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Impact of External Debt on Economic Development in Nigeria from 2014 To 2018

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***Abstract*—This research work was aimed at ascertaining the impact of external debt on economic development of Nigeria. Ex-post facto research design was adopted for the study. While data on Gross Domestic Product (GDP), External Debt (EXDEBT), External Debt Service (EXDESERV) and exchange rate (EXCHARATE) were obtained from World Bank International Debt Statistics, Exchange Rate data were collected from Central Bank of Nigeria Statistical Bulletin, 2018. The study was analyzed using the statistical technique of multiple linear regressions to identify the impact of external debt on GDP for a period of five years the aid of SPSS version 22.0. The dependent variable was GDP, while the independent variables were External Debt, External Debt Service and Exchange Rate. It discovered that External Debt had a positive relationship with Gross Domestic Product, External Debt Service had negative relationship with Gross Domestic Product and Exchange Rate had a negative relationship with GDP. The study recommended amongst others, that the regulatory authorities (Debt Management Office) should set mechanism in motion to ensure that loans were utilized for purposes for which they were acquired as well as set a ceiling for borrowing for states and federal governments based on well-defined criteria. The government should equipped the necessary agencies in charge of the manufacturing sector to adopt a workable and implementing advanced technology in order to make our locally made goods attractive in the international market. Nigerian should also be encouraged to engage in exports business, discourage imports this will lead to a decline in the country's demand for external debts. Thus, there must be vigorous promotion of the nation's exports through reviving of agriculture and industrial sector that would absorb the shock in exchange rate even if left floating.**

***Index Terms*—External debt, GDP, Exchange rate, External debt services.**

I. Introduction

The act of borrowing creates debt. Debt, therefore, refers to the resources of money in use in an organization which is not contributed by its owners and does not in any other way belong to them (Udoka & Ogege, 2012 cited in Ndubuisi, 2017). Countries borrow to promote economic growth and development, by creating conducive environment for people to invest in various sectors of their economies (Umaru, Hamidu & Musa, 2013). Similarly, Obudah & Tombofa (2013) cited in Mba, Umunna & Agu, (2016) argued that the specific reasons why countries may borrow to: be able to finance their reoccurring budget deficit, as a means of deepening their financial markets, enable them fund the increasing government expenditures, enhance their narrow revenue sources and low output productivity which results in poor economic growth. Okonjo-Iweala, Soludo & Muhta, (2003) in Mbah, et al., (2016), argues that once an initial stock of debt grows to a certain threshold, servicing them becomes a burden, and countries find themselves on the wrong side of the Debt Laffer Curve, with debt crowding out investment and growth. Conversely, a country's indebtedness does not necessarily slow growth, rather it is the nation's inability to optimally utilize these loans to foster economic growth and development and ensure effective servicing of such debt that hampers the benefits derivable from borrowed capital resources Mbah, et al., (2016).

According to Udeh, Ugwu & Onwuka, (2016) cited in Oyejide, Soyede & Kayode, (1985), debt is the aggregate of all claims against the government held by the private sector of the economy or by foreigners, whether interest bearing or not less, any claim held by the government against private sectors and foreigners. Debt can either be domestic or external is a package that consist of a combination of financial, technical and managerial requirements emanating from the lender to the borrower (country), aimed at supporting economic growth and development and are repayable at determined future date (culled from Udoffia and Akpanah (2016) cited in Ndubuisi, (2017).

Domestic debts are those debts incurred within the country while external debts are those debts incurred outside the shore of the country. External debt is a major source of public receipts. The accumulation of external debt should not signify slow economic growth. It is a country's inability to meet its debt obligation compounded by the lack of information on the nature, structure and magnitude of external debt Ndubuisi, (2017).

External debt may be defined as debt owed to non-residents repayable in terms of foreign currency, food or service (World Bank, 2004 cited in Ude, et al., 2016). External debt also improves total factor productivity through an increase in output which in turn enhances Gross Domestic product (GDP) growth of a nation.

