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Impact of External Debt Management on Economic Growth of Nigeria

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Abstract

This study examined the impact of External debt management on economic growth of Nigeria. Using annual time series data collected over the period of 33 years (1986 – 2018). The data for the study were collected from the CBN statistical bulletin annual report. The variables on which data are collected include: Real Gross Domestic Product, External Debt, External Debt service, Balance of Payment and Exchange Rate. Data were analyzed using the Ordinary least squares (OLS) multiple regression analysis. It proceeded with Descriptive statistics; Augmented Dickey Fuller (ADF) unit root test, Co-integration test and Auto-Regressive Distributed Lag (ARDL). The study revealed that impact of external debt management on economic growth of Nigeria over the period under review was statistically significant with external debt, external debt service payment and balance of payment but statistically insignificant with exchange rate. The study recommended that governments should establish and adopt an optimal balance between external debt acquisition and application /allocation of the acquired funds to productive projects for the purpose of making a high output and a steady economic growth. The management should live up to expectation by encouraging efficient commitment of borrowed funds to productive projects so as to comply with debt serving agreement and outright payments, measures such as improving exports should be implemented to ensure that local currencies are stable.

Introduction

Governments in developing countries are used to receiving loans for development objectives. As a developing country, Nigeria has to turn to external resources due to an insufficient internal financial capacity to meet the needs of economic growth. A country's debt is split into two parts: one that was incurred by borrowing from foreign lenders, such commercial banks, the government, and international financial institutions, and the other part that is the country's own debt. One of Nigeria's biggest issues is that the government does not spend enough of its debt in positive-return projects that produce outputs and that, because of this, the government does not handle its debt in a proper manner. As a result of its accumulation, particularly for emerging economies in the process of economic recovery and development, where internal savings are insufficient to cover the current account payment deficit, external debt has risen. This debt is primarily utilized by emerging economies in the process of economic recovery and development, where savings are insufficient to cover current account payment deficits. To compensate for this deficit, countries must obtain external capital in order to supplement domestic resources. The reason external debt is used is so that the international community may support governments who are lacking sufficient financial resources at home (Noko, 2016).

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In the early years of her independence, Nigeria's foreign debt management is a crucial macroeconomic issue, particularly when it comes to their debt (Ogege & Ekpudu, 2010). Even though the government has attempted to keep and lower the country's debt on several occasions, it is still increasing. The factors that go into deploying critical resources for debt payments, extending loan terms, and restructuring the organization to accommodate the debt conversion program include purposeful deployment of those resources, an attempt to make things last longer, and a commitment to continuing with the program even if it costs more money. As a result, the government is especially worried about the degree of pressure produced by the country's debt as compared to the country's ability to fulfil its loans.

In the past, several studies and public discussions have focused on the subject of Nigeria's capacity to pay its debt. It was not long ago that the Paris Club of Creditors pioneered an innovative technique to settling international debt disputes. a point of controversy even now is the extent of the debt that has already been paid and whether it was sufficient (Noko, 2016).

Banks played a significant role in international lending during the 1970s and early 1980s by collecting excess oil money from OPEC (a member state of the Organization of the Petroleum Exporting Countries) and disbursing general purpose loans to developing countries in order to help with financial balance and sector development (Ayadi & Ayadi, 2008). On the other hand, while foreign borrowing may be beneficial to supplying the resources necessary to continue economic growth and development, it may carry with it major negative implications Uma et al. (2013) Many growing nations' total expenses end up being more than the initial gains. The single largest expenditure when one has amassed an enormous external debt is the service of that loan. In order to pay off debt, one must first return the principal and accumulated interest in cash. In this case, balancing the servicing of the debt or the interest rate with the amount of the debt or the interest rate is equivalent to a rise in the real value of the debt or the interest rate as a percentage of domestic income or savings. Another way to look at this is that loan payments are covered by export earnings (Kehinde, 2012). But, if there are changes in import and export patterns or if interest rates rise or drop, this increases the debt service obligations. Additionally, if export profits decrease, debt servicing problems will only become worse. The dire financial straits that a huge number of debt-ridden third-world nations find themselves in has been the situation for some time (Lora & Olivera, 2016).

The foreign debt that Nigeria accrued started in 1958, when the World Bank gave the nation $28 million to finance railway development. Because of this, from 1958 and 1977, there was limited interest in international borrowing. In the early '70s, the drop in the price of oil had a devastating impact on the government's finances. In order to ensure that the country's foreign exchange reserves would not be depleted, and in order to finance various initiatives, the government was compelled to borrow. In 1978, the U.S. government received the first funds (money) it received via the global capital market (GCM). These funds started at $1 million, which was called a "giant loan." However, the amount increased to $2.2 million by 1979.

Loan growth therefore required the state government to take on foreign debt, leading to the state government's contractual requirement for foreign debt. Between $N17.3 million and $N20 million in foreign debt was accumulated by Nigeria in 1980, according to the Debt Management Office (DMO). One way to deal with the problem is to look at the various debt-financing methods used in the Structural Adjustment Programme (SAP) from 1986. After the initiative was started, Nigerians have had to endure several hardships such as the devaluation of the country's currency (naira), which led to the creation of the Second Tie Foreign Exchange Market (SFEM), as well as increasing expenses for the basics such as raw materials and agricultural goods.

