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GOVERNMENT BORROWING AND ECONOMIC DEVELOPMENT IN NIGERIA (2000-2021)

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KEYWORDS

External debt, debt financing, Human Development Index, Per Capita Income.

ABSTRACT

This research examined the relationship between federal government borrowing and Economic Development in Nigeria from 2000-2001. The government of Nigeria has been implementing various fiscal measures (government borrowing) to ensure economic resilience, and this study seeks to examine their effectiveness. The quasi-experimental design and ex-post facto data were adopted for the study. Data for the research analysis were sourced from reliable institutions such as the Central Bank of Nigeria (CBN) Bulletin, Federal Bureau of Statistics (FBS) and Debt Management Office (DOM). Four Null-hypotheses were formulated, tested and result interpreted. The study also employed regression analysis. Findings of the study revealed that external debt financing infrastructures, security, government expenditure and financing entrepreneurships and other private credits towards boosting the economic development in Nigeria has not really yielded a positive outcome over the years. The study showed a weak impact of external debt financing on the Human Development Index (HDI) of Nigeria. Also, the empirical study revealed an adverse correlation with Per Capita Income (PCI) in Nigeria, which showed that for every unit raise in external borrowing, there is a significant fall in per capita income (PCI) of Nigeria.. This finding is in agreement with the findings of previous writers like Omagbemi (2016) & Adofu (2010). Based on the findings of this study, the following recommendations were made: The total amount borrowed by government should be channeled towards the specific purpose for which it was procured, the structure of the amount borrowed should be apportioned to the ratio of its lowest interest that will be later used in financing that particular facility, the debt management office should endeavour to render a financial advice in raising and utilizing these borrowed funds for its specific purposes.

Introduction

One of the most important factors that can help accelerate the development of the economy is the availability of credit. This is because, according to the neoclassical model of economic growth, capital accumulation can stimulate economic expansion. Several Asian tigers, such as Taiwan, Malaysia, Singapore, and Indonesia, have experienced rapid growth, and countries such as Brazil have also been able to improve their economies through external debt (Momodu, 2012). Unfortunately, excessive borrowing can lead to higher interest payments and debt burdens. This issue can also have negative effects on the economy (Joy & Panda, 2020). Increasing debt levels can also have a negative effect on the ability of the government to invest in various areas of the economy (Soludo, 2003).

One of the reasons why government borrow from creditors is to close the gap in budget deficit, and provide funds for the execution of specific capital projects hence money is secured from foreign or domestic or both sources. Some theoretical development analysis contend that development projects can be financed successfully with externally borrowed funds. Thus external borrowing is presupposed to augment domestics, resources.

Ailkawe (2003) conceives debt financing as capable of ensuring faster and smoother growth of economic activities. However, it remains contentious that external borrowings facilitate development in developing/poor countries, especially as exemplified by the Nigeria situation, hence some contemporary development scholars are gradually making conclusions that external borrowings impact negatively on the economic growth and development of poor countries like Nigeria. Amongst other factors they point to the assertive and exploitative tendencies of the forces of globalization in Africa and the rest of the south as responsible for this.

While there are some gains from foreign capital flows to developing countries, where domestic resources are not sufficient to facilitate economic development, Odadan (2004) observes that capital flows have long displayed a boom- and bust pattern, according to him, in a world of increasingly integrated financial markets and high capital mobility there is the volatility of capital flows and sudden loss of market.

Asuu (2002) opined that based on the realities of the intricacies of contemporary economic disposition, the so-called agents of development (World Bank, IMF and their allied institutions) have led to underdevelopment in Nigeria.

The profile of Nigeria's external debt stands tall was in the process of metamorphosing to the state of unsustainability before the intervention of Chief Olusegun Obasanjo's government in 1999-debt through relief.