In international community, it has been widely recognized that excessive foreign indebtedness in most developing countries is a major impediment to their economic growth and stability (Audu, 2004 cited in Utomi, 2014). Developing countries like Nigeria have often contracted large amount of external debts that has led to the mounting of trade debt arrears at highly concessional interest rates. Accumulated interest payments create a lot of problems for countries especially the developing nations reason being that a debt is actually serviced for more than the amount it was acquired and this slows down the growth process in such nations (culled from Gohar and Butt, 2012). Debt, arguably, remains one of the major economic challenges facing governments in

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low income countries due to their persistence budget deficit and this has continued to attract the attention of international financial institutions, and bilateral lenders (Ude, et al., 2016). Udeh (2013) as inscribe in (Ude, et al., 2016) notes that this has brought about the adoption of several initiatives capable of alleviating the debt burden which continues to hinder the growth prospects of most highly indebted poor countries' economies.

The inability of the Nigerian economy to meet its debt service payments obligations has resulted in debt overhang or debt service burden that has militated against her growth and development (Utomi, 2014). Udeh, et al., (2016) assert that debt overhang phenomenon is where substantial resources are used for debt servicing such that it stifles economic growth, also, it becomes a tax on domestic production such that the amount spent hampers meaningful economic growth activities as it reduces resources available to government to implement growth oriented economic policies.

Nigeria's foreign debt profile witnessed a dynamic change after 1978 when what was referred as Jumbo loan of more than $1.0 billion was raised from the International Capital Market (ICM) (Debt management office (DMO), 2004). The issue of Nigeria's public debt became important in recent times especially prior to the period of the debt forgiveness because of its magnitude and the amount, which was required to service such debts (Ndubuisi, 2017). However, from 1977, the external debt incurred by the country has been on the increase of over 73.96 percent (DMO, 2004).

According to Emmanuel, (2012) assert that in 2005, Nigeria external debt was US$34 billion (an equivalent of N2.7 trillion) of which about $28 billion or 85% was owed to the Paris club of fifteen creditor nations. Although the government successfully negotiated debt forgiveness and exit from the Paris club and London club of creditors resulting in the fall of external debt from N2.7trillion in 2005 to less than N451.46billion in 2006, there was however a spike in the external loan to N1.03trillion in 2011 andN2.Ill trillion by 2015.

Nigerian exports were primarily primary commodities with export earnings too small to finance imports which are mostly capital intensive goods which are comparably more expensive (Siddique, Selvanathan and Selvanathan, 2015 in Ijirshar, Joseph & Godoo, 2016).

The amount of capital available in most developing countries treasury is grossly inadequate to meet their economic growth needs mainly due to their low productivity, low savings and high consumption pattern. Governments therefore resort to borrowing from outside the country to bridge the resource gap (Ayadi & Ayadi, 2008).

Debt remains one of the major economic challenges facing governments in low income countries due to their persistence budget deficit and this has continued to attract the attention of international financial institutions, and bilateral lenders (Mbah, et al., 2016). In the same vein, Udeh (2013) notes that this has brought about the adoption of several initiatives capable of alleviating the debt burden which continues to hinder the growth prospects of most highly indebted poor countries' economies.

External debt is the phenomenon used to describe the financial obligation that ties one country (debtor) to another country (lender) (Ojo & Sulaiman, 2012). External debt management is a strategy design to ensure that the debt stocks does not grow to an extent that the country can no longer conveniently service her debts and also that the terms are not enslaving. In other words, the management of Nigerian external debt among other issues led to the establishment of Debt Management Office (DMO), a department in the Central Bank of Nigeria (CBN) with the responsibility of management of national debts in collaboration with the Federal Ministry of Finance (FMF) and other relevant agencies (Ijirshar, et al., 2016).

Hence, various opinions on the impact of external debt on the economic growth in Nigeria, hence there is a need for the country's policy formulators to have good appreciation of its impact on the economy at various levels of debt accumulation to enable them formulate informed and implementable decisions. Based on the above, the researcher, deem it fit to investigate the impact of external debt on economic growth in Nigeria.

II. OBJECTIVES OF THE STUDY

The main objective of the study is impact of external debt on economic growth in Nigerian. However, specific objectives are to:

1. Examine the impact of external debt on Gross Domestic Product (GDP) in Nigeria.
2. Ascertain the effect of external debt servicing on Gross domestic Product in Nigeria, and
3. Establish the effect of exchange rate on Gross Domestic Product in Nigeria.

