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The Impact of Public Debt In Nigeria's Economic Growth And Development

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***Abstract*—This research work examined the effect of public debt on Nigeria Economy by specifically determining the relationship between public debt and Economic growth of Nigeria. This study examined the impact of public debt on economic development of Nigeria using annual time series data spanning. Nigeria had her external demand to the major creditors amounted to 36.2 billion US dollars in the year 2011 at the exchange rate #135 to a US dollar and the total domestic was estimated as 23.9 billion US dollars in 2011. Presently as at May 2018 the US dollar is #361 to one US dollar. The effect of this on the economy called for investigation. Time series data were sought on CBN Statistical Bulletin Edition, world Development Indicators (WDI) and economic and financial books of vital importance.**

It is therefore concluded based in the findings of this study that external debt of Nigeria has only a short run positive effect on some aspects of the economy and an in significant negative effect the entire economy. Government needs to be more transparent and committed to the course of the masses by putting borrowed money into highly productive sectors that will improve the productive capacity of the economy or else government should find other sources of financing their budget deficit other than through public debt.

Based on key findings of this study, the study recommends that the Nigeria Debt Management Office should lay down healthy guideline for public loans, outlining the purpose, time frame, moratorium necessities and commitments, negotiation fees, and so forth as well as the conditions in which the administration can admit and guarantee loans particularly for external debt. In addition, new and superior technique to assign fixed interest payment and unstable amortization systems must be employed. However, new and modern economic policies that will save the country from total collapse economically should also be employed.

Keywords*—Public debt, Balance of Payment, Central Bank Of Nigeria, Commercial Banks, Debt Servicing , Debtor country, Deficit expenditure, Exchange rate, Private Sector, Public Sector, Economic growth and development, Gross domestic product, Monetary value, Multi-national financial institution, International Bank for Reconstruction and Development, International Monetary Fund, Cancellation of debt, Reschedulement of foreign debt

I. INTRODUCTION

A. Backgroud of the study

Nigerian economy has been characterized by high levels of public debt along with persistent low economic growth. As such, an understanding of the dynamics between public debt and growth is critical in addressing the obstacles to economic growth in order to improve debt sustainability in Nigeria (Omet, Aktham and Fadwa, 2002).

In both advanced and less developed countries, economic management is a traditional demand of Government irres¬pective of economic and political philosophy. One of the major pre-occupations of every Government is the maintenance and sustenance of a healthy balance of payment position and Nigeria is not an exemption.

Traditionally, the main drivers of economic growth are the level and quality of a country's physical and human capital, technological advancement and the quality of the labor force as well as the country's level of openness to international trade (Omet et al, 2001).

Debt financing provides fiscal space to governments, which can facilitate growth through higher public investment. However, debt can create higher fiscal imbalances through greater debt servicing attributed, in part, to future increases in loans to repay existing debt. In addition, increase borrowing in the domestic economy can crowd out private sector investment. Further, research has shown that public debt levels have a non-linear impact on economic growth. Reinhart and Rogoff (2010) found that public debt to GDP in excess of 90 per cent has a negative impact on economic growth.

Over the past years, Nigeria's economy has been experi¬encing economic crises of great magnitude. This crisis is one of illiquidity in other words, the finan¬cial resources available could not meet payments for past transactions and there has been a consequent reduction in the allocation of current transactions. More disturbing is the persistent rise in the level of public debt. The debt represent the gross liability of Government and pro¬perly considered, should include Federal, State and Local Governments transfer obligation to citizens and corporate terms within and outside the country. The problem of public debt in Nigeria has resulted in various distortions in the macro-economy. Essentially, these distortions are structural in nature, and thus affect the level of per capita incomes and are instrumental to the rising poverty in the country.

In a situation where a country finds itself unable to meet its contractual obligations in terms of servicing her external debt, its credit worthiness within the international community is reduced leading to a loss of confidence to manage her resources effectively and conse¬quent loss of access to external loans. Nigeria has found this exact situation herself in recent times.

B. Objective of the study

The broad objective of this study is to examine the effect of public debt on Nigeria economy. This thesis is aimed at highlighting public debt and properly considered will include its impact on Nigeria's economic growth and development. The thesis shall discuss Nigeria's balance of payment and debt problem, Nigeria's internal and external debt, Nigeria's debt commitments and the growth and impact of public debt to the economic growth and development of Nigeria.

Nevertheless, far reaching effort is done in order to ascertain facts about the research study.

C. Limitation of the study

The trust of the project is therefore to examine and assess Nigeria's public debt: to examine and assess Nigeria growing indebtedness and its attendant problems or its impact in economic growth and development of Nigeria. The project will attempt to highlight the problems and what needs to be done to avoid a similar situation in the future.

Enough prominence will not be given to internal debt and this is because its consequences are not as devastating to the economic growth and development as it is with the case of foreign debts.

D. Hypothesis

These studies have provided an understanding of the dynamics between debt and economic growth and development and the impact of public debt in Nigeria economic growth and development.

II. Literature Review

A. Debt

Debt is a sum of money owed or due or the state of owing money. Debt is money owed by one party, the borrower or debtor, to a second party, the lender or creditor. The borrower may be a sovereign state or country, local government, company, or an individual. The lender may be a bank, Credit Card Company, payday loan provider, business, or an individual. Debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest.

The English term "debt" was first used in the late 13th century. The term "debt" comes from "dette, from Old French dete, from Latin debitum "thing owed," neuter past participle of debere "to owe," originally, "keep something away from someone," from de- "away" (see de-) + habere "to have" (see habit (n.). Restored spelling [was used] after c. The related term "debtor" was first used in English also in the early 13th century; the terms "dettur, dettour, [came] from Old French detour, from Latin debitor "a debtor," from past participle stem of debere;...The -b- was restored in later French, and in English c. 1560-c. 1660." In the King James Bible, various spellings are used; the spellings "detter [are used] three times, debter three times, debtor twice and debtour once1400.

