**IMPACT OF EXTERNAL DEBT ON THE ECONOMIC GROWTH OF NIGERIA (2001-2016)**

**BY**

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**(U14/MSS/ACC/037)**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**FACULTY OF MANAGEMENT AND SOCIAL SCIENCES**

**GODFREY OKOYE UNIVERSITY, ENUGU.**

**JULY, 2018**

**TITLE PAGE**

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**A PROJECT REPORT SUBMITTED TO THE**

**DEPARTMENT OF ACCOUNTING AND FINANCE, FACULTY OF MANAGEMENT AND SOCIAL SCIENCES, GODFREY OKOYE UNIVERSITY, THINKERS CORNER, ENUGU STATE, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELOR OF SCIENCE (B.Sc.) DEGREE IN ACCOUNTING**

**SUPERVISOR: DR J. O. ODOH**

**JULY, 2018**

**DECLARATION**

I, Nnabue Daniel Chinonso with the registration number, U14/MSS/ACC/037 is a student in the Department of Accounting and Finance under the Faculty of Management and Social Sciences in Godfrey Okoye University. I would like to declare that this work entitled “Impact of external debt on the economic growth of Nigeria (2001-2016)” submitted by me in partial fulfilment of the requirements for the award of Bachelor of Science (B.Sc.) in Accounting is my work and has not been submitted either in part or full for any other degree or diploma either in this or any other tertiary institution.

 Signature Date

**CERTIFICATION**

This is to certify that this research entitled “Impact of external debt on the economic growth of Nigeria (2001-2016)” written by Nnabue Daniel Chinonso, with registration number, U14/MSS/ACC/037 presented to the Department of Accountingand Finance of Godfrey Okoye University, Enugu has been assessed and approved for oral examination/defense by the Department of Accounting and Finance, Godfrey Okoye University, Enugu.

Dr J. O. Odoh Date

(Supervisor)

Dr. S.N. Udeh Date

(Head of Department)

Professor Onyema Ocheoha Date

(Dean of Faculty)

External Examiner Date

**DEDICATION**

This work is dedicated to Almighty God for His mercy, grace, love, provision and protection upon my life.

**ACKNOWLEDGEMENTS**

First and foremost, my profound gratitude goes to God Almighty for his divine protection and grace throughout this programme.

I wish to express my gratitude to my supervisor, Dr. John Odoh, whom in-spite of his work load and busy schedule took time out to go through my project work, making corrections and giving necessary advice.

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To my fellow students, friends and colleagues, I really appreciate every efforts and motivation you all channelled towards my work being a success.

**ABSTRACT**

*The study aims to ascertain the impact of external debt on the economic growth of Nigeria. The specific objectives are to ascertain the impact of external debt and external debt servicing on gross domestic product with equivalent research questions and research hypotheses. The research design used is the ex-post-facto research design, secondary data were collected from the CBN statistical bulletin. The method of data analysis is ordinary least squares statistical technique with the aid of the SPSS software. The findings show that external debt has no significant impact on economic growth. The findings also show the external debt servicing has a significant impact on economic growth. Recommendations that were made from the findings include that government should reduce the level of debt accumulated overtime and government should not hesitate to clear external debt through external debt servicing.*

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**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background to the Study**

According to Wikipedia (2018) External debt is the total [debt](https://en.wikipedia.org/wiki/Debt) a country owes to foreign [creditors](https://en.wikipedia.org/wiki/Creditor). The debtors can be the government, corporations or citizens of another country. The debt includes money owed to private commercial [banks](https://en.wikipedia.org/wiki/Bank), other [governments](https://en.wikipedia.org/wiki/Government), or [international financial institutions](https://en.wikipedia.org/wiki/Global_financial_system) such as the [International Monetary Fund](https://en.wikipedia.org/wiki/International_Monetary_Fund) (IMF) and [World Bank](https://en.wikipedia.org/wiki/World_Bank).

Most developing countries of the world are regarded as being poor not because they don’t have the resources but because bulk of their resources (income) are being channeled to meeting the consumption needs of their people with little or nothing left for savings. Hence low savings rate brings about low investments rate and low investments rate results to low growth rate. Therefore, poverty at the beginning through low savings, low investments and low growth leads to poverty again (poverty trap). For this reason, developing countries are left with no option than to result to external borrowings and foreign assistance (foreign aid) to bridge the saving- investment gap with the intention to achieving economic growth and poverty reduction.

Official development assistance (ODA), more commonly known as foreign aid, consists of resource transfers from the public sector, in the form of grants and loans at concessional financial terms, to developing countries. Many studies in the empirical literature on the effectiveness of foreign aid have tried to assess if aid reaches its main objective, defined as the promotion of economic development and welfare of developing countries (Sandrina, 2005). On the other hand, 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, it is a liability represented by a financial instrument of other formal equivalent (Udoka and Ogege, 2012).

Recent years have seen a surge in calls for more ODA to developing countries in order to eliminate poverty. Developed countries, international organizations and other Philanthropists have all made renewed pleas for a massive infusion of development aid to developing countries including Nigeria. Experts who argued in favour of more aid are of the view that injecting more foreign aid would materially benefit the people of the recipient country (Okon, 2012). Developing countries like Nigeria are indeed characterized by low level of income, high level of unemployment, very low industrial capacity utilization, and high poverty level just to mention a few of the various economic problems these countries are often faced with. In addressing these problems, foreign aid has been suggested as a veritable option for augmenting the saving-investment gap. While some countries that have benefited from foreign assistance at one time or the other have grown such that they have become aid donors (South Korea, North Korea, China etc.), majority of countries in Africa like Nigeria have remained backward. Nigeria has continued to benefit from all sorts of foreign assistance and in fact still collect at least as much as the amount collected in the early 1980s, yet socio-economic development has remained dismal (Fasanya and Onakoya, 2012).

Aside foreign aid, external borrowing has also over the years attracted much concern as an important aspect of any country’s macroeconomic policy framework. A developing country wishing to mobilize capital resources to foster economic development may at one time or the other resort to borrowing (internally or externally) to supplement domestic savings. Soludo (2003), reacting to this, opined that countries borrow for two broad reasons: macroeconomic reasons higher investment, higher consumption (education and health) or to finance transitory balance of payments deficits to lower nominal interest rates abroad, lack of domestic long-term credit, or to circumvent hard budget constraints. This implies that economy indulges in debt to boost economic growth and reduce poverty. He is also of the opinion 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. This seems to be the position of Nigeria today because investment, which will accordingly result to high-speed growth with a positive effect on poverty, is moving sporadically in both positive and negative directions.

