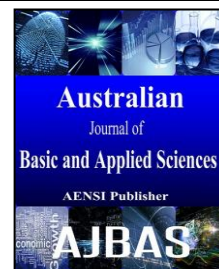




ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com

The Political Economy of External Debt Management in Nigeria: Strategies, Issues and Challenges

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ARTICLE INFO

Article history:

Received 25 July 2015

Accepted 30 August 2015

Available online 9 September 2015

Keywords:

External debt; political economy; debt management strategies, challenges and Nigeria.

ABSTRACT

The paper examines External Debts Management Strategies in Nigeria and its implications on the country's political economy. It adopted descriptive research and the content analysis approach; in which data were mainly obtained through extensive literature review from books, scholarly journal articles, and the internet sources. It discovered some abnormalities in the way external debt are managed; which tend to confer some negative attributes to the Nigerian political economy such as, unfavorable loan terms; epitomized by compounding of interests, poor management of credit facilities, fragile economic base, overdependence on foreign aids as well as paucity of statistics on loans. These led to underperformance of almost all the key economic indices of the Nigerian state thereby creating poor infrastructural development, a very weak manufacturing sector with an attendant consequence of chronic unemployment rate. The paper concludes that; unless deliberate attempts have been made to translating the designed strategies already put in place, into meaningful results, the country's debt stock will continue to skyrocket; thereby accumulating huge burden on its developmental; socio-political and economic strides. Based on these, it was recommended amongst others that; Nigerian state must manage its credits better by allocating the funds to the real sectors of the economic base and deliberate policy must also be embarked upon to encourage the development of virile productive sector, for sustainable economic development.

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To Cite This Article: Madu A.Y., Abbo U., Rohana Y. and Suyatno L., The Political Economy of External Debt Management in Nigeria: Strategies, Issues and Challenges, *Aust. J. Basic & Appl. Sci.*, 9(29): 23-30, 2015

INTRODUCTION

Oil has been the major sources of government revenue in Nigeria; which accounted for about 95% of foreign earning and 80% of budgetary commitments. Nigeria's inability to diversify the economy has made it impossible to produce adequate revenue to managing its economy. One of the key challenges confronting the nation is the means by which it can attain a level of economic prosperity that can bolster sustainable growth and development (Duru & Anang, 2006). However, the resources are not satisfactory enough to finance every developmental project that is geared towards achieving the macro-economic objective.

Additionally, the wide gap between accessible domestic resources or savings and the investments to be attempted prompts low productivity (Aluko & Arowolo, 2010). The existence of this deficit frequently than not compel the nation to turn to external borrowings to close the savings/investment

gap in an attempt to fastrack the monetary growth and development. Omoruyi (2004) notes that, Nigeria have borrowed widely on commercial terms from creditors agencies and raised funds from international banks and capital markets to supplement the accessible resources.

It is however, generally expected that developing countries, confronting a shortage of capital, will obtain external debt to supplement domestic saving (Audu 2004). Furthermore, external borrowing is desirable over domestic debt on the grounds that the interest rates charged by international financial institutions like International Monetary Funds (IMF) is about half to the one charged in the domestic market (Malik *et al*, 2010). However, whether external debt would be useful to the borrowing country relies upon how the obtained funds are utilized and channeled to the productive sector of the economy or for consumption. Hameed *et al* (2008) expressed that debt financed investment need to be productive and very much managed enough

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to win a rate of return higher than the cost of debt servicing.

The aim of sourcing any loan is for the attainment of some macroeconomic objectives of stability and growth of the economy. Government really needs to intervene to make preparations for instability which is detrimental to the living standard of the individuals. A significant approach to back intervention project is by borrowing internally or externally. Loans got along these lines are government revenue. The installment and servicing of such loans are public expenditure. The cost of overhauling public debt (domestic and external) may grow beyond the capacity of the economy to adapt, subsequently impacting adversely on the capacity to achieve the required financial and fiscal policy objectives. Subsequently, External debts management issues among the developing nations have remained a recurrent issue among public financial management scholars.

The fundamental lesson of the standard "growth with debt" writing is that a country ought to borrow abroad in as much as the capital obtained produces a rate of return that is higher than the cost of the foreign borrowing. In that occasion, the borrowing country is expanding capacity and revamping output with the support of foreign savings (Adepoju *et al*, 2007). The debt, if appropriately used, it is expected to assist the debtor nation's economies by creating a multiplier effect which prompts increased employment, satisfactory infrastructural base, a bigger export market, enhanced exchange rate and favorable terms of trade. However, this has never been the situation in Nigeria where it has been abused (Aluko and Arowolo, 2010). Aside from the way that external debt had been gravely consumed in the nation, the management of the debt by way of service payment, which is normal in foreign exchange, has grossly undermined their macroeconomic performance.

