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The Effect of Deficit Financing on Unemployment in Nigeria

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Abstract

The Nigerian government resorted to borrowing in the past few years to promote economic growth and curb unemployment. This has precipitated enormous spending on debt servicing. This study examined the consequent effect of deficit financing on unemployment reduction in Nigeria. Using the Ordinary Least Square (OLS) method, secondary data was used to cover a 30 year period of 1986 – 2015. The variables used were unemployment rate, deficit financing, internal debt, external debt, government expenditure, total revenue and gross domestic product. The study found out that internal debt and external debt has a negative relationship with unemployment while deficit financing, government expenditure, total revenue and gross domestic product have a positive relationship with unemployment in Nigeria. The study concludes that deficit financing contributes to unemployment in Nigeria implying that too much money is being spent on debt servicing which is detrimental to employment creation. Nigeria's debt concerns are still worrisome and the amount devoted to deficit financing has impeded the quest for employment creation in Nigeria. The study therefore

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recommended that, the government of Nigeria should properly channel borrowed funds into production of tradable goods that can generate foreign exchange and stimulate economic activity, thereby curbing unemployment and the pursuit of a strong diversified economy by the government should be relentless as this constitutes the last resort to generating employment and achieving sustained economic development in Nigeria.

Keywords: *Deficit Financing, Unemployment, Government Expenditure, Internal Debt, External Debt*

1. Introduction

Governments of various world economies undertake several activities which best describes the various means of revenue acquisition, internal (including increasing general tax levels) or external borrowings and its expenditures all wrapped up into a proposed document to be pursued within a year. This document basically contains the blueprint of governments' financial plan in the stated year of coverage. This financial plan gives the authorities insight on the individual item of receipts and expenditure in the context of its policy mix (Bhatia, 2010). After the civil war which lasted from 1967-1970, the Nigerian economy was in shambles and needed rehabilitate. The issue of deficit financing dated back to 1978 when the nation was granted $1billion loan presumably needed for rehabilitation, reconstruction and development of the devastated Nigerian economy (Akinmulegun, 2014). Many developing nations of the world and even industrial giants of the world have embarked on deficit financing which makes the concept totally un-alien.

Government financial involvements greatly affect the entire economy, both in developing and developed economies. Government financial activity constitutes the heart beat of the flow of funds in the economy. Deficit financing has been seen to be inspired by the Keynesian theory of employment which basically lies on effective demand. The entire economy can be stimulated by increased government expenditure through increasing aggregate demand, when this is not obtainable; there is an increase in unemployment as a result of deficiency in the economy (Jhingan, 1997).

According to the Central Bank of Nigeria (CBN) (cited in Eze & Nwambeke, 2015) the Nigerian budget deficit has been on the rise since 1978. From 1981, deficits rose from N3.9billion to N8.2billion in 1986 and went up further to N15.1billion in 1989. From 1990, there was a break in the increase which the country experienced a surplus of N1billion. In 1998, deficits moved to an all time high of N133.3billion and in 2002, it shot up to N301.4billion. In 2003, the country recorded its first decline in government budget deficit from N202.7billion to N188.2billion, and later to N150.6billion and N101.3billion in 2003, 2004, 2005 and 2006 respectively. Another rise in budget deficit was recorded from 2007 at N107billion to N1.5trillion in 2013. Several economic policies of the Nigerian economy targeted at growth and development were carried out with through deficit financing. The Structural Adjustment Programme (SAP) of 1986, insecurity problems and also the 2007 and 2011 general elections were financed through internal and external borrowings (Akinmulegun, 2014).

Normally, it is expected that when governments engage in deficit financing, aggregate demand should increase, investment should also increase leading to reduction in unemployment rate. According to Keynes, this is an effective method of overcoming depression in an economy. This is when government expenditures exceed its receipts. The possibilities of the labour force who are willing and capable to find jobs at the prevailing wage rate has being a major concern of the Nigerian government for several decades despite several policy measures. Unemployment is one of the most threatening macro economic problems facing the development of the economy over the past decades. According to Alanana cited in Oye et al (2011) unemployment is hazardous to the entire economy and it emits troubling signals to all facets of the Nigerian Society. The rate of youth unemployment in the country has always maintained an increasing status giving no exception to periods of stability and growth i.e. the oil boom of the 1970s (6.2%); 1980s (9.8%) and the 1990s (11.5%). More recently, the unemployment rate rose from 10.4% in December 2015 to 12.1% in the first quarter of 2016 (NBS, 2016).

