EXTERNAL DEBT MANAGEMENT AND ECONOMIC GROWTH: THE NIGERIAN EXPERIENCE (1981- 2014)

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Abstract

The study investigates external debt management and economic growth of Nigeria using data from the period of 1981 - 2014.The multiple regression and ordinary least squares (OLS) techniques were used to analyze the secondary data sourced from the National Bureau of Statistics, Central Banks of Nigeria and the Debt Management Office. The results of the findings revealed that external debt stock has positive impact on gross domestic product (GDP) and Per Capital Income (PCI), while external debt service payment has a negative impact on GDP and PCI. This implies that effective and efficient management of external debt will promote economic growth and development of Nigeria. The study recommends that government should only procure and utilize external loans for economic reasons rather than for political and other frivolities. Besides, debt service burden should be kept within sustainable level; that means that the   government should determine the level or amount of debt the economy can sustain and the conditions of borrowing should be on favorable terms.
Key words: External Debt, Debt Management, Economic Growth and Debt Management Office

Introduction

Nigeria and other Sub-Sahara African Countries are characterized by insufficient domestic capital accumulation arising from the vicious cycle of low productivity, low income, and low savings. This scenario calls for technical, managerial and financial support from abroad to bridge the age-long resources gap. Foreign loans are a vital resource needed to support

sustainable economic growth and development. Ordinarily, economic growth should depend largely on internal capital accumulation but due to series of economic and other major constraints facing the nation, the country requires imports of capital goods and raw materials that are not internally available. These foreign imports are required for sustainable economic growth and for there to be a sustainable economic growth; there must be a substantial investment in infrastructures such as roads, power, transport, communication, ports, etc. The need to finance government rising expenditures and need for capital formation have been identified to be responsible for the astronomical growth in foreign indebtedness of the Nigerian government.

Most Africa countries including Nigeria have acquired a large sum of foreign   loans overtime to narrow the gap between domestic savings and investment. This process was influenced by the believe   of the traditional concept of bridging the savings investment gap in order to accelerate the process of economic growth and development. This was premised on the conventional idea that the gap between savings and investments can be narrowed either by reducing domestic savings or augmenting domestic savings with foreign loans. There would be accelerated economic growth if borrowed foreign capital is optimally utilized to finance viable projects. Malik et al (2010) stated that it is generally expected that developing countries, facing scarcity of capital, will acquire foreign debt to supplement domestic savings. In addition, foreign loan is preferable to domestic debt because the interest rates charged by international financial institutions like International Monetary Funds (IMF) is about half to the one charged in the domestic market (Pascal, 2010). Whether or not externally sourced debt would be beneficial to the indebted nation depends on whether the borrowed fund is utilized in the productive sector of the economy or for consumption. Adepoju et al (2007) stated that debt-financed investment need to be productive and well managed enough to earn a rate of return higher than the cost of debt servicing.

The notion is that a country should source for foreign loans as long as the loan acquired produces a rate of return higher than   the cost of borrowing the fund; and when the borrowing country wishes to increase   capacity and expand output with the aid of foreign savings. According to Hammed et al (2008), the debt, if properly utilized, is expected to help the debtor country economies by producing a multiplier effect, which leads to increased employment, adequate infrastructural base, a larger export market, improved exchange rate and favorable terms of trade. However, according to Aluko and Arowolo (2010), this has never been the case in Nigeria and several other Sub-Saharan African Countries where contracted foreign debts has been misused and diverted.

Externally sourced borrowing in Nigeria has fluctuated over time from a period of minimal external debt to a period of excessive external debt. Nigeria began acquiring external loans   in the 1970s, and her foreign debt profile during this period was relatively small. However, by 1976, her foreign indebtedness   increased from $1.3 billion to $3.2 billion in 1977 (about 146% increases within a period of one year). From then on foreign debt has been on the increase.

