INTERNATIONAL JOURNAL OF COMPARATIVE STUDIES IN INTERNATIONAL RELATIONS AND DEVELOPMENT
VOL 3 NO 1, JULY 2014.ISSN PRINT: 2354-4298, ONLINE 2354-4201
http:www.internationalpolicybrief.org/journals/international-scientific-research-consortium-journals

AN ANALYSIS OF FOREIGN DEBT STOCK AND ECONOMIC GROWTH IN NIGERIA

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Abstract
The study analyses the impact of foreign debt stock on economic growth in Nigeria from 1980 to 2010. The paper reviews existing literatures, concepts and theories on external borrowing and growth. The study adopts descriptive and econometric methods of analysis. The econometric method uses multiple regression analysis to ascertain the impact of foreign debt stock on growth in the economy. The analytical technique involves the use of ordinary least squares (OLS) to estimate the parameters in the regression equation. The paper reveals that the impact of external debt on economic growth is insignificant in Nigeria. Corruption was found to be the main impediment to debt utilisation in Nigeria and is a factor militating against growth in the country, culminating in increased poverty and underdevelopment of the Nigerian economy. The paper recommends, among others, that government should show real commitment beyond lip service in eradicating corruption. To curb corruption, government should pass into law the principle of 'Death by Hanging' for any person or group of persons caught and proved guilty of corruption and corrupt practices – the Chinese example. The development of the productive capacity of the economy through increased non-oil export should be encouraged and sustained so that the economy will reap the benefits of foreign borrowing. This will enhance a saving-over-investment threshold in economic growth in the country.

Keywords: Foreign debt stock, Trade, Growth, External reserves, Corruption and Nigeria

Background to the Study
In less developed countries, governments use external debt as an important tool to finance its expenditures. Economic growth can be increased by effective and proficient utilisation of resources to achieve macroeconomic goals. However, if external debt is not properly used, it would retard economic growth and become the biggest curse for the economy. Foreign debt is one of the major economic issues facing governments all over the world and developing countries are worst affected. There is a lot of debate on foreign debt and developing countries hardly address the risks and challenges accompanying it. Some countries such as Pakistan are using domestic borrowing to pay for foreign debt servicing (Sheikh, Faridi and Khadija, 2010). Debt servicing implies that government has fewer resources to spend on development projects. However, available studies on external debt and economic growth such as Martin (1986), Adesola (2009) and Austin (2012) have typically focused on debt servicing and burden than the stock of foreign debt. This study would consider the impact of external debt stock on economic growth in Nigeria. The study would cover this gap by using Nigeria's available data on debt stock and growth from 1980 to 2010 to investigate the impact of foreign debt on economic

growth in the country. The rest of the paper is arranged as follows: A brief review of literatures and theories is given in Section II. The hypothesis of study is stated in section III. Sources of data, methodology of study and empirical results and interpretation of the results are explained in section IV. Discussion of findings is given in section V, and conclusion is drawn in section VI.

Review of Literatures and Theories

Literature Review

Several studies including the works of early development economists have shown that external debt or external capital can stimulate economic growth especially in developing countries (Singer 1949; Lewis 1954; Domar 1957; Kindleberger 1965; Pearson 1969; World Bank 1988). They argued that the transfer of foreign resources to less developed countries which are characterised by low or zero-growth rate will help in transforming these economies into ones that are capable of adequate and sustainable growth. This means that the demand for foreign resources in developing countries is necessary and serves to supplement domestic resource gaps with positive effects on growth. Ogwuma (1995) corroborated that external debts are loans and credits procured by the residents of a country from the rest of the world intended to bridge the savings-investment gap in the economy. According to him, when such resources are productively deployed, they do not constitute a problem or a drain on future resources. An external debt problem usually exits when more and more of current resources are deployed to service loans, or when borrowed funds are misused. Pearson (1969) suggested that foreign funds in developing countries (including Nigeria) should be channelled into agricultural and industrial sectors. He stated that foreign credit would not only enable the industrial sector to have access to capital stock, but could also help in the provision of intermediate inputs like machinery, fertilizer and pesticides. According to him, other infrastructural assistance could also be rendered to both urban and rural populace through the construction of roads, railways, pumps, irrigation systems and dams.