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If a country's level of foreign debt is on the rise, there will be an increase in the government's fiscal deficit, and this will hinder the development of the economy. As a consequence of the significant expansion in debt, the country today has a significant financial load (Kehinde, 2012). While Nigeria is one of the wealthiest nations on the African continent, there are various macroeconomic problems plaguing the country, such as joblessness, rampant dishonesty, complete reliance on crude oil as a primary source of income, inflation, and increasing external debt and debt service payments. In order to help combat this poverty, some of the country's citizens are below the poverty line (Oyejide,Soyede and Kayode, 2011).

Before the Paris Club (PC) acceptance of a $18 million debt cancellation for Nigeria in 2005, the country's foreign debt was over $40 million with more than $30 million due to the Paris Club (PC) alone. Nigeria's debts are deeply intertwined with the state of the country through the decades, as well as the seeming negligence of its leadership. Nigeria's debt stock was valued at $1 million in 1971. Budget for 2011 has increased to $33.4 million, a more than six-fold increase since 1991, with no sign of an end to the growth. Much of this growth is due to the persistently insatiable desire of government leaders to finance risky projects with borrowed money, and to the unchallengeable system of debt payments.

before the debt cancellation agreement, Nigeria was set to pay a staggering sum of $4.9 million in debt service per year (Aluko & Arowolo, 2010). Such loans would have caused the economy to face serious challenges in maintaining exchange rate stability, much alone achieving a few noteworthy growths. As soon as the Paris Club debt cancellation was completed, the drop in the value of the Nigerian Naira versus the U.S. dollar became instantly visible. In 2005, the Naira was trading at 130.6, and in 2006, it was only trading at 128.2, and in 2007, it had already dropped to 120.9. (CBN, 2009) Expand Though continuous economic growth (6.5% in 2005, 6% in 2006, and 6.5% in 2007) has returned, Nigeria's growth rate has varied, having decreased from 6.5% in 2005 to 6% in 2006 before bouncing back to 6.5% in 2007. increasing government funding for R&D It was predicted that, as the year continued, the benefits of debt cancellation would become more and more obvious. Rather than that, it was settled in 2009, after the US's main lending market collapsed in August 2007 as a result of the Great Recession prompted by the financial and economic crisis that started in the US in August 2007. The significant effect of the catastrophe on the Naira exchange rate was very notable, as the Naira price climbed substantially from around N120 USD in the fourth quarter of 2007 to N150 USD (about a 25% rise) in the third quarter of 2009. (CBN, 2009): This is a direct effect of Nigeria's dramatic reduction in foreign earnings and resulting increase in expenditures because of the ongoing decrease in crude oil prices, which went from US$147 per barrel in July 2007 to an all-time low of US$45 per barrel in December 2008. increasing government funding for R&D

The amount of foreign debt in Nigeria grew following the cancellation of its debts in 2005, as revealed by available statistics. In 2006, Nigeria's foreign debt was $3.545 billion, but as of 2009, the figure had risen to $3.654 billion. This trend has continued through to the current day. (This was mentioned in a recent CBN article) As a result, the study concluded that foreign debt management has had a major impact on Nigeria's economic progress during the last 33 years (1986-2018).

Statement of the Problem

Despite the fact that the London club paid down part of Nigeria's foreign debt, financial analysts and government officials are nonetheless worried about the country's debt profile. A general overview of the problem indicates that prior study has, perhaps, paid less attention to the benefits of foreign debt and more attention to the consequences of such debt on Nigeria's

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economic progress. As a consequence, there is an imbalance in such empirical studies, and as a consequence, there is a gap in current research.

Another problem the Nigerian government has with managing its foreign debt is the inability to effectively employ the debt for economic growth. Since the debt has been tainted by corruption, it has been turned into meaningless projects whose output will not be adequate to cover the principal and interest obligations. The consequence is that the Nigerian economy has so far failed to reach its full potential. This serves as a clear indication that it is what the loan is utilized for that is most important. Having debt in place in order to fund expenditure is not inherently negative; the only thing that counts is how the debt is used and how it is repaid.

Noko (2016) argues that there is no necessary link between debt and slow economic growth. Rather, debt often prevents a country from meeting debt service obligations, as well as a general lack of awareness about the debt and its structure, as well as the amount of money the country must pay, which can cause great hardships in the economy and an even worse state for the country.

Emerging nations, notably Nigeria, should know that this message is of fundamental importance. The fact that Nigeria has no way to fully meet its debt service commitments and repay debts exposes the government to a heavy debt service burden. While it is certainly not a problem for the government to pay the debt they have accrued, the problem of the growth in the budget deficit that is partly caused by the debt service level, is not addressed in this statement. This is a severe threat to the economy since a considerable percentage of the country's income has been wasted. Meanwhile, while there have been several study papers on the problem, earlier studies have been quiet on the effect of Nigeria's foreign debt management on the country's economic progress.

This study will attempt to estimate the effect of Nigeria's foreign debt management on the country's economic performance during the previous 33 years.

Conceptual Framework

In the context of this concept, external debt is defined as the proportion of money owed by a country to lenders such as commercial banks, international financial institutions, or the government. It was important to have an external debt in order to ensure the government had the financial resources to finance public goods that increased the welfare of the people and fueled economic growth (Ademola et al., 2013). external debts, which include loans obtained from international investors, are assets acquired via borrowing money from investors outside of the country and with the intention of using the funds to finance certain initiatives.