Nigeria's huge foreign debt burden is an impediment to the sustainable economic growth and development of the nation. Debt itself is not evil but lack of optimal utilization of

Debt especially external borrowings are associated with   improper debt management and servicing problem. Therefore contraction of foreign debt is good and bad depending on the use and management of the debt. According to Adepoju et al (2007), the high level of debt service payment prevented the country from embarking on large volume of domestic investment that would have enhanced growth and development. Of the numerous problems that Nigeria is faced with today, the debt problem is one of the most disturbing. Huge debt is a hindrance to economic growth and development of any nation especially within the context of a capitalist economy. In a debt ridden nation like Nigeria, economic benefits and funds which would have been deployed for social profitable investment are utilized for debt servicing. A sustainable servicing of foreign debt depends among other things on the productive investment and judicious management of foreign derived debt. The Nigerian Federal Government has embarked on various policy measures to ensure proper management of its foreign debt and in a bid to resolve the Nigerian debt burden. One of such policy includes debt conversion programmer, and debt rescheduling, which are all aimed at minimizing the effect of foreign debt on the nation's economy.

The main objective of this work is to investigate the impact of foreign   debt management on the economic development of Nigeria. More specifically the study attempt to achieve the following sub and specific objectives which include the assessment of the impact of foreign debt stock on the gross domestic product , the investigation of the effects of debt services payment on the gross domestic product, the ascertainment of the impact of foreign debt on per capital income , and the determination of the effects of foreign debt service payment/management on per capital income in Nigeria. To achieve this objective, the following hypotheses are stated below:

Ho_1: External debt does not significantly affect gross domestic product of Nigeria

Ho_2: External debt service payment does not have impact on gross domestic product of Nigeria

Ho_3: External debt does not significantly affect per capital income of Nigeria

Ho_4: External debt service payment does not have impact on per capital income of Nigeria

Theoretical Framework: External Debt Management in Nigeria

External debt management is a carefully planned schedule of the acquisition, utilization and   the repayment of the borrowed funds for the purpose of economic growth and to support the balance of payments. It encompasses an assessment of the country's capability to service the   existing debt and the desirability to contract additional debts. Since 1960, Nigeria had attempted to manage her foreign debt through diverse policy measures. One of such is the placement of embargo on new loans. In 1978, the Federal Government fixed N5 billion for itself as the maximum limit of foreign loan contraction. Also a limit of N200 million was placed on State Government's borrowing from foreign sources in 1982. In the year 1986/1987 and 1989, the Nigeria debt profiles escalate and the escalation was blamed on the very short repayment periods.

Therefore the debt was rescheduled, that is the postponement of the effective maturing dates of the debt owed to a future date. As a result, over 70% of the outstanding debt owed to the Paris Club was rescheduled in 1997 and for the first time, the rising trend of Nigeria foreign

Debt was reversed with the reduction of debt stock from $32.58billion in December 1995 to $28.06 billion. Rescheduling may bring temporary relief to a country but not a permanent relief as it amounts to 'postponing the evil day.' The former president of Nigeria, Olusegun Obasanjo stated while presenting the 2002 budget that as a result of rescheduling agreement that Nigeria had with some creditors nation, a total of about $19.5 billion was rescheduled for 2001, but even after rescheduling, the debt service due by Nigeria to the Paris club of creditors for 2001, was about $3billion, but following negotiations, this was pegged at $1 billion. With regard to the reduction of debt service ratio, Nigeria has enjoyed some reliefs however the rescheduling and restructuring have not provided the much desired debt relief to the country. The Central Bank of Nigeria in collaboration with the Federal Ministry of Finance manages the Nigeria's foreign debt. However, the Federal Government in year 2001 established a semi-autonomous Debt Management Office (DMO) under the Presidency.

Adepoju et al (2007) stated that the creation of DMO consolidated the debt management functions in a single agency, ensuring proper coordination of the country's debt recording   and management activities, including debt service forecast, debt service repayments, and advising on debt negotiation as well as new borrowings.

Nigerian foreign debt management strategies have not been constant rather is has varied from time to time since the early 1980's. In this period the management of foreign debt became a major duty of the Central Bank of Nigeria. A more pragmatic articulate and all-embracing debt management plan as stated in ICAN study pact 2014 was established in 1988 with the basic objectives of outlining strategies for increased foreign exchange earnings thereby reducing   the need for foreign loans; to set out the criteria for foreign debt and to determine the type of projects for which foreign loans may be obtained; and to outline the mechanism for servicing foreign debts of the public and private sectors. Projects to be financed with foreign loans should be supported with feasibility studies including acquisition, deployment and retirement plan schedule.

