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Original Paper

Analysing the Moderating Impact of Corruption on the Relationship between Public Debt and Economic Growth. A Case of Ghana

Godwill Atta Boakye[1] & Williams Abayaawien Atuilik[2]

[1] Accra Institute of Technology (AIT), Department of Business Administration, Ghana

[2] Heritage Christian University College, Ghana

Corresponding Author, Godwill Atta Boakye, E-mail: godwillattaboakye@gmail.com

Abstract

This study investigates how Ghana's public debt affects economic growth, and how corruption affects this relationship. This study uses time-series data from 1998 to 2022 and analyzes their relationship using Autoregressive Moving Average (ARMA) and Nonlinear Least Squares (NLS) models. The debt-to-GDP ratio represents public debt, and the real GDP growth rate is used to gauge economic growth. The corruption perception index (CPI) was used to measure corruption. These results corroborate the Debt Overhang Hypothesis, showing a statistically significant and negative relationship between public debt and economic growth. This finding suggests that rising governmental debt impairs economic performance by lowering productivity and private investment. Economic growth is negatively affected by corruption, although this effect is not statistically significant, indicating its complicated nature. Although they may hinder economic efficiency, institutional flaws do not immediately affect economic growth. Furthermore, there is no discernible moderating influence of corruption on the association between public debt and growth, suggesting that corruption does not exacerbate the negative consequences of debt on economic growth. These findings have several important policy implications. Policymakers should prioritise lowering their national debt to maintain economic stability. Even if corruption does not directly worsen the debt-growth relationship, improving institutional governance and transparency is still essential to fostering long-term economic growth. By providing an in-depth understanding of the dynamics of debt, corruption, and growth in the Ghanaian context, this study contributes to a larger discussion on these topics.

Keywords: Public Debt, Economic Growth, Corruption, Debt Overhang Hypothesis, Institutional Governance

Introduction

Policymakers are finding it increasingly difficult to manage public debt in developing nations, especially in Ghana, where debt levels have skyrocketed. Public debt, which is the sum of government borrowings from both internal and external sources, is essential for funding social programs, infrastructure, and other public investments required for economic growth. Under such circumstances, public debt can spur growth. Nevertheless, poor management can result in a downturn in the economy, fiscal strain, or even a default (Arı & Koç, 2018). To ensure that public debt contributes to national development, it is essential to understand how it affects economic growth, especially in the context of Ghana's governance structure.

Public debt is deemed harmful when a nation's debt repayment obligations surpass its borrowing capacity (Geleta, 2021). According to Ofori et al., Abebrese et al. (2020), Ghana's national debt increased from 63.3% of its gross domestic product (GDP) in 2015 to 91.107% in 2020. Many want to understand how Ghana's economic growth is affected by this increase in government debt. Public debt always has an impact on economic growth, whether positive or negative, regardless of its size (Ehikioya et al., 2020). As a developmental strategy, Ghana has created a public-private partnership

(PPP) program to offer an alternate path to long-term, reasonably priced public debt financing for infrastructure projects (Amankwah et al., 2018).

Because many developing nations such as Ghana depend on public debt to fund important development projects, this study is extremely important. These countries must be cautious about using debt to boost their economies while avoiding the negative consequences of excessive debt (Owusu-Nantwi and Erickson, 2016). Ghana's government debt-to-GDP ratio has been steadily rising according to World Bank data, raising questions about its long-term sustainability and wider economic effects (Yiadom and Amankwa 2019). The literature has extensively studied the relationship between public debt and economic development, but less attention has been paid to the ways in which institutional factors, particularly corruption, affect this relationship. In Ghana and other developing nations, corruption is a major problem that has far-reaching effects on the management and use of public resources (Warf 2017). It is characterised by the misuse of public positions for private gains (Shittu et al., 2018).