Many observers argue that a country's use of foreign debt is linked to its economic growth. This paradigm of national economic growth, in which nations grow via open markets and increased competition, is compatible with this findings. According to Keynesian theory, an increase in capital accumulation is seen as a strategy to stimulate economic growth. Momodu (2012) says that the two former Asian Tiger nations of Malaysia, Singapore, Indonesia, and Taiwan, as well as the South American country of Brazil, have all shown the notion to be correct in their respective countries. The cautious handling of foreign debt contributed to the economic growth of these nations.

A nation's debt negatively impacts the growth and development of the economy, such as when the loan is no longer being serviced, when the interest cannot be paid, or when the government is unable to meet its financial obligations. As a result, the debt became a burden on the country,

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which impeded the economy's growth. The country's available money for investment is depleted due to debt repayments.

To help manage your debt, you should examine the following debt management strategies: the overall debt to local revenue ratio, the debt to gross domestic product ratio. External debt service refers to the maintenance of borrowed cash to make the payback obligation as fresh in the borrower's mind as possible (Safadariand Mehrizi, 2011). It is the rate of interest that is agreed upon between the lender and borrower. Similarly, the balance of payments simply refers to an organized record of a nation's/financial economy's transactions over a given period of time, commonly one year, between its people and non-residents globally. The kind of transactions in which money changes hands in exchange for goods and services, changing liability claims throughout the world, and the creation and acceptance of assets and income. More specifically, balance of payments is comprised of three primary sections: (1) transactions on commodities and services, (2 with regard to income, assets, and net reserve additions, and (3) balance of payment additions of Special Drawing Rights and monetary gold (Obudah & Tombofa, 2013).

When dealing with a nation's financial accounts, countries that have a negative balance of payments may find that their economy does not grow as fast as it might because local enterprises provide insufficient outputs, which may be judged politically or socially costly. Developing nations may have a number of practical needs that a sound and efficient balance of payments administration may help satisfy, such as using available resources to mobilize new resources and maintaining a stable and lasting balance of payments. Amassoma (2011) made the point that nations with balance of payments challenges should prioritize the expansion of domestic production in order to produce items for export and gradually boost the value of their currency in order to relieve their spending problems. In order to better understand the balance of payments effects of a slowdown in the growth of emerging countries Ajayi & Oke, (2012). look at how decreases effect a number of countries' foreign exchange reserves.

The exchange rate is the price of a single local currency in relation to the foreign currency it is exchangeable with. When calculated in this manner, the exchange rate is essentially equal to the amount of foreign currency acquired for one unit of the domestic currency or the cost of acquiring one unit of the foreign currency in the domestic currency.

Concept of Debt

The Cambridge Academic Content Dictionary defines debt as a liability with the ability to pay interest, and these liabilities exist in three main forms: individuals, businesses, and governments. To a state of obligation, it is most typically a state of indebtedness, when someone owes money to someone else that has yet to be paid. According to Oyejide, Soyede, and Kayode (2011), debt is seen as a financial resource or currency used by organizations in order to avoid contributing to their suppliers and does not assist them in any way. In addition, debt is referred to as a liability that is identified with a financial instrument or other recognised equivalent.

In order to describe how to classify debt, we may distinguish between internal and external debt: (1) Productive debt and; (2) Dead weight debt.

Productive debt: This refers to financing obtained to enable a nation to acquire certain assets for economic growth. A loan secured for the acquisition of refineries, power, industries, and other important assets is an example.

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Dead weight debt: This is a word that is used to describe a loan that has been obtained from other countries for military reasons as well as current expenses. Once a nation takes a loan from another country, it may purchase things and services at an interest rate anywhere between the original loan amount and the amount that was borrowed, as well as export anything of significant value in return. The country's trade balance suffers because after repaying the capital and interest on the loan, it is compelled to export goods and services while getting no imports in exchange. In order for the borrowing countries to be able to service both the principle and interest on their debt, their future savings must go towards both the interest and principal. Debt should be invested in any enterprise that is financed with borrowed money; since the profitability of that endeavor must surpass the cost of debt repayment to provide a profit that surpasses the borrowed money used to support it (Ajayi & Oke, 2012).

Nigeria embarks on foreign loans, with little regard for hazards or safety, to support its economic progress, the first step in which is receiving new loans from other countries under a stringent requirement. Nonetheless, devaluation, which was supposed to help raise the value of Nigeria's production, and all of the other measures and criteria (including devaluation) failed to improve the value of Nigeria's production, increasing the country's capacity to repay the loan, resulting in what is referred to as an external debt crisis (Uma et al., 2013).

External Debt

External debt is described as money that is lent to a country from outside the country and which has been utilized there without any of the money having been produced within the country and without the aid of regular people, corporations, or individuals (Ogbonna & Appah, 2016). External debt is a representation of the amount of debt that comes from outside sources such as foreign businesses, governments, or global financial institutions. To make sure that the borrower repays the money that he or she borrows, these loans and their related interest must be returned in the currency in which the loan was received. In order to complete the financial picture, the balance of the debt owing to outside lenders must be included.

The situation arises when local funds are inadequate to help investors to access investment capital. In this case, foreign debt is mentioned as a source of funding to help bridge the gap between domestic savings and investment. This means that external debt, which is debt due to people or entities outside of the country that is receivable in globally acknowledged currencies, goods, or services, is one kind of government and private debt. The statistics are represented in terms of currency exchange rates, rather than purchasing power parity (PPP).