The World Bank/IMF development committee investigated the subject of foreign credit to the developing countries (including Nigeria) and concluded that external finance has been productive and helpful to development, without it, a number of countries would not have been able to graduate from the ranks of poor nations to middle income nations; and the countries that remain poor would have been poorer (World Bank, 1956). Consequently, the committee argued for more external resources for the developing countries. Similar opinion was given by Pfeffermann (1985). According to him, external debt is a powerful tool that can accelerate the rate of growth and development; supplementing export earnings and private foreign investments of countries. Obadan (1997) contributed in this debate in a like manner. He saw the role of foreign debt in increasing resources available for investment, complementing domestic savings, and augmenting foreign exchange resources as well as economic performance. However, Savvides (1992) examined the link between external borrowing and economic performance of debtor countries. He concluded that if a debtor country is unable to pay its external debt over time, debt payments become linked to the country's economic performance, thereby translating into burdens and debt overhang.

Empirical studies on the effects of external debt on economic growth are numerous in the literature in both developed and developing countries. However, external debt only helps to exploit the potentials of a country, it does not enhance it. Therefore, the only guideline is that the rate of return on spending should exceed the marginal cost of borrowing on the assumption that debt is paid (Indermit and Brian, 2005). Fischer (1993) while explaining the deficit-debt-growth relationship posited that larger budget surpluses are associated with more rapid growth through greater capital accumulation and greater productivity growth. He posited further that high deficit may be consistent with low inflation for a while, but that a more detailed assessment of debt dynamics may be needed to see if the deficit is sustainable and therefore consistent with macroeconomic stability.

Despite notable successes in reducing outstanding debt, external debt does not actually reach its intended recipients in Nigeria. Corruption continues to rob the poor while anti-corruption programmes stall in red tape and bureaucracy. Elites enjoy access to the proceeds of external debt and the benefits of trade and investment while regular or ordinary citizens are left out. Entrepreneurs are forced to operate in the informal sector without access to legal mechanisms to enforce contracts and protect private property. Jobs are not being created to accommodate the burgeoning youth population. Public funds devoted to building infrastructures and providing public services end up in the pockets of crooked government officials and their cronies. Ogboru (2009) attributed this problem to high level of corruption in the country. According to him, corruption has debilitating effects on any economy where it is pervasive. It aggravates capital shortage problems in the economy by making less money available for developmental purposes. Again, it accentuates capital flight with political and other elites competing for private accumulation of public capital meant for welfare and developmental purposes which is often deposited in overseas banks where they are deemed to be safe. Such monies are therefore, unavailable for capital formation purposes.

Conceptual Clarifications

Economic growth is defined as a measure of gross domestic product (Okigbo, 1987). This means that the gross domestic product summarises the production of the economy. Economic growth is a more rapid output and productivity growth in agriculture and manufactured exports supported by higher rates of domestic savings and expansion in physical and human capital. It is also described as annual increases in a nation's total output of goods and services which can be achieved through macroeconomic stability, foreign capital, export growth and market penetration (Trevor, 1956; Elhanah, 2004 and Case, Fair and Oster, 2009). From the explanations above, economic growth represents increases in national income resulting largely from foreign capital and trade which encourages openness to private investment, foreign direct investment, technology transfer, quality output and competition.

There is a growing literature on alternative ways of reconciling economic growth and debt repayment. For example, countries are increasingly seeking for lower interest and longer repayment period in order to avoid the 'debt-trap' whereby new loans are used primarily to repay existing debt instead of financing productive investment (Salami and Charles, 1992). This is more appropriate where real income growth is consistent with a constant debt-income ratio (Dornbusch, 1988). A national government that owes money to international financial institutions such as the World Bank, IMF, foreign governments, or to foreign lenders is called a debtor nation. Though the aim is to power growth and development in the debtor country, the debtor nation will have a negative balance of trade because the amount of money coming into the country from outside sources is greater than the amount of exports and money that the country sends out (Investor Words, 2013).

