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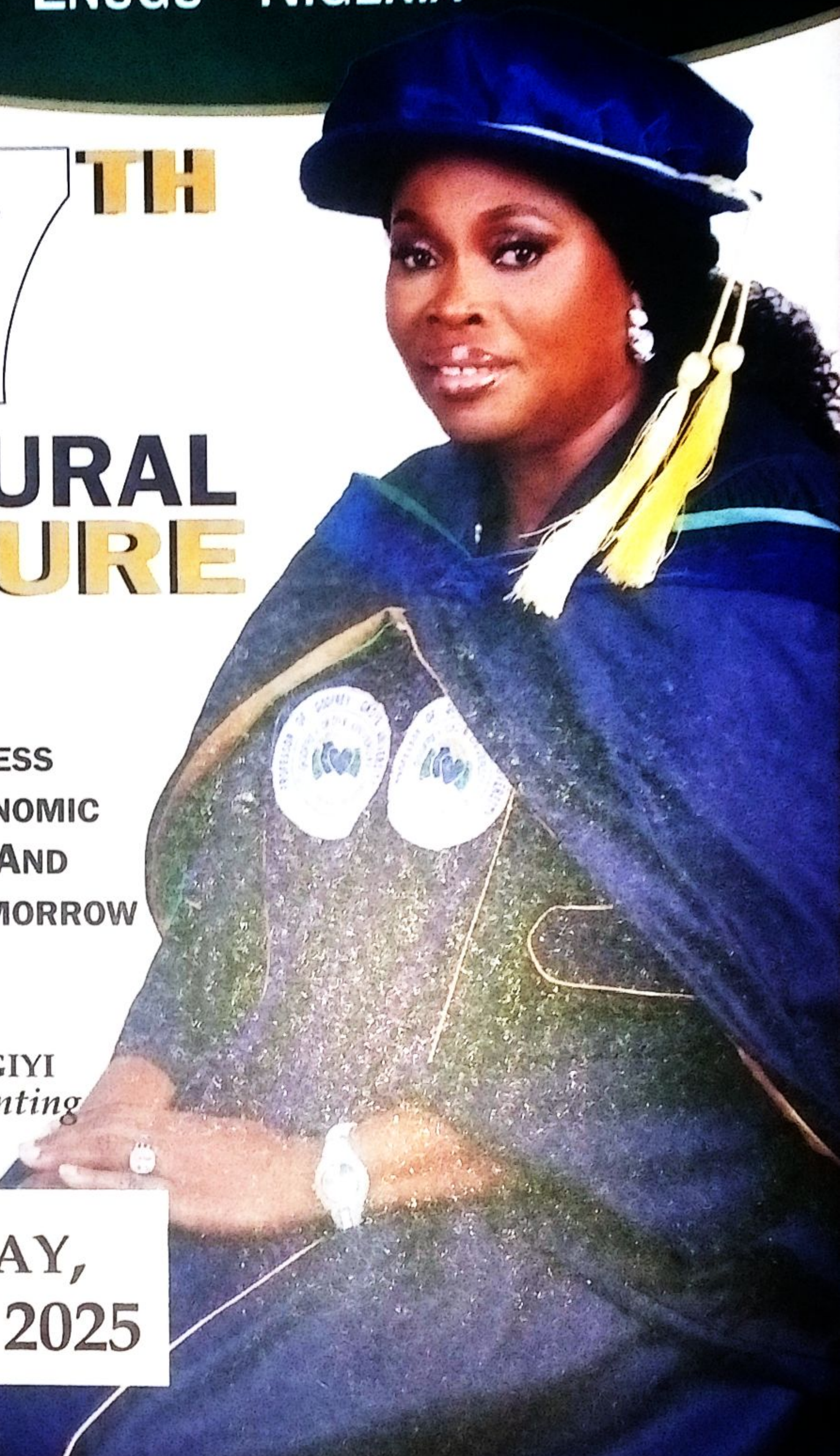
17TH INAUGURAL LECTURE



TOPIC:

TODAY'S RECKLESS BORROWING: ECONOMIC INCARCERATION AND INFERTILITY FOR TOMORROW

Delivered by

PROF. DR.
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Professor of Accounting

ON FRIDAY,
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INAUGURAL LECTURE

DELIVERED BY
PROF. MODESTA AMAKA EGIYI,
(Professor of Accounting)

MAY, 2025

DEDICATION

This inaugural lecture is dedicated to the Almighty God, whose infinite wisdom, grace and blessings have been my unwavering source of strength and inspiration.

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SECTION ONE
INTRODUCTION

Background

Debt has long been regarded as a tool for economic expansion, allowing nations to bridge fiscal gaps, stimulate growth, and finance development projects. Proponents of borrowing argue that when properly managed, debt can accelerate infrastructural development, enhance productivity, and drive economic modernization (Yusuf & Mohd, 2021; Egiyi, 2017). Egiyi (2017) notably emphasized that borrowing, when aligned with national development priorities and guided by strategic fiscal planning, can serve as a catalyst for structural transformation—especially in emerging economies struggling with capital limitations. In her view, debt should be seen not as an end but as a means to unlock latent economic potential, build institutional capacity, and expand public goods provision. However, history has shown that not all borrowing leads to economic progress. Reckless borrowing—characterized by unsustainable debt accumulation, poor financial planning, and unproductive expenditures—has the potential to imprison a nation economically, leaving it unable to sustain its future growth and development (Muhanji & Ojah, 2011; Krugman, 1988; IMF, 2024).

The Nigerian experience with debt provides a compelling case study of how reckless borrowing can morph into economic incarceration, where repayment obligations cripple fiscal independence and divert resources from essential developmental projects (Onuoha et al., 2024). On several occasions, Nigeria has found that it was captured in cycles of debt accumulation and relief. This could be noted to the debt forgiveness agreements of the early 2000s from the structural adjustment programs

(SAPs) of the 1980s (Guest Writer, 2024). Notwithstanding these past lessons, the nation continues on a dangerous path, amassing debts that are often poorly utilized, leading to declining economic productivity and increasing fiscal vulnerability (Sanghro, 2024).

Short-term financial burdens are not only imposed by reckless borrowing; its far-reaching consequences go from generation to generation. Economic incarceration implies where a nation's ability to implement independent fiscal policies due to excessive debt obligation restrictions, forces it into creditors and international financial institutions subservient relationships (Harper et al., 2020). The national budgets become heavily weighted towards debt servicing, in such case, depriving the nation of investments in education, healthcare, and industrial development which are critical sectors of the economy. Basically, reckless borrowing mortgages the future, leading to economic infertility, which is the inability for the economy to generate self-sustaining growth and developmental projects.

While borrowing is often justified as a means to enhance economic prosperity, it can also serve as a mechanism for long-term stagnation and dependency, the paradox (Yusuf & Mohd, 2021). Perpetual indebtedness occurs when countries borrow to finance consumption rather than investment, or when they secure loans with unfavourable terms. Such countries find themselves ensnared in cycles of everlasting indebtedness. Egiyi (2022a) offers a serious critique of such fiscal recklessness. She argued that debt, when misused, will not only distort macroeconomic stability but also mortgage the economic future of a nation's most vulnerable population. She emphasizes that without strategic foresight and accountability, borrowed funds become instruments of political survival rather than economic progress. Such mismanagement exacerbates debt crises, leading to austerity measures that further limit economic growth and social welfare of the citizens.

A good number of developing economies have experienced similar patterns of reckless borrowing and its resultant economic stagnation, apart from Nigeria. Those countries have struggled with the consequences of excessive debt accumulation, with economic policies dictated by external creditors rather than national priorities. Such countries are Argentina, Zimbabwe, and Greece. (Robinson & Acemoglu, 2020). In the case of Greece, it illustrates how uncontrolled borrowing can lead to severe economic crises, thereby, compelling governments to implement painful austerity measures that ultimately stifle growth and social progress (Frangakis, 2015).

This discourse is vital for Nigeria and other debt-dependent economies, given the huge socioeconomic implications of increasing debt loads. Nigeria's public debt has increased, threatening national sovereignty and economic stability to levels that raise concerns about sustainability. The Debt Management Office (DMO) reported that Nigeria's external debt has significantly increased, with a significant portion allocated to debt servicing rather than development projects (PunchNg, 2024). Debt dependency hinders economic growth and planning in some Latin American and African nations (World Bank, 2024

Careless borrowing in developing nations can lead to increasing unemployment, inflation, and degraded infrastructure, in addition to financial constraints. Debt repayment consumes a growing portion of governments' budgets, limiting their ability to invest in crucial areas like healthcare, education, and economic development. Nigeria's economic recovery has been impeded by high debt levels, leading to inflation, currency devaluation, and dwindling foreign reserves (Binuyo et al. 2024).

In order to demonstrate the detrimental effects of careless borrowing on economic stability, this lecture looks at the laws and customs that have caused debt dependence in Nigeria and other countries. The dangers of careless fiscal policies are highlighted in this discourse, which also offers solutions for sustainable economic management through the application of economic concepts, previous instances, and borrowing research.

Economists, policymakers, and the general public must all fully comprehend the difference between prudent and careless borrowing. Borrowing, when channeled appropriately, can be a force for development. However, when undertaken recklessly—without a clear strategy for repayment, economic productivity, or infrastructural expansion—it becomes a tool of economic subjugation. This lecture will, therefore, explore how Nigeria and other nations can escape the shackles of reckless borrowing and reclaim economic sovereignty.

SECTION TWO
THEORETICAL FOUNDATIONS

Debt, in its most fundamental sense, is a financial tool that can either catalyze prosperity or precipitate economic ruin (Egiyi, 2022a). Throughout history, borrowing has been heralded as an instrument for bridging fiscal shortfalls, financing critical infrastructure, and sustaining economic growth. However, this instrument is not without its perilous edges. Countries that have leveraged borrowing to their advantage often exhibit strong fiscal discipline, robust institutions, and strategic investment planning. Conversely, nations burdened by reckless borrowing find themselves ensnared in a cycle of stagnation, high debt servicing costs, and economic decline. It is important to find out the point at which debt ceases to be a means of economic expansion and instead becomes a harbinger of financial collapse.

Key Economic Theories on Debt and Development

Classical versus Keynesian Perspectives on Borrowing

The Keynesian framework, established by John Maynard Keynes, and the classical economic school, headed by David Ricardo and Adam Smith, have long influenced borrowing.

With ramifications for current budgetary discussions, especially for nations dealing with structural imbalances, these viewpoints offer insightful analysis of the function of debt in economic management.

The classical school, which was founded on laissez-faire ideas, held that markets work best when there is little government involvement. The Wealth of Nations by Adam Smith (1776) highlights how markets are self-regulating, with supply and demand determining economic results free

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The classical school, which was founded on laissez-faire ideas, held that markets work best when there is little government involvement. The Wealth of Nations by Adam Smith (1776) highlights how markets are self-regulating, with supply and demand determining economic results free from government intervention. According to David Ricardo (1817), public borrowing upsets the natural order of the economy by generating false demand, which results in price distortions and unmanageable debt for coming generations. According to this viewpoint, governments ought to put fiscal restraint first and finance expenditures with domestic revenue as opposed to deficit spending.

According to Keynesian theory, deficit spending can boost aggregate demand, reduce economic downturns, and encourage recovery during recessions. Keynes maintained that by introducing liquidity into the economy, governmental borrowing and spending can increase employment and production when private sector demand declines. The effectiveness of this approach is demonstrated by empirical data from developed economies, especially the US during the Great Depression and the post-World War II reconstruction efforts.

Strategic borrowing can produce long-term economic multipliers that greatly impact the economy. Keynesian economics, which emphasizes that the timing and purpose of borrowing are more relevant than borrowing alone, challenges the strict restrictions of conventional fiscal conservatism.

While Keynesian prescriptions have yielded positive outcomes in advanced economies with well-functioning institutions, the positive outcomes in advanced economies yielded by Keynesian prescriptions is yet to be practiced in developing economies, particularly Nigeria. This remains a subject of intense scrutiny. Although deficit financing should, in theory, spur growth, the anticipated benefits of borrowing are frequently elusive in an economic environment beset by structural inefficiencies, corruption, and inadequate institutional frameworks. The paradox of Nigeria's fiscal trajectory is that, despite continuous government borrowing, there are still significant infrastructure deficits, massive unemployment, and little progress being made in economic diversification. Concerns regarding fiscal sustainability are raised by the growing percentage of government revenue that is used to pay off debt servicing commitments. Long-term productivity improvements are further undermined because a sizable amount of borrowed money is used for ongoing expenses rather than capital investments.