III. REVIEW OF RELATED LITERATURE

Utomi, 2014 investigated the impact of external debt on economic growth in Nigeria for the period 1980-2012. Time series data on external debt stock and external debt service was used to capture external debt burden. The study set out to test for both a long run and causal relationship between external debt and economic growth in Nigeria. An empirical investigation was conducted using time series data on Real Gross Domestic Product, External Debt Stock, External Debt Payments and Exchange Rate from 1980-2012. The techniques of Estimation employed in the study include Augmented Dickey Fuller (ADF) test, Johansen Co-integration, Vector Error Correction Mechanism and Granger Causality Test. The results show an insignificant long run relationship and a bi-directional relationship between external debt and economic growth in Nigeria.

Mbah, et al., (2016), studied the ultimate goal of sustainable economic growth, governments require substantial amount of capital finance through investment expenditures on infrastructural and productive capacity development. Due to the unavailability of adequate capital because of low savings, most developing nations therefore resort to borrowing from external sources to bridge the resource gap. Nigeria external debt profile has increased over the years with the aim of achieving economic growth but this has culminated to low economic performance as evidenced in her high unemployment and poverty rate and low standard of living .This has informed the need to embark on the present study with a view to investigating the impact of external debt on economic growth of Nigeria. Using the ARDL bound testing approach to cointegration and error correction models for the periods 1970 – 2013; in order to investigate the existence of long-run equilibrium relationship among the variables. In

addition, the Granger causality test was also used to check for the direction of causality among the variables. The result of this study indicates a long-run relationship among the variables and external debt impacts negatively significant on output. The finding also established a unidirectional causality between external debt and economic growth. Consequently, the study recommends, government should imbibe the habit of savings and formulate policies that will attract foreign exchange that could help in financing developmental projects instead of resolving to borrowing.

Momodu (2012) examined the correlation between debt servicing and economic growth in Nigeria. The study sought to find a relationship between the Gross Domestic product (GDP) and Gross Fixed Capital Formation of Current Market Prices (GFCF) using Ordinary Least Square multiple regression method. The study revealed that debt payment to Nigerian creditors has significantly impacted on the GDP and GFCF. Furthermore, Ezeabasili, Isu, and Mojekwu, (2011) studied the relationship between Nigeria's external debt and economic growth between1975-2006, with an error correction approach. Error correction estimate revealed that external debt has negative relationship with economic growth in Nigeria.

Ijirshar, et al., (2016), found that external debt is to be a driver of economic growth if properly managed but its servicing rather than repayment is an inhibiting factor to economic growth. This paper examined the relationship between external debt and economic growth in Nigeria for the period of 1981-2014. The study used both descriptive and econometric tools. The analysis of unit root was performed on each of the variables incorporated in the model and the result showed that, all the variables were not stationary at level but achieved stationary after first difference at 5% level of significance. The regression results showed a significant relationship between external debt and economic growth in Nigeria. However, external debt stock impacted positively while external debt service impacted negatively on the annual growth rate of the Nigerian economy both in the long run and the short run.

Ndubuisi, (2017), set out to analyse the impact of external debt on economic growth of Nigeria. Data for the study are collected from secondary sources. The variables on which data are collected include; Gross Domestic Product, External debt services, external debt stock, external reserve, and exchange rate. The scope of the study covers the period from 1985 to 2015. Data are analysed using the ordinary least square regression, ADF unit root test, Johansen cointegration and error correction test. Findings reveal that debt service payment has negative and insignificant impact on Nigeria's economic growth while external debt stock has positive and significant effect on Nigeria's growth index. The control variables: external reserve and exchange rate have positive and significant effect on growth. The ADF unit root test shows that all the variables are not stationary at levels but at first difference. Johansen cointegration test shows long-run relationship between external debt and growth index (GDP). It also showed that the variables have at least one common stochastic trend driving the relationship between them. The causality test indicates unidirectional causality between external debt and GDP. From the findings, the study recommended that government should apply external loans to infrastructural development; improve business environment through legislation; initiate proper debt management policies and substitute external borrowing for human capital development.