Theoretical Issues

External debt apologists and scholars such as Chenery (1966), Obadan (1997) and Arin (1999) would argue that developing countries in their early stages of development could neither save enough nor import enough capital goods from abroad to satisfy their investment requirements. Therefore, foreign savings either in the form of grants, concessional and non-concessional debt finances is needed to bridge the savings and foreign exchange gaps. This, according to them, will result in a higher level of investments and the growth of the gross domestic product (GDP) than would otherwise be possible if only domestic savings were relied upon. Foreign debt will benefit developing countries particularly when the marginal product of capital is higher than the world interest rate (Eaton, 1993).

However, the critics of external borrowing (anti-foreign debt scholars) such as Nwosu (1985), Nwoke (1988) and Bassey (2000) would argue that although external debt replenishes and enhances the external reserve situation, it carries with it future balance of payments dangers in the eventual repatriation of principal and interest in the case of foreign loans, and the capital and dividends in the case of foreign direct investment. They observed that corruption and mismanagement have thrown the country in huge debt and repayments that far exceeds the actual debt. According to them, unless regulated, repayment may exhaust the external reserves of the country, plunge the country into serious debt and balance of payment problems. Consequently, this will damage the country's international credit rating, which in turn will be very prejudicial to the country's future borrowings. Other anti-external debt scholars such as Griffins and Enos (1970), Ake (1989), Malaba (1991) and Ndekwu (1997) opined that foreign debt and assistance are given to make the partnership plausible, but as it is worked out, the proletarian countries get poorer and the technological gap widens.

From the foregoing therefore, the argument presented in this study is in conformity with the views expressed by pro-external debt scholars. This is because when foreign loan is utilised it could actually translate into economic growth in Nigeria. The problem is not with foreign debt, but the problem lies in corrupt governance, lack of patriotism, greed and selfishness, which have become features of the Nigerian economy. Herein lies the policy implication of the study because most developing countries contract debt for selfish reasons rather than for the promotion of economic growth through investment in capital formation and other social overhead capital.

Hypothesis

The study is based on the understated hypothesis:
Ho: External debt stock has no significant impact on economic growth in Nigeria
H1: External debt stock has significant impact on economic growth in Nigeria
The study used t-test to examine the validity or otherwise of the hypothesis.

Methodology and Data Sources

The paper utilises secondary literatures, which were obtained from journals, textbooks, newspapers and magazines, internet websites and other documentary sources. Secondary data obtained from the Central Bank of Nigeria (CBN), Global Financial Report of the World Bank, and Index Mundi websites were used for the study. The study employs econometric method of analysis and descriptive statistics. Tables and percentages were used for the descriptive statistics. Time series data covering a period (1980-2010) were adopted. The period was deliberately chosen to correspond with major external borrowings in Nigeria. The period was deliberately chosen to correspond with major external borrowings in Nigeria. The indices to measure the impact of external borrowing on economic growth include such variables as annual GDP, external debt stock, external reserves, foreign exchange rates and balance of payments position. These indices were computed and analysed using econometric method. As an analytical technique, the Ordinary Least Squares (OLS) regression equations were used for analysis.

There was the need for the data to undergo unit root test since the data are time series in nature. The Augmented Dicker-Fuller unit root test was used; to emphasise and validate the stationarity or non-stationarity of the time series data used for this study. The test for unit root is to avoid a spurious regression model, which may have unrealistic interpretations of the result output (see the unit root test result in table 6 in the appendix).