These evidence of increasing unemployment despite measures of deficit financing can be attributed to years of mismanagement of public funds, corruption which is endemic, ethnic bigotry and nepotism and the failing educational system. Keynes sees deficit financing as a short run remedy in an economy with low resource utilization operating below its capacity. Through the multiplier effect, the increased fiscal financing would grant an economy a safe pass through a recession. However, this is only possible in the case of "crowding in effect". In addition, the sourced funds have not been invested in general infrastructural development, provision of access roads, electricity, and strengthening of financial and judicial systems. These have increased the cost of doing business leading to the dearth of domestic investors and withdrawal of foreign investors in the Nigerian economy thereby aggravating unemployment. Question raised by the research is that, has deficit financing reduced unemployment in Nigeria?

This study seeks to investigate the effects of deficit financing on unemployment in Nigeria. The paper focuses on the relevance or otherwise of deficit financing in restoring the economy and taming the threats of unemployment on economic growth and general welfare. The rest of the paper is structured as follows: section two is the review of related literature; section three is the method of study; section four presents the results of the study and discusses the findings while section five is the conclusion and recommendations.

2.1 Review of Related Literature

2.1.1 Deficit Budget/Deficit Financing

A budget is a financial document stating the detailed plan of a government or an organisation, its objectives and the financial requirements in achieving these objectives usually within a predetermined period agreed upon by the relevant authorities. Government usually pens down its intentions and policies to be attained during a particular period and maps out the necessary requirements for these intentions and policies to be attained Bhatia (2010). A budget deficit is a period where the total expenditure exceeds total receipts which is characterised by government making provisions more than its income. In a situation where the government is faced with a budget deficit, to finance this deficit, it must source for funds, either internally or externally. Deficit financing could also mean the sale of debt securities in order to finance expenditures that are in excess of income. This pattern of funding budget deficit can also be seen as non-banking public source of financing (Eze & Ogiji, 2016).

Deficit financing is a strategized effort by the government to carefully source for funds in order to affect its expenditure activities given the fact the income cannot sustain its expenditure at the time of consideration. Government creates funds to finance deficit by borrowing from local or foreign sources payable within a stipulated agreed time at the cost of an interest (Akinmulegun, 2014). Despite the benefits of deficit financing, there has been a lot of argument among scholars on the efficacy of deficit financing. The effect of deficit financing is elaborated by the crowding out effect theory which is explained by a deliberate starving of the private sectors of investment funds; this could be as a result of increased cost of borrowing from banks by the private sectors or even as a result of the fact that government has mopped all the available funds from the financial stream (Edame & Okoi, 2015)

2.1.2 **Unemployment**

Unemployment is a term used to describe failure in the market to provide jobs for the labour force willing to work at prevailing wage rates. When this occurs, there is a break in the flow of the pattern of income creating investment and subsequently unemployment. According to the International Labour Organisation (ILO) as quoted in Adesina (2013),

> *"The unemployed population is made up of persons above a specified age who are available to, but did not furnish the supply of labour for the production of goods and*

services. When measured for a short reference period, it relates to all persons not in employment who would have accepted a suitable job or started an enterprise during the reference period if the opportunity arose, and who had actively looked for ways to obtain a job or start an enterprise in the near past"

According to the National Bureau of Statistics, the labour force comprise of individuals at the age of 15-65 excluding the voluntary idle citizens, students and home keepers etc.

2.1.3 **Causes of Unemployment in Nigeria**

a. **Rural Urban Migration:** The movement of individual's from the rural to urban centres have increased the strain on the social amenities initially planned for the urban dwellers. This is as a result of failed government rural policies which have made people to search for better living standards in terms of potable drinking water, electricity, healthcare services etc. This has also put a strain on the struggle for job opportunities in the country. Rural urban migration involves also a complete change from rural to urban lifestyle (Isibor, 2013)

b. **Population Growth:** According to the 2006 census, Nigeria is estimated to have a population of over 140 million people making it the most populous African nation. With this great number of people, the economic system in Nigeria is characterised by over half of its population living in rural areas presumably; farmers who still use crude tools and implements for their production process. The current situation of insecurity, insurgency, kidnapping are no doubt the consequences of unemployment and population growth (Orumie, 2016). Population growth should have been our strength (increased markets) rather the infrastructural provisions are not sufficient to carter for the growing population which has led to pressure on the entire system causing loss of jobs and scarcity of jobs.