The debt management plan also highlight the need for State government to submit borrowing proposal to the Federal Ministry of Finance and Economic Development and the Central Bank of Nigeria for consideration before they are incorporated in the final public sector borrowing in the annual budget. The State Government and their agencies as well as the Federal Government Parastatals should service their debt through the Foreign Exchange Market and inform the Federal Ministry of Finance and Economic Development for record purposes. Failure of the States to service their debts will result in the naira equivalent being deducted at source before the balance of their statutory allocations is release, among other things.

The government over the years adopted the following measures to manage the foreign debt profile of the country; debt rescheduling, which involves the re-arrangement of the repayment terms of debt by adjusting the interest rates, the grace period, the principal sum to be liquidated, and maturity date. This debt management strategy does not lead to any reduction in the stock of debt but facilitates the management of the debts by providing some reliefs. The use of this method has been criticized because it merely postpones the 'evil day' for the debtor Nation. Foreign debt could also be converted into equity shares in local companies.

This strategy will reduce the outstanding stock of the nation's foreign debt and make the economic environment attractive for foreign investment. However the likely foreign domination in terms of ownership of assets may not favor the country's economic growth and political freedom and there is also the problem of inflation as a result of increase in money supply. Debt forgiveness had been sought by Nigeria as part of its foreign debt management strategy. For instance   in 2006 Paris Club of Creditors granted Nigeria a debt relief of about $18 billion. This translated into about 2.43 trillion at an average exchange rate of 130 to 1$. Counter trade which entails making a nation major export available to another nation in exchange for a major import has also been used as foreign debt management strategy.

Nigeria used this strategy to obtain raw materials for the development of the petrochemical industries and Ajaokuta Steel Industry. Algeria and Brazil entered into counter trade with Nigeria in 1984. Temporary measures designed to ban or place embargo on the acquisition of foreign debt by government has also be employed as a debt management strategy in Nigeria. The embargo was to check the escalation of total debt stock and minimize additional debt burden. These have not been very effective as indiscriminate quest for foreign loans is still pervasive in the Nigeria public sector. Although rescheduling has conferred shor term relief or debt service obligations, the debt over-hang has however hardly been abated as the debt stock has continued to increase significantly. For effective management of debt in Nigeria, the Federal Government created a semi-autonomous debt management office under the Presidency in 2001 which is popularly refer to as Debt Management Office (DMO) . DMO consolidates the debt management functions in a single agency ensuring proper coordination of the country's debt,   recording and management activities including debt service, forecast debt service repayments and advising on debt negotiation as well as new borrowings**.

Foreign Debt Servicing in Nigeria

Nigeria's   debt - like a dangerous virus - continues to multiply. .The more we service the debt, the more it seems we owe. Debt burden has undermined Nigerian economic growth and her capital market vibrancy and development as a result of doubtful deals, white elephant/dud projects, and dubious debts, which were contracted by various administrations in Nigeria. The country spent a good proportion of her national income   in debt servicing leaving little for capital, social and economic development. Before the debt cancellation, with a foreign debt of over $30 billion, debt servicing was a major problem militating against the economic growth and development of Nigeria and it is still a critical development issue. It is reported that Nigeria spend three times its sectorial budget for education and nine times its health budget on servicing of outstanding debts. This has made investable fund to be channeled towards debt servicing at the expense of economic growth.

Clement et al (2003) observed that   besides the effect of high debt stock on investment , foreign debt can also affect development through accumulated debt servicing payments which are likely to " crowd out' investment both in the public and private sector of the economy. He explained the crowding–out effect to mean a situation whereby a nation's revenue which is obtained from foreign exchange earnings is used to pay up debt service payments. This limits the resources available for use in the domestic economy as most of it is

Soaked up by external debt servicing burden which reduces the level of investment. The impact of debt servicing on economic growth is damaging as a result of debt –induced liquidity constraints which reduces government expenditure in the economy. These liquidity constraints arise as a result of debt service requirements which shift the focus from developing the domestic economy to repayments of the debt. Public expenditure on social infrastructures is reduced substantially and this affects the level of public investment in the economy.