The Structural Model

The model estimates a proxy measure of economic growth proxied by GDP using a multiple regression equation as follows:

GDPt = f (ExttD, FrxtR, ExttR, BOPtP) --- (1)
Econometrically, the equation can be written as:
GDPt = â0 + â1ExttD + â2FrxtR + â3ExttR + â4 BOPtP + e t --- (2)
Where: GDPt = Economic Growth (Proxied by Gross Domestic Product)
ExttD = External Debt Stock for the review period
FrxtR = Foreign Exchange Rate for the review period
ExttR = External Reserves for the review period
BOPtP = Balance of Payments Position for the review period
â0 = Constant parameter
â1 = Slope of External Debt
â2 = Slope of Foreign Exchange Rates
â3 = Slope of External Reserves
â4 = Slope of Balance of Payments Position
e t = Error term (stochastic variable)
t = time trends

From the unit root table (see appendix), the data becomes stationary at second level end difference in the order of differencing and the model for estimation becomes:

? 2GDPt = ß0 + â1? ExttD + â2? FrxtR + â3? ExttR + â4? BOPtP + e t --- (3)
Where: ? 2 = change in GDP where it becomes stationary at second level difference
? = change in the independent variables as are stationary at first level difference

A priori expectation

External debt is expected to impact significantly on economic growth (GDP). While the coefficient values of foreign exchange rate and balance of payments position are expected to be negative, the coefficient of the parameter of external reserves is expected to be positive.

Choice of the Econometric Model

The above macro-econometric model is a multiple regression equation. It can be noted that while GDP is the dependent variable in the equation, external debt stock, foreign exchange rates, external reserves and balance of payments position are independent variables. For a time series analysis of this nature, the ordinary least square (OLS) is appropriate in estimating the parameters upon a pre-analysis test for autocorrelation. HAC method in E-views was used to correct the weakness in OLS from serial correlation problem existing in the model.

Econometric Estimates and Empirical Results

The above model captures the impact of external debt on economic growth in Nigeria. Equation (1) explains GDP as a function of external debt stock, foreign exchange rates, external reserves and balance of payments position for the period under consideration. Substituting the values from our regression results into equation (3), we thus get:

? 2GDPt = 237637.4 + 0.0000967? ExttD – 12375.07? FrxtR – 0.13? ExttR – 0.029? BOPtP

SEE	(209300.9)	(0.000330)	(24965.63)	(0.388972)	(0.595733)
T*	(1.14)	(0.293)	(-0.496)	(-0.334)	(-0.048)
P-value	(0.2674)	(0.7721)	(0.6246)	(0.7410)	(0.9621)

R2 = 0.0189 F* = 0.1155 DW-stat = 2.83
(See appendix for regression results / computed values)

Interpretation of the Results

The relationship between economic growth and external debt is expected to be positive because increase in external debt stock would increase the level of economic growth ceteris paribus. However, the result has shown that though positive, the contribution of external debt to GDP is insignificant in Nigeria, giving a high P-value. This is contrary to the a priori expectation. This implies that a unit change in GDP will positively cause about 0.0000967 unit change in economic growth in the long-run powered by external debt. The insignificant impact of external debt on economic growth could be attributable to corruption and economic mismanagement in the country. This means that external debt has extremely marginal impact on output growth in Nigeria.

Furthermore, external reserves, foreign exchange rate and balance of payments position have impacted negatively on growth in spite of the huge revenues accruing to the country from oil exports as Nigeria's foreign trade is overwhelmed by imports of consumables and poor capacity utilisation of imported capital goods.

In other words, foreign exchange rate, external reserves and balance of payments position have negative effects on GDP in Nigeria for the review period as could be seen from their negative elasticity coefficient values: -12375.07; -0.13 and - 0.029 respectively. The result of foreign exchange rate and balance of payments position is line with our a priori expectation while that of external reserves has fallen short of expectation. For example, a depreciation of the exchange rate would lead to a relatively high cost of imported capital goods and raw materials leading to higher cost of production which would reduce output growth. As a result, the external reserves become depleted in the face of debt servicing and excessive import dependency as the current account balance suffers shocks culminating in unfavourable trade balance. This could affect real growth in the economy; an indication of the presence of macroeconomic instability which does not auger well for savings, investment, employment, output expansion and increase in income in Nigeria.