Such a predicament necessitates fundamental questions: (i) does continued reliance on borrowing, in the absence of robust institutional safeguards, exacerbate macroeconomic vulnerabilities, perpetuating cycles of debt dependency? (ii) does Nigeria's economic structure possess the absorptive capacity required to transform borrowed funds into meaningful economic development? These schools, classical and Keynesian, provide invaluable insights into the borrowing debate, yet their applicability must be contextualized within the realities of individual economies. Keynesianism relies on cautious fiscal management, institutional credibility, and a productive economic environment to achieve its goals of strategic deficit financing. Adhering to Keynesian borrowing tactics without structural changes may result in diminishing benefits and reinforce the caution against excessive debt accumulation, especially in Nigeria where inefficiencies and governance difficulties continue. A hybrid approach that combines Keynesian economic strategies with traditional fiscal restraint may provide a more sustainable path for economic growth.

Debt Overhang Theory: When Borrowing Becomes a Curse and Ceases to Be a Catalyst

Krugman (1988) and Sachs (1989) proposed the Debt Overhang Theory, which paints a negative picture of economies with high debt burdens. The theory suggests that when a country's debt becomes unsustainable, borrowing becomes a hindrance to economic progress rather than a stimulus. The obligation to service existing debt obscures expected investment returns, resulting in decreased private sector confidence and capital inflows.

The heightened risks associated with fiscal instability makes investors to become reluctant to allocate resources to such economies, fearing that excessive government liabilities will eventually result in defaults, austerity measures, or severe economic dislocations. There will be eventual stifling of capital formation, discouraging of productive investments, and ultimately trapping the economy in a vicious cycle of stagnation and underperformance (Cohen, 1993).

The devastating effects of debt overhang on national economies are illustrated by historical precedents. The Latin American debt crisis of the 1980s remains a cautionary tale, where excessive external borrowing by several nations resulted in unsustainable debt burdens that crippled economic growth for decades (Sebastian, 2024). Governments in the region were forced to adopt severe austerity measures when faced with overwhelming debt service obligations, cutting critical public spending while still struggling to meet their financial commitments. This resulted in prolonged economic distress, declining living standards, and a loss of investor confidence that took years to rebuild. Likewise, Greece's sovereign debt crisis in the early 21st century underscored how unchecked borrowing, coupled with structural inefficiencies, can precipitate a national economic collapse, forcing the country into stringent bailout agreements that destroyed fiscal sovereignty.

Nigeria's external debt profile, which has increased in recent years, raises urgent concerns about whether the country is moving unsteadily on the edge of a debt overhang crisis (Oyadeyi et al., 2024). The government's ability to fund critical sectors such as education, healthcare and infrastructure is severely constrained with debt servicing costs consuming an increasingly disproportionate share of national revenue, and the Nigerian government debt accounting for 53.8% of the country's Nominal GDP in September 2024. Consequently, deteriorating public services, insufficient investment in human capital, and a weakened capacity for economic diversification occur. Fluctuations in exchange rates expose Nigeria to even greater fiscal vulnerabilities, exacerbating the cost of debt repayment and increasing the risk of financial distress due to the fact that a substantial portion of external debt is denominated in foreign currencies.

The question becomes whether Nigerian policymakers are fully aware of the long-term implications of the nation's current borrowing patterns, or is the country unintentionally marching towards a fiscal abyss mindful of past global debt crises? Nigeria will soon find itself in a situation where the expense of debt servicing obscures the possible advantages of economic expansion unless borrowing policies, debt restructuring procedures, and fiscal restraint are strategically changed. This theory serves as a reminder that although borrowing can spur development, when it is handled poorly, it becomes a yoke that stifles economic advancement and leaves future generations to shoulder the cost of fiscal irresponsibility.

Ricardian Equivalence and the Illusion of Perpetual Borrowing

David Ricardo first proposed the Ricardian Equivalence Hypothesis in 1917, and Robert Barro later codified it in 1974. It makes a strong case against government borrowing's efficacy as an economic stimulation measure. According to the idea, rational economic agents understand that when a government incurs debt, it will eventually have to pay for it with higher future taxes. In order to prepare for this tax burden, people therefore change their spending patterns by saving more money instead of ability to fund critical sectors such as education, healthcare and infrastructure is severely constrained with debt servicing costs consuming an increasingly disproportionate share of national revenue, and the Nigerian government debt accounting for 53.8% of the country's Nominal GDP in September 2024. Consequently, deteriorating public services, insufficient investment in human capital, and a weakened capacity for economic diversification occur. Fluctuations in exchange rates expose Nigeria to even greater fiscal vulnerabilities, exacerbating the cost of debt repayment and increasing the risk of financial distress due to the fact that a substantial portion of external debt is denominated in foreign currencies.

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At face value, Ricardian Equivalence is predicated on a high level of rationality among economic actors, effective financial markets, and a functioning government that openly controls fiscal policies. This hypothesis is somewhat supported by developed economies with stable institutions and a long history of sound economic governance. Households and businesses in such environments may indeed show forward-looking behaviour, adjusting their consumption and investment decisions in response to government borrowing. In developing economies, the applicability of Ricardian Equivalence remains highly contentious. Empirical studies challenge its universal relevance, particularly in nations bedeviled by weak financial institutions, widespread corruption, and low public trust in governance (Reinhart & Rogoff, 2008).

A striking contradiction to the assumptions underlying Ricardian Equivalence is presented by Nigeria's borrowing patterns. In theory, if citizens recognize that government debt today translates into higher taxes tomorrow, they should respond by curbing consumption and increasing savings. However, this assumes a level of fiscal transparency and policy consistency that is often absent in Nigeria's economic landscape. Public debt frequently finances recurrent expenditures such as salaries, administrative costs, and politically motivated projects with limited developmental impact and a significant portion of borrowed funds is not allocated towards productive investments that generate long-term economic growth. Instead, in such an environment, individuals and businesses may not perceive a direct correlation between current borrowing and future taxation, as fiscal irresponsibility often leads to inflationary pressures, currency depreciation, or external debt restructuring rather than direct tax sharp increases.

Moreover, Nigeria's debt servicing costs continue to increase rapidly, consuming a substantial portion of government revenue. From the records obtained from the Debt Management Office, in 2024, Nigeria spent a total sum of N13.12tn on debt servicing. This represents 68% increase from the N7.8tn recorded in the previous year. With little evidence that borrowed funds are translating into sustainable economic expansion, one wonders whether Nigerian citizens are genuinely adjusting their economic behaviour in expectation of future tax increases, or has the government fallen into a pattern of accumulating liabilities that will ultimately suppress generations to come? Nigeria's reality suggests a more insidious outcome unlike in economies where citizens anticipate tax increases as a means of debt repayment, one where unchecked borrowing erodes macroeconomic stability, depreciates the national currency, and limits the government's ability to finance critical sectors without falling back to further borrowing.

The notion that perpetual borrowing can sustain economic activity without long-term repercussions is a troubling illusion. When the legitimacy of a government's debt management is questioned, Ricardian Equivalence is undermined. In a climate where fiscal irresponsibility is prevalent, citizens may not react as logical economic players adjusting for future tax loads, but rather as participants in an economy where debt-fueled spending promotes short-term rewards while masking long-term vulnerabilities. If Nigeria keeps up this trend, the final reckoning might not show up as higher future taxes alone, but rather as deeper capital flight, a drop in the standard of life for coming generations, and economic stagnation.

Defining Reckless Borrowing

When borrowing is not backed by a long time economic planning and growth, sustainable practices, or productive utilization, it is called reckless. According to Egiyi (2021), borrowing such money is a sign of a greater failure of economic policy and leadership as much as inadequate fiscal management. She argues that reckless borrowing is a structural weakness in government that prioritizes short-term political gains over long-term economic stability, as opposed to a technical error. According to Egiyi (2021), unprincipled borrowing generates a "debt treadmill" that distorts national budgetary priorities, undermines investor confidence, and relies on future inflows to repay past debts. This has led to increasing debt, fiscal fragility, and inequality in developing countries such as Nigeria.

This section improves on Egiyi's method by categorizing reckless borrowing into three, offering a comprehensive analysis of the practice.

1. Borrowing for consumption instead of production: loans used for electioneering, subsidies, or wages, rather than capital projects with multiplier effects.
2. Borrowing without sustainability safeguards, such as insufficient debt caps, payback plans, or synchronization with macroeconomic data.
3. Borrowing for political and non-strategic purposes, such as reputation, favoritism, or geopolitical pacification, rather than economic growth

According to Egiyi (2021), these actions not only erode economic systems but also foster future crises by undermining countries' capacity for growth and disguising ineptitude under the façade of progress.

Borrowing for Consumption Rather Than Production

That borrowed funds should generate returns that exceed their costs is a fundamental principle of sound fiscal management. A government generates economic obligations without matching assets when it borrows money largely for consumption rather than for profitable investment. Consumption-driven borrowing can take many forms, such as excessive government salary spending, ongoing expenses, and subsidies that do not raise long-term economic output. Recurrent spending, such as excessive government salaries and administrative expenses, accounts for a sizable amount of Nigeria's government borrowing (Egiyi, 2024). The Debt Management Office (DMO) claims that debt payment takes up more than 70% of the nation's income, leaving little for capital expenditures (IMF, 2024). This tendency leads to a cycle where additional loans are taken out to meet running expenditures rather than going towards industries like manufacturing, agriculture, and infrastructural development that can stimulate economic expansion.

Consumption-driven borrowing has terrible economic effects. Government expenditure without greater productivity leads to an overburdened fiscal system, currency devaluation, and inflationary pressures (Krugman, 2023). Over-reliance on debt-financed spending creates a dependency syndrome, where governments seek additional loans instead of making structural adjustments to increase economic efficiency and revenue collection (Ezugworie et al., 2020).

Borrowing Without Sustainability Measures

Sustainable debt management requires a detailed review of a country's interest rates, macroeconomic circumstances, and repayment capacities. Unsustainable debt accumulation occurs when a country's borrowing exceeds its fiscal capacity. Excessive borrowing from outside sources, unfavorable loan terms, and inadequate repayment plans indicate a lack of supportive measures. This is demonstrated by Nigeria's current debt profile. Despite warnings from financial organizations, the country continues to borrow at a rapid pace (World Bank, 2024). Nigeria's external debt stock rose by more than $5 billion in 2023 alone, but the country still has one of the worst debt-to-income ratios in sub-Saharan Africa (CBN, 2024).

A primary cause of unsustainable borrowing is the inability to produce enough income to pay off current commitments. Nigeria has one of the lowest tax-to-GDP ratios in the world, at about 6%, while comparable economies' average is 18% (OECD, 2024). The nation is stuck in a loop of borrowing to pay off its debts in the absence of robust revenue mechanisms, which raises credit risk and creates fiscal uncertainty. Another significant sustainability concern is the poor conditions of many of Nigeria's loan arrangements. A number of externally financed infrastructure projects include stringent payback requirements, such as hefty interest rates and the need to pledge national assets as collateral. Contractual obligations prevent future governments from incurring additional debt, raising concerns about long-term sovereignty and economic independence.

Borrowing for Non-Strategic, Politically Motivated Projects

Careless borrowing can lead to loan resources being diverted to initiatives with political rather than economic purposes, which can be detrimental. Non-strategic borrowing occurs when governments prioritize political expediency over economically viable projects. White elephant projects are costly and ineffective, contributing little to the economy. In Nigeria, political borrowing often leads to incomplete or underperforming projects. Egiyi (2024) argues that the borrowing pattern reflects a complicated political economy where opinions take precedence over results.

She argues that borrowing is often justified as national expansion, but is actually utilized to perpetuate political cycles, please loyalists, or create a false sense of progress. According to Egiyi, Nigeria's politically driven borrowing is a good example of fiscal irresponsibility disguised as populist demand. Massive debts have been accumulated for large projects without feasibility studies, financial rationales, or implementation capabilities. White elephant enterprises, which are large but lack substance, are seen as fiscally irresponsible. Despite being designed as revolutionary infrastructure projects, several have failed to meet developmental or financial goals. Rather than increasing production, they have become a source of waste, resulting in interest debt that hinders future expenditure and development.

One example is the multibillion-dollar airport and railway projects, which were promoted as showpiece projects but have been plagued by accusations of corruption, bureaucratic delays, wildly inflated contracts, and cost overruns. Transparency International's video from 2024 claims that money was either embezzled, improperly overseen, or transferred into politically linked hands, leaving behind partially constructed buildings, underutilized infrastructure, or completely abandoned locations. The Port Harcourt–Maiduguri railway rehabilitation, for example, was initiated in 2011 and awarded contracts totaling N67.3 billion. Yet over a decade later, substantial sections remain incomplete. Companies like Lingo Nigeria Limited, despite lacking railway construction experience, received billions of naira and delivered barely 40% of the work (Hassan-Adebayo, 2020). Similarly, the Ekiti State Agro-Allied International Cargo Airport, initially budgeted at N36.7 billion, ballooned to nearly N90 billion, even after claims that the airport was "99.5% ready" for operations (Ekiti News, 2025). In Zamfara State, the Gusau International Cargo Airport was re-awarded at an inflated cost of N62.8 billion—up from N11.4 billion—with less than 20% of the work completed (Akinbobola, 2024). These cases reveal a systematic pattern of inflated contracts, poor oversight, and questionable project outcomes.

