Government Funding Strategies and the Nigerian Economic Competitiveness: Any Linkages

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Abstract: This study was concerned with the impact of government funding strategies (GOFS) on economic performance in Nigeria from 1986–2021. The regressor is GOFS measured by external debt sources, domestic debt sources, external reserve sources, and grant funding sources but controlled for both exchange rate and interest rate. Meanwhile, the regressand is economic performance measured by real gross domestic product-RGDP. This study adopted the Autoregressive Distributed Lag Model-ARDL with a view to test if GOFS exhibit both on long run and short-run effect on ECP. This is considered if the unit root test exhibits mixed integration (some stationary at level while others at first differencing). Prior to running the main results, the model to diagnostic test like normality test, Heteroskedasticity test, Ramsey Reset test. The ARDL regression estimate clearly revealed that, both external debt sources and foreign Reserve sources improved the economic performance of Nigeria both in the mean and over time. However, domestic debt sources have negative yet minimal effect on RGDP, both on short and long run. Meanwhile, grant funding sourcing has positive yet minimal effects on RGDP of Nigeria both in the mean and over time. Arising from our findings, we conclude that external debt sources and external reserve sources are the surest way for Nigeria to achieve outstanding economic performance. Consequently, the federal government should maintain an optimal level of external debt sources as one of the economic performance drivers.

Keywords: Government Funding Strategies, Nigerian Economic Competitiveness, Linkages

1.0. INTRODUCTION

Government funding strategies remains one of the critical policy directions of developing countries. This rationalized on the ground that, developed countries are mostly faced with funding gaps issues and to avoid these gaps as stated by the dual gap model, policy makers uses various policy tools to achieve this (Agbogun & Ehiedu, 2022). Olatunde and Temitope (2017) argued that, the need for government funding strategies is borne out of the desire of the government desire to bridge its funding gaps (issues) since their cannot fund their capital projects without assistance from either their citizens or external forces. Such situation usually ignites government desire to finance these projects either through internal borrowing, external borrowing or implementation of monetary instrument to increase fund flow. However there is a ripple effect on the sectorial performance of any country in that it has the capacity to debar the growth of any sector of an economy (Oshiobugie, 2022).

Nevertheless, the need for the Nigerian government to choose the right funding strategies has remains one of the most unresolved yet persistent macroeconomic issues even before the return to Civilian rule and even till date. Although, most scholars like Osuji, Erhijakpor, and Oshiobugie (2021) perceive borrowings (being one of the most common means of financing a country's trade deficits) as a fiscal policy tool which dampens economic visibility (level of competitiveness) of Nigeria, it is not true in all respects. Obviously, the issues relating to operationalization, conceptualization, and benefit remain object of hot debate among scholars. It is on the basis of these conflicting issues that this study was conducted. From a general viewpoint, individuals have assumed that the current state of the Nigerian economy is linked to deficit financing and mismanagement of both external and internal debt on the part of the government. This has been fueled by the high rate of corruption inherent in the economic system since military regime till date. Similarly, just as there is no consensus among theorists on the subject matter, there seems to also divergent of views amongst empiricists on the effect of fiscal deficit on economic growth. This is because while some like Ali, Mandara, and Ibrahim (2018); Bazza, Binta, Alhaji (2018); Ubi and Inyang (2018) discovered that fiscal deficit financing is growth inducing, others like Tung (2018); Solawon and Adekunle (2018; Olatunde and Temitope (2017) reported that fiscal deficit financing leads to debt overhang and as a result inhibit growth.

1.1. Statement of the Problem

One of the most enduring problems Nigeria has faced recently is the relationship between government spending plans and economic growth. This, according to Ayuba and Khan (2019), is due to the fact that, despite the numerous fiscal policy measures governments have implemented to reduce excessive deficits, along with the significant amount of domestic and external loans, the nation continues to be plagued by citizens who experience high levels of unemployment and insecurity, while poverty is still pervasive in both urban and rural areas. People have generally believed that the current status of the Nigerian economy is related to government funding policies and poor management of both internal and external debt on the part of the Nigerian governments (Aworinde, 2020). A careful analysis of the Nigerian budget has revealed that it is detrimental to classify budget overlaps that have little or no effect on