In the Budget the government's borrowing is referred to as capital receipt. It is the total amount of money that the federal government borrows to fund its operations. The government provides details about its annual borrowing program. It borrows money to fund its programs and operations due to the lack of revenue (Economic times, 2020). Saidatulakmal and Abdulkarim (2021) opine that when the government's revenue sources are not enough to fund its growing expenditures, it can borrow at a reasonable rate. The goal of the government is to fund the development of infrastructure and public projects, which are vital for the country's economic growth. However, excessive debt can have a negative effect on the country's economy. Over the years, many governments have accumulated massive debts due to their failure to plan properly (Joy & Panda, 2020).

Since the country started experiencing recession 2016, its debt service to revenue has increased. In 2019, the government spent about 2.45 trillion on debt service. Out of the country's total revenue of N4trillion, the government spent about 59 percent (debt management office 2021). The rising cost of Nigeria's debt has reached a new historical milestone. In 2020, its debt service as a percentage of its revenue reached 83 percent. This indicates that about 83 percent of the country's revenue in 2020 was used to fund its debt service obligations. In 2020, the federal government spent about N1.76 trillion on domestic debt, compared to a budget of N1.87 trillion. The federal government spent about N553 billion on foreign debts, which is less than its target budget of N805.47billion (CBN Bulletin and debt management office 2021). This was mainly due to the lower interest rates on the country's foreign borrowing. The federal government's sinking fund is used to set aside funds for the repayment of loans. Since the country's government borrows from the domestic market, it has been affecting the private businesses' access to credit (Ogunjimi, 2019). Izuaka (2021) noted that the country's debt situation would worsen in 2022 as the government plans to borrow N5.012 trillion to fund its budget deficit.

Despite the federal government's claim that its debt to gross domestic product ratio is below 23%, it has been spending a lot of its earnings on debt service. In the first six months of 2021, the federal government spent almost all of its revenue on debt servicing. Large debts can negatively affect a country's development and growth. Without sufficient resources to support critical infrastructure, it can lead to slower economic development.

According to the 2022 report by the NBS, about 133 million people, or 63.1 percent of the country's population, are living in poverty. This highlights the country's low level of wealth in the continent's largest economy (Abdulkarim & Saidatulakmal, 2021). A rising domestic debt burden can affect a country's road to economic development. Soludo, (2003), opined that the rising cost of servicing the country's debt could threaten the nation's ability to meet its monetary and fiscal policies.

Although the country's economic development goals were not overly encouraged, they were still linked to various indicators, such as life expectancy and literacy rates, which are part of the Human Development Index (HDI)(Pritchett, Woolcock & Andrews, 2013).

Economic development is a process that aims to create wealth for the benefit of everyone in a community. It involves investing in the growth of a local economy and improving the quality of life for everyone (California Association for Local Economic Development, 2021). According to Soludo in 2003, a rising debt burden could limit a country's ability to spend more efficiently on education, public health, and infrastructure.

Due to the country's slow economic growth rate and increasing poverty levels, it has been regarded as one of the most indebted nations in Sub-Saharan Africa. Many of these countries, such as Nigeria, are caught in a cycle wherein they are unable to meet their obligations due to the excessive borrowing they are experiencing (Ogunjimi, 2019).

The goal of this study is to look into the effects of government borrowing on the country's economic development. It is important that the country borrow at a reasonable rate to support its infrastructure and public projects. Without proper planning, excessive borrowing can lead to high interest payments and debt burden. This can also affect the country's economic development.

Over the years, Nigeria has been recording budget deficit, hence we are plunged into borrowing both internally and externally. A budget is said to be in deficit if the proposed expenditure is more than the proposed income, hence government sought for other measures as a way forward of financing the deficit.

The public debt burden of Nigeria can be broadly broken down into two major sources, the internal external or foreign debt sources. The debt management office (DMO) was created through the debt management office establishment Act, 2003 for the coordination and management of the countries debts stocks, both internal and external.

The act of borrowing creates debt, external debt refers to the resources of money in use in a country which is not generated internally and does not in any way come from local citizens, whether corporate or individual. Debt is thus a liability represented by a financial instrument of other formal equivalence. The World Bank (2001) describes external debt as the amount of money at any given time disbursed and outstanding contractual liabilities of residents to pay interest or without principal.