What should have been engines of economic growth—enhancing logistics, improving connectivity, and attracting investment—have instead morphed into financial sinkholes. These liabilities not only fail to yield returns on investment but also exacerbate the country's debt burden, as Nigeria continues to service loans for assets that contribute little or nothing to GDP. The opportunity cost is staggering: scarce public funds are diverted from vital sectors like healthcare, education, and power supply—undermining long-term development and deepening economic vulnerability.

Another example is the practice of borrowing to finance politically driven subsidies. While subsidies may provide short-term relief, they often become fiscally unsustainable when underwritten by debt. In Nigeria, petroleum subsidies have consumed trillions of naira over the past decade, yet the country remains heavily dependent on imported refined petroleum products (CBN, 2024). Instead of directing borrowed funds towards building domestic refining capacity and supporting industrialization, successive governments have opted for politically expedient but economically regressive choices.

For instance, between 2010 and 2022, over ₦13 trillion was spent on fuel subsidies — funds that could have revitalized moribund refineries in Port Harcourt, Warri, and Kaduna or funded the construction of new ones. Nigeria presently imports more than 90 percent of its refined fuel, resulting in extra costs due to currency rate changes and freight charges. In 2022 alone, the government borrowed to cover over ₦4 trillion in subsidy costs, a move that further deepened the fiscal deficit and forced cuts in capital expenditure.

The consequences of these decisions are twofold: first, borrowed funds fail to generate productive assets or long-term returns, thereby exacerbating the debt overhang. Second, the reliance on debt-financed consumption undermines public confidence in governance, as citizens witness scarce resources being funneled into politically charged but economically hollow programs. A cycle where loans serve immediate political interests while postponing, and ultimately compounding, economic hardship is the resultant effect.

SECTION THREE
NIGERIAN DEBT TRAJECTORY

Debt is often seen as a means of bridging fiscal gaps, funding development projects, and stimulating economic growth (IMF, 2024). Nevertheless, for Nigeria, borrowing has increasingly become a pathway of economic incarceration, tightening the noose around future generations. The nation's debt history tells a tale of strategic miscalculations, ill-advised fiscal policies, and governance failures that have turned borrowing into a tool of economic conquest rather than empowerment.

Historical Phases of Nigeria's Borrowing

Pre-Structural Adjustment Programme (SAP) Borrowing—Why It Was Different

Even before independence, Nigeria's borrowing history extends far beyond contemporary debt concerns, with external financing playing a crucial role in economic planning. However, the nature and structure of debt acquisition before the adoption of the Structural Adjustment Programme (SAP) in 1986 were markedly different from present-day borrowing trends. The pre-SAP era was characterized by a relatively measured approach to debt accumulation, with loans primarily sourced through concessional financing and bilateral agreements with development partners and friendly nations. These borrowings were strategically directed towards infrastructure development, industrialization efforts, and the establishment of key public institutions that were expected to drive long-term economic transformation (Obadare, 2022). Egiyi (2022b) emphasizes that when borrowing is anchored on a clear developmental vision, underpinned by sound economic planning and institutional accountability, it has the capacity to catalyze structural transformation. She notes that in historical contexts where such borrowing strategies were employed—whether for roads, energy infrastructure, manufacturing hubs, or educational institutions—the long-term benefits often outweighed the short-term debt burdens. Egiyi (2022b) further argues that productive debt, especially when linked to capacity-building projects and income-generating ventures, not only sustains itself through returns but also enhances national competitiveness and self-reliance.

A major turning point in Nigeria's economic trajectory was the discovery of crude oil in the 1950s, which profoundly altered fiscal policy and national development planning. Oil was first discovered in commercial quantity in 1956 in Oloibiri in the present day Bayelsa State. The subsequent oil boom of the 1970s generated immense revenues, fostering a perception of limitless economic prosperity. This period witnessed increased public-sector spending, fueled by the expectation that oil wealth would sustain economic expansion indefinitely. Successive military administrations embarked on ambitious developmental projects, leveraging external borrowing to finance large-scale infrastructural initiatives such as road networks, power generation, steel production, and housing projects (Ajayi & Oke, 2012). In principle, many of these investments were aimed at enhancing economic productivity and national self-sufficiency. However, the implementation of these projects was frequently marred by inefficiencies, mismanagement, cost overruns, and systemic corruption, leading to instances where borrowed funds were not fully optimized for developmental impact.

Despite these shortcomings, the borrowing patterns of the pre-SAP era retained an element of fiscal discipline that is largely absent in contemporary times. Loans were predominantly tied to capital-intensive projects with long-term economic benefits rather than the funding of recurrent expenditures such as salaries and administrative costs. Despite their flaws, government borrowing plans often matched developmental goals and reflected a larger commitment to the expansion of the nation's infrastructure. Additionally, the concessional nature of many commercial loans and non-concessional borrowing made debt servicing requirements less onerous than they would be in coming years. In contrast to the careless debt growth seen in later decades, the pre-SAP era was more prudent with regard to finances. In 1986, Nigeria's deployment of SAP led to currency depreciation, economic liberalization, and increased reliance on external assistance to address growing budget deficits. Post-SAP debt accumulation has been defined as a major reliance on outside borrowing to cover current debt, support budget deficits, and maintain an ever-expanding government bureaucracy, as opposed to the pre-SAP era when borrowing was primarily linked with development initiatives.

This begs the crucial question: What structural flaws caused Nigeria to descend into debt dependency in the post-SAP era if pre-SAP borrowing, in spite of its inefficiencies, preserved some semblance of fiscal restraint and investment in capital projects? The combination of inadequate economic planning, increased corruption, and a failure to set up long-term revenue-generating strategies outside of oil exports is the cause. The current debt building lacks a clear growth aim, raising concerns about fiscal irresponsibility and economic vulnerability. This contrasts with historical borrowing supported by infrastructure.

The Debt Crisis of the 1980s and Nigeria's IMF/World Bank Entanglement

The 1980s were a turbulent time in Nigeria's economic history, with the country facing a debt crisis caused by external shocks and fiscal mismanagement. Nigeria's reliance on crude oil exports exacerbated the problem, as evidenced by the drop in global oil prices throughout the early decade. Nigeria was unable to pay its external debts as a result of declining foreign exchange reserves and government revenue. The ratio of debt to GDP increased significantly as loan repayments became unmanageable. The administration requested immediate financial assistance from the International Monetary Fund (IMF) and the World Bank. (Egiyi, 2017). In response to Nigeria's request for help, the IMF and World Bank undertook the Structural Adjustment Programme (SAP) during General Ibrahim Babangida's presidency in 1986. The goal of the SAP, a comprehensive economic reform package, was to reduce budget deficits, restore macroeconomic stability, and move Nigeria's economy towards a more market-oriented framework.

The main strategy measures involved devaluing the naira, removing subsidies, liberalizing trade, privatizing state-owned enterprises, and cutting government spending (Mutai *et al.*, 2024). In theory, SAP was supposed to improve economic efficiency by attracting foreign investment and addressing Nigeria's economic imbalances, but in practice, the average Nigerian suffered greatly as a result of these reforms. The depreciation of the naira caused hyperinflation, which made essential goods and services expensive for many people; the loss of subsidies, especially for petroleum and agricultural inputs, made economic hardship worse by driving up transportation expenses and food prices; and speedy trade liberalization led to fierce competition from imported commodities, which caused local businesses to fail and unemployment to rise sharply.

Although SAP was intended to stabilize Nigeria's economy, it instead made social injustices and economic reliance worse. Nigeria's structural issues, including corruption, poor governance, and reliance on oil earnings, were not addressed by the World Bank and IMF's austerity measures.

Nigerians made sacrifices, but the debt problem persisted. Government revenue is still heavily depleted by debt servicing, which restricts investment in vital areas like infrastructure, healthcare, and education.

The fact that the debt situation was not significantly resolved in spite of Nigerians' efforts was possibly the most worrisome. The burden of debt servicing continued to be crippling, eating up a growing portion of government revenue and severely restricting public investment in essential areas like infrastructure, healthcare, and education. The long-term consequences of Nigeria's debt issue during the SAP era are still being felt. Since the 1980s, Nigerians have viewed international financial institutions as economic imperialists that put debt repayment ahead of domestic development. The demise of SAP also serves as a cautionary tale about the dangers of taking out a loan without a well-thought-out, long-term financial strategy.

The experiences acquired in the 1980s are now vitally pertinent as Nigeria battles with mounting debt and fiscal problems once more: borrowing could easily become a trap instead of encouraging prosperity without effective economic management.

Debt Forgiveness in the 2000s – A Fresh Start or a Reset to Old Habits?

Nigeria had a crippling debt load by the early 2000s. Unchecked borrowing and compound interest payments were the main causes of the country's mounting external liabilities, which made its fiscal situation untenable. With external debt surpassing $30 billion and debt servicing consuming a disproportionate share of national revenue, Nigeria faced significant developmental constraints. Social services were underfunded, infrastructure projects stagnated, and economic growth was stifled by the ever-growing burden of loan repayments. The government found itself trapped in a cycle where new borrowings were primarily used to service old debts rather than finance productive investments (Asabor, 2024).

Recognizing the severity of the situation, the Nigerian government, under President Olusegun Obasanjo, engaged in extensive negotiations with the Paris Club, a consortium of major creditor nations. In 2005, this diplomatic effort culminated in a landmark debt relief agreement, which saw the Paris Club cancel $18 billion of Nigeria's external debt in exchange for a final lump-sum payment of $12.4 billion. This historic deal, brokered with the support of multilateral institutions such as the International Monetary Fund (IMF) and World Bank, was hailed as a significant victory, providing Nigeria with a long-awaited opportunity to reset its economic trajectory and refocus on sustainable development (CGD, 2011).

In theory, this debt relief should have marked the beginning of a new era of fiscal prudence, freeing up resources for investment in critical sectors such as education, healthcare, power generation, and infrastructure. With a dramatically reduced debt burden, Nigeria was well-positioned to adopt long-term strategies aimed at economic diversification, industrialization, and improved governance. Lessons learned from previous mismanagement were supposed to steer policymakers towards a more responsible and disciplined approach to public finance, preventing the nation from reverting to unsustainable borrowing habits. Nevertheless, the hope for Nigeria's debt relief soon waned. Subsequent governments failed to enact required adjustments and reduce dependency on foreign help. Nigeria's borrowing dramatically increased within ten years of the debt reduction agreement as a result of budget deficits, poor infrastructure, and careless economic policies. Spending exceeded revenue due to the government's incapacity to expand non-oil earnings, which resulted in a rise in debt.

The problem was made worse by the absence of strict accountability mechanisms to guarantee that borrowing was directed towards profitable ventures. The vast bulk of the newly acquired debt was used for ongoing costs such as political activity, administrative fees, and salaries. Unlike capital expenditures with long-term economic advantages, motivated activities have little effect on development. The resurgence of debt dependency begs the question of whether Nigeria has learned from its past financial missteps or if the 2005 debt relief was merely a cover for more serious structural flaws. A significant problem with Nigeria's economic governance is revealed by the post-debt forgiveness phase: the nation's failure to uphold fiscal restraint in spite of cautions from scholars and international organizations.

The country's inability to take advantage of debt relief reveals problems with institutional governance, poor economic management, and a political culture that puts immediate financial gain ahead of long-term stability. Nigeria has unmanageable debt from both domestic and foreign sources. Forgiveness of debt can reduce immediate financial strain, but structural changes are necessary for long-term stability. One of the regrettably applicable lessons from the 2000s is this one.

Nigeria faces a continual cycle of debt buildup, crisis, relief, and fresh borrowing—an economic déjà vu that endangers future generations—if it doesn't move towards sustainable revenue production, sensible expenditure management, and institutional openness.

Present Debt Situation in Nigeria: The Decline into Economic Captivity

Due to years of fiscal mismanagement, an excessive reliance on borrowing and inability to increase domestic revenue streams, Nigeria's debt has skyrocketed to alarming levels. Nigeria's overall national debt as of the second quarter of 2023 was an incredible $113.42 billion, of which a sizable amount was due to external debt (Ita, 2025). Since the debt service-to-revenue ratio has skyrocketed to an astounding 96% – a sign that almost all government revenue is used for debt repayment rather than funding vital development initiatives – this quick accumulation of liabilities has raised concerns about the nation's financial viability.

This debt profile has grave ramifications. Government debt repayment consumes nearly all of its earnings, leaving little left over to fund essential sectors like infrastructure, healthcare, and education. There is now less fiscal space available for the nation's economic growth projects, leading to increased reliance on borrowing to fund basic needs instead of investing in profitable businesses. This method creates a vicious cycle of taking on new debt to pay off existing obligations, which furthers economic fragility. A significant concern about Nigeria's debt structure is its external liabilities. Foreign governments, multilateral organizations, and international bond markets have been the main sources of borrowing. Although some loans have lenient terms, more and more business loans have high interest rates, making Nigeria vulnerable to fluctuations in the exchange rate and outside shocks. The declining value of the naira increases the cost of repaying debt in dollars, adding to the load. As a result, the nation has limited opportunity for policy autonomy or negotiation and is still at the mercy of foreign lenders.

