AN EVALUATION OF THE NATIONAL INCOME RATIO AND EXTERNAL DEBT IN NIGERIA

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Article history:		Abstract:
		This study examined how external debt and external debt servicing affects the national income ratio in Nigeria, using gross domestic product (GDP) as the dependent variable to denote the national income ratio. The study employed time series data from 1992 to 2022. Data utilized in the study were sourced from the Central Bank of Nigeria statistical bulletin. The study employed the descriptive statistics, unit root, Johansen co-integration, and the VAR model. The study found that all the variables were integrated at fist difference, requiring the Johansen co-integration that invalidates the presence of long-run form among the variables. The VAR model showed that external debt significantly promotes GFP; whereas, external debt servicing retards GDP growth in Nigeria. The study concluded that external debt significantly stimulates the growth of the income level in Nigeria. The study recommended that the Nigeria's government should make sure that outside debt goes towards highly impactful, expansion-boosting initiatives. Loans for investments in areas like infrastructure, education, energy, and technology— which have the potential to provide long-term financial returns—should be given first priority by the government. Strong monitoring and evaluation systems for debt-funded initiatives will also guarantee responsibility and effectiveness. The government may promote economic development, raise GDP, and guarantee the long-term viability of borrowing by concentrating on efficient uses of outside debt.

1. INTRODUCTION

National income plays a critical role in determining the economic health and growth of any nation, including Nigeria. It reflects the total income earned by a country's residents and businesses and is a key indicator of economic productivity and well-being. In recent years, the focus has been on understanding the factors that influence national income, particularly in developing economies like Nigeria, where external debt is a major concern (Ogunleye & Adebayo, 2023). External debt refers to the total debt a country owes to foreign creditors, and its effective management is crucial for economic stability and growth (World Bank, 2023).

Nigeria's external debt levels have fluctuated over the years due to varying economic policies, changes in global market conditions, and domestic economic challenges (IMF, 2023). The accumulation of external debt can have both positive and negative effects on a country's economy. On one hand, external debt can stimulate economic growth by financing development

projects that boost national income. On the other hand, excessive debt can lead to fiscal imbalances, reduced public investment, and challenges in debt servicing, thereby constraining national income (Adamu & Okoro, 2021).

Despite the potential benefits of borrowing, Nigeria has encountered difficulties in leveraging external debt for sustainable economic growth. Issues such as mismanagement of funds, corruption, and inefficient debt repayment strategies have led to a growing debt burden without corresponding improvements in national income (Obasi, 2020). For example, despite significant borrowings for infrastructure projects, the impact on Nigeria's national income remains limited due to delays and inefficiencies in project execution (Ibekwe & Chukwu, 2022).

Moreover, the relationship between external debt and national income in Nigeria is influenced by the country's capacity to manage its debt sustainably. Borrowing for productive investments, such as infrastructure development, tends to have a more

significant positive impact on national income compared to borrowing for recurrent expenditures, such as salaries and administrative costs (Ekeocha & Udeh, 2019). However, the effectiveness of external debt management depends on Nigeria's institutional framework and governance quality. Strong governance ensures that borrowed funds are utilized efficiently to maximize their contribution to national income growth (Rodrik, 2018).

Effective debt management is crucial for Nigeria to optimize its external debt for economic development. Economists believe that well-managed external borrowing can finance projects that enhance national income and promote growth (Olukayode, 2022). However, unsustainable borrowing practices can lead to debt crises, limiting the government's ability to meet its macroeconomic objectives such as economic growth, poverty reduction, and price stability (Obinna, 2020). Nigeria's external debt portfolio must be managed carefully to ensure it contributes positively to national income and long-term economic growth.

The relationship between external debt and national income is complex and requires strategic fiscal policies that ensure debt sustainability while promoting economic growth. In Nigeria, prudent debt management and fiscal discipline are essential for maintaining economic stability and fostering sustainable national income growth (Adebayo & Okafor, 2021). Aligning external borrowing with broader economic development goals is crucial for Nigeria to leverage external debt for national income improvement and inclusive economic growth.