The recent offerings in the Eurobond market are increasing Nigeria external debt. After the glorious exist of Nigeria from Paris and London club of creditors, federal government's external debt has risen from $6.5 billion in 2012 to $17.8 billion in 2018, showing that as bond payments are due for settlements, Nigeria debt servicing and repayments will soar in the years ahead before the debt relief, Nigeria was paying US $1.7 billion in debt service annually, which was three (3) times larger than budget for health sector (Okonjo –Iwuala, 2005).

Government appetite of going for borrowing both domestic and foreign is something of serious concern especially where such borrowed money are not utilized for capital and infrastructural projects, but for white-elephant projects that do not contribute to economic growth and development. The growth and development of Nigeria economy is in doubt unless the country move from consumption to production and invest on infrastructural facilities that will enhance production and export of goods and services to earn foreign exchange.

In Nigeria, the country's government borrowing has increased, which has resulted in high interest payments and negative effects on the economy. In 2021, the country's government spent about N1.8 trillion on its debt servicing. This represented almost a hundred percent of its revenue. As of March 31, the country's total debt amounted to N33.11 trillion. In 2022, the government borrowed another N5.012 trillion to cover its budget deficit. Tochukwu Soludo, (2003), opined that a rising debt burden could limit the country's ability to spend on education, public health, and infrastructure. The effects of government borrowing on the country's economic development are serious issues that need immediate attention. The big question begging for answer is happened to the huge amount borrowed over these years including domestic and foreign loan, yet many capital oriented project suffer like; no good roads, our airports lacks basic facilities, some tertiary institution are glorified secondary schools, no good hospital, graduate unemployment on increasing trajectory, many people living below poverty line, out of school children the highest in Africa, just to mention a few. Based on this backdrop this study aimed to investigate the impact of government borrowing on the country's economic development from 2000-2021. Generally, the objective of the study is to determine the relationship between government borrowing and economic development in Nigeria, specifically, the study tends to:

i) Evaluate the impact of government external borrowing on human development index in Nigeria.
ii) Determine the effect of government domestic borrowing on human development index in Nigeria.

iii) Assess the impact of government external borrowing on per capita income in Nigeria.

iv) Determine the effect of government domestic borrowing on per capita income in Nigeria.

Based on the specific objective of the study, the following research questions were raised;

i) To what extent does government external borrowing contribute to human development index in Nigeria?

ii) What is the effect of government domestic borrowing on human development index in Nigeria?

iii) What extent has government external borrowing contribute to per capita income in Nigeria?

iv) What is the effect of government domestic borrowing on per capita income in Nigeria?

To pursue the above study objective, the following null and alternate hypotheses has been formulated;

H_{o1}: Government external borrowing does not have significant impact on human development index in Nigeria

H_{AI}: Government external borrowing has a significant impact on human development index in Nigeria.

H_{O2}: Government domestic borrowing does not have significant effect on human development index in Nigeria.

H_{A2}: Government domestic borrowing has a significant effect on human development index in Nigeria.

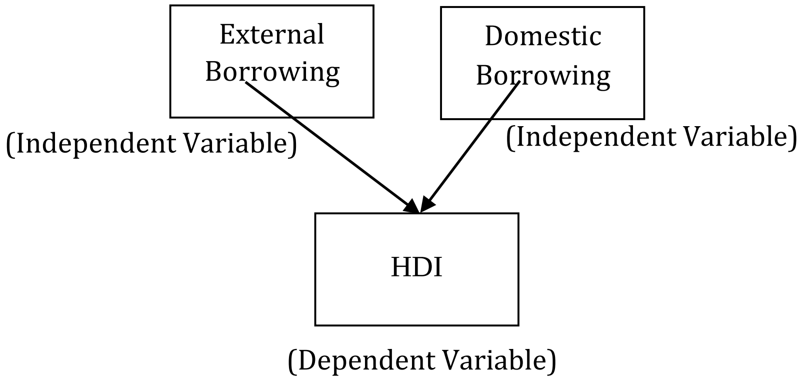
H_{03}: Government external borrowing does not have significant on per capita income in Nigeria.