c. **High Costs of Doing Business:** In Nigeria, it is one problem to acquire funds to start a business and another to register it. It becomes difficult and tedious for entrepreneurs to venture into business. The Nigerian economy has created a hostile climate for the survival of a tone of businesses making it hard for a taste for entrepreneurial success. The devastating and dilapidated infrastructure in Nigeria reduces success stories of entrepreneurs who have ventured into one form of business or the other. The increasing cost of doing business in the country has been a mitigating factor for recorded successes. According to Okeke & Eme (2014) incidence of multiple tax systems has been recorded, insufficient power supply, lack of access roads, difficulties in accessing credit facilities, unhealthy competition with imported items etc has made it difficult for businesses to survive thereby increasing idle people who are willing to work.

d. **Continuous Drop in Educational Standards:** University graduates are finding it increasingly difficult to defend their results even when they get employment. Productivity is dwindling as a result of unqualified labour employed. This makes firms sceptical about employment and they rather maintaining overwork their existing workforce rather than spend more resources on trainings.

e. **Corruption:** Corruption is one of the factors that hinders development and equitable distribution of income in any society. It is the one issue that has stood against the successful attainment of the Millennium Development Goals (MDGs); it has efficiently attacked the vital structure and system in the society rendering it incapable for better functioning. According to Ajie & Oyegun (2015) corruption is an epidemic which has made its way and eaten deep into the heart of the Nigerian system(s). One of the major contributory factors to corruption is greed and favouritism which paves way for unqualified personnel managing positions as a result of "god fatherism".

2.2 Theoretical Framework

2.2.1 Keynes Theory of Income, Output and Employment

In Keynes (1936) theory of income output and employment, there is a pattern which employment, output and income flows. Employment greatly depends on effective demand which in turn creates output and output generates income. This particular income would be used by investors to increase investment thereby creating more jobs. According to Keynes, the aggregate demand function and aggregate supply function are the major determinants of effective demand. In the short run period, aggregate supply function does not change as a result of the fixed nature of factors of production. Keynes based his analysis basically on aggregate demand to curb depression and reduce unemployment.

To Keynes (1936), employment can only be stimulated using consumption and investment as the appropriate catalyst. Consumption can be improved by an increase in propensity to consume which depends on income. However, propensity to consume depends on Keynes psychological law which states that income increase leads to increase in consumption but not in the same proportion as the increase in income Jhingan (1997). Noting that taste, habits and social structure of the people largely determine the distribution of income in the society, Keynes sees this entire phenomenon to be constant in the short run. Thus employment is a depending function of investment. Investments in an economy are dependent on interest rate and Marginal Efficiency of Capital (MEC). With a fall in interest rate, investment is expected to rise and MEC is positively varied to investment.

However, achieving employment is almost impossible without an expansion in public expenditure. The thesis put forward by Wiseman and Peacock was concerned with the expansion of public expenditure. This study was carried out in the United Kingdom Between 1890 and 1955 and they postulated that, the increment in public expenditure is not always smooth and continuous, but it has some turbulence it encounters (Bhatia, 2010). In course of running an economy, there are some cyclical breaks and disturbances which call for necessary action by authorities to increase its expenditure stemming from the shortcomings of insufficient revenue.

According to Musgrave & Musgrave cited in Olowolaju, Olusegun, Ishola & Ibukun (2014) when imploring fiscal policy, it becomes possible for government to ensure that resources are properly utilised and income is equitable distributed creating economic growth, development and stability. In economies of the world today, public expenditure is a necessary ingredient in stimulating economic activities and creating balance. The abandonment of the older level of expenditure and taxation is referred to as the *displacement effect*. It should be noted that in national accounting, taxation is equal to revenue since government gets its revenue through taxation. The inadequacy of present revenue met by increasing government expenditure creates an *inspection effect*. A new level of tax tolerance is attained with a reviewed the increasing expenditure requirements and the present revenue position given the fact that, present revenue cannot sustain increasing expenditure. However, in tolerating the new tax levels, expenditure increases as well as revenue at a new equilibrium point until a disturbance in economic activities occurs resulting to another displacement effect. This emphasizes the importance of revenue to government expenditure which can be used to foster economic growth and curb rising unemployment. This study looks not just at government expenditure, but also the effect of deficit financing necessitated by borrowing on unemployment in Nigeria.