External Debt Management

External debt management, as laid forth by Ogbonna & Appah (2016), involves a wide variety of institutions and technologies that serve to structure a country's commitments in such a manner that the debt payment burden stays manageable.

The fundamental purpose of external debt management is to guarantee that the government's financial obligations and payment obligations are met at the lowest feasible cost in the intermediate to long term, while retaining a sensible degree of risk (Guidelines for public debt management).

In the aforementioned article, Bhatia (2008) claims that external debt management incorporates providing the conditions for the issuance and release of public securities and foreign loans. In the case of the external public debt, which involves paying interest and arranging for refinancing of maturing bonds/debt, the act of managing this is called managing the debt. It relies on sticking to a planned and careful timetable in order to achieve the underlying rule of

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gaining deployment or to keep the balance of payments in balance. It includes the ways in which it is dealt with in order to avoid the formation of bad debt and the existence of ungovernment debt.

There are three different yet interconnected tasks when it comes to managing external debt: (1) Selecting the proper financing; (2) Deciding how much to borrow and (3) Keeping absolute up – to date records on debt.

External Debt Service Payment

In a 2013 study by the World Bank, foreign debt service payment was defined as the amount of principle and interest payments made in a certain year. The interest on external debt plus principal repayment of foreign debt are referred to as external debt service payment. There are no additional fees or charges in connection with your payment outside the payment of the principal, interest, and fees due on the overdue balance. Long-term external debt service payment, includes interest on the long-term debt and repayment of the principal portion of the long-term loan.

The External Debt Service Payment May Be Payable in a Short-Term Fashion

Also called extended maturities, long-term debt service payments are defined as debt with an original or external maturity of more than one year that is due to a non-resident by a resident of an economy, as well as payments in foreign currency, products, or services, as well as interest in arrears on long-term debt. Carrying short-term external debt service payments should not be extended on debt maturing in one year or less from the date of debt contract issuance.

External debt service payment figures for December 2018 show that Nigeria owes $192,440 USD in debt payments. The April figures were 849.973 USD million, down from the March total of 879.693 USD million. According to Nigeria's external debt service payment data, which is updated quarterly, the average debt service payment increased from $95.286 USD million in March 2008 to $849.973 USD million in September 2018, with 44 comments suggesting the maximum payment of $849.973 USD million was made in September 2018 and the minimum payment of $47.998 USD million was made in June 2016. While external debt service payments data for Nigeria is available via CEIC, and the Debt Management Office of Nigeria also reports on these payments, there is no recorded debt service for Nigeria (2018).

Balance of Payment

A record of all transactions between entities in one nation and the rest of the globe for a specific period of time, such as a year or quarter, is referred to as the balance of payment. The Balance of Payments (BOP), sometimes known as the Balance of International Payments (BIP), is a total of all transactions carried out by people, corporations, and government agencies in a country. Transactions included by this data set include the import and export of items, services, and resources, as well as the transfer of payments such as foreign aid and remittances (Will Kenton 2019). When it comes to the country's balance of payments, it is an accurate record of all economic transactions occurring between the country's residents and those from other countries during a given time period (e.g., a quarter otherwise a year).

The CIEC organizes several different activities (2018) Niger balance of payments: in December 2017, the data balance was reported to be 10.381 USD billion. This research confirms that the prior estimate was correct, and notes that the number was around 2.7 trillion USD. The remaining payment balance in the country of Niger; Current Account: In order to keep the data on the whole range of values, balance data is refreshed every year and averages $1.203 trillion between December 1977 and December 2017, with 41 observations. The price

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attained an all-time high of 36.529 trillion dollars in 2005 and a record low of 16.019 trillion dollars in 2015. the Nigerian government The dynamic position now available consists of the balance on what is left of the position. These are provided by CEIC and the World Bank.

Exchange Rate

When discussing currency exchange rates, the value of one nation's currency in respect to the currency of another nation or economic zone is referred to as the exchange rate. A specific illustration of this would be how much one euro costs in U.S. dollars. On February 23rd, 2019, the exchange rate is $1.13, which means that it costs $1.13 to acquire one pound (Michael, 2019).

When speaking about currency, an exchange rate is the rate at which one currency is exchanged for another. When talking about foreign exchange, traders will mention how steady the exchange rates are. That's because they are able to trade with many different types of people and can find currency trading on the market at all times. A favorable or proper exchange rate has been a crucial factor in favor of development in most industrialized economies, but frequent exchange rate changes or an incorrect exchange rate has impeded development in some African countries, the greatest of which is Nigeria (Isola et al., 2016). a lower exchange rate is beneficial for exporters since it decreases their costs, and it also encourages more demand for British goods. This can lead to an increase in demand, which would drive economic development. Reduced demand for conjugal services might lead to increasing inflation and a rise in the need for such services. Therefore, because of exchange currency appreciation, the real GDP growth is slower as a consequence of reduced net exports (less inoculation) and rising demand for imports (an increased outflow in the circular flow). Thus, an economy in which the exchange rate is at a high level might have a negative multiplier impact.