Nigeria's consistently poor revenue generating just serves to exacerbate the situation. Nigeria has one of the lowest tax-to-GDP ratios on the continent, at about 6%, while having the largest economy in Africa. This stands in sharp contrast to peer economies, which have averages between 15% and 20% (World Bank Group, 2024; Egiyi, 2023). The heavy reliance on oil revenue, which is subject to volatile global market fluctuations, has left government finances in a precarious position. Non-oil revenue streams, such as taxation and internally generated revenue, remain underdeveloped due to inefficient tax collection mechanisms, widespread tax evasion, and a large informal economy that operates outside the formal tax net.

Furthermore, any revenue that is made is further undermined by fiscal leaks and corruption. Illegal procurement practices, illicit money transfers, and theft cause billions of dollars in losses annually. In addition to making the debt issue worse, the financial crisis erodes public confidence in government expenditure, which makes fund-raising more difficult. People who believe that public funds are being abused and not used for the good of the nation are unwilling to pay taxes. There are also important macroeconomic ramifications to the mounting debt load. Nigeria's growing debt levels are creating an alarm among both global and indigenous investors. Investment and economic expansion are hampered by the possibility of government failure or forced debt restructuring. Nigeria's ratings have been regularly reduced by credit rating agencies as a result of its fiscal irresponsibility and worries about the sustainability of its debt. As a result, there is a vicious cycle of financial strain that drives up borrowing costs.

The primary issue is the absence of a clear debt management plan that puts long-term financial stability ahead of short-term political expedient. Without taking into account the required structural changes, successive administrations have mostly relied on borrowing to finance government operations. If the required adjustments are not made to raise tax revenue, cut spending, and guarantee that borrowed funds are put to good use, Nigeria will be placed in economic captivity. In this case, fiscal sovereignty is compromised, policy decisions are influenced by external creditors, and future generations are left with an unmanageable debt load.

If corrective action is delayed, the results could be disastrous. Nigeria's failure to fulfill its responsibilities may result in defaults and damage its standing in the international financial community. The social cost of the debt crisis will be borne by the populace in the form of decreased public services, increased unemployment, and rising inflation, all of which will exacerbate poverty and inequality and prolong the economic downturn. Poor financial decisions can hold the nation's future hostage and result in further economic incarceration if unchecked borrowing is done without a plan for fiscal control and economic expansion.

Key Reckless Borrowing Practices in Nigeria Today
Unfavourable Terms on Excessive Foreign Loans

Nigeria's borrowing practices have come under scrutiny due to its heavy reliance on external loans with strict payback terms in recent years. In contrast to earlier decades when concessional loans with longer payback terms and cheaper interest rates were the main source of foreign debt, borrowing from private creditors has increased recently. According to Mutai et al. (2024), Eurobond markets and Chinese financial institutions provide less advantageous arrangements, occasionally with higher interest rates and shorter periods. There are significant ramifications to this change in borrowing habits. Nigeria is more vulnerable to exchange rate concerns due to its reliance on Eurobonds, which are valued in US dollars.

Due to naira's depreciation, debt repayment becomes more and more costly, further taxing the government's already precarious finances. The developmental advantages of concessional loans from global institutions such as the World Bank and IMF, which occasionally include capacity building and technical help, are greater than those of Eurobonds. For the government to fulfill its obligations, it depends on sporadic sources of income, mostly from oil exports. It is even more worrisome that China is increasingly controlling Nigeria's loan portfolio. The country's economic sovereignty has come under scrutiny due to the usage of Chinese funding.

Chinese financial firms have a reputation for opaque lending methods that frequently evade normal legislative supervision, in contrast to Western creditors whose loans frequently include transparency standards and governance benchmarks. In the case of loan defaults, the stipulations incorporated into these agreements usually allow China to confiscate vital national assets. This has sparked a lot of conjecture that Nigeria, along with a number of other African countries, would be engaging in debt diplomacy masquerading as development aid, a new kind of economic colonialism.

A lesson can be learned from the situation of Sri Lanka's Hambantota Port, which was given to China on a 99-year lease when the country was unable to pay its debts (Schultz, 2017). Given Nigeria's increasing reliance on Chinese loans to fund critical infrastructure projects such as railways, power plants, and roads, it is not unreasonable to question whether similar outcomes could unfold within its borders.

A fundamental flaw in Nigeria's current borrowing strategy is the apparent lack of rigorous cost-benefit analysis before acquiring these loans. In many cases, debts are incurred for projects that fail to generate sufficient revenue to service the loans. Externally financed infrastructure projects usually experience delays, cost overruns, and inefficiency, which makes the debt load even worse. In addition, because there are inadequate reporting standards, a significant portion of external loans have been misdirected towards ongoing costs rather than capital initiatives that could yield long-term economic benefits. Financial repercussions and a loss of policy power were the outcomes of excessive foreign borrowing. Nigeria is now increasingly susceptible to demands from creditors as a result of its growing reliance on external debt payments. Prior to providing financial aid, the World Bank and IMF have historically placed structural adjustment requirements, which has led to austerity measures that have a detrimental impact on social welfare. Despite being marketed as having "no strings attached," Chinese loans can have unforeseen geopolitical repercussions that restrict a nation's capacity to act in its own best interests overseas.

The country runs the risk of entering a never-ending state of financial servitude, where creditor nations control its economic policies, diplomatic alliances, and even its national assets, unless immediate action is done to reevaluate the terms of its external commitments. A major change in fiscal strategy is necessary to avoid this fate. Strengthening domestic revenue mobilization, implementing prudent debt management policies, and ensuring greater transparency in loan agreements must become immediate priorities. Otherwise, Nigeria will continue to mortgage its future in exchange for short-term financial relief, leaving future generations shackled by the weight of decisions made today.

Continuous Reliance on Borrowing to Fund Recurrent Expenditures

One of the most alarming trends in Nigeria's borrowing pattern is the persistent use of debt to finance recurrent expenditures such as salaries, pensions, and administrative costs (Michael, 2024). This practice has become deeply entrenched in fiscal policy, despite its evident unsustainability. Unlike capital expenditures, which contribute to long-term economic growth through the development of infrastructure, industrial projects, and technological advancements, recurrent spending does not generate revenue to offset the debt incurred. Consequently, the government finds itself in a perpetual borrowing cycle, taking on new loans simply to meet existing obligations rather than to stimulate economic expansion.

Core monetary principles, which state that borrowing should be directed towards profitable ventures that generate future economic benefits, are in conflict with this trend. Debt financing's primary purpose is to fill short-term resource shortages for projects that eventually increase revenue production, not to maintain an overburdened bureaucracy or finance consumption-driven spending. When loans are utilized for purposes that do not contribute to economic productivity, the inevitable outcome is fiscal fragility, where debt servicing obligations increasingly consume national revenue, leaving little for developmental initiatives. Nigeria's debt service-to-revenue ratio, which has reached an unsustainable 96%, underscores the gravity of this problem, as nearly all government income is now absorbed by debt repayments rather than channeled towards growth-enhancing programs (Balogun, 2023).

The reliance on borrowing to fund recurrent expenditures reflects a deeper structural problem: an inefficient and excessively large public sector. The Nigerian government remains one of the Africa's most expensive bureaucracies, with a vast administrative structure marked by overlapping responsibilities, duplicate agencies, and exorbitant salaries. Caused by unbridled public spending, political favoritism, and a lack of budgetary restraint, the cost of governance has risen disproportionately to economic performance. Successive governments have turned to borrowing as a temporary solution rather than enacting reforms to improve efficiency and streamline public administration, which has made the nation's financial problems worse.

Nigeria should stop on its current financially reckless path and instead embrace reforms that put an emphasis on effective spending and revenue production. Policies should prioritize raising revenues, diversifying the economy, reducing reliance on borrowing as the main budgetary alternative and reducing needless government spending. When borrowing is required, it must be closely linked to initiatives with quantifiable financial benefits rather than being used as a means of administrative support and political expediency. The failure to realign borrowing patterns with economic objectives will only accelerate the nation's descent into financial insolvency, placing an untenable burden on both present and future generations. The pertinent question remains: how long can a nation continue to borrow simply to sustain itself, rather than to develop itself?

Borrowing-Corruption Nexus – How Borrowed Funds Are Siphoned

Corruption has long been the Achilles' heel of Nigeria's borrowing strategy. The mismanagement of borrowed funds has transformed what should be an instrument for economic progress into a conduit for enriching political elites at the expense of national development (Etefe, 2023). Rather than being deployed for productive investments that generate long-term economic value, a substantial portion of Nigeria's external and domestic borrowings is siphoned through fraudulent contracts, inflated project costs, and outright embezzlement. This systemic corruption has deepened Nigeria's debt crisis, as borrowed funds, instead of catalyzing growth, merely enrich a select few while leaving the broader population to shoulder the repayment burden.

The history record is littered with high-profile scandals involving borrowed monies. Under the administration of President Olusegun Obasanjo, the $16 billion power sector scandal remains one of the most glaring examples of how external loans intended for infrastructure development were misappropriated (The Nation, 2019). Despite the alleged substantial borrowing and spending aimed at increasing Nigeria's capacity to generate more megawatts of electricity, the industry is still in ruins due to regular blackouts and a malfunctioning electrical grid. This enormous investment had no noticeable results and succeeding administrations have kept pumping borrowed money into the industry with little return.

Similarly, the nation saw the robbery of the $2.1 billion weaponry purchase budget, which was meant to support the war against insurgency, during the Goodluck Jonathan administration (Okogba, 2019). The money was purportedly diverted into private accounts and political campaigns rather than military equipment, worsening the security situation and eroding Nigeria's defensive capabilities. The administration also oversaw a period of unrestrained oil revenue leaks and dubious foreign loans, which strengthened the link between borrowing and corruption.

Though the Muhammadu Buhari administration initially opposed corruption, it was not impervious to the embezzlement of borrowed money. The World Bank and the International Monetary Fund (IMF) provided a large portion of the COVID-19 intervention funds, which were later the focus of corruption. Despite the fact that these funds were intended to support the healthcare industry and aid needy Nigerians, audits and investigative reports exposed extensive mismanagement, with money reportedly being siphoned for political and personal purposes (Alhassan, 2024). Additionally, during Buhari's leadership, Nigeria's debt load skyrocketed, with a sizable amount going into projects that were either opaque or never came to fruition, which raised questions about financial responsibility.

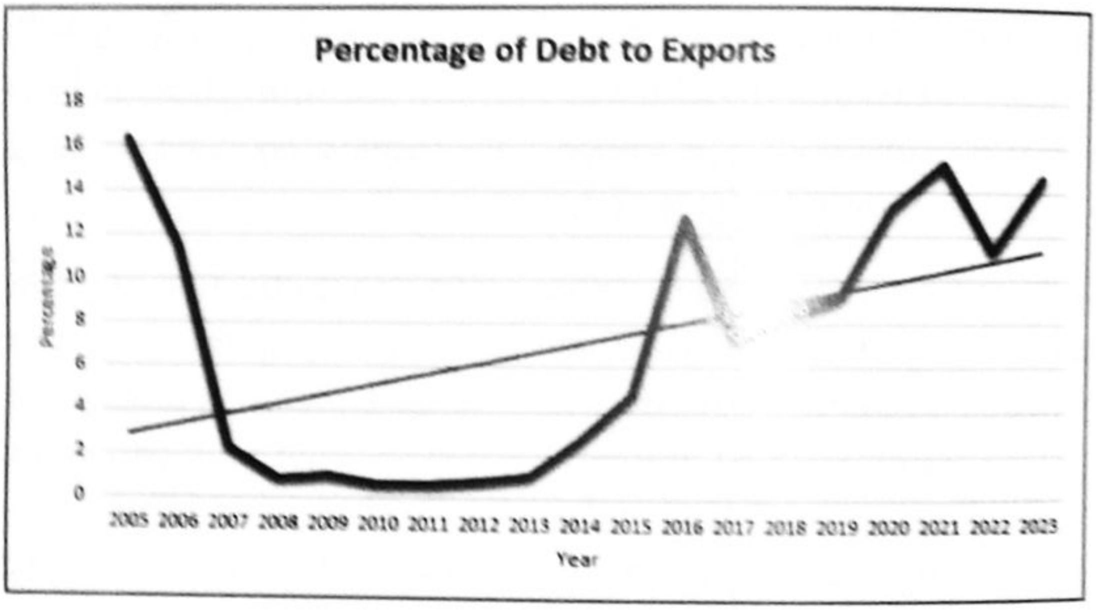
The pattern continues under the present administration. The government still obtains substantial loans, but nothing is known about how they are being used. There are still concerns over who would actually benefit from these loans and if they can be repaid without causing further financial hardship for the country. Financial analysts and opposition MPs have expressed worries about kickbacks and unethical practices in loan talks, and infrastructure contracts—especially those associated with Chinese loans—are frequently exaggerated.