2.3 Empirical Review

Oladipo & Akinbobola (2011) in a study "Budget Deficit and Inflation in Nigeria: A Causal Relationship" used secondary data within the period of 1970 to 2005. The variables used were: inflation rate, exchange rate, Gross Domestic Product (GDP) and budget deficit. The Granger Causality test was carried out to determine the causal relationship between variables. Their findings showed a uni-directional causality from budget deficit to inflation exist in Nigeria. Furthermore budget deficit affects inflation directly and indirectly through instabilities in the exchange rate of the Nigerian economy. The study recommended that in achieving sustainable economic growth through budget deficit, then monetary policy, industrial policy and commercial policy must be strengthened to act as checks and balances in Nigeria. In addition, monetary policy should be made to complement fiscal policy measures and there should be compliance and coordination among all the arms of the government. The idea of creating a synergy between fiscal and monetary policy measures is a ground breaking recommendation made by the study.

Adesina (2013) used exploratory data analysis to analyse "Unemployment and Security Challenges in Nigeria" employing descriptive tools of statistical analysis, the study argued that the high rate of unemployment in the country is directly responsible for the increasing security challenges in Nigeria. The study concluded that once security is not guaranteed in any nation, its economic development and growth would be adversely affected since no investor invests in an environment of crisis. The paper suggested that for sustainable development to be achieved, the government must put in measures to see that the unemployment crisis facing the country is drastically reduced in order to be able to adequately tackle the scourge of insecurity in the country. In addition the government should create a suitable environment for investors and entrepreneurs to strive; also more emphasis and attention should be given to technical as well as vocational education in the country.

Oye, Ibrahim & Ahmad (2011) in the work "Unemployment in Nigeria: Implication on the Gross Domestic Product (GDP) over the Years" analysed the role and effect of unemployment on GDP from 2000-2008. They employed Ordinary Least Square Regression method in the work and found out that unemployment has an enormous effect (over 65%) on GDP in Nigeria. However, there exist an inverse relationship between unemployment and

GDP, implying that an increase in unemployment causes a fall in GDP and vice versa. The paper recommended that, unemployment can be tackled through public sector reforms and these reforms should place more emphasis on human resource development. Also there should be an enabling environment for entrepreneurial development and there should be focus on infrastructural development to provide an enabling environment to do business at low costs.

Uddin & Uddin (2013) in the paper "Causes, Effects and Solutions to Youth Unemployment Problems in Nigeria" employed descriptive statistical analysis with data collected from secondary sources. The study discovered that unemployment in Nigeria among youths are enhanced by six major issues – rural urban migration, rapid population growth, low standard of education, rapid expansion of educational system, corruption, lack of steady and sustainable power supply. These have resulted into a corresponding effect leading to communal clashes and the rise of groups such as Boko Haram, Niger Delta Militant, armed robbery, prostitution and child trafficking creating an unbearable turn of events, leading to unsafe and hostile communities in the country. Their findings also revealed that unemployment has been on the rise in Nigeria. The study recommended that there should be provision of infrastructure for suitable industrial investment; government should engage in massive investment in education which will also inculcate a sense of self reliance and reduce over reliance on the government for jobs.

Akinmulegun (2014) in the paper titled "Deficit Financing and Economic Growth in Nigeria: A Preliminary Investigation" traced several governmental efforts in setting the economy to its right course of sustainability between 1970 and 2010, a period of 41 years. Data were gotten from secondary sources and estimated using the Vector Auto Regression (VAR). The study found that deficit financing has a negative impact on economic growth in Nigerian. The study concluded that most part of the deficit financing goes to general administration, consumption and non-productive activities by the government which also has led to misappropriation of resources made for the masses to personal accounts by public office holders. The paper thus recommended that, there should be budget discipline to reduce wastage; diversification of the economy should be embarked upon; and finally, budgets should be properly channelled into productive sectors and general infrastructural development for positive impact on the economy.