The direct effect of corruption on the effectiveness of public debt utilisation provides a strong justification for its use as a moderating element. The potential advantages of public debt for economic growth are significantly reduced in countries such as Ghana, where corruption remains a problem. The productive potential of borrowed funds is decreased by corrupt activities, which typically lead to resource misuse, exaggerated project expenses, and wasteful public expenditures (Okeke & Idike, 2016). According to Liu et al. (2017) and Mauro (1995), corruption can impede economic growth by negatively affecting government spending and investment. Therefore, it is essential to examine how corruption and public debt interact to affect growth results, especially in a nation such as Ghana, where governance concerns are still a major factor in determining its economic course.

Furthermore, most research that has been done on the connection between public debt and economic growth has focused on the direct relationship between the two. Little research has been conducted on how corruption affects this relationship, particularly in sub-Saharan Africa (Ehikioya et al. 2018; Ibrahim, 2020; Shittu et al. 2020). The present knowledge gap results from a lack of investigation into governance elements, such as corruption, and how they affect public debt's capacity to spur economic expansion. According to research conducted in various areas, corruption hinders development projects and threatens the institutional frameworks necessary for efficient debt management (Acemoglu & Robinson, 2012; Kim et al., 2017; Ibrahim, 2020; Kemoe & Lartey, 2021). As a result, examining how corruption influences the relationship between public debt and growth in Ghana fills a major gap in academic literature and policy debates.

To close this information gap, this study examines how public debt affects Ghana's economic growth, while controlling for corruption. The primary objective is to assess the relationship between public debt and economic growth, and determine the extent to which corruption alters this relationship. This study seeks to answer the following two research questions: (1) What effect does Ghana's government debt have on economic growth? (2) How much does corruption affect the relationship between economic development and state debt? To answer these questions, this study examines two hypotheses: (1) Ghana's economic growth is greatly impacted by national debt. (2) The relationship between public debt and economic growth is moderated by corruption; the favourable effect of public debt on growth is lessened with higher levels of corruption.

Public debt may help or hurt economic management, according to earlier research (Amankwah et al., 2018; Yiadom & Amankwa, 2019; Ehikioya et al., 2020). It can offer key funding for investments in sectors such as health care, education, and infrastructure, all of which are essential for promoting sustained economic growth. On the other hand, high levels of public debt can raise borrowing costs, discourage private investment, and lead to fiscal imbalances (IMF Fiscal Monitor 2018). However, not enough research has been conducted on how institutional quality, particularly corruption, affects these results (Ibrahim, 2020; Kemoe and Lartey, 2021). Corruption frequently results in misappropriation of public funds in Ghana, which could reduce the effectiveness and efficiency of debt finance programs. Therefore, it is important to consider corruption as a moderating factor because it may provide important insights into why public debt sometimes does not produce anticipated growth benefits.

Furthermore, this study presents important policymaking ramifications. Given Ghana's high levels of public debt, understanding how corruption affects the link between debt and growth may help to implement governance reforms that are more successful. The results of this study provide insights into how corruption reduces the efficacy of debt and may help guide policymakers in their attempts to fortify institutional frameworks and improve accountability and transparency in public financial management. The African Development Bank (2019; Oduor & Kebba, 2019; Nnyanzi et al., 2018), which enhances governance structures, is essential for optimising the developmental impact of public debt in African countries. This study contributes to the body of knowledge and provides useful advice for improving public debt management in Ghana.

Additionally, there is a complicated relationship between government debt and economic growth, especially in nations such as Ghana, where corruption seriously impedes progress. This study seeks to close this important knowledge gap by investigating the impact of corrupt practices on the relationship between debt and economic growth. This study provides a thorough understanding of how institutional flaws impact economic results by empirically investigating the relationship between public debt and corruption. It is anticipated that these findings will further the ongoing discussions on sustainable development, public financial management, and governance in Ghana and beyond.