Adepoju et al (2007) asserted that the creation of the Debt Management Office (DMO) in 2001 by the Federal Government among other things ensures proper coordination of the country's debt service forecast and debt service repayments. One of the major challenges facing the DMO is the need to ensure that budget resources are timely released to effect debt service payment since much of Nigeria's debt stock was as a result of interest capitalization of arrears and penalties for default. Debt service payment to African Development Bank occurs frequently while debt service payment to the World Bank is due every 15 days. These debts carry still sanctions if debt service and repayment were not made as at when due. The implication for default ranges from blocking the country from accessing further foreign credits, lowering the credit rating/worthiness of the country, and among other penalties. It was agreed between the Paris Club of creditors and Nigeria after the year 2000 rescheduling of Nigeria debt that debt service payment in year 2001 should be kept at $1 billion. Adepoju et al (2007) further stated that a huge foreign debt without servicing as was the case with Nigeria before the year 2000 constituted major impediments to the revitalization of her shattered economy as well as the alleviation of debilitating poverty. They revealed from their research work that the much needed inflow of foreign resources for investment stimulation, growth and employment were hampered because without credit cover – as a result of non-debt servicing-,Nigerian importers were required to provide 100 percent cash covers for all orders and this therefore placed them at a competitive disadvantage compared to their counterparts.

Empirical Studies

Several works have been carried out on the effect of foreign debt on the gross domestic product. For instance Ayadi and Ayadi (2008) examined the impact   of the huge external debt with its servicing requirements on economic growth of the Nigerian and South African economies. The neoclassical growth model, which incorporates external debt indicators and some macroeconomic variables, was employed and analyzed using both ordinary least squares (OLS) and generalized least square (GLS) methods. Their findings revealed negative impact of debt and its servicing requirements on the economic growth of Nigeria and South Africa.

Malik and Hayat (2011) explored the relationship between foreign debt and economic growth in Pakistan for the period between 1972 to 2005 using time series econometric technique. Their results show that foreign debt is negatively and significantly related to economic growth. The evidence suggests that increase in foreign debt is negatively and significantly related to economic growth.   This suggests that increase in   foreign debt will lead to a decline in economic growth. Hamid et al (2008) explored the dynamic effect of foreign debt service of capital stock and labour force on the economic growth of Pakistan for a period of 1970 to 2003. They found an adverse effect of foreign debt servicing on labour and capital

productivity which ultimately hampers economic growth. Employing data from 59 developing and 24 industrial countries over a period of 1970 to 2003, Schearek (2004) could not find any evidence that public debt may affect total factor productivity. However, he found that in case of developing countries, higher growth rate is associated with a relatively lower foreign debt levels and this negative relationship is mainly driven by public foreign debt rather than private foreign debt. Using Nigerian debt data, Ali and Mshelia (2007) found among other things both positive and negative relations with the gross domestic product.

Butts (2009) investigated the causal relationship between short-term public debt and gross domestic product growth rate for 27 Latin American and Caribbean countries over a period of 1970 to 2003 and found an evidence of granger causality in 13 countries. Adepoju et al (2007) analyzed the time series data for Nigeria over a period from 1962 – 2006. Exploring time to time behavior of donor agencies as an outcome of various bilateral and multilateral arrangements, they concluded that accumulation of public debt hampered economic growth in Nigeria. Karogol (2002) investigated both the short and long run relationships between economic growth and public debt service for Turkey during 1956 to 1996.

The study employed a standard production function model analyzes using multivariate co-integration techniques. The Vector Auto-regression estimates showed that there exists one co-integration equation. It also revealed that debt service is negatively related to economic growth in the long run. Chong Lau Lien and Puah (2010) examined the effect of different types of debts on the economic growth in Malaysia during the period 1970 to 2006 using co-integration test. The findings suggest that all components of debts have negative effect on long run economic growth. The granger causality test reveals the existence of a short-run causality linkage between all debt measures and economic growth in the short run.