H_{A3}: Government external borrowing has a significant impact on per capita income in Nigeria.

H_{04}: Government domestic borrowing has no significant effect on per capita income in Nigeria.

H_{A4}: Government domestic borrowing has no significant effect on per

Representation of the Relationship between External Borrowing, Domestic Borrowing and Human Development Index in Nigeria.



The Concept of Government Borrowing

In the Budget document, the government writes down the total amount of money it borrows from the private sector. This is referred to as the government's capital receipts. Since the non-tax and tax revenue that the government collects is insufficient to fund its spending program, it will issue an annual borrowing program (Economic times, 2020).

The term government borrowing refers to the process of the government demanding loans from financial markets to fund its purchases, which are not subject to taxes. This is a circular flow within the financial sector, as it involves both investment and family saving. The most common type of government debt is that of securities.

Sovereign nations with poor credit ratings can still borrow from supranational entities (US legal, 2021). Doing so is very important for the development of the country's economy as it allows the government to fund its infrastructure and public programs at a reasonable rate. However, excessive borrowing can lead to various negative consequences. Soludo (2003), opined that the rising debt levels could prevent the government from efficiently investing in education, public health, and infrastructure.

The Concept of Economic Development

Economic development encompasses more than just an employment program. It's a process that aims to improve a community's quality of life and wealth by investing in its future. According to CALED, it's an investment in the community's economic growth (California Association for Local Economic Development (CALED), 2021). Before the 1960s, economic development was mainly focused on infrastructure and industrialization. However, since then, it's been shifted to include the alleviation of poverty (Finnemore, 1996). Various indicators and sectors, such as life expectancy, literacy rates, and poverty rates, can be improved through economic development (Pritchett, Woolcock, and Andrews 2013).

Krueger and Myint, (2000), opined that economic development is the process of transforming low-income countries into modern industrial nations. One of the most widely used indicators of development is the Human Development Index, which is produced by the UNDP. The goal of the HDI is to measure the performance of various countries across multiple categories. These include life expectancy, education level, and gross domestic product per capita (UNDP, 2011).

The Concept of External Debt

The concept of borrowing was first introduced during the biblical era. During the time of Israel's journey out of Egypt, their children were able to borrow from the Egyptians. In modern times, countries have difficulty saving enough for productive activities. In addition to providing countries with the necessary resources to carry out their productive activities, external borrowings also help countries maintain their external reserves. For instance, countries can borrow from external sources to finance their current account deficits (Ezeabesili, 2011). It is desirable for countries to borrow from foreign sources to accelerate their economic growth. Doing so would allow them to increase their productive capacity. External debt is a vital part of a country's financial framework, as it allows it to support various needs and develop its infrastructure. Due to the lack of foreign exchange and domestic savings, countries usually borrow from external sources to fund their operations. However, if their external debt is not being used productively and profitably, it can lead to bad debt.

An external debt is a type of financial instrument that a country uses to support its operations and develop its infrastructure. Akpanah and Udoffia (2016), explained that external debt is a combination of technical and financial requirements that come from outside the country. These requirements are designed to help countries grow and develop their economies. Anyanwu, (1993), opined that external debt is a type of financial instrument that a country uses to support its operations and develop its infrastructure. He noted that it can be used to pay off the principal and interest on its various contractual obligations.

The Concept of Domestic Debt

Asogwa (2008) defined debt as a contractual commitment that the government has made to settle at a later time, with the goal of paying it back in a futuristic manner. The debt can be contracted from within or outside the country using different instruments and currencies. The federal government of Nigeria and its local partners carry out domestic debt obligations. These include treasury bills, debt instruments issued by the states and local governments, and development stocks. The country's debt instruments are generally regarded as marketable and negotiable. They are held by the central bank. These are used to fund the country's various social and economic activities (Adofu & Abula, 2010).

