt on economic growth was reported, which is confirmed by the study of Precious (2015), Isaac and Rosa (2015), Saifuddin (2016), DucAnh (2017), Panagiotis (2018), Amani (2018), Yared (2019) and Liston (2020). However, Charan (2016) came to the opposite conclusion that public debt has a negative impact on economic growth and was later confirmed by the study of Bobga et al. (2015), Siddique et al. (2015), Marta and Simon (2015), Naeem (2015), Akram (2016), Nassir and Wani (2016), Serrao (2016), Gomez and Sosvilla (2017), Saxena and Shaner (2018), Choong et al. (2018), Kurecic et al. (2019) and Justine (2020). These divergent results warrant further investigation into the need for public debt as a useful method to improve the financial performance of spending by oil-producing countries in Africa.

The reasons for these mixed results are not far-fetched. First, the geographical location of the study may contribute to these differences. Ahlborn and Schweickert (2016) carried out their study in Germany, while Serrao (2016) carried out their study in Belgium. Another reason for different results stems from the use of different time periods in the data set. Charan (2016) uses a dataset from 1959 to 1995, while DucAnh (2017) uses a dataset

from 2007 to 2015 to capture recent negative issues affecting financial performance, such as world pandemic, the rise of terrorism and the destruction of public finances. government institutions are therefore required to have this study. Furthermore, the cause of these mixed results may also stem from differences in data analysis methods. Panagiotis (2018) used an autoregressive distributed lag (ARDL) analysis, while Saxena and Shaner (2018) used the usual least squares technique, so the present study was needed with hope to see it from the African point of view and the difference of the methods used.

Muktiyanto (2019) conducted a study in Indonesia on the appropriate governance model to combat corruption. Research has shown the indicators, where and how to fight corruption. The study used Corruption Governance and Control Data as well as the Corruption Perception Index to present a quantitative approach to bolster the results of inferential analysis tests performed on the impact of corruption of good governance in relation to corruption. The study shows that, from the perspective of agency theory, the influence of governance on corruption has been proven. Good governance will require government officials to meet public expectations, which implies that corruption can be controlled. From a context point of view, the study emphasizes that the crackdown on corrupt crimes, among other things, must be sustained. Although the study conducted by Mahmood (2021) on the impact of corruption control and governance effectiveness on economic growth in Saudi Arabia shows that the effect of corruption control is insignificant on economic growth. Economic growth but it shows a positive impact on governance in the country.

Based on the relevant studies examined, it was discovered that the outcomes did not adequately capture the significance of public debt utilization and control of corruption to assess the level of budget expenditure performance in most of the oil producing countries because the data sets used did not cover some recent events which was viewed to be able to influence budget expenditure performance. On this basis, the current study would use a time series data spanning from 2003 to 2022. It is against all these considerations that this study is being undertaken to examine government revenue, public debt, control of corruption and budget performance of selected oil producing countries in Africa, using foreign direct investment as the controlling variable. The hypotheses, formulated in null form and tested are:

H₀₁: There is no significant impact of public debts on Budget Expenditure Performance in oil producing countries in Africa

H₀₂: There is no significant moderating effect of control of corruption on the relationship between

public debts and Budget Expenditure Performance in oil producing countries in Africa.

3.0 Methodology

The study adopted *expo-facto* and longitudinal research design. *Ex post facto* is considered appropriate for the study because the study aimed

at obtaining important information on the status of specific phenomenon after some naturally occurring treatment without any manipulation of the situation. The population of this study comprised of all the 18 oil producing countries in Africa. Census sampling technique was used since all the 18 oil producing countries in Africa will be used in the study.

Table 1: Oil Producing Countries in Africa

S/N	African Oil Producing Countries	S/N	African Oil Producing Countries
1	Angola	11	Chad
2	Libya	12	Cameroon
3	Algeria	13	Tunisia
4	Nigeria	14	Ivory Coast
5	Egypt	15	Democratic Republic of the Congo
6	Republic of the Congo	16	Niger Republic
7	Gabon	17	Mauritania
8	Ghana	18	Morocco
9	Equatorial Guinea		
10	Sudan		

Source: Researchers' Compilation (2023)

The study adapted the model used by Iyambo and Kaulihowa (2020) which assessed the relationship between public debt, government expenditure and revenue in Namibia in view of the similarity of the objectives of both studies as public debt and government revenue were captured holistically. The functional representation of the model is given thus: $GVTEX = f(PD, GVTRV)$ (3.1)