Prior to the debt cancellation arrangement, Nigeria was to pay an incredible aggregate of \$4.9 billion consistently on debt servicing (Aluko and Arowolo, 2010). It would have been difficult to accomplish exchange rate stability or any important growth under such indebtedness. The impact of the Paris Club debt cancellation was quickly observed in the consecutive reduction of the exchange rate of Nigeria versus the Dollar from 130.6 Naira in 2005 to 128.2 Naira in 2006, and after that 120.9 in 2007 (CBN, 2009). In spite of the fact that the growth rate of the economy has been conflicting in the post-debt relief period as it plunged from 6.5% in 2005 to 6% in 2006 and afterward increase to 6.5% in 2007 (CBN, 2008), it could have been more awful if the debt had not been cancelled.

However, the benefits of the debt cancellation, which was expected to show after couple of years, was wiped up in 2009 by the global financial and economic crisis, which was hastened in August 2007

by the breakdown of the sub-prime lending market in the United States. The impact of the crisis on Nigeria's exchange rate was extraordinary as the Naira exchange rate versus the Dollar hiked drastically from about N120/\$ in the last quarter of 2007 to more than N150/\$ (around 25% expansion) in the second from last quarter of 2009 (Adesola, 2009). This is attributable to the sharp drop in foreign profit of Nigeria as an aftermath of the determined fall of crude petroleum value, which plunged from an unsurpassed high of US\$147 per barrel in July 2007 to a low of US\$45 per barrel in December 2008 (Ogbeifun, 2007). Available figures demonstrate that the external debt stock of Nigeria has been on the increase after the debt wiping out in 2005. The nation's external debt drastically increased from \$3,545 million in 2006 to \$3,654 million in 2007, and afterward to \$3,720 million and \$3,947 in 2008 and 2009 separately (Adesola, 2009).

A rising debt burden may constrain the capacity of government to attempt more productive investment programs in infrastructure, education and public health. Sanusi (2011) in this manner advised that, "to stay away from such a situation, it is imperative that the quantum and structure of the nation's debt be carefully managed in a way that is consistent with the nation's growth and development aspirations. In such manner, it is imperative that attempt is made in delving into alternative sources of procuring funds for development so as to minimize taking of loans. The associated issue of installment of principal and servicing of loans culminated in diminishing virtually various types of infrastructure in Nigeria". It is thus, important to look at the impact of external debt on the Nigerian political economic performance for us to realize the need to abstain from falling back into the group of exceptionally indebted countries yet again.

2. Conceptual Clarification and Framework for Analysis:

External debt management may be seen as policy which seeks to change the stock, arrangement, structure and terms of debt in order to maintain at any given time, an economical level of debt service payment, (Iyoha 1997). Debt on the other hand is created by the process of borrowing. It is viewed by Audu (2004) as the asset or money use in an organization that is not contributed by its proprietor and does not in some other way belongs to them. It is a liability represented by a budgetary instrument or other formal equivalents. External debt therefore alludes to the resources of money being used in a country that is not produced internally and does not at all originate from domestic citizens either Corporate or individual.

The World Bank (1998, cited in Adesola, 2009) portrayed external debt as involving the amount of money at any given time dispensed and remarkable

contractual liabilities of residents to pay interest, with or without principal.

Numerous theoretical contributions have been made with respect to outside debt and full scale monetary execution. The vast majority of these theories are of significance to this paper, however just three of such theories should be utilized as the building square to this paper; hence, the following theories will be examined: the dual-gap theory, debt overhang theory, and crowding-out effect theory.

2.1. The Dual-gap theory:

The dual-gap investigation gives a system which showcase that, the advancement of any country is an element of speculation and that such venture obliges household investment funds which is not adequate to guarantee that improvement occur (Oloyede, 2002). The dual-gap theory is instituted from a national wage bookkeeping personality which means that overabundance speculation consumption (venture funds gap) is proportionate to the overflow of imports over fares (outside trade gap).

Omoruyi (2005) expressed that most economies have encountered a setback in attempting to conquer any hindrance between the level of funds and speculation and have turned to outer acquiring keeping in mind the end goal to fill this gap. This gap gives the thought process behind outer debt as pointed out by (Chenery, 1966) which is to satisfy the absence of funds and interest in a country as expansions in funds and speculation would versus lead to an ascent in monetary development (Hunt, 2007).

