



Empirical Analysis of the Impact of Debt Servicing on the Performance of the Nigerian Economy

Okosu, Napoleon David

Department of Economics, Veritas University, Abuja, FCT- Nigeria

ABSTRACT

The study interrogates the impact of debt servicing on the performance of the Nigerian economy. Using yearly time series data from 1980 to 2022 obtained from Debt Management Office, Central Bank of Nigeria and the World Bank National Account. The dependent variable in the model was Growth Rate of Gross Domestic Product (GRGDP), and the explanatory variables were External Debt Service (EDS), Domestic Debt Service (DDS), Interest Rate (INR) and Exchange Rate (EXR). The methodology utilized was the popular Auto-Regressive Distributed Lag (ARDL) model. Findings reveal that in the long run, EDS has a positive though insignificant nexus to GRGDP. For DDS the relationship is a significant negative association with GRGDP. Whilst for Exchange Rate a positive and significant relationship was found. INR had a positive but insignificant nexus to GRGDP. Based on the findings the study recommended the review of Nigeria's debt sustainability plan, imposition of strict limits on amount to borrow, type and the sources from where to borrow. Also, Nigeria government should ensure that debt or borrowings are channeled towards project that are self-liquidating and infrastructure development as well as minimize the use of huge debt to finance recurrent expenditures.

Keywords: Growth Rate of Gross Domestic Product, Debt Servicing, Auto-Regressive Distributed Lag Model (ARDL).

INTRODUCTION

The burden of debt servicing has become a fundamental issue since the last two decades in Nigeria and in most developing economies. While debt may not be bad for an economy, the serving of debt especially when the loan was not efficiently and effectively managed is in the long run detrimental. As opined by Burnside and Dollar (2000), when nations loans are adequately utilised for self-liquidating and productive investment, they are likely to experience economic growth which may be accompanied by macroeconomic stability. In Nigeria the debt service obligations are on the increase as debt rises. The total debt service obligations which is a combination of external debt service and domestic debt service have witnessed a continuous rise in recent times. In the year 2000, total external debt service was \$1.72 billion while domestic debt service was ₦108.49 billion, the external debt service payment as at December 2020 was \$1.56 billion, it grew to \$3.5 billion as at December 2023 indicating over 124% increase in external debt service payment in a space of only 3 years (Debt Management Office, 2024).

In most developing economies, Nigeria inclusive, there is a high dependence of debt to bridge the gap between revenue and expenditure. The reliance on debts to bridge this gap creates donors' dependence. The subject of donors' dependence hampers a nation's ability to launch its

own economic policies that would ameliorate the adverse economic situation of the populace. The use of current debts to service previous debt hinders the smooth performance of the economy. As observed by Jadoon et. al. (2015) these debts are not utilized for infrastructural development or utilized for mega projects that are self-liquidating hence the debt would adversely impact economic gains.

Aminu et. al. (2013) observed that debt is one of the major avenues of financing capital formation in any economy. Nigeria is characterized by insufficient mechanism for internal capital formation due to the stage of economic development it is currently experiencing. Consequently, there is the need for technical, managerial and financial support from external sources to bridge the resource gap. Sulaiman and Azeez (2012) noted that no government exist only on its own as an island, it requires support here and there to enable it perform effectively and efficiently. One significant source of aid is foreign borrowing or external debt. Thus, one cannot overemphasize the importance of external debt on the growth process of a country.

The objective of this paper is to investigate the impact of debt serving burden on the Nigeria economy. The nexus between debt servicing and gross domestic growth will be highlighted using key variables such as debt servicing, growth rate of gross domestic product in Nigeria. Thus, the paper interrogates the impact of Nigeria's rising public debt service burden with a view to proffering policy recommendations. The paper is structured into five sections. Following this introduction, section two gives the theoretical and literature review of Nigeria's debt and debt service. Section three gives the methodology and estimation technique. Section four carries out data analysis and interpretation. Section five concluded with recommendations.

THEORETICAL AND LITERATURE REVIEW

Otiko and Iheonkhan (2022) investigated the impact of debt servicing on economic growth in Nigeria with corruption as a moderator. Debt servicing was proxy by foreign and domestic debt servicing, while economic growth was proxy by gross domestic product. Also, corruption was measured using the corruption perception index of the Transparency International. The study used multiple regression analysis technique. The result of this study showed that foreign debt servicing has significant effect on GDP, while domestic debt servicing does influence GDP positively but insignificantly. The study revealed that corruption as a moderator has a negative indirect effect on relationship between debt servicing and economic growth in Nigeria. Thus, the study recommended that Government should frequently pay her debts as non-service could amount to debt covenant violation charges which could mean more cash outlay for the government.