2. Literature Review

The relationship between public debt and economic growth has long been a topic of discussion among economists and policymakers, especially in developing nations, such as Ghana (Yiadom & Amankwa, 2019). Although public borrowing is frequently necessary to finance important development and infrastructure projects, excessive or poorly managed debt can have detrimental effects on a country's economic development (Owusu-Nantwi & Erickson, 2016). Furthermore, the current literature has not fully examined the ways in which institutional factors, particularly corruption, affect the connection between public debt and economic expansion. This survey investigates both the theoretical and empirical perspectives on the relationship between debt and growth. It highlights gaps in the current research by critically analysing the moderating impact of corruption on this connection.

2.1 Theoretical Review

Numerous economic theories support the connection between public debt and economic growth, but two, in particular, are the Debt Overhang Hypothesis and Endogenous Growth Theory. The Debt Overhang Hypothesis, made popular by Krugman (1988) and Borensztein (1990), postulates that high debt levels might impede investment and lead to economic stagnation, since future economic gains are allocated to debt services. According to this theory, a country's debt creates uncertainty and reduces the incentive for private sector investment, both of which are critical for promoting economic growth until it reaches an unmanageable level.

On the other hand, Endogenous Growth Theory (Grossman & Helpman, 1994; Romer, 1994) asserts that borrowing and spending by the government can promote growth by financing beneficial investments in sectors such as innovation, infrastructure, and education. According to this theoretical paradigm, if public debt is wisely used for long-term development initiatives, it can positively impact growth. However, this approach emphasises how important institutional quality influences how debt-financed projects emerge. As corruption typically leads to poor resource allocation and worse than ideal economic outcomes, it can negate the benefits of debt.

Institutional theory provides an essential viewpoint on how governance affects the connection between debt and growth. According to North (1990, 1987), institutions comprising both official and informal social norms have a significant influence on economic results. Economic productivity declines, public investment may be jeopardised, and the growth-promoting benefits of public debt are weakened when institutions are weak and corruption is pervasive. This theoretical approach supports the current study by highlighting how institutional flaws, especially corruption, may reduce the beneficial impact of public debt on economic expansion.

2.2 Empirical Review

Research on the relationship between government debt and economic growth has produced varied results, with significant differences depending on the particular conditions and variables analysed (Geleta, 2021; Loo & He, 2018). Reinhart and Rogoff (2010) and Ehikioya et al. (2020) indicate that countries with debt-to-GDP ratios above 90% generally experience diminished economic growth rates. Their research suggests that high levels of public debt impede growth by raising interest payments and restricting the government's ability to invest in productive expenditures. However, the study encountered criticism due to data errors and methodological limitations, suggesting that the 90% debt threshold may not be universally relevant, especially in emerging economies, such as Ghana.

Research indicates that public debt can stimulate economic growth, particularly in countries with strong institutional frameworks. Fosu (1999), Ndikumana and Boyce (2011), and Sandow et al. (2022) indicate that public debt may stimulate growth in less-developed countries when allocated towards productive investments. However, they cautioned that inadequate governance, particularly corruption, might impede the effectiveness of public debt. Corruption in Ghana has been identified as a major impediment to economic advancement, as many debt-funded projects do not meet their development objectives because of inefficiency, inadequate management, and the misappropriation of public resources.

Research examining the impact of corruption on the relationship between public debt and economic growth has consistently shown that corruption negatively affects economic performance by leading to inefficient resource allocation and reduced investment effectiveness (Ibrahim 2020; Shleifer and Vishny 1993). Acemoglu and Robinson (2012) and Kemoe and Lartey (2021) conducted a comprehensive analysis of African economies, revealing that countries characterised by weak institutions and pervasive corruption generally exhibit lower growth rates, even when public debt is employed for infrastructure development. These observations highlight the mitigating effect of corruption, suggesting that the potential economic growth benefits of public debt are significantly reduced in nations with elevated levels of corruption.