Okoro (2013) examined the relationship between "Deficit Financing and Trade Balance in Nigeria" using time series data. The study used the Granger-Causality and Vector Auto-Regression (VAR) techniques in the analysis of the acquired data from 1980-2008. Results showed that in the short-run there is a positive relationship between Deficit financing and Trade balance (surplus) while in the long run, deficit financing is negatively related to trade balance in the future. The study recommended that if budget deficit is properly managed, it can be used to boost and improve trade in the short run, also to reduce trade in the long run. Although the study would have made recommendations that deficit financing should be geared towards the manufacturing sector/production to enhance output in order to increase foreign reserves to carter for volatilities in exchange rates which is one of the determining variable in foreign trade.

Essien et al (2016) in the paper titled "Monetary Policy and Unemployment in Nigeria: Is there a Dynamic Relationship?" made use of Vector Auto Regression (VAR) for the period of 1983-2014. The research investigated the effect of structural change by identifying three structural phases and incorporating them into the VAR model as dummy variables. Their findings showed that a positive shock to policy rate increases unemployment over a 10 quarter period. Also the variables used as proxy in the model jointly Granger cause unemployment, showing the presence of a dynamic relationship between monetary policy and unemployment in Nigeria. The paper recommended that policy makers should focus invariably on the adjustment of interest rate when putting into consideration unemployment at the point of mapping out monetary policy decisions.

3. Methodology

In order to investigate the effect of deficit financing on unemployment in Nigeria, the study used time series data over a 30 year period of 1986 to 2015. The Ordinary Least Square (OLS) method is employed as the tool of analysis. The unit root test, parameter stability test and the co integration test are also used to strengthen the analysis. The study adapted and modified the model developed by Akinmulegun (2014) to achieve the stated objectives. The model for this study is thus stated below:

$$\boldsymbol{UNM} = \beta_0 + \beta_1 \boldsymbol{DEF} + \beta_2 \boldsymbol{IND} + b_3 \boldsymbol{EXD} + \beta_4 \boldsymbol{GEX} + \beta_5 \boldsymbol{TRV} + \beta_6 \boldsymbol{DGP} + m$$

Where:	UNM	=	Unemployment Rate (%)
	DEF	=	Deficit Financing (N'billion)
	IND	=	Internal Debt (N'billion)
	EXD	=	External debt (N'billion)
	GEX	=	Government Expenditure (N'billion)
	TRV	=	Total Revenue (N'billion)
	GDP	=	Gross Domestic Product (N'billion)
	m	=	Error Term

Based on economic criteria, all the variables are expected to have a negative relationship with unemployment in Nigeria. Thus an increase in deficit financing, internal debt, external debt, government expenditure, total revenue, and Gross domestic Product is expected to lead to a reduction in unemployment in Nigeria.

4.1 Results and Discussion

4.1.1 Unit Root Test

The unit root test is employed to examine the stationarity of the data series, therefore, with the time series data, the ADF test is used. This is important because it further buttresses the validity of the results and also a prerequisite to the OLS and co integration test. The stationarity test is presented below:

Table 1: Stationarity Test

Variable	ADF test statistic	1% critical value	5%critical value	10% critical value	Prob.	Order of Integration
UNM	-4.80	-3.69	2.97	-2.63	0.0006	I(1)
DEF	-5.19	-3.69	-2.97	-2.63	0.0002	I(1)
IND	-4.09	-3.69	-2.97	-2.63	0.0050	I(1)
EXD	-3.31	-3.69	-2.97	-2.63	0.0239	I(1)
GEX	-4.28	-3.69	-2.97	-2.63	0.0213	I(1)
TRV	5.21	-3.69	-2.97	-2.63	0.0002	I(1)
GDP	-3.71	-3.69	-2.97	-2.63	0.0096	I(1)

Source: Eviews9 Output, 2017

Table 1 shows that the variables all attained stationarity at first difference, that is, I(1). This is because the ADF test statistic is less than the critical values at all significant levels which is further substantiated by the probability values.

VAR Lag Order Selection Criteria

An optimal lag of 2 is adopted for the empirical model based on Schwarz Information Criterion, Alaike Information Criterion, Sequential Modified LR Test Statistic, Final Prediction Error and Hannan-quinn Information Criterion.

Table 2: Lag Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1445.036	NA	2.61e+36	103.7169	104.0499	103.8187
1	-1217.143	325.5621	8.25e+30	90.93877	93.60317	91.75330
2	-1077.324	129.8319*	2.69e+28*	84.45170*	89.44746*	85.97895*
* indicates lag order selected by the criterion						
LR: sequential modified LR test statistic (each test at 5%level)						
FPE: Final prediction error						
AIC: Akaike information criterion						
SC: Schwarz information criterion						
HQ: Hannan-Quinn information criterion						

Source: Eviews9 Output, 2017.