Efuntade et. al. (2021) investigated debt service and its impact on Nigeria's economic growth. The results indicated among other things that there exists a long run relationship (co-integration) among the explained variable and all the independent variables which culminates into the fact that Nigeria debt servicing has positive and significant impact on economic growth both in short and long run if properly managed. The researchers concluded that debt servicing has significant effect on the growth of the Nigerian economy owing to the positive relationship with gross domestic product. On the other hand, exchange rate revealed a negative significant nexus to Gross domestic product. The study cardinaly recommends that government should circumspect on collecting loans and any debt both internal and external debt should be such

that would engender greater trade and investment for Nigeria as well as that can stimulate the economic growth of Nigeria.

Baba (2020) researched on the effect of foreign debt repayment on economic growth in Kenya, using data from 1965 -2017. An explanatory research design and regression analysis were employed. The result reveals that the relationship between debt service and GDP is significant but negative. This infers that as the Kenya government spends more of its revenue in servicing of external debts, the economy would be hurt significantly. He therefore recommended that government should marshal out prudential fiscal management measures to circumvent an unnecessary rise in overall public debt. Thus, decrease in borrowing will afford the nation to use a larger share of their tax revenues for investments rather than deferring loans, thus would bring about an increase in economic growth of the Kenyan economy.

Saungweme and Odhiambo (2021) evaluated the impact of public debt servicing on economic growth of South Africa, the study utilized time series data spanning from 1970 -2017. The methodology used was ARDL (autoregressive distributed lag analysis). The finding indicates that both in the short and long term there is no statistically significant relationship between debt payment and economic growth. The results submit that if South Africa's economic growth remains robust, the government may be able to manage debt servicing without significant adverse effects on overall growth.

Muhammad and Abdullahi (2020) evaluated the effect of foreign loan repayments on Nigeria's economic growth using data from 1985 to 2018 and the Autoregressive Distributed Lag (ARDL) model. The findings indicated that there is a negative long-term relationship between external loan repayments and economic growth, signifying that increase in foreign debt payments hamper growth of the economy. The results bring to bear the importance of juxtaposing debt service with debt stock and the need to use borrowed funds for infrastructure development to allay adverse influence on economic growth. This is in line with the fact that servicing external debt in Nigeria consumes a major proportion of the Nigerian revenue, which could have been used to increase the growth in gross domestic product to a higher level.

In contrary to Muhammad and Abdullahi (2020) findings, Nath (2020) interrogated the nexus between debt service, exports, and GDP using data from 1970 to 2018. The methodology employed includes cointegration, error correction, and Granger causality tests. The results of the findings suggest a positive and statistically significant long-term relationship between debt service and GDP. Furthermore, exports and debt payments impacted GDP positively. Remarkably, the research noted that efficient debt servicing improves government credibility, potentially leading to improved credit ratings, reduced credit risk premiums, and better access to international financial markets for borrowing at lower interest rates.

Ugwu (2017) examined the effect of Domestic Debt servicing on the Nigerian economy, the study employed ordinary least square estimation technique of multiple regression analysis and spanned from 2000 to 2016. The result indicates a significant nexus between domestic loan servicing and Nigeria's economic growth. Kalu, Okai, Chukwu and Amadi (2016) investigated the impact of loan servicing on Nigeria's economic growth, the paper employed ordinary least square regression method and the Granger Causality Test for the period covering 1981 to 2013.

The finding revealed that debt servicing has a positive and significant impact on Nigeria's economic growth.

Momodu (2015) interrogated the nexus between loan servicing and economic growth in Nigeria. The empirical result of the study indicated that debt services to Paris club of creditors, and promissory notes holders has a positive relationship economic growth, whilst debt services to London club of creditors and other creditors reveals a negative significant connection to economic growth.

Adepoju et al. (2007) using data from 1962 to 2006, analyzed the impact of debt service management on the economic growth of Nigeria, employing time-series data of the various bilateral and multi-lateral arrangements. Their study concluded that sound debt service management have positive effect on economic growth of Nigeria.

