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Effect of Public Debt on Sustainable Economic Growth in Nigeria

Awe, Kayode O PhD, Alatise, Maroof A and Ajutor Olusegun ++
++ Department of Industrial relations and Personnel Management, Lagos State University, Nigeria
++ Department of Sociology, Lagos State University, Nigeria

Abstract

This paper investigates the effect of public debt burden on economic growth and development of Nigeria. The results of this study confirm that there is a significant relationship between debt and economic growth. The paper suggests that debt relief would have positive impact on investment and growth. Furthermore, government needs to step-up its growth performance and use concessional debt with lower interest rate in order to keep the debt at sustainable level.

Keywords: Public Debt, Economic Growth, Development, Corruption, Leadership

INTRODUCTION

The debt burden has, for decades, remained a recurrent and discordant note in the discourse on the crisis and contradictions of Africa's development. This is, however, not entirely surprising given its magnitude and the consequences for Africa. The collective debt burden of the continent represents a massive betrayal of Africa's huge resource base, both human and material, and the failure of policy measures targeted at the management of those resources. To be sure, hopes and expectations were high in the decade of the 1960s, when most African countries attained political independence. Africa's new leaders believed that, given the abundance of human and natural endowment at their disposal, they were bound to make steady progress in the direction of sustainable democratic governance and development. But as it turned out, these hopes have been dashed by years of military dictatorship and external complicity (Omotola and Saliu, 2009). As a result, the greatest problems facing Nigeria today is the amount of its indebtedness. Nigeria in her desperate quest for money to finance economic growth accepted the foreign loan under those stringent conditions. Nigeria has acquired substantial amounts of external debt during the past two decades, which is posing serious problems to the nation's development. But these conditions such as devaluation, amongst others hardly improved Nigeria's ability to pay the loan and resulted to what could be termed as external debt crisis. The country's debt servicing burden reached critical proportions as reflected by the high record number of debt reschedulings, the sharp rise in external payment arrears and continuous recourse to more credit facilities (Adam, 2011; Udoka and Anyingang, 2010). It is against the backdrop of the foregoing developments that this paper is conceived.
In this paper we reviewed and analysed the effect of public debt on sustainable economic growth and development with particular emphasis on Nigeria. The paper examines the interaction between public debt and economic growth, and analyses the sustainability of Nigeria’s foreign debt. In it, discussion will seek to re-interrogate the linkages between debt burden and Nigeria’s development.

CONCEPTUAL AND THEORETICAL ISSUES ON PUBLIC DEBT

Debt is the resource or money in use in an organization which is not contributed by its owner and does not in any other way belong to them. It is a liability represented by a financial instrument or other formal equivalent (Oyejide et al., 1985). In modern law, debt has no precisely fixed meaning and may be regarded essentially as that which one person legally owns to another or an obligation that is enforceable by legal action to make payment of money.

Cohen (1992) posits that external debt does not constitute a burden when contracted loans are optimally deployed and the returns on investment are enough to meet maturing obligations, while the surviving of the domestic economy is not undermined. He added that where the reverse is the case, then a debt service burden will emerge. Anyanwun (1997) argues that neither the overall level of indebtedness nor the aggregate level of debt service payment is an adequate measure of a region or country’s problem. He suggested that they should be used in combination with other debt indicators to get a more accurate picture of the situation. When a government borrows, the debt is a public debt. Public debts either internal or external are debts incurred by the government through borrowing in the domestic and international markets so as to finance domestic investment.

The dependency theory seeks to establish the factors that have propelled or contributed to the development of the underdeveloped countries. This theory is predicated on the assumption that resources flow from a “periphery” of poor and underdeveloped states to a “core” of wealthy states, enriching the latter at the expense of the former. It is a central contention and standpoint of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the “world system” (Todaro, 2003; Amin, 1976). Dependency theory states that the poverty of the countries in the periphery is not because they are not integrated or fully integrated into the world system as is often argued by free market economists, but because of how they are integrated into the system. There are two schools of thought with different standpoints on the issue. One of these is the bourgeois scholars and the second one is radical scholars of the neo-Marxian political economy. To the bourgeois scholars, the underdevelopment and the consequent dependence of most of TWCs is as a result of their internal contradictions. To them, this problem can be explained by their lack of close integration, diffusion of capital, technology and institutions, bad leadership, corruption, mismanagement, etc. (Momoh and Hundeyin, 1999). The standpoint views the under-development and dependency of the TWCs as internally inflicted rather than externally inspired. To this school of thought, a way out of the problem is for TWCs to seek foreign assistance such as aid, loan, investment, etc. and allow unhindered operations of the Multinational Corporations (MNCs).