The person that wants to get a loan is naturally surrounded with so many questions like who will I get the loan from, how will I get it and how will I use it, where will I get it from, what will I do with it, why will I take it and when will I pay it. This are questions that the debtor gets entangled to. See diagram 1 below.

Fig. 1. Diagram 1.

However, the same way the receiver is faced with questions so also is the giver the creditor is faced with how he can recover his money- that is debt recovery process. See diagram 2 below a typical debt recovery process chat.

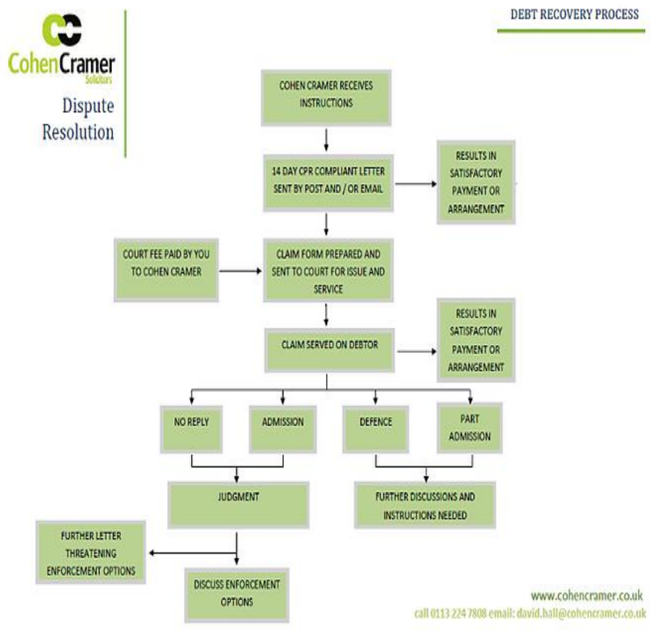

Fig. 2. Diagram 2.

B. Public Debt

Public Government debt (also known as public interest, public debt, national debt and sovereign debt) is the debt owed by a government. By contrast, the annual "government deficit" refers to the difference between government receipts and spending in a single year debt.

Government debt can be categorized as internal debt (owed to lenders within the country) and external debt (owed to foreign lenders). Another common division of government debt is by duration until repayment is due. Short-term debt is generally considered to be for one year or less, long term is for more than ten years. Medium term debt falls between these two boundaries. A broader definition of government debt may consider all government liabilities, including future pension payments and payments for goods and services, which the government has contracted but not paid.

Governments create debt by issuing securities, government bonds and bills. Less creditworthy countries sometimes borrow directly from a supranational organization (e.g. the World Bank or international financial institutions). Thus, when a government borrows, the debt is called as public debt, which can be incurred from domestic and international financial markets. When the debt is obtained to enable investment in some sort of assets or infrastructure, it is said to be reproductive, which consists of funds borrowed to acquire factories, electricity refineries, and so forth. However, borrowings to finance wars and recurrent expenditures are called dead-weight debts. Furthermore, government borrowing within its boundaries is referred to as domestic debt, which is usually in the form of treasury bills and bonds, while that which is sourced externally from other nations or financial institutions is categorized as foreign or external debt. According to Ajibola et al 2012, external debt is debt owed by a country to other countries or institutions abroad.

Public debt has both short-term and long-term implications as far as managing the economy and its operational efficiency are concerned. Public debt creates three major problems.

- The difficulties of servicing a large external debt,
- The efficiency loss from taxation, imposed to pay interest on public debt, and
- Slowing down of the rate of growth of the economy, which occurs when a large debt reduces the rate of capital formation in the private sector (by diverting resources to the public sector). To throw light on these three specific issues we have to examine the pros and cons of public debt.

However, under the external loan decree No. 30 of 1978, the Federal Government was authorized to raise external loans up to #5 billion. If the provisions of the decree-limiting raising of external debt outstanding to #5 billion had been kept, Nigeria would not have run into debt problem. Putting a limit to external debt borrowing was thought necessary since foreign loans were only needed to supplement the resources that would be raised domestically. “This indeed was the "classical views" of external borrowing”.

The general rule is that loans should be disbursed to finance productive ventures, which are self-financing, in the sense of generating fund that are to be applied to repay the loan. Such a loan will not put any excessive burden on the nation’s resources. The International Monetary Fund (IMF) prescription which now serve as a rule of thumb is to correlate total debt service to total export earnings for a given period (Bullion CBN Magazine Vol. 2 No. I 1987).

According to the Magazine, the acceptable ratio was put at 20% to maintain a proper balance in the external sector. For Nigeria, the debt service ratio rose from 0.8% in 1980 to up to about 32.2% in 1985 and but for the debt reprieve granted our foreign creditor in 1986, it would have exceeded 41%. The actual debt service ratio for 1986 was however estimated at 29.98% and 30.3% in 1987. The debt to export also increased significantly from 21% in 1981 to 170% in 1985.

In the absence of rescheduling in 1987, our debt service obligation exceeded our projected foreign exchange revenues leaving no balance to finance needed import for industry.

It might be useful at this point to ask the following related questions.

1) *What was the borrowing used to finance?*
2) *How did we get to this position?*

The first question is relevant, as productive use of borrowed funds will enhance the country's income on savings. The funds were essentially used to finance ill-conceived Federal and State Governments projects, many of which are still to be completed or have been operating far below capacity either because of lack of executive capacity to implement and manage, poor financial planning or wrong project selection criteria.

These projects include State and government sponsored projects, assembly plants like Ajakuta Steel Rolling Mill, sugar projects, paper projects at Iwopin and Oku-Iboku and cement projects.

Parts of the loans were also used to finance infrastructural development. These loans in themselves do not constitute a burden as long as the repayment terms reflect the long-term payback (Pb) of such projects. This is because infrastructural projects for highway development, new water-works, power generation / distribution facilities, telecommunication and urban transportation development enhance the productivity of domestic resources and therefore contribute to economic growth and development and future earnings. The gestation period is however long. The problem is that most of the state sponsored infrastructural projects were financed by high cost.