Patenio and Tan-Cruz (2007) x-rayed the relationship between debt servicing and Gross National Product (GNP) for the Philippine. Using a Twenty-five years quarterly data spanning from 1981 to 2005. The econometric technique employed was Vector Auto Regressive (VAR) model. Debt servicing was considered a prime determinant of growth while capital stock, the labor force and Human capital were among secondary variables. Empirical results showed that external debt servicing was not a strong impact on economic growth and capital stock was positively impacting on growth of the economy. Labor force and human capital were found not to be significant on economic growth. External debt has insignificant relationship with economic growth because debt repayments were not rising enough to culminate into the much talk about debt overhang condition.

Adesola (2009) examined the impact of external debt service payment practices on sustainable economic growth and development in Nigerian. Using data from 1981 to 2004 and Ordinary Least Square estimating technique. Empirical results from the study indicates that debt service payment to foreign creditors wielded positive influence on sustainable economic growth and development in Nigeria. Butts and Hector (2009) empirically examined the impact of external debt service payment practices on Nigeria's economic growth. The estimation technique employed was the Ordinary Least Square method of multiple regressions and using data from 1981 to 2004. The study revealed that debt payment to Paris club creditors and Promissory notes holders are positively associated to GDP and GFCF whilst debt payment to London club creditors and other creditors indicates a positive significant connection to GDP and GFCF.

METHODOLOGY

Model Specification and Definition of Variables

In the light of the theoretical and empirical literature espoused above, the model employed in this study is built based on the adjustment of the model in Muhammad and Abdullahi (2020). The model specifies the endogenous variable which is the Growth Rate of Gross Domestic Product (GRGDP) as a function of the External Debt Service (EDS); Domestic debt Service (DDS); Interest rate (INR) and Exchange Rate (EXR). The model is specified as follows:

$$GRGDP = f(EDS, DDS, INR, EXR) \quad (1)$$

The above was transmogrified into an econometric model, we then have:

$$GRGDP = \pi_0 + \pi_1 EDS + \pi_2 DDS + \pi_3 INR + \pi_4 EXR + \mu_t \quad (2)$$

π_0 is the intercept or constant term.

π_1, π_2, π_3 , and π_4 are non-negative, estimating parameters of the model.

Yearly time series data from 1980 to 2022 were used, the data were obtained from World Bank National Account data and CBN statistical bulletin.

Estimation Techniques is

Autoregressive Distributed Lag (ARDL) model as a distributed lag model is used in this study because it allows the examination of how past behaviors of the target variable and other independent variables impact the contemporaneous value of the dependent variable. For the ARDL model, it is statistically required that the stationarity properties of the variables of interest are a mixture of I (0) and I (1). However, ARDL cannot be applied to a model with an I(2) variable to avoid a misleading regression result. Hence, its use is very conditional on the stationarity of the time series variables involved which was tested using the Augmented Dickey-Fuller (ADF) Unit Root Test. Also, it is essential to choose an efficient and appropriate lag structure for the specified model. In this study, the Akaike Information Criterion (AIC) is selected to determine the optimal lag structure for this study, Pesaran et al (2001).

The ARDL (p, q, r) specification for our model is as follows:

$$\begin{aligned} \Delta GRGDP_t = & c_0 + \pi_1 GRGDP_{t-1} + \pi_2 EDS_{t-1} + \pi_3 DDS_{t-1} + \pi_4 INR_{t-1} + \pi_5 EXR_{t-1} \\ & + \sum_{i=1}^p \gamma_1 \Delta GRGDP_{t-i} + \sum_{j=1}^q \gamma_2 \Delta EDS_{t-j} + \sum_{r=1}^r \gamma_3 \Delta DDS_{t-i} + \sum_{r=1}^r \gamma_4 \Delta INR_{t-i} \\ & + \sum_{r=1}^r \gamma_5 \Delta EXR_{t-i} + \varepsilon_t \dots \dots \dots (3) \end{aligned}$$

Where; c_0 is the intercept, Δ is the first-difference operator, π 's show the long-run coefficients and γ 's depict short-run coefficients. Hence, the null hypothesis (H_0) of no cointegration states that $H_0: \pi_1 = \pi_2 = \pi_3 = \pi_4 = \pi_5 = \pi_6 = \gamma_1 = \gamma_2 = \gamma_3 = \gamma_4 = \gamma_5 = 0$ and the alternative hypothesis of existence of cointegration states that $\pi_1 \neq \pi_2 \neq \pi_3 \neq \pi_4 \neq \pi_5 \neq \gamma_1 \neq \gamma_2 \neq \gamma_3 \neq \gamma_4 \neq \gamma_5 \neq 0$. The above hypothesis is tested by comparing the calculated F-statistic with critical values from Narayan (2005) which were produced for small sample sizes between 30 and 80 observations on the assumption that all variables in the model are I (0) on one side and that all the variables are I (1) on the other side. Following the norms of hypothesis testing, if the calculated F-statistic is greater than the upper critical bounds value, the H_0 is rejected and we accept H_1 . If the F-statistic falls within the bounds, then the test is said to be inconclusive and if the F-statistic falls below the lower critical bounds value, it is said that no co-integration exists. Therefore, the Error Correction Model (ECM) represented in equation 4 can be also presented thus;