However, the model was modified by replacing government total expenditure with government final consumption expenditure to capture better the actual monetary worth and real value added to all the sectors of the society as listed in the annual budget. Public debt was moderated by control of corruption control while foreign direct investment was a control variable. These modifications are done in order to capture in a more accurate form the contributions of each variable to the objective of the study. Based on these modifications, the new functional models are presented thus:

$$GFCE_{it} = f(PD_{it}, FDI_{it}) \dots\dots\dots (3.2)$$

$$GFCE_{it} = f(COC_{it}, PD_{it}, COC_{it} * PD_{it}, FDI_{it}) \dots\dots\dots (3.3)$$

Linear representation of the models:

4. Result and Discussion of Findings

Descriptive Statistics and Pairwise Correlation

Table 2: Descriptive Statistics

Variables	Obs	Mean	Standard Deviation	Minimum	Maximum
GFCE	360	14.211	7.102	0.952	56.854
PD	360	3.526	3.378	10.1002	23.227
FDI	360	0.403	1.467	-10.333	11.720
COC	360	-0.838	0.567	-1.628	0.726

Source: Data Analysis (2023).

Where: GFCE is Government Final Consumption Expenditure; PD is Public Debt; COC is Control of Corruption; FDI is Foreign Direct Investment

$$GFCE_{it} = \alpha_0 + \alpha_1 PD_{it} + \alpha_2 FDI_{it} + \epsilon_{1t} \quad (3.4)$$

$$GFCE_{it} = \alpha_0 + \alpha_1 COC_{it} + \alpha_2 PD_{it} + \alpha_3 COC * PD_{it} + \alpha_4 FDI_{it} + \epsilon_{1t} \dots\dots\dots (3.5)$$

Where:

GFCE is Government Final Consumption Expenditure; PD is Public Debt; COC is Control of Corruption; FDI is Foreign Direct Investment; i = cross sectional variable; t = time series variable; $\alpha_1 - \alpha_4$ = the slop parameter

The study made use of secondary data sourced from the World Bank, Organization of the Petroleum Exporting Countries (OPEC) and statistical bulletin of various sampled oil producing countries for the study covering a period of 20 years spanning from 2003 to 2022. Olojede and Michael (2020) described secondary data as already collected data. They are data that have already been gathered and summarized for users. This data was analyzed based on quantitative econometric techniques such as descriptive analysis, correlation analysis and panel regression analysis. To achieve the specific objectives, panel regression analysis was used.

Table 2 provides a description of the dataset, spanning 20 years and consisting of 18 oil-

producing countries in Africa. The descriptive statistics revealed that Government Final Consumption Expenditure (GFCE) has an average value of 14.211, min. (0.952), max. (56.854). The standard deviation (SD), which was 7.102 indicates a moderate dispersion from the mean meaning that there is relatively little variation in government expenditure among the oil-producing countries in Africa while Public Debt (PD) has a mean value (3.526), min. (10.1002), max. (23.227). The SD (3.378) shows a relatively close dispersion from the mean indicating that there are similar levels of

public debt among the oil-producing countries in Africa. Foreign Direct Investment (FDI) has a mean value (0.403), min. (-10.333), max. (11.720). The SD (1.467) shows a wide dispersion from the mean indicating that there are substantial variations in foreign direct investment across the countries. Lastly, Control of Corruption (COC) has a mean value (-0.838), with a min. (-1.628) and a max. (0.726). The standard deviation of 0.567 indicates significant variations in oil consumptions among the oil-producing countries in Africa.

Table 3: Pairwise Correlation Matrix

Var.	GFCE	PD	FDI	COC	VIF
GFCE	1				
PD	0.219***	1			1.41
FDI	0.041	-0.098*	1		1.09
COC	0.016	0.064	0.009	1	1.35

Source: Data Analysis (2023).

Table 3 presents the correlation matrix, displaying the non-causal relationships between the explained and explanatory variables across 20 years and 18 oil-producing countries in Africa with Government Final Consumption Expenditure (GFCE) exhibiting positive relationships with Public Debt (PD), Foreign Direct Investment (FDI), and Control of Corruption (COC). In other words, an increase in one variable would lead to an increase in the other variable. On the contrary, PD exhibits a negative relationship with FDI. These negative relationships indicate the absence of a direct association between these variables, resulting in a negative non-causal relationship. Consequently, an increase in one

variable would cause a decrease in the other variable. The highest correlation coefficient value observed is 0.219, which corresponds to the relationship between GFCE and PD. This value suggests a low probability of multicollinearity among the predictors. Furthermore, this low probability of multicollinearity is further confirmed through the examination of the Variance Inflation Factor (VIF).