Again, the contribution of Nigeria's external borrowing to GDP has over the years remained insignificant because the P-value is higher compared to the 5% level of significance. The F-statistic is also insignificant meaning that external debt in the presence of a deteriorating balance of payments position could not drive economic growth in Nigeria. The poor performance could largely be explained by economic and financial mismanagement as well as corruption in the system; where borrowed funds are stolen by corrupt leaders and government officials.

The results also show that there is no strong correlation between economic growth on one hand, and external debt, external reserves, foreign exchange rate and balance of payments position on the other in Nigeria because the coefficient of determination R2 is only but about 2%. The Durbin-Watson (DW) values are high, signifying a positive autocorrelation. However, the HAC procedure in E-views version 4 has already taken this into account in correcting the OLS standard errors for the presence of autocorrelation and heteroscedasticity. This implies that the weakness of the OLS has been corrected by HAC method. This is in consonance with the technique adopted by Gujarati and Porter (2009).

Overall, t-test has shown that external debt has insignificant impact on gross domestic product (GDP). We therefore accept the null hypothesis that external debt stock has no significant impact on economic growth in Nigeria. It has also shown that foreign exchange rates, external reserves and balance of payments position have impacted negatively on growth of output (GDP) in Nigeria. These have slowed down the rate of economic growth in the country.

Discussion of Findings

The study has shown that poor management of external debt has grossly affected the economy in negative terms, by creating external debt problem that could not drive the economy. It has discouraged the inflow of foreign capital and created a wide financing gap in the balance of payments position owing to exceptional financing items in respect of debt service payments which were deferred. The study also found that the low level of foreign exchange receipts and the high proportion devoted to debt service payments have reduced the level of domestic economic activities, with serious consequences for domestic capacity utilisation and production. In the absence of appreciable economic growth, the debt burden has continued to increase while the debt service capacity has persistently declined, thus exacerbating the vicious circle of external debt in the country.

The study reveals that between 2001 and 2004 there was a large increase in Nigeria's total external indebtedness from 28.35 billion dollars to 36 billion dollars. The increase was largely due to the interest components of additional payment arrears that had accumulated. It was partly attributable to the depreciation of the US dollars in which the debts were denominated. In 2005 through 2006, debt relief was secured and this had improved not only the country's economic profile, but also remove the legacy of indebtedness with accruable benefit of being classified as a non-debtor nation. However, it is pertinent for Nigeria to guard against future reckless borrowings. Unfortunately, external debt is beginning to mount again in the country.

Table 1 for example, shows that the total debt stock of Nigeria as at April 2012 stood at $44billion ($5.9billion external and N5.96 trillion domestic). This indicates a significant leap from the 2010 figures of $32.5 billion total debt. Then, external borrowing stood at $4.5 billion and domestic debt was $28 billion (see table 2 in the appendix). Government has also planned to externally borrow $2.63b in 2012, and same amount would be borrowed for each of the next three consecutive years afterwards (Iweala, 2012a). This implies rising appetite for external borrowing in the country. The implication of this could be obvious on future generations in terms of debt burdens, the prevailing corrupt environment and misallocation of resources in the country notwithstanding. This means that an immediate appraisal of the debt status has become important, and this would constitute a contribution of the study.

Figures in Tables (1, 2 and 3), shows that the rising debt portfolio in the country is unhealthy. For instance, according to Iweala (2012b), Nigeria's debt to GDP ratio is 17.8 per cent, which is far below the 30 per cent target set for the economy, and much below the 60 per cent of the target that is the international norm. She also observed that debt service to revenue is 19 per cent as against the general norm of 30 per cent. This implies that excessive and indiscriminate borrowing could affect economic growth. The rising debt profile is not sustainable as the current debt service was 20 per cent of the total revenue. This clearly indicates that the use of global benchmark of debt to GDP is not applicable in the country. Conversely, the rising external debt negates everything the Federal Government told Nigerians when it paid $12 billion to get a debt relief of $18 billion in 2005.

