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Financing Economic Growth and Development in Nigeria between 1981-2017

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Abstract

This study examines financing economic growth and development in Nigeria. Specifically, the study investigates different financing sources available to Nigerian government as well as the impact they have on the economic growth between the period of 1981 and 2017. The study is based on secondary data sourced from the CBN statistical bulletin and the World Bank Data. The data were analysed using unit root test, descriptive statistics, correlation coefficient matrix and OLS regression analysis. Against the backdrop of the aforementioned details, the overall finding of the study suggests significant relationship between financing and economic development and growth. Thus, the following recommendations are proffered: it is incumbent on the government to implement strategies and policies that will encourage the individuals or households to save. Many strategies and policies are available that can enhance the households' saving rate such as the increasing the interest rate on saving and so on. The government should further harness this option by procuring only needed domestic debt but should be wary of exceeding the acceptable limit. It is also important that the funds generated from this line of credit be invested judiciously and on the productive sector. The result also indicates that foreign debt significantly impacting on economic growth. However, caution must be taken in harnessing this credit line because of the substantial costs incurred in servicing the loans. Nigeria is currently servicing its foreign loans using huge funds that could have been used for funding developmental projects.

Key words

Finance, economic growth gross domestic product, domestic debt, foreign debt, domestic savings

JEL Codes: E2

1. Introduction

Financing development is a huge task on the hands of the successive Nigerian government because it's an exercise that requires tactics and strategies before it can be effectively implemented. Nigerian state has endured a several years of underdevelopment, recession, negative growth and retrogression. When crude oil was first discovered in Nigeria, all the national as well as the regional plans were abandoned to the detriment of other sectors. Nigeria at the time had a thriving agricultural sector that was the economy mainstay and the pride of the nation and of which the other developing countries of the world were eager to learn and copy from. Ever since this discovery in Oloibiri, Delta State, Nigeria, the country had jettisoned all its plans in the pursuit of this black gold. Consequently, the cost to the country has been huge, because many sectors of the Nigerian economy remained under-developed with stalled growth. Nigeria, at the time was disposed to enormous financial resources, but allocating and mobilizing these resources for effective economic development and growth was the major problem bedeviling the country. Certainly, Nigeria has the potential for consistent economic growth and development, however, financing these growth has been the major problem bedeviling it.

Financing development in Africa generally, and in Nigeria particularly, has been a herculean task because of the huge financial resources involved. One of the major factors involved in this is financial constraints in running these plans. United States Economic Commission for Africa (ECA) says that current Africa infrastructural needs stand at a whopping $93 billion annually, out of which $45billion is mobilized, leaving an annual deficit of almost $50 billion. Oknojo (2019) argued that Nigeria needs $14billion for infrastructure annually to finance its development. Currently the nation's spending on infrastructure is about $6billion, so there is a huge gap that needs to be filled. How to mobilise these huge funds becomes a huge challenge as the various sources of funds available come with their own unique challenges. Mobilising these funds becomes the relevant question that every right thinking expert needs to ask per time. Thus, the aim of this study remains to investigate various sources of funds available for the country and how Nigeria as a nation can finance and mobilise funds for its development which critically needs serious attention as the available infrastructure is dilapidated and needs serious overhauling in order to compete with those of the globalized nations of the world as well as the impact these financing sources have on economic growth.

2. Literature review

2.1. External financing for Development

External financing include remittances, official development assistance (ODA), foreign direct investment and portfolio investment. Remittances are increasingly important because they constitute a stable source of income to the developing countries (Lahdhiri and Hammas, 2012). Remittances are the money sent home by migrants to their destination country. Remittances to Sub-Saharan Africa accelerated 11.4 percent to $38 billion in 2017, supported by improving economic growth in advanced economies and higher oil prices benefiting regional economies (World Bank, 2018). The largest remittance recipients were Nigeria ($21.9 billion), Senegal ($2.2 billion), and Ghana ($2.2 billion). Remittances to Nigeria in 2018 and 2017 was $25 billion and $22 billion respectively which is highest in Sub-Saharan region and the fifth highest in the world. This represents 10% increase when compared to the $19.64 billion sent home in 2016. Remittances have become increasingly essential as a potential source of external financing for development. These flows have reached a significant level in all regions of the world and are contributing to financial growth at different levels from one region to another. Many studies have recorded and affirmed a positive impact that remittances can have on economic growth. Lahdhiri and Hammas, (2012) revealed in their study that a mix of external sources of financing including remittances can trigger a significant positive impact on economic growth.