Economic Growth

In Jim Chappelow's estimation (2019), economic growth is measured as an increase in the aggregate production of an economy. For the most part, when there is a rise in average marginal productivity, there is a rise in total production. This leads to a rise in revenue, which encourages people to open their wallets and buy more, which results in an improvement in the quality of life or standard of living. An increase in the production of economic goods and services from one time period to the next is referred to as economic growth. While inflation is applied to nominal terms, inflation may also be applied to inflation-adjusted terms. Historically, economic growth has been quantified in terms of gross domestic product (GDP) or gross national product (GNP), but other measurements are sometimes applied.

It is important to note that it also suggests a growth in a nation's population's standard of living resulting from a gradual advance from a basic, low-income economy to a contemporary, high-income economy. This requires creating equilibrium in all the sectors of the economy by means of the process of commodities and service production, whether it is agriculture, finance, manufacturing, health, or education (Jhingan ML, 2010).

To better describe the economic transition from agrarian to industrial and from industrial to knowledge based economies (Agarwal et al., 2020) conceptualizes economic development as an outward shift in the production potential curve of an economy (PPC). a boost in a country's overall output is known as Real Gross Domestic Product (RGDP) or Gross National Product (GNP) (DNP). A nation's Gross Domestic Product (GDP) is the total worth of all final items and services generated within the country within a specific time period. A rise in GDP indicates an increase in the amount of goods a nation produces.

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Theoretical Framework

There are several theories that contribute to the impact of external debt management on economic growth of Nigeria. However, this study is hinged on the dependency theory.

The Dependency Theory

Historically, the Dependency theory was first suggested by the developing nations in the late 1700s. This concept is founded on the idea that money flows from impoverished and undeveloped nations' peripheries to the more wealthy countries, in which case the more wealthy countries profit at the cost of the less well-off. Dependency theory holds that it is not owing to a lack of coordination or integration into the global economy that the developing countries' poverty persists. On the contrary, it is the way in which they are coordinated into the global economy that perpetuates poverty in the developing world. As it seems, the majority of bourgeois academics adhere to the school of thought known as the bourgeoisie academics. Some scholars claim that their internal problems and their ongoing dependent on countries that are not totally developed causes their present state of underdevelopment and inability to grow and evolve on their own. Some may argue that they are unable to understand this predicament because of their lack of proficiency in the areas of seal integration, capital distribution, technology altitude, institutional framework, bad leadership, dishonesty, and mismanagement (Momoh & Hundeyin, 1999). Third country countries regard their underdevelopment and reliance as self-inflicted rather than a result of an outside influence. Some theories have it that the world's economies are headed toward a total collapse. The only solution, according to this perspective, is for third world governments to ask for assistance from other countries by the means of financial assistance, loans, and investment, and to allow multinational corporations to continue operating without interruption (MNEs). This is due to the immature majority of the least developed countries' reliance on industrialized nations for nearly everything from technological advancement to foreign aid, technical help, and even daily living practices. Because the vast majority of small nations are reliant on other countries and international organizations, they are more likely to adopt Western city states and the Breton Woods organizations' policies (Khan & Ajayi, 2000). The dependence theory holds everything up to scrutiny to provide a comprehensive analysis of the factors that propelled developing countries to their positions and an unending dependence on foreign assistance for economic and development.

Empirical Review

It has been shown that several research on the economic repercussions of foreign debt have been permitted. He also found that debt was responsible for raising the pace of economic growth and for boosting investment in Pakistan. In this case, he used a mixed model, which takes into consideration the function of foreign debt in the growth equation. The researcher used the Autoregressive distributed lag (ARDL) methodology to arrive at an estimate of the model and found that both domestic and international debt had a negative affect on per capita GDP and investment, suggesting the existence of a "debt overhang effect" that prevents private investment.

A review of Nigeria's debt burden and its impact on the economy throughout time using annual time series data from 1970 to 2007 is carried out by Ogege & Ekpudu, (2010) Regression analysis was used to analyze the data and to determine the assumptions. The results suggest a negative correlation between an increase in both internal and foreign debt stocks and the growth of the nation's gross domestic product, which means that a rise in debt would result in a decline in the growth rate of Nigeria's economy.

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The research was conducted by the aforementioned scholars: (Ezeabasili et al, 2011). They employed econometric analysis to assess the connection between Nigeria's foreign debt and economic progress from 1975 to 2006. The growth of the Nigerian economy is negatively correlated with the amount of external debt that it has, according to the error correction estimates. It was suggested that the Nigerian government pay particular attention to the capability to deal with debt rather than low debt to GDP or the low cost of debt servicing. Additionally, future debt talks should take into consideration the capacity ratios of the country's economy.

Amassoma (2011), in a similar research study that focused on the relationship between foreign debt, domestic debt, and economic growth in Nigeria, employed the Granger causality test to discover if there was a causative relationship between the variables. To research his hypothesis, he found that there is a bidirectional causal link between economic development and the incurrence of internal debt in Nigeria, but a unidirectional causal link between economic development and the occurrence of external debt in the country, suggesting that growth causes the incurrence of internal debt in Nigeria.

The research done by Atique & Malik (2012) measured the effects of both domestic and international debt on Pakistan's economic performance during the period of 1980 to 2010. The ordinary least squares (OLS) approach, and also the cointegration test, were employed to measure the linear relationship between two variables. In summary, the results indicated a strong negative correlation, with examples both illustrating an inverse connection between domestic debt and economic development and with instances illustrating an inverse connection between foreign debt and economic development.