C. The Internal Debt

Internal debt or domestic debt is the part of the total government debt in a country that is owed to lenders within the country. Internal debt's complement is external debt. Commercial banks, other financial institutions etc. constitute the sources of funds for the internal debts.

However, internal Debt Creates Three Major Problems:

- Distorting effects on incentives due to extra-tax burden
- Diversion of society’s limited capital from the productive private sector to unproductive public sector, and
- Slowing the rate of growth of the economy

According to the Central Bank of Nigeria (CBN) Bullion Magazine (Vol. 2 No. 1 of 1987), the domestic public debt increased from #0.7 billion in 1970 to about #28 billion in 1985. These funds have been essentially used to finance deficits operated by the Federal Government since 1970. The level of internal debt does not however, reflect the actual position of Government indebtedness until it include short-term debt from local contractors and bank. Also excluded at the above figures are the indebtedness of Federal and State Government Ministries and agencies and State Governments themselves. This debt was estimated at #17.2 billion as at 1983 year ending. While the immediate consequences of a very high level of internal debt might not be as severe as that of the external debt obligations, it however has consequences over future inflation, taxation, savings, and investment.

The debt servicing requirements of the government could easily crowd out private investments even where funding is from the public debt markets. There is also the inflationary impact of creation of new money through borrowing from the CBN. Between 1980 -1985, the aggregate new borrowings from the CBN were #9 billion.

Related to the problem of increasing Government indebtedness are the following issues.

- The nature of Government expenditure.
- The maturity profile of the debt

A major part of Government spending in the last decade has essentially gone into subsidiaries for poorly run government companies, agencies and state pensions, and maintenance of unweeding state bureaucracy. This expenditure does not contribute to the growth of output and productivity within the economy. The maturity profile of the internal debt has already been deteriorating over the past years with the proportion of short to long-term public debt increasing from 62% in 1979 to 89% in 1978 and according to the Commerce Bank Plc Annual Report (1992) the public debt leveled at about 90% in 1991 and 1992. While we do not have any doubt as to the ability of the government to service the short-term debt because of the borrowing capacity of the government and other revenues open to it through CBN operations, this will have to come at the cost of increase in interest rates crowding out of private investment or higher inflation. The outstanding debt that were financed by banks was estimated in 1984 to be 11.5 times or 1,150% of combined equity of commercial and merchant banks. "The debt problem therefore has consequences for the continuing solvency of the financial system of the country".

It is therefore evident that the domestic debt over-hanged possesses a problem. Its effective management provides opportunities for fiscal and monetary policy reforms that could give depth, variety and robustness to the capital market. Above all, it should be seen as an opportunity for restoring the viability and solvency of some banks and companies, which are heavily exposed to the public sector.

According to the Vanguard Newspaper of 15th August, 1996 (Page 1 and 2), the government since have been paying debt below #500,000.00 and have further articulated a program for the settlement of debt exceeding #500,000.00. Government sources said that #226 million was paid in connection with reconciled debt up to March, 1985 and have paid #700 million in 1987 and in 1996 was provision to pay up to #2 billion.

The CBN is charged with the responsibility for managing the domestic debt. The CBN responsibility with respect to domestic debt management is outlined in section 35 of the CBN ordinance of 1958 and is reinforced by section 31 of the CBN decree No. 24 of 1991.

D. Balance Of Payment And Debt Problem

The balance of payments is the record of all international financial transactions made by a country's residents. A country's balance of payments tells you whether it saves enough to pay for its imports. It also reveals whether the country produces enough economic output to pay for its growth. The BOP is reported for a quarter or a year.

A balance of payments deficit means the country imports more goods, services and capital than it exports. It must borrow from other countries to pay for its imports. In the short-term, that fuels the country's economic growth. It is like taking out a school loan to pay for education. Your expected higher future salary is worth the investment.

A balance of payments surplus means the country exports more than its imports. The balance of payments has three components. They are the financial account, the capital account and the current account. The financial account describes the change in international ownership of assets. The capital account includes any financial transactions that do not affect economic output. The current account measures international trade, the net income on investments and direct payments.

A healthy and sustainable balance of payment position is a major objective of policy-maker worldwide anywhere in the world. To the extent that this is so, debt management also becomes an important agent of balance of payment management. It therefore involves selecting relevant concepts to achieve the objectives of the Policy (International debt: Zamis Res and Sima Motamen 1979).

According to S.O. Fasina (1987), over the past years Nigeria's balance of payment has been in a persistent deficit. In process the country's internal and external indebtedness an element of rigidity in the Balance of Payment, came into sharper focus. The concern expressed so far over the increasing level of Nigeria's indebtedness with its attendant problem has indeed cast serious doubts on the beneficial effects of borrowing. Certainly, a country in a situation of being unable to fulfill the contractual obligations in terms of servicing of her loan "and where it has to continue borrowing in order to meet its debt service obligations, could in fact cause her major hindrance to achievement of laudable goals of economic growth and development". Nigeria's recent experience of a rapidly growing debt service burden therefore suggest that the country's external indebtedness be carefully analyzed in order to properly identify its nature and structure and what needs to be done to arrest the problem so as to avoid falling into debt trap into which many developing countries have fallen into.

According to CBN sources (Bullion Magazine Vol. 2 No. 1 1987) since 1970, there has been a significant change in Nigeria's external sector. Broadly, two faces are distinguished.

- One of reserve accretion and
- The other of reserve depletion

In the period 1970 - 1971, 1973 - 1975, 1979 - 1980 the overall performance of the external sector resulted in the accumulation of foreign reserves. On the other hand, during the intervening years 1972, 1976 - 1978 and 1981 - 1983 the country experienced a severe balance of payment crises, cumulating in rapid depletion of external reserves.

A number of factors were at play to influence the course of development in the Balance of Payment.

