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Relationship between Domestic Debt and Infrastructural Financing in Nigeria

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ABSTRACT

This study examined the relationship that subsist between Domestic Debt and Infrastructural Financing in Nigeria, utilizing secondary data. Treasury Bills (TB), Treasury Certificates(TC) and Development Stock (DS)are explanatory variables while Public Transport Sector Expenditure (PTE) and Public Works Sector Expenditure (PWE) are the dependent variables used to measure Domestic Borrowings in Nigeria for the period under review. From the result of the study all employed variables in model one and model two is stationary at first difference and exhibited a long-run relationship. From the output of model one it was discovered that all employed variables are positive and statistically significant to public transport sector expenditure while in model two all employed variables are also positive and statistically significant but treasury certificate was positive and insignificant to public works sector expenditure. We therefore recommended that Government should source for more funds with treasury certificates in other to have the needed suitable funds for infrastructural financing and chunk of domestic borrowing should be deployed to this sub-sector to ensure adequate supervision as well as monitoring and maintenance of public utilities. Finally, government should make known to the public the benefits of domestic borrowing as it leads to economic development.

KEYWORDS: *Treasury Bills, Treasury Certificates, Development Stock.*

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INTRODUCTION

Debt is created by act of borrowing and is a liability an individual, firm or country must have to repay on maturity or future date. In Nigeria, domestic Government debts are contracted by the Federal Government as well as state or local Government dominated in local currency (Adofu and Abula, 2020). Due to the uneven distribution of natural resources that created scarcity, securing internal or external debt becomes inevitable for any government when the economy faces financial crisis as sustainable economic growth is a major concern for any sovereign nation, most especially the Less Developed Countries (LDCs) which are characterized by low capital formation due to low levels of domestic savings and investment. Particularly, Nigeria's domestic borrowing is aimed at escaping the dangers associated with external borrowings occasioned by rising government expenditures in relation to falling government revenues; supplement the internal savings for productive activities through infrastructural development as well as management of other macroeconomic conditions of the country and internal debt became a burden to African countries especially Nigeria when there was a collapse of oil prices in the international market (Ajayi, 2019). Nigeria has not been alone in experiencing escalating levels of government domestic indebtedness, but in comparison to other countries in Sub-Sahara Africa, Nigeria's domestic debt to GDP ratio is clearly on the high side. The current rising domestic debt profile in Nigeria is indeed a cause for concern more so, because much borrowed funds are diverted to fund

unproductive ventures and private purse; while some states government borrows to pay salaries and other recurrent overheads (James,2024). It is usually expected that as countries expand their output, they also tend to rely more heavily on domestic public debt issuance to finance. (Alison, 2023) states that, Domestic government debt instruments like Treasury bills, Treasury certificates and Development stocks has played an important role in any economy like Nigeria as they provide short and long term funding for the government to carry out some infrastructural sector projects.

There is a general view that public infrastructure like Transportation and works can be growth enhancing and helps reduce unemployment (Agenor and Morenor-Dodson, 2023). The federal government has embarked on a number of sector reforms with a view to diversifying the economy away from crude oil and boosting productivity in agriculture and solid minerals. It has also committed to developing key infrastructural projects in power and transportation (road, rail and aviation). The new policy focuses on the utilization of all the borrowed amounts to fund the budget deficit and the amounts would be specifically allocated to fund identified infrastructural projects. Efforts are also made to improve governance and efficiency in fiscal operations of the government so as to reduce wastages and leakages. Government, in its Medium- Term Expenditure Framework, envisages generating a real GDP growth, with a gradual increase, while keeping the inflation level under control. Oil revenues and related foreign exchange proceeds are expected to show only a modest increase leading to a continued, but more gradual decline in international reserves. In spite of her continued penchant for domestic loans Nigerian economy is still characterized by low per capita income, high unemployment rates, dwindling economy, inadequate basic amenities and poor infrastructural development and falling growth rates of GDP The reliance by the federal government on borrowing from the banking system, particularly the CBN, to finance its large and unsustainable fiscal deficits has affected the growth of the Nigerian economy negatively. This has hindered the attainment of macroeconomic stability and sustainable economic growth in Nigeria. In addition, it has crowded out the private sector from the credit market, thereby stalling investment and output growth. It is against this backdrop that this study set out to examine the structure of domestic debt and finance of public infrastructure in Nigeria in form of public transport sector expenditure and public works sector expenditure.