When discussing the link between debt servicing and economic progress in Nigeria, Mumudu (2012) concluded that it does not have a direct correlation. Research was undertaken to discover the correlation between Gross Domestic Product (GDP) and Gross Fixed Capital Formation (GFCF) at Current Market Prices (GFCF). Using the Ordinary Least Squares multiple regression technique, the data were evaluated. the study indicated that debts owed to Nigerian creditors had a major impact on GDP and fixed capital formation at current market prices (GFCF).

Oke & Sulaiman (2012) study the link between foreign debt, economic progress, and investment volume in Nigeria during the period from 1980 to 2008, which starts with the debt peak and ends with the economic and financial crisis. The dependent variable of the research is Gross Domestic Product (GDP), while the research's explanatory factors are foreign reserves to external debt, private investment, currency rate, interest rate, debt service ratio, and inflation rate. The results were further evaluated using multiple regression analysis. As a result of the data analysis, the research discovered a beneficial association between foreign debt, economic growth, and investment in Nigeria.

In addition, Kabadiya et al, (2012) demonstrated a correlation between foreign debt and economic progress in 19 Transitional economies in a separate study. The panel Autoregressive distributed lag (ARDL) model was utilized in this instance. External debt is found to have a positive and significant effect on the growth of the economy, as well as long-term external debt having a positive effect on the openness of economies; however, in the short term, external debt to export ratio is found to have a negative effect on the rate of growth of transitional economies.

His analysis of the Granger causality and Egbetunye findings (2012). There were initial differences among the causal connections that were investigated for their stationary features,

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which were the reasons for the residual stationary behavior of the chain. The cointegration test demonstrated that there was a long-term relation between the amount of public debt a country had and the level of economic progress in that country. Based on the data, it can be said that there is a bidirectional relation between public debt and economic growth. This indicates that for an economy to sustain its growth, it must seek loans to speed up the development process, and borrowing also helps growth in Nigeria.

Additionally, the study by Rahman et al, (2012) evaluated the connection between Bangladesh's foreign debt and GDP. Since seasonal biases were to be avoided, the annual time series data were utilised, and the ADF and Phillips-Perron tests were used to assess the stationary characteristics of the variables. As was done using Granger causality and co-integration models, the long-run relationship and the direction of causation between the variables were discovered using co-integration and Granger causality. There is a bi-directional relation between GDP and foreign debt; that is, their effect on each other are simultaneous and opposite (EXD).

Methods

Research Design

The purpose of this study is to determine the influence of foreign debt management on Nigeria's economic development from 1986 to 2018. For the thirty-three-year study period, an ex post facto (after the fact) research strategy was adopted since secondary sources of data were consulted.

Model Specification

The model utilized in this research is comparable to that employed by Ajayi & Oke (2012) in their empirical research of the effect of foreign debt on Nigeria's economic growth and development. They demonstrated the relationship between Nigeria's foreign debt and economic development using a simple open macroeconomic debt growth model. The utilitarian relationship between the variables is stated numerically as:

$$NI = F(DSP, EXTR, INTR)$$

The model engaged in their study include the following

$$NI = \beta 0 + \beta 1DSP + \beta 2EXTR + \beta 3INTR + U \quad (3.1)$$

Where:

NI = National Income

DSP = Debt Services Payment

EXTR = External Reserves

INTR = Interest Rate

U = Stochastic error term

β1, β2, β3 = slope of the regression equation.

This research modified the model proposed by the preceding authors. To the extent that our models correspond with past empirical investigations, we described them mathematically as follows in regard to each of the assumptions.:

$$RGDP = f(EXD, EXDS, BOP, EXR) \quad (3)$$

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Where;

RGDP = Real gross domestic product

EXD = External debt

EXDS = External debt service

BOP = Balance of payments

EXR = Exchange rate

Following minor revisions to the preceding empirical model, the mathematical formulation of the equation used to determine the influence of external debt management on Nigeria's economic development is as follows:

$$RGDP = \beta 0+ \beta 1EXD+ \beta 2EXDS+\beta 3BOP+\beta 4EXR+e$$

Where:

$\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$ = the slope of the regression equation.

E = the error term.

Other factors remain in the equation, as mentioned before.

The equations above were developed via the process of obtaining the solution to the behavioral demand and supply function for the Nigerian economy's development. All independent variables in the model should be positive and significant

Results and Discussion

Data Analysis and Interpretation

Unit Root Test

Table 1. Unit Root Test Result (Summary)

Variables	**Levels**					**1st Differences**					**Order of Integration**
	ADF t-stat	Critical Values				ADF t-stat	Critical Values				
		@ 1%	@ 5%	@ 10%	p-value		@ 1%	@ 5%	@ 10%	p-value	
RGDP	-2.79	-4.27	-3.55	-3.21	1.0000	-7.85	-4.28	-3.56	-3.21	0.0003	I(1)
EXD	-1.91	-4.28	-3.56	-3.21	0.6231	-5.59	-4.28	-3.56	-3.21	0.0269	I(1)
EXDS	-3.19	-4.27	-3.55	-3.21	1.0000	-5.80	-4.28	-3.56	-3.21	0.0299	I(1)
BOP	-3.00	-4.37	-3.60	-3.23	0.1497	-6.97	-4.37	-3.60	-3.23	0.0293	I(1)
EXR	-1.64	-4.27	-3.55	-3.21	0.7511	-5.06	-4.28	-3.56	-3.21	0.0015	I(1)