First, the ascender of crude oil as the largest single export commodity since 1970s has linked the performance of the external sector inextricably to the development of the world oil market. With a share of more than 50% of total export in 1970, crude oil achieved the fact of becoming the largest single foreign exchange earner in Nigeria. Since then its share of total export has increased currently standing at about 96% thus intensifying the concentration on foreign exchange earnings in a single export commodity with its attendant high viability in export proceeds. Although Nigeria witnessed an oil boom in the early 1970s this was illusory as the so-called oil boom did not result in laying a sound industrial base capable of effectively diversifying the economy.

Secondly, there has been a remarkable growth of merchandise import. The period under review also witnessed the launching of national development plans whose import content was very high. Moreover, a significant increase in national income also occurred during the period largely as a result of local shortages which made Nigerians to acquire a tremendous taste for imported goods. All these factors accounted for a rapid and persistent increase in imports from #705.6m in 1981 before declining in real terms in 1982.

Thirdly, some policy measures taken during the review period served to exacerbate the balance of payment problem. In particular, the recourse for deficit financing will inevitably result in an increase in demand pressures and the fueling of inflationary tendencies. So far, all the years during which substantial balance of payment deficit were recorded also coincided with years of huge deficit financing. Moreover, a tendency to abruptly changing policy was also discernible. Thus, instead of allowing policy measures to work themselves out through or to effect changes only in the life of a sustained and remarkable improvement in the external sector, policies were changed arbitrarily. Policy measures were not properly implemented and given enough or due time to effect changes in the economy. For example, it was evident that by 1975 that the favorable developments in the world oil market have spelt themselves out and that the huge oil revenue would not be sustained, yet most of the control measures that were in force were dismantled. The result was that they recorded a balance of payment surplus of #102 million in 1974 dwindled to only #157 million in 1975 and became a deficit of #339 million in 1978.

Fourthly, government policy over the last decades has been essentially based on administrative import control and consumption. No recognition has therefore been given to the long-term problem which is basically structural. Temporary reliefs arising from transitory favorable development in the oil market were therefore matched by unwanted liberalization of import control measures. Additional foreign borrowing was also under-taken from 1979 not to facilitate the process of adjustment to build a secure foundation for future growth and development but to delay or avoid making the needed changes.

The last factor is the increasing level of internal and external indebtedness and its resultant debt service burden. The absolute level of debt itself, though at a record high is not a major of concern. Rather, the more disturbing aspect of the debt is attributed to the remarkable shift in its structure so that the greater proportion consist of short to long-term debt with its implications of high debt service payments. According to Julius Nyerere, “The debts are mathematically unplayable….The creditors know that you cannot pay, the Debtors also know that they cannot pay but what the creditors will not tell the debtors Is don’t pay”.

E. The Nigeria's Debt Commitment

1) The Trend In Nigeria's External Debt: According to S.O. Fasina (1987), in 1970 the trend of Nigeria's total external debt outstanding was relatively low at #488.8 million. At this level, external debt constituted only 9.2% of gross, domestic product (GDP). Nigeria remained largely under borrowed throughout this period. Between 1970 -1977, external debt outstanding was below #500 million on a yearly basis. The need for external borrowing was not particularly felt during the period as the country was receiving large inflows of foreign exchange through the oil sector. For example, external financing under the Second National Development Plan (1970 - 1974) was to account only for 19.4% of total public sector expenditure during the plan period. This was much lower than the 50.2% anticipated for the First National Development Plan (1962 - 1968). In both cases however, the realized external finance fell for short of projected level of borrowing, it accounted for only 8.3% of total public sector expenditure during the second plan period (1975-1980).

2) Analysis Of The Structure Of Outstanding Debts: It should be understood that the debt problem is related not so much to the magnitude of the outstanding debt, but more to the pattern of the maturities and variability of interest payments. In other words the debt burden relative to a country's capacity to generate savings and sufficient foreign exchange to service its debt obligations is in a manner that does not compromise its overall economic development management policy.

According to CBN sources in Bullion Magazine Vol. 2 No l 1987, between 1979 and 1977 the level of external debt outstanding was not only relatively low but also, the bulk of it, an average of 78.5%, consisted of a bilateral and multilateral loans. Such loans are usually provided on "concessionary or soft terms". In other words, the repayment period is long stretching for a very long period and the loans are granted at much lower interest rates. The implication therefore, is that servicing of debt commitments did not pose much a problem as of then. Thus because of high level of export earnings, the relatively low level of external debt and the preponderance of soft loans, Nigeria's external debt service payments were generally within tolerable limits during the early 1970s.

A turning point was reached in 1978 when for the first time, Nigeria Borrowed from the International Capital Market. The loan of #1 billion was raised primarily to finance a number of projects. Being a loan raised from the private sources it attracted "high interest rates and very short maturity period. Since then many, more loans have been raised in the capital market by the states and federal government.

The implication of this kind of borrowing is that the debt outstanding rose from #469,9 million in 1977 to #l,252,7 million in 1978 and by 1985 the level of public sector borrowing rose to #19.1 billion. The bulk of it, about 75.4% was owed to private sources of International finance. In addition, in 1982 the outstanding foreign debt was short-term. By 1985, the level of public sector borrowing rose to 32% about #19.1 billion. In consequence, servicing of debt obligations started to impose greater strain on the available foreign exchange resources. With the increasing level of debt and shorter repayment period, there was an element of bunching which necessitated the setting aside of an increasing proportion of export earnings to meet debt service payments. From an annualized average of #30.4 million in the period 1970 -1979 debt service payments rose to about 68% in 1986 (Bullion CBN Magazine Vol. 2 No 2 1987).

During the period 1979 - 1983 there was an unwelcome development in the country's debt problem due to the indiscriminate way in which some State Governments resorted to borrowing from external sources to finance all sorts of projects. Some State Governments also contracted loans and supplier credit without Federal Government of Nigeria (FGN) guarantee. The risk involved in this kind of borrowing is that it tends to compromise capital market by the states and federal government.