Objectives of the Study

The aim of this study is to examine the relationship between domestic debt instruments and financing of public infrastructure in Nigeria from 1990-2025

Specific objectives, seeks to:

1. Examine the relationship between treasury bills and public transport expenditure in Nigeria.
2. Evaluate the relationship between treasury certificate and public transport expenditure in Nigeria.
3. Examine the relationship between development stock and public transport expenditure in Nigeria.

The following research hypotheses stated in their null and forms will guide this study

Hol: There is no significant relationship between treasury bills and public transport expenditure in Nigeria.

Ho2: Treasury certificate has no significant relationship with public transport expenditure in Nigeria.

Ho3: There is no significant relationship between development stock and public transport expenditure in Nigeria.

LITERATURE REVIEW

Conceptual Framework

An Overview of Nigerian Domestic Debt

In Nigeria, domestic government debt is defined as debt instruments issued by the Federal government and denominated in local currency. Or debt owed to lenders within the country. In principle, State and Local governments can also issue debt, but they are still limited in their ability to issue debt instruments.

Treasury Bills: is a short term debt instrument issued by the federal government through the Central bank of Nigeria to provide short term funding for the government. They are by nature, the most liquid money market securities and are backed by guarantee of the federal government. They are usually issued for tenors of 91 days, 182 days and 364 days a year at the primary market auction held fortnightly by the CBN. The growth in the level of treasury bills also reflected the practice of rollover of maturing securities and continuous recourse to conversion of ways and mean advances outstanding at the end of the year to treasury bills as a way of funding the fiscal deficit. Treasury bills is a risk free investment as it carries the guarantee of the federal government, it can be used as collateral and it is a discount instrument enabling the investors to earn interest upfront. **Treasury Certificates** Which were first issued in 1968, constituted one of the largest securities between 1983 and 1988. It even surpassed treasury bills between

period 1976-1980. It was first issued to further deepen the domestic money market by increasing short term investment options available. In 1995, the federal government decided to convert treasury certificates outstanding to non- tradable treasury bonds in an attempt to further reduce its debt service obligations on domestic debt. Treasury certificates were therefore abolished in 1996. Flotation of treasury bills and certificates introduced treasury bonds, as another instrument in the portfolio of domestic debt. The objective was to minimize debt service obligations on domestic debt arising from the liberalization policies. Thus in 1989, 20 million Naira worth of treasury bills, representing 58.6% of treasury bills outstanding were converted to treasury bonds of fixed interest rates. The bonds styled as "5% Federal Republic of Nigeria treasury bonds 2004-2015" are to carry a fixed interest rate of 5% and are wholly held by the CBN. **Development stocks** were apparently the first government instrument to be issued. It was floated largely to provide development finance either directly to meet the needs of the federal government or as loan on lent to the state governments. The colonial administrators floated the first registered debt stocks 1956/61 in 1956. Development stocks outstanding increased between 1960 and 1987. It started to decline as from 1988, as no new stocks were made. The Development Stocks were traded in the secondary market of the Nigerian Stock Exchange. In line with government's policy of reducing reliance on monetary financing of deficits, the federal government through the Debt Management Office (DMO) in 2003 raised funds through the capital market to meet its financing needs by issuing the 1sFGN Bonds. The government was able to raise N72.6 billion, out of the N150 billion worth of bonds issued representing about 5.4% of total domestic debt stock.

Reasons for Domestic Borrowing

Borrowing may be considered as a second-best alternative to money creation during periods of unemployment. In this way, it is seen as an instrument of managing the economy. Domestic loan is also seen as a means of filling domestic savings gap especially in the face of dwindling government revenues from domestic source. Theoretically, there are three often reasons for government borrowing (Alison, 2023). The first is for Budget deficit, the second is for implementation of monetary policy (by buying and selling of treasury bills in Open Market Operation) and the third is to develop financial sector (supplying tradable financial instruments so as to deepen the financial market in Nigeria. Several factors have also contributed to domestic debt profile between the 1960s and now (Rapu.2023) the major factors include large expenditure growth, low output growth, high inflation rate and narrow revenue base. In Nigeria, several factors have been to explain the changing domestic debt profile and repayment between 1960s till date. In order to improve on the standard of living of its populace and also for sustainable economic enhancement, government issues domestic debt instruments in the bid to source for funds to carry out some infrastructural sector projects.