the populace as "capital projects." As a result, the debt needs to be connected to the investment project (IMF, 2012). Yet, these recent historical developments in Nigeria have seen a decline in per capita income, an increase in hunger, and a rapid degradation of the environment (IMF, 2012). All of these point to the fact that prospects for societal improvement have not been produced by economic growth. Overall, the poor debt burden keeps growing, and economic progress has been sluggish due to devastation of the environment, weak infrastructure, persistent poverty, and civil war (World Bank, 1989). Furthermore, the Nigerian governments' reckless use of credit further exacerbates the country's socioeconomic issues (Ndungu, 2016). Given that borrowing has not produced the anticipated effects in terms of the increased investment necessary for growth, Nigeria's rising debt level continues to raise worries about their development (Njimanted, Akume & Mukete 2016). Rising debt repayment levels thus significantly restrict the nation's capacity to finance significant imports and brand-new growth initiatives. Concerns have been raised by the Nigerian government's continuous reliance on foreign debt to pay for its fiscal deficits, which has sparked a discussion over the effects of foreign debt and investment on growth (Nouri & Samimi 2019). Despite the persistent attempts of academics to reach a dead end. Again, while some studies, such as Nwant to and Umeh (2019), Solawon and Adekunle (2018), and others, such as Tawfiq, & Shawawreh (2017), and Tung (2018), think that government funding schemes have a substantial impact on the economy, others disagree. This still requires empirical research. The diverse estimation methods and variables that these many researchers have employed can be linked to a significant cause of the result's discrepancy. The study made an effort to pinpoint the causality flow between government funding schemes and economic growth from 1986 to 2021 based on the aforementioned factors.

This rest sections of this paper covers the literature review, methodology, empirical analysis, and conclusions and recommendations.

2.0   LITERATURE REVIEW
2.1   Conceptual Review
2.1.1   Concept of Government Fund Strategies

Government funding strategies simply accounts for the various ways through which the three tiers (levels) of government source for funds so as to bridge not just their trade deficits but to also meet the mandates which they gave to the populace when they came into power. (Onwioduokit, & Inam, 2018); CBN (2018) viewed government funding strategies as the various means through which the government stimulate an economy by increasing public expenditures beyond domestic revenue sources. This approach however began in 1970, immediately after the Biafra War. It was prompted by the huge level of development of countries especially those situated in Europe and Asia continent during the same periods. This prompted the Nigerian government to resort to deficit financing. Meanwhile, a country may be considered to be highly competitive globally, if its records outstanding growth (GDP) over time. This viewpoint is championed by Economists. From the trade perspective, a country's level of competitiveness is built on high records of exports over imports. Hence, countries whose imports exceed her exports, such countries are considered to be faced with trade deficits. This assertion holds true in most emerging countries like Nigeria.

Although, these funding strategies abounds, the most common of them are categorized into internal funding (ITF) sources and External Funding Sources. While the internal founding sources covers both external reserve (EXRS) and domestic debt sources (DODS), the external funding sources (EXFS) covers both grants (GRAT) and external debt sources (EXDS).

2.1.2.   External Debt Sources (EXDS) and Economic Competitiveness (ECC)

A component of the national debt known as "foreign debt" was accumulated by borrowing from foreign creditors, such commercial banks, governments, or international financial institutions (Williams, 2016). Usually, the principal and interest on these loans are paid back in the same currency. In order to get the necessary funds, borrowers may sell and export their products to lenders (Ughulu, 2021; Onuorah, Barbar, & Agbogun, 2022). More so, it is debt owing to nonresidents (foreigners) that has to be repaid in foreign products, services, or money (Victoria, Emmanuel, Obinna, Esther, & Akinde 2016). The primary sources of Nigeria's domestic debt include the Paris Creditors' Club, London Creditors and Claims Clubs, bilateral creditors, private sector creditors, and other organizations.