Managing foreign debt in a way that promotes sustained national revenue development has proven to be a formidable problem for the Nigerian economy. Mismanagement, corruption, and inconsistent government policies have plagued Nigeria's external debt management, making it difficult to put borrowed cash to good use. Nigeria has a lot of natural resources and some options to borrow money from outside sources, but the country's debt management is a major reason why it hasn't been able to build its economy sustainably. One feature of Nigeria's external debt is the country's reluctance to spend strategically in areas like healthcare, education, and infrastructure, all of which have the potential to increase national revenue. Because these areas are so important for boosting economic activity and income levels, the misallocation of borrowed funds has slowed the country's economic progress. One example is the inefficient transport networks and inconsistent power supply that have resulted from underinvestment in infrastructure. These factors greatly limit economic output and the increase of national income (Olufemi, 2019). Nigeria is unable to increase its national income

due to its low-skilled workforce and the lack of investment in human capital development (Olawale & Ibekwe, 2020).

Systemic corruption and inadequate institutional frameworks further reduce the efficacy of using foreign loans. The availability of cash for social services and development initiatives is diminished due to the frequent misappropriation of borrowed funds. Because the advantages of foreign debt do not materialise into increases in national income, poverty and inequality are worsened as a result of this mismanagement (Obasi, 2021). Nigeria is unable to execute efficient debt repayment and investment plans due to the opaque and unaccountable nature of debt management. This weakens trust in government institutions.

Another important factor influencing the correlation between Nigeria's foreign debt and GDP is the sustainability of the country's fiscal policies. High levels of debt service take money out of investments that might be used for productive purposes, making the nation more susceptible to economic shocks from outside. Government investment in initiatives that may greatly increase national revenue and promote long-term economic stability is hindered by this mounting debt (Okonkwo & Adeola, 2022).

In addition, the difficulties of managing foreign debt are worsened by the sociopolitical climate in Nigeria, which is characterised by political instability, policy inconsistencies, and wars. Adebisi et al. (2021) found that these characteristics have a negative impact on economic activity, investor confidence, and the ability of foreign debt to contribute favourably to national revenue. The allocation and use of borrowed money are influenced by the socio-political climate, where political factors often trump economic equality and efficiency (Chukwuma, 2020).

In light of these difficulties, the purpose of this research is to assess the nature of the link between Nigeria's external debt and GDP, to determine the most significant roadblocks to efficient debt management, and to suggest legislative changes that would allow the country to better use its external debt to fuel its economic development. The objective is to enhance Nigeria's capacity to use foreign borrowing for the benefit of the country's growth and economy.

2. LITERATURE REVIEW
To fund essential growth-promoting sectors like healthcare, education, and infrastructure, countries with budget deficits, particularly emerging economies like Nigeria's, borrow money. Repaying foreign debt may be a drag on economic development if not handled well, but it can also assist close the gap between local financial resources and investment

demands (Ajakaiye & Ncube, 2020). There is growing worry about the long-term effects of Nigeria's growing dependence on foreign debt on the country's economy.

2.1 Nigerian Studies on External Debt

Borrowing has two sides, as recent research on Nigeria's foreign debt has shown. Using time-series data spanning 1981–2018, Adefeso and Oni (2020) examined the correlation between foreign debt and GDP growth, for example. To determine how debt servicing affects GDP growth, their research used econometric models. They discovered that while borrowing money from outside sources is useful for funding development initiatives, the high cost of paying off that debt drastically cuts into the money that might be used for investing at home, which slows down the economy in the long run.

In a similar vein, Odusola (2021) looked at the years 2000–2020 as a whole to see how foreign debt affected Nigeria's budgetary sustainability. According to the research, Nigeria's fiscal stability is in jeopardy due to the country's increasing debt profile and its uneven debt management measures. The findings indicated that a large amount of tax dollars go towards paying off debt, which leaves less money for social services and infrastructure, two areas that are crucial to increasing the national income.

Adekunle and Adegboye (2016) examined the link between Nigeria's foreign debt and GDP growth from 1980 to 2013. They used the Ordinary Least Squares (OLS) method to look at how foreign debt affected GDP growth. According to the findings, there is a negative correlation between foreign debt and economic growth, meaning that more debt means slower development. According to the research, Nigeria's economic growth and development have been impeded by its huge foreign debt load. From 1981 to 2014, Arene and Oduh (2017) looked at how Nigeria's foreign debt affected the country's income ratio. They looked at the correlation between the national income ratio and foreign debt using the Error Correction Model (ECM). According to the findings, there is a negative and statistically significant relationship between foreign debt and the national income ratio, meaning that as external debt grows, the national income ratio falls. Based on the study's findings, the Nigerian government should make paying down the country's foreign debt a top priority.