Concept of Infrastructure

It has long been recognized that adequate supply of infrastructure services is an essential ingredient for productivity and growth in any economy. In recent years, the role of infrastructure services has received increased attention. Much of the current international debate on ways to spur growth, reduce poverty, and improve the quality of human life in low-income developing countries has been centered on the need to promote large increase in public investments in infrastructure. (Agenor and Moreno-Dodson,2024). Infrastructure has become a ubiquitous theme in a variety of areas of the policy debate. For instance, there is persuasive evidence that adequate provision of infrastructural facilities is a key element in the agenda required for an economy to achieve its intended objectives of efficient resources allocation and growth. Also, a number of studies (Adesoye, Maku and Atanda, 2020; Agenor and Moreno-Dodson, 2024) have argued that generalized access to infrastructure services plays a key role in helping reduce income inequality. **Public Transport.** Transportation is a vital component of human activity. In many developing countries, inadequate transport facilities constitute huge challenge to economic growth. In developed economies, the transport sector is a key driver to economic development and strong revenue. Studies have revealed that developing societies have not sufficiently tapped into the potential of the transport sector as a result it is not fully maximized in those regions. The transport sector has longed suffered as result of inadequate investment in infrastructure, thereby promptly federal government to push for the re habitation and expansion of the country's entire transport network. Transport infrastructure includes roads, railways, bridges, pipelines, canals, ports, airports pc spaces. In Nigeria public transport is provided by both the public and private operators. While the public Corporations are established by governments, private service operations are uncoordinated and poorly organized. Due to the inability of transport operators to solve the mobility needs of Nigerians, the Federal Government established the Federal Urban Mass Transit

Programmed to ameliorate the transport situation in Nigeria.

Theoretical Framework

Lerner's Theory: P. A Lerner, a Russian born British economist, propounded Lerner's theory of public debt. He expresses that when the government obtains from its own particular resident, that is when domestic or internal obligation is utilized to fund government expenditures, no burden is made for the future generation. Maybe, the individuals from the future generation just owe it to One another. Be that as it may, when the debt is paid off, there is an exchange of income from one group of citizens (the individuals who don't hold bonds) to another(bondholders). The future generation overall is no worse off as in its utilization level is the same as it would have been. Then again, when a nation borrows from the external economy to finance current spending, which we allude to as foreign obligation the future generation surely bears the burden, on the grounds that, its utilization level is lessened by a sum equivalent to the loan in addition to the collected interest that must be sent to the outside lender and if the loan is renegotiated, just the interest must be paid. On the other hand, if the loan is utilized to fund capital accumulation, the result relies on upon the venture's profitability. On the off chance that the negligible profit for the speculation is more prominent than the minimal expense of stores acquired abroad, the obligation's mix and capital use really improves the future era off. To the degree that the venture's return is not exactly the minimal expense, the future generation is worse off. This view that an internally held debt does not burden future generations dominated the economics profession in the 1940's and 1950's. There is now wide spread belief that things are considerably more complicated.

Empirical literature

The increase in financing government expenditures has been identified to be responsible for the rapid rise in the burden of Nigeria's domestic debt. Opined that government borrowing from the domestic economy has become the main primary source of financing government expenditure due to the collapse in prices of oil in the international market. they asserts that despite the various efforts made by the government to support public expenditure, much achievement has not been accomplished in reducing its spending and this has continuously raised the size of domestic debt. (Adofu and Abula, 2020). Araloyin and Baogun (2021). Infrastructure Finance system: A comparative analysis of developing countries a lesson for Nigeria The current level of infrastructure deficit in Nigeria is believed to be one of the major constraints towards achieving national economic development. This paper looks into three emerging economies - India, Brazil and Chile and identifies solutions that may be applicable to infrastructure financing in Nigeria. The study found that the Nigerian system runs in a similar way to that of India and Brazil, in that the public sector plays a major role in the provision of funds for infrastructure in the country. In Chile, privatization is the main means by which the government has improved on infrastructure financing. Going by Chile's experience, privatization seems to be the best option for Nigeria because it devoid the evil of corruption and mismanagement which appears to be the bane of infrastructure development in the country. However, privatization in Nigeria should be practiced (like Chile) on transparency, openness, dialogue and decision-making processes for achievements to be recorded.