The official development assistant (ODA) includes grants and loans to developing countries by the multilateral organization including World Bank and European Commission or can sometimes be bilateral if they are intended directly to the developing country. According to Waeyenberge and Bargawi, (2014), ODA is critical to low income countries like Nigeria and can be useful towards the government's efforts to accelerate economic growth and resolve the challenges of poverty. ODA is most useful to countries where private investors have limited interest and for countries that have narrow or limited access to international markets (Waeyenberge and Bargawi, 2014). ODA is a traditional source of capital flows but its usefulness has been mixed. While some believe that it is quite significant to development, others believe that it is not (Kemal, 2000). However, one thing is certain: it is quite useful to developing countries, like Nigeria where capital for development is scarce and it is not easy to come by (figure 1 shows the graphical representation of ODA inflows to Nigeria).
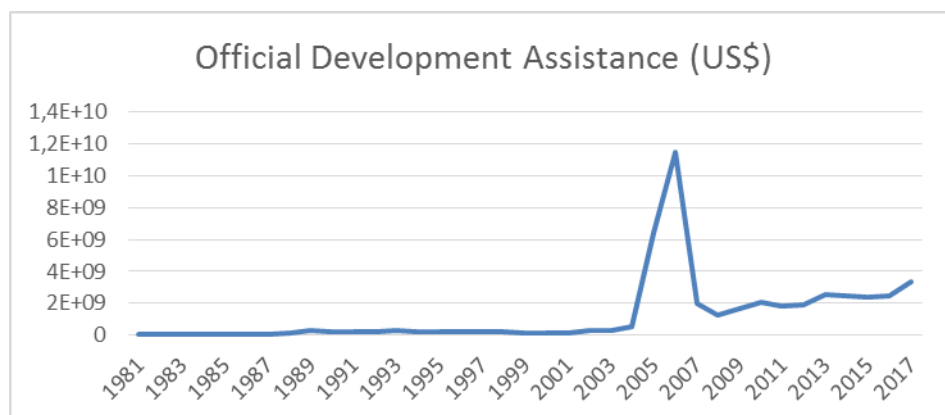
Source: World Bank's World Development Indicators (2019)

Figure 1. Official Development Assistance (Foreign Aids) inflows to Nigeria

Foreign Direct Investment (FDI) is the investment done by a resident entity in one economy in order to acquire a lasting interest in an enterprise resident in another country. OECD (2009) defined FDI as an activity in which a resident investor in one country obtains a lasting interest and a significant influence in the management of an entity resident in another country (OECD, 2009). Foreign investment can take place either by construction of new production facilities (greenfield investment) or via a merger or acquisition of an existing local company (brownfield investment). FDI (figure 2) has been critical to Nigeria's development and has taken a critical role in employment generation and economic development.
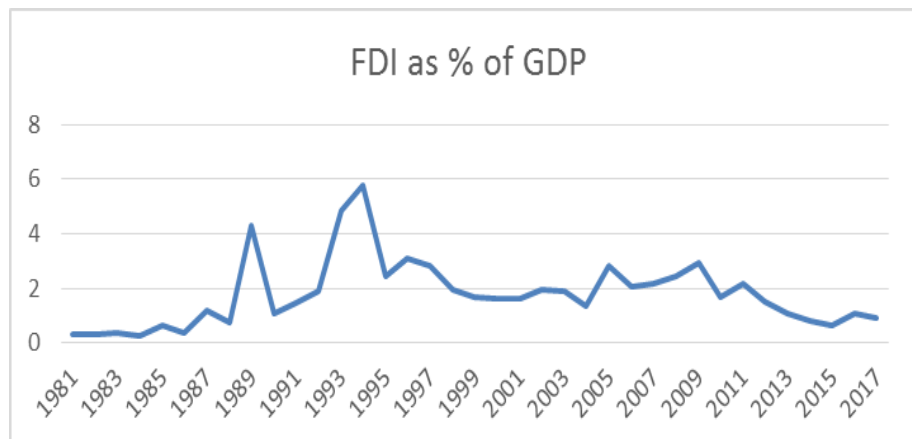
Source: World Bank's World Development Indicators (2019)

