

FG Borrowing Hits N24.7tn as Domestic Debt Surges 90%, Businesses Face Credit Squeeze

The Federal Government's borrowing from domestic investors has surged by 90.5 per cent year-on-year to N24.7 trillion in the first eight months of 2026, raising concerns about the impact of increased government borrowing on businesses, households and the wider Nigerian economy. The latest figures show that domestic borrowing between January and August 2026 was significantly higher than the N12.98 trillion recorded during the corresponding period of 2025. An analysis of public finance data from the Debt Management Office (DMO) and the Central Bank of Nigeria (CBN) also indicates that credit extended to the government expanded much faster than lending to the private sector during the period. According to the data, government credit increased by 43 per cent year-on-year to N33.92 trillion in July 2026, from N23.69 trillion a year earlier. By comparison, credit to the private sector grew by just 9.6 per cent, from N76.13 trillion in July 2025 to N83.43 trillion in July 2026. This means credit to government expanded about 4.5 times faster than credit to the private sector.

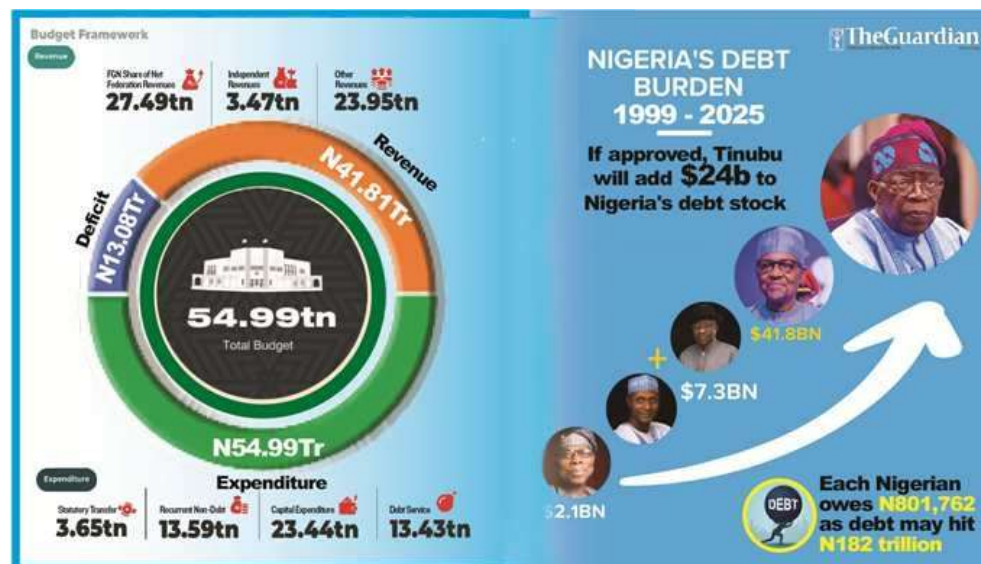
The sharp increase in domestic borrowing was largely driven by

government could be relying more heavily on the domestic market to reduce its exposure to foreign-exchange risks. However, he cautioned that not all Treasury Bill issuance should automatically be regarded as fresh borrowing because some of the funds are used to refinance or roll over maturing obligations. Ayodele Akinwunmi, Chief Economist at United Capital Plc, identified infrastructure spending and the need to finance the fiscal deficit among the factors driving the increased borrowing.

He argued that the impact of government borrowing should also be considered in relation to the infrastructure projects being financed. According to him, investments in roads, railways, education, healthcare and security could support economic activity and improve the business environment. Akinwunmi also pointed to Nigeria's huge infrastructure financing gap, saying the country would require substantial funding to bridge the deficit and support long-term economic growth. While government securities offer attractive returns to investors, experts warned that the growing appetite for public debt could have negative consequences for businesses seeking loans. Ebo explained that banks and

institutional investors could prefer government securities because they provide relatively attractive and low-risk returns. This could reduce the incentive for financial institutions to lend to businesses, potentially pushing up borrowing costs for companies and households. Higher lending rates could, in turn, discourage private investment, weaken consumption and slow job creation. Nnamdi Nwizu, Co-Founder of Comecio Partners, said the surge in domestic borrowing had produced mixed effects across the economy. He noted that pension funds, banks and money-market funds had benefited from the higher yields available on government bonds and Treasury Bills. However, he warned that businesses were paying the price because banks could earn attractive returns by investing in

government securities rather than lending to the private sector.