Ugwu Okereke J. (2024) Investigate the Effect of Domestic Debt Payments on Economic Growth in Nigeria (2006-2022). The quantitative design using ordinary least- square (OLS) method of multiple regression analysis was employed. However, secondary data for this study was obtained from CBN annual report, federal office of statistics and Debt Management Office. The finding indicates that domestic debt outstanding has significant relationship between Gross Domestic Product in Nigeria. Likewise, there is significant relationship between interest rate and debt servicing on Gross Domestic Product in Nigeria. The coefficient of determination indicates that about 85 per cent of the debt variables (DDO,INT and IDS in Nigeria). This implies that a good portion of gross domestic product can be explained by changes in domestic debt variables. It is recommended that Government should maintain a bank deposit ratio below 40% and resort to increase use of tax revenue to finance its project. The regulatory authorities should provide enabling environment and policies for private sector investors with improved infrastructure.

METHODOLOGY

The researcher adopted quasi-experimental research design for the study. The reason for this is because the elements of the design are not under the control of the researcher and the study sought to establish the relationship between the dependent and independent variables. This study relied on secondary data which was sourced from the Central Bank of Nigeria's Statistical Bulletin (Various Issues), National Bureau of Statistics(NBS), Nigeria Budget Data, articles, and internet. Using annual time series data from 1990-2025.

There are several variables in this study but principally, there are two types namely: the dependent and the independent variables. The dependent variables will be public transport expenditure and public works expenditure. The independent variables will include treasury bills, treasury certificates and development stocks. The model thus, is specified in its functional form as follows:

PTE=f(TB, TC, DS)……(1)

PWE-f(TB, TC, DS)……....(2)

Where;
- PTE-Public Transport Sector Expenditure
- PWE- Public Works Sector Expenditure
- TB- Treasury Bills
- TC-Treasury Certificates
- DS Development Stock

For estimation purposes, equation (1) is rewritten as follows;
$PTE-a_o+B_1TB + B_2TC + B,DS+E_4$……..(3)

$PWE=a+B_1TB + B_2TC+B_2DS+E_1$……..(4)

Where,
- PTE-Public Transport Sector Expenditure
- PWE- Public Works Sector Expenditure
- TB- Treasury Bills
- TC-Treasury Certificates
- DS-Development Stock

ao-Constant term

$B_1B_2B_3$ – The regression coefficients of Treasury Bills, Treasury Certificate and Development Stock.

A priori Expectation
The a priori expectation is stated thus;
$B_1>0$, $B_2>0$, $B_3> 0$.

Data Presentation and Analysis
We therefore present the results of the various estimations beginning from the Unit root test, and then Co-integration test before Error Correction estimate.

Unit Root Test (Augmented Dickey Fuller)
There is the tendency of shocks inherent in time series variables, and also shocks that could be found in the error terms, especially other variables not captured by the model. Therefore, in order to avert the occurrence of spurious results, there is need to test for the presence of unit root in order to ensure that the parameters are estimated using stationary time series data. To achieve this, the Augmented Dicky-Fuller (ADF) is employed to ensure stationarity of the variables because stationary variables are useful both in short-run and long-run forecasting and predicting, also, it has a great capability on the effect of associated shock to die out gradually.

Table 1: Result of Unit Root Test (Using ADF)

Variable	ADF test statistic	Critical Value 5%			Order of Integration	Prob.
		1%	5%	10%		
TB	-4.571274	-4.273277	-3.557759	-3.212361	1(1)	0.0047
TC	-4.451547	-4.273277	-3.557759	-3.212361	1(1)	0.0063
DS	-7.446756	-4.273277	-3.557759	-3.212361	1(1)	0.0000
PTE	-4.427295	-4.273277	-3.557759	-3.212361	1(1)	0.0069
PWE	-5.776396	-4.273277	-3.557759	-3.212361	1(1)	0.0002

***Source**: Eview 8 Output (Authors Computation and Compilation).*

From ADF Unit root test result in the table above, comparing the ADF test statistic value with the Critical values at 5% significant level, all the variables are stationary at difference 1(1). This goes to show that all variables have a statistically predictive trend which can be used for subsequent estimation and forecast as they all integrated of order 1(1).