Sanusi (2003) opined that an escalating debt profile presents serious obstacles to a nation’s path to economic growth and development. The cost of servicing public debt (domestic and external) may expand beyond the capacity of the economy to cope, thereby impacting negatively on the ability to achieve the desired fiscal and monetary policy objectives.

However, whether or not external debt would be beneficial to the borrowing nation depends on whether the borrowed money is used in the productive segments of the economy or for consumption (Ezenwa, 2012).

Governments are not island on its own; it would require aid so as to perform efficiently and effectively. One major source of aid is foreign borrowing or external debt. The motive behind external debt is due to the fact that countries especially the developing ones lack sufficient internal financial resources and this calls for the need for foreign aid

The dual-gap analysis provides the framework which shows that the development of a nation is a function of investment and that such investment which require domestic savings is not sufficient to ensure that development take place (Oloyede, 2002). Hence, the importance of external debt on the growth process of a nation cannot be overemphasized. Hameed, Ashraf, and Chaudhary (2008) stated that external borrowing ought to accelerate economic growth especially when domestic financial resources are inadequate and need to be supplemented with funds abroad.

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 (Were, 2001). Soludo (2003) opined that countries borrow for two broad categories; macroeconomic reasons to either finance higher investment or higher consumption and to circumvent hard budget constraint. This implies that an economy borrow to boost economic growth and alleviate poverty. He argued that when debt reaches a certain level, it becomes to have adverse effect, debt servicing becomes a huge burden and countries find themselves on the wrong side of the debt-laffer curve, with debt crowding out investment and growth. The debt service burden has militated against Nigeria’s rapid economic development and worsened the social problems (Audu, 2004).

According to Omoleye, Sharma, Ngussam, and Ezeonu (2006), Nigeria is the largest debtor nation in the Sub-Saharan Africa. The genesis of Nigeria’s external debt can be traced to 1958 when 28 million US dollars was contracted from the World Bank for railway construction. Between 1958 and 1977, the need for external debt was on the low side. However, due to the fall in oil prices in 1978 which exerted a negative influence on government finances, it became necessary to borrow to correct balance of payment difficulties and finance projects. The first major borrowing of 1billion US dollars referred to as Jumbo loan was contracted from the international capital market (ICM) in 1978 increasing the total to 2.2 billion U.S dollars (Adesola, 2009). The spate of borrowing increased thereafter with the entry of the state government into external loan contractual obligation. According to the Debt Management Office (DMO), Nigeria’s external debt outstanding stood at N17.3 billion. In 1986, Nigeria had to adopt a World Bank/International Monetary Fund (IMF) sponsored Structural Adjustment Programme (SAP), with a view to revamping the economy making the country better-able to service her debt (Ayadi and Ayadi, 2008).

The increasing fiscal deficits driven by the higher level of external debt servicing is a major threat to growth of the nation. The resultant effect of large accumulation of debt exposes the nation to high debt burden.

**1.2 Statement of the Problem**

“Huge external debt does not necessarily imply slow economic growth; it is a nation’s inability its debt service payments fueled by inadequate knowledge on the nature, structure and magnitude of the debt in question” (Were, 2001).

This can be said to be a problem being faced by Nigeria. Nigerian exports were primarily commodities with export earnings too small to finance imports which are mostly capital intensive goods which are comparably more expensive. Compounding the problem is Nigeria’s drift to mono economy with the discovery of oil which is today the major challenge the country is facing. The oil sector generates about 95% of foreign exchange earnings and about 80 percent of budgetary revenue. The inability to diversify her revenue sources coupled with corruption and mismanagement compels Nigeria to have inadequate fund for growth and developmental projects such as roads, electricity pipe borne water and so on.

**1.3 Objectives of the Study**

The main objective of the study is to determine the impact of external debt on the economic growth of Nigeria.

However, the specific objectives are:

1. To ascertain the impact of external debt on Gross Domestic Product in Nigeria.
2. To determine the effect of external debt servicing on Gross Domestic Product in Nigeria.

**1.4 Research Questions**

1. What is the impact of external debt on Gross Domestic Product in Nigeria?
2. What is the effect of external debt servicing on Gross Domestic Product in Nigeria?

**1.5 Research Hypotheses**

The study was guided by the following null hypotheses:

**Ho1** External debt has no significant impact on Gross Domestic Product in Nigeria.

**Ho2** External debt servicing has no significant effect on Gross Domestic Product in Nigeria.

**1.6 Scope of Study**

The study seeks to analyze Nigeria’s external debt and its impact on her economic growth. In order to fully capture its effect on the economy, a thorough empirical investigation will be conducted.

**1.7 Significance of Study**

**Nigerian Government:** The burden of External debt has been a matter of great concern to the Government of Nigeria and the nation as a whole which has resulted in embarking upon drastic actions like dividing the nation’s scarce resources in servicing of debts annually. This action has thus led to disinvestment in the economy, and as a result a fall in the domestic savings and the overall rate of growth.

Findings of this study will aid the Nigerian government in her quest to reduce the burden of external debt.

**Policy makers:** This study is significant as its findings will provide a basis which will ai policy makers in proffering polices aimed at managing the external debt issues in Nigeria.

**Researchers:** Academicians of all level will find this study useful tool of reference when conducting any similar research.

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.1 Conceptual Framework**

External debt is the total [debt](https://en.wikipedia.org/wiki/Debt) a country owes to foreign [creditors](https://en.wikipedia.org/wiki/Creditor), complemented by [internal debt](https://en.wikipedia.org/wiki/Internal_debt) owed to domestic lenders. The debtors can be the government, corporations or citizens of that country. The debt includes money owed to private commercial [banks](https://en.wikipedia.org/wiki/Bank), other [governments](https://en.wikipedia.org/wiki/Government), or [international financial institutions](https://en.wikipedia.org/wiki/Global_financial_system) such as the [International Monetary Fund](https://en.wikipedia.org/wiki/International_Monetary_Fund) (IMF) and [World Bank](https://en.wikipedia.org/wiki/World_Bank). Note that the use of gross liability figures greatly distorts the ratio for countries which contain major money centers such as the [United Kingdom](https://en.wikipedia.org/wiki/United_Kingdom) due to [London](https://en.wikipedia.org/wiki/London)'s role as a financial capital. Contrast with [net international investment position](https://en.wikipedia.org/wiki/Net_international_investment_position) (Wikipedia 2018).

