

The impact of Nigeria's external debt on economic development

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Abstract:

Purpose

– This paper aims to investigate the impact of huge external debt with its servicing requirements on economic growth of the Nigerian economy so as to make meaningful inference on the impact of the debt relief which was granted to the country in 2006.

Design/methodology/approach

– The neoclassical growth model which incorporates external sector, debt indicators and some macroeconomic variables was employed in this study. The paper investigates the linear and nonlinear effect of debt on growth and investment utilizing the ordinary least squares and the generalized least squares.

Findings

– Among other things, the negative impact of debt (and its servicing requirements) on growth is confirmed in Nigeria. In addition, external debt contributes positively to growth up to a point after which its contributions become negative reflecting the presence of nonlinearity in effects.

Originality/value

– Nigeria's external debt is analyzed in a new context utilizing a different but innovative model and econometric techniques. It is of tremendous value to researchers on related topic and an effective policy guide to policymakers in Nigeria and other countries with similar characteristics.

Keywords:

[Nigeria](#), [Economic development](#), [Debts](#), [Debt financing](#), [Investments](#)