4.1.2 Co integration Test

The finding that the macro time series contains a unit root has spurred the non stationary time series analysis. Engle and Granger (1987) pointed out that a linear combination of two or more non stationary time series may be stationary. If such a stationary linear combination exists, the non stationary time series is said to be co integrated. The stationary linear combination may be interpreted as a long run equilibrium relationship between the variables. The Johansen system framework is employed to test for the presence of cointegrating relationships among the non stationary variables. The result is presented below:

Table 3: Co integration Test

Null Hypothesis	Trace Statistic	0.05 Critical Value	Null Hypothesis	Max-Eigen Statistic	0.05 Critical Value
r = 0*	199.35	125.62	**r = 0***	78.66	46.23
r = 1*	120.69	95.75	**r = 1**	53.50	40.08
r = 2	67.18	69.82	**r = 2**	21.94	33.88
r = 3	45.24	47.86	**r = 3**	18.68	27.58
r = 4	26.55	29.80	**r = 4**	12.99	21.13
r = 5	13.56	15.50	**r = 5**	9.74	14.26
r = 6	3.82	3.84	**r = 6**	3.82	3.84

Source: Eviews9 Output, 2016.

*Note: r represents number of co integrating vectors. Both Trace statistic and Max-Eigen statistic indicates 2 co integrating equation each. * denotes rejection of the hypothesis at the 0.05 level*

The Trace test and Max-Eigen value test shows a long run equilibrium relationship between the variables. Thus, the null hypothesis of no co integrating equation is rejected since their statistics are greater than their respective critical values for the co integrating equations at 5% significance level. This implies a stationary linear combination, as such the non stationary time series are co integrated. The application of the OLS technique will therefore yield informative, non-spurious and dependable results.

4.2 Effect of Deficit Financing on Unemployment in Nigeria

The result of the regression analysis is shown below:

Table 4: Regression result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.03	0.95	1.08	0.2910
LOG(DEF)	0.28	0.08	3.53	0.0018
LOG(IND)	-0.85	0.49	-1.75	0.0943
LOG(EXD)	-0.11	0.11	-0.94	0.3582
LOG(GEX)	0.30	0.48	0.63	0.5331
LOG(TRV)	0.37	0.32	1.13	0.2689
LOG(GDP)	0.20	0.44	0.45	0.6596
R^2 = 0.76, Adjusted R^2 = 0.70, F-statistic= 12.34, Prob. (F-stat) = 0.000003, D-W Stat = 1.30				

Source: Eviews9 Output, 2016.

Table 3 shows the result of the regression analysis. From the result, DEF, GEX, TRV and GDP do not conform to a priori expectations while IND and EXD conform to a priori expectations. The result further reveals that DEF is statistically significant while IND, EXD, GEX, TRV and GDP are not. A unit change in DEF, GEX, TRV and GDP will cause UNM to increase by 0.28, 0.30, 0.37, and 0.20 respectively of that unit change. However, a unit change in IND and EXD will cause UNM to decrease by 0.85 and 0.11 of that unit change. The adjusted R^2 implies that 70% of the variations in UNM are accounted for by DEF, IND, EXD, GEX, TRV and GDP. This is high and shows that our regression line significantly fits the data due to the fact that the maximum value of R^2 can at most be 1. The F-statistics reveals the overall goodness of fit of the model. The F calculated (12.34) is greater than the F tabulated (2.62) – therefore, we infer that the independent variables (DEF, IND, EXD, GEX, TRV and GDP) have joint influence on UNM. Thus, the overall predictive power of the econometric model is statistically significant.

4.3 Discussion of Findings

The results show that deficit financing significantly affects unemployment in Nigeria. This implies that as deficit financing increases, unemployment also increases. This is because such monies used in debt servicing could have been channelled into remunerative alternative employment ventures. However, internal debt, external debt, government expenditure, total revenue and gross domestic product are not significant in reducing unemployment in Nigeria. The negative relationship between internal debt, external debt and unemployment in indicates that Nigeria's borrowing has the potential of curbing unemployment; however it is not significant because it has not been properly channelled to the production of tradable goods which can spur growth. Total revenue and government expenditure is positive and not significant because Nigeria's capital expenditure is diminutive and as such does not possess the capacity to create employment. More so, these paltry appropriations are often misappropriated and embezzled. Gross Domestic Product is also not circumstantial in boosting employment implying that Nigeria's growth witnessed in the last decade has not translated into economic development. The country's growth has not significantly affected employment creation and poverty reduction. This is attributed partly to over-dependence on oil which has constrained the attainment of a strong diversified economy. However, the study reveals that all the variables have potentials for reducing unemployment in Nigeria.