PUBLIC DEBT AND ECONOMIC GROWTH RELATIONSHIP

In the study carried out by Essien (1998), the impact of debt on economic growth was examined. It was found that the degree of responsiveness of growth to external finance is elastic. Ndekwu (1996) equally examines the historical trend structures and growth of
public debt. He also reviews the debt policy for the purpose of a sound debt management policy. The study use analytical approach to arrive at reasonably conclusion. The gap left in this study is in the area of qualification of the effect of external debt causes on the movement of external debt indicators and the growth of the economy through empirical models. Despite gaps, it was concluded that excessive rate of government borrowing requirements arising from persistent and growing budget deficit has largely caused external debt crises and sustainability of debt servicing. He observed that problem usually exist when more and more resources are deployed to serve the loan.

Empirically, Karagol (2002) examines the interaction among economic growth, external debt service and capital inflow using time series data for Turkey and a simultaneous equations model. The results showed that the debt servicing ratio adversely affects economic growth whereas the decrease in the rate of growth reduces the ability of an economy to service its debt. Adesola (2009) explores the nexus between debt servicing and economic growth in Nigeria for the data period spanning 1984-2004. The study employed debt payments to Multilateral Financial creditors, Paris club creditors, London club creditors, Promissory notes holders and other creditors (Non-Paris Creditors) as independent variables to statistically determine whether they have inverse relationship with the GDP and gross fixed capital formation at current market prices (GFCF) and employed the OLS multiple regression method.

Adegbite et al. (2008) in their study adopted the neoclassical growth model which incorporates external sector, debt indicators and some macroeconomic variables to examine the effect of Nigerian external debt on economic development and find among other things that there is a negative impact of debt (and its servicing requirements) on growth in Nigeria and that external debt contributes positively to growth up to a point after which its contributions become negative reflecting the presence of nonlinearity in effects.

THE STRUCTURE OF NIGERIAN ECONOMY AND NATURE OF ITS INDEBTEDNESS

The performance of the Nigeria economy during the first two decades after independence was generally impressive than in the pre-independence period in spite of the atmosphere of tumultuous political resurgence. The average GDP growth rate was 5.1 percent during First National Development Plan, 8.2 percent under the Second and 5.0 percent under the Third. In the same vein the growth rate of capital formation (investment ration) rose from an average of 14.1 percent under the first plan to 26.7 percent in the third plan.

Nigerian oil came on the economic scene vigorously in 1970 when Nigeria became a member of the oil-producing nations. Nigeria oil boom could rightly, be traced to the mid seventies when there was crisis in the middle east which led to an increase demand and sale of Nigeria oil. This resulted in considerable foreign exchange earnings by the government. However, towards the close of the decade, the international oil market started experiencing a glut and the prices of oil fell drastically low. Some concerned Nigeria planners reasoned rationally that the economy was in total brink of collapse.

Yesufu (1996) judged the actual performances of the economy, the period between 1981 - 1985 (The fourth National Development Plan ) proved to be relatively the most dismal in the economic history of the country, at last since Planning as a strategy of growth and developments. In the 1980, the management of the external debt became major
responsibility of the central Bank of Nigeria (CBN). This necessitated the establishment (setting up) of a Department in collaboration with Federal Ministry of Finance to the management of external debt. Although the debt management strategies and measures varied from time to time since the early 1980s, when the external debt became pronounced (Udoka and Anyingang, 2010).

Nigeria, like most other less developed countries (LOCS) has been classified by the World Bank among the severely indebted low income countries since 1992. The nation inability to meet all it debt service payment constitute one of the serious obstacles to the inflow of external resources into the economy. The accumulation of debt service arrears which is being compounded with penalty interest has not permitted reduction in the debt stock, despite the fact that government has been servicing it external debt annually. (Ajayi and Oke, 2012). For the past two decades, Nigeria has borrowed large amount, often at highlly confessional interest rates with the hope to put them on a faster route for development through higher investment, faster growth and poverty improvement but on the constant economic growth and poverty situation are staggering at the door amit excess debts albeit that was the initial intention.