2.2 Debt-overhang theory:

This happens when a country's debt is more than its debt reimbursement capacity. Krugman (1982) clarifies debt overhang as one whereby the normal reimbursement measure of debt surpasses the real sum at which it was contracted. Iyoha (1997) additionally, characterized debt overhang as one where the debtor country advantages next to no from the profits on extra venture because of gigantic debt administration commitments. The "debt overhang effect" becomes possibly the most important factor when amassed debt stock disheartens financial specialists from putting resources into the private segment because of a paranoid fear of substantial expense put on them by government. This is known as duty disincentive. The assessment disincentive here infers that on account of the high debt and accordingly gigantic debt administration installments, it is accepted that any future salary accumulated to potential speculators would be saddled vigorously by government in order to diminish the measure of debt administration and this panics off the financial specialists consequently prompting disinvestment in the general economy and all things considered a fall in the rate of development (Ayadi and Ayadi, 2008).

2.2 The crowding-out effect theory:

This alludes to a circumstance whereby a country's income which is acquired from external trade profit is utilized to pay up debt administration installments. This constrains the assets accessible for utilization for the household economy as the greater part of it is drenched up by outer debt administration trouble which diminishes the level of venture. Omoruyi (2005) opined that the effect of debt adjusting of development is harming as a consequence of debt-affected liquidity imperatives which diminish government use in the economy. These liquidity imperatives emerge as a consequence of debt administration prerequisites which move the center from adding to the residential economy to reimbursements of the debt. Open consumption on social framework is diminished generously and this influences the level of open interest in the economy.

3. External Debts in Nigeria: A Historical Perspective:

The problem of external debt by Nigeria goes back to the colonial period, which has its inception in 1958 when the aggregate of US\$28 million was contracted for route construction (Adepoju *et al*, 2007). Somewhere around 1958 and 1977, debts contracted were the concessional debts from respective and multilateral sources with longer repayment periods and lower interest rates constituting around 78.5 per cent of the aggregate debt stock (Adepoju *et al*, 2007).

AFRODAD (2007) observed that Nigeria's external debts have been expanding after some time in light of a relative deficiency of foreign trade to meet her growth needs. The fall in oil price in the late 1970s had a staggering impact on public expenditure. The government therefore must borrow in 1978 to bolster balance payment and undertake program financing. As a consequence of this, it's promulgated Decree No 30 of 1978 which constrained the external credits the Federal Government could raise to 5 billion Naira. Around the same time government made the first "gigantic loan" of US\$1 billion from the International Capital Market. This increased the country's debt profile to US\$2.2 billion (AFRODAD, 2007).

Nigeria's external debts skyrocketed from the million-dollar classification to that of billion dollars. The country's debt stock increased to US\$13.1 billion in 1982 (Fosu, 2007). Two variables prompted this sharp expansion: one, the coming of state governments into external borrowing and two, there was a considerable decrease in the offer of loans from both bilateral and multilateral lenders which resulted to increment in obtaining loans from private agencies at stiffer rates. Nigeria's failure to settle her import bills brought about the amassing of trade overdue debts adding up to US\$9.8 billion somewhere around 1983 and 1988. The insured segments were US\$2.4 billion while the uninsured

were US\$7.4 billion (Adepoju *et al*, 2007). The insured segment was rescheduled at the Paris Club, while the uninsured was reconciled with the London Club. This agreement which occurred somewhere around 1984 and 1988 minimized the amount to US\$3.8 billion (Adepoju *et al*, 2007). The accumulated interest of US\$1.0 billion was recapitalized. This conveyed the amount to US\$4.8 billion in 1988 and the debt was in the end refinanced.

In 1990, Nigeria's external debt climbed again to US\$33.1 billion (CBN, 2003). After a brief decrease to US\$27.5 billion in 1991, it climbed consistently to US\$32.6 billion toward the end of 1995. As at 1999, the country's external debt stock was US\$28.0 billion. 73.2 per cent of this was owed to the Paris Club while the rest was owed to the London Club, the multilateral lenders, promissory money holders and others (Fosu, 2007).