According to the [International Monetary Fund](https://en.wikipedia.org/wiki/International_Monetary_Fund), "Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to nonresidents to repay principal, with or without interest, or to pay interest, with or without principal".

In this definition, the IMF defines the key elements as follows:

Outstanding and actual current liabilities

Debt liabilities include [arrears](https://en.wikipedia.org/wiki/Arrears) of both [principal](https://en.wikipedia.org/wiki/Bond_%28finance%29#Principal) and [interest](https://en.wikipedia.org/wiki/Interest).

**Principal and interest:** When the cost of borrowing is paid periodically, as commonly occurs, it is known as an [interest payment](https://en.wikipedia.org/wiki/Interest). All other payments of economic value by the debtor to the creditor that reduce the principal amount outstanding are known as principal payments. However, the definition of external debt does not distinguish between principal payments or interest payments, or payments for both. Also, the definition does not specify that the timing of the future payments of principal and/or interest need be known for a liability to be classified as debt.

**Residence:** To qualify as external debt, the debt liabilities must be owed by a resident to a nonresident. Residence is determined by where the debtor and creditor have their centers of economic interest—typically, where they are ordinarily located—and not by their nationality.

**Current and not contingent:** [Contingent liabilities](https://en.wikipedia.org/wiki/Contingent_liability) are not included in the definition of external debt. These are defined as arrangements under which one or more conditions must be fulfilled before a financial transaction takes place. However, from the viewpoint of understanding vulnerability, there is analytical interest in the potential impact of contingent liabilities on an economy and on particular institutional sectors, such as the government.

Generally, external debt is classified into four heads: public and publicly guaranteed debt; private non-guaranteed credits; central bank deposits; and loans due to the IMF.

However, the exact treatment varies from country to country. For example, while [Egypt](https://en.wikipedia.org/wiki/Egypt) maintains this four-head classification, in [India](https://en.wikipedia.org/wiki/India) it is classified in seven heads:

Multilateral, Bilateral, [IMF](https://en.wikipedia.org/wiki/IMF) loans, Trade credit, Commercial borrowings, [Non-resident Indian and person of Indian origin](https://en.wikipedia.org/wiki/Non-resident_Indian_and_person_of_Indian_origin) deposits, [Rupee](https://en.wikipedia.org/wiki/Indian_rupee) debt, and [NPR](https://en.wikipedia.org/wiki/Nepalese_rupee) debt.

Economic growth is the increase in the inflation-adjusted [market value](https://en.wikipedia.org/wiki/Market_value) of the goods and services produced by an [economy](https://en.wikipedia.org/wiki/Economics) over time. It is conventionally measured as the percent rate of increase in real [gross domestic product](https://en.wikipedia.org/wiki/Gross_domestic_product), or real GDP.

Growth is usually calculated in *real* terms - i.e., [inflation-adjusted](https://en.wikipedia.org/wiki/Real_vs._nominal_in_economics) terms – to eliminate the distorting effect of [inflation](https://en.wikipedia.org/wiki/Inflation) on the price of goods produced. [Measurement of economic growth](https://en.wikipedia.org/wiki/Measures_of_national_income_and_output) uses [national income accounting](https://en.wikipedia.org/wiki/National_accounts).[[2]](https://en.wikipedia.org/wiki/Economic_growth#cite_note-Bjork_1999_251-2) Since economic growth is measured as the annual percent change of gross domestic product (GDP), it has all the advantages and drawbacks of that measure. The economic growth rates of nations is commonly compared using the ratio of the GDP to population or per-capita income.

The "rate of economic growth" refers to the geometric annual rate of growth in GDP between the first and the last year over a period of time. Implicitly, this growth rate is the trend in the average level of GDP over the period, which implicitly ignores the fluctuations in the GDP around this trend.

An increase in economic growth caused by more efficient use of inputs (such as labor productivity, [physical capital](https://en.wikipedia.org/wiki/Physical_capital), energy or materials) is referred to as *intensive growth*. GDP growth caused only by increases in the amount of inputs available for use (increased population, new territory) is called [*extensive growth*](https://en.wikipedia.org/wiki/Extensive_growth).

**2.1.1 Sources of External Debt**

**The Paris club of creditors**

This is an informal group of creditor nations whose objective is to find workable solutions to payment problems faced by debtor nations. The Paris Club has 19 permanent members, including most of the western European and Scandinavian nations, the United States of America, the United Kingdom and Japan. The Paris Club stresses the informal nature of its existence and deems itself a "non-institution." As an informal group, it has no official statutes and no formal inception date, although its first meeting with a debtor nation was in 1956, with Argentina. The members of the Paris Club meet each month which may include negotiations with one or more debtor countries that have met the Club's pre-conditions for debt negotiation. The main conditions a debtor nation has to meet are that it should have a demonstrated need for debt relief and should be committed to implementing economic reform, which in effect means that it must already have a current program with the International Monetary Fund (IMF) supported by a conditional arrangement.

**The London club of creditors**

This is an informal group of private creditors on the international stage, and is similar to the Paris club of public lenders. The first meeting of the club took place in 1976 in response to Zaire’s debt payment problems. The club is also the organization responsible for rescheduling debt payments made by countries to commercial banks. They mainly grant uninsured and unguaranteed loans.

**Multilateral creditors**

These are international institutions such as: African Development Bank, International Bank for Reconstruction and Development, International Finance Corporation, International Development Association, European Economic Community.

**Bilateral creditors**

These creditors usually grant loans for development purposes. Members are the European Union, the United States of America, the East European countries and Japan.

**Promissory Note creditors**

These creditors grant uninsured trade loans, resulting mainly from trade arrears. In 1982 and 1983, Nigeria had trade arrears and was financed by promissory notes.

**2.1.2 Forms of Foreign Aid/ External Debt**

**Project Aid**

Project aid is dominated by funds channeled to interventions in sectors such as health, education, rural development including agriculture, transport and power, housing, and water supply and sanitation. However, small amounts of project aid are channeled to industrial, mining, trade and cultural projects (Riddell, 2007) as cited in (Conchesta, 2008). Many ODA funded development projects aim at achieving specific outputs by providing resources, skills and systems which the recipient country needs.

**Programme Aid**

Programme aid is defined by OECD as financial contributions not linked to specific activities. The programme aid is divided into two forms, the balance of payments (BOP) support and the budget support. Under the budget support, aid funds are provided to boost aggregate revenue and increase overall spending. Aid funds channeled to ministries of finance are termed as General Budget Support (GBS) while those channeled to particular sectors are termed as Sector Budget Support (SBS). Under the GBS, donors provide funds for implementation of development and poverty alleviating strategies paying attention to the capacity of the recipient governments to use funds efficiently.