Conceptual Framework

The act of borrowing creates debts and this debt may be domestic or foreign debt. The focus of this study is on foreign contracted debts which represent a quantum of a nation's borrowings that is owed to lenders/creditors outside the nation. According to Ogbeifun et al (2007), foreign debt arises as result of the gap between domestic savings and investment. As the gap between   internal savings and investment widens, debt increases and this makes a country to continually borrow increasing amount to stay afloat. Obadan et al (2007) defines Nigeria's foreign debt as the debt owed by the public and private sectors of the Nigerian economy to non-residents and citizens that is payable in foreign currency, goods and services. Debt crisis is a resultant effect of a huge accumulated debt that is difficult to effectively managed and repaid. Arm one et al (2005) defines foreign debt as that portion of a country's debt that is acquired from foreign sources such as foreign corporations, government or financial institutions.

In his explanation of debt overhang theory; Borensztein (1990) argued that the debt overhang crisis is a situation in which the debtor country benefits very little from the returns on any additional investments because of the debt service obligation. In line, Iyoha (1999) found that in Sub-Saharan African Countries the foreign debt to GNP ratio is high and create debt overhang problems, which consequently affect investment and growth negatively.

Research Methodology

The quasi-experimental research design was employed for the purpose of this research. Time series data covering a period of 34 years (1981-2014) was used and finally the multiple regression and ordinary least squares (OLS) techniques were used to analyze the secondary data sourced from the National Bureau of Statistics, Central Banks of Nigeria and the Debt Management Office.

Model specification

The model include gross domestic product , which is a proxy for economic development and it serves as the criterion variable while foreign debt stock and foreign debt service payment are the predictor (independent variable).

GDP = f (FDS, FDSP)……………………i (implicit form)

Rewriting (i) above explicitly, we have:

GDP = b_0 + by FDS + b_2 FDSP + U_1 …….ii (explicit form)

PCI = a_0 + a_1 FDS + a_2 FDSP + U_2………iii

Where:

b_o , a_o = intercept

b_1 b_2, a_1 a_2, = regression coefficient

U_1 = stochastic term

Test of Hypotheses

Ho$_1$: External debt does not significantly affect gross domestic product of Nigeria

Table 1

Descriptive Statistics

	Mean	Std. Deviation	N
GDP	419866.5118	235236.18507	34
FDS	422335.9226	284711.15203	34

The above descriptive statistics shows that the mean value of the criterion (dependent variable) (GDP) is 419866.5 and the value of standard deviation is 235236.2. Foreign debt (FD) which is the predictor (independent variable) gave a mean value of 422335.9 and a standard deviation of 284711.2. The number of years regressed is 1981-2014 (34 years).

Table2

Correlations

		GDP	FDS
Pearson Correlation	GDP	1.000	.731
	FDS	.731	1.000
Sig. (1-tailed)	GDP	.	.000
	FDS	.000	.
N	GDP	34	34
	FDS	34	34

Table 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.731[a]	.535	.520	162906.20046	.535	36.809	1	32	.000

a. Predictors: (Constant), FDS

Table 2 and 3 show the summary of the multiple regression analysis showing the impact of foreign debt stock on the gross domestic product, which is a measure of economic growth. A correlation of 0.731 (73%) implies that a very strong correlation exists between the explanatory variable and the gross domestic product. The coefficient of determination (R^2) is 0.535 (54% approx.). It implies that about 54% change in gross domestic product is accounted for by foreign debt stock. The remaining 46% is explained by other variable not included in the model. The F – cal of 36.809 had a corresponding significant F – value of 0.000. The researcher concludes a good model fit. This point is confirmed in Table 4 - Analysis of Variance (ANOVA).