Testing of Hypotheses

Hypothesis One: Public Debt has no significant effect on budget expenditure performance of oil producing countries in Africa.

Table 4: Results of Regression Estimate and Diagnostic Tests of Hypothesis Three:

Dependent Variable: GFCE

VARIABLES	(1) OLS	(2) FE	(3) RE	(4) FGLS
PD	0.4723*** (0.000)	-0.0453 (0.674)	-0.0005*** (0.997)	0.0119 (0.821)
FDI	0.3029 (0.228)	-0.2791** (0.002)	-0.2386** (0.024)	-0.033** (0.003)
Constant	12.4239*** (0.000)	14.4836*** (0.000)	14.30913*** (0.000)	13.9837*** (0.000)
Observations	360	360	360	360
R-squared	0.2516	0.4145	0.4127	
Adj. R-Squared	0.1863	0.4140	0.3059	
F-Stat	F(2,357) = 9.71 Prob> F = 0.0001	F(2,340) = 21.10 Prob> F = 0.0005	Wald chi ² (2) = 11.70 Prob>chi ² = 0.0073	Wald chi ² (2) = 10.30 Prob>chi ² = 0.0030
Pesaran CD Test	-	3.969 {0.0001}	-	-
Hausman Test	-	Chi2(1) = 3.61 Prob>chi ² = 0.1646	-	-
Breusch-Pagan LM Test	-	-	chi ² (01) = 824.65 Prob>chi ² = 0.000	-
Modified Wald Test for Heteroskedasticity	-	chi ² = 30186.79 Prob>chi ² = 0.000	-	-
Woodridge Test for Autocorrelation	-	F(1,17) = 0.106 Prob> F = 0.7492	-	AR (1) = 0.8371

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: Data Analysis, (2023).

The results of both the Hausman and Breusch-Pagan LM tests in Table 4 yielded contrasting estimation effects as the most appropriate and accurate for this model. The Hausman test, with a p-value of 0.1646, indicated that the random effects estimation was the most suitable, while the Breusch-Pagan LM test, with a p-value of 0.000, also identified random effects estimation as the most appropriate for this model. Furthermore, diagnostic tests revealed the presence of errors such as cross-sectional dependence, serial correlation, and heteroscedasticity in the model. As a result, the

results of both the Hausman and Breusch-Pagan LM tests were invalidated. To address these errors, a Feasible Generalized Least Squares (FGLS) estimation effect was performed, which found that public debt has a positive but insignificant effect on the budget expenditure performance of oil-producing countries in Africa.

Hypothesis two: Control of corruption has no significant moderating effect on the relationship between public debt and budget expenditure performance of oil producing countries in Africa.

Table 5: Results of Regression Estimate and Diagnostic Tests of Hypothesis Six:
Dependent Variable: GFCE

<i>VARIABLES</i>	<i>(1)</i> <i>OLS</i>	<i>(2)</i> <i>FE</i>	<i>(3)</i> <i>RE</i>	<i>(4)</i> <i>FGLS</i>
PD	0.0055 (0.850)	-0.6302** (0.010)	-0.60123** (0.016)	0.00675 (0.951)
COC	2.1009** (0.007)	-12.743*** (0.000)	-6.9619*** (0.000)	2.050043 (0.004)
PDCOC	-0.47237*** (0.000)	-0.4913** (0.018)	-0.52254** (0.014)	0.0253479 (0.809)
FDI	0.29617 (0.254)	-0.1343 (0.430)	-0.16098 (0.361)	-0.0536 (0.457)
Constant	14.444*** (0.000)	4.40572** (0.014)	9.0747*** (0.000)	14.91364*** (0.000)
Observations	360	360	360	360
R-squared	0.3696	0.5235	0.6947	
Adj. R-Squared	0.2891	0.5198	0.6114	
F-Stat	F(4,355) = 6.64 Prob> F = 0.000	F(4,338) = 21.32 Prob> F = 0.0000	Wald chi ² (4) = 50.14 Prob>chi ² = 0.0000	Wald chi ² (4) = 15.09 Prob>chi ² = 0.0045
Pesaran CD Test	-	3.358 {0.0008}	-	-
Hausman Test	-	Chi2(1) = 34.71 Prob>chi ² = 0.0000	-	-
Breusch-Pagan LM Test	-	-	chi ² (01) = 824.65 Prob>chi ² = 0.000	-
Modified Wald Test for Heteroskedasticity	-	chi ² = 9070.66 Prob>chi ² = 0.000	-	-
Woodridge Test for Autocorrelation	-	F(1,17) = 0.267 Prob> F = 0.6123	-	AR (1) = 0.8333

Probability values (p) in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: Data Analysis (2023).