Figure 2. Nigeria's FDI as a percentage of GDP

2.2. Financing growth through Public Debt

Public debt are the money owed by the government from either foreign lenders or from citizens within the country. This source of financing increases as government engage more on deficit financing (Bonga *et al.,* 2015; Jaejoon and Manmohan, 2014). Public debt allows the government to invest into those areas that are critical to the survival of the economy where tax revenues are inadequate or not enough (Ncanywa and Masoga, 2018). It should be noted that financing recurrent government expenditure through public debt is detrimental to the economy since the recurrent expenditure is unproductive which undermines the capacity of the economy to gain momentum (Ncanywa, & Masoga, 2018). However, in the situation where such expenditures are compulsory they should be financed through taxation rather than using the borrowed funds (Tsoulfidis, 2007). Public debt should only be incurred and expended on investment project that translate into economic growth and jobs, which ultimately improve well-being for the citizens (Ncanywa and Masoga, 2018).

Domestic public debt is mainly debt owed to holders of government securities such as treasury bills and bonds (Babu *et al*., 2015). Government usually borrow by issuing securities, bonds and bills. There are mainly two reasons why government borrow: deficit financing and to retire maturing debts. Reasonable levels of borrowing by a developing country like Nigeria is likely to enhance its economic growth (figure 3), both through capital accumulation and productive growth (Babu *et al.* 2015). As long as the borrowed funds are used for productive investment, growth should be enhanced. Babu *et al.* (2015) argued that appropriate use of debt could lead to improved socio-economic growth and thus, better standard of living.
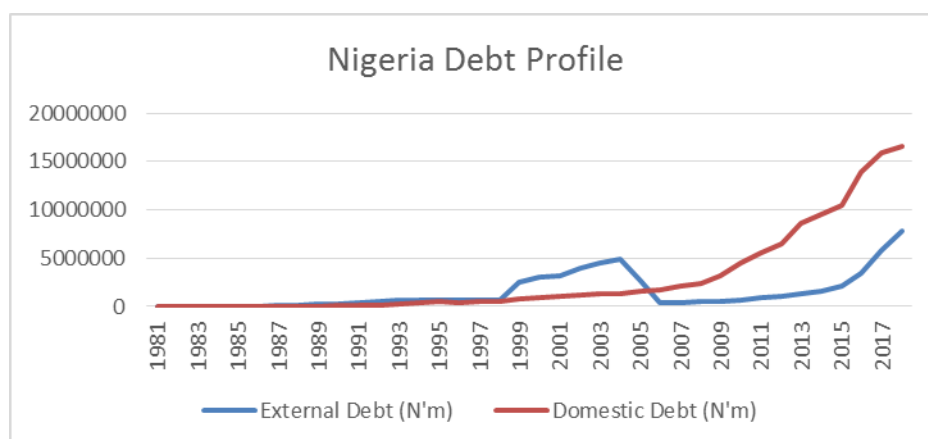
Source: CBN Statistical Bulleting 2017