**Technical Assistance**

Technical Assistance (TA) includes the provision of skills, knowledge know-how and advice. For many decades, technical assistance has also been provided in form of teaching staff mainly in primary and secondary education in developing countries. Furthermore, more specialized trainers have continually performed skills training functions to meet their needs and to achieve their immediate objectives.

**Humanitarian Aid or Emergency Aid**

The definition of humanitarian aid is defined according to its purpose, that is, ‘’to save lives, alleviate suffering and enable those suffering to maintain (or retain) their human dignity during and in the aftermath of natural disasters and man-made crisis’’. Humanitarian aid has been successful in most cases in achieving its tangible outcomes such as saving lives, providing food to the hungry; healthcare and medicines to those vulnerable to acute disease in emergencies; and water, sanitation and shelter to those whose homes have been destroyed. However, the sustained internal conflicts in war prone areas reduce resources to meet development objectives as more resources are directed to meet humanitarian needs.

**Food Aid**

Food aid comprises of programme food aid and humanitarian food aid. Programme food aid may relieve the foreign exchange constraint to the import of the necessary intermediate inputs or by providing fiscal resources through counterpart funds generated by the local sale of programme food aid (Barret, 2008) as cited in (Conchesta, 2008). These resources can be used by the recipient country to invest in agricultural research and extension and improvement of rural infrastructure in particular. However, programme food aid may have Dutch disease effects on domestic food producers and thus hurting the food sector’s competitiveness in the world markets.

**2.2 Theoretical Framework**

**2.2.1 Debt­­-cum-Growth Model**

This model states that in order for debt accumulation to be sustainable, growth rate of external debt must not be higher than that of domestic output, export or tax revenues. In other words the ratio of external debt stock to domestic output should either remain constant or decline over time (Darryl, 2011). This theory considers external debt as a substitute for domestic savings and investment and therefore domestic savings and investment are crowded out as a result (Krugman, 2008; Alesina and Tabellini, 2010) as cited in (Udoka and Ogege, 2012). This thinking is that the returns from investing in a country are seen as being subjected to a high marginal tax by creditors and this may discourage domestic and foreign investors.

**2.2.2 Threshold School of Thought (Debt-laffer Curve)**

Flores, Fullerton and Olivas (2007) posit that if the stock of external debt is small, such that from the origin to point ‘A’, then it is expected that the debtor country will be able to meet the forthcoming debt repayment in full without a problem. Under this situation the marginal expected debt repayment with relation to the debt stock is one. However, after this point the expected debt repayment expands at a lower rate in relation to the debt accumulation. A country under this level of debt stock is expected to have some difficulties in meeting the debt repayment; this can be seen from the marginal expected debt repayment of between 0 and 1 exclusive. The risk of inability to service the debt increases with the increase in debt stock. The risk may vary from country to country according to the level of their debt’s interest rate. At point B, the expected debt repayment reaches its maximum saturated point and then starts falling, at this point and beyond the marginal impact of debt is negative. A country under this situation is totally unable to service the debts and most of the time declared to be in debt crisis. On extending the debt laffer curve to show the contribution of external debt on economic growth on a country. This shows the nonlinear relationship of external debt and economic growth as supported by Pattillo, C. et al (2002). A reasonable level of external debt actually has a positive impact on economic growth while excessive debt stock is destructive. As debt stock increases with time growth decreases and it can sometimes reaches a negative level of economic growth. Combining points A and B, we can see that as debt increases, creditors’ expectations of being paid are distorted. Hence, it is easily seen that when the expected payment of the debt increases proportionally less than the debt stock, the distortions are such that extra amounts of debt start decelerating the GDP growth rate. Moreover, if the debt accumulation achieves higher levels such that the debtor starts diminishing or failing to make its regular amortizations, any extra debt increment will be translated into negative contributions to the GDP growth rate.

**Profligacy Theory**

This theory attempts to correct the weakness of growth-cum-debt theory by focusing on the institutional arrangement under which a loan was contracted. This theory recognizes that the debt crises arose from weak institutions and policies that have wasted resources through unbridled official corruption and damaged living standards and development. This policies led to distortions in relative prices and encouraged capital flights as seen in substantial liquid funds of private citizens of debtor countries in foreign banks (Nyong, 2005) as cited in (Udoka and Ogege, 2012).

**2.2.4 Harrod-Domar Model**

The Harrod-Domar model was developed independently by Sir Roy Harrod in 1939 and Evsey Domar in 1946. It is a growth model which states that the rate of economic growth in an economy is dependent on the level of saving and the capital output ratio. If there is a high level of saving in a country, it provides funds for firms to borrow and invest. Investment can increase the capital stock of an economy and generate economic growth through the increase in production of goods and services. The capital output ratio measures the productivity of the investment that takes place. If capital output ratio decreases the economy will be more productive, so higher amounts of output is generated from fewer inputs. This again, leads to higher economic growth. The model suggests that if developing countries want to achieve economic growth, governments need to encourage saving, and support technological advancements to decrease the economy’s capital output ratio.

**2.2.5 The Two Gap Model**

The standard model used to justify aid was the ‘two gap model’ of Chenery and Strout (2006). In this model the first gap is between the amount of investment necessary to attain a certain rate of growth and the available domestic savings (the saving gap). The second gap is the trade gap or foreign exchange gap. This occurs when there is a gap between import requirements for a given level of production and foreign exchange earnings. Even though the saving investment gap would be small, a larger trade gap would undermine productive investment due to limited imports of capital goods needed for investment. It is argued that at any moment in time one gap is binding in aid recipient countries thus foreign aid is required to fill that gap. The ‘two gap model’ supports the hypothesis of investment-limited growth based on the Harrod-Domar model which assumes a specific amount of investment to increase growth (Conchesta, 2008).

**2.2.6 The Three Gap Model**

This model is a combination of the savings-investment gap, trade gap and fiscal gap. The fiscal gap which is often called “a structural deficit” by budget watchers- means that normal revenue growth is not high enough to finance the normal growth of expenditures over the long term. Hence to compliment government budget, there is need for external resources to bridge this gap.