The cycle of debt and plundering has a disastrous effect on the stability of Nigeria's economy. The anticipated multiplier effects, such increased employment, industrial growth, and enhanced infrastructure do not occur when loans are embezzled. Rather, the nation is left with ballooning debt responsibilities, forcing it to spend a growing share of national resources to loan servicing rather than economic improvement programs. Additionally, the careless misappropriation of borrowed money erodes investor trust, which makes it more difficult for Nigeria to get advantageous loan terms down the road. When granting loans, lenders take governance concerns into account, and Nigeria's poor loan use history has lowered its creditworthiness.

If borrowing is to accomplish its intended goal of promoting economic development, a reform of Nigeria's fiscal management structure is needed. Breaking the cycle of borrowing and corruption requires bolstering institutional control, increasing transparency in loan talks, and holding public officials responsible for embezzled fund. If this isn't the case, Nigeria will continue to be caught in a vicious cycle in which every new loan provides a means of elite enrichment while the overall economy becomes even more dependent on debt. The basic problem still stands: can Nigeria ever achieve economic sovereignty if borrowing keeps enriching a corrupt few while making the country poorer?

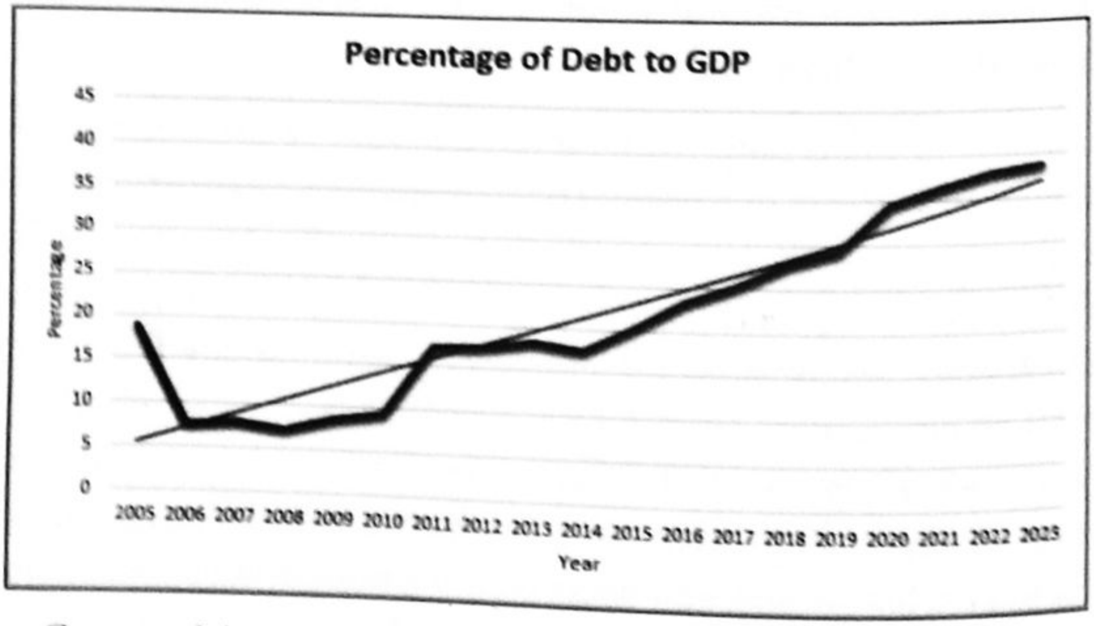
Debt Sustainability Analysis: Trends in Nigeria's Debt-to-GDP and Debt Service-to-Exports Ratios (2005–2023)

Fig. 1: *Trend Analyses of the Debt to Exports Ratio from 2005 to 2023*



Source: Computed from Data from CBN Statistical Bulletin, 2023

Fig. 2: *Trend Analyses of the Debt to GDP Ratio from 2005 to 2023*



Source: Computed from Data from CBN Statistical Bulletin, 2023

The line graphs of the nation's debt-to-GDP (DebtGDP) as well as debt service-to-exports (DebtExp) ratios from 2005 to 2023 show a distinct pattern of rising debt load over time, with notable oscillations impacted by commodity prices worldwide, fiscal policies, and economic trends. Both DebtGDP and DebtExp would sharply drop in the early years, from 2005 to 2007, according to the diagram. DebtGDP declined from 18.9% to 8.1%, while DebtExp saw an even sharper decline from 16.40% to 2.37%. Nigeria's debt relief agreements in the mid-2000s greatly decreased its foreign debt stock and, as a result, the percentage of export revenue used for debt servicing, which is reflected in this steep decline.

After this reprieve, the graphs would show a rather flat trend from 2008 to 2013, as DebtExp stayed below 1.1% and DebtGDP varied between 7.3% and 18.3%. Nigeria appears to have kept its debt profile under control at this time, with reasonable servicing expenses. The export revenues were adequate to cover external debt commitments without causing undue pressure, as indicated by the low and constant DebtExp levels.

The 2014–2016 figure would show a clear upward shift in both metrics. DebtExp rose from 2.74% to 12.81%, while DebtGDP rose from 17.5% to 23.4%. This sharp rise corresponds with the 2014–2016 oil price collapse, which drastically cut Nigeria's export revenue and increased the burden of debt repayment. The discrepancy between these two metrics implies that although Nigeria's total debt load was rising in relation to GDP, its capacity to repay debt was deteriorating as a result of declining export earnings.

The chart would indicate some stability from 2017 to 2019 after the steep surge. While DebtExp varied between 7.40% and 9.24%, DebtGDP grew gradually from 25.3% to 29.2%. This suggests that while the total debt stock continued to grow, debt servicing costs remained relatively stable, likely due to improved export earnings or restructuring of debt obligations.

The diagram would show a dramatic increase in both indices in 2020 and 2021. DebtExp increased to 13.27% and 15.27 percent, respectively, while DebtGDP increased to 34.5% in 2020 and 36.5% in 2021. The COVID-19 pandemic's impact on the world economy led to in poorer export results and more borrowing by the government to pay for stimulus programs. Higher debt commitments and a diminishing ability to repay debt are signs of mounting fiscal strain when both indicators rise at the same time.

DebtExp fluctuated, falling to 11.28% in 2022 before increasing once more to 14.67% in 2023, while DebtGDP reached its greatest level in the dataset, 38.8%, by 2022 and 2023. DebtExp is still erratic, suggesting Nigeria's difficulties in managing its foreign debt in relation to fluctuating export receipts, while DebtGDP shows a continuous increasing trend, reflecting continuing borrowing.

The line diagram's overall trend shows a steady rise in Nigeria's debt load along with a noticeable decline in its ability to service its debt, particularly after 2014. Later years' expanding disparity between DebtGDP and DebtExp emphasizes the increased dependence on borrowing in the face of erratic export earnings. This necessitates policy actions centered on debt sustainability, such as export diversification and responsible borrowing procedures, and increased income production to reduce the hazards brought on by growing debt levels.

SECTION FOUR
ECONOMIC CONSEQUENCES

Reckless borrowing can lead to financial insecurity, stagnation, and slavery for future generations, as seen in Nigeria's present debt trajectory. Unchecked debt buildup has tangible impacts on people's daily lives, public infrastructure, and future generations' finances. This section examines the various economic repercussions of careless borrowing, highlighting how it contributes to future infertility and economic incarceration.

Debt Servitude: How Reckless Borrowing Enslaves Future Generations
The idea that debt only helps with development ignores its long-term effects, especially when borrowing exceeds revenue production. Nigeria's debt load has increased to the extent where paying down debt takes up an excessive amount of public funds (Yakubu, 2025). This leads to economic servitude and a never-ending loop whereby subsequent generations assume responsibilities they did not create. The government continues to rely on foreign loans to fund expenditures, increasing the country's financial fragility, rather than emphasizing revenue diversification and fiscal restraint. Wide-ranging effects result from Nigeria being caught in a vicious cycle where new debt is taken out to pay back previous borrowings rather than for constructive endeavors. This is known as debt overhang. A basic query emerges: Who gains from Nigeria's borrowing binge?

Politicians argue that loans are essential for growth and infrastructure, but the truth is that a significant percentage of it is lost to inefficiency, mismanagement, and outright corruption. Economic growth, job creation, and improved public services—the anticipated benefits of these loans—rarely materialize due to money being either embezzled outright or redirected into unproductive endeavors. There are several examples of waste and misuse throughout Nigeria's borrowing history, ranging from inflated contracts to abandoned projects. The fact that multibillion-dollar projects like power sector upgrades and railroad construction have not always produced comparable returns begs the question of what the real reasons are for borrowing. There might be repercussions for future generations, including increased taxation, fewer social services, and fewer employment options. The accumulation of debt will make it more difficult for next administrations to carry out sustainable growth plans.

Pension funds may run out of money, public sector wages may stagnate, and infrastructure projects may not receive enough funding. The fact that young Nigerians will have to pay back debts they did not accrue rather than inheriting a prosperous economy is among the most concerning features of this trajectory. Because of previous economic mismanagement, a generation is disillusioned and confronting reduced living standards. Long-term effects of debt dependency include economic stagnation and unfairness. When Nigeria borrows money without developing a profitable and productive economy, it cedes its economic sovereignty to foreign creditors. Strong conditions, like policy recommendations that might interfere with domestic economic planning, are frequently included in loan agreements. Prior structural adjustment initiatives have shown that economic frameworks imposed from without can cause instability rather than stability. Nigeria runs the risk of becoming a slave to its creditors and being forced to enact laws that prioritize debt repayment over economic development if its debt load continues to increase unchecked.

A notable repercussion of a nation that is continuously paying for its past wrongdoings is lost potential. It is harmful to put debt repayment ahead of social programs, healthcare, and education. Reduced national competitiveness and deteriorating infrastructure are the results of persistently restricting capital investment. In addition to a debt-ridden economy, future generations will have fewer resources and opportunities, which will reduce productivity. Rather than accruing debt without a clear repayment plan, nations like South Korea and Singapore went from being economically undeveloped to being economic superpowers by investing in vital industries and human resources.

The nation will continue to descend into greater economic reliance, with each new generation becoming less powerful than the one before it, unless immediate measures are implemented to reverse this trend. The choices made today, will determine whether Nigeria's economic destiny remains one of subjugation or one of genuine liberation.

Currency Devaluation and Inflation: Borrowing-Induced Inflationary Pressures

The depreciation of Nigeria's currency over the years is partly attributable to excessive external borrowing. The issuance of sovereign bonds and external debt denominated in foreign currencies places downward pressure on the naira, leading to inflationary spirals (Asonuma, 2016). When the government borrows externally, obligations must be repaid in foreign currencies, increasing the demand for dollars and other hard currencies. This exacerbates foreign exchange volatility, causing the naira to weaken further. As the currency depreciates, import costs rise, leading to higher prices for goods and services. Given Nigeria's heavy reliance on imported consumer and industrial goods, the effects of currency devaluation are swiftly felt across all sectors of the economy, from food prices to manufacturing inputs.

As debt servicing obligations rise, foreign reserves are depleted, making currency stabilization increasingly difficult. Central banks in heavily indebted economies often find themselves in a dilemma—whether to deplete reserves to support the currency or allow depreciation to take its course. In Nigeria's case, interventions by the Central Bank of Nigeria (CBN) have proven insufficient to prevent the naira from plummeting. The government's continued reliance on external borrowing further weakens investor confidence, as creditors demand higher interest rates to compensate for the risk of lending to an economy with a fragile currency. The outcome is a vicious cycle where each new loan exacerbates exchange rate instability rather than alleviating economic constraints.

Empirical studies indicate that countries with high debt-to-GDP ratios experience chronic inflationary pressures due to increased money supply and diminished investor confidence (Lu, 2023). Nigeria's inflation rate, exceeding 28% in 2024 (National Bureau of Statistics, 2024), is not merely the result of global economic factors but is deeply rooted in reckless fiscal policies that prioritize short-term borrowing over long-term sustainability. High inflation erodes purchasing power, disproportionately affecting low- and middle-income earners who find their wages insufficient to meet basic needs. For a country where over 40% of the population already lives below the poverty line, sustained inflationary pressures push even more households into economic distress, worsening inequality and social instability (World Bank, 2024).