Figure 3. Nigeria's Debt Profile

2.3. Mobilising Savings for Economic Growth and Development

Savings remains the key source of financing the economic development especially in the developing economies. This is because the foreign aid inflow to the developing countries have declined in recent times (Rahman and Uddin, 2012) and thus there is need to look inwards for the alternative source of finance for development. Most developed and middle income

economies in the world such as China, finance their domestic investments using savings because they mobilise substantial amount of it. Being able to mobilise a huge amount of both domestic and foreign savings are the critical factors in development economy. Waeyenberge and Bargawi (2014) argued that a country's ability to mobilise domestic resources, domestic savings inclusive and spend them effectively is at the crux of financing for development. A middle income economy like China has been able to implement successful policies and strategies that have made it easy for households as well as the private sectors to save. For instance in China, the Chinese banking policies which place restrictions on the export of capital, as well as lack of social safety net (such as pensions, health care, unemployment insurance, and education) forced a number of households to save a huge part of their disposable income (Morrison, 2018). Also the inability or lack of discretion or what have you, of many Chinese companies in paying out dividends which constitutes the corporate savings is one of the strategy that Chinese government uses to mobilise savings for development (Morrison, 2018). Nigeria and the other developing countries cannot leverage on savings because they have not been able to successfully mobilise substantial amount of it for domestic investment. In other words, the level of domestic savings in Nigeria is low which makes domestic investment difficult. According to the Figure 4, the domestic savings as a percentage of GDP has consistently reduced over the years in Nigeria. It was at its peak in 1981 but has reduced consistently ever since to the current low of 15% in 2017.
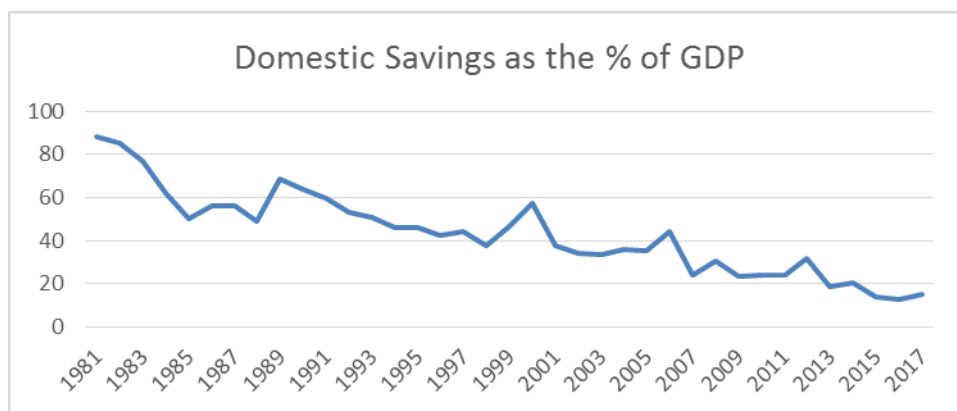
Source: World Bank's World Development Indicators (2019)

Figure 4. Domestic Savings as a percentage of GDP

One of the determinants of savings is income. That is, when income rises, people consume less and save more. This hypothesis is explained by 'ratchet effect' which postulates that individuals' consumption grows slowly compared to their growth or increase in their income. Thus, whenever income increases, it brings about increases in savings. In Nigeria where income is low, it becomes quite difficult for most households to save. In Nigeria, households save mostly from their transitory income from friends and relatives rather than from their monthly income (Mbat, 1985). The individuals' propensity to consume or save can also be explained by the hypothesis referred to as 'demonstration effect'. The hypothesis postulates that individuals will consume more or less (save less or more) depending on the community that they reside. For instance, a household with a given income would devote more of their income to consumption if it is living in a community where such income is regarded as relatively low, and therefore will save less. On the other hand, a household will consume a lower proportion of its income if it is living in the community where such income is regarded as relatively high, and hence save more. Demonstration effect has serious implication in a developing economy like Nigeria. There are basically three types of savings: voluntary, involuntary and forced, each with its own unique determinants. While voluntary saving is determined by income, involuntary saving is determined by taxation, pension schemes and so on. Forced saving, is however determined by consistent increase in prices or inflation (Thirlwall, 2004).