Hassan, Sule and Abu (2015) examined the effect of government debt on economic growth in Nigeria between 1986 and 2013 - using the ordinary least square method. The study revealed that the impact of government debt on economic growth over the period under review is insignificant - with external debt which has been enormous over the years contributing minimally to real gross domestic product. The findings of the study reveal that, if the course of consistent borrowing is not curbed, the economy will slump further: resorting to surplus budgeting, and igniting; increases in unemployment, decreases in total investment, falling reserves, increased exchange rate, higher inflation and consequently increased poverty. It is therefore recommended among others that borrowing should be a last recourse by the government to revitalize the economy, and if necessary, the loans should be sourced within the economy so that when the principal and interest on the loans are paid back, it will serve as a crowd-in-effect which in turn further accelerates economic activities in the country.

Udofia and Akpanah (2016) investigated the impact of external debt on economic growth in Nigeria. The issue was empirically examined using the cointegration test and the error correction test for Nigeria over the period 1980 to 2012. Findings from this study supported the traditional view between external debt and growth. Also, the study found the non-existence of debt overhang problem for Nigeria. It is recommended from the study that development activities in Nigeria be financed through increased export earnings spearheaded by export led growth strategy as well as investment in human capital as these can be the best alternative to external debt in the long-run.

Shuaib & Dania, (2015), examined the impact of Nigerian external debt: Nigerian experiences from 1960-2013, using time series data from 1960 to 2013. The study employed secondary data such as Financial Reviews of Central Bank of Nigeria (CBN), and/or National Bureau of Statistics (NBS). The paper explored various econometrics and statistical analytical (.i.e., Eview 7.2) method to examine the relationship between NED and economic growth. The paper employed various diagnostic tests on Nigeria's time series data from 1960-2013. The entire tests rejected the null hypothesis and/or accepted the alternative hypothesis. From the empirical result findings, it was discovered that there is a significant relationship between NED and/or economic growth in Nigeria. The study recommended therefore that government should encourage domestic or private saving because absence or inadequate saving leads to debt or borrowing to finance the obligatory of its citizenries, formulation of fiscal policy or monetary policy to improve the standards of living of its citizenries, debt or loan stocks should be used on capital or mega projects, in order to generate employment opportunities not consumable goods (.i.e., ostensible goods). The former has direct relationship with economic growth or development, while the latter has an inverse relationship with economic growth or development of Nigeria.

Bamidele and Joseph (2013) examined the effect of financial crisis, external debt management on the economic growth of Nigeria using GDP as endogenous variable while exogenous

variables measuring economic growth were Foreign Direct Investment, external debt, external reserve, inflating, and exchange rate proxies. Annual time series of 1980-2010 were used. OLS, Augmented Dickey Fuller (ADF) unit roof tests and the Granger causality test were employed in analysis. The result showed a positive relationship between FDI and economic growth while inverse relationship existed between external debt and economic growth. Ibi and Aganyi (2015) analysed the impact of external debt on economic growth in Nigeria. It uses the variance decomposition and impulse response from Vector Auto-Regression (VAR). Based on the two-stage data processing, the result reveals that causation between external debt and economic growth is weak in the Nigerian context and external debt could thus not be used to forecast improvement or slowdown in economic growth in Nigeria. Hence, changes in GDP cannot be predicted with changes in external debt. For debt to promote growth in Nigeria, fiscal discipline and high sense of responsibility in handling public funds should be the watchword of Nigerian leaders.

Solomon (2016) investigated the impact of external debt on the Nigeria economy. Data was collected from the secondary source while the regression and granger causality methods of analysis were applied. The outcome of the regression analysis showed that external debt and external debt service have negative relationship with GDP. The granger causality test shows that GDP has a unidirectional causal relationship with external debt service which runs from GDP to external debt services, uni-directional causality exists between external debt and GDP which runs from external debt to GDP. It recommends that external debt should largely be for economic reasons rather than social or political reasons as this would increase the productivity of the nation.