Inflation induced by reckless borrowing also distorts financial markets. Rising inflation expectations lead to higher interest rates, increasing borrowing costs for businesses and individuals. When private sector credit becomes expensive, investment declines, and economic growth stagnates. The government, in turn, faces higher domestic borrowing costs, making debt repayment even more challenging. The net effect is a financial environment where economic activity slows, unemployment rises, and public confidence in monetary policy weakens. Nigeria's economy is primarily reliant on the informal sector, which is vulnerable to inflation due to low customer demand and rising operating costs. Excessive borrowing causes inflation, which threatens macroeconomic stability and directly affects prices and currency rates. Persistent inflation devalues savings, discouraging long-term investment and financial planning. Inflation diminishes the value of salaries, leading to more frequent labor unrest and strikes, which impair productivity. Macroeconomic volatility has a negative impact on foreign direct investment (FDI), since investors prefer more predictable conditions. Nigeria's actions continue to worsen inflation rather than lower it, disregarding previous lessons learned. Successfully managing inflation requires disciplined fiscal and monetary strategies. Borrowing causes inflationary pressures, which negatively impact people's economic security due to poor government policies. Nigerians' level of living declines with each new round of borrowing, despite leaders' claims that external loans are necessary for infrastructure and economic development.

Without swift changes to stop careless borrowing and put sensible monetary policies in place, Nigeria runs the risk of further devolving into stagflation, an economic state marked by slow growth and consistently high inflation. A country that mortgages its financial future for unsustainable borrowing is one that guarantees economic hardship for its people, today and for generations to come.

Public Infrastructure Decay: How Unproductive Borrowing Leads to Economic Sterility

Debt, when used effectively, can stimulate infrastructural growth and economic productivity. The historical experience of developed economies demonstrates that well-managed borrowing, when channeled into transformative infrastructure projects, lays the foundation for long-term economic expansion. However, in Nigeria's case, borrowing has largely been squandered on projects that either remain incomplete or fail to generate expected returns (Jeremiah, 2024). Billions of dollars have been secured under the guise of funding critical infrastructure, yet the visible outcomes are negligible. While successive administrations have justified borrowing as a necessity for closing Nigeria's infrastructure gap, a more critical evaluation exposes a pattern of financial recklessness, misallocation of resources, and outright corruption that renders these loans counterproductive.

The reality of Nigeria's public infrastructure landscape tells a story of misplaced priorities and systemic inefficiency. Roads, power plants, and hospitals meant to be financed through loans often become abandoned due to poor planning, inflated contracts, and the diversion of funds for personal enrichment (Egiyi, 2024). The much-publicized Ajaokuta Steel Complex, which was meant to be a cornerstone of industrialization, remains an unproductive asset despite multiple rounds of foreign loans. Similarly, railway projects initiated with borrowed funds frequently suffer from delays, substandard execution, or cost overruns that make them financially unsustainable. Even in the power sector, where billions have been borrowed to improve electricity generation and distribution, the country continues to suffer from erratic supply, forcing businesses and households to rely on expensive alternative energy sources. As a result, Nigeria's infrastructure deficit keeps growing rather than decreasing despite higher borrowing. The government's failure to maintain infrastructure has led to rapid deterioration and a shift in resources from expansion to restoration.

Poor construction quality and a lack of maintenance planning typically necessitate repairs for newly built roads, bridges, and public buildings within a few years. This reactive approach to infrastructure management guarantees that projects do not produce long-term economic benefits even after they are finished. Rather than acting as development catalysts, many projects end up becoming ongoing expenses that necessitate further borrowing to fix their shortcomings.

Ultimately, the borrowing binge has resulted in stagnation and infrastructure deterioration rather than economic activity (Premium Times, 2024). Nigeria's debt-financed infrastructure strategy hasn't raised the country's citizens standard of life or increased productivity. Rather than improving fiscal stability, it has strengthened economic inefficiencies and solidified reliance on foreign lenders. If debt management policies don't drastically change to emphasize accountability, value-driven investments, and transparent execution, Nigeria will continue to be stuck in a predicament where growing debt levels and deteriorating infrastructure conditions coexist. The way forward necessitates a fundamental rethinking of how public debt is deployed in order to achieve true economic transformation, not merely a reduction in reckless borrowing.

Fiscal Straitjacket: The Burden of Loan Repayment Strangling Economic Growth

When government decision-making is restricted by the weight of loan obligations rather than economic considerations, the economy is said to be bound by debt. Currently, Nigeria's debt-service-to-revenue ratio is 96%, which is unsustainable (Balogun, 2023). This means that nearly all of the government's earnings are used to pay off debt rather than investing in productive areas. This financial constraint provides minimal space for economic stimulus, infrastructure expansion, or social welfare programs, effectively stalling national development. This is the defining reality of Nigeria's fiscal position – a country in which economic policy is dictated not by long-term strategic planning but by immediate loan repayment obligations. The consequences of this constrained fiscal space are particularly evident in critical sectors such as education, healthcare, and industrial development. Nigeria's public universities continue to be chronically underfunded, forcing institutions to rely on ad hoc funding arrangements, while the healthcare sector struggles with inadequate infrastructure, a severe brain drain, and a persistent shortage of medical supplies. A government that spends almost all of its revenue on debt servicing has little capacity to respond to economic crises, invest in human capital, or pursue policies that spur industrialization and technological advancement (Egiyi, 2017).

Poor credit availability, high operating costs, and inconsistent government policies continue to hinder the manufacturing sector, which should be the foundation of economic growth. The reason for this is straightforward: a government that is heavily indebted lacks the fiscal flexibility to invest in the very sectors that would spur sustainable economic growth; instead, policymakers turn to short-term solutions, such as increasing taxes on the already overburdened private sector, enacting austerity measures that stifle economic activity, or obtaining yet another round of borrowing to stay afloat. Retaliatory policies create a cycle of fiscal instability, replacing necessary structural reforms with short-term remedies.

What are the other choices? A nation must reconcile borrowing and revenue creation. Maintain fiscal restraint and use debt to drive prosperity, not burden future generations. Nigeria's financial weakness is due to its dependence on crude oil and inadequate taxation. Despite efforts to diversify the economy, oil remains the principal source of revenue, exposing the country to global price volatility. Oil price volatility causes government earnings to be unpredictable. This situation is made worse by a tax regime that is still very inefficient; Nigeria has one of the lowest tax-to-GDP ratios in the world, at roughly 6% (OECD, 2024), significantly below the 17% average for Africa. A continuous dependency on borrowing arises from the government's insufficient tax base. This makes it difficult to sustain its expanding spending. According to Abindaw et al. (2023), the country's unsustainable fiscal model leads to the acquisition of new loans to pay off previous obligations, perpetuating the debt cycle. The debt rollover approach provides short-term liquidity but does not solve the economy's basic issues. Instead, it promotes a false impression of stability and hides a budgetary catastrophe.

As debt builds, succeeding administrations will be pushed to borrow even more, aggravating the problem rather than addressing it. Nigeria's economic sovereignty is directly damaged by the debt spiral, making it a real-world worry. As a country's debt increases, its ability to control its economic policies decreases due to higher budgetary expectations from creditors. International financial institutions are urging Nigeria to implement austerity measures, reduce subsidies, and weaken its currency. Although these policies strive to stabilize public finances, they frequently disproportionately impact the most disadvantaged sections of society.

Nigeria's future is gloomy if it continues in this way. Borrowing and repaying debt is not sustainable for long-term economic growth. To enhance public finances, the government should focus on lucrative investments, efficient spending, and revenue mobilization. Goals include expanding the tax base, reducing wasteful spending, and directing borrowed funds towards high-yield projects rather than political ones. Without these measures, Nigeria's economy will stagnate due to debt, rather than pushing progress. If reckless borrowing continues, future generations will face limited opportunities, greater tax loads, and an economy unable to overcome debt dependency. Urgent action is required right now.

Cross-generational Crisis: Today's Reckless Borrowing Mortgages the Unborn

Careless borrowing has severe consequences for future generations, which are often overlooked.

The economic choices made today do not exist in a vacuum—they shape the financial landscape that unborn Nigerians will inherit. When a government borrows irresponsibly without a clear strategy for repayment or productive reinvestment, it does not merely mortgage the present; it compromises the economic freedom of generations yet to come. The trajectory Nigeria is currently on suggests a grim inheritance—one in which the country's youth will be shackled to a debt burden they did not create, forced to bear the consequences of economic mismanagement and fiscal irresponsibility (Egiyi, 2024).

Intergenerational equity, a fundamental tenet of responsible governance, dictates that economic policies should be designed to ensure that future citizens are not unduly burdened by the financial decisions of their predecessors. However, Nigeria's fiscal trajectory has blatantly violated this principle. Young and unborn Nigerians are being sentenced to economic hardship before they even take their first breath, their futures mortgaged to sustain the excesses of today's political class. The rising debt burden translates into increased taxation, diminished public services, and restricted job opportunities. In a nation where healthcare, education, and infrastructure are already in terrible straits, what will be left for coming generations if the present leaders keep up their reckless financial behavior?

The early warning indicators—high youth unemployment, dwindling real earnings, as well as a migration of highly qualified individuals looking for greater opportunities outside. The next generation will inherit an economy where possibilities are limited, social mobility is suppressed, and prosperity is an unachievable fantasy if remedial action is not taken. A warning is provided by the experiences of countries that are heavily indebted. There are several instances throughout history of nations experiencing protracted economic crises as a result of careless borrowing.

The question that needs to be asked is: Is Nigeria setting itself up for the same fate? The indicators of doom are already there—rising inflation, eroding investor confidence, and a rising percentage of government revenue being diverted to debt servicing rather than development. Argentina, once a thriving economy, has been trapped in a cycle of debt defaults, currency devaluations, and IMF bailouts, leaving its citizens living with constant economic instability. Venezuela's debt-fueled economic collapse has culminated in hyperinflation, widespread poverty, and mass emigration; and Greece, following years of reckless borrowing, faced a limiting financial crisis that led to severe austerity measures and many years of economic stagnation.

Beyond the economic repercussions, reckless borrowing has an ethical component that cannot be disregarded: What right does the current generation have to make financial decisions that will severely limit the opportunities of unborn generations? Borrowing today is not considered an investment in the future, instead it is a theft from it.

Borrowed funds are diverted towards unproductive undertakings with little to no economic return, rather than companies that provide jobs for the youth. Poor management has significant economic ramifications for Nigerian households beyond financial reports and spreadsheets.

Increased debt can lead to higher tax expenses for people and businesses, limiting investment and entrepreneurship. Underfunding for key services like healthcare and education will persist, causing infrastructure projects to be delayed or abandoned entirely. The next generation will inherit a shattered economy with scarcity, unemployment, and untapped potential, rather than a country prepared for growth and success.

The period of relaxation is over. If Nigeria keeps borrowing recklessly, the next generation will inherit a nation afflicted by stagnant economies, government fiscal constraints, and a heavily indebted economy. Today's choices will determine whether Nigeria's youth thrive or suffer from inherited financial servitude. Leaders ought to emphasize budgetary accountability over political expediency.

SECTION FIVE
MYTH OF BORROWING AS ECONOMIC SALVATION

Borrowing is considered as a vital instrument for economic development and expansion, often justified by governments, financial organizations, and policymakers as a means to boost investment, boost infrastructure development, and reduce budget deficits. However, inappropriate borrowing management can adversely affect economies, leading to corruption, dependency, and fiscal collapse. Debt is not the answer to economic difficulties and may result in long-term consequences.

Illusion of "Good Debt" in the Wrong Hands

Multilateral organizations like the World Bank, International Monetary Fund (IMF), and China's Exim Bank offer credit facilities. This financial inflow notwithstanding, the economic results are still dire. What should have been productive borrowing have been turned into an insurmountable liability due to misallocation, inefficiency, and outright embezzlement. This phenomenon is epitomized by the proliferation of white elephant projects; bold infrastructure initiatives that consume vast sums of borrowed capital but never reach completion or fail to contribute meaningfully to economic growth and development (Egiyi, 2024).

The Nigeria's borrowing history is filled with failed or mismanaged projects. The Ajaokuta Steel Mill, a project that has spanned decades and absorbed billions of dollars in funding, remains non-operational, highlighting how debt-financed industrial ambitions can turn into financial black holes. Likewise, the East-West Road, a critical infrastructure project meant to improve connectivity in the Niger Delta, has suffered from continuous delays and budget overruns, with little to show for the funds expended. Social-sector-focused loans, such as those allocated for education and healthcare, have often failed to yield expected outcomes due to mismanagement and systemic corruption. In the wake of the COVID-19 pandemic, Nigeria secured billions in emergency loans from global financial institutions, ostensibly to mitigate the health and economic crisis. However, reports later revealed significant discrepancies in how these funds were utilized, with allegations of diversion and waste dominating public discourse (Igwe, 2020).

One wonders whether the nation's borrowing always equate to economic progress? Nigeria's staggering debt profile should have translated into a robust economy marked by industrial expansion, job creation, and improved living standards, if debt were inherently beneficial. Rather than financing genuine development, a significant portion of borrowed funds has been channeled to recurrent expenditures, inflated government contracts, and outright looting. Consequently, debt accumulation without corresponding productivity merely deepens economic fragility, entrapping nations in a vicious cycle of borrowing to repay previous loans rather than investing in sustainable growth and development (Eze & Ukwueni, 2023).