Table 4

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	976860306557.475	1	976860306557.475	36.809	.000[b]
	Residual	849229764732.421	32	26538430147.888		
	Total	1826090071289.895	33			

a. Dependent Variable: GDP
b. Predictors: (Constant), FDS

Table 5

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	164647.628	50498.660		3.260	.003
	FDS	.604	.100	.731	6.067	.000

a. Dependent Variable: GDP

Foreign debt stock (FDS) has a calculated t – values of 6.067 with a corresponding significant value of 0.000. This significant value (probability value) is less than 0.025 level of significance (2 tails), hence the findings lead to the rejection of the null hypothesis with conclusion that foreign debt has a significant impact on gross domestic product.

Ho2: External debt service payment does not have significant impact on gross domestic product of Nigeria

Table: 6
Descriptive Statistics

	Mean	Std. Deviation	N
GDP	419866.5118	235236.18507	34
FDSP	314396.0165	300009.75610	34

The above descriptive statistics shows that the mean value of the criterion (dependent variable) (GDP) is 419866.5 and the value of standard deviation is 235236.2. Foreign debt service payment (FDSP) which is the predictor (independent variable) gave a mean value of 314396.0 and a standard deviation of 300009.8. The number of years regressed is 1981-2014 (34 years).

Table 7
Correlations

		GDP	FDSP
Pearson Correlation	GDP	1.000	.965
	FDSP	.965	1.000
Sig. (1-tailed)	GDP	.	.000
	FDSP	.000	.
N	GDP	34	34
	FDSP	34	34

Table 8
Model Summary

			Adjusted	Std. Error of the	Change Statistics				
Model	R	R Square	R Square	Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.965a	.931	.929	62653.27818	.931	433.195	1	32	.000

a. Predictors: (Constant), FDSP

Table 9
ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1700476206748.620	1	1700476206748.620	433.195	.000b
	Residual	125613864541.276	32	3925433266.915		
	Total	1826090071289.896	33			

a. Dependent Variable: GDP
b. Predictors: (Constant), FDSP

Table 7 and 8 results show the show the impact of foreign debt service payment on the gross domestic product, which is a measure of economic growth. A correlation of about 97% implies that a very strong correlation exists between the explanatory variable and the gross domestic product. The coefficient of determination (R^2) is 0.931 (93% approx.). It implies that about 93% variation in gross domestic product is accounted for by huge foreign debt service payment. It also shows that a 100% increase in foreign debt service payment (predictor) will decrease gross domestic product 93%. The remaining 7% is explained by other variable not included in the model. The F – cal of 433.195 had a corresponding significant F – value of 0.000. The researcher concludes a good model fit. This point is confirmed in table 4 - Analysis of Variance (ANOVA) .

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	221434.314	16301.923		13.583	.000
	FDSP	1.166	.064	.955	18.235	.000

a. Dependent Variable: GDP

Foreign debt service payment (FDSP) has a calculated t – values of 18.235 with a corresponding significant value of 0.000. This significant value (probability value) is less than 0.025 level of significance (2 tails), hence the findings lead to the rejection of the null hypothesis with conclusion that foreign debt service payment   has a significant impact on gross domestic product.

Ho3: External debt stock does not significantly affect per capital income of Nigeria

Descriptive Statistics

	Mean	Std. Deviation	N
PCI	1155.5206	1640.53040	34
FDS	422335.9226	284711.15203	34

The above descriptive statistics shows that the mean value of the criterion (dependent variable) per capital income (PCI) is 1155.5 and the value of standard deviation is 1640.5. Foreign debt stock (FDS), which is the predictor (independent variable) gave a mean value of 422335.9 and a standard deviation of 284711.2. The number of years regressed is 1981-2014 (34 years).

Correlations

		PCI	FDS
Pearson Correlation	PCI	1.000	.601
	FDS	.601	1.000
Sig. (1-tailed)	PCI	.	.000
	FDS	.000	.
N	PCI	34	34
	FDS	34	34