In line with Agbogun and Ehiedu (2021) submission, EXDS remains one of the most efficient means through which countries can move from one stage of growth to another provided that, the amount borrowed are used efficiently and the cost of borrowings does not result to debt over hang. They gained their submissions from the gap funding hypothesis formalized by Rostow (1960). Again, the Keynesian theorists also support the fact that, EXDS improves a country's level of competitiveness in the global space. However, the debt overhang hypothesis (DOH) submits that, the improvised state of most is traceable to the high level of the country's indebtedness. Similarly, the neoclassical economists presumed that, heavily reliant on the presumption that government borrowing discourages private investment (Ayadi & Ayadi, 2015).

Just as the above assertions are contradictory, existing empirical documentations are as well. For example, Timothy Ogbemudiare Idehi , Maria Chinecherem Uzonwanne (2021) examined the impact of external debt on economic growth in Nigeria from 1985 to 2019. Secondary data was adopted from WDI 2019. OLS technique was adopted for the analysis. The result showed EXDS has distorts the ECG of Nigeria minimally. Paul (2017) also recorded similar result. Using another methodological approach known as the ARDL approach, Getinet and Ersumo (2020) EXDS improves the ECG of Ethiopia from 1983-2018 but Mhlaba, Phiri, & Nsiah, (2019) found that, public debt distorted the growth of South Africa to a very large extent from 2002 to 2016. Saungweme and Odhiambho (2019) also recorded similar result in Zambia from 1979 to 2017. Even when Akhanolu, Babajide, Akinjare, Tolulope, and Godswill, (2018) a more robust methodology (two-stage least square regression technique), they found that, showed EXDS has

distorts the ECG of Nigeria significantly from 1982 to 2017. Conversely, Thao (2018); Saungweme and Odhiambho (2019) using the dynamic multivariate ARDL approach found that, EXDS improves the extent of economic competitiveness. Consequently, we hypothesize that:

Ho: External Debt Sources (EXDS) does not improve the Nigeria's level of competitiveness significantly

2.1.3. Domestic Debt Sources (DODS) and Economic Competitiveness (ECC)

Domestic Debt sources are simply the liabilities that a nation's citizens and government owe its people in local currency. Domestic debt typically falls into one of two categories: bank borrowing or non-bank borrowing (Ughulu & Ajayi 2020). Although central bank borrowing is typically avoided, there are instances when governments are forced to rely on their non-bank loans (Havi & Enu, 2018). These funding strategies are used to complement the country's saving gaps.

In line with Agbogun and Ehiedu (2021) submission, DODS remains one of the most efficient means through which countries can move from one stage of growth to another provided that, the amount borrowed are used efficiently and the cost of borrowings does not result to debt over hang. They gained their submissions from the gap funding hypothesis formalized by Rostow (1960). Again, the Keynesian theorists also support the fact that, DODS improves a country's level of competitiveness in the global space. However, the DOH submits that, the improvised state of most is traceable to the high level of the country's indebtedness. Similarly, the neoclassical economists presumed that, heavily reliant on the presumption that government borrowing discourages private investment (Ayadi & Ayadi, 2015).

Just as the above assertions are contradictory, existing empirical documentations are as well. For example, Mhlaba, Phiri, & Nsiah, (2019) examined the effects of public debt on economic growth for South Africa from 2002 to 2016. ARDL method was utilized. The empirical results indicated a significant negative impact of public debt on economic growth. Again, Saungweme and Odhiambho (2019) examined the relationship between government debts, debt servicing and economic growth in Zambia from 1979 to 2017. ARDL approach was used. The empirical results indicated a unidirectional causal relationship from economic growth to public debt in Zambia. Consequently, we hypothesize that:

Ho: Domestic Debt Sources (DODS) does not improve the Nigeria's level of competitiveness significantly

2.1.4. Foreign Reserve Sources and Economic Competitiveness

The term "foreign reserves" refers to cash and other reserve assets maintained by central banks or other monetary authorities that are primarily used to balance a country's payments, control currency exchange rates, and uphold trust (Okah, Chukwu & Ananwude, 2019; Bayem, Ehiedu, Agbogun, & Onuorah, 2022). Reserves are held in one or more reserve currencies on the financial markets, mostly in US dollars and to a lesser extent in euros. Banknotes, deposits, bonds, treasury notes, and other government-issued reserve currency instruments are examples of possible foreign reserve assets. Gold holdings by some nations count as reserves, and specific withdrawal rights are also regarded as reserves. The implication is that, with proper foreign reserve management, a country's level of competitiveness can be attained.