Debt dependency cycle is evident in Nigeria's fiscal framework, where new loans are routinely acquired to service old debts. The government's debt-service-to-revenue ratio currently stands at an alarming 96% (IMF, 2024), meaning that almost all government earnings are allocated to repaying creditors, leaving little room for capital investment in critical sectors. Funds that could have been deployed for productive ventures are instead funneled into loan repayments thereby inhibiting economic expansion. The resultant effect is a governance model where debt becomes a self-perpetuating burden—one that does not fund development but rather sustains a dysfunctional economic system.

Nigeria's borrowing excitement raises questions regarding sovereignty and economic independence. External financiers, including China, have provided huge loans for growth in infrastructure, often with conditions giving them control over essential national assets in the case of default. As a result of such loan agreements, many African countries, including Zambia and Kenya, are facing the prospect of foreign takeover of key infrastructure assets.

Debt is neither necessarily good or evil; rather, how it is handled determines its effects. Borrowing, when handled wisely, can foster industry, innovation, and economic resilience, ultimately boosting national prosperity. Misusing debt can result in financial irresponsibility, compromising economic stability and a country's future. To prevent the detrimental borrowing culture, Nigeria's fiscal strategy should stress revenue diversification, prudent spending, and accountability. Borrowing as a strategic instrument for economic development can help Nigeria overcome the cycle of inefficient governance.

False Growth Narrative: How Borrowed Funds Create Short-Term Illusions of Economic Prosperity

The borrowing of funds for political projects or continuing expenses can produce illusory economic booms and conceal fundamental weaknesses. Using outside financing to promote consumption instead of investing in productive industries can lead to transitory benefits like greater public sector pay, increased social spending, and a brief increase in GDP. These may give the impression of economic development, reinforcing the notion that debt-fueled expansion is a realistic growth strategy. Short-term gains are not indicative of true productivity improvements or long-term economic resilience (World Bank, 2024).

A classic example is Nigeria's reliance on foreign loans to fund budget deficits instead of generating internal revenue through taxation and industrial growth. Budgetary allocations financed through debt may sustain government operations in the short term, but they fail to address fundamental economic inefficiencies. Over time, as repayment obligations mount, governments are forced into austerity measures, currency devaluations, and excessive taxation, all of which erode whatever transient benefits debt-financed spending may have created (Egiyi, 2024). The result is a cycle where borrowed funds are used to create an illusion of stability, only for the economy to face severe contractions once creditors demand repayment.

The consequences of debt-driven economic growth extend beyond government finances. As public debt increases, investor confidence dwindles, leading to capital flight and reduced foreign direct investment. The private sector, instead of benefiting from government spending, often bears the brunt of excessive borrowing through inflationary pressures, higher interest rates, and constrained access to credit. An economy that relies on borrowing to stay afloat eventually runs the risk of becoming a delicate system in which the appearance of wealth disintegrates as soon as outside funding stops trickling in. When economic expansion is not underpinned by genuine productivity, it will surely collapse under the weight of its own deception. Not just the artificial stimulation of demand through borrowed money, sustainable growth requires strategic investment in industries that generate wealth. If there is no fundamental shift towards productive economic policies, Nigeria risks perpetuating a cycle of illusionary growth that ultimately leads to stagnation and crisis.

Borrowing as a Substitute for Productivity: Why It is a Lazy Economic Strategy

Sustainable economic growth is driven by productivity—innovation, industrialization, and efficient resource utilization. However, rather than fostering entrepreneurship, strengthening local industries, and enhancing domestic production, many governments, including Nigeria's, have adopted a complacent approach: using borrowing as a shortcut to economic stability. Instead of implementing structural reforms that promote wealth creation, policymakers take the easier route of acquiring foreign loans to finance recurrent expenditures and consumption, creating a fragile economic model that is neither self-sustaining nor resilient (Egiyi, 2024).

The dangers of this borrowing-dependent strategy are far-reaching:

- **Dependency Syndrome**: When borrowing becomes the default fiscal strategy, governments lose the political will to implement difficult but necessary economic reforms. Reliance on external loans discourages long-term planning, as policymakers become more focused on securing new credit lines rather than driving domestic productivity (Tung & Nguyen, 2024).
- **Crowding Out Productive Investment**: Excessive government borrowing absorbs available credit in the financial system, leading to higher interest rates that make it more expensive for businesses to access capital. This stifles entrepreneurship and discourages investment in productive sectors, ultimately weakening the real economy (Yusuf & Mohd, 2021).
- **Sovereignty Erosion**: Countries that accumulate unsustainable debt often find themselves beholden to creditors who impose stringent conditions on economic policy. This external control can force

governments to implement austerity measures or prioritize debt repayment over critical domestic needs, undermining national development goals (Egiyi, 2022b).

Debt can never serve as a replacement for productivity-driven economic growth. A nation that fails to develop strong domestic industries will remain vulnerable to external shocks, fiscal instability, and perpetual economic stagnation. Borrowing should complement, not substitute, productivity. Without investment in manufacturing, technology, and local value chains, debt-funded growth will always be an illusion—one that collapses under the weight of its own unsustainability.

Comparative Cases

Ghana: A Cautionary Tale of Debt Dependence

Ghana, once hailed as an African economic success story, serves as a stark warning of the perils of excessive borrowing. The country aggressively accumulated external debt in its pursuit of rapid development in order to finance large-scale infrastructure projects and social programs. Initially, this strategy powered impressive short-term economic expansion, creating the mirage of sustainable growth. When the repayment obligations mounted and revenue generation delayed, Ghana found itself in a fiscal crisis and eventually sought an IMF bailout in 2023 to stabilize its deteriorating economy (Akolgo, 2023).

Debt-financed growth is unsustainable when it is not supported by bold domestic production and diversification of revenue. Nations become trapped in cycles of borrowing to service previous loans rather than investing in long-term economic transformation if there is no strong industrial base and an efficient taxation system.

Nigeria's current debt history closely reflects Ghana's, raising serious concerns about an impending economic reckoning. The country risks facing a similar fate; one where the burden of debt repayment constrains development, erodes investor confidence, and forces desperate fiscal measures that could destabilize the economy, if borrowing continues to outpace revenue growth. A fundamental economic truth is highlighted by the Ghanaian experience.

China's Debt Diplomacy in Africa—Economic Assistance or Neocolonial Entrapment?

China has consistently had financial engagement with Africa. This has become a focal point of global economic discourse. The narratives are whether it represents a catalyst for development or a new form of economic subjugation. China's extensive infrastructure investments—spanning roads, railways, ports, and power grids appear to be a boom for Africa's long-standing developmental needs. Nevertheless, beneath this show lies a complex web of opaque loan agreements, stringent repayment terms, and strategic economic dependencies that raise fundamental concerns about sovereignty and long-term financial stability (McCarthy, 2023).

China employs a bilateral lending model, often bypassing the rigorous transparency and accountability mechanisms associated with Western financial institutions. Eager for rapid infrastructure expansion, African governments have embraced Chinese loans without fully considering their long-term fiscal implications. These loans frequently come with high-interest rates and clauses on collateral that require strategic national assets, such as ports, railways, or mineral resources, to serve as guarantees for repayment. In cases of default, debtor nations face the risk of economic entrapment, where China gains disproportionate control over vital national infrastructure (Soy, 2023).

A prominent example of this dilemma is Kenya's Standard Gauge Railway, a multibillion-dollar project financed by Chinese loans. Initially lauded as a transformative investment to boost trade and connectivity, the railway has since struggled to generate the necessary revenue to cover its debt obligations. Reports indicate that Kenya's government is grappling with mounting repayment pressures, with fears that defaulting on its obligations could lead to Chinese control over key transport assets (Soy, 2023). Similar concerns have been raised in Zambia, where China's increasing economic leverage has led to speculation about Beijing's influence over Zambia's copper mining sector, a vital source of national revenue (Chibueze, 2023).

Nigeria is following a strikingly similar trajectory. Over the past decade, the country has significantly increased its reliance on Chinese loans to finance major infrastructure projects, including railways, highways, and energy developments. While these projects address critical infrastructure deficits, they come at the cost of rising debt obligations that threaten Nigeria's long-term fiscal health. With limited transparency surrounding loan agreements, concerns persist over whether Nigeria's growing indebtedness to China will eventually translate into a loss of economic autonomy. The lack of clear repayment strategies raises the specter of future economic dependency, where Nigeria may be forced into unfavourable trade deals, policy concessions, or asset relinquishments to meet its debt obligations (McCarthy, 2023).

At the heart of this debate lies a critical question: Is Chinese lending a genuine vehicle for African economic development, or does it serve as a tool for financial dominance? Proponents argue that China's infrastructure financing has filled a void left by Western institutions that have been hesitant to fund large-scale projects in Africa. They contend that roads, railways, and power plants built through Chinese partnerships are crucial for economic modernization and industrialization. However, critics point to a growing pattern of debt distress in African nations, where heavy reliance on Chinese loans has resulted in unsustainable repayment burdens, reduced fiscal independence, and an increased risk of economic coercion (Akolgo, 2023).

The lesson from past debt crises is clear: unregulated borrowing—regardless of the lender—can lead to long-term economic instability. If African nations fail to establish prudent fiscal policies, diversify revenue streams, and renegotiate unfavourable loan terms, they risk becoming entangled in debt obligations that compromise their sovereignty. Without strong governance, transparency, and strategic economic planning, China's financial assistance may morph into an economic stranglehold that limits Africa's ability to chart its own independent development path.

SECTION SIX
CONCLUSION

Reaffirming the Key Point: Reckless Borrowing is a Financial Time Bomb.

Continuous debt buildup poses a severe threat to any country's economic stability, especially where it is done without strategic planning. Nigeria's reckless borrowing has resulted in financial stagnation, increasing debt-servicing burdens, and the collapse of fiscal sovereignty, as has been amply discussed. The country's financial irresponsibility has led to borrowing to cover expenses rather than investing, posing a risk to its future. If immediate action is not taken, the country risks falling into economic slavery, where debt service takes precedence above prosperity.

Borrowing is frequently misinterpreted in economic policy as an indicator of advancement. Misconceptions have resulted in Nigerian governments incurring unmanageable debt, sometimes rationalized as required for infrastructure expenditure. Borrowing has mostly benefitted a select few, leaving the broader public to pay the economic consequences, as seen in failed or abandoned projects around the country. Improper borrowing poses a significant threat to Nigeria's economic future, not merely a financial mistake.

Historical Lessons: Economic Servitude vs. Cautious Borrowing.

The global economic landscape cautions both countries that use borrowing for growth and those who suffer debt crises because of careless borrowing. Argentina and Venezuela are clear examples of the consequences of fiscal recklessness, which resulted in hyperinflation, a drop in investor confidence, and a total collapse in their economies. Singapore and South Korea demonstrate responsible borrowing habits. Following the Korean

War, South Korea used debt to fund education, industry, and technology, resulting in the country being one of the world's most successful. Singapore, led by Lee Kuan Yew, prioritizes focused public spending, sound fiscal management, and foreign direct investment over excessive borrowing.

Moral Responsibility of Today's Leaders: A Debt-Free or Debt-Enslaved Future?

Leadership is founded on stewardship, which means that current acts do not hurt future generations. Nigeria's current activities indicate the need to mortgage the future generations of unborn citizens, while reckless borrowing persists. Continuous borrowing above sustainable income production will lead to economic enslavement for a country's future generations.

It is imperative that Nigerian officials recognize that every loan taken out today imposes a financial burden on the next generation. Little room is left for critical investments in health, education, and infrastructure due to the interest payments alone on existing debts which already consume a disproportionate share of government revenue. One may wonder whether today's leaders should continue to mortgage the country's future for short-term political gains, or whether they should commit to an economic model that prioritizes sustainability over expediency.

In order to ensure that debt accumulation is not simply a means for political elites to enrich themselves at the expense of national stability, public accountability must also be reinforced. Critical in breaking the cycle of reckless borrowing are transparency in debt procurement, effective oversight mechanisms, and stringent anti-corruption measures.

Final Charge: Breaking the Cycle of Economic Incarceration

At this defining crossroads in which our nation stands, the choices to be made today will determine whether the country will emerge as a resilient economic powerhouse or will remain trapped in a perpetual cycle of debt dependency.

In order to break free from economic incarceration, a multi-faceted approach is required:

- **Fiscal Discipline**: Revenue generation through diversified economic strategies rather than relying on unsustainable borrowing must be prioritized by the government.
- **Productive Investment:** Borrowing has to be restricted to initiatives with quantifiable financial returns in order to guarantee that debt drives growth rather than obligations.
- **Strengthening Institutions:** Independent monitoring organizations must be given the authority to examine debt agreements in order to guarantee accountability and openness in public finance.
- **Public Awareness and Advocacy:** Citizens must demand good governance because economic freedom is ultimately a common duty.