3) Refinancing And Rescheduling Of Nigeria's External Debt: The acute foreign exchange problems experienced since 1981 in the case of raising payment arrears made it inescapable to negotiate refinancing terms with the foreign creditors. Thurs in July 1983 after about four months of negotiation, the first refinancing agreement was concluded.

According to Bullion Magazine Vol. 2 No 1 1987, the agreement was aimed at refinancing the portion of the accumulated areas arising from confirmed letters of credit. The second agreement became effective in September 1983. In all a sum of $12,112 million worth of arrears on letters of credit was refinanced under the two agreements. Although refinancing agreement provided did not commence until January 1994 the agreement carried an interest rate of 15% above (LIBOR) London Bank offer rate. Apart from commitment charges, another effect of the conclusion of the two agreements was the liquidation by the so called "excluded debt" which amounted to #514 million. This was at a time when reserves were already very low. Even with the refinancing agreement the debt burden persisted.

The 1987 budget therefore assumes the successful conclusion of the rescheduling negotiations with the Paris Club of official creditors and the London Club of Our short and medium debt estimated at $16.1 billion about #64.4 billion then at Second Tier – Foreign Exchange Market (SFEM) rates. Significant progress was however recorded on the rescheduling proposals with the securing of an approval in principle of the steering committee of the London and Paris Clubs. The rescheduling proposals also call for $1.22 billion of fresh funds in 1987 from the London and Paris Clubs. In addition, the structural adjustment program (SAP) was to be introduced in conjunction with the idea of IMF on conclusion of the negotiation and the signing of a formal agreement in June, 1987. The structural adjustment program (SAP) was introduced by Rtd General Ibrahim Badamasi Babangida and was designed to attack and remove the fundamental structural destructions prevalent in Nigeria's economy since 1970s but SAP became a bumpy road that put Nigerian into more economy woes.

4) Debt Conversion As An Option: According to CBN sources, (Bullion Magazine Vol. No. 3 1987) debt conversion can take many forms and this includes.

a) Debt for cash

b) Debt-Debt Swap

c) Debt-Peso Swap

d) Debt for Export.

The sole purpose of the different modes of swaps is to provide measure of relief to lighten the burden of the debtor country to the extent that the debtor country is able to redeem its foreign debt it -price lower than the Face Value of such debt.

According to Abdulkadir Ahmed former CBN Governor 1987, some valid concern was expressed about the possible effects of this conversion.

It should be noted that all these options were taken to very faithfully implement the SAP but SAP was a bumpy road that influence and quadruped our public debt crises. However, some demerits of SAP are.

- It caused adverse monetary expansion effect, because it was not properly implemented
- It caused decline in inflow of fresh money
- It caused distortion in relative prices. Atypical example of this was in exchange rates and Asset Prices
- It caused comparing of debt restructuring
- As the economy kept declining, credits outstand¬ing kept obtaining more conversions
- It also effected making more additional of foreign exchange
- It increased local political sensitivities arising from excessive for their ownership
- It even effected the financial institutions, Bank customer and even individuals

F. Debt Servicing

The loans provided during 1970s were appropriate because they were more of moral suasion so servicing of the debt then did not pose much a problem. The debt servicing however started to impose more strain on the economy from 1978.

According to Vanguard Newspaper of (August 15, 1996, page 1 and 2), the Federal Government spent $6984.4 million about #5,587 billion in the first four months of 1996 to service the country's external debt, as shown by statis¬tics from the CBN. According to the CBN sources, the CBN noted that the amount represents 22.4% of total out payments made by the country for the four-months to April 1996. Specifically, #192.6 million went to external debt service in the month of April alone. This was however, a remarkable increase of $159. 2 million over the amount spent for the same purpose in March 1996. The report further showed that foreign exchange disbursement from the economy amounted to #827.6 million. This represented a fall of 7.7% over what was disbursed by the economy in March. This development was due to a fall in the level of out payments for visible imports from #303.8 million in the previous month to #303.8 million. The CBN attributed the trend to a reduction in the value of direct sales of petroleum products which dropped by 6.2% in March 1996.

According to Vanguard Newspaper, on receiving the performance of the economy in September 1996 in Abuja, the Federal Minister of Finance, Chief Ani said; the cancellation / servicing of debt this year was in line with government policy embargoing foreign loans. This is a step forward to remove the debt burden hence the achievement of economic growth and development. However, external debt owed to the Paris Club group of creditors however, remained at $21.6 billion as at June 1996.

According to Chief Ani, the indebtedness of the Paris Club represent 66.5% of the total #32.585 billion external debt recorded against the country as at December 31 1995. He further said 'that an estimate of all the projects financed with the Paris Club loans were receive in 21 states of the federation. His words; "during the period under review, staff of the Federal Ministry of Finance (FMF) visited 21 states of the federation to identify and monitor the different projects financed from Paris Club loans" This is a remarkable idea in trying to boost the performance of the economy to a sound position. He however, said that discussions centered on the implementation of the 1996 budget and the achievement of macro-economic objectives is exported to be done through; evaluation of the reasons contributing to the government inability to appropriate report on its external debt over the past years. The country's assistance strategy and portfolio clean-up and other macro-economic issues that will help in achieving the objectives of macro-economic policy.

G. Growth And Impact Of Nigeria's External Debt

The growth of Nigeria's external debt has been persistently riding high since early 1970s. This has caused the need for carefully analyzing its nature and structure and what needs to arrest the problem. The Nigeria's growing indebtedness therefore, calls for the need to use various techniques and strategies to arrest the situation.

The issue of external debt in Nigeria has become an immense status bestriding the main stream of international economy and politics. Foreign loans and aids are no longer used as instrument of assistance but as a weapon of oppression, suppression and perpetual under development. That the management of external debt has assumed a critical dimension for Nigeria not in doubt. This can be seen in the rising total of external debt outstanding and the cost of servicing the huge debt. From the comfortable position of lending even from the International Monetary Fund (IMF) and Africa Development Bank (ADB). Nigeria became one of the biggest debtor nations in the world and was listed among the biggest debtor nations in the world and was listed among the fifteen (15) most indebted nations in the banker plan list.