$$\Delta GRGDP_t = c_0 + \sum_{i=1}^p \gamma_1 \Delta GRGDP_{t-i} + \sum_{j=1}^q \gamma_2 \Delta EDS_{t-j} + \sum_{r=1}^r \gamma_3 \Delta DDS_{t-i} + \sum_{r=1}^r \gamma_4 \Delta INR_{t-i} + \sum_{r=1}^r \gamma_5 \Delta EXR_{t-i} + \partial ECT_{t-1} + \varepsilon_t \dots \dots \dots (4)$$

where the difference operator is denoted by Δ ; the Error Correction Term (ECT) is derived from the short-run co-integrating relationship specified in the ARDL model in equation 3. In equation 4, ∂ should be negative and significant so as to show the speed of adjustment.

DATA ANALYSIS AND INTERPRETATION OF RESULT

Table 4.1: Descriptive Analysis Result

	DDS	EDS	EXR	GRGDP	INR
Mean	511956.4	2011.555	113.137	3.073721	16.95907
Median	155420	1810	111.94	3.65	17.26
Maximum	3796410	8807.6	426.01	15.33	29.8
Minimum	187	270.8	0.55	-13.13	7.25
Std. Dev.	811814.8	1688.372	119.2028	5.25875	4.835017
Skewness	2.218409	2.014771	1.051017	-0.85529	0.202067
Kurtosis	8.046021	8.290399	3.283909	4.855513	3.346263
Jarque-Bera	80.88961	79.23742	8.060984	11.41114	0.507441
Probability	0	0	0.017766	0.003327	0.775909
Sum	22014124	86496.86	4864.89	132.17	729.24
Sum Sq. Dev.	2.77E+13	1.20E+08	596791.2	1161.487	981.8502
Observations	43	43	43	43	43

Source: Authors' Computation from E-Views 11

Table 4.1 shows the descriptive statistics of GRGDP, EDS, DDS, EXR and INR. The statistics shows that the variables contained 43 observations with Domestic debt service (DDS) having the highest mean value of 511956.4 followed by EDS: 2011.555, EXR:113.137, INR: 16.95907 and GRGDP: 3.073721.

The table also revealed that only GRGDP is negatively skewed to the left. The Kurtosis statistics revealed that all the variables are leptokurtic, which implies that the distributions are peaked relative to normal distribution.

Unit Root Test

The Augmented Dickey-Fuller test and Philp was used to test for unit root. All the variables were stationary at first difference ie I (1) except for GRGDP which was stationary at level I (0). The result is presented:

Table 4.2: Unit Root Stationarity Result

A. Augmented Dickey-Fuller test

Variable	Levels (T-Statistics)	P-Value	1 st Diff (T-Statistics)	P-Value	Order of Int
GRGDP	-1.9226	0.0429*	-	-	I(0)
EDS	-4.1392	0.0023 *	-	-	I(0)
DDS	7.0592	1.0000	-3.5495	0.0475**	I(1)

EXR	0.1346	0.9967	-4.2583	0.0017	I(1)
INR	-3.2570	0.0235	-	-	I(0)

B. Philips-Perron

Variable	Levels (T-Statistics)	P-Value	1 st Diff (T-Statistics)	P-Value	Order of Int
GRGDP	-3.7916	0.0060***	-	-	I(0)
EDS	-3.1513	0.0303	-	-	I(0)
DDS	10.0767	1.0000	-1.4052	0.0446	I(1)
EXR	0.1047	0.9963	-4.1903	0.0020***	I(1)
INR	-3.1983	0.0271	-	-	I(0)

The mixture of the level of integration of the variables, as obtained in the Augmented Dickey-Fuller and Philips-Perron test make us to use the autoregressive distributive lag (ARDL) bounds test approach developed by Pesaran et al. (2001) to test whether the long-run relationship exists between the variables.