Despite these findings, empirical studies that directly investigate the relationship between public debt and corruption are limited. While studies like Mauro (1995), Alesina and Tabellini (1990), Shittu et al. (2018), Apergis and Apergis (2019), and Manasseh et al. (2022) examined the general effects of corruption on economic growth, but they did not specifically address the influence of corruption on the relationship between public debt and growth. The research gap is evident in Ghana, where there has been a significant rise in public debt, while economic growth has stagnated, which is partially attributable to governance issues. This study investigates the impact of corruption on the relationship between public debt and growth in Ghana, thereby enhancing our understanding of the role of institutional quality in economic development.

The current study provides important insights into the connection between public debt and economic growth; however, notable gaps remain. Several studies, including those by Kemoe and Lartey (2021), Afonso and Jalles (2013), Reinhart and Rogoff (2010), and Fosu (1999), have analysed the direct effects of public debt on economic growth, neglecting the role of institutional factors, such as corruption. This oversight creates a gap in the understanding of the impact of governance quality on the effectiveness of debt-funded initiatives. Second, a significant number of empirical studies on public debt and economic growth depend on cross-country analyses, which may obscure the unique institutional and governance challenges encountered by specific nations including Ghana. The use of aggregated data may limit the relevance of these findings in nations with distinct institutional contexts.

Moreover, although the negative impacts of corruption on economic development are well recognised, there is a lack of research that specifically examines its influence on the relationship between public debt and growth. For instance, while Mauro (1995), Acemoglu and Robinson (2012), Kim et al. (2017), and Ibrahim (2020) provide important insights into the detrimental effects of corruption on economic performance, they do not empirically investigate the relationship between corruption and public debt. The research gap is particularly significant in the Ghanaian context, where corruption is recognised as a major impediment to progress; however, its impact on debt-growth dynamics remains largely unexamined.

This study seeks to address existing knowledge gaps by analysing Ghana's distinct institutional context and empirically exploring the impact of corruption on the relationship between public debt and economic growth. This study enhances the literature on public debt and economic development, and offers pertinent policy recommendations for enhancing debt management and governance strategies in

Ghana.

Furthermore, although current theoretical and empirical studies offer important insights into the relationship between public debt and economic growth, a notable gap exists in our understanding of the impact of corruption on this relationship. The Debt Overhang Hypothesis and Endogenous Growth Theory provide essential frameworks for analysing the relationship between debt and growth; however, they frequently neglect the influence of institutional quality. Empirical investigations have largely focused on the direct effects of public debt while overlooking the moderating influence of corruption. This study seeks to enhance the understanding of the relationship between public debt, corruption, and economic growth in Ghana by addressing current knowledge gaps. It aims to meaningfully contribute to scholarly discourse and the formulation of effective policies.

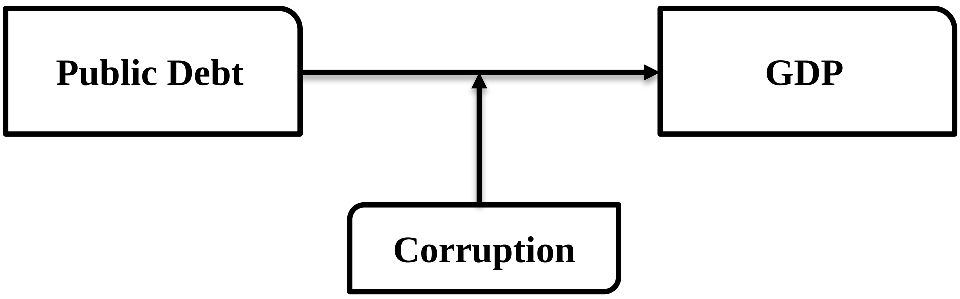

Figure 1. Conceptual Framework

Source: Authors Own Creation

3. Methodology

3.1 Research Design

This study uses a quantitative methodology to examine the influence of public debt on economic growth, with an emphasis on the moderating effect of corruption in Ghana. The quantitative method is suitable for this research, facilitating the systematic analysis of numerical data to evaluate predefined hypotheses. Time-series analysis was employed to identify temporal changes, yielding insights into the long-term trends and interrelationships among the variables.