Conclusion and Recommendations

The roles of external debt stock in enhancing economic growth in Nigeria have been discussed in the literature above. It shows that foreign debt can only contribute to growth significantly when properly utilised. The need to mobilise foreign capital inflows by developing countries have remained important given their weak resource mobilisation effort. Nigeria has over the years relied heavily on different forms of external borrowing and foreign direct investment inflows. The reliance on external borrowing with little or no attention to proper management of the borrowed funds resulted in increased debt burden in the country. The dilemma faced by Nigeria is that continued austerity and the outflow of scarce foreign exchange resources through debt servicing and tensions created by mismanagement of the borrowed funds have prevented achievement of the level of economic growth required to keep pace with the demands of increasing population. This implies that outright mismanagement of borrowed funds contributed in no small measure to the debt problem in the country, except for the debt relief experienced in the country during the Obasanjo administration. Today however, foreign debt is gradually building up and once again mounting to maturity in the country.

From the foregoing, the study recommends that government should:

1. Effectively manage and monitor the deployment of foreign loans in order for it to impact positively on economic growth in Nigeria. In the same vein, donor or creditor governments should refrain from pressing developing countries to acquire uneconomic projects and military equipment. This suggests that external debt should complement domestic efforts in a soundly managed economy. Government should therefore, behave like the rational economists so that the borrowed funds would be used up to the point where the marginal cost of borrowing would be equal to the marginal benefit from the public spending associated with foreign debt. This means that foreign debt will normally bring about growth ceteris paribus. However, the extent of growth would be determined by the use made of the acquired or borrowed resources.

2. Government should control access to foreign debt to minimise damage to the country's external credit rating. This entails that government should lay down well considered guidelines for external borrowing. This should include; defining the need and purpose, duration, moratorium, requirements and negotiation fees, sources of repayment, etc, including the conditions under which government can approve and guarantee loans as appropriate. Government should, in addition, be aware of and educate the citizenry on the possibilities, prospects and problems of external borrowing. Furthermore, government should put in place appropriate debt management strategy including feasibility study of projects to be financed from external resources since the prospects for economic growth from externally injected funds invested in productive ventures is very bright. Therefore, efforts should be geared towards ensuring that money borrowed is used for productive investments. There is nothing wrong with borrowing money in so far as is being used for productive purposes in compliance with certain ratios. The point is to do a due diligence in terms of implementation to ensure that the project will generate the resources necessary for repayment. Take for instance, if the government should properly invest in power and the power becomes steady, the cost of most products will reduce and industries will spring up. This would accelerate the rate of economic growth, employment and income, and the economy will generate the resources needed to allow for repayment. As a matter of fact, government should stimulate agricultural and manufacturing sectors to produce more goods and services as well as create more employment.

3. Since identification and formulation of sound project proposals are the preconditions for attracting foreign capital, government should promote measures to promote effective project identification and sound formulation provided that the foreign loans received will not be diverted through corruption and mismanagement. Again, government should know the composition of the foreign debt in terms of the currencies borrowed and the currencies to be used in servicing. Nonetheless, there should be consistency in government policy in order to exacerbate macroeconomic stability. There is thus, the need to eliminate the constraining factors in the macroeconomic environment in order to improve the investment climate substantially. Policies aimed at debt reduction and cancellation should also be targeted. The development of the productive capacity of the economy through increased non-oil export should be encouraged and sustained so that the economy will reap the benefits of foreign borrowing. This will enhance a saving-over-investment threshold in economic growth in the country.