Sulaiman and Azeez (2012) studied the effect of external debt on the economic growth of Nigeria using gross domestic product as the endogenous variable measuring economic growth as a function of ratio of external debt to export, inflation and exchange rate proxy as the exogenous variable. Data were gathered covering 1970-2010. Analysis of date was done using the econometric technique of ordinary least square. The result showed that external debt has contributed positively to Nigeria economy. A similar research was done by Iya, Gabdo, and Aminu (2013) with the same result.

Ogege and Ekpudu (2010) examined the impact of debt burden on the Nigerian economy using time series data from 1970-2007. Ordinary least square (OLS) was used to test the relationship between debt burden and growth of the Nigeria economy. The result showed a negative relationship between debt stocks of internal and external; and gross domestic product, meaning that an increase in debt stock will lead to a reduction on the growth rate of Nigerian economy.

Ude, et al., (2016), aimed at ascertaining the impact of external debt on economic growth in Nigeria. Ex-post facto research design was adopted for the study. While data on Gross Domestic Product (GDP), External Debt Stock and External Debt Service Payment were obtained from World Bank International Debt Statistics, Exchange Rate data were collected from Central Bank of Nigeria Statistical Bulletin, 2013. The period of study was 1980-2013. Model was formulated and data were analyzed using Ordinary Least Square. Diagnostic tests were conducted using Augmented Dick Fuller Unit Root Test, Co-integration and Error Correction Model. The independent variable was GDP, while the explanatory variables were External Debt Stock, External Debt Service Payment and Exchange Rate. We discovered that External Debt had a positive relationship with Gross Domestic Product at short run, but a negative relationship at long run. Also, while External Debt Service Payment had negative relationship with Gross Domestic Product, Exchange Rate had a positive relationship with it. The paper concluded that exchange rate fluctuation had positive impact on the Nigerian economy while external debt stock and debt service payment had negative impact on the same economy. The study recommended amongst others, that Debt Management Office should set mechanism in motion to ensure that loans were utilized for purposes for which they were acquired as well as set a ceiling for borrowing for states and federal governments based on well-defined criteria.

Obademi (2013) implemented time series data for the period 1970 - 2009 to analyze the relationship between external debt and economic growth. He concluded that the non-existence of long run relationship between external debt and economic growth in Nigeria indicates that increase in external debt could result to decrease in GDP. He therefore recommends, among other things that, government should strengthen policies that will improve better management of external debts in Nigeria.

Hameed, Ashraf & Chaudhary, (2013), examined the impact of real exchange rates on economic growth in South Africa. Using quarterly time series data for the period of 1994 to 2010. The Johansen cointegration and vector error correction model were applied to determine the impact of real exchange on economic growth in South Africa. Results of the study revealed that real exchange rates have a dampening long run impact on economic growth in South Africa. From the regression results, it was noted that undervaluation of the currency significantly hampers growth in the long run, whilst it significantly enhances economic growth in the short run. As such, the policy of depreciating exchange rates to achieve higher growth rates is only effective in the short run and is not sustainable in the long run. Based on the findings of this study, the authors recommend that misalignment (overvaluation and undervaluation) of the currency should be avoided at all costs.

Nwanne and Eze (2015) investigated the relationship between external public debt servicing and receipt and exchange rate fluctuations in Nigeria from 1981 to 2013. The findings of the study showed that external debt receipts and external debt servicing have positive short and long-run relationships with naira exchange rate fluctuations. The study concluded that whereas external public debt receipts affect exchange rate positively, external public debt servicing affects exchange rate negatively.

Matthew and Mordecai (2016) examined the impact of public debt on economic development of Nigeria using annual time series data spanning 1986 to 2014. The study employed the Augmented Dickey-Fuller test, Johansen co-integral ion test, Error Correction Method (ECM) and the Granger Causality test. The Johansen co-integration test results revealed the presence of a long-run relationship among the variables viz; external debt stock, domestic debt stock, external debt servicing, domestic debt servicing and economic development (proxied with GDP per capita) in Nigeria. The ECM results revealed that external debt stock and external

debt servicing have insignificant negative relationship with economic development in Nigeria, however, domestic debt stock has a direct and significant relationship with economic development while domestic debt service payment was significant but inversely related to economic development in Nigeria. The study recommended that the government should reduce the level of external debt it accumulates overtime, but domestic debt accumulation would contribute significantly to the development of the economy.