There is a common general belief among Nigerians that Nigeria does not know how much it owes. In other words, the genuineness of some of the debts are in dispute. The genuineness is not related only to false claims but also to serious accounting problems with some debt transactions. The origin of Nigeria’s external debts dates back to 1958 when a sum of US$28 million was contracted for railway construction. Between 1958 and 1977, the level of foreign debt was minimal, as debt contracted during the period were the confessonals debts from bilateral and multilateral sources with longer repayment periods and lower interest rates constituting about 78.5 percent of the total debt stock. From 1978, following the collapse of oil prices, which exerted considerable pressure on government finances, it became necessary to borrow for balance of payments support and project financing. This led to the promulgation of Decree No 30 of 1978 limiting the external loans the federal Government could raise to 5 Billion Naira. The first major borrowing of US$1 billion referred to as jumbo loan was contracted from the international capital market (ICM) in 1978 increasing the total debt to US $2.2billion (Udoka and Anyingang, 2010).

The first major borrowing of US$1 billion referred to as jumbo loan was contracted from the international capital market (ICM) in 1978 increasing the total debt to US $2.2billion (Adepoju et al., 2007). Contrary to the illusionary image of an “oil-rich” country, Nigeria is a heavily indebted poor country. Its total external debt stock, as at December 2000, is estimated by the Nigerian government at about $28.3 Billion it includes arrears amounting to $14.7 Billion and late interest of over $5 Billion. A significant proportion of this debt (75%) is owed to official creditors.

To avoid economic problems like inflation, political and social crisis inherent in the period (1980-1985) the government of Shagari opened the gate way to external borrowing (Udoka and Anyingang, 2010). Nigerian economy has for a long period been characterized by a high degree of openness, with its major sectors depending on foreign sources for a wide range of consumption and investment goods, the problems of external borrowing and the resultant indebtedness have strong consequences on the economy. The external debt burden increased from US$19.5 billion in 1985 to US$34.4 billion in 1991 as a result of new borrowings, increased in foreign interest rate, Capitalization of unpaid interest charges as well as the
appreciation of exchange rates of various European and Japanese Currencies against US dollar. The debt service ratio which stood at an animal average of 16.3% between 1982–1985 increased to 26.7 percent between 1986 – 1994 creating a great strain on the foreign exchange earnings and reflecting the failure of the debt rescheduling programmes mapped out by the London and Paris Club Creditors (Adeyemi, 1996).

The urgent need to restore the creditworthiness of the nation, amidst declining export receipts and foreign capital inflow, forced the Nigerian government to adopt the Structural Adjustment Programme (SAP) in 1986. Measures taken to limit the growth of Nigeria’s foreign debt include embargo on new loans, directive to state governments to minimize external borrowings, as well as concessional refinancing, debt restructuring, etc. However, experience has shown that these measures including restructuring are at best stop-gap measures, and do not offer lasting solutions. In many of the rescheduling, the provisions for additional financing have been eliminated or are not forthcoming. For example, Nigeria has had four rescheduling agreements with the Paris Club of creditors (1986, 1989, 1991, and 2000) yet the debt stock has not reduced and debt owed to this group has actually increased without the country contracting new loans (Adam, 2011).

The Nigeria SAP was designed to fit the standard IMF – World Bank structural adjustment packages and meant to effectively alter and restructure the consumption and productive the patterns of the Nigerian economy, as well, to dominate price distortions and heavy dependence on the exports of crude oil and imports of consumer and producer goods. The programme was proposed as an economy package designed to rapidly and effectively transform the national economy over a period of less than two years (Anyanwu 1993; Yesufu, 1996).

Ojo (1989) was of the belief that it is no exaggeration to claim that Nigeria huge external debt is one of the hard knots of the Structural Adjustment Programme (SAP) introduce in 1986 to put the economy on a sustainable path of recovery. The corollary of this statement is that of only the high level of debt service payment could not reduce significantly, Nigeria would be in a position to finance larger volume of domestic investments, which would enhance growth and development, but more often than not, a debtor as only limited room to mange a debt crisis to advantage.

The national economic development planning started with expenditure of £678.8. Fifty percent of which emanated from foreign sources either in form of foreign private investment or direct foreign assistance to Government. The basic objectives of planning in Nigeria is not merely to accelerate the rate of economic growth and the rate at which the standard of living of the population can be raised, it is also to give an increasing measure of control over its future (Udoma, 2004).