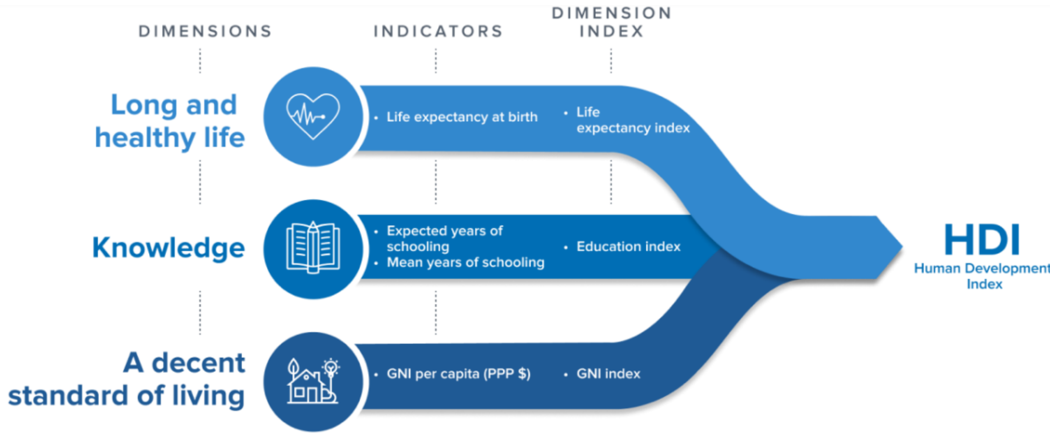
Alison, (2003), opined that the primary reasons for the country's domestic debt are the implementation of monetary policy, the development of financial instruments, and the budget deficit financing. Domestic debt is mainly owed to the holders of government securities. Besides issuing bonds and treasury bills, governments also borrow from time to time. This is usually done due to the projected revenue shortfall, as well as to pay off maturing debts (Babu, Kiprop, Kalio & Gisore, 2015).

Fry (2007), opined that the increasing reliance on external resources for capital formation is one of the main factors that has caused the country's debt level to increase. The higher the interest payment, the heavier the burden. Also, the country's debt obligations are secured by future resources.

The Concept of Human Development Index (HDI)

The Human Development Index is a summary measure of how well people are doing in various key dimensions of their development, such as having a long life expectancy, being knowledgeable about one's surroundings, and having a good standard of living. The health dimension is based on the life expectancy at birth, while the education dimension is calculated by the years of schooling that are expected for children entering school. The standard of living is computed by taking into account the country's gross national income.

The Human Development Index is a statistical tool utilized to measure a country's economic and social attainment. According to The Economic Times, the dimensions of a country's economy and social structure are based on the quality of its people and their educational achievements(The Economic Times, 2018). The Human Development Index is regarded as one of the most accurate tools for monitoring a country's progress. It combines various economic and social indicators to provide a comprehensive view of a country's development.



Source: UNDP Human Development Report(2022) link: https://hdr.undp.org/data-center/human-development-index#/indicies/HDI

The Concept of Per Capita Income

A country's per capita income is computed by taking into account the money that individuals earn in a given region or nation. It is used to measure the standard of living and assess the quality of life of its residents. For a country, the national income is then divided by its population. The per capita income of a country is computed based on the individuals living in its population. It differs from other standard measures of a region's prosperity. For instance, household income only counts individuals who live under one roof, while family income only refers to households that are related by blood, marriage, or adoption (Investipodia, 2023).

Theoretical Review: To support the study the following theories were used;

This section aims to introduce some of the basic theories that are used to support the impact of government borrowing on economic development in Nigeria. Such theories amongst others are;

Modernization Theory

Weber's (1864– 1920), ideas inspired the concept of modernization, which was then developed by Talcott Parsons (1902– 1979). The concept of modernization explains how societies develop. It states that aid can help countries achieve development in a similar manner to that of advanced industrialized nations (Knöbl, 2003). According to the concept of modernization, traditional communities will eventually develop as they adopt new practices. Modernization theorists believe that modern states are more powerful and can provide their subjects with higher living standards. Modernization is needed due to the technological advancements that have occurred in the fields of transportation, industry, and communication. The criticisms of this viewpoint are difficult to make due to how it implies that technological advancements determine human interaction's boundaries.