Empirical Analysis and Interpretation

ARDL Bound Test Approach to Cointegration:

The bound test approach to cointegration seeks to confirm if there is a long-run relationship among the variables in the model. This is done by testing if their coefficients are equal to zero in our estimated model or not. The F-Statistic value from the bound test and the critical value bounds as revealed by the regression result using E-views 11 is presented in Table 4.3;

Table 4.3: ARDL Bounds Test Result

Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	6.336640	4
Critical Value Bounds		
Significance	I (0) Bound	I (1) Bound
10%	2.2	3.09
5%	2.56	3.49
2.5%	2.88	3.87
1%	3.29	4.37

Author's computation from E-Views 11

ARDL bounds F test results as reported in Table 4.3 shows that the result confirms the presence of a long-run relationship between EDS, DDS, EXR and INR, for the period under consideration in Nigeria.

Error Correction Representation of ARDL Model:

ECM Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D (GRGDP (-1))	0.27169	0.148233	1.832854	0.0804
D (GRGDP (-2))	0.366134	0.13209	2.771849	0.0111
D (GRGDP (-3))	0.337641	0.125956	2.68062	0.0137
D (DDS)	1.39E-06	2.37E-06	0.586159	0.5637
D (DDS (-1))	6.86E-06	4.06E-06	1.686429	0.1058
D(EXR)	-0.041815	0.023391	-1.787644	0.0876

D (EXR (-1))	-0.090738	0.037449	-2.422995	0.0241
D (EXR (-2))	-0.073253	0.033851	-2.163993	0.0416
D(INR)	0.49736	0.136406	3.646174	0.0014
D (INR (-1))	0.373484	0.131626	2.837468	0.0096
D (INR (-2))	0.239431	0.155834	1.53645	0.1387
CointEq (-1) *	-1.436547	0.210302	-6.830864	0

Author's computation from E-Views 11

From the table 4.4 above, Error Correction parameter is negative and significant showing that short-run disequilibrium in the previous period is corrected to restore equilibrium in the subsequent period. The speed of adjustment is -1.4365 indicating that the model is stable in the short-run. In other words, the estimated ECT_{-1} of 1,4365 indicates that the departure from the equilibrium is adjusted by 143.65 % per year.

The result suggests that in the short run, a unit increase in Domestic Debt Service (DDS) will lead to a 1.39 increase in Growth Rate of GDP. A unit increase in Exchange Rate (depreciation) will lead to a 0.041815 decrease in GDP Growth Rate in the short run, the result is insignificant at the 5% level of significance as indicated by the probability value of 0.0876. A unit rise in Interest Rate in the short run will lead to a 0.497360 increase in Growth Rate of GDP with the result statistically significant.

Estimated ARDL Long-run Model:

Table 4.5: ARDL Long-run Result

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EDS	0.000303	0.000203	1.492906	0.1497
DDS	-1.15E-05	1.98E-06	-5.801205	0.0000
EXR	0.079579	0.010722	7.421991	0.0000
INR	0.192644	0.126940	1.517596	0.1434

From Table 4.5, a unit increase in EDS will lead to a 0.000303 increase in Growth Rate of GDP holding other variables constant. The result is in tandem with the finding of Muhammad and Abdullahi (2020) and but contrary to Efuntade et. al (2021) A unit increase in DDS on average will significantly impact GRGDP but lead to its decrease by 1.15 holding other variables constant, this result is in line with the findings of Ugwu (2017) and Efuntade et. al (2021) A unit increase in Exchange Rate (depreciation) will on average lead to a 0.079579 increase in Growth Rate of GDP the nexus is significant at the 5% level of significance. Also, a unit increase in the Interest Rate will lead to a 0.192644 increase in GRGDP.

Post Estimation Diagnostic Tests

Serial Correlation:

Breusch-Godfrey Serial Correlation LM Test: Result			
F-statistic	1.527798	Prob. F (2,20)	0.2413
Obs*R-squared	5.168733	Prob. Chi-Square (2)	0.0754

Source: Author's Computation using Eviews11

From the result of the Breusch-Godfrey serial correlation LM test above, accepted the null hypothesis of no serial correlation in the residual, since the probability of its F-statistic value is 0.6603 cent which is greater than the 5% level, hence concluding that the model is free from the problem of autocorrelation.