Furthermore, adjusting and rescheduling of debt created a huge problem for Nigeria from around 1985 when its external debt rose to up to US\$19 billion. Prior to that, Nigeria had encountered boom in oil revenue which was preceded instantly by an unexpected decrease. In 1980, Nigeria earned \$25 billion from oil trade. In 1982, it declined to \$12 billion and further to \$6 billion in 1986 (Ogbeifun, 2007). Public expenditure stayed high in that period and a significant part of the government programs were financed through external borrowing. Since Nigeria was a member OPEC, the country was not qualified for the soft-loan financing giving by the multilateral and bilateral aids agencies to different nations then. Toward the end of 2004, Nigeria's debt stock had accumulated to about \$36 billion out of which \$31 billion was owed to the Paris Club of Creditors while the rest was owed to multilateral, business and other non-Paris Club lenders (Adu, 2004).

According to, AFRODAD, (2007) debt service installment for the country's obligations began on a soft, affordable rate in 1958 until it turned into a hard deal some years later. Matters reached a critical stage in 2003 when one of Nigeria's lenders, the Paris Club, requested \$3 billion every year for debt service installment. The Nigerian government then considered the installment as economically unhealthy (Obadan, 2004), negotiation was therefore enter into with the club. The \$18 billion debt cancellation for Nigeria in 2005 by The Paris Club and ensuing settlement of some extraordinary debt lessened the aggregate external debt of the nation considerably.

4. Nature of Nigeria's External Debts:

External Public Debt constitutes the total of all claims against a nation held by private or public sectors of an external economy. It might either be interest or non-interest bearing including bank held debts and government currency with the exception of any cases held by the domestic government against

such external creditors, (Iyoha, 1997). Nigeria had settled about N18 billion value of debt in 2005. These loans were primarily from Paris and London Clubs. However, the country's aggregate external debt stock as at December 31, 2011 remained at US\$5.76billion.

The key creditors to Nigerian state are categorized as follows:

The Paris Club:

The Paris Club of creditors had remained Nigerians significant creditor. Their debts are government-to-government credits or market-based term advances which were ensured by different Export Credit Agencies of the creditor nations. The Paris Club is a cartel of creditor nations that gives an informal forum under which nations encountering troubles in paying their official debt meet with the creditors to reschedule the debts. Nigeria had however left the Paris Club debts through the debt wiping out of US\$18b it conceded Nigeria in 2006 and the resulting payment of US\$12b.

London Club Debts (Par Bonds):

The London Club is a union of commercial banks that join together to arrange the restructuring of their debt claims against debtor nations. London Club debts are arrears of commercial bank term advances. They equally incorporate a few arrears of letters of credit, dividends, open-accounts, bills for collection, carrier remittance and so forth. The debts were augmented in 1991 and added up to US\$5,437 billion. Out of the stock, the term advances contracted by the Nigerian government and the outstanding non-term credit portions were purchased back in January, 1992.

Multilateral Debts:

Multilateral Debts constitute the second type of debts owed by the Nigerian state. These are programs related credits owed to global multilateral budgetary financial institutions (e.g., ECOWAS Fund, the European Investment Bank Group, the African Development Bank Group, IFAD, and the World Bank Group,) by the federal and state governments and their departments and agencies. The aggregate sum owed to multilateral organizations as at December 31, 2011 was US\$4,568.92 million.

Non Paris Club (Bilateral Debts):

These are debts owed to different nations, which are not individuals from the Paris Club and creditor's occupant in Paris Club nations yet whose debts are not guaranteed by the Export Credit Agencies. The sum owed to this classification of creditors was US\$547.66 as at 31st December, 2011.

International Capital Market:

In 2011 Nigeria has raised a capital via the instrument of Euro bond which amounted to US\$500 million.

5. Causes of External Debts Accumulation in Nigeria:

Omoruyi (2007) "identifies the main rationale for Nigeria's external debts accumulation to include: weak Resource Mobilization; issues of concessionality and seniority of loans; currency Composition of External Borrowings; problem of bunching of maturities; poor debt monitoring; inefficient management of funds from external borrowings; Multi-Year Rescheduling; and fluctuating interest rates".

In their own part however, Ajayi and Khan (2000) also came up with some factors responsible for external debt accumulation in developing countries as follows:

- The excessively endeavors of numerous government to accelerate development incited by worldwide creditors who were additionally excessively liberal;
- Impact of oil value shocks, interest rates rising created by the restrictive fiscal policy of emerging nations, declining terms of exchange;
- Liberal lending condition of foreign commercial banks, successive regimes, errors in macroeconomic policies, affinity for putting resources into white elephant projects and faulty domestic macroeconomic policies such as fiscal recklessness and exchange rate misalignment.