**2.3 Empirical Review**

Conchesta (2008) used a single equation model to examine the impact of foreign aid on economic growth in Tanzania over the period 1990 to 2004. In his analysis; while foreign aid was disaggregated in terms of government development expenditures and recurrent expenditures other combined variables include net national savings, export growth and total debt service. The study reveals that foreign aid and total debt service have a negative impact on GDP growth. On the other hand, while, export growth and net national savings have shown a positive impact on GDP growth as it was expected because they increase the country’s capacity to invest, government development and recurrent expenditures of foreign aid resources have shown a negative impact. This implies that development expenditures made by the government were not enough or not productive enough to impact on GDP growth positively. In other words, the overall aid and aid for development expenditures have shown to have more negative impact in the 1990s than in the early 2000s.

Fasanya & Onakoya (2012), analyzes the impact of external debt on economic growth in Nigeria during the period of 1970-2010. The empirical analysis rests on the neo-classical modelling analytical framework and combined several procedures in modern econometric analysis/estimation techniques. Their findings show that aid flows has significant impact on economic growth in Nigeria: domestic investment increased in response to aid flows and population growth has no significant effect on aid flows. Aid flows also provides free resources to increase domestic investment, thus confirming the aid-policy growth hypothesis. Therefore, donor governments should be aware of the political situations in recipient countries, and work with international bodies to ensure as much stability as possible.

Okon (2012), tried to look at a long-term perspective on development aid and human development in Nigeria. This study employs two-stage least squares estimation to analyzing data from 1960 to 2010. The result shows that there is a negative relationship between development aid and human development, implying that aid tends to worsen human development in Nigeria. As such Nigerian government should put in place an appropriate policy measures that would monitor the maximum and effective utilization of foreign aid. Donors should provide information on future aid disbursements in order to reduce the uncertainty associated with aid flows and improve fiscal planning.

Bakare (2011), examined the extent of the impact of external debt on economic growth in Nigeria by employing standard statistical method, Vector Autoregressive Model (VAR) to determine the sources of shock to growth in Nigeria and treated foreign aid as an endogenous variable. The study found a negative relationship between foreign aid and output growth, which imply that foreign aid tend to worsen output growth in Nigeria rather than improving it.

Bashir (2013), examined the impact exacted by external debt in the form of official development assistance (ODA) and foreign direct investment (FDI) on real growth in Nigeria over the period 1980 to 2011. Using the Two-Gap model and various econometric techniques which include Augmented Dickey Fuller (ADF) test, Granger causality test, Johansen co-integration test and Error Correction Method (ECM), empirical results reveal that there is Granger no-causality between any pair of the variables. Findings of the study also established a negative relationship between FDI and real growth as ODA exacts no impact on real growth in the country.

Funso and Dare (2012), opined that the misuse of foreign loan has grievous effect on the economy of the recipient countries. Therefore leadership become critical both in terms of political will and ability to mobilize resources for the attainment of national objectives. Hence, leaders in the third world countries should transit from ineptitude to competence; moral corruption to moral decency; parochialism to purposeful leadership that serves and not to oppress the people. Alesina and Weder (2002) found that while Scandinavian donors do reward less corrupt countries, the United States appears to favour democratic nations but seems to pay no attention to the quality of government of recipient countries. They concluded that corrupt countries do not receive less aid.

Subhayu, Sajal and Javed (2013), examined the effects of ODA grants, concessional ODA loans, and private offshore bank loans on growth rates of 131 developing nations over 1996-2010 in a unified way. Their results show a non-linearity in all three relationships, suggesting that at low (high) levels grants are better (worse) than loans (concessional or private). Burnside and Dollar (2000) in their investigation of the relationship between external debt, economic policy and growth of per capital GDP found that aid has a positive impact on growth in developing countries with good fiscal, monetary and trade policies but with little effect in the presence of poor policies.

A study conducted by Ajayi and Oke (2012) on the effect of external debt on economic growth and development of Nigeria using the ordinary least square regression technique revealed that external debt impacted positively on the growth and development of Nigeria within the period under review. A similar study by Ishola, Olaleye, Ajayi and Giwa (2013) for the period 1980 – 2010 using ordinary least square regression technique shows that external debt does not in any way help the Nigerian economy.

Udoka and Ogege (2012) opined that the rate of development of the Nigerian economy relies strongly on the contribution of total debt-stock, debt service payment and political instability.

Egbetunde (2012), using the granger causality test on public debt and economic growth in Nigeria for the period 1970 – 2010 suggest that improvement in economic activities call for borrowing to enhance on-going development processes in the economy. This is due to the fact that his result reveals that there exist bi-directional causality between external debt and economic growth as well as domestic debt and economic growth. On the other hand, the results from a similar study carried out by Amassoma (2011) for the period 1970 – 2009 using the same granger causality test show that there exist a bi-directional causality between domestic debt and economic growth which implies that both domestic debt and economic growth leads to one another. However, the result of the causality between external debt and economic growth show a unidirectional causality from economic growth to external debt and not vice-versa.

Umaru, Hamidu & Musa (2013), investigated the impact of external debt and domestic debt on economic growth in Nigeria between 1970 and 2010 through the application of the ordinary least square method. While the causality test revealed a bi-directional causation between external debt and GDP, no causation existed between domestic debt and GDP as well as no causation between external debt and domestic debt. The O.L.S method also revealed that external debt possessed a negative impact on economic growth while domestic debt has impacted positively. They opined that government should rely more on domestic debt in stimulating growth rather than external debt.

Ayadi and Ayadi (2008) examined the impact of the huge external debt, with its servicing requirements on economic growth of the Nigerian and South African economies. The Neoclassical growth model which incorporates external debt, debt indicators, and some macroeconomic variables was employed and analyzed using both Ordinary Least Square (OLS) and Generalized Least Square (GLS) methods. Their finding revealed negative impact of debt and its servicing requirement on the economic growth of Nigeria and South Africa. Ogunmuyiwa (2011) examined whether external debt promotes economic growth in Nigeria using time-series data from 1970-2007. The regression equation was estimated using econometric techniques such as Augmented Dickey-Fuller test, Granger causality test, Johansen co-integration test and Vector Error Correction Method (VECM). The results revealed that causality does not exist between external debt and economic growth in Nigeria.

Adesola (2009) empirically investigated the effect of external debt service payment practices on the economic growth of Nigeria. Ordinary Least Square method of multiple regression was used to examine how debt payment to multilateral financial creditors, Paris club creditors, London club creditors, Promissory Notes holders and other creditors relates to gross domestic product (GDP) and gross fixed capital formation (GFCF) using data from 1981 to 2004. The study provides evidence that debt payment to Paris club creditors and Promissory Notes holders are positively related to GDP and GFCF while debt payment to London club creditors and other creditors show a negative significant relation to GDP and GFCF. Audu (2004) examined the impact of external debt on economic growth and public investment in Nigeria from 1970-2002. The empirical investigation was done using the Co-integration test and Error Correction Method. The study shows that debt servicing pressure in the country has had a significant adverse effect on the growth process and past debt accumulation negatively affect public investment.