Nigeria is a typical example of an African state that suffers under the crushing weight of a debt overhang, which means that the country currently has a huge external debt that constitute a significant proportion of the GDP (Babawale, 2007). He noted further that from a figure of $17.37 billion in 1983, Nigeria’s external debt rose speedily to $18.904 billion in 1985; $33.730 billion in 1991 and $32.58 in 1995. The debt stock declined marginally to $28.733 in 1998, while the total debt of Nigeria in 2002 was put at $31. The severity of Nigeria’s debt problem is forcefully demonstrated by movements in certain debt ratios. At 13.3 per cent in 1980, the debt stock to export ratio rose to 404.2 per cent in 1986 and fell to 200.4 per cent in 1996 and again fell to 147.8 per cent in 2000, rose to
176.9 per cent in 2003. The ratio of debt stock to national output rose continuously from 8.9 per cent in 1980 through 50.5 per cent in 1986 to 148.8 per cent in 1995, and later fell to 93 per cent in 2000 and 64.4 in 2003. Similarly, the debt burden as measured by the ratio of debt service to exports rose rapidly from 4.2 per cent in 1980 through 69.5 per cent in 1986 and fell to 16 per cent in 1996 and further fell to 4.3 per cent in 2000 but rose to 9.8 in 2003. The debt burden indicators would have exceeded their current levels but for payment defaults (accumulation of arrears) and subsequent debt restructuring and refinancing. Similarly, the ratio of external reserves to external debt which averaged 33.7 per cent between 1975 and 1980 fell to 3.1 per cent in 1988 and was 26.6 per cent in 1997 and fell to 18 per cent in 2000 (Adam, 2011).

Nigeria External debt stock in 1999 remained at about the same level as it was in 1988--US$ 28.77 billion. In spite of the lifting of the embargo on foreign loans, no new loans were contracted. However, some categories of debt were not serviced, particularly those owed to the Paris Club Creditor Country as well as arrears on past cut off date debt. In spite of the resources constraints, the sum of US$1.5 billion was set apart to service external debt in year 2000 while arrangement continues on debt reduction negotiation with creditors.

CAUSES AND EFFECTS OF PUBLIC DEBT ON NIGERIA'S ECONOMIC GROWTH

Nigeria began to experience debt problem from the early 1980s when foreign exchange earnings plummeted as a result of the collapse of prices in the international oil market and external loans began to be acquired indiscriminately. The debt crisis, which is the combination of accumulated debt stock and difficulty servicing, has imposed several burdens on the Nigerian economy. This is reflected in the fall in real growth rates, investment rate and export earning since 1980. The debt burden has clearly been a constraining factor on rapid economic recovery growth and development with the debt increasing at an alarming rate. Funds which should have been used for economic development are channeled towards servicing the debt. The constraining effect of the debt burden services is more pronounced as the economy has failed to grow sufficiently to reduce the burden to a sustainable level (Udoka and Ogege, 2012).

The Nigeria state, just like many other states in Africa (example, Kenya, Democratic Republic of Congo; formerly Zaire and Ghana to mention but a few) in the 1960s and early 70s were not indebted. When Nigeria obtained independence in 1960, the world believed that, she will usher in economic prosperity for her citizens. It was because of this thinking the world saw Nigeria as the future economic giant of Africa (AFRODAD, 2007). Actually, Nigeria, comparatively with other developing countries, was rich. She had no reason to go a borrowing. In fact, Nigeria later successfully financed her 50-month civil war from 1967 to January 1970 without taking a foreign loan. It was this that made General Yakubu Gowon (1966-1975), Nigeria’s military head of state, at the time, once vaulted during the early 1970s that Nigeria problem was not cash, but rather what to use the available money to do (Ikejiaku, 2008).

The present problems of Nigeria including the accumulation of debt cannot be divorced from the structural defects inherent in the economy after independence in 1960, and the political economy of development since independence. At the time of independence in 1960, Nigeria was heavily dependent on agriculture as the mainstay of the economy. Shortly after independence, about 64 percent of the gross domestic product originated in the agricultural sector. The contribution of this sector, however, systematically declined until
it reached an all-time low of about 17 percent in 1982.