3. Methodology of research

The study investigates the effect of different financing sources on economic growth. This study is a quantitative study using secondary data. Methodology addresses methodological issues including data description and source, model development, and model specification.

3.1. Data Description and Source

The data are sourced from the Central Bank Statistical Bulletin and the World Bank Data. The domestic and foreign debt stock were used to capture public debt in Nigeria, while the real annual GDP was used to capture economy growth. While the dependent variable is the economic growth proxied by real GDP growth rate, domestic and foreign debt stock, domestic

savings as a percentage of GDP, FDI as a percentage of GDP and the official development assistance (ODA) are the independent variables in the study. Logarithmic transformations were carried out on some data such as domestic and foreign debt stock, and official development assistance (ODA) stocks to make them suitable for the analysis.

3.2. Model Development and Specification

This study adopted and adapted the econometric model of Ugwuegbe, Okafor, Akarogbe, (2016) stated as follow:

$$GDP = a + b_1EXD + b_2FAD + b_3FRS + b_4 EXRG + \mu t \tag{1}$$

Where:

GDP = Gross domestic product

EXD = External debt

FAD = Foreign aid

EXRG = Exchange rate regime

FRS = Foreign reserve

μt =Error term

Thus, the following OLS regression model is adopted for this study:

$$Y_t = B_0 + B_1FDI + B_2DS + B_2log\_DD + B_3log\_EXD + B_4log\_ODA + Ut \tag{2}$$

Y_t is dependent variable which is the economic growth proxied by Gross Domestic Product (GDP)

FDI is Foreign Direct Investment as a percentage of GDP

DS is Domestic Savings as a percentage of GDP

Log_DD is the log of Domestic Debt stock

Log_EXD is the log of External Debt stock

Log_ODA is the log of Official Development Assistance

B_1-------- B_2 = Are the regression coefficients to be estimated.

U_t = Error or disturbance term

3.3. Method of Analysis

The data were analysed using Descriptive Statistics, Unit root test, and the OLS multiple regression analysis. The analysis is carried out using econometric views (e-views 7).

4. Data Analysis

This section presents the result of the data analysis including unit root test, correlation and the OLS multiple regression analysis

4.1. Unit Root Test

Table 1. Unit Root Analysis

Variables	Order of integration	ADF test statistics	Critical ADF Statistics at 1%	Critical ADF Statistics at 5%	Critical ADF Statistics at 10%	P-values
DS	I(1)	-5.438172	-3.661661	-2.960411	-2.619160	0.0001
FDI	I(0)	-3.354792	-3.626784	-2.945842	-2.611531	0.0196
GDP	I(0)	-4.045483	-3.626784	-2.945842	-2.611531	0.0034
LOG_DD	I(1)	-4.774379	-3.632900	-2.948404	-2.612874	0.0005
LOG_EXD	I(1)	-4.567311	-3.632900	-2.948404	-2.612874	0.0008
LOG_ODA	I(1)	-5.531157	-3.632900	-2.948404	-2.612874	0.0001

Source: Output from e-views, 2019

According to Babu et al. (2015), one of the major problems in analysis of economic variables is the non-stationary of time series data. The results of using non-stationary time series data are likely to be spurious regression and inconsistencies outcomes in the data analysis. Thus, in order to avoid this problem, each of the variables in the study is subjected to unit root test so as to attain stationarity. Table 1 presents the result of the unit root test.

Interpretation

A unit root is test to ascertain if a time series variable is not stationary and thus, possess a unit root or to test whether a time series variable is stationary and thus, does not possess a unit root. In testing for a unit root, the null hypothesis is usually defined as signifying the presence of a unit while the alternative hypothesis defined as the absence of a unit root or stationarity. The results, as shown in the Table 1 shows that FDI and GDP variables passed the unit root test in its level form. Four of the remaining variables including DS, log_DD, log_EXD and log_ODA passed the test in first difference form. The variable FDI and GDP are in its level form and is integrated at its level (0). At this level order, their ADF test statistic of -3.354792 and -4.045483 are greater than the critical values in their absolute form at 5% and 10% respectively. The variables, DS, log_DD, log_EXD and log_ODA are in their first difference form and are integrated at the first order (1). At this order of integration, their ADF test statistics of -5.438172, -4.774379, -4.567311 and -5.531157 respectively are greater than their critical values at 1%, 5% and 10% critical ADF statistics in their absolute forms. Therefore, the variables in our model specifications are stationary.