The result of the Hausman test conducted to select the appropriate panel data estimator in Table 5 indicates that fixed effects estimation is more suitable for this model than random effects estimation. Conversely, the Breusch-Pagan LM test suggests that random effects estimation is not suitable and favors Pooled OLS estimation instead. The diagnostic tests revealed violations of the linear regression assumptions, including cross-sectional dependence, non-constant variance of error terms, and autocorrelation.

To address these issues, the Parks' Feasible Generalized Least Squares (FGLS) estimator, which is capable of handling such problems, is considered the appropriate estimator for this model. The regression analysis results show that public debt and control of corruption have a positive effect on the budget expenditure performance of oil-

producing countries in Africa. Additionally, the interaction effect between public debt and control of corruption has a positive but statistically insignificant moderating effect on the relationship between public debt and budget expenditure performance. Based on these results, the null hypothesis is accepted, indicating that control of corruption does not have a significant moderating effect on the relationship between public debt and budget expenditure performance of oil-producing countries in Africa.

Discussion

The study focused on examining public debt, and control of corruption on the budget expenditure performance of oil-producing countries in Africa. This discussion is based on the most appropriate estimation. The study found that public debt has a

positive but insignificant effect on the government final consumption expenditure of oil-producing countries in Africa, with a coefficient of 0.0119 and a probability value of 0.821 (>0.05). This implies that a 1% increase in public debt would result in a 1.2% increase in government final consumption expenditure, but this relationship is not statistically significant. The corollary of this study suggests that public debt, on its own, does not have an independent capacity to significantly impact the government's final consumption expenditure in oil-producing countries in Africa. This finding aligns with the a-priori expectation that public debt may influence government expenditure positively. However, the positive effect observed became insignificant due to the steady increase in the interest rates associated with public debt, which limits the available revenues that could be used to boost government expenditure. This result is consistent with the findings of Alejandro and Ileana (2017), who reported a positive impact of borrowing on government performance. Conversely, Sami and Mbah (2018) found a negative but significant influence of public debt on government performance in Oman. Okwu et al. (2016) concluded that internal borrowing servicing expenditure had a negative but significant impact on economic growth.

Also, when examining the relationship between public debt and budget implementation performance with the moderating variable of control of corruption, the interaction effect was found to be positive but insignificant. The coefficient of 0.0253479 with a probability value of 0.809 (>0.05) suggests that the moderating effect of control of corruption on the relationship between public debt and budget implementation performance is not statistically significant. However, it is worth noting that the effect of public debt on budget implementation performance increased by 11.3% when moderated by control of corruption. The insignificant effect of public debt on budget implementation could be attributed to inefficiencies in the allocation and utilization of borrowed funds by governments in oil-producing countries in Africa, leading to fraudulent practices by corrupt government representatives. This finding is in line with the research of Precious (2015) and Nassir and Wani (2016), which also found an insignificant effect of public debt on budget implementation.

5. Conclusion and Recommendations

From the findings made, it was established that public debt maintained a strong positive effect on budget expenditure performance as aggregated into government final consumption expenditure. Governments of oil-producing African countries heavily rely on public debt to finance their expenditure. This indicates a potential inability to

effectively fund their budgets through internally generated revenue alone, excluding public debt. In line with this conclusion, the following recommendations are made:

- i. Prudent Public Debt Governance: While public debt plays a crucial role in budget expenditure performance, governments should adopt prudent debt management practices. This involves conducting rigorous debt sustainability assessments, establishing clear borrowing guidelines, and ensuring effective utilization of borrowed funds in line with budget priorities. Regular monitoring and evaluation of debt levels and repayment obligations should be implemented to mitigate the potential risks associated with excessive debt.
- ii. Strengthening Budgetary Control Mechanisms: Governments should focus on strengthening budgetary control mechanisms to ensure effective utilization of funds. This includes implementing robust financial management systems, enhancing transparency and accountability in budget execution, and conducting regular audits and evaluations. Clear guidelines and procedures should be in place to promote efficient budget implementation and prevent mismanagement or embezzlement of public funds.
- iii. Promoting Institutional Capacity Building: Governments should invest in building institutional capacity to enhance fiscal governance. This involves providing training and resources to government officials responsible for revenue generation, debt management, budget planning, and anti-corruption measures. Strengthening institutional capabilities will enable effective implementation of fiscal policies and improve overall budget performance.

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