Nigeria's debt crisis can be attributed to both exogenous and endogenous factors such as the nature of the economy, economic policies, depending on oil, swindling foreign exchange receipt, the origin of Nigeria external debt dated back to 1985: The external debt was low until it rose astronomically in 1978 due to Nigerian's involvement in the international capital market. Debt service payments were within management limits until 1982 by became unmanageable in 1983 because of the relative importance of private lending. All the indicators of the extent of the extent of the external debt burden showed the several of the problem. A high proportion of the debt service payment, a reflection of the high and indiscriminate increase interest rate problem worsened. During the SAP period. Given the heavy burden of external debt and declining trend, world oil prices, Nigerian has been facing a difficult balance of payment prospect in an encouraging growth rate and negative net foreign exchange flows (Ajayi and Oke, 2012).

Nigeria's debt problem was caused by the inappropriate monetary and fiscal policies of the government. These policies had an adverse effect on the domestic economy leading to domestic inflation, capital flight, encouragement of import, and discouragement of production for export, distortion in relative price and other depressant effects. He was of the opinion that the rigid exchange rates and pricing was one fact that caused external debt problem (Sanusi, 1988).

Nigeria's external debt experience has shown that inappropriate, uncoordinated and excessive levels of borrowing as well as inefficient allocation of borrowed resources has contributed to the unsustainable debt burden and prevented the country from deriving optimum benefits from external borrowing.

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The debt burden in Nigeria has resulted in various distortions in the macro-economy, Essentially, these distortions are structural in nature, and thus affect the level of per capita incomes and are instrumental to the rising poverty in the country. The latter has attracted the attention of various authors and Nigerian economic planners. The various points of view are all agreed that the condition of Africa in general and that of Nigeria in particular have now deteriorated to an economic and political catastrophe (Nzotta, 2004).

Ahmed (1984) reflected the causes of debt problem as related to both the nature of the economy and the economic policies put in place by the government. He articulated that the developing economies are characterized by heavy dependence on one or few agricultural and mineral commodities and export trade is highly concentrated on the other. The manufacturing sector is mostly at the infant stage and relies heavily on imported inputs. To him, they are dependent on the developed countries for supply of other input and finance needed for economic development, which made them vulnerable to external shocks. The grand cause of the debt crisis is that, in most cases, the loan is not used for development purposes. The loan process is done in and shrouded with secrecy.
The loan is, albinobto, obtained for the personal interest and parochial purposes. It is usually tied to party politics, patronage and elevation of primordial interest rather than the promotion of national interest and overall socioeconomic development (Aluko and Arowolo, 2010).

Nigeria’s high debt burden has grave consequences for the economy and the welfare of the people. The servicing of the external debt has severely encroached on resources available for socio-economic development and poverty alleviation. Although since 1986, Nigeria had taken a decision to limit debt service to no more than 30 percent of oil receipts; this has not brought much relief (Adepoju et al, 2007). In addition, debt burden has resulted in repudiation risk because we are unable to obtain new loans due to little confidence placed on our ability to repay. The prospects are therefore dim for immediate resumption of net resource transfer from international sources to Nigeria through traditional means. The IMF severe conditionality for Nigeria is a case point: A severe reduction in net capital inflows and the imposition of a net capital outflow over an extended period have consequences on the prospects of economic development in Nigeria.

The debt burden of a country inevitably imposes a number of constraints on its growth prospects. The burden of principal and interest payments for instance drains the nation’s resources and curtail the possible expenditure of resources on other productive ventures. This is even more constraining considering that the incomes from which debts are to be serviced are very little. This gives rise to three macroeconomic problems: the macroeconomics of earning foreign exchange, finding extra budget resources for debt service, and adjusting to a reduction in spendable resources. It is believed that the growing national debt against the background of declining and/or unstable foreign exchange earnings has serious consequences for the recovery of the Nigerian economy (Adejumon et al, 2010).

The incidence of the debt crisis in Nigeria hampered development programs because a larger portion of the country’s foreign earnings is required to service the debt. Thus, the net foreign earnings were grossly inadequate to effectively finance development projects after serving the debts. Borrowing could be from domestic or external sources. The terms of borrowing, the structure and composition of debt instrument vis-à-vis the mode of financing fiscal deficits have serious implications for debt service and its sustainability. This, in turn, affects growth and development. Issues of policies and endeavours to alter the debt stock, composite structure and terms of debt with a view to maintaining over time, a sustainable level of debt services, constitute the central focus of debt management. Thus, many developing countries particularly Nigeria is found to be wallowing in debt. The external debt problem facing Nigeria has been receiving increasing attention in which adequate solutions are yet to be found (Ohwofesia and Nana, 2012).