Johansen Co-integration Test (Model 1)
Included observations: 35 after adjustments
Trend assumption: Quadratic deterministic trend
Series: PTE TB DS
Lags interval (in first differences): 1 to 3
Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of (CE(s))	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.
None*	0.740568	83.02961	55.24578	0.0000
At most 1*	0.546618	41.20254	35.01090	0.0097
At most 2	0.290117	16.68093	18.39771	0.0855
At Most 3*	0.177527	6.058621	3.841466	0.0138

Trace test indicates 3 co-integration (s) at the 0.05 level
*denotes rejection of the hypothesis at the 0.05 level p-values
Source: Eview 9 Output (Authors Computation and Compilation)

The table above shows the result of the Johansen Co-integration test for the presence or absence of co-movement or long run relationship between the variables incorporated in model 1. As revealed by the outcome of the Johansen Co-integration test, particularly the results of the trace test, there exist three co-integrating equations. This signals that there is a long run relationship between public transport expenditure, treasury bills, treasury certificate, and development stock. In other words, all four variables (public transport expenditure, treasury bills, treasury certificate, and development stock) move together in the long run. The presence of long run relationship between the variables necessitates the conduct of the error correction mechanism.

Parsimonious Error correction Model (Model 1)
Dependent Variable: D(PTE)
Method: Least Squares
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t.Statistic	Prob.
D(TB(-1))	9.457264	4.300576	2.199069	0.0412
D(TC(-1))	8.693697	3.762708	2.310489	0.0329
D(DS(-1))	23.34621	8.384626	2.784407	0.0122
ECM(-1)	-0.418085	0.343147	-4.132589	0.0006
C	-0.423146	1.405796	-0.301001	0.7669

R-squared	0.811192	Mean dependent var	0.243750
Adjusted R-squared	0.674831	S.D. dependent var	9.138396
S.E. of regression	5.211042	Akaike info criterion	6.439072
Sum squared resid	488.7892	Schwarz criterion	7.080332
Log likelihood	-89.02516	Hannan-Quinn criter.	6.651632
F-statistic	5.948849	Durbin-Watson stat	1.963127
Prob(F-statistic)	0.000353		

Source: E-view 9 Output (Authors Computation and Compilation).

The outcome of the error correction mechanism (ECM) test conducted and displayed in the table above revealed that the explanatory power as 0.811. This by inference means that, 81 percent variation in the dependent variable PTE is brought about or accounted for by the independent variables (TB, TC, and DS), with the residual of 19 percent accounted for by variables not included in the model. As observed in the aforementioned table, Treasury

bill at lag 1 has a significant positive impact on public transport expenditure, pointing to their reliability as predictors of future changes in public transport expenditure with lag 1 increasing further public transport expenditure. The short run behaviour of treasury certificate divulged that lag 1 exert a positive and significant impact on public transport expenditure. Further scrutiny revealed that, only lag 1 of DS exerts a significant short run impact on public transport expenditure. Howbeit, the uncovered significant relationship has positive colorization suggesting an increasing power of development stock (DS) on public transport expenditure. The probability value of the F-statistics given as 0.0003 indicates that the model is statistical significant at 5 percent level. The coefficient of the error correction term was computed to be -0.418 and found to both negative and statistical significant at 5 percent level. This suggests that, temporal adjustments will be corrected at a speed of 41%.

Johansen Co-integration Test (Model 2)
Included observations: 35 after adjustments
Trend assumption: Linear deterministic trend
Series: PWE TB TC DS
Lags interval (in first differences): 1 to 1
Unrestricted Co-integration Rank Test (Trace)

Hypothesized hNo. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.694038	100.3261	69.81889	0.0000
At most 1 *	0.576663	60.06008	47.85613	0.0024
At most 2*	0.355090	30.83417	29.79707	0.0379
At most 3*	0.308264	15.92025	15.49471	0.0431
At most 4	0.094884	3.389526	3.841466	0.0656

Trace test indicates 4 co-integration(s) at the 0.05 level
*denotes rejection of the hypothesis at the 0.05 level p-values
Source: Eview9 Output (Authors Computation and Compilation)

The table above documents the result of the Johansen co-integration approach to long-run relationship determination between variables incorporated in model 2. From the Trace test carried out and reported in the table above, the outcome shows the existence of four co-integration equations in the model. This by inference speaks to the existence of a long-run association between public works expenditure, treasury bills, treasury certificates and development stocks. The existence of a long-run relationship necessitates the conduct of an ECM test in order to ascertain the speed of adjustment of the model.