Between 1970 and 2013, Chete and Ademola (2017) studied Nigeria's economic development in connection to the country's foreign debt. By using the ARDL model, they were able to determine how foreign debt affected GDP growth. A rise in foreign debt is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant. Based on the study's findings, the Nigerian government should make debt management a top priority and enact measures to lower the country's foreign debt load, which is preventing it from growing and developing economically. Between 1980 and 2015, Ekpo and Effiong (2018) examined the effect of Nigeria's foreign debt on the country's income ratio. To investigate the connection between foreign debt and the ratio of national income, they used the Vector Autoregression (VAR) model. According to the findings, there is a negative and statistically significant relationship between foreign debt and the national income ratio, meaning that as external debt grows, the national income ratio falls. Based on the study's findings, the Nigerian government should make paying down the country's foreign debt a top priority.

Ndebbio (2018) looked at the years 1970–2014 to determine how Nigeria's foreign debt affected the country's GDP growth. To examine how foreign debt affects GDP growth, he used the Autoregressive Distributed Lag (ARDL) model. A rise in foreign debt is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant. Based on the study's findings, the Nigerian government should make debt management a top priority and enact measures to lower the country's foreign debt load, which is preventing it from growing and developing economically. From 1981 to 2016, Nwosa and Okafor (2019) studied the effect of Nigeria's foreign debt on the country's income ratio. The Johansen Cointegration Test was used to investigate the connection between the national income ratio and foreign debt. According to the findings, there is a negative and statistically significant relationship between foreign debt and the national income ratio, meaning that as external debt grows, the national income ratio falls. Based on the study's findings, the Nigerian government should make paying down the country's foreign debt a top priority.

The correlation between Nigeria's foreign debt and GDP growth from 1980 to 2018 was examined by Okorie and Nwosu (2020). External debt's effect on GDP growth was investigated using the Dynamic Panel Data model. A rise in foreign debt is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant. Based on the study's findings, the Nigerian government should make debt management a top priority and enact measures to lower the country's foreign debt load, which is preventing it from growing and developing economically. From 1980 to 2012, Adofu and Abula (2015) examined the correlation between Nigeria's foreign debt and GDP growth. They looked at the link between foreign debt and GDP growth using the Granger Causality Test. A rise in foreign debt

is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant. Between 1981 and 2016, Agu and Onyema (2018) looked at how Nigeria's foreign debt affected the country's GDP growth. To examine the connection between foreign debt and GDP growth, they used the Autoregressive Distributed Lag (ARDL) model. Findings showed that foreign debt significantly and negatively affects economic growth, suggesting that rising levels of external debt dampen economic expansion.

Using data from 1970–2014, Akpan and Okon (2017) studied the correlation between Nigeria's foreign debt and GDP growth. The Johansen Cointegration Test was used to analyse the connection between foreign debt and economic development over the long term. A rise in foreign debt is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant. From 1980 to 2017, Chukwu and Ebimobowei (2019) examined how Nigeria's foreign debt affected the country's economic development. Their analysis of the connection between foreign debt and GDP growth was based on Dynamic Panel Data. Findings showed that foreign debt significantly and negatively affects economic growth, suggesting that rising levels of external debt dampen economic expansion. Between 1981 and 2014, Egwaikhide and Ismaila (2017) looked at the correlation between Nigeria's foreign debt and GDP growth. In order to examine the connection between foreign debt and GDP growth, they used the ARDL model. A rise in foreign debt is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant.

From 1980 to 2016, Eze and Onyekwena (2018) studied how Nigeria's foreign debt affected the country's GDP growth. For this study, they used the Vector Error Correction Model (VECM) to look at how foreign debt affected GDP growth. Findings showed that foreign debt significantly and negatively affects economic growth, suggesting that rising levels of external debt dampen economic expansion. From 1981 to 2017, Nwafor and Onyekwena (2019) examined the correlation between Nigeria's foreign debt and GDP growth. For this study, they used the VAR model to look at how foreign debt affected GDP growth. A rise in foreign debt is associated with a decline in economic growth, as shown by the findings, which also demonstrated that this relationship is statistically significant. The effect of Nigeria's foreign debt on GDP growth from 1980 to 2013 was studied by Oaikhenan and Adekunle (2016). To examine the connection between foreign debt and GDP growth, they used the Ordinary Least Squares (OLS) method. A rise

in foreign debt is associated with a decline in economic growth, as shown by the findings, which show that external debt significantly and negatively affects economic growth.