4.2. Descriptive Statistics

Table 2 provides the descriptive statistics of the study. Descriptive statistics describe the basic data features such as mean, median, maximum, minimum, standard deviation, skewness, and kurtosis and so on. It provides the simple summaries of the data.

Table 2. Descriptive Statistics Analysis

	DS	FDI	GDP	LOG_DD	LOG_EXD	LOG_ODA
Mean	43.33217	1.794526	3.208542	5.734290	5.669534	7.862531
Median	44.31596	1.641739	4.230061	5.900261	5.801415	7.837588
Maximum	88.38949	5.790847	15.32916	7.202441	6.762492	8.536558
Minimum	13.08044	0.257422	-13.12788	4.048931	3.367580	7.316390
Std. Dev.	19.19367	1.252707	5.610974	0.936548	0.847781	0.335857
Skewness	0.453631	1.306980	-0.878156	-0.223963	-1.033252	0.476384
Kurtosis	2.711307	4.848809	4.453574	1.897017	3.408211	2.173850
Jarque-Bera	1.397474	15.80343	8.012825	2.184864	6.840484	2.451695
Probability	0.497213	0.000370	0.018199	0.335400	0.032705	0.293509
Sum	1603.290	66.39747	118.7161	212.1687	209.7727	290.9136
Sum Sq. Dev.	13262.29	56.49390	1133.389	31.57641	25.87435	4.060788
Observations	37	37	37	37	37	37

Source: Output from the E-view 7, 2019.

Interpretation

Descriptive statistics indicate the mean, median, maximum, minimum, standard deviation and so on of the concerned variables. As can be observed from the table, the average values of Domestic savings (DS), foreign direct investment (FDI), economic growth (GDP), log of domestic debt (log_DD), log of external debt (log_EXD) and log of official development assistance (log_ODA) are 43.33217, 1.794526, 3.208542, 5.734290, 5.669534, and 7.862531 respectively. Also, the median values of DS, FDI, GDP, log_DD, log_EXD and log_ODA are 44.31596, 1.641739, 4.230061, 5.900261, 5.801415 and 7.837588 respectively. The minimum values of DS, FDI, GDP, log_DD, log_EXD and log_ODA however, are 13.08044, 0.257422, -13.12788, 4.048931, and 3.367580 7.316390 respectively. In addition, the standard deviation of DS, FDI, GDP, log_DD, log_EXD and log_ODA are 0.453631, 1.306980, -0.878156, -0.223963, -1.033252, and 0.476384 respectively. The table also reveals the skewness, kurtosis, and Jaque-Bera values for the variables concerned.

4.3. Correlation

Table 3 provides the result of the correlation analysis. Correlation is a statistical techniques that shows the relationship between two or more variables. Correlation specifically shows the strength as well as the direction of the relationship between the dependent and independent variables.

Table 3. Correlation Matrix

	DS	FDI	GDP	LOG_DD	LOG_EXD	LOG_ODA
DS	1.000000					
FDI	-0.112859	1.000000				
GDP	-0.556554	0.120249	1.000000			
LOG_DD	-0.922495	0.154977	0.459443	1.000000		
LOG_EXD	-0.759001	0.334623	0.602128	0.826201	1.000000	
LOG_ODA	-0.608109	0.023764	0.200277	0.586887	0.338377	1.000000

Source: Output from the E-view 7, 2019.