At the end of civil war in 1970, the country's external indebtedness was relatively low and was of little significance until 1974. But by 1977, external debt of Nigeria was #496.9 million and it rose by over 205% to #1,265.7 million or US $ 2.2 billion referred to as the "Jumbo Loan" and was contracted from the international capital market (ICM) in 1978. This sky rocketed to US $32.6 billion at December end, 1995.

External Debt in Nigeria increased to 18913.44 USD Million in the fourth quarter of 2017 from 15352.13 USD Million in the third quarter of 2017. External Debt in Nigeria averaged 7806.46 USD Million from 2008 until 2017, reaching an all-time high of 18913.44 USD Million in the fourth quarter of 2017.

III. METHODOLOGY

A. Introduction

Debt management is an important adjunct in achieving a sound balance of Payment Position in order to achieve macro-economic objectives. It therefore involves selecting various techniques such as refinancing, collateralization, debt/equity swap and debt service reduction with other necessary modern modification to achieve the objectives of the policy: Chenery N.B. Syrquine M, 1975.

In this chapter we are going to be concerned with how data were collected to find deeper the impact of public debt in Nigeria's economic growth and development; the population of the study, primary and secondary sources of data and methods used in analyzing data collected. It should however, be noted that public debt should be used in such a way that it generates future outflow that could be used to amortize the debt service obligation.

B. Method of Data Collection

This research study was conducted using both primary and secondary method of data collection. Data were collected from textbooks, lecture notes, journals, reports and Newspapers.

While in the primary method of data collection, some management of CBN, Abuja and Commercial Banks assisted to a reasonable extent in order to reach a clear and viable state of fact.

C. Population of the Study

For ascertaining real facts about public debt management on this research work, number of countries (that first collected the public debt before Nigeria) like Brazil, Chile, Mexico, Philippines and Argentina were observed.

This is because comparisons between nation indebtedness are necessary during analysis on public debt management. This has included the general structure of the program, the key steps required for typical debt management and other modern structural details about public debt management.

However, the research work has found out that some features of this program and the wide variety of problems that are attached to the debts that create Balance of Payment crisis and this program have their focus only on monetary manipulations.

D. Methods Used in Analysing Data

Both primary and secondary sources of data were used in this research work. The main advantage of obtaining such data's is that the exact information that is needed for the research study will be conceived.

Data's are analyzed according to facts through events in order to avoid fallacious conclusions.

IV. Data Analysis

A. *Introduction*

Export earnings, average import bill, balance of payment, internal and external debt and debt commitment, though in a summary form, were all used in this research work in order to ascertain facts about the impact of public debt in Nigeria's economic growth and development.

Though the tables in this chapter show these developments in a summary form, notes on account and reliable information’s have been used in the research work in order to achieve the objective of the research study.

B. *Nigeria's Export Earnings (Oil and Non-Oil)*

The ascender of crude Petroleum as the largest single export commodity since 1970 has linked the performance of the external sector inextricably to the developments in the world oil market. With a share of more than 50% of total export in 1970, crude oil achieved the feat of becoming the largest single foreign exchange earner. Since then crude petroleum share of total export has increased currently standing at about 96% thus intensi¬fying the concentration of foreign exchange earnings in a single export commodity with its attendant high vari¬ability in export proceeds. Despite the efforts of the Federal Government to diversify the economy away from oil to non-oil sector, receipts from oil and gas sector still up as as 2017 account for a huge chunk of the country’s total exports’ earnings, an investigation has revealed.

An analysis of the foreign trade statistics obtained from the National Bureau of Statistics revealed that out of the total export earnings of #3.1tn for the second quarter of this 2017, oil and gas accounted for #2.43tn, while the non-oil sector accounted for the balance of #670bn. A breakdown of the export earnings showed that petroleum oil and oil obtained from bituminous minerals generated the sum of N2.42tn, representing 78.18 per cent.

Nigeria is the largest economy in Africa. However, growth has fallen sharply since 2010, with the economy falling into recession in 2016 due to an oil-induced crisis.

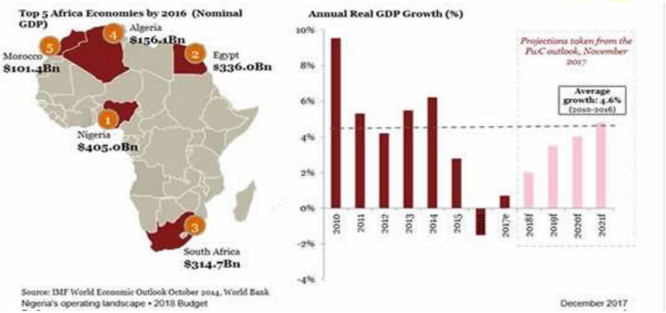

Fig. 3. Analysing Data.

The crude petroleum share of total export has increased currently standing at about 96% thus intensifying the concentration of foreign exchange earnings in a single export commodity with its attendant high variability in export proceeds.

See table below 1970 – 1986.

TABLE I. Export Earning (Millions)

Period	*Oil (1)*	*Non-Oil (2)*	*Total (3)*
1970	510	376	886
1971	953	370	1323
1972	1176	258	1434
1973	1894	384	2278
1974	5366	429	5795
1975	4630	296	4926
1976	6196	555	6751
1977	7080	550	7630
1978	5652	412	6064
1979	10167	670	10837
1980	13523	664	14187
1981	10580	196	10776
1982	8602	121	8723
1983	7201	301	7502
1984	8841	247	9088
1985	10891	324	11115
1986	12819	N/A	12819

[a] CBN Abuja.

Although Nigeria witnessed an oil boom in mid 1970s, this was largely illusory as it did not result in laying a sound industrial base capable of effectively diversifying the economy. Attempt was not given to introduce supply side policies to diversify the export base and stimulate inflow of foreign capital. Temporary reliefs arising from transitionary favorable developments in the oil market were therefore matched by unwarranted liberalization of import control measures. Additional foreign borrowing was also undertaken in 1979 not to facilitate the process of adjustment to build a secure foundation for future economic growth and development but to delay or avoid making the needed changes.