Source: E-views 9.0

In the table provided in Table 1 the unit root test results for all variables were shown, meaning that they do not all follow the same order of nonstationarity. A calculation of augmented Dickey fuller (ADF) results in similar results to Augmented Dickey fuller (ADF) and Augmented Dickey fuller (ADF) is verified by scrutiny of ADF test results, which indicate that similar results are obtained. Since the results of the test showed that the variables were different, but that the first difference proved that the variables were stationary, the experiment proved that these relationships were all present at the same time. The sequence in which the variables were integrated suggests that they were done in the same order (1). As a consequence, the test result

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was in a confused state due to an improper integration of variables, requiring the application of the Auto-Regressive Distributed Lag (ARDL) cointegration approach to verify that a long-term relationship does indeed exist.

Co-integration test

Table 2. Unrestricted Cointegration Rank Test (Trace)

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.900776	130.7288	69.81889	0.0000
At most 1 *	0.647420	59.10729	47.85613	0.0031
At most 2	0.458796	26.79045	29.79707	0.1069
At most 3	0.221362	7.757730	15.49471	0.4917
At most 4	3.99E-05	0.001238	3.841466	0.9713
Trace test point out 2 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

The values in Table 4.2 were computed using the Johansen cointegration technique. Over a thirty-three-year period, the long-run associations between the variables were calculated (1986-2018). At the 0.05 level of significance, the Johansen co-integration trace test result indicates the presence of two cointegrating equations. This means that the factors relating to Nigeria's foreign debt and economic development have a long-term connection within the reference period.

ARDL result on the impact of external debt management on economic growth of Nigeria.

The regression result of ARDL is presented in Table 4.3 and discussion exhaustively:

Table 3. ARDL Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
RGDP(-1)	0.490673	0.157205	3.121221	0.0262
RGDP(-2)	0.304642	0.208849	1.458669	0.2045
RGDP(-3)	-0.520908	0.184343	-2.825750	0.0369
EXD	0.909678	0.514275	1.768855	0.1371
EXD(-1)	0.865502	0.544784	3.588706	0.0130
EXD(-2)	-0.580277	1.090113	-0.532309	0.6173
EXD(-3)	0.048478	0.593532	0.081677	0.9381
EXD(-4)	-2.045316	0.830480	-4.462812	0.0070
EXDS	14.13705	6.010680	2.351988	0.0654
EXDS(-1)	4.915305	5.264859	0.933606	0.3934
EXDS(-2)	15.68350	5.792002	2.707785	0.0424
EXDS(-3)	22.48635	5.632838	3.992011	0.0104
EXDS(-4)	-14.16097	5.509409	-2.570326	0.0500
BOP	0.644525	0.208530	3.090810	0.0271
BOP(-1)	1.184858	0.282493	4.194287	0.0085
BOP(-2)	1.368991	0.445600	3.072245	0.0277
EXR	3.311399	16.83096	0.196745	0.8518
EXR(-1)	-16.31137	14.25764	-1.144044	0.3044

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EXR(-2)	29.26955	23.57520	1.241540	0.2695
EXR(-3)	24.61201	15.03585	1.636888	0.1626
EXR(-4)	-14.38044	23.77993	-0.604730	0.5718
C	-410.3936	184.1927	-2.228067	0.0764
R-squared	0.732984	Mean dependent var		36055.83
Adjusted R-squared	0.729909	S.D. dependent var		39581.11
S.E. of regression	376.9102	Akaike info criterion		14.59921
Sum squared resid	710306.5	Schwarz criterion		15.73076
Log likelihood	-187.6885	Hannan-Quinn criter.		14.95359
F-statistic	13425.28	Durbin-Watson stat		2.252055
Prob(F-statistic)	0.000000			

Source: Author's computation using E-view 9.0

E-view Auto- Regressive Distribution Lag (ARDL) calculate many diagnostic statistic; the coefficient, the coefficient of multiple determination (R2), the F-statistics, Durbin-Watson statistics and the probability values will be considered in the interpretation of result.

The Coefficient: The coefficients for external debt (EXD) are 0.909678, 0.865502, - 0.580277, 0.048478, and - 2.045316, for the following lags: 0.909678, 0.865502, - 0.580277, 0.048478, and - 2.045316. The external debt service (EXDS) coefficient values are 14.13706, 4.915305, 15.68350, 22.48635, and - 14.16097. BOP coefficients are: 0.044525, 1.184858, and 1.368991. When it comes to exchange rate coefficients, they are 3.311399, -16.31137, 29.26955, 24.61201, and – 14.38044. C = -410.3936 C's negative value of 410.3936 represents the quantity of RGDP that is produced (the amount of economic growth) without the presence of external debt (EXD), external debt service (EXDS), the current account (CURRENT), and currency fluctuations (EXR).

The EXD coefficient of 0.909678 and the external debt coefficient of 0.048478 suggest that while all other factors stay constant, a single unit increase in external debt leads to a 0.909678 and 0.048478 percent rise in economic growth, respectively (RGDP). Also with regards to foreign debt, payments, and the balance of payments, as well as for exchange rates with positive coefficient values, the same applies.