Empirically, Ojiako (2020) examined the relationship existing between external reserves and economic performance in Nigeria from 1981–2018. ARDL model was employed. The result revealed that economic performance had a significant and negative response to changes in external reserves in Nigeria. Using Structural Vector Autoregressive (SVAR), Abere and Akinbobola (2020) finds that external shocks had a dominating influence on macroeconomic performance in Nigeria from 1986 to 2016.

Similarly, Johnny and Johnnywalker (2018) finds that external reserves had a significant positive impact on economic growth in Nigeria from 1980–2016. However, Amassoma (2017) documents that, external reserve sources failed to improve the ECG of Nigeria from 1970–2013.

Ho: External Reserve Sources (EXRS) does not improve the Nigeria's level of competitiveness significantly

2.1.5. Grants Funding Sources (GFS) and Economic Competitiveness

Grants unlike both domestic and external debt funding sources are non-repayable funds given by donors to country so as to enable them meet their developmental goals. The rationalization behind this is that, domestic and external debt funding sources are most times not enough to fund a country's developmental goals, and that through grants from donors such enormous needs can be attained. This supports the dual funding gap approach (Getinet & Ersumo, 2020). However, if these funds are not properly used, it may distort the level of a country's competitiveness in the global space.

Empirically, Onwumah, and Nayak (2023) found that, foreign aids improved the state of the Nigerian economy from 1981–2017 as evidenced by the multivariate analysis. Similarly, Mah and Yoon (2020) reported that, having disaggregated aids into grants and loans, found that, grants specifically, improved the level of competitiveness of Sub-Saharan African Countries from 1994 to 2015 though both domestic investment and education were insignificant.

Using the wavelet coherence technique, Yiew, and Lau (2018) found that, foreign aids (particularly grants) improved the level of competitiveness of the 95 developing countries from 1980 and 2018. However, Bird, and Choi (2020) found that, foreign aid had minimal effect on economic growth from 1976–2015. Hence, the paper hypothesize that:

Ho: Grant Funding Sources (EXRS) does not improve the Nigeria's level of competitiveness significantly

3.   METHODOLOGY

This study employed the expost facto research design because the data under study are already existing data. Moreover, this type of research design permits the researcher to be independent of the data being analysed and thus, validity is guaranteed. Since the study covers the whole Nigerian economy, the census sampling technique was adopted as suggested by Agbogun. Data was sourced from the International Financial Statistics (IFS), Government Finance Statistics (GFS), International Monetary Fund (IMF), World Bank Development (WBD) data base, African Development Bank, and the CBN Bulletin from 1986 to 2021.

The estimation technique adopted is the Autoregressive Distributed Lag Model-ARDL with a view to test if GFS exhibit both and short-run effect on ECP. The study adopted the Autoregressive Distributed Lag Model. Basically, the ARDL methodology involves estimating a conditional Error Correction Model-ECM. This is considered if the unit root test exhibits mixed integration (some stationary at level while others at first differencing). Prior to running the main results, the model to diagnostic test like normality test, Heteroskedasticity test, Ramsey Reset test and the like. This is to ensure that the Classical assumptions of Ordinary Least Square-OLS are held and that the model is fit. Econometrically, the model is stated as:

$$\Delta logRGDP_t = \alpha_0 + \alpha_1 \Delta logRGDP_{t-1} + \sum_{i=0}^{m}(\Delta EXDS_{t-1}) + \sum_{j=0}^{n}(X_j \Delta logDODS_{t-j}) + \sum_{j=0}^{0}(X_j \Delta log EXRS_{t-k})$$

$$+ \sum_{j=0}^{p}(X_j \Delta logGFS_{t-k}) + \sum_{k=0}^{q}(\partial k \Delta logEXCR_{t-l}) + \sum_{k=0}^{r}(\partial k \Delta logINTR_{t-m}) + \mu$$

Where:
RGDP =   Real Gross Domestic Product
EXDS =   External Debt Sources
DODS =   Domestic Debt Sources
EXRS   =   Foreign Reserve Sources
GFS =   Grant Funding Sources
EXCR   =   Exchange Rate
INTR=   Interest Rate
a0   =   Constant Value
$\beta_1, \delta_1 - \delta_5$ =   Short-run coefficients;
Δ   =   First difference;
φ_1 to φ_5 =   Long-run coefficients;
μ_t =   Error term with the usual properties.