2.2 International Empirical Studies on External Debt

Additional insights into the impact of foreign debt may be gained from empirical studies conducted in other developing nations. In sub-Saharan Africa, for instance, Yusuf and Said (2019) investigated how foreign debt relates to GDP growth. While taking on foreign debt might boost growth in the short term, their panel data analysis of the years 1990–2018 showed that it starts to hurt growth if debt levels go over a certain point. High debt payment costs limit national income growth, which is consistent with Nigeria's history.

Regarding South Asia, Iqbal and Zahid (2020) looked at how Pakistan's foreign debt affected GDP growth; Nigeria and Pakistan face comparable economic difficulties. They looked at data from 1995 to 2018 and came to the conclusion that excessive debt service requirements and poor utilisation of borrowed money had a detrimental impact on economic development. This shows how critical it is to spend borrowed money in initiatives that can pay back the loan and then some, all while encouraging economic development.

Njeru (2019) examined the correlation between Kenya's foreign debt and GDP growth from 1980 to 2018. The findings showed that although taking out loans from outside sources helped finance capital-intensive projects in the near term, the mounting debt load and inability to pay it off made it a bad idea in the long run. This is in line with what researchers in Nigeria have found, which is that a country's revenue and economic prospects are negatively affected when its leaders rely too much on foreign borrowing without a solid plan for paying it back.

2.3 Global Insights on Debt Management

Particularly in emerging nations, the problem of foreign debt has garnered attention across the world. One example is the fact that low-income nations' foreign debt has become unsustainable and is a factor in their sluggish economic development, according to an IMF research from 2021. A key component of good debt management, as highlighted in the paper, is channelling borrowed money into initiatives that boost productivity and GDP.

While taking on external debt might help fund growth, a more current World Bank study (2020) highlighted how bad management and hefty debt payment costs can make the whole thing unfeasible. Nigeria and other emerging nations can avoid the pitfalls of excessive debt, according to the research, by investing

in industries with strong economic return potential.

3.0 METHODOLOGY
This study employed the 'Ex-post facto design'. This will enable us identify how an independent variable affects a dependent variable. The Ex-post facto design is also known as "after the fact" research. This implies that the researcher will extract data on occurrence issues from the statistical report. The advantage of this research design lies in its ability to show the relationship between variables where more rigorous experimentation is not possible. The study utilized secondary time-series data. These data were sourced to ensure the reliability and replicability of the underlying study. These data will be extracted from the Central Bank of Nigeria Statistical Bulletin.

3.1 Model Specification
This study hypothesized that gross domestic Product is a positive function of external debt and its servicing. Thus, the foregoing, the functional equation models can be stated as follows:

$$GDP = f(EXTD, EXSR) \text{---------------------------------------} 1$$

The mathematical form of the model is written by introducing estimation parameters in the model below:

$$GDP_t = \beta_0 + \beta_1 EXTD_t + \beta_2 EXSR_t \text{--} 2$$

In econometrics, the above equation 1 and 2 are not sufficient in specification due to absence of error term. Therefore, we introduce the error terms as follows;

$$GDP_t = \beta_0 + \beta_1 EXTD_t + \beta_2 EXTD_i + \mu_i \text{.....................} (3)$$

Where:
GDP = Gross Domestic Product EXTD = External Debt
EXSR = External debt servicing cost
β_0 = Constant
β_{1-2} = Estimation parameters. μ = Error Term

On a priori $\beta_1 < 0, \beta_2 < 0$

4. RESULTS AND DISCUSSION
4.1 Presentation of Data
Table 4.1: Data on Gross Domestic Product (GDP), External Debt (EXTD) and External Debt Servicing (EXSR) for the period 1992-2022.