Interpretation

The correlation matrix shows the relationship between the dependent variable, GDP and independent variables FDI, GDP, log_DD, log_EXD, and log_ODA as showed in the Table 2 above. As indicated in the table, GDP has negative but strong relationship with DS indicated by a Pearson coefficient value of -0.556554. GDP has weak but positive relationship with FDI with a Pearson coefficient value of 0.120249. GDP has medium and positive relationship with log_DD with a Pearson coefficient value of 0.459443. Also, GDP has positive and strong correlation with log_EXD with a Pearson coefficient of 0.602128. In addition to this, GDP has weak but positive correlation with log_ODA with a Pearson correlation of 0.200277.

The Table 3 indicating correlation matrix also reveals the relationship between the independent variable. As can be observed in the table, FDI has negative but weak correlation with DS with a Pearson correlation coefficient value of -0.112859. Log_DD has strong but negative correlation with DS with a Pearson correlation coefficient of -0.922495. DS is negatively but strongly correlated with Log_EXD and Log_ODA with Pearson correlation coefficients of -0.759001 and -0.608109 respectively. Log_DD is positively correlated with FDI with a Pearson correlation coefficient of 0.154977. Log_EXD has a medium and positive correlation with FDI with a Pearson correlation coefficient value of 0.334623. However, log_EXD has a positive and strong relationship with log_DD with a Pearson correlation coefficient of 0.826201. Log_ODA has weak but positive relationship with FDI with a Pearson correlation coefficient of 0.023764. hoever, log_ODA has strong and positive relationships with log_DD and log_EXD with Pearson correlation coefficient values of 0.586887 and 0.338377 respectively.

4.4. Multiple Regression Analysis

Table 4 shows the result of the OLS multiple regression analysis. Multiple regression is used to predict the value of dependent variables based on the values of all the independent variables.

Table 4. OLS Multiple Regression Analysis

Dependent Variable: GDP				
Method: Least Squares				
Date: 05/22/19 Time: 10:14				
Sample: 1981 2017				
Included observations: 37				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	25.56588	27.83178	0.918586	0.3654
DS	-0.265404	0.099401	-2.670029	0.0120
FDI	-0.368341	0.625527	-0.588850	0.5602
LOG_DD	-5.736536	2.366675	-2.423879	0.0214
LOG_EXD	4.932175	1.705009	2.892756	0.0069
LOG_ODA	-0.669501	2.852753	-0.234686	0.8160
R-squared	0.496166	Mean dependent var		3.208542
Adjusted R-squared	0.414902	S.D. dependent var		5.610974
S.E. of regression	4.291928	Akaike info criterion		5.898743
Sum squared resid	571.0400	Schwarz criterion		6.159973
Log likelihood	-103.1267	Hannan-Quinn criter.		5.990839
F-statistic	6.105640	Durbin-Watson stat		1.298886
Prob(F-statistic)	0.000479			

Source: Output from the E-view 7, 2019.

Interpretation

The multiple regression predicts the dependent variable based on the independent variables. Specifically multiple regression analysis predict the value of the GDP based on the independent variables including DS, FDI, log_DD, log_EXD and log_ODA. As can be observed from the study, 49.6% of the changes in the dependent variable, GDP can be explained by the independent variables, DS, FDI, log_DD, log_EXD and log_ODA. While the remaining 50.4% of the changes in the dependent variable can be explained by other factors that are not included in the study. Also in the study, the F-statistics of 6.105640 and Probability (F-statistic) of 0.000479 indicated that the overall model of the study is significant. The Durbin Watson statistic of 1.298886 indicates that the model is free from auto-correlation.

Table 4 also reveals the specific result of the model. As can be observed from the study, domestic savings proxied by domestic savings as a percentage of GDP (DS) is negatively and significantly correlated with GDP with a coefficient value of -0.265404 and a p-value of 0.00120. FDI is negatively and insignificantly correlated with GDP with a coefficient value of -0.368341 and a p-value of 0.5602. Domestic debt proxied by log_DD is negatively and significantly correlated with GDP with a coefficient and p-value of -5.736536 and 0.0214 respectively. Also, external debt proxied by log_EXD is positively and significantly correlated with GDP with a coefficient and p-values of 4.932175 and 0.0069 respectively. Lastly, official development assistance proxied by log_ODA is negatively and insignificantly impacted on GDP with a coefficient and p-value of -0.669501 and 0.8160 respectively.