It shows that human agency determines how fast and how severe modernity can get. Instead of being dominated by traditions, civilizations that undergo modernization are said to adopt systems of governance that are based on abstract principles. The hypothesis states that when modernity takes root, cultural and religious beliefs become less significant. The concept of modernization has been presented in various ways. It can be regarded as the development of North America and Western Europe as an extension of the European New Era or as a process that involves countries that are not part of the first group. It can also be described as a continuous process that involves reforestation (Gavrov, and Klyukanov, 2015).

According to historians, modernization is linked to various factors such as the growth of industry and education. Kendall noted that urbanization accelerated industrialization (Kendall, 2007). It also triggered a process of rationalization within the sociological framework. The rise of modernization can also affect the core values of a society. It can cause individuals to become more significant and displace the community or family as the society's primary unit.

Human Development Theory

The concept of human development is derived from various disciplines, such as feminism, ecology, welfare economics, and sustainable development. It avoids normative debates by focusing on how instructional and social capital can be utilized to maximize the value of an economy. Mahbub ul Haq and Amartya Sen are some of the most prominent theorists on the subject of human development. According to Sen, freedom of expression, assembly, and the press can help improve the chances of a good government and honest society. Sen claims that freedom is a vital component of human development, and it can help people live meaningful lives. He identified five types of freedom that are interconnected: political, economic, social, security, and transparency. Providing adequate education, health care, and social safety nets can help foster liberties. The state can also help by implementing policies that are geared toward improving productivity and environmental protection. In addition to being able to do something, freedom also requires the ability to accomplish it. Various factors such as political liberties, economic possibilities, and the availability of basic education can influence what individuals can achieve.

The UNDP has been influenced by Sen's work on human development. One of his most notable achievements is the creation of the Human Development Index, which measures the average achievement of various countries in terms of their long and healthy life expectancy, knowledge, and adult literacy rate. The Human Development Index is a valuable tool for assessing the well-being of people. It complements income by providing a more comprehensive view of human development. Cultural freedom should also be recognized as a core human right. Everyone should be allowed to maintain their religious, linguistic, and ethnic identities. A sustainable development strategy should involve policies that safeguard and respect these identities. Economic globalization can only succeed if cultural freedom is maintained. In addition, there must be an end to xenophobic attacks and discrimination (Sen, 2001).

Empirical Review

Saidatulakmal and Abdulkarim (2016), conducted a study to examined the influence of Nigeria's government debt on the country's economic growth. Using various statistical techniques, such as VAR and OLS, they were able to analyze the country's external and domestic debt, as well as its gross fixed capital creation and foreign reserves. While external debt can have a positive impact on growth, it can also be an obstacle to the long-term growth of the economy. Domestic debt can have a favorable long-term effect, while negatively impacting the short-term growth. The debt overhang effect shows that payments on debt can slow down the economy both short and long-term. The authors concluded that the government should use its borrowed money to diversify the country's productive base.

Lucky and Godday (2017), Conducted a study to examine the relationship between the growth performance of Nigeria's economy and the structure of its public debt. They used a variety of regression models to analyze the data. Some of the variables included gross domestic product, external debt, total debt, and domestic debt. The results of the simple regression analysis revealed that the country's total public debt has a positive effect on its gross domestic product. Multiple regression analyses also indicated that while Nigeria's external debt has a negative impact on the country's economic growth, it is additionally significant. The report noted that instead of focusing on external debt obligations, Nigeria should prioritize domestic policies.

Anoke, Odo, and Elom-Obed (2017), conducted a comprehensive study of the relationship between economic development and public debt in Nigeria. They used co-integration test, the Vector Error Correction Model (VECM), and the Granger causality test to examine the relationship between these two factors. The study used various statistical methods and examined the relationship between public debt and economic development in Nigeria. It found that both external and domestic debt have negative effects on the country's growth. The study also found that both domestic and external debt contribute to the country's real gross domestic product.