3.2 Data Collection

Data on key macroeconomic indicators, such as public debt and GDP growth rate, were obtained from the World Bank and the International Monetary Fund (IMF) for 1990–2022. Data on corruption were obtained from Transparency International's Corruption Perception Index and were augmented with reports from local governance entities in Ghana. This amalgamation of sources guarantees thorough and reliable datasets for analysing the moderating effect of corruption on the debt-growth relationship.

3.3 Model Specification and Estimation Techniques

This study employs an econometric model that delineates both the direct impact of public debt on economic development, and the interplay between public debt and corruption. Ordinary Least Squares (OLS) regression was used to estimate the model, incorporating corruption as an interaction factor to assess its moderating influence. Diagnostic assessments encompassing evaluations for multicollinearity and heteroscedasticity were performed to ascertain the robustness of the model. The model is structured as follows.

$$\mathbf{Y}_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_1 X_{2t} + \varepsilon_t$$

Where:

Y = Economic growth

X_1 = Public debt (as a percentage of GDP)

X_2 = Corruption

The interaction term ($\beta_3 X_1 X_2$) is included to capture the moderating effect of corruption on the relationship between public debt and economic growth.

3.4 Data Analysis

The analysis was conducted using the Eviews software. Descriptive statistics initially summarised the data, whereas inferential statistics were employed to evaluate the study's hypotheses. Time-series methodologies facilitate the evaluation of trends, and regression outcomes are analysed in relation to Ghana's macroeconomic backdrop.

4. Presentation of Analysis Result

4.1 Descriptive Statistics

Table 1 presents descriptive statistics encompassing measures of central tendency (mean) and dispersion (standard deviation) for the variables. These statistical measures provide essential insights into data variability and distribution patterns, which are vital for understanding the underlying structure of the dataset and guiding further empirical research.

Table 1. Descriptive Statistics

	GDP	**CORR**	**PD**
Mean	2.714577	1.137110	0.388679
Median	2.219568	0.959862	0.357032
Maximum	11.30007	3.687464	6.956823
Minimum	-1.541637	-0.381477	-11.78489
Std. Dev.	2.404249	1.265593	2.659152
Skewness	1.477596	0.705713	-2.472694
Kurtosis	6.268931	2.158954	15.59340
Observations	33	33	33

Table 1 presents a detailed summary of the descriptive statistics for the principal variables examined in this study, highlighting their distribution characteristics. The average GDP growth rate was 2.715, indicating a moderate economic expansion over the analysed period. The peak recorded value of 11.300 indicates phases of robust economic advancement, while a trough value of -1.542 signifies periods of economic decline or recession. This variety underscores changes in economic performance, possibly resulting from macroeconomic disruptions or modifications to policy measures.

An average corruption score of 1.137 indicates a moderate perception of corruption throughout the analysis period. A significant difference between the greatest (3.687) and minimum (-0.381) results indicates substantial variations in corruption levels. These changes may significantly impact government functions, institutional integrity, and overall economic outcomes.

The mean public debt is 0.389, signifying comparatively low debt. Nonetheless, the peak recorded value of 6.957 indicates substantial borrowing over specific intervals, while the minimum value of -11.785 implies the occurrence of debt reduction or restructuring. This significant variance indicates alternating periods of budgetary expansion and contraction, which are possibly affected by both foreign and domestic economic factors. Such variation can profoundly affect a nation's budgetary sustainability and economic growth.

Table 2. Results of Unit Root tests with ADF and P.P.

Augmented Dickey-Fuller (ADF)			**Phillips-Perron (P.P.)**	
Variables	**At Level**	**P. Value**	**At Level**	**P. Value**
GDPC	3.766254	0.0076	3.769505	0.0075
CORR	4.458643	0.0013	4.458643	0.0013
PD	6.823302	0.0000	27.71898	0.0001

Source: Author's Calculation

Table 2 indicates that the results from the ADF and P.P. unit root tests reveal that all analysed variables, including the GDP growth rate, corruption, and public debt, exhibit stationarity. This result signifies the lack of unit roots in these variables, thereby alleviating concerns regarding nonstationarity and confirming their suitability for subsequent econometric analyses.