Apriori Expectation

Judging by the literature underpinning, we expect a mixed flow among the employed variables and its dependent counterpart. We expect that, External Debt Sources distort the country's level of competitiveness while Domestic Debt Sources, Foreign Reserve Sources, and Grant Funding Sources improve the country's level of competitiveness.

4.   EMPIRICAL ANALYSIS

4.1   Data Analysis

Table 1 to 3 presents the descriptive statistics, correlation analysis, the unit root test, and ARDL Bound tests estimate:

Table 1: Descriptive Statistics

	RGDP	EXDS	DODS	EXRS	GFS	EXCR	INTR
Mean	6456333.0	4895776.0	33846.81	1122687.	3956.358	2346.349	211365.4
Median	6984744.0	1894744.0	31154.37	7433887.	1274.611	733.8466	103373.6
Std. Dev.	6744537.8	8455756.0	53772.56	7635372.	2635.565	2115.314	183342.7
Observations	37	37	37	37	37	37	37

Source: E-Views 9.0 (2023)

Table 1 displayed the degree of volatility; all the study variables except grants, Exchange Rate, and interest rate were highly volatile. This is because their standard deviation value is greater than their mean value. However grants, Exchange Rate, and interest rate have low volatility this is because they reported a low standard deviation value as against high mean values recorded.

Table 2: Correlation Analysis

Variables	RGDP	EXDS	DODS	EXRS	GFS	EXCR	INTR
RGDP	1.000000						
EXDS	0.755867	1.000000					
DODS	0.673534	0.478365	1.000000				

EXRS	-0.289564	-0.179005	-0.166895	1.000000		
GFS	0.578634	0.489375	0.468686	-0.345228	1.000000	
EXCR	0.467334	-0.496669	-0.239275	0.372226	-0.289477	1.000000
INTR	-0.389576	-0.790489	-0.179087	0.389276	-0.284885	0.433784	1.000000

Source: E-Views 90 Output (2023)

Table 2 revealed a positive relationship among government funding strategies variables themselves except (EXRS) and (INTR), that negatively relates with (RGDP). From the above result, EXDS, DODS GFS and EXCR with values 75.58%, 67.35%, 57.86% and 46.73% respectively, positively relates with (RGDP). Meanwhile, (EXRS) and (INTR) are -28.95%, and -38.95% negatively relates with (RGDP). This result shows the correlation trend for EXDS and DODS) are strong, GFS is moderate while EXRS, EXCR and INTR is weak.

Table 3: Philip-Perron (PP) Unit Root Test

At Level (1(0))				
Target Variables	**ADJ.T. Statistics**	**PP Test Critical Value @ 5%**	**P-value**	**Decision**
Real Gross Domestic Product	-0.077464	-2.961012	0.9440	Non-Stationary
External debt sources	-2.367245	-2.961012	0.1984	Non-Stationary
Domestic Debt Sources	1.574874	-2.961012	0.9277	Non-Stationary
External Reserve Sources	-1.178335	-2.961012	0.6172	Non-Stationary
Grant Funding Sources	-0.189556	-2.961012	0.7556	Non-Stationary
Exchange Rate	-2.673357	-2.961012	0.0489	Non-Stationary
Interest Rate	-4.278648	-2.961012	0.0018	Stationary
At First Differencing (1(1))				
Target Variables	**ADJ.T. Statistics**	**PP Test Critical Value @ 5%**	**P-value**	**Decision**
Real Gross Domestic Product	-18.96623	-2.951122	0.0034	Stationary
External debt sources	-4.246729	-2.951122	0.0061	Stationary
Domestic Debt Sources	-4.241790	-2.951122	0.0021	Stationary
External Reserve Sources	-9.118954	-2.951122	0.0033	Stationary
Grant Funding Sources	-6.493316	-2.951122	0.0004	Stationary
Exchange Rate	-7.336958	-2.951122	0.0006	Stationary
Interest Rate	-10.13385	-2.951122	0.0017	Stationary

Source: E-Views Output 9.0 (2023)

The Philip-Perron test in table 3 clearly revealed that all the study variables exhibit mixed integration justifying the need for ARDL Modeling.