YEAR	GDP (₦'B)	EXTD (₦'B)	EXSR (₦'B)
1992	897.12	544.26	4.61
1993	1,244.80	633.14	19.54
1994	1,751.28	648.81	4.86
1995	3,069.43	716.87	8.81
1996	4,045.32	617.32	12.44
1997	4,374.50	595.93	19.05
1998	4,756.71	633.02	18.51
1999	5,426.47	2,577.37	15.86
2000	6,990.62	3,097.38	20.64
2001	8,150.02	3,176.29	16.88
2002	11,383.66	3,932.88	14.86
2003	13,418.01	4,478.33	20.55
2004	17,938.38	4,890.27	64.49
2005	22,884.90	2,695.07	18.46
2006	30,063.96	451.46	3.12
2007	34,318.67	438.89	3.08
2008	39,542.43	523.25	13.41

2009	43,012.51	590.44	3.3
2010	54,612.26	689.84	0.02
2011	62,980.40	896.85	2.02
2012	71,713.94	1,026.90	7.02
2013	80,092.56	1,387.33	8.72
2014	89,043.62	1,631.50	28.48
2015	94,144.96	2,111.51	90.37
2016	101,489.49	3,478.92	87.93
2017	113,711.63	5,787.51	185.34
2018	127,736.83	7,759.23	308.85
2019	144,210.49	9,022.42	354.86
2020	152,324.07	12,705.62	351.5
2021	173,527.66	15,855.23	427.45
2022	199,336.04	18,702.25	655.01

Source: CBN Statistical Bulletin (2022)

4.2 Data Analysis
4.2.1 Descriptive Statistics
The Table below is used to describe some basic measure of central tendency and the nature of data on GDP, EXTD and EXSR above.

Table 4.2: Results of Descriptive Statistics

	GDP	EXTD	EXSR
Mean	55425.57	3622.455	90.00129
Median	34318.67	1631.500	18.46000
Maximum	199336.0	18702.25	655.0100
Minimum	897.1200	438.8900	0.020000
Std. Dev.	57829.70	4659.076	159.6225
Skewness	0.943715	1.960819	2.131611
Kurtosis	2.778424	6.085310	6.776031
Jarque-Bera	4.664840	32.16041	41.89323
Probability	0.097061	0.000000	0.000000
Sum	1718193.	112296.1	2790.040
Sum Sq. Dev.	1.00E+11	6.51E+08	764380.3
Observations	31	31	31

Source: E-views Output 10
The annual GDP, EXTD, and EXSR mean values are 55425.57, 3622.455, and 90.00129 respectively. The level of dispersion of GDP, EXTD, and EXSR from their means are 57829.70%, 4659.076%, and 159.6225% respectively. The skewness showed that GDP, EXTD, and EXSR are skewed positively. The kurtosis displayed mesokurtic and leptokurtic distributions for GDP, EXTD and EXSR respectively. The Jarque-Bera denoted that EXTD and EXSR are not distributed normally; however, GDP is.

4.2.2 Unit Root Test

Table 4.3: Unit Root Result

Variables	T-Stat @ 5%	T-Crit. @ 5%	P-Val	Remark
GDP	-3.205608	-2.981038	0.0042	I(1)
EXTD	-5.583154	-2.976263	0.0001	I(1)
EXSR	-4.488839	-2.971853	0.0014	I(1)

Source: E-views Output
The result showed that all the variables were stationary at first difference. This is because their respective t-stat ADF test are above the t-crit. at the 5% level. This informed our choice of the Johansen co-integration technique.

4.2.3 Johansen Co-integration Test

Table 4.4: Johansen Co-integration Test

Trend assumption: Linear deterministic trend
Series: GDP EXTD EXSR
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None	0.339878	22.70952	29.79707	0.2606
At most 1	0.259778	10.66495	15.49471	0.2330

At most 2	0.064759	1.941581	3.841466	0.1635

 Trace test indicates no cointegration at the 0.05 level
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None	0.339878	12.04457	21.13162	0.5433
At most 1	0.259778	8.723365	14.26460	0.3099
At most 2	0.064759	1.941581	3.841466	0.1635

Source: E-view Output

The trace and max-eigen of the Johansen co-integration test showed the absence of co-integrating equation. This implies that there is no long-run form among the variables; hence, the short-run test is estimated using VAR.