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IV. METHODOLOGY

The research design adopted in this study is ex post-facto as it involves time series data. This research work depended mainly on secondary data which are time series data sourced from CBN Statistical Bulletin from 2014-2018. All data used for this study are collected from Central Bank of Nigeria (CBN) Statistical Bulletin and World Bank Data Base. It is a times series data which spans the time period 2014-2018.

A. *Method of Data Analysis*

Data were analyzed using ordinary least square (OLS). This work method of data analysis was the descriptive statistics, regression analysis and correlation analysis.

B. *Model Specification*

Model was formulated using Gross Domestic Product (GDP) as the independent variable while the independent variables were External Debts (EDt), External Debt Service (EDS) and Exchange Rate (ExR)

Model was formulated as follows:

$$GDP = \beta o + \beta_1 EDt + \beta_2 EDS + \beta_3 ExR + \alpha$$

Where; βo = a constant

$\beta 1, \beta 2, \beta 3$ = coefficient of the independent variables

GDP = Gross Domestic Product

EDt =External Debt

EDS = External Debt Service

ExR = Exchange Rate

α =the error term

V. DATA ANALYSIS AND RESULTS

This research seeks to examine the impact of external debt on economic growth in Nigeria. It addresses the relationship between external debt and economic growth in Nigeria. This chapter is further divided into descriptive analysis which contains the measures of central tendency which include mean, standard deviation, minimum and maximum as well as measures of variation and other statistical characteristics of the variables and regression analysis and correlation analysis which focuses on the relationship between the dependent variables and the independent variables.

A. *Descriptive Analysis*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
log10gdp	5	7.95	8.11	8.0184	.06326
log10exdebt	5	3.21	3.89	3.5462	.28517
log10extserv	5	5.29	5.67	5.5126	.13770
log10excharate	5	2.23	2.49	2.3963	.12464
Valid N (listwise)	5				

In the table above demonstrates the descriptive statistics on dependent and independent variables. It summarizes the data in explaining the variation of the data's size and give fundamental idea on characteristics of each variable. Mean indicates the average of data's total values over its sample size. Besides mean, standard deviation also can be observed in this descriptive table. The highest mean is log gross domestic product (Loggdp) and the same indicator demonstrates the highest standard deviation among the independent variables. The lowest mean represents by log exchange rate (logexcharate) with very small number, however its coefficient of variation signify the highest value as a result of its small mean's value. Coefficient of variation for each variable enlightens description on dispersion of the variable regardless of its number of unit.

B. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.998	.992	1388123.408

a. Predictors: (Constant), EXCHANGE RATE, EXTERNAL DEBT SERVICE, EXTERNAL DEBT

The coefficient of determination is also a measure of the strength of the relationship between independent variables and the dependent variable and describes the control. The value of this parameter dictates that the percentage of variance explained by the independent variables and control. The table of the model summary of this analysis, the R square value tells much of the variance in the dependent variable was explained. The model accounts for 99.8% of the variance of the external debt on gross domestic product.

C. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.016	3	.005	3602.675	.012[b]
	Residual	.000	1	.000		
	Total	.016	4			

a. Dependent Variable: log10gdp
b. Predictors: (Constant), log10excharate, log10extserv, log10exdebt

The table above shows the analysis of variance of the analysis. From the above decision criterion statement, if the P value is less than 0.05 the null hypothesis is rejected if otherwise the null hypothesis is accepted. Hence the P value (Sig) is greater than 0.05 therefore the null hypothesis will be accepted. This implies that there is positive significant of the dependent variable on the independent variables.

D. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	7.649	.030		256.340	.002
	log10exdebt	.250	.006	1.128	42.426	.015
	log10extserv	-.050	.005	-.109	-9.462	.067
	log10excharate	-.101	.013	-.198	-7.887	.080

a. Dependent Variable: log10gdp

As shown in Table is observed, the independent variable coefficient indicates that there is a negative relationship between logextserv, logexcharate and Loggdp.