Heteroskedasticity Test:

Breusch-Pagan-Godfrey Test Result			
F-statistic	1.080228	Prob. F (16,22)	0.4251
Obs*R-squared	17.15885	Prob.Chi-Square (16)	0.3754

Source: Author's Computation using Eviews11

From the result of the Breusch-pagan-Godfrey test above, accepted the null hypothesis of no hetroscedascity in the residual, since the probability of its F-statistic value is 0.4251 which is greater than the 5% level, hence concluding that the model is free from the problem of hetroscedascity.

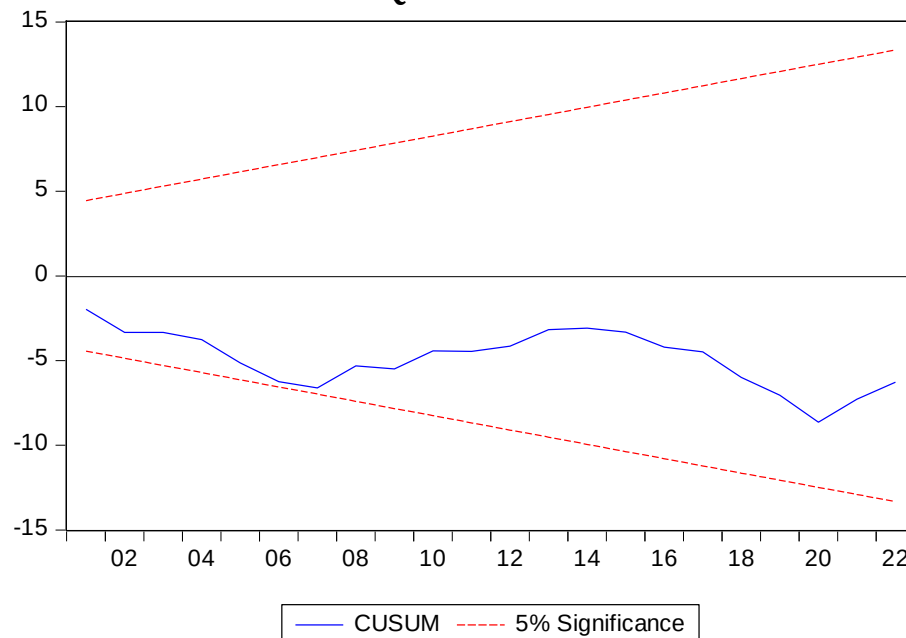
Residual Specification Error Test:

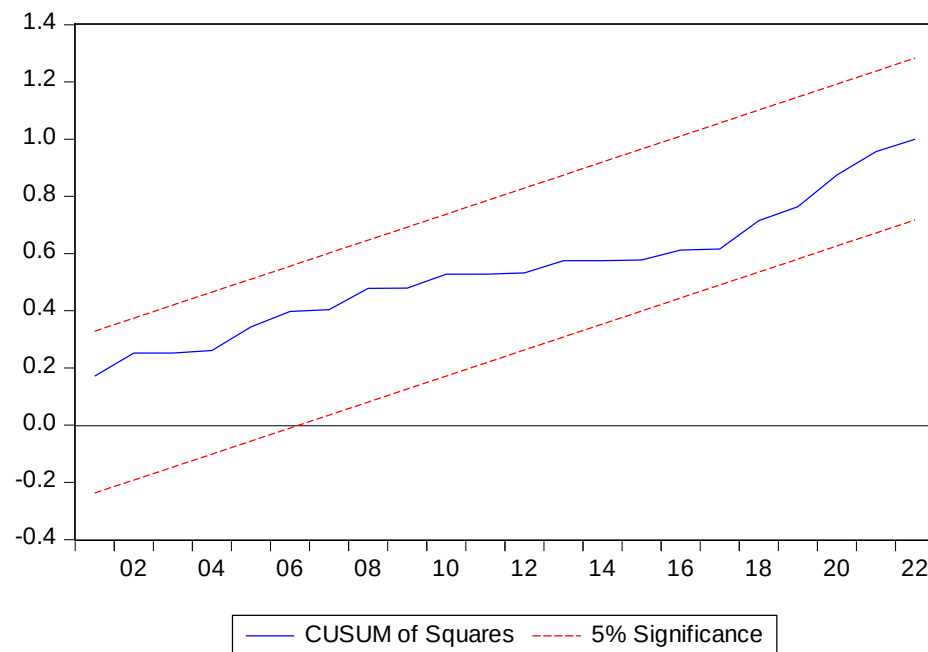
Ramsey RESET Test Result			
t-Statistic	0.355030	df (21)	Prob (0.7261)
F-Statistic	0.126046	df (1, 21)	Prob (0.7261))

Source: Computation using Eviews11

The Ramsey's RESET Test (Residual Specification Error Test) was conducted to test if the model was misspecified. To test for model misspecification. The decision remains that, if the P-value of the computed F-statistics is more than 0.05 we accept the null hypothesis, which says that the model is correctly specified. From the result above, since the Prob is (0.7261), we note that the model was not misspecified.