Parsimonious Error Correction Test (Model 2)
Dependent Variable: D(PWE)
Method: Least Squares
included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(TB(-1))	45.31619	15.30235	2.961387	0.0077
D(TC(-1))	14.22122	6.903309	2.060059	0.0526
D(DS(-1))	13.02316	5.453472	2.388048	0.0269
ECM(-1)	-0.448055	0.168180	-2.664135	0.0149
C	-19.84615	4.868690	-4.076281	0.0006

R-squared	0.684410	Mean dependent var	-0.283871
Adjusted R-squared	0.526616	S.D. dependent var	16.35003
S.E. of regression	11.24930	Akaike info criterion	7.949911
Sum squared resid	2530.935	Schwarz criterion	8.458746
Log likelihood	-112.2236	Hannan-Quinn criter.	8.115779
F-statistic	4.337346	Durbin-Watson stat	1.602847
Prob(F-statistic)	0.002558		

Source: E-view 9 Output (Authors Computation and Compilation)

The table above displays the outcome of the error correction mechanism (ECM) test conducted revealing that the coefficient of determination is 0.684. At 0.684 the coefficient of determination clearly shows that 68% of alterations in public work expenditure (PWE) are accounted for jointly by treasury bills (TB), treasury certificates (TC) and development stocks (DS). The residual of 32% is accounted for by variables not included in the model but captured by the stochastic term or error term. Careful observation of the aforementioned table disclosed that, treasury bill at lag 1 exerts a positive and significant impact on public work expenditure which is indicative that, increases in credit using treasury bills spurs public work expenditure. Further observation of the short run tendencies or impact of the adopted variables showed that lag 1 of development stock influences current public work expenditure positively and significant. Similarly, treasury certificate at lag 1 exert a positive relationship or impact on PWE although the impact is insignificant. The probability value of the F-statistics given as 0.002 indicates that the model is statistical significant at 5 percent level.

The result of the ECM at 0.448 explains the convergence of the model at a speed of 44%. In view of the above, temporal distortion in the model emanating from the independent variables will be adjusted and return to equilibrium in the long-run at the speed of 44%.

Test of Hypotheses

The formulated hypotheses earlier stated are statistically tested as shown in their null form

Hypothesis I

There is no significant relationship between treasury bills and public transport expenditure in Nigeria. Using the probability approach in the test of hypothesis, the decision rule states that the null hypothesis is accepted in the event that the probability value is greater than 5 percent or 0.05, and the alternative hypothesis accepted when the probability value is below 0.05. The result of the analysis captured in table 4.2.4 shows that treasury bills has a coefficient of 9.457264 and a probability value of 0.0412. Following that the significant level is less than 0.005, we reject the null hypothesis and accept the alternative of a significant relationship between treasury bills and public transport expenditure in Nigeria.

Hypothesis II

Treasury Certificate has no significant relationship with public transport expenditure in Nigeria. The result of the analysis documented in table 4.2.4 displays treasury certificate with a coefficient of 8.693697 and a probability value of 0.0329. Hinging on the decision rule, we reject the null hypothesis of no significant relationship and accept the alternative of a significant relationship between treasury certificate and public transport expenditure in Nigeria.

Hypothesis III

There is no significant relationship between development stock and public transport expenditure in Nigeria. Informed by the results documented in table 4.2.4 which presents the coefficient of development stock as 23.34621 with a corresponding probability value of 0.0122 and owing to the probability value below the 0.05 level of significance, we reject the null hypothesis and accept the alternative of a significant relationship between development stock and public transport expenditure in Nigeria.

Conclusion

Based on the above findings, we can conclude that public transport sector expenditure and public works sector expenditure are greatly financed by government domestic debt which is captured by treasury bills, treasury certificates and development stock in Nigeria. The findings agree with the study of Williams, Okonkwo and Abolore (2021) found out

that there is a linear relationship between domestic debt and public utility. Thus, public infrastructural financing is an important determinant for the demand of domestic debt in Nigeria.

As matter of policy implementation, from the empirical findings of this study, we recommend the following:

1. Government should source for more funds with treasury certificates in other to have the needed suitable funds for infrastructural financing
2. Domestic debt proved to be a veritable source in financing public works sector in Nigeria, as results from the analyses, substantial chunk of domestic borrowing should be deployed to this subsector to ensure adequate supervision as well as monitoring of maintenance public utilities.
3. The government should make known to the public the benefits of domestic borrowing as it leads to economic development.

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