The results of the correlation show that foreign debt stock has a relationship with per capital income though the relationship is not too strong. The coefficient of determination R^2 is 0.361. This implies that 36% variation in per capital income is explained by foreign debt. It also shows that 100% increase in foreign debt will increase per capital income (PCI) by 36% if well deployed and managed; the remaining 64% is explained by other variables not included in the model. The F – cal of 18.074 had a corresponding sig. F – value of 0.000. The test of significance (t-values) shows a positive value of 4.251 for foreign debt stock with a corresponding significant value of 0.000. This significant value (prob value) is less than 0.025 level of significant (2 tailed) hence the findings lead to a rejection of the null hypothesis with conclusion that foreign debt stock had significant effects on the per capital income.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.601[a]	.361	.341	1331.79196	.361	18.074	1	32	.000

a. Predictors: (Constant), FDS

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	32056786.062	1	32056786.062	18.074	.000[b]
	Residual	56757434.134	32	1773669.817		
	Total	88814220.196	33			

a. Dependent Variable: PCI
b. Predictors: (Constant), FDS

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-306.510	412.837		-.742	.463
	FDS	.003	.001	.601	4.251	.000

a. Dependent Variable: PCI

Ho4: Foreign debt service payment does not have impact on per capital income of Nigeria

Descriptive Statistics

	Mean	Std. Deviation	N
PCI	1155.5206	1640.53040	34
FDSP	170166.0047	192669.59899	34

The above descriptive statistics shows that the mean value of the criterion (dependent variable) per capital income (PCI) is 1155.5 and the value of standard deviation is 1640.5. Foreign debt service payment (FDSP), which is the predictor (independent variable), gave a mean value of 170166.0 and a standard deviation of 192669.6. The number of years regressed is 1981-2014 (34 years).

Correlations

		PCI	FDSP
Pearson Correlation	PCI	1.000	.751
	FDSP	.751	1.000
Sig. (1-tailed)	PCI	.	.000
	FDSP	.000	.
N	PCI	34	34
	FDSP	34	34

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.751[a]	.564	.551	1099.58657	.564	41.455	1	32	.000

a. Predictors: (Constant), FDSP

A multiple correlation coefficient of 0.751 implies that a strong relationship exist between the explanatory variable   (FDSP) and PCI. R^2 is 0.564, which implies that 56% change in per capital income is explained by foreign debt service payment.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50123320.150	1	50123320.150	41.455	.000[b]
	Residual	38690900.045	32	1209090.626		
	Total	88814220.196	33			

a. Dependent Variable: PCI
b. Predictors: (Constant), FDSP

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	67.035	253.262		.265	.793
	FDSP	.006	.001	.751	6.439	.000

a. Dependent Variable: PCI

The test of significance conducted shows that   foreign debt service payments had calculated t-values of 6.439 with a corresponding significant value of 0.000. This significant value (prob. value) is less than 0.025 level of significance (2 tails) hence the findings lead to a rejection of the null hypothesis, with conclusion that foreign debt service payment had significant effect on per capita income (PCI).

Summary of Findings and Conclusion

Table 2 and 3 show the impact of foreign debt stock on the gross domestic product, which is a measure of economic growth. A correlation of 0.731 (73%) implies that a strong correlation exists between the explanatory variable and the gross domestic product. Foreign debt stock (FDS) has a calculated t – values of 6.067 with a corresponding significant value of 0.000. This significant value (probability value) is less than 0.025 level of significance (2 tail), hence the findings lead to the rejection of the null hypothesis with conclusion that foreign debt has a significant impact on gross domestic product. This agrees with the findings of Malik et al (2011) who discovered in their exploration of their relationship between external debt and economic development in Pakistan that external debt   significantly related to economic growth but on a negative note.

Hypothesis two was rejected because foreign debt service payment (FDSP) has a calculated t – values of 18.235 with a corresponding significant value of 0.000. This significant value (probability value) is less than 0.025 level of significance (2 tails), hence the findings lead to the rejection of the null hypothesis with conclusion that foreign debt service payment   has a significant impact on gross domestic product. This agrees with the findings of Karogol (2002).

Hypothesis three was rejected because the test of significance (t-values) shows a positive value of 4.251 for foreign debt stock with a corresponding significant value of 0.000. This significant value (prob value) is less than 0.025 level of significance (2 tailed) hence the findings lead to a rejection of the null hypothesis with conclusion   that foreign debt stock had significant   effects   on the per capital income.