The simple linear regression equation between gross domestic product (GDP) and independent variables are represented as follows:

$GDP = 7.649 + 0. .250X_1 – 0.050X_2 – 0.101X_3 + et$

The regression equation shows that GDP and EXDEBT is directly proportional related, that is, a unit increase in EXDEBT will lead to 25% increase in GDP. The t-cal (sig) value of 0.015 external debts has a significance effect on Nigeria's GDP. In the same vain, GDP and external services (EXTSERV) is inversely proportional related, that is, unit increase in EXSERV will lead to 0.5% decrease in GDP. The t-cal (sig) value of 0.067 EXSERV has a negative significance effect on Nigeria's GDP. Also, GDP and EXCHARATE are inversely proportional related, that is, unit increase in EXCHARATE will lead to 1.01% decreases in GDP. The t-cal (sig) value of 0.080 EXCHARATE has a negative significance effect on Nigeria's GDP.

VI. SUMMARY AND CONCLUSION

From the result of the analysis, it was observed that external debt is positively related with GDP. The t-cal sig. value which was found to be 0.015 indicates that there is a significant relationship between the variables.

The findings reveal that debt service is negatively related with GDP. The t-cal sig. value which was found to be 0.067 indicates that there is no significant relationship between the variables.

Also, findings show a negative relationship between exchange rate and economic growth while the t-cal sig. value at 0.080 implies that growth in exchange rate significantly affects Nigeria's economic development. This project work on the impact of external debt on economic development of Nigerian with a view to proffering suggestions on how Nigerian can utilizes external debts in improving the economic development and standard of living of its citizenry. Based on the overall results of the study, the following conclusions are reached.

1) External debt has positive and significant effect on the economic development of Nigeria.
2) External debt service has negative effect on Nigeria's gross domestic product (GDP).
3) Exchange rate has a negative effect on the economic growth of Nigeria.

VII. RECOMMENDATION

The study made the following recommendations;

i. Given that external debt stock had positive impact on economic growth in Nigeria implies that an increase in it will lead to increase the growth rate of the economy. Nevertheless, the study recommends that, the external borrowed should be effectively managed. This also agreed with the work of Ijirshar, et al., (2016); Utomi, (2014); Udeh, et al., (2016) and Ndubuisi, (2017)

The federal government should laydown guidelines in terms of defining the purpose, duration, moratorium requirements and commitments, negotiation among others including conditions for external debt loans.

This may guide against high external debt that would lead to exceeding healthy threshold.

ii. Instead of continuous debt servicing, there should be an arrangement for repayment of the loan(s) within the agreeable time. Also, if need be for additional loan, the lender organization/country to demand that unless a specified percentage of the debt is refunded before further loan will be granted this will curtail the associated leakages from the economy.

iii. The government should equipped the necessary agencies in charge of the manufacturing sector to adopt a workable and implementing advanced technology in order to make our locally made goods attractive in the international market.

Nigerian should also be encouraged to engage in exports business, discourage imports this will lead to a decline in the country's demand for external debts. Thus, there must be vigorous promotion of the nation's exports through reviving of other sectors of the economy, like agriculture that would absorb the shock in exchange rate even if left floating.

vi. External debt loans should be used only for capital project that would help in producing the technological facilities that the manufacturing sector needed to reduce the pressure on foreign exchange that would help in yielding returns.

	GDP (₦'M)	EXDEBT (₦B'N)	EXTSERV (₦'M)	EXCHARATE (₦)	Log Gdp	log EXDEBT	Log EXTSERV	Log EXCHARATE
2014	89043615.26	1631.50	346723.29	169.68	7.95	3.21	5.54	2.23
2015	94144960.45	2111.51	331059.85	197.00	7.97	3.32	5.52	2.29
2016	101489492.20	3478.91	353093.54	305.00	8.01	3.54	5.55	2.48
2017	113711634.60	5787.51	464047.50	306.00	8.06	3.76	5.67	2.49
2018	127762545.60	7759.20	194440.13	307.00	8.11	3.89	5.29	2.49

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