4. Government should show real commitment beyond lip service in fighting corruption. To curb corruption, government should pass into law the principle of 'Death by Hanging' for any person or group of persons caught and proved guilty of corruption and corrupt practices – the Chinese example. This is because the evil has become a norm and is spreading like wild fire across the country. Corruption is indeed at the root of diversion of external loans meant for development purposes into private uses, it is the main cause of poverty and underdevelopment in the country. Therefore, the government and people of Nigeria should rise up to the occasion to conquer this vice if development is to occur. Attitudinal change and ethical re-orientation will change the situation on the part of society. To undertake this crusade, integrity and honesty of purpose must reign supreme in the hearts of Nigerian people, especially the leaders. This means that genuine and sincere steps should be taken to curb corruption, and government must tackle the lapses in the areas of contract awards with specific focus on over-invoicing.

5. There is the urgent need for government to comply fully with the provisions of Fiscal Responsibility Act on debt management. In any case government should stop violating the Fiscal Responsibility Act 2007, by pegging its borrowing at an approved limit. External loans should also have long repayment periods to ensure that the level of public debt in proportion to national income and GDP is held at sustainable level. Furthermore, the National and State Assemblies should consider appropriate legislations limiting the total exposure of states to external and domestic borrowing to not more than 20 per cent of their monthly allocations from the federation account. In addition, such borrowing should be for economic projects that will fast track growth, encourage industrialisation, generate employment and income thereby reducing poverty. So, there should be strict compliance to the relevant provisions of the borrowing by Public Bodies Act (CAPB10, LFN, 2004).

6. As an economy that depends largely on importation of consumer goods and crude oil exports, government should create a level playing field for the private sector and local industries to

thrive. This is to increase their production capacities, and to target foreign markets in order to tackle the problem of balance of payments in the country. Diversifying agricultural and industrial exports would improve foreign exchange earnings.

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Appendix

Table 1: Nigeria's Debt Profile as at 30th April, 2012

External Debt ($billions)	Domestic Debt ($billions)	Total Debt ($billions)
$5.9b	$38.1	$44b

Source: Federal Ministry of Finance, Abuja 2012

Table 2: Nigeria's Debt Profile in 2010

External Debt ($billions)	Domestic	Total Debt ($billions)
$4.5b	$28bn	$32.5b

Source: Federal Ministry of Finance, Abuja

Table 3: Debt Profile of Some States in Nigeria as at 30thApril 2012

Lagos	$491.847 million
Kaduna	$182.261 million
Cross River	$10 7.532 million
Ogun	$94.573 million
Oyo	$78.085 million
Katsina	$74.138 million
Borno	$12.957 million
Delta	$15.404 million
Taraba	$20.396 million
Akwa Ibom	$62.648 million

Federal Ministry of Finance, Abuja 2012

Table 4: External Debt, Open Trade Channels and GDP Data in Nigeria (1980 - 2010)

YEAR	GDP (N' Million)	Ext Debt Stock ($' 000)	FOREX Rate	Ext Debt (N' 000)	BOP (N' Million)	Ext Res (N 000)
1980	49,632.32	4,271,339	0.5464	2,333,682	150.10	5,445.6
1981	47,619.66	5,646,447	0.6100	3,444,474	5986.60	2,424.8
1982	49,069.28	8,123,770	0.6729	5,466,214	1471.30	1,026.5
1983	53,107.38	11,201,850	0.7241	8,111,726	5793.20	781.7
1984	59,622.53	10,626,110	0.7649	8,128,354	216.00	1,143.8
1985	67,908.55	12,232,790	0.8938	10,933,056	-339.60	1,641.1
1986	69,146.99	17,930,800	2.0206	36,230,526	1098.20	3,587.4
1987	105,222.84	26,902,030	4.0179	108,090,787	-16448.00	4,643.3
1988	139,085.30	27,537,440	4.5367	124,930,022	-19413.00	3,272.7
1989	216,797.54	29,251,230	7.3916	216,212,173	-60443.80	13,457.1
1990	267,549.99	31,544,600	8.0378	253,549,449	93976.20	34,953.1
1991	312,139.74	32,324,970	9.9095	320,324,021	-14827.50	44,249.6
1992	532,613.83	26,477,800	17.2984	458,024,237	-99332.80	13,992.5
1993	683,869.79	26,420,640	22.0511	582,603,074	-39229.60	67,245.6
1994	899,863.22	27,954,510	21.8861	611,815,201	444865.80	30,455.9
1995	1,933,211.55	28,139,970	21.8861	615,874,197	-55558.30	40,333.2
1996	2,702,719.13	25,430,490	21.8861	556,574,247	-609547.50	174,309.9
1997	2,801,972.58	22,631,220	21.8861	495,309,144	114816.20	262,198.5
1997	2,801,972.58	22,631,220	21.8861	495,309,144	114816.20	262,198.5
1998	2,708,430.86	23,445,000	21.8861	513,119,615	380014.50	226,702.4
1999	3,194,014.97	22,357,720	92.6934	2,072,411,965	-698250.40	921,715.0