6. External Debt Management in Nigeria:

In the 1980, the management of the external debt officially, became the sole obligation of the Central Bank of Nigeria (CBN). This required the setting up, of a Department in synergy with Federal Ministry of Finance to oversee the management of external debt. In spite of the fact that, the debt management techniques and measures deviate occasionally since the mid-1980s when the external debt became so severe. The Government utilized the following measures as guidelines for any external borrowing:

- i. The economic sector must manifest positive Internal Rate of Return (IRR) as high as the expense of borrowing i.e. interest.
- ii. External loans for private and public sectors ventures with the most minimal rate of return ought to be sourced from the international capital market while these to be use in executing social services or infrastructural development ought to be generated from confessional monetary organizations.
- iii. Private sector, Parastatals and State Government, borrowing get sufficient endorsement from the Federal Government in order to guarantee that the borrowing conforms to the national goals.
- iv. Projects to be financed with external loans ought to be upheld and backed by a clear feasibility studies

which incorporate loan obtaining, deployment and retirement plan.

v. State Governments and other organizations that are in possession of borrowed funds ought to administer their debts through the foreign exchange market and properly makes notification to the Federal Ministry of Finance for record purposes. Any default will warrant deduction (in Nigeria equivalents) at source before the statutory allocations.

vi. Private sectors, commercial ventures which are export – oriented are required to administer their debt from their export earning while others ought to use the Foreign Exchange Market offices for debt servicing.

Generally, the Nigeria government has over the years embraced the following procedures and measures to manage the debt issue:

1. Ban on new Loans and Directives to State Government to confine external borrowing to the barest level: The ban was to control the acceleration of aggregate debt stock and minimize the accumulation of extra debt burden. In any case, these have not been successful as unpredictable quest for external loans have not been received. Albeit rescheduling has presented relief on a short term basis, the debt over-hang has however scarcely been minimize as the debt stock kept on expanding significantly.
2. Limit on debt service installments: This requires putting aside certain amount from export accruals to be utilized for domestic development.
3. Debt Restructuring: These include the process of minimizing the burden of a current debt through rescheduling, refinancing, procurement of new cash and issuance of collateralize securities.

To effectively manage its external debt however, the Federal Government in year 2001 created a partially-autonomous debt management bureau under the Presidency. The establishment of the Debt Management Office (DMO) concentrated the debt management duty under one organization, guaranteeing effective coordination of the nation's debt recording and management exercises, including debt service estimate, debt service reimbursements, and offering suggestions regarding debt negotiation and further borrowing.

The most daunting task confronting by the DMO is how to create an assurance that a significant level of funds are reserved for debt servicing so as to avoid the problem of default and to establish a good rapport of debt relief negotiations with the lending agencies. Additionally, the debt management office confronts the challenge of guaranteeing that budgeted funds are discharge in time to effect debt service installment since a lot of Nigerian's debt stock build – up was represented by the capitalization of interest arrears and punishments for default. Debt service installments to the World Bank are expected every 15 days while ADB (African Development

Bank) service installments happen oftentimes. The debts are not subject to debt relief or rescheduling and in the event of default, they attract stiff penalties with sanction 30 days after due date. The implication for default covers the following:

- Restriction of borrower/guarantor from signing new loans or surety concurrence with the foundation.
- Suspension of payment in regard to all Banks loans giving to the borrower/underwriter.
- Suspension of the giving of any new loans by the Bank to the borrower/underwriter. The burdens of the above authorizations antagonistically influence the credit – value of a Country and also access to further external credits or loans. This must therefore be strategically avoided by all means.

6.1 Nigeria's External Debt Management Strategies:

Nigeria has managed its external through the following ways:

Placing outright embargo on new loans:

This was aimed at checkmating the acceleration of the level of aggregate debt stock and minimizes the issues of extra debt burden. The approach was connected by intermittently putting a limit what the government both at the state and federal level can borrow at any given period. For example in 1984 state governments were banned totally from contracting external debts. Occasionally as well, the national government has settled the maximum level of debt obligation for all levels of government.

Limit on Debt Service Payments:

This measure includes putting aside a portion of export earning with the view to meet up with the debt service obligation so as to permit internal development. for the state governments In 1980 were ordered to minimized their debt servicing to a maximum of 10% of its aggregate income while the federal government to the maximum of 30%.

Debt Restructuring:

This involves the practice of current debt conversion into different debt category done through refinancing, purchase back, issuance of collateralize securities and the procurement of new cash.

