TITLE PAGE

THE IMPACT OF GOVERNMENT DEFICIT BUDGET FINANCING ON THE PERFORMANCE OF SOME MACRO-ECONOMIC VARIABLES IN NIGERIA

BY

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MAY, 2014

Approval Page

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Declaration

I, **AKUBUE AUGUSTINE AGUBUZU** with Registration Number PG/M.Sc./08/47441 hereby affirm that this dissertation as presented to the Department of Banking and Finance, Faculty of Business Administration, University of Nigeria, Enugu Campus, is an embodiment of original work and has not been submitted to this University for the award of any degree or diploma or any other institution of higher learning.

AKUBUE, AUGUSTINE A. Date

Dedication

To OZO AKUBILO OVUTE UGWUAKUBUE

who lived and died in tireless

sacrifice for his progeny.

and

For men with conscience

to stand by friendship and courage

to defend the truth.

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Abstract

This study examined the “Impact of Government Deficit Budget Financing on some Macro-economic Variables in Nigeria.” The study specifically sought to: examine the impact of budget deficit financing on money supply in Nigeria; examine the impact of deficit budget financing on inflation rate in Nigeria; and examine the effect of deficit budget financing on interest rates in Nigeria. Research hypotheses were raised and tested through the use of auto-regression. The study used time series data for 41 years covering the period 1970 – 2010. The technique of analysis used is Ordinary Least Square (OLS) method. The regression result showed that there was a positive but not statistically significant impact of budget deficit financing on money supply. We also found from the result that there were positive but not statistically significant impact of budget deficit financing on inflation rate and as well as positive significant impact on interest rate in Nigeria. Based on the analysis, findings and conclusion, we recommend the followings: large and persistent budget deficit financing should be discouraged as this has been found to exert pressure on some of the macro-economic variables; deficit budget financing should only be used sparingly; there should be proper monitoring of the composition of spending needs of the public sector so as to ensure a decrease in the level of deficits (if any) as this will help in maintaining macro-economic stability in the system among others.

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