higher issuance of Federal Government bonds, Treasury Bills and FGN Savings Bonds. Borrowing through FGN bonds rose by 145 per cent year-on-year to N7.78 trillion in the first eight months of 2026, compared with N3.18 trillion recorded during the same period in 2025. Similarly, borrowing through Nigerian Treasury Bills (NTBs) increased by 78.6 per cent to N16.92 trillion, from N9.47 trillion in the corresponding period of 2025. Borrowing through FGN Savings Bonds also increased by 22 per cent, rising to N40.56 billion from N33.18 billion. The development has heightened concerns that the Federal Government's growing demand for funds from the domestic financial market could make it more difficult and expensive for businesses and households to access credit. Financial experts attributed the increase to the government's growing financing requirements, including a substantial fiscal deficit, higher expenditure and rising debt-service obligations. Ayodeji Ebo, Chief Executive Officer of MDU Capital Ltd, said the government's increased borrowing reflected larger financing needs arising from high debt-service costs, recurrent expenditure, infrastructure and security spending, as well as the persistent fiscal deficit. Ebo also suggested that the

For households, higher yields could improve returns on savings and investment products, but rising government debt-service costs could create pressure on public finances.

Nwizu noted that interest payments on government debt had already exceeded N3 trillion in the first quarter, arguing that such resources could otherwise have been directed towards infrastructure, healthcare and education. The Federal Government's borrowing needs are closely linked to the size of its 2026 budget and the large deficit it is seeking to finance. Under the 2026 budget, the Federal Government plans to spend N68.32 trillion, while projected revenue stands at N36.87 trillion. This leaves a fiscal deficit of approximately N31.45 trillion. Of the deficit, about N29.20 trillion is expected to be financed through domestic and external borrowing, while other funding sources include multilateral and bilateral project-linked loans as well as proceeds from privatization. The N24.7 trillion already borrowed domestically between January and August represents about 84.7

per cent of the N29.2 trillion borrowing target. This leaves approximately N4.5 trillion to be raised during the remaining four months of the year. At the average monthly borrowing rate of about N3.08 trillion recorded between January and August, the government could exceed its annual borrowing target if the current pace continues.

The rise in borrowing comes despite increased government revenue reported by major revenue-generating agencies, including the Nigerian Revenue Service, Nigerian Customs Service and Nigerian National Petroleum Company Limited. Nigeria has also benefited from savings associated with the removal of the petrol subsidy and increased naira revenue following the liberalization of the foreign-exchange market. However, some economists and analysts argue that higher revenue has not translated into a corresponding reduction in borrowing because government expenditure has also expanded significantly. Nnamdi Nwizu said the additional revenue generated from reforms and higher oil prices had not been enough to offset the increase in government spending. He argued that rather than using additional revenue to reduce borrowing, the government had expanded its overall budget and continued to rely heavily on domestic debt. Tunde Abidoye, Head of Equity Research at Quest Merchant Bank, similarly said the sharp increase in domestic borrowing, despite improved revenue, suggested that expenditure was still growing faster than government income. He noted that government spending amounted to about N30.6 trillion between June 2023 and December 2025, compared with realized revenue of N20.4 trillion, leaving a financing gap of N10.2 trillion. However, Abidoye said improved revenue mobilization, supported by higher crude oil prices and ongoing tax reforms, had strengthened the government's fiscal position. The increasing cost of servicing government debt is another major concern raised by economists. Muda Yusuf, Chief Executive Officer of the Centre for the Promotion of Private Enterprise (CPPE), identified the size of the 2026 budget as one of the major factors behind the government's increased borrowing. He noted that the current budget was significantly larger than that of the previous year.