Table 4: ARDL Bound Test

Model	F-Statistics Value			Critical Value Bounds (5% Level)	
One	**Test Statistic**	**Value**	**k**	**I0 Bound**	**I1 Bound**
	F-statistic	7.333456	7	2.37	3.55

Source: E-Views 9.0 Output (2023)

The Bound Test in table 4 above evidenced that shows that there exists a cointegration among the variables as the F-Statistics value of 7.333456 is higher than the critical value of upper bound (1(1) of 3.55 at 5% level of significance. As such, the Ho in support of no cointegration among the study variables is hereby rejected.

4.2. Confirmatory Tests
The following confirmatory tests were conducting before presenting the ARDL estimate:

Table 5: Variance Inflation Factor:

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LOG(EXDS)	0.005332	24.84744	3.689444
LOG(DODS)	0.004533	183.3058	3.784644
LOG(EXRS)	0.005434	9.756453	1.708463

LOG(GFS)	0.006735	47.67443	1.693764
EXCR	0.068944	263.7364	3.037456
INTR	0.003784	58.48595	1.903474

Source: E-Views Version 9.0 (2023)

The above suggests that the model is free from multi-collinearity problem since none of the study variables have a VIF value that is higher than or equal to 10. On this note, we can boldly state that the model is not spurious.

Table 6: Ramsey RESET Test

	Value	df	Probability
t-statistic	1.723553	35	0.0845
F-statistic	3.778463	(1, 35)	0.0845

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	0.453268	1	0.453268
Restricted SSR	0.734542	36	0.043323
Unrestricted SSR	0.554377	35	0.053213

Source: E-Views Version 9.0 (2023)

The Ramsey RESET Test in Table 6above reported that the model is correctly specified since it p-values estimated at 0.0845 is greater than that 5% significant level. This therefore revealed that the model is fit for prediction.

Table 7: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.063432	Prob. F(7,29)	0.4327
Obs*R-squared	7.665224	Prob. Chi-Square(7)	0.4254
Scaled explained SS	6.844543	Prob. Chi-Square(7)	0.8766

Source: E-Views Version 9.0 (2023)

The Heteroskedasticity test reported a p-value of 0.4327. This signpost that the model is trusted for prediction since there are no omitted variables and that its mean values are spreads out equally (Homoskedastic)

4.3.   Result Outputs and Its Implications

Having ascertained that the model is fit, the ARDL modeling was adopted. The result estimate is presented in table 8:

Table 8: ARDL Cointegrating And Long Run Form
Regressand: LOG(RGDP)
Selected Model: ARDL(1, 0, 0, 0, 0, 0, 0)
Sample: 1987 2021
Included observations: 35
Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(EXDS)	0.446734	0.14856	3.007135	0.0034
DLOG(DODS)	-0.04598	0.06735	-0.68272	0.6735
DLOG(EXRS)	0.067355	0.03562	1.89072	0.0043
DLOG(GFS)	0.467353	0.58964	0.792602	0.0653
D(EXCR)	0.095744	0.03893	2.459641	0.3456
D(INTR)	-0.06886	0.01736	-3.96573	0.5937
CointEq(-1)	-0.67863	0.09535	-7.11766	0.0003

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(EXDS)	0.267235	0.07466	3.579168	0.0011
LOG(DODS)	-0.067995	0.04834	-1.40672	0.6848
LOG(EXRS)	0.043382	0.02847	1.523565	0.0033
LOG(GFS)	0.289474	0.09467	3.057619	0.0712

EXCR	0.003562	0.00635	0.56068		0.2674
INTR	-0.005783	0.05879	-0.09836		0.5895
C	1.235663	0.33674	3.669443		0.0002
R-squared	0.874673	Mean dependent var		16.49574	
Adjusted R-squared	0.837855	S.D. dependent var		0.478574	
F-statistic	34.34895	Durbin-Watson stat		2.089068	
Prob(F-statistic)	0.000023				

Source: E-Views Version 9.0 (2023)

The R-squared in table 8 is 84.65%. Adjusted R-Squared shows that 73.38% of the total variations in RGDP are caused by EDST, EDSP, EDER and EDGR while the remaining 37.72% are caused by other factor not in the model. The F. statistic of 16.67844 which is greater than 2% is statistically significant at a level of 0.000011. Lastly, the Durbin Watson Statistics value estimated at 1.512231 indicate that the model is not serially correlated.