An explanation of the two statistics: Continuing with the external debt coefficient, values such as – 0.580277 and – 2.045316 demonstrate that a 1 percentage point fall in external debt growth causes a – 0.580277 and – 2.045316 percent decrease in overall economic growth, respectively (RGDP). Other words express the same thing as well; Payments on foreign debt, the balance of payments, and exchange rates with negative coefficient values all convey the same concept.

The coefficient of multiple determinations (R2): If we assume that the explanatory factors in this case account for 73% of economic growth in Nigeria, the R-squared value of 0.732984 suggests that they explain 73% of the variance in this variable. In other words, the whole variance of GDP is attributed to differences in RGDP between BOP, EXD, EXDS, and EXR.

These F-Statistics: It is calculated that the F-value of 13425.28 is extremely significant since the P-value is 0. (0.000000). If the premise that foreign debt, external debt service payments, balance of payments, and exchange rate have no major impact on Nigeria's economic growth

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is rejected, the null hypothesis may be said to be solidly rejected. More or less, all the relevant aspects in the Nigerian economy have a substantial influence on its overall growth.

Durbin and Watson-Durbin-Watson statistic: Durbin–Watson statistic with the value of 2.252055 yields a p-value of 0 indicating the lack of serial correlation in the error terms. This is to say, the regression results should be used as a guide.

The Probability Value: In light of the likelihood value for significance at the 5% level for the independent variables, EXD, EXDS, and BOP, the probability is that EXD is 1. The fact that they have a statistically significant influence on the Nigerian economy's progress is shown by this. Though the Nigerian economy's progress is highly dependent on exchange rate fluctuations, the influence on the exchange rate's probability value is minuscule

Both quantitative and explanatory study studied the impact of Nigeria's foreign debt management on its economic growth, examining the country's statistics across time using annual time series data from 1986 to 2018. Multiple regression was utilized to evaluate the influence of various independent variables on the outcome variables and the dependent variables. The coefficients of the predictors were muddled, meaning they had both negative and positive coefficients. This suggests how important the various variables were in the advancement of Nigeria's economy.

Many scholars have been interested in the impact of foreign debt on a nation's economic growth throughout the years, despite the actual conclusions from these studies being inconsistent. The independent variables of interest in our analysis, including the External Debt (EXD) and External Debt Servicing (EXDS), were found to have a statistically significant impact on Nigeria's economic growth proxy, Real Gross Domestic Product (RGDP), with this relationship existing across different time lags. In this case, this link means that sound management of the various loan money earned in foreign exchange has provided increases in economic activity at different moments in time.

The total amount of outstanding external debt is also an important factor in GDP since the repayment of this debt impacts economic growth (RGDP). The chart shown here indicates that the Nigerian economy has gained financially on several occasions as a consequence of the country's debt servicing procedures. Although there seems to be significant effect on Amassoma (2011) results, that seems to be consistent with previous results (2011). Although our conclusion of a strong effect on external debt accumulation contradicts Ogege & Ekpudu (2010), who found that external debt accumulation and exchange rate volatility have hurt the Nigerian economy, we maintain that they are incorrect.

Moreover, the statistics show that the Balance of Payments (BOP) had a notable effect on Real Gross Domestic Product (RGDP), meaning that during the time period in question, the balance of payments had a substantial impact on the country's economic activity. Additionally, the Exchange Rate (EXR) exhibited a negligible relation with Real Gross Domestic Product (RGDP), which suggests that the Exchange Rate did not contribute considerably to the country's economic output throughout the time period the study was conducted. While the little effect of the exchange rate is in line with previous results by Kabadiya et al. (2012), which found a negative correlation between exchange rate volatility and economic growth.

Conclusion

The goal of this study was to investigate the relationship between foreign debt management and Nigeria's economic progress. The process of determining the terms and conditions for the issue and redemption of government securities/foreign loans is referred to as external debt

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management. The purpose of this policy is to make sure that the government's use of borrowed money and the administration of payment carry a considerable expense in the long run, while at the same time adhering to a sensible level of risk. Another way to think about economic growth is that it happens when the supply of economic goods and services grows through time. Just as economic progress is important for Nigeria, it is also necessary for the nation to pay its debt. Debt and debt management are crucial elements of the nation's economic picture, and a failure to repay may result in massive economic turbulence. Nonetheless, the study was carried out to find out the impact that Nigeria's foreign debt management has on the nation's economy. From the results of the research, it was found that all of the factors related to the economy in Nigeria had an impact on growth. (1) External debt had a considerable influence on the Nigerian economy, which saw robust growth as a result; (2) Also, the fact that Nigeria pays off its external debt has a substantial influence on the overall economy of the nation; (3) Similarly, Balance of Payments results were shown to have a substantial influence on the economic development of Nigeria; (4) Even the exchange rate has no measurable effect on the economic development of Nigeria. An empirical conclusion indicated that an increase in foreign debt has a negative impact on economic growth. As a result, it was found that only the variables were significant on the model of economic growth within the relevant period (2012 to 2017), with the exception of exchange rate, which was found to be statistically insignificant, which means that the contribution of exchange rate was minimal to RGDP over these years. By looking at the global effects of foreign debt, it's clear that this particular country's economic development was significantly impacted. The following points serve as evidence in favor of H01, H02, and H03 being rejected after the tested hypotheses from the regression analysis, while, H04 was accepted

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