4.5. Discussions

Firstly, the result indicates that domestic savings is significantly correlated with GDP. This is in contrast with the finding of the study by Mongale *et al.* (2018) who found negative and insignificant relationship with economic growth. The finding of the study by Rahman and Uddin, (2012) however corroborated the findings of this study which indicates that a positive relationship between savings rate and economic growth. Secondly, the result of this study found that FDI is negatively and insignificantly correlated with GDP. This is in contrast with the study by Lahdhiri and Hammas, (2012) who found significant relationship between FDI and economic growth.

Also, the study reveals that domestic debt proxied by log_DD is negatively and significantly correlated with GDP. This is in line with the study by Ogindo, (2015); Ncanywa and Masoga, (2018); Babu *et al.* (2015) who found significant relationship between domestic debt and economic growth. Fourthly, the study indicated that external debt proxied by log_EXD is positively and significantly correlated with GDP. This is also in line with the study by Ogindo, (2015); Ncanywa and Masoga, (2018); Ugochukwu *et al.* (2016); Odubuasi *et al.* (2018) who found significant relationship between external debt and economic growth. Lastly, official development assistance proxied by log_ODA is negatively and insignificantly impacted on GDP. This is corroborated by the study of Lahdhiri and Hammas, (2012); Ugochukwu *et al.* (2016) who found no significant of ODA on economic growth.

5. Conclusions and Recommendations

This study investigates financing economic development in Nigeria. Specifically, the study examines various sources of financing available to the government in financing economic growth and development in Nigeria. There is a huge finance gap in financing economic growth in Nigeria. However, there are many sources that are available to the government to finance development in Nigeria. Amongst the other financing sources available, domestic savings, public debt including domestic and foreign debts, foreign direct investment, and official development assistance are discussed and reviewed extensively in the study. In addition to this, some statistical tools including unit root test, descriptive statistic, correlation, and OLS multiple regression analysis were used in analyzing the data. The overall result of the analyses indicates that a significant relationship exists between finance and economic growth. Specifically, the results of the study indicated that domestic savings as a percentage of GDP (DS) is negatively and significantly correlated with GDP; domestic debt proxied by log_DD is negatively and significantly correlated with GDP; external debt proxied by log_EXD is positively and significantly correlated with GDP; official development assistance proxied by log_ODA is negatively and insignificantly impacted on GDP; and lastly FDI is negatively and insignificantly correlated with GDP. Therefore in view of the aforementioned findings, the following recommendations are made:

- Since the findings revealed that domestic savings are correlated with economic growth, it is therefore incumbent on the government to implement strategies and policies that will encourage the individuals or households to save. Many strategies and policies are available that can enhance the households' saving rate such as the increasing the interest rate on saving and so on.

- Also the domestic debt was found to be significantly impacting on economic growth. This therefore means that the government should further harness this option but should be wary of exceeding the acceptable limit. It is also important that

the funds generated from this line of credit be invested judiciously and on the productive sector. The debts procured domestically should be invested in the growth or productive sectors where the funds can be put to good use or where many employment opportunities can be generated and created. This will ensure that it impacts directly and positively on the economy.

- The result also indicates that foreign debt significantly impacting on economic growth. However, caution must be taken in harnessing this credit line because of the substantial costs incurred in servicing the loans. Nigeria is currently servicing its foreign loans using huge funds that could have used for funding developmental projects. This is not very good for the economy. Although foreign debt is found to exact positive impact on growth, caution must be made not to surpass the acceptable limit as this can be detrimental to the economy. Foreign debt impacts positively on growth up to a particular point, after which it begins to exact less or no impact or even negative impact. Hence, caution must be the watch word in harnessing this credit line.

Acknowledgement

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