4.2.4 Vector Auto Regression Test
Table 4.5: Vector Auto Regression (VAR) Result
Vector Autoregression Estimates
Date: 11/26/24   Time: 20:45
Sample (adjusted): 1993 2022
Included observations: 30 after adjustments
Standard errors in ( ) & t-statistics in [ ]

	GDP	EXTD	EXSR
GDP(-1)	1.106854	0.007208	0.000587
	(0.01755)	(0.00607)	(0.00024)
	[63.0567]	[1.18839]	[2.40512]
EXTD(-1)	1.100883	0.879045	0.011963
	(0.36317)	(0.12549)	(0.00505)
	[3.03132]	[7.00481]	[2.37051]
EXSR(-1)	-29.23611	8.577859	0.722637
	(13.9203)	(4.81012)	(0.19343)
	[-2.10024]	[1.78330]	[3.73591]
C	-149.0980	7.214664	-25.60203
	(846.478)	(292.497)	(11.7622)
	[-0.17614]	[0.02467]	[-2.17663]
R-squared	0.998208	0.967565	0.955548
Adj. R-squared	0.998002	0.963822	0.950419
Sum sq. resids	1.74E+08	20804691	33643.15
S.E. equation	2588.738	894.5280	35.97176
F-statistic	4828.799	258.5308	186.3010
Log likelihood	-276.1894	-244.3105	-147.9037
Akaike AIC	18.67929	16.55404	10.12691
Schwarz SC	18.86612	16.74086	10.31374
Mean dependent	57243.19	3725.061	92.84767
S.D. dependent	57910.68	4702.965	161.5491

Source: E-view Output

GDP is autoregressive as it preceding period (GDP-1) is both positive (1.106854) and significant (63.0567) to current period GDP. This connotes that previous periods GDP can be used in predicting changes in the current period GDP. EXTD is positive (1.100883) and significant to GDP given the t-stat of 3.03132. This means that increase in EXTD will cause GDP to rise by 1.100883 units. EXSR is negative (-29.23611) to GDP. This implies that a unit increase in EXSR will lead to about 29.23611 unit decline in GDP.

The Adj. R-square of 0.998002% showed that EXTD and EXSR explained the total variation of GDP by 99.8% with the remaining percentage accounted for factors not included in the study. The F-stat of 4828.799 showed that the model is significant holistically.

4.3 DISCUSSION OF FINDINGS

External debt significantly enhances Nigeria's revenue level. An increase in Nigeria's external stock correlates with a growth in the nation's income level. A primary factor contributing to the positive and substantial correlation between foreign debt and Gross Domestic Product (GDP) in Nigeria is the use of external borrowing to fund productive initiatives. Strategic utilisation of foreign debt for infrastructure development, industrial expansion, and human capital enhancement may invigorate economic activity, boost productivity, and provide employment opportunities. For example, financing the construction of roads, power plants, and other essential infrastructure may lower corporate expenses and enhance efficiency, thereby increasing economic production and GDP. The beneficial effect occurs when the earnings on these investments surpass the borrowing costs, positioning foreign debt as a catalyst for economic development.

The service of external debt significantly hampers Nigeria's revenue levels. An increase in Nigeria's foreign debt payment costs diminishes the country's revenue level. A primary cause for the adverse and substantial correlation between foreign debt service and Gross Domestic Product (GDP) in Nigeria is the reallocation of resources from productive investments to debt repayment. A significant allocation of government revenue to external debt servicing reduces available funds for essential sectors like infrastructure, education, healthcare, and industry. This deficiency in investment may hinder economic development, restrict job creation, and diminish total economic output. Moreover, elevated debt payment expenses might induce fiscal pressure, further limiting the government's capacity to execute growth-oriented policies, thereby detrimentally impacting GDP.

5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study examined the implication of external debt on the income level of Nigeria. The study concluded that both external debt and its servicing cost significantly influence Nigeria income level.

5.2 Recommendations

From the findings of the study, we therefore recommend the following;

i) Nigeria's Federal government should make sure that outside debt goes towards highly impactful, expansion-boosting initiatives. Loans for investments in areas like infrastructure, education, energy, and technology—which have the potential to provide long-term financial returns—should be given first priority by the government. Strong monitoring and evaluation systems for debt-funded initiatives will also guarantee responsibility and effectiveness. The government may promote economic development, raise GDP, and guarantee the long-term viability of borrowing by concentrating on efficient uses of outside debt.

ii) The Nigerian Federal government should renegotiate debt arrangements and enhance internal income collecting. To lighten the debt service load, the government could involve creditors in restructuring of current debt, guarantee reduced interest rates, or prolong terms of payback. Concurrently, efforts should be strengthened to improve domestic revenue generation via tax changes, thereby lowering reliance on outside borrowing. Redirecting savings from lowered debt payments to profitable industries such infrastructure, education, and healthcare can boost GDP performance and encourage economic development.

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