The ARDL regression estimate clearly revealed that EXDS has a positive significant effect on RGDP both in the mean and over time. This is because both on short and long run, EXDS reported positive coefficient values of 0.446734 and 0.267235. This implies that RGDP will increase by 44.67% and 26.72% in short and long run respectively if a percentage increase occurs in EXDS. Furthermore the result recorded a P-value of 0.0034 and 0.0011 which are less than the 5% level of significance. To further validate theories as well as the result is in tandem with the findings of but deviated sharply from the findings of Onyele and Nwadike (2021); Didia and Ayokunle (2020) but deviated sharply from the findings of Efuntade, Adegboyo and Efuntade (2020); Nwanna and Umeh (2019).

Again, domestic debt sources have negative yet minimal effect on RGDP, both on short and long run. This is because they had a negative coefficient values. This implies that RGDP will decrease by 4.59% and 6.79% in short and long run respectively if a percentage increase occurs in DODS. Furthermore the result recorded p-values greater than 5% but less than 95% confidence level. The above results are in tandem with the findings of Didia and Ayokunle (2020) but deviated sharply from the findings of Richard, Kurayish and Enoch (2020); Saungweme and Odhiambo (2020).

Additionally, foreign Reserve sources enhanced the RGDP of Nigeria significantly both on short and long run. This is because they had positive coefficient values. This implies that RGDP will increase by 6.73% and 4.33% in short and long run respectively if a percentage increase occurs in EXRS. Furthermore the result recorded p-values less than 5% but higher than 95% confidence level. The result agrees with Bacchetta Kenza and Yannick (2019); Aizenman and Lee (2018) findings; but contradicts the findings of Elhiraika and Ndikumana (2017); Aizenman, and Rhee (2016).

Lastly, grant funding sourcing has positive yet minimal effects on RGDP of Nigeria both in the mean and over time. This is because they had positive coefficient values. This implies that RGDP will increase by 46.73% and 28.94% in short and long run respectively if a percentage increase occurs in GFS. Furthermore the result recorded p-values higher than 5% but lower than 95% confidence level. This result supports Onwumah, and Nayak (2023); Mah and Yoon (2020) findings but deviated sharply from Yew, and Lau (2018) findings.

5. CONCLUSION AND POLICY RECOMMENDATIONS

This study was concerned with the impact of government funding strategies (GOFS) on economic performance in Nigeria from 1986–2021. The regressor is GOFS measured by external debt sources, domestic debt sources, external reserve sources, and grant funding sources but controlled for both exchange rate and interest rate. Meanwhile, the regressand is economic performance measured by real gross domestic product-RGDP. This study adopted the Autoregressive Distributed Lag Model-ARDL with a view to test if GOFS exhibit both on long run and short-run effect on ECP. This is considered if the unit root test exhibits mixed integration (some stationary at level while others at first differencing). Prior to running the main results, the model to diagnostic test like normality test, Heteroskedasticity test, Ramsey Reset test. Arising from our findings, we conclude that external debt sources and external reserve sources are the surest way for Nigeria to achieve outstanding economic performance. Consequently, the following recommends were made:

a. The federal government should maintain an optimal level of external debt sources as one of the economic performance drivers.

b. State-owned companies should be encouraged to take out loans with government guarantees so they can complete projects like the Railways projects which is expected to generate income. It is projected that this will increase spending capacity and reduces deficits.

b. The Nigerian government should see to it that any attempts to lower the country's foreign exchange reserves are opposed.

d. A number of contractionary measures should be put in place by the fiscal authorities to reduce grants that are no longer relevant to Nigeria's economic performance.

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