Adepoju, Salau and Obayelu (2007) analyzed the effects of external debt management on the economic growth of Nigeria for a period between 1962 and 2006 using time-series data of the various bilateral and multi-lateral arrangements. Their study concluded that accumulation of external debt adversely affected Nigeria’s economic growth.

Empirical studies not related to Nigeria are also reviewed to show evidence from other countries. Choong, Lau, Liew, and Puah (2010) examined the effect of different types of debts on the economic growth in Malaysia during the period 1970 – 2006. Using Co-integration test, the findings suggest that all components of debts have a negative effect on long run economic growth. The Granger causality test reveals the existence of a short-run causality linkage between all debt measures and economic growth in the short-run. Abdelmawla and Mohammed (2005) investigated the impact of external debt on economic growth of Sudan from a period spanning 1978 – 2001. The study showed that export earnings have a significant positive impact while external debt and inflation had negative impact on Sudan’s economic growth.

Karogol (2002) investigated both the short-run and long-run relationships between economic growth and external debt service for Turkey during 1956 – 1996. The study employed a standard production function model analyzed using multivariate co-integration techniques. The Vector Auto regression estimates showed that there exists one Co-integration equation. It also revealed that debt service is negatively related to economic growth in the long-run. The causality test showed uni-directional causality between debt service and economic growth. Clements, Bhattacharya, and Nguyen (2003) examined the channels through which external debt affects growth in low income countries. Their results suggest that the substantial reduction in the stock of external debt projected for highly indebted poor countries (HIPC) would directly increase per capita income growth by about 1 percentage point per annum. Reductions in external debt service could also provide an indirect boost to growth through their effects on public investment.

Malik, Hayat, and Hayat (2010) explored the relationship between external debt and economic growth in Pakistan for the period between 1972 and 2005, using time series econometric technique. Their result shows that external debt is negatively and significantly related to economic growth. The evidence suggests that increase in external debt will lead to decline in economic growth. Previous study by Hameed *et al*. (2008) on Pakistan analyzed the long run and short run relationships between external debt and economic growth. Annual time series data from 1970 to 2003 was obtained to examine the dynamic effect of GDP, debt service, capital stock and labour force on her economic growth. The study concludes that debt servicing burden has a negative effect on the productivity of labor and capital, thereby adversely affecting economic growth.

**CHAPTER THREE**

**METHODOLOGY**

**3.1 Research Design**

The study used the *ex post facto* research design which provides a systematic and empirical solution to research problems, by using data which are already in existence (Inyiama, 2014)

**3.2 Source of Data**

It is a time series study. It covered various aspects of Nigeria’s external debt from 2001-2016. Secondary data were collected from Central Bank of Nigeria Statistical Bulletins 2013 and World Bank. Data were collected on Nigeria’s Gross Domestic Product, External debts and External debt servicing for a period 2001 to 2016.

**3.3 Method of Data Analysis**

The research made use of ordinary least squares statistical technique with the aid of the SPSS software.

**3.4 Model Specification**

Model was formulated using GDP as the independent variable while the explanatory variables were External Debts stock and External Debt Service Payment.

Model was formulated as follows:

Mathematically; GDP = f (EDS, DSP)………. (1)

To make the Mathematical expression estimable, it is transformed as equation (2) below:

GDP1 = b0 + b1EDS + b2DSP + et. ……….. (2).

Where;

b0 = a constant

b1, b2 = coefficient of the independent variables

GDP = Gross Domestic Product

EDS =External Debt Stock

DSP = External Debt Service Payment

et =the disturbance term or error term

**3.5 Data Presentation and Analysis**

In this section, the results of the Statistical Package for Social Sciences (SPSS) and ordinary least square analysis are presented. The analysis of the results involves subjecting the parameter estimates of the model to various theoretical (a priori) expectations, statistical first order test and econometric second order tests to determine their reliability or robustness. (See appendix 1 for details of data collected from 2001-2016).

**3.6 Description of Variables**

**Description of Independent Variables**

For the purpose of conducting the analysis in this study, three independent variables were used, which are: Tangible Assets, Long term Investment and Intangible Assets

**External Debt Stock:** External debt is debt owed to nonresidents repayable in currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt.

**External Debt Service Payment:** Thisis an external obligation of a private debtor that is not guaranteed for repayment by a public entity. Debt service payments are the sum of principal repayments and interest payments actually made in the year specified

**3.7 Description of Dependent Variable**

**Gross Domestic Product:** Gross domestic product is a monetary [measure](https://en.wikipedia.org/wiki/Measurement_in_economics) of the market value of all [final goods](https://en.wikipedia.org/wiki/Final_goods) and services produced in a period (quarterly or yearly) of [time](https://en.wikipedia.org/wiki/Time). [Nominal GDP](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29) estimates are commonly used to determine the economic performance of a whole country or region, and to make international comparisons. [Nominal GDP per capita](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29_per_capita) does not, however, reflect differences in the [cost of living](https://en.wikipedia.org/wiki/Cost_of_living) and the [inflation rates](https://en.wikipedia.org/wiki/Inflation_rates) of the countries; therefore using a basis of [GDP per capita at purchasing power parity (PPP)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28PPP%29_per_capita) is arguably more useful when comparing differences in [living standards](https://en.wikipedia.org/wiki/Living_standards) between different nations.

The [OECD](https://en.wikipedia.org/wiki/Organisation_for_Economic_Co-operation_and_Development) defines GDP as "an aggregate measure of production equal to the sum of the [gross values added](https://en.wikipedia.org/wiki/Gross_value_added) of all resident and institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).” An [IMF](https://en.wikipedia.org/wiki/International_Monetary_Fund) publication states that "GDP measures the monetary value of final goods and services that are bought by the final user produced in a country in a given period of time (say a quarter or a year)."

Total GDP can also be broken down into the contribution of each industry or sector of the economy. The ratio of GDP to the total population of the region is the [per capita GDP](https://en.wikipedia.org/wiki/GDP_per_capita) and the same is called Mean Standard of Living. GDP is considered the "world's most powerful statistical indicator of national development and progress".

**3.8 Analytical Procedure**

1. The descriptive statistics indicate the values of measures of central tendency.

2. The coefficient and simple regression analysis at industry level exposes the effect of the independent variables on the dependent variable.