Stability Test - CUSUM test and CUSUMQ:





CONCLUSION

The study aimed to empirically evaluate impact of debt servicing on economic growth in Nigeria. The study employed Growth Rate of GDP for economic growth, which is the dependent variable while Domestic Debt Service (DDS), External Debt Service (EDS), Exchange Rate (EXR), Interest Rate (INR) were the explanatory variables. The result reveals that external debt service was positively related to growth in the economy in both long-run, although is statistically insignificant. For Domestic debt service, it was found to a negative nexus with economic growth rate, and statistically significant in both long-run. Exchange rate has a significant positive influence on Growth of GDP, whilst Interest Rate has a positive but insignificant relationship with the growth of the Nigerian economy.

It was observed that there is a positive long-run relationship between external debt service payment and the growth rate of gross domestic product. The finding is in line with Muhammad and Abdullahi (2020) and contrary to the results of Moh'd Al-Tamimi, & Mohammad, 2019; Festus & Saibu, 2019.

The insignificant relationship between external debt service payment and the growth rate of gross domestic product was also observed by Akujor et al (2022). The relationship between domestic debt servicing and economic growth was significant and negative. This result collaborates the finding of effect on per capital income in Nigeria. This proves the point that debt as a means to finance fiscal policies of the government are used for capital expenditure which are probable to affect long term economic plans like infrastructure-financing that spurs productive capacity of citizens and their income in the long run. This conforms to the Wiseman and Peacock (1961) hypothesis of public expenditure on capital items in the budget.

This cannot be unconnected with the fact that servicing external debt in Nigeria consumes a significant proportion of the Nigerian revenue, which could have been utilized to move the gross domestic product to a higher level distributed. This is an eye-opener to the policymakers;

for them to be cautious in policymaking concerning money supply and currency devaluation, giving the nature of their direct and indirect consequences on both poverty and inflation in the country

In light of the forgoing, the paper proposes the following policy recommendations:

1. Review of the Nigeria's debt sustainability plan and ensure that the current level of debt is reduced rather the continuous borrowing that is ongoing. Thus, a holistic policy on borrowing and debt financing should be in place. The policy should impose strict limits on amount to borrow, type and the sources from where to borrow and provide viable option for the payment of the loans.
2. the government of Nigeria should ensure that debt or borrowings are channeled towards project that are self-liquidating and infrastructure development project.
3. Minimize the use of huge debt to finance recurrent expenditures that are short term stimulants of economic growth but have little multiple effect to the economy and only debt with high moratorium and low interest rate should be obtain going forward and project management team should be constitution to effectively monitor the use of borrowed funds
4. Finally, government may explore the option of debt rescheduling to enable the economy breathe in this era of financial suffocation, this would free funds for other developmental project that may generate the needed revenue to close the financing gap.

References

- Adepoju, A. A.; Salawu, A. S. & Obayelu, A. E. (2007). The Effects of External Debt Management on Sustainable Economic Growth and Development: Lessons from Nigeria. Ibadan: MPRA Paper, University of Ibadan
- Adesola, W. A. (2009). Debt Servicing and Economic Growth in Nigeria: An Empirical Investigation. *Journal of Social Science*, 8(2), pp. 1-11
- Akujor, J., C., Onodi, B., E., and Okonye, E., E., (2022). Effects of debt servicing on economic development in Nigeria. *Journal of Contemporary Issues*, 3(3), 92- 109.
- Arninu Umaru, Ahrnadu, A.H and Salihu Musa (2013)., "International J, Educational Research". Vol. 1 Issue 2, Pg. 70-85.
- Baba S (2020). External Debt Servicing and Economic Growth in Kenya: From 1965-2018. *Journal of International Business, Innovation and Strategic Management* 4(1):15-28.
- Babatope, O. M., Onyebuchi, I. Adekunle, W. I. (2019). Debt and economic performance in Nigeria, 1982 -2016. *The Nigerian Journal of Risk and Insurance*, 9(1), 12 -124.
- Badmus, W. A., & Oladejo, K. W., (2019). Causality link between external debt and economic growth in Nigeria. *Journal of Taxation and Economic Development, Chartered Institute of Taxation of Nigeria*, 18(2), 97-104.
- Burnside, C., & Dollar, D. (2000). Aid, policies and growth. *American Economic Review*, 90(4), 847-868
- Butts, H. C. (2009). Short Term External Debt and Economic Growth-Granger Causality: Evidence from Latin America and Caribbean. *The Review of Black Political Economy*, 36, pp. 93-111.
- Debt Management Office (DMO) (2024), www.dmo.gov.ng