Debt Refinancing:

This technique proffers a different strategy whereby the government secures new advance to pay-off a current debt. Be that as it may, an arrangement is made with the new creditor with the date for reimbursement clearly indicated in the new agreement. The first refinancing program in Nigeria was in July, 1983 preceded by another in September that year under which US\$2.1 billion, with relevant interest rate of 1.5% above the London Inter-Bank Offer Rate trade arrears were refinanced. By 1986,

Nigeria paid off and left the debt and has kept on using the device to reduce its debt burden.

Debt Rescheduling:

This measure includes changing of maturing structure of the debt. Debt is normally spread over a time period until it is finally paid-off. Adesola (2009) remarking on the enormous debt stock, said "sometimes; around 2004 and 2006, the execution of the way out from Paris Club was completed in such way that Nigeria was allowed 60 per cent of the \$30 billion external debt, and \$18 billion was written off while \$12 billion was paid thus we totally left.

Debt Conversion:

This was introduced in July, 1988 and involves the trading of fiscal instruments like promissory notes for substantial assets and other financial instruments. It is a component for minimizing a nation's debt burden by changing the character of the debt.

It can be as debt for equity or debt for cash.

The Nigerian state through this strategy either sold its external debt instrument in the form of domestic debt or as equity participation in domestic venture. A whopping amount of USD908.3 million debt cancellation happened between 1995-2009. Under such period the country had a sum of USD423.6 million as discount. In addition to the sum of USD11.6 million received as commission (Adesola, 2009).

7. Challenges of External Debts Management to the political Economy of Nigeria:

Various scholars have identified the major challenges to effective debts management in Nigeria to include:

- Inability to create sufficient foreign exchange through proceeds from export, (Omoruyi, 2005).
- Defective macroeconomic policy: Debt management has endured some set back in Nigeria because ineffective macroeconomic policies over time, which resulted to exchange rate misalignment and fiscal irresponsibility (Fosu, 2007).
- Illiquidity Problem: Lack of liquidity happens when a nation does not have enough money available to pay current debts obligation (Nwankwo, 2012). The solvency issue here is associated with whether the amount of a nation's liabilities exceeds the capacity to pay at a giving time. Nations therefore become indebted when it is not capable of servicing its external debts in the long run.
- Lack of accurate data base depicting the actual external debt balances. A significant number of the developing economies do not possess accurate information base regarding the outstanding debts and other data on repayment schedules, especially on credits with substantive measure of the debt being the accumulated outstanding loans that were not captured (Nwankwo, 2012).

- Policies that deter savings: For example, negative interest rates, which diminish investment and create capital flight. Aluko & Arowolo (2010) observes that, regularly long term projects are often financed with short term loans prompting a circumstance where repayments get due before the projects are finished.
- Unpredictability of petroleum produce and different products that made up the main stay of the country's foreign exchange trade prompting shocks and deterioration of the terms of trades and rising interest rates (Ajayi & Oke, 2012).
- Mismanagement and misappropriation of funds: A significant number of the developing nations particularly Nigeria have an enormous part of their total revenue fizzled away through poor financial management; ideally such funds would have been utilized in its debt service. The different anti-corruption agencies have not succeeded in controlling this menace due to poor and slower pace of getting justice against culprits (Ayadi & Ayadi, 2008).

8. Conclusion and Recommendations:

The external debt management efforts in Nigeria is said to have yield results not yet, to be desired. Unless deliberate attempts is been made to translating the designed strategies (which are seemed laudable) already put in place, into meaningful results, the country's debt stock will continue to skyrocket; thereby accumulating huge burden to its developmental; socio-political and economic strides. Hence, the following recommendations:

- i. Overreliance of the economy on the foreign sector ought to be decreased to guarantee that any shock that affect the nation must not consequently affect the nation's economy without an alternative.
- ii. The Nigerian government ought to look into the rationale behind the poor contribution of external debt to the GDP per capita of the nation with a perspective to uncovering the bottlenecks and effect corrections. The bottlenecks could be as a consequence of poor external debt management or higher cost of debt sourcing.
- iii. Now that the external debt load of the nation has declined significantly because of relief and cancellation, the modalities of getting external debt and their application ought to be critically and strategically dissected before even applying for the debt.
- iv. External debts are intended to support the economic growth and development of the debtor nation and enhance the citizens' standard of living. Along these lines, the Nigerian government ought to constantly consider the debts as intends to long run development and not only for short term gains.
- v. Foreign investment remains a positive variable option, that precipitate economic development in the nation, subsequently government need to establish measure in which the free inflow of investment can

enter the nation and consequently induce economic development.

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