4.2 Regression Analysis

Table 3. Regression Analysis Result

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.114492	0.022310	5.131904	0.0000
PD	-0.099384	0.036942	-2.690269	0.0137
CORR	-0.013801	0.010690	-1.291117	0.2107
LNCORR	0.018689	0.016647	1.122704	0.2742
R-squared	0.328386	Mean dependent var		0.055660
Adjusted R-squared	0.232441	S.D. dependent var		0.027627
F-statistic	3.422655	Durbin-Watson stat		1.590934
Prob(F-statistic)	0.035943			

Source: Author's Calculation

This study examines two primary enquiries: the impact of public debt on economic growth, and the role of corruption in this dynamic. Table 3 shows that the analysis indicates a statistically significant inverse correlation between public debt and economic growth. The public debt coefficient (β = -0.099, t = -2.690, p = 0.014) indicates that a 1% increase in public debt results in a 9.9% reduction in economic growth. This outcome aligns with prior studies, suggesting that elevated public debt may hinder economic performance, possibly due to heightened debt payment costs, diminished private investment, and a constrained fiscal capacity for productive government expenditure. These findings underscore the importance of prudent debt management in fostering enduring economic growth.

The analysis indicates that corruption has a negative, albeit statistically small, impact on economic growth (β = -0.014, t = -1.291, p = 0.211). Although corruption is often perceived as an impediment to economic growth owing to its correlation with rent-seeking behaviour, inefficiencies, and resource misallocation, the lack of statistical significance suggests that, in this specific context, corruption may not exert a direct and observable impact on growth outcomes. This may be due to constraints in measurement methodologies, fundamental economic structural elements, or the likelihood that corruption has not yet reached a critical level that substantially impacts growth.

An interaction term between corruption and public debt (lncorr) was included to evaluate the moderating effect of corruption on the connection between public debt and economic growth. The results indicated a positive, albeit statistically insignificant, effect ($\beta = 0.019$, $t = 1.123$, $p = 0.274$). This interaction term indicates that corruption may slightly mitigate the adverse impact of public debt on growth; however, the effect lacks statistical robustness. This indicates that corruption does not substantially affect the debt-growth relationship in this situation. Corruption neither exacerbates nor alleviates the adverse effects of public debt on growth, suggesting that other factors may influence this link more significantly.

The findings of this study demonstrate that, although public debt considerably affects economic growth, corruption does not significantly influence this relationship, either directly or indirectly. This underscores the necessity of enacting more advanced policy measures that seek to mitigate public debt while simultaneously addressing inherent systemic inefficiencies.

5. Discussion

These findings support the assertion that public debt adversely affects economic growth, consistent with the debt overhang concept. This idea posits that when public debt exceeds a specific threshold, it obstructs investment and hinders economic potential. Previous studies, including those by Reinhart and Rogoff (2010), Reinhart et al. (2012), and Nzeh (2020), observed an adverse association between public debt and economic growth, asserting that high levels of public debt hinder economic advancement. Moreover, the findings correspond with the Endogenous Growth Theory, which emphasises the significance of internal elements such as technical progress and human capital in promoting sustainable economic growth. Excessive public debt may hinder these essential drivers, consequently reducing their capacity for sustained economic growth (Lin and Xing, 2020).

This study demonstrates that public debt adversely influences economic growth while also noting that its effects may vary in different settings. Prior research, such as that of Kumar and Woo (2010), Veiga et al. (2014), and Barik and Sahu (2020), has indicated that the correlation between debt and growth may be affected by factors such as a country's institutional architecture and economic policies. The substantial debt burden in Ghana undoubtedly impedes the government's capacity to invest in productivity-enhancing programs, thereby exacerbating its negative impact on GDP.