5.0 Conclusion and Recommendations

The study concludes that deficit financing contributes to unemployment in Nigeria implying that too much money is being spent on debt servicing which is detrimental to employment creation. Nigeria's debt concerns are still worrisome and the amount devoted to deficit financing has impeded the quest for employment creation in Nigeria. The study therefore recommends amongst others that;

1. The government of Nigeria should properly channel borrowed funds into the production of tradable goods that

will generate foreign exchange and stimulate economic activity, thereby curbing unemployment.

2. The government should as a matter of urgency increase its capital expenditure in order to narrow its infrastructure deficits. Boosting the performance of the industrial sector is critical in absorbing the population into gainful employment.
3. The pursuit of a strong diversified economy by the government should be relentless as this constitutes the last resort to generating employment and achieving sustained economic development in Nigeria.

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YEAR	UNM	DEF	IND	EXD	GEX	TRV	GDP
1986	5.3	8.25	28.4	41.5	16.2	12.60	134.60
1987	7	5.89	36.8	100.8	22.0	25.38	193.13
1988	5.1	12.16	47	134	27.7	27.60	263.29
1989	4.5	13.13	47	240.4	41.0	53.87	382.26
1990	3.5	22.12	84.1	298.6	60.3	98.10	472.65
1991	3.1	35.76	116.2	328.5	66.6	100.99	545.67
1992	3.5	39.53	178	544.3	92.8	190.45	875.34
1993	3.4	65.16	273.8	633.1	191.2	192.77	1,089.68
1994	3.2	70.27	407.6	648.8	160.9	201.91	1,399.70
1995	1.9	1.00	477.7	716.9	248.8	459.99	2,907.36
1996	2.8	32.05	420	617.3	337.2	523.60	4,032.30
1997	3.4	5.00	501.8	595.9	328.2	582.81	4,189.25
1998	3.5	133.39	560.8	633	487.1	463.61	3,989.45
1999	17.5	285.10	794.8	2577.4	947.7	949.19	4,679.21
2000	13.1	103.78	898.3	3097.4	701.1	1,906.16	6,713.57
2001	13.6	221.05	1017	3176.3	1,018.0	2,231.60	6,895.20
2002	12.6	301.40	1166	3932.9	1,018.2	1,731.84	7,795.76
2003	14.8	202.72	1329.7	4478.3	1,226.0	2,575.10	9,913.52
2004	13.4	172.60	1370.3	4890.3	1,426.2	3,920.50	11,411.07
2005	11.9	161.41	1525.9	2695.1	1,822.1	5,547.50	14,610.88
2006	12.3	101.40	1753.3	451.5	1,938.0	5,965.10	18,564.59
2007	12.7	104.86	2169.6	438.9	2,450.9	5,727.50	20,657.32
2008	14.9	47.38	2320.3	523.3	3,240.8	7,866.59	24,296.33
2009	19.7	809.99	3228	590.4	3,453.0	4,844.59	24,794.24
2010	21.4	1,105.38	4551.8	689.8	4,194.6	7,303.67	54,204.80
2011	23.9	1,158.52	5622.8	896.8	4,712.1	11,116.90	63,258.58
2012	23.5	975.75	6537.5	1026.9	4,605.4	10,654.75	71,186.53
2013	22	1,153.49	7119	1387.3	5,185.3	9,759.79	80,222.10
2014	20.5	835.68	7,904.02	1,631.52	4,578.06	10,068.85	89,043.62
2015	10.4	1,557.79	8,837.00	2,111.53	4,988.86	6,912.50	94,144.96

Source: ***CBN Statistical Bulletin***

Where: UNM = Unemployment Rate (%)
DEF = Deficit Financing (N'Billion)
IND = Internal Debt (N'Billion)
EXD = External debt (N'Billion)
GEX = Government Expenditure (N'Billion)
TRV = Total Revenue (N'Billion)
GDP = Gross Domestic Product (N'Billion)