Gap in Literature

The objective of the study is to compare the results of the different studies on Federal Government borrowing and economic development. Through the use of different methods and coverage, it aims to make a difference from the literature review. This helped us to identify the direction of the study and changes that it should make. The result of the review revealed that there is not a consensus on the impact of government borrowing on economic development. The study will look into the impact of government borrowing on the economic development of the country using the human development index and per capita income in Nigeria from 2000-2021. This research considered the two major categories of federal government borrowing. These include external borrowing and domestic borrowing. The study used two models to analyze the impact of federal government borrowing and human development index (HDI) and the impact of government borrowing on per capita income.

Methodology

Research Design

Nworuh (2001), opined that research design is the process that helps a researcher develop a mental image of the structure that will allow them collect data and analyze them. It can also be used to minimize the control over factors that can affect the validity of the study. The goal of this study was to analyze how an independent variable influences a dependent variable. Through a quasi-experimental design, known as the Ex-post-facto design, the researcher aims to examine how individual variable can affect a group. An Ex-post-facto research design involves comparing groups with similar quantities to an independent variable.

Causes of Data Collection

The aim of this study was to analyze the impact of government borrowing on the economic development of Nigeria. It was carried out through an empirical investigation. To achieve this, data were sourced from secondary sources including:

i) Central bank of Nigeria statistical bulletin 2021
ii) Federal Bureau of Statistics (FOS)
iii) World Development Indicator (WDI, HDI)
iv) United Nation Development Programme (UNDP) report.

Method of Data Analysis

The study employed the use of regression analysis to ascertain the impact of the independent variable (Government borrowing) on the dependent variables (Human development index and Per capita income).

Data Presentation and Analysis

Data Presentation

Data on Federal Government Domestic borrowing, federal government external borrowing, data on human development index, and per capita income for the period 2000-2021.

Year	Federal Government domestic borrowing (in naira) billion	Federal Government External Borrowing(in Dollar)	Federal Government External Borrowing Annual Percentage Change	Human Development Index (HDI)	Per Capita Income in US$ (PCI)
2000	8,982.5	33,514,256,077	15.19	0.42	568
2001	10,169.4	33,749,025,764	0.70	0.44	592
2002	10,660.07	35,984,951,348	6.63	0.45	742
2003	13,296.8	41,114,895,871	14.26	0.45	795
2004	13,703.2	44,559,883,686	8.38	0.462	1008
2005	15,259.06	29,099,132,315	-34.70	0.469	1268
2006	27,259.4	12,961,870,579	-55.46	0.477	1656
2007	41,279.7	15,488,724,677	19.49	0.48	1883
2008	23,203.1	16,472,696,893	6.35	0.484	2259
2009	32,180.3	19,285,647,640	17.08	0.484	1912
2010	45,518.2	18,821,584,009	-2.41	0.482	2280
2011	6,908.6	21,003,387,146	11.59	0.492	2488
2012	8,146.6	21,466,867,539	2.21	0.499	2724
2013	8,664.7	24,482,374,424	14.05	0.506	2962
2014	9,598.9	28,628,765,478	16.94	0.512	3099
2015	11,352.3	32,413,349,872	13.22	0.516	2687
2016	14,035.8	35,717,779,489	10.19	0.521	2176
2017	16,147.8	45,780,013,170	29.17	0.526	1969
2018	16,627.8	54,202,577,785	18.40	0.531	2028
2019	N/A	60,041,046,402	10.77	0.538	2230
2020	N/A	70,524,292,158	17.46	0.535	2097
2021	N/A	76,214,593,269	8.07	0.535	2085

Source: CBN and Debt Management Office

Data Analysis

Table 1: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	.474[a]	.224	.186	.03050	.224	5.784	1	20	.026

a. Predictors: (Constant), Debt

Table 2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.005	1	.005	5.784	.026[b]
	Residual	.019	20	.001		
	Total	.024	21			

a. Dependent Variable: HDI

b. Predictors: (Constant), Debt

Table 3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	.462	.014		33.207	.000	.433	.491
	Debt	8.277E-13	.000	.474	2.405	.026	.000	.000

a. Dependent Variable: HDI

The equation of relationship is therefore

$$HDI = 0.462 + 8.277\text{E} - 13(EXB)$$

This means that to every unit rise in External borrowing there is a 8.277E-13 rise in Human development index (HDI).