3. Coefficient of correlations establishes the nature and strength of relationship amongst the variables.

**CHAPTER FOUR**

**DATA PRESENTATION ANALYSIS**

**4.1 Data Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEARS** | **GDP** | **Log GDP** | **EDS** | **DSP** |
| 2001 | 24,712,084,188,700.0 | 13.39 | 2577.37 | 79.57 |
| 2002 | 25,647,349,633,900.0 | 13.40 | 3097.38 | 108.49 |
| 2003 | 28,302,923,550,900.0 | 13.45 | 3176.29 | 155.4 |
| 2004 | 37,851,134,166,500.0 | 13.57 | 3932.88 | 170.64 |
| 2005 | 39,154,979,623,600.0 | 13.59 | 4478.32 | 200 |
| 2006 | 42,369,981,241,000.0 | 13.62 | 4890.26 | 203.64 |
| 2007 | 45,263,172,340,100.0 | 13.65 | 2695.07 | 150.45 |
| 2008 | 48,101,292,603,600.0 | 13.68 | 451.46 | 135.14 |
| 2009 | 51,436,836,336,000.0 | 13.71 | 438.89 | 252.63 |
| 2010 | 55,469,350,300,000.0 | 13.74 | 523.25 | 471.28 |
| 2011 | 58,180,351,900,000.0 | 13.76 | 590.43 | 281.54 |
| 2012 | 60,670,050,500,000.0 | 13.78 | 689.83 | 354.12 |
| 2013 | 63,942,845,600,000.0 | 13.80 | 896.84 | 537.39 |
| 2014 | 67,977,459,000,000.0 | 13.83 | 1026.90 | 720.55 |
| 2015 | 69,780,692,720,000.0 | 13.84 | 1373.58 | 794.1 |
| 2016 | 69,880,793,821,000.0 | 13.85 | 1631.52 | 865.81 |

**4.1.2 Test of Hypothesis**

**Ho1** External debt has no significant impact on Gross domestic product in Nigeria.

**Ho2** External debt servicing has no significant effect on Gross Domestic Product in Nigeria

**4.1.3 Hypothesis 1**

|  |
| --- |
| **Table 1 Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|  |  |  |  |  |
| 1 | .626a | .392 | .348 | .12322 |
| a. Predictors: (Constant), External Debt  |

|  |
| --- |
| **Table 2 Ordinary Least Square** |
| Model | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | .137 | 1 | .137 | 9.009 | .010b |
| Residual | .213 | 14 | .015 |  |  |
| Total | .349 | 15 |  |  |  |
| a. Dependent Variable: Gross Domestic Product |
| b. Predictors: (Constant), External Debt  |

|  |
| --- |
| **Table 3 Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 13.793 | .052 |  | 263.790 | .000 |
| External Debt  | -6.249E-5 | .000 | -.626 | -3.001 | .010 |
| a. Dependent Variable: Gross Domestic Product |

**External Debt and Gross Domestic Product**

The first hypothesis presents the External debt significant impact on Gross domestic product in Nigeria. The results as presented in the tables 1, 2 and 3 revealed that calculated t-statistics (t=-3.001) for parameter Gross Domestic Product is greater than tabulated t-statistics at 0.05 level of significance. The regression analysis also revealed that Oil price accounted for -.626 units for Gross Domestic Product. The coefficient of determinant (*R2*) was .392 which indicates that about 39% of variation in external debt is explained by variation in Gross Domestic Product. The remaining 61% unexplained variable is largely due to variation in other variables outside the regression model which is otherwise included in the stochastic error term. The relationship between External Debt and Gross Domestic Product is weak, negative and statistically significant at 0.05 level (r= .626a, p<0.05) {2.46} the overall regression model is statistically significant in terms of its overall goodness of fit (f=9.009, p>0.05) (0.000). As a result of this the study accepts the null hypothesis meaning that External debt has no significant impact on Gross domestic product in Nigeria.

**Test of hypothesis one**

Hypothesis one seeks to determine the External debt significant impact on Gross domestic product in Nigeria. To test this hypothesis, the regression analysis in table 1, 2 and 3 was adopted and 5% level of significance was used.

**Ho:** External debt has no significant impact on Gross domestic product in Nigeria.

**Hi:** External debt has significant impact on Gross domestic product in Nigeria.

**Decision rule:** Reject Ho if computed t\*-statistics is greater than absolute 2 at 5% level of significance.

**Decision:** The computed t\*-statistics for External debt yielded -3.001 which is less than absolute 2 at 5% level of significance. This is seen to be less than absolute 2 and on that note, Ho is therefore accepted and Hi rejected.

**Conclusion:** Since the Ho is accepted, it entails that we conclude that External debt has no effect on GDP.

**4.1.4 Hypothesis 2**

|  |
| --- |
| **Table 4 Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .803a | .644 | .619 | .09422 |
| a. Predictors: (Constant), External Debt Service Payment |

|  |
| --- |
| **Table 5 Ordinary Least Square** |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .225 | 1 | .225 | 25.352 | .000b |
| Residual | .124 | 14 | .009 |  |  |
| Total | .349 | 15 |  |  |  |
| a. Dependent Variable: Gross Domestic Product |
| b. Predictors: (Constant), External Debt Service Payment |

|  |
| --- |
| **Table 6 Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 13.503 | .040 |  | 337.400 | .000 |
| External Debt Service Payment | .000 | .000 | .803 | 5.035 | .000 |
| a. Dependent Variable: Gross Domestic Product |

**External Debt Service Payment and Gross Domestic Product**

The second hypothesis presents in tables 4, 5 and 6 the result measured whether External debt servicing has significant effect on Gross Domestic Product in Nigeria. The results revealed that calculated t-statistics (t= 5.035<0.05) was greater than tabulated t-statistics at 0.05 level of significance. The regression analysis also revealed that external debt service payment accounted for .803 units for GDP. The coefficient of determinant (*R2*) was .644 which implies that about 64% of variation in external debt is explainable by variation in oil price. The remaining 36% unexplained variable is largely due to variation in other variables outside the regression model which is otherwise included in the stochastic error term. The External Debt Service PaymentandGross Domestic Productis strong and positive and statistically significant at 0.05 level (r=.803a p<0.05) {2.46}; also the regression model is statistically significant in terms of its overall goodness of fit (f=25.352, p>0.05) (0.142). Hence, the alternative hypothesis was accepted. External debt servicing has significant effect on Gross Domestic Product in Nigeria.