Yusuf also pointed to the effect of exchange-rate movements on the cost of capital projects, as well as the rising naira cost of servicing external and domestic debt. He warned that as government borrowing increases, debt-service obligations will also rise, potentially limiting the funds available for other areas of the economy. "When debt servicing increases, it reduces the government's ability to spend on other things," Yusuf said. He stressed that debt servicing takes priority because the government must meet its debt obligations before allocating funds to other expenditures. Nwizu similarly warned that the increasing amount spent on interest payments could reduce the resources available for infrastructure, healthcare and education. With four months remaining in 2026, financial experts expect domestic borrowing to increase further. Ebo projected that government borrowing could end the year around N29 trillion if the government remains within its revised target. However, he said refinancing requirements and possible revenue shortfalls could push total domestic issuance to between N30 trillion and N33 trillion. Nwizu placed his projection around N30 trillion but warned that borrowing could rise to between N32 trillion and N34 trillion if government spending continues to exceed revenue expectations.

The Federal Government's domestic borrowing target has already been revised upwards from the original N17.9 trillion to about N29.2 trillion. Experts have urged the government to explore alternative sources of financing instead of relying excessively on domestic debt. Yusuf said stronger revenue generation remained one of the most effective ways to reduce the government's dependence on borrowing. He also recommended greater use of

public-private partnerships (PPPs) to finance infrastructure projects that can be undertaken by private investors. According to him, the government should avoid taking on the entire financing burden for projects where private-sector participation is possible. Yusuf further called for the commercialization of government-owned assets so that they can generate better returns and contribute more significantly to public revenue. The growing domestic borrowing requirement therefore presents a difficult balancing act for the Federal Government: financing infrastructure and other critical expenditures while avoiding excessive pressure on the financial system. For businesses and households, the major concern is whether the government's rising demand for domestic funds will continue to push up borrowing costs and restrict access to credit. For the government, the challenge is to increase revenue, control expenditure and ensure that borrowed funds generate enough economic returns to justify the growing debt burden.

A broken system can damage many things. It can damage the economy and I think this goes without saying. It can empty people's pockets, reduce their standard of living and make everyday life a living hell. It can turn basic necessities into luxuries and force people to struggle for things that should ordinarily be within reach. But if that's all the damage it does, I would probably consider it a manageable ordeal. Sadly, it does much more. The greater danger begins when the damage leaves the pocket and travel to the mind. You see, when a dysfunctional system hijacks a people's mind and begins to shape the way they reason, something much more serious has happened. A broken system can distort understanding of what is normal and what is unacceptable. When it does, things that should shock us become another ordinary event. People are abducted for ransom and there are no longer news headlines. The government fails miserably in their duty and we manufacture oblique remarks and deflecting arguments to shield them from accountability. Things that should provoke outrage become things we explain away, defend or even celebrate. And that is how a vicious cycle begins. A broken system shapes people's minds to have broken expectations, and those broken expectations help to preserve the very system that created them. Friends, when I listen to the way we Nigerians discuss our experiences, interpret our problems and argue about leadership and how it affects us, I find myself deeply troubled. It seems to me that we have lived with dysfunction for so long that many of us appear to have become accustomed to it. We have made peace with it. We defend things we should reject. We celebrate things that should embarrass us. We excuse failures that should ordinarily make us demand accountability if our heads are in the right place. And you know what's worse? I have seen the rise of a group of people who mistake themselves as patriots and all they do is to viciously attack those who insist that a better way of doing things is possible.

Perhaps the greatest victory of a broken system is not when it makes people poor and economically deprived. It is when it impoverishes the mind. It convinces them that dysfunction is normal. Because once the abnormal becomes normal in the mind, people stop demanding change. They adjust their expectations downward. They learn to survive what they should be trying to change. And eventually, survival itself begins to look like progress. That is the part that worries me most. When dysfunction affects the pocket, there is hardship. But when it enters the mind, a society begins to lose its moral compass. It loses its ability to recognize and reject what it should never have accepted in the first place. Friends, I have read opinions. I read comments. I listen to podcasts. I have seen arguments that are downright stupid emanating from PHD holders. All I can say is that we have gotten to the stage where people are no longer ashamed to defend inanities. Which way Nigeria? It is still a new day!