Non-oil export therefore declined from N670 million in 1979 to N121 million in 1982 before slightly picking up to N324 million in 1985.

Thus, up to as at second quarter of 2017 the oil sector remains the main source of export earnings and government revenues though its contribution to GDP has declined. See below.

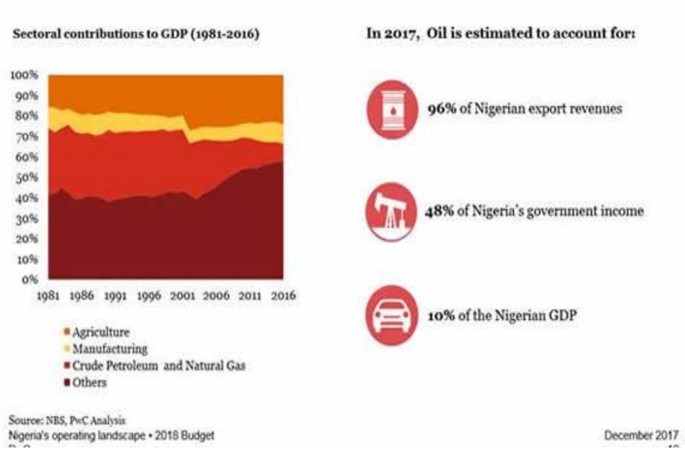

Fig. 4. Second quarter of 2017 Export Oil.

C. Average Import Bill

Merchandise import has been on the increase for the past years. Nigeria has acquired a tremendous taste for imported goods. The period under review witnessed the launching of more than three development plans whose input content was also very high. See table below.

TABLE II. AVERAGE IMPORT BILL (N MILLIONS)

Period	***Import 1)***	***Average Month Import (2)***	***No of Moths of Import (3)***
1975	722	310	11
1876	5150	429	7
1977	8090	591	4
1978	8141	678	1
1979	6169	514	6
190	9091	758	7
1981	(912919)	1060	2
1982	1077	898	1
1983	8904	742	0.98
1984	7178	598	2
1985	7543	639	3
1986	7718	632]	3
1987	8832	N/A	N/A
1988	9122	N/A	N/A
1989	8033	N/A	N/A
1990	8771	N/A	N/A
1975	722	310	11

b. Import Figure 1970 And Increase Recorded Source: CBN Abuja.

D. Internal Dept and Maturity Profile

The level of Federal Government internal debt has been consistently on the increase since 1970. As indicated in table below, the domestic public debt has increased from #0.7 billion in 1970 to #28 billion in 1985.

TABLE III. MATURITY PROFILE

	1981	**1982**	**1983**	**1984**	**1985**	**1986**
Govt. exp.	10.774	11923	11525	9927.6	12079	11581
G.D product	30500	25600	27000	29900	26200	25300
Exp. G.D as % of	35.5	41.8	42.7	38.3	46.1	45.1
GDP.						
Fiscal Deficits	(3708.5)	(6104)	(5253)	(2660)	(1708)	45.8
Inflation rate	33.9	7.7				
Additional	3187.3	1975	23.2	39.6	-	-
Borrowing						
From CBN			2325	-	820	-
Govt. public Dept.	11445.5	14847.5	22224	26675	27952	-
Growth of public	44.5	29.7		20.00		
debt			49.7		(28.8)	-

c. Budget Projection Source: CBN Abuja.

TABLE IV. MATURITY PROFILE OF FED. GOVT. INTERNAL DEBT

Up to 2 years (N)	4526	4959	8186	11294	18438	2153
% (percentage)	62	63	72	76	83	86

d. Budget Projection Source: CBN Abuja.

The above internal debt has been used to finance deficit operated by the Federal Government since 1978. While the immediate consequence of a very high level of internal debt might not be as severe as that of external debt obligation, it does however have consequence for future inflation, taxation, growth of savings and investment. The debt servicing requirements of Government could easily crowd out private investment in the country.

The maturity profile of the internal debt has also been deteriorating over the years with the proportion of short-term to long-term public debt increasing from contractors most of whom were financed by Banks was combined equity. “The debt problem therefore has consequences for the continuing solvency of the financial system in the country.

E. External Dept

Between 1970 and 1977 the level of external debt outstanding was not only relatively low but also, the bulk of it, an average of 78.5% consisted of bilateral and multilateral loans. Such loans are usually provided on concessionary or soft term i.e. within tolerable limits. See table V below.

TABLE V. NIGERIA’S EXTERNAL DEBT OUTSTANDING (1970-1974) (N MILLION)

Category	1970	1971	1972	1973	1974
1. Bilateral	100	106	124	151	183
2. Multilateral	38	38	102	107	122
3. I.C.M.	-	-	-	-	-
4. Refinanced	-	-	-	-	-
5. Others (stage & Private Loans	351	70.5	37.3	19	18
6. Unfinanced	-	-	-	276	322.4
TYPE:					
1. N/long term	429	215	263	276	322.4
2. Short-term	59.8	-	-	-	-
Total	488.8	215	263	276.9	322.4

Category	1975	1976	1977	1978	1979	1980
1. Bilateral	200	233	350	211	406	484
2. Multilateral	126	129.9	140	154	164	182
3. I.C.M.	-	-	-	641	1028	1090
4. Refinanced	-	-	-	-	-	-
5. Others (stage & Private Loans	23	22	6.4	260	14	111
6. Unfinanced	-	-	-	-	-	-
TYPE:						
1. N/long term	349.9	374.6	496.9	1265.7	1611.5	1866.
2. Short-term	-	-	-	-	-	-
Total	349.9	374.6	(496.9)	(1265.7)	1611.5	1866.8

According to the table above a turning point was reached in 1978 when for the first time Nigeria borrowed from the international capital market (I.C.M.). The loan of $1 billion was raised primarily to finance a number of projects. Being a loan raised from the private sources, it attracted high interest rates while the maturity was shorter. Since then many, more loans have been raised in the ICM by the state and the federal governments.