2000	4,582,127.29	30,019,930	102.1052	3,065,191,207	-344020.10	1,129,894.4
2001	4,725,086.00	29,218,080	111.9433	3,270,769,025	501812.60	871,420.8
2002	6,912,381.25	28,057,130	120.9702	3,394,075,692	-194309.60	947,661.3
2003	8,487,031.57	31,267,050	129.3565	4,044,597,196	-972936.50	2,322,837.7
2004	11,411,066.91	32,521,140	133.5004	4,341,585,198	-209654.10	3,756,873.1
2005	14,572,239.12	20,223,950	132.1470	2,672,534,321	18224.36	5,456,456.2
2006	18,564,594.73	3,803,021	128.6516	489,264,736	17139.37	5,425,578.6
2007	20,657,317.67	3,586,680	125.8331	451,323,063	23468.32	6,055,669.0
2008	24,296,329.29	3,877,656	118.5669	459,761,716	25088.00	7,025,860.2
2009	24,794,238.66	4,199,033	148.9017	625,243,327	40413.32	6,339,615.2
2010	29,205,782.96	4,685,519	152.9000	716,415,855	814177.45	4916620

Source: CBN Various Issues, World Bank, 2011, Index Mundi (File://Localhost/F:/External Debt Stocks.Htm)

Table 5: Regression Results
Dependent Variable: D(D(GDP__N__MILLION_))
Method: Least Squares
Date: 02/18/13 Time: 13:31
Sample(adjusted): 1982 2010
Included observations: 29 a fter adjusting endpoints
Newey -West HAC Standard Errors & Covariance (lag truncation=3)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EXT_DEBT__N__000)	9.67E -05	0.000330	0.292861	0.7721
D(FOREX__RATE01)	-12375.07	24965.63	-0.495684	0.6246
D(EXT_RES__N_000_0)	-0.130053	0.388972	-0.334350	0.7410
D(BOP__N__MILLION_)	-0.028637	0.595733	-0.048070	0.9621
C	237637.4	209300.9	1.135387	0.2674

R -squared	0.018883	Mean dependent var	152191.6
Adjusted R -squared	-0.144636	S.D. dependent var	12189 27.
S.E. of regression	1304101.	Akaike info criterion	31.15551
Sum squared resid	4.08E+13	Schwarz criterion	31.39125
Log likelihood	-446.7549	F -statistic	0.115479
Durbin -Watson stat	2.832970	Prob(F-statistic)	0.975778

Table 6: ADF Unit Root Test

Variable	First Level of Difference	Second Level of Difference	Level of Significance (0.05)
GDP	I(1) (0.317)	I(2) (-3.47)	-1.95
External Debt	I(1) (-4.00)	I(2) (-6.14)	-1.95
Foreign Exchange	I(1) (-2.79)	I(2) (-5.81)	-1.95
External Reserves	I(1) (-2.49)	I(2) (-4.67)	-1.95
Balance of Payments	I(1) (-11.79)	I(2) (-14.09)	-1.95