Hypothesis 2:

Table 4: 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	.089[a]	.008	-.042	773.61149	.008	.160	1	20	.693

a. Predictors: (Constant), Debt

Table 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96016.345	1	96016.345	.160	.693[b]
	Residual	11969494.746	20	598474.737		
	Total	12065511.091	21			

a. Dependent Variable: PCI

b. Predictors: (Constant), Debt

Table 6: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
	B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1 (Constant)	2011.512	352.705		5.703	.000	1275.782	2747.242
Debt	-3.497E-9	.000	-.089	-.401	.693	.000	.000

a. Dependent Variable: PCI

The equation of relationship is therefore

$$PCI = 2011.512 - 3.497E - 9(EXB)$$

This means that to every unit rise in External borrowing there is a 3.497E-9 fall in per capita income (PCI).

Discussion of Findings

There is a clear evidence that external borrowing of Nigeria from 2000-2021 has a significant effect on the Human Development Index in Nigeria, however, it can also be argued that the effect is weak with an R-square value of 22.4%. this means that external borrowing has a very weak impact on HDI, Based on other studies done before now like that carried out by Lucky & Godday (2017) with samples from 1986 to 2013, their study showed a negative impact, one however can say that there has been a significant improvement however this is weak. The government of Nigeria should use its borrowed money to diversify the country's productive base.

Also taking a cusory look at the effect of external debt on the per capita income of the citizens in Nigeria, no effect or impact was found to exist, with a p-value of 0.693>0.05 and R-sqaure of 0.008, one can say that the government external borrowing has no significant impact on the per capita income of the citizens and by extension has no impact on the standard of living and quality of life of the citizens of Nigeria. This is in line with the findings of Lucky & Godday (2017).

Domestic debt and human development index was regressed and findings showed no relationship with R-sqaure of 0.000% which indicates that domestic debt of the country has no impact whatsoever on the human development index of the country. This corroborates with the findings of Obikwuru, Okwu & Oluwalaiye(2016) who asserted that domestic debt has a negative impact on the Human development index of Nigeria.

Domestic debt and per capita income also indicated a very poor relationship r-square 0.003 with p-value 0.812>0.05 which explained the fact that domestic debt has no impact on the quality of life of Nigerians.

Summary of Findings, Conclusion and Recommendation

Summary of Findings

The emphasis of most underdeveloped and developing countries engaging into debt from outside their economy is to boost their economy system. From the empirical study, one could infer that the external debt financing meant for the purpose of providing infrastructures, security, government expenditure and financing entrepreneurships and other private credits towards boosting the economy growth in Nigeria has not really yielded a positive outcome over the years. The study showed a weak impact of external debt financing on the Human development index (HDI) of Nigeria. Also, the empirical study revealed an inverse correlation with Per capita income, which shows that for every unit rise in external borrowing, there is a significant fall in the per capita income (PCI) of Nigeria. This finding is in corroboration with the finding of previous writers like Omagbemi (2016), and Adofu (2010).

Conclusion

Based on the findings of this study, the conclusion drawn is that both human development and per capita income has not improve much despite the huge amount of money borrowed by the government from both internal and external creditors, worsened by the amount spent in servicing the interest element of the loan facility which is said to be over 90% of our generated revenue in the year (debt management office report) 2021.

Recommendations

Based on the findings of this study, the researcher made the following recommendations, which shall contribute to the improvement in the management of borrowed funds:

i) The total amount borrowed by government should be channeled towards the specific purpose for which it was procured.

ii) The structure of the amount borrowed should be apportioned to the ratio of its lowest interest that will be later used in financing that particular facility.

iii) The debt management office should endeavor to render a financial advice in raising and utilizing these borrowed funds for its specific purposes.

iv) The result of this empirical research should advocate to the practice of federal government borrowing to finance the economy.

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