The implication of this kind of borrowing is that the level of debt outstanding rose from #19 billion in 1977 to #1265.7 million in 1978 and by the end of 1985 external debt has raise to #19 billion. Since the external debt has been posing greater strain on foreign exchange sources and adversely affecting Nigeria’s economy growth and development.

In addition, it has been affecting the country up to as at present date.

V. Summary

This research has been carried out using adequate analysis of public debt in order to ascertain the impact of public debt in Nigeria’s economic growth and development. It has been noticed in the research work that, the absolute level of debt itself, though at a record high is not the major cause of concern. Rather, the disturbing aspect of the debt problem is remarkable shift in structure such that the greater proportion now consists of short to medium-term debt with its implication of high debt service payments. With the increasing level of debt and shorter repayment period with high interest payment, there has been an element of bunching which necessitated the setting aside of an increasing proportion of export earning to meet to the debt service obligations or payments.

As would be expected, the increase in the absolute level of the debt and the service burden it impose created severe payments problems in the country. This was marked by a time of creditors’ increasing reluctance to extend new loans or open new lines of credit, with persistently high interest rates both in nominal and real terms and a slow - down in export earnings. The crises that locked the external sector during the review period clearly underline the vulnerability of the economy to external shocks. Nevertheless, it is also evident that certain developments within the domestic sector lent support to the external factors to create a crisis in the balance of payments. It can therefore be said that the failure of Nigeria’s economic growth and development can contributed by woes of public debt management and tight terms of the international creditors. The size of the large debt dictates less contracting of debt obligations.

VI. Conclusion

The past years were undoubtedly very difficult years for the country as regard to debt crises. This is due to the country’s inability to manage the barrowed funds property. The research work has highlighted the growth in the level of Nigeria’s debt and the consequent impact or debt burden t has imposed on the economy especially in the past few years. It also shows that apart from the internal debt problem, the nation’s external debt commitment was exacerbated by the large accumulation of trade debt which arose from inability to pay for imparts due to acute shortage of feign exchange. The various sources of external finance were to some extent analyzed in the research work to show that the impact of public debt becomes heightened with a shift in the structure of outstanding debt from concessional to commercial loans contracted at higher and variable interest rates and with relative short maturities. This has indeed accounted for the increase in debt service payments in the past years.

The Nigerian economy has been crisis-ridden since 1981. That it has taken so long for the economy to recover is an indication that the problems are deep seated. This has revealed the inadequacy of the countries macro-economic management because the debt management strategies in place are not effective. It was not possible to act swiftly and decisively when the danger signals started to show. In the event, Nigerian importers and businesspersons were at a great disadvantage in terms of opening letters of credit for their trade transactions.

Thus, there is need to be judicious in contracting new loans. The era of raising foreign loans of fiancé while elephant project and or to supplement budget shortfalls should be deemed as over. What is required is an effective debt management strategy/policy, which will be an integral part of our overall macro-economic management. Therefore, supportive domestic and fiscal measure has to be adopted in order to create an environment that will ensure a return to the path of sustained economic growth and development.

However, new initiatives taken by the present administration to address this problem by virtue may return the country to the right path if fully implemented. The President Muhammadu Buhari have Launched fresh economic programs designed to turn Nigeria into a prosperous and stable nation. He was of the idea that Nigeria can only solve this crisis herself. Unveiling the new program at the opening of the Nigerian economic summit 2017 Abuja, he promised he has put in place viable fresh economic programs for the nation's future economic growth and development. The vision should provide remedies to our debt crises, strategies to improve domestic investment and an overall strategic insight into the direction in which the nation needs to move, as well as proper focus on the programs and policies, which should lead to us to the realization of the future of our dream.

Finally, equity participation and trustworthy between the government and the community should work hand in hand in order to help in salvaging our present debt crises.

"The debts are mathematically unplayable….The creditors know that you cannot pay, the Debtors also know that they cannot pay but what the creditors will not tell the debtors is don't pay" – Julius Nyerere.

VII. Recommendation

In the course of this study, the following recommendations will be useful based on the findings of the research project. The repayment arrears that built up in the recent years have seriously dented the country's credit rating in the I.C.M. Thus for a country like Nigeria that is now facing less favorable conditions and whose policies have proved less effective, the emergency measures to deal with severe payment difficulties should tend to focus primarily on demand restraints, import control and exchange rate adjustment. To varying degree this could be accompanied also by supply-side measures but in a number of much remains to be done accompany the necessary initial reduction in expenditure with private and public sector incentives. Among such measures are the following.

- Improve mobilization of document of domestic savings through more attractive interest rates on deposits and fostering the development of financial institutions and advertisement.
- Encouraging policies that discourage capital flight and also encourage repatriation of private foreign assets through the maintenance of appropriate exchange and interest rates, investment incentives and demand management framework.
- Set up committee made of government representatives, bankers and industrialists to monitor and give direction to the country's external indebtedness.
- Articulation of clear criteria for evaluation of new projects financing to take account of payback period (Pb) of the projects, the benefits it has to the economy and taking account of the old projects that are yet to be completed.
- Reform of public sector enterprise, putting their activities on a cost effective basis with realistic pricing of their goods and services.
- There is also the need of policy implementation. Backwardness of the country has been attributed by the epileptic policy implementation by government. It is not the absence of good policies but their implementation that has robbed Nigeria of the much-designed success of growth and development. According former president of the African investment forum "chief Idedi ohakim": Nigeria has all the resources and polices to get to industrial paradise but lacks implementation consistency to maintain the tempo of past efforts (vanguard Newspaper 23rd August, 1996).
- Introduction of additional incentives to attract foreign equity investment. Such incentives should include, solving the problems ourselves (do it yourself philosophy) by removing existing bottle necks to the remittance of dividends and capital and a review of the country's Economic policy act and many of the outdated regulations guiding foreign investment in the country.

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