Debt burden can depress investment, and hence economic growth, through illiquidity and disincentive effects. The illiquidity effects result from the fact that there are only limited resources to be divided among consumption, investment and external transfers to service existing debt (Onah, 1994). He then concluded that the disincentive arise because expectations of future burdens tend to discourage current investment. Heavy debt burden acts to reduce investment through both debt overhang and the “crowding out effect. Anyanwu (1994) was of the opinion that a whole scale of some white elephant development project in the country is the root cause of our external debt problem. He says instead of emphasis being placed on small-
scale rural development projects so as to reverse the chaotic trend of urbanization and lessen the opportunity for corruption, Nigeria government started embarking on many illusory projects of which many are not productive.

POLICY IMPLICATIONS

The policy implications of the findings from the analysis are that the effect of debt on economic growth is negative. The role of debt overhang in precipitating debt crisis cannot be overlooked, thus debt relief would have positive impact on investment and growth. Moreover, to a greater extent the Nigerian debt situation is highly unsustainable. This unsustainable ability of Nigeria’s external debt could be associated with high initial debt, high interest rates, lower real GDP growth, and large trade deficits. It is difficult to stabilize the debt ratio when interest rates, growth rate falling and the initial levels of the debt ratios are high. The implication is that government needs to step-up its growth performance and use concessional debt with lower interest rate in order to keep the debt at sustainable level. Furthermore, as long as revenue (export income) continues to fall, the external debt strategy becomes highly unsustainable because it constraints import capacity and hence lower growth (Adam, 2011).

In order to reduce the debt burden and increase the debt servicing capacity, there is a need for an increase in exports, and a reduction in world interest rates, among other things. Effective and efficient debt management policies must predicted on the existence of the overall macroeconomic management framework of which debt management is an integrated component. Previously, poor economic management and bad governance have placed a major role in the economic and problems of Nigeria. The debt overhanging only compounded most of the underlying structural and institutional problems retarding development (Anyingang, 2008).

The policy lesson from the study is that government should put in place the appropriate debt management strategy which should include feasibility study of projects to financed from external resource since the prospects of economic growth from externally injected resources invested in productive ventures are very bright. Therefore, the committed implementation of appropriate macroeconomic policies along with debt reduction packages will ensure that reduction provides the much needed stimulus to investment recovery and growth. The federal government should lay down well considered guideline for external loans. Defining the purpose, duration, moratorium requirements and commitments, negotiation fees etc including the conditions under which the government Nigeria should devote a tangible proportion of her annual foreign exchange earning for debt servicing. This would enable the counting to accommodate the creditors’ requirements. Spending of external debt on productive self-liquidating investment must be strictly adhered to while projects to be financed with external to loan must be properly appraised can approve and guarantee external loans.

Government should ensure that any deal with the London and Parish Clubs and other creditors should be deals that will open Nigeria to greater trade and investment and can stimulate the private sector since external debt and debt services to these creditors has negative impact on our economic performance (per capita income and employment). Secondly, Nigeria should devote a tangible proportion of her annual foreign exchange earnings for debt servicing. This would enable the country to accommodate the creditors’ requirements. Federal Government should place embargo on new loans especially to the state
governments and other government parastatals except for important economic reasons which are inevitable and for project which are self-floating and self-sustaining.

CONCLUSION

Nigeria has relied much on public debt to finance its development projects in the past two decades ago with public debts which put its debt profile so high. Nigeria's high debt burden had graved consequences for the economy and the welfare of the people. The servicing of the external debt had severely encroached on resources available for socioeconomic development and poverty alteration. Although since 1986, Nigeria had taken a decision to limit debt service to no more than 30 percent of its oil receipts; this has not brought much relief (Udoka and Anyingang, 2010).

The study sets for itself the task of investigating external debt management in Nigeria and how it has impacted on macroeconomic performance over the years. The conclusion reached by the study is that external debt and its derivatives has not be of much help to the Nigerian economy performance either due to high corruption of government officials who mismanage the funds or wrong timing of the secured loans.

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