Efuntade, A.O, Olaniyan N.O, and Efuntade, O.O (2021). The Impact of Debt Service in Stimulating Economic Growth in Nigeria: Mediating on its Role on Public Sector Financial Management. *ACTA UNIVERSITATIS*

Essien, S. N., Agboegbulem, N. T. I., Mba, M. K. Onumonu¹, O. G. (2016). An empirical analysis of the macroeconomic impact of public debt in Nigeria. *CBN Journal of Applied Statistics*, 7(1), 125-145.

Ezeabasili, V.N., Isu, H.O & Mojekwu, J.N. (2011). Nigeria external debt and economic growth, An error correction approach. *International Journal of Business and Management*, 6(5),1833 -8119.

Festus, G.E and Saibu, M. O. (2019). Effect of external debt on Nigerian Economy: Further evidences. Online at <https://mpr.ub.uni-muenchen.de/92704/> MPRA Paper No. 92704, posted 23 Mar 2019 03:51 UTC

Gujarati DN (2003) *Basic Econometrics*. McGraw-Hill, New York. <https://doi.org/10.1186/s40854-018-0117->

Jadoon, A. K; Azeem, A; Aslam, M.T & Sair S.A (2015) Impact of Debt Servicing and Fiscal Deficit on Economic Growth; A Case Study of Pakistan *Sci.Int.(Lahore)*,27(5),4743-4749,

Momodu, A. A. (2012). Effect of Debt Servicing on Economic Growth in Nigeria *Reikojournals.org*.

Muhammad, M. and Abdullahi K (2020). Impact of external debt servicing on economic growth in Nigeria: An ARDL approach. *International Journal of Business and Technopreneurship* 10(2):257–267.

National Bureau of Statistics (2019). Debt sustainability analysis (DSA) Report. *Publications, National Bureau of Statistics*

Otiko, U.N and Iheonkhan, I.S. (2022). Debt Servicing and Economic Growth in Nigeria: Moderating Effect of Corruption. *Baze University Journal of Entrepreneurship and Interdisciplinary Studies (BUJEIS)*, Vol. 1(1), 104-115

Patenio, J. A., & Tan-Cruz, A. (2007). Economic growth and external debt servicing of the Philippines: 1981- 2005. The 10th National Convention on Statistics (NCS) (October)

Peacock, A.T & Wiseman, J (1961). "Determinants of Government Expenditure," NBER Chapters, in: *The Growth of Public Expenditure in the United Kingdom*, pages 12-34, National Bureau of Economic Research, Inc.

Pesaran M.H, Shin Y (1999) An autoregressive distributed-lag modelling approach to cointegration analysis. *Econ Soc Monogr* 31:371–413

Pesaran, M. H., Shin, Y., and Smith, R. J. (2001). Bounds testing approaches to the analysis of level relationships. *Journal of Applied Econometrics*, 16; 289-326

Saungweme T. and Odhiambo N.M (2021). Public Debt Service in South Africa and Its Impact on Economic Growth: An Empirical Test. *The Review of Black Political Economy* 48(3): 313–327

Sulaiman, L.A, and Azeea, B.A. (2012) "Effects of External Growth of Nigeria", *Journal of Economics and Sustainable Development*, Vol. 3, No 8, pg71-79.

Udeh, S. N., Ugwu, J. I. & Onwuka, I. O. (2016). External debt and economic growth: The Nigeria experience. *European Journal of Accounting Auditing and Finance Research*.4(2), 33-48.

Udoka, C. O. and Anyingang, R. A. (2010), Relationship between External Debts Management Policies and Economic Growth in Nigeria (1970-2006) *International Journal of Financial Research*, 1(1), 1-19.

Ugwu, L. (2017). Effect of sustainability accounting and reporting on financial performance of firms in Nigeria brewery sector. *European Journal of Business and Innovation Research*, 5(1), 1-15.