The findings of this study indicate that corruption does not significantly moderate the relationship between public debt and economic growth, contradicting the expectations derived from Institutional Theory. This hypothesis posits that inadequate governance and corruption erode the institutional framework and exacerbate the detrimental impact of public debt on economic growth. Studies by Kemoe and Lartey (2021), Manasseh et al. (2022), Mauro (1995), and Tanzi and Davoodi (2000) indicate that corruption undermines the efficacy of public expenditure and exacerbates the correlation between debt and growth. While the adverse effects of corruption on growth have been recognised, its role as a moderator in this analysis was not statistically significant. This study suggests that additional factors may have a more significant impact on Ghana's economic growth.

Economic growth linked to rent-seeking behaviour, inefficiencies, and resource misallocation, along with a lack of statistical significance, suggests that corruption may not exert a direct and detectable impact on growth outcomes in this setting. This may be due to constraints in measurement methodologies, fundamental economic structural elements, or the likelihood that corruption has not yet reached a critical level that substantially impacts growth.

An interaction term between corruption and public debt (lncorr) was included to evaluate the moderating effect of corruption on the connection between public debt and economic growth. The results indicated a positive, albeit statistically insignificant, effect ($\beta = 0.019$, $t = 1.123$, $p = 0.274$). This interaction term indicates that corruption may slightly mitigate the adverse impact of public debt on growth; however, the effect lacks statistical robustness. This indicates that corruption does not substantially affect the debt-growth relationship in this situation. Corruption neither exacerbates nor alleviates the adverse effects of public debt on growth, suggesting that other factors may influence this link more significantly.

The findings of this study demonstrate that, although public debt markedly affects economic development, corruption does not significantly influence this relationship, either directly or indirectly. This underscores the necessity of enacting more advanced policy measures that seek to mitigate public debt and rectify inherent systemic inefficiencies.

A plausible explanation for this outcome could be the pervasive corruption in emerging economies such as Ghana. Considering that corruption is pervasive, its mitigating effect may be overshadowed by additional structural obstacles, such as unstable financial systems and inadequate public expenditure, as emphasised by Acemoglu and Robinson (2010), Acemoglu and Robinson (2012), and Gouvea et al. (2019). Moreover, the influence of corruption on economic growth may require a protracted period to manifest, or it may operate through indirect mechanisms, making it less discernible in the short term.

6. Conclusion

This study investigates the impact of government borrowing on economic development, emphasising the mediating influence of corruption. The findings demonstrate that public debt has a statistically significant adverse effect on economic growth, which is consistent with the Debt Overhang Hypothesis. This hypothesis posits that high debt levels restrict fiscal flexibility and impede economic growth by creating uncertainty about future debt service, thereby reducing investment incentives. These results validate prior empirical studies, particularly in developing economies, highlighting the need for judicious debt management to avoid hindering progress.

Unexpectedly, this research demonstrated that corruption did not have a statistically significant impact on the link between government debt and economic development. While corruption adversely affects governance and institutional integrity, its influence on the debt-growth relationship is not statistically significant. This finding contradicts research highlighting the detrimental effects of corruption on economic systems. Nonetheless, this aligns with earlier studies that indicate that, in specific circumstances, the immediate impact of public debt may surpass the effects of corruption.

Theoretical Contributions

This study advances our understanding by offering empirical data that corroborate the Debt Overhang Hypothesis within the Ghanaian economic framework. Furthermore, it enhances current Institutional Theory research by illustrating that although corruption adversely affects economic growth, its moderating influence on the link between debt and growth may not consistently be substantial. This study indicates that the impact of corruption on economic outcomes may be more complex than previously understood, necessitating further investigation.

Policy Implications

The policy implications of this study emphasise the need for Ghana to uphold fiscal responsibility and enact extensive governance reform. To achieve sustainable economic growth, it is imperative to reduce public debt while strengthening the institutional framework. Policymakers must prioritise not only debt reduction but also the implementation of anti-corruption measures, as both initiatives are essential for enhancing the nation's economic prospects.

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