Hypothesis four was rejected on the ground that the test of significant conducted shows that   foreign debt service payments had calculated t-values of 6.439 with a corresponding significant value of 0.000. This significant value (prob. value) is less than 0.025 level of sig. (2 tails) hence the findings lead to a rejection of the null hypothesis, with conclusion that foreign debt service payment had significant effect on per capita income (PCI).

Recommendations

Based on the research findings, the following recommendations are made by the researchers:

1. The Nigerian government should go beyond the traditional debt management techniques   of just placing embargo on the contraction of new loans and debt restructuring and   employ better techniques of optimal acquisition and utilization of borrowed funds on   productive self-liquidating projects/investments

2. It   is recommended based on the results   under hypothesis 1 that   the Nigerian government should only source for foreign loans as long as it is on a conciliating terms, and at a rate of return   higher than the cost of acquisition. The sourced fund should   be used for economic reasons/infrastructural development rather than for political reasons and other frivolities.

3. In order not to jeopardize our economic growth, if foreign debt is to be acquired, the purpose must be clearly stated, terms of payment should be well negotiated and favorable, and the debt should be effectively and efficiently managed. Besides, the

Nigerian government should focus on the stimulation of savings and capital accumulation domestically as this will stimulate self-confidence in the economy at the expense of overdependence on foreign derived borrowings.

Scope and Limitations of the Study

The scope of this study is limited to foreign contracted debt in Nigeria from 1981 to 2014. Time and other factors restricted the researchers from in-depth review of litanies of literature on foreign debt management strategies and the impact of foreign debt on the overall performance of the economy.

Justification of the Study and its Contribution to Knowledge

The study is focused on providing alternative (superior) strategies that can be employed in the management   of foreign debts in Nigeria as the traditional debt management techniques of placing embargo on new loans, debt refinancing and restructuring has not been able to deliver the nation from debt crisis. The research work will be very useful to the debt management office, the Central Bank of Nigeria, the Federal Ministry of Finance as it will enable them to know the effect of debt servicing and foreign debt stock   on the Nigerian economy. It will also serve as a tool for revamping government policies on loan acquisition, utilization and servicing. Furthermore, researchers will also benefit so much from this up–to-date study as the result will constitute a major source of secondary data   on the problem of foreign debt as it affects GPD and PCI.

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Appendix

Years	GDP	FDS	FDSP	PCI
1981	205222.1	2331.2	1027.4	344.5
1982	199685.3	8819.4	1167.2	332.9
1983	185598.1	10577.77	1007.1	305.5
1984	183563	14808.7	1235.3	281.8
1985	205971.4	17300.6	1606.1	299.9
1986	205971.4	41452.4	1631.6	298.4
1987	204806.5	100789.1	3928.9	287.7
1988	219875.6	133956.3	9238.7	307.7
1989	236729.6	240393.7	13273.7	320
1990	267550	298614.4	23822.3	336.5
1991	265379.1	328453.8	26414.4	342.6
1992	271365.5	544264.1	19400.26	342.6
1993	274833.3	633144.4	81081.58	340.1
1994	275450.6	648813	49400.32	330.6
1995	281407.4	716865	51058.4	328.9
1996	293745.4	617865.6	53047.5	333.4
1997	302022.5	595931.9	68539.7	333.2
1998	310890.1	633017	64394.5	330.6
1999	312183.5	257737.4	30843.6	325.9
2000	329178.7	309784	131048	331.6
2001	356994.3	317629.1	155416.2	333.7
2002	433203.5	393288.5	163811.3	330.8
2003	477533	447832.9	363510.3	357.4
2004	527576	489027	382502.8	388.1
2005	561931.4	269507.2	393963.1	416.8
2006	595821.6	451461.7	249326	440.9
2007	634251.1	431079.9	213728.8	470.5
2008	672202.6	493180.2	381200	4820.5
2009	718977.3	590441.1	251791.2	4983.9
2010	776332.2	689845.3	415621.7	4738.2
2011	834161.8	896832.6	527182.7	3753.3
2012	864158.5	898987.7	531231.6	3857.8
2013	888234.6	911512.5	535623.4	3927.8
2014	902654.4	923875.9	587568.5	4013.6

Source: CBN Statistical Bulletin (2014)