**Test of hypothesis Two**

**H0** External debt servicing has no significant effect on Gross Domestic Product in Nigeria.

**Hi** External debt servicing significant effect on Gross Domestic Product in Nigeria.

**Decision rule:** Reject Ho if computed t\*-statistics is greater than absolute 2 at 5% level of significance.

**Decision:** The computed t\*-statistics for external debt service payment yielded 5.035 which is greater than absolute 2 at 5% level of significance. This is seen to be greater than absolute 2 and on that note; Hi is therefore accepted and Ho rejected.

**Conclusion:** Since the Hi is accepted, it means that we conclude that External debt servicing has significant effect on Gross Domestic Product in Nigeria.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**5.1 Summary of Study**

The aim of the study is to examine the impact of external debt on the economic growth of Nigeria. This was carried out by examining the relationship between external debt and external debt servicing with gross domestic product.

**5.2 Summary of Findings**

1. External debt has no significant effect on the economic growth of Nigeria.
2. External debt services significantly impact on the growth of the economy of Nigeria as it free the nations of any debt.

**5.3 Conclusion**

The objective of the study was to determine the impact of external debt on the economic growth of Nigerian. The study used annual time series data spanning 2001-2016. Economic growth of Nigeria was proxied by GDP and was regressed on external debt stock (EDS) and external debt service payment (ESP).

The results of the study revealed that there exists a long-run relationship between external debt stock, external debt servicing and gross domestic product in Nigeria. Also, it was discovered that external debt stock have insignificant negative relationship with gross domestic product Nigeria. However, external service payment was statistically significant and positively related to GDPin Nigeria.

It is therefore concluded based on the findings of this study that external debt of Nigeria has not been instrumental in enhancing the growth of Nigerian economy and an increase in the level of debt servicing to the various creditors to the economy would reduce the level of economic growth in Nigeria. It is also ascertained that that external debt service payment is superior to external debt in terms of overall economic growth.

**5.4 Recommendations**

The implication of the above findings is that the external debt does not play any important role in the development process of Nigeria and has been unproductive in terms of its contribution to the Nigerian economic growth due to mismanagement and embezzlement of public funds, corruption and challenges of debt sustainability. The servicing of external debt is detrimental to Nigeria as funds that should have been put into investment in the economy are been used in servicing the debt. Hence, external debt is no means through which the growth and development of the country can be stimulated.

The accumulation of domestic debt contributes significantly to the development of the nation as it increases the level of government expenditure in the economy leading to a rise in aggregate demand, output and employment. However, the servicing of domestic debt impedes on the growth and development in the economy.

Based on the findings of this study, the following recommendations are made:

1. External debt impact negatively in growth of Nigerian economy and has been unproductive in terms of its contribution to the GDP of the country. Hence, the government should reduce the level of external debt it accumulates overtime.
2. The external debt service payment contributes significantly in the growth and development process of the nation as it frees the nation of any debt. Therefore any government should not hesitate to clear such debt and become free.

**5.5 Suggestion for further research**

Further research should be carried out on the ways through which external debt can affect the economic growth of Nigeria.

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**APPENDIX**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **YEARS** | **GDP (#)** | **Log GDP** | **EDS** | **DSP** |
| 2001 | 24,712,084,188,700.0 | 13.39 | 2577.37 | 79.57 |
| 2002 | 25,647,349,633,900.0 | 13.40 | 3097.38 | 108.49 |
| 2003 | 28,302,923,550,900.0 | 13.45 | 3176.29 | 155.4 |
| 2004 | 37,851,134,166,500.0 | 13.57 | 3932.88 | 170.64 |
| 2005 | 39,154,979,623,600.0 | 13.59 | 4478.32 | 200 |
| 2006 | 42,369,981,241,000.0 | 13.62 | 4890.26 | 203.64 |
| 2007 | 45,263,172,340,100.0 | 13.65 | 2695.07 | 150.45 |
| 2008 | 48,101,292,603,600.0 | 13.68 | 451.46 | 135.14 |
| 2009 | 51,436,836,336,000.0 | 13.71 | 438.89 | 252.63 |
| 2010 | 55,469,350,300,000.0 | 13.74 | 523.25 | 471.28 |
| 2011 | 58,180,351,900,000.0 | 13.76 | 590.43 | 281.54 |
| 2012 | 60,670,050,500,000.0 | 13.78 | 689.83 | 354.12 |
| 2013 | 63,942,845,600,000.0 | 13.80 | 896.84 | 537.39 |
| 2014 | 67,977,459,000,000.0 | 13.83 | 1026.90 | 720.55 |
| 2015 | 69,780,692,720,000.0 | 13.84 | 1373.58 | 794.1 |
| 2016 | 69,880,793,821,000.0 | 13.85 | 1631.52 | 865.81 |

**Regression**

|  |
| --- |
| **Variables Entered/Removeda** |
| Model | Variables Entered | Variables Removed | Method |
| 1 | External Debt Stockb | . | Enter |
| a. Dependent Variable: Gross Domestic Product |
| b. All requested variables entered. |

|  |
| --- |
| **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .626a | .392 | .348 | .12322 |
| a. Predictors: (Constant), External Debt Stock |

|  |
| --- |
| **Ordinary Least Square** |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .137 | 1 | .137 | 9.009 | .010b |
| Residual | .213 | 14 | .015 |  |  |
| Total | .349 | 15 |  |  |  |
| a. Dependent Variable: Gross Domestic Produc |
| b. Predictors: (Constant), External Debt Stock |

|  |
| --- |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 13.793 | .052 |  | 263.790 | .000 |
| External Debt Stock | -6.249E-5 | .000 | -.626 | -3.001 | .010 |
| a. Dependent Variable: Gross Domestic Product |

**Regression**

|  |
| --- |
| **Variables Entered/Removeda** |
| Model | Variables Entered | Variables Removed | Method |
| 1 | External Debt Service Paymentb | . | Enter |
| a. Dependent Variable: Gross Domestic Product |
| b. All requested variables entered. |

|  |
| --- |
| **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .803a | .644 | .619 | .09422 |
| a. Predictors: (Constant), External Debt Service Payment |

|  |
| --- |
| **Ordinary Least Square** |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .225 | 1 | .225 | 25.352 | .000b |
| Residual | .124 | 14 | .009 |  |  |
| Total | .349 | 15 |  |  |  |
| a. Dependent Variable: Gross Domestic Product |
| b. Predictors: (Constant), External Debt Service Payment |

|  |
| --- |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 13.503 | .040 |  | 337.400 | .000 |
| External Debt Service Payment | .000 | .000 | .803 | 5.035 | .000 |
| a. Dependent Variable: Gross Domestic Product |