Ways to Redemption

Nigeria's economy is not irreversibly bound by the chains of reckless borrowing. While the nation's current debt trajectory paints a miserable picture of fiscal enslavement, there still exist viable pathways to redemption. Addressing the borrowing crisis requires strategic policy interventions, institutional reforms, and a paradigm shift from dependency on debt-driven growth to self-sustaining economic strategies.

The practical solution that can steer Nigeria away from debt-induced economic incarceration are:

Prudent Borrowing Strategies: Borrowing for Production, Not Consumption

One of the fundamental problems with Nigeria's borrowing pattern is the misuse of loans for recurrent expenditures rather than productive investments. Sound economic principles dictate that debt should be leveraged for investments that generate future revenue streams, such as infrastructure, industrialization, and human capital development. However, Nigeria's borrowing spree has largely been directed at funding government overheads, paying salaries, and servicing previous debts, creating a vicious cycle of dependency (World Bank, 2024).

A fundamental shift must occur wherein borrowing is strictly tied to projects with measurable returns. Countries that have successfully used debt as a growth catalyst – such as South Korea and Singapore – adopted a disciplined approach, ensuring that every borrowed dollar was strategically deployed into high-yield sectors (Tung & Nguyen, 2024). Nigeria must prioritize borrowing for industrial expansion, renewable energy, agriculture, and digital economy advancements to foster sustainable growth and debt repayment capacity.

Debt Transparency and Accountability: The Role of Public Oversight

Lack of transparency in Nigeria's borrowing process exacerbates fiscal recklessness. Many loans are secured without parliamentary scrutiny or public awareness, leading to misallocation and corruption (Farazmand et al., 2022; Egiyi, 2022c). A culture of secrecy surrounds debt negotiations, with contracts often containing unfavourable clauses that mortgage the nation's sovereignty.

Debt transparency requires comprehensive disclosure of loan terms, creditors, interest rates, and repayment schedules. Countries such as Chile and Sweden have institutionalized robust debt audit mechanisms, ensuring that borrowing decisions are made with full public knowledge and accountability (El-Dyasty & Elamer, 2022). Nigeria must adopt similar measures, including:

- A legal framework mandating parliamentary approval for all new loans.
- Public access to debt data through an independent debt management portal.
- Civil society involvement in monitoring debt utilization and government expenditures.

Enhanced accountability mechanisms would significantly reduce corruption and ensure that borrowed funds serve their intended developmental purposes rather than personal enrichment of the political elite (Egiyi, 2022d).

Alternative Financing Models: Leveraging Domestic Revenue Generation, PPPs, and Economic Diversification

Over-reliance on external borrowing is a symptom of deeper structural weaknesses in Nigeria's revenue generation framework. A sustainable alternative to reckless borrowing is to strengthen domestic revenue mobilization through tax reforms, public-private partnerships (PPPs), and economic diversification.

1. Expanding Tax Revenues:

Nigeria's tax-to-GDP ratio remains among the lowest in the world at approximately 6% (Ochigbo, 2024). Enhancing tax compliance, broadening the tax base, and digitalizing revenue collection systems can significantly boost government income. Effective taxation policies in Rwanda and Kenya demonstrate how increased domestic revenue mobilization can reduce dependence on foreign debt.

2. Public-Private Partnerships (PPPs):
Instead of relying on sovereign debt for infrastructural development, Nigeria must harness the power of PPPs. Many countries have successfully implemented this model, using private sector financing for public projects while maintaining government oversight. Sectors such as energy, transport, and healthcare can greatly benefit from well-structured PPP arrangements (Fabre & Straub, 2023).

3. Economic Diversification:
A major driver of Nigeria's borrowing crisis is the country's heavy reliance on oil revenues, which fluctuate due to volatile global prices. Diversifying into non-oil sectors such as agriculture, manufacturing, and technology will create alternative revenue streams and reduce fiscal vulnerabilities (Olodun, 2024). Malaysia's transition from a commodity-dependent economy to a diversified industrial hub provides valuable lessons for Nigeria's economic restructuring (MIDA, 2024).

Strengthening Economic Institutions: Policies That Ensure Debt Sustainability
Sustained economic reforms can not occur in the absence of strong institutions that regulate fiscal discipline and debt sustainability. Nigeria's institutional framework must be reinforced to prevent reckless borrowing, enhance economic governance, and promote financial stability.

1. Strengthening the Debt Management Office (DMO):
The DMO must be granted greater autonomy to independently assess loan viability and ensure that new borrowings align with national development goals. Establishing a debt sustainability threshold, beyond which

borrowing is prohibited, will curb excessive debt accumulation (Gobna et al., 2022).

2. **Fiscal Responsibility Laws:**

Enforcing fiscal responsibility through legally binding frameworks will prevent deficit financing without corresponding revenue generation (Egiyi, 2020). Countries such as Germany and Switzerland have implemented "debt brake" policies that legally limit government borrowing to sustainable levels.

3. **Strengthening Anti-Corruption Mechanisms:**

Corruption exacerbates debt mismanagement. Ensuring that borrowed funds are properly utilized requires an empowered anti-corruption framework, where agencies such as the Economic and Financial Crimes Commission (EFCC) and independent audit bodies have the legal mandate to track public expenditures without political interference (Okogba, 2024).

Nigeria's debt crisis is not insurmountable, but addressing it requires bold leadership, economic foresight, and an unwavering commitment to the principles of sustainable development. The battle against economic incarceration starts with breaking the cycle of reckless borrowing, and the time to act is now.

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APPENDIX 1:

Percentage of Debt to GDP and Debt to Exports

Year	*DebtGDP*	*DebtExp*
2005	18.9	16.39651
2006	7.7	11.57924
2007	8.1	2.372559
2008	7.3	0.889152
2009	8.6	1.091573
2010	9.4	0.716262
2011	17.4	0.676956
2012	17.6	0.852085
2013	18.3	1.046363
2014	17.5	2.744261
2015	20.3	4.784783
2016	23.4	12.80529
2017	25.3	7.401721
2018	27.7	8.45932
2019	29.2	9.24012
2020	34.5	13.27133
2021	36.5	15.27472
2022	38	11.27758
2023	38.8	14.67478

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I appreciate the Governing Council Chairman and Pro Chancellor of Godfrey Okoye University, Prof Christian Nwachukwu Okeke, and all the members of Council for giving me the opportunity to serve, the Chairman of the Board of Trustees, Prof Bartho Okolo, and all the members of BOT, the principal officers of the university, members of the academic staff and administrative staff, academic and service directors. Prof. Gozie Ogbodo, who is now the Rector of the Institute of Management and Technology for proofreading my work. The Chairman of the Inaugural lecture Committee, Prof Sergius Udeh, and his team for ensuring a smooth and seamless process. Your meticulous planning and commitment have made this significant milestone a reality. The Chairwoman of the Ceremonies Committee, Dr. Linda Ugwuonah, for ensuring that this event is a smooth one. All the elderly women in the university who took me as their special daughter and the younger ones who told me that I have inspired them to do better. The management and staff of Godfrey Okoye University Nursery, Primary and Secondary Schools. The accounting unit of Godfrey

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To my lovely kids, Munachimso, Chimamanda, Otitodirichukwu, and Jaachike. They love me exceptionally and always pray for me. I love them all, equally. I will not fail to acknowledge my father-in-law for his special appreciation of me in the family and his prayers always. I appreciate all the Raymond Egiyi family members.

Sincerely, I thank all my course mates from the secondary school and beyond for their understanding and co-operation throughout our stay together. May God bless you all and help us achieve our various ambitions.

To the members of staff of the Bursary Unit of Godfrey Okoye University, Enugu, for their assistance throughout this journey, I appreciate. Their dedication to duty helped me to navigate the various tasks before me and ensure that I deliver at all times. You are all dependable, and God will always send divine helpers your way.

I appreciate the 60th President of ICAN, Chief Davidson C. S. Alaribe MA, FCA, and all the Council members here present for their sacrifice to be with me today. I am equally grateful to the EXCO and members of the Enugu District and Societies of Institute of Chartered Accountants of Nigeria, (ICAN), the Chartered Institute of Taxation of Nigeria, (CITN) and the Society of Women Accountants in Nigeria, (SWAN) for their love. UP SWAN! Thank you.

I will also not fail to thank the members of Unique Sisters Association, where I am currently the chairman for their trust and support. The members of the Umuozoewo Women Association, Home and Abroad, are not left out for their trust. I have been their treasurer for more than a decade. I appreciate the Obinwanne Women Age Grade and Awesome Sisters of Ezeagu Associations for their love. I am equally their treasurers. I appreciate the other organizations and associations that I belong to and serve in various capacities.

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Finally, my gratitude goes to you all for being part of this memorable occasion.

THANK YOU.

itation of Prof. Dr. Modesta Amaka Egiyi The 17th Inaugural Lecturer of odfrey Okoye University, Enugu, Nigeria

Prof. Modesta Amaka Egiyi was born on 18 June 1978 into the family of Mr. Elias Nnaemeka and Mrs. Dorothy Ani. She is the second of five children. Her early educational journey began at Housing Estate Primary School, Abakpa Nike, Enugu (1981–1986), and continued at Girls' Secondary School, Abakpa Nike, Enugu (1986–1992), where she distinguished herself early by receiving the Best Student in Academics award in Senior Secondary One in 1990. She earned her B.Sc. in Accountancy from Enugu State University of Science and Technology (ESUT) in 2002, her M.Sc. in Accountancy from the University of Nigeria, Enugu Campus (UNEC) in 2014, and her Ph. D. also in Accountancy, from the same university in 2019.

Prof. Modesta began her career at Godfrey Okoye University in 2009 as one of the pioneer staff members, serving first as an Accountant and later rising to the esteemed position of Bursar. Her passion for teaching led her to transition into academics in 2016 as a Lecturer II. Through diligence, research, and exceptional contributions to scholarship, she rose to become a full Professor of Accounting. Her areas of specialization include management and cost accounting, financial reporting, taxation, and auditing.

She is a respected scholar and a prolific researcher, with an impressive portfolio of seventy-one journal articles published in reputable academic outlets. She has participated in forty-five local and international conferences. Her research reflects a commitment to advancing the discipline of accounting and contributing solutions to contemporary issues in financial management and education. In recognition of her excellence in teaching and scholarly productivity, she received the Best Academic Staff Award in the Faculty of Management and Social Sciences at Godfrey Okoye University for the 2023/2024 academic session.

Prof. Modesta holds several prestigious professional memberships. She is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), the Institute of Corporate Administration of Nigeria (ICAD), and the Institute of Professional Managers and Administrators of Nigeria (IPMA). She is also a full member of the Institute of Internal Auditors of Nigeria (IIAN), an Associate of the Chartered Institute of Taxation of Nigeria (CITN), and an active member of the Society of Women Accountants of Nigeria (SWAN). Her remarkable service to the university was recognized when she was inducted into the Hall of Fame of Godfrey Okoye University, Enugu.

Her sense of duty and leadership extends beyond academia. She served as the Secretary of the Annual Accountants Conference of the Enugu and District Society of ICAN in 2019 and continues to be a dedicated member. She chaired the Local Organizing Committee of the 8th ICAN Academic Conference in 2023 and led the ICAN Accreditation Preparation Committee of the Accounting Department at Godfrey Okoye University in 2024. She has held vital positions as Financial Secretary of the Association of Bursars of Nigerian Universities and Chairperson of its Debt Recovery Committee. She also served as a international conferences. Her research reflects a commitment to advancing the discipline of accounting and contributing solutions to contemporary issues in financial management and education. In recognition of her excellence in teaching and scholarly productivity, she received the Best Academic Staff Award in the Faculty of Management and Social Sciences at Godfrey Okoye University for the 2023/2024 academic session.

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Consultant to the International Centre for Migration Policy Development (ICMPD), Vienna, Austria, in 2021. Her community involvement includes roles such as Chairperson of the International Women's Day Committee of SWAN, Enugu Chapter (March 2025), member of the Bazaar Committee of the Omnium Sanctorum Chaplaincy (2024), and currently, Chairperson of the Godfrey Okoye University Marathon Committee. Her commitment to service in both sacred and secular spaces includes serving as secretary and treasurer to various church and social organisations.

Her sterling achievements have attracted numerous recognitions and awards. These include the Distinguished Merit Award for Bursars of Nigerian Universities in the South East by the Financial Review in 2014; a Merit Award for her exceptional service to the Girls' Initiative in 2014; a Merit Award for her exceptional service to the Girls' Secondary School, Abakpa Nike Old Girls Association (2021), where she was appointed Patron in 2020; and an Award of Excellence from the Enugu and District Society of ICAN in 2022 for her contributions to the growth of the professional body. She was conferred the title of Ambassador of Christ by the Enugu Deanery Catholic Women Organization in 2023, and an award as Patroness of the Catholic Women Organization of the Omnium Sanctorum Chaplaincy in 2024. She received the Award of Excellence and Innovation from the Chartered Institute of Taxation of Nigeria (Southeast Zone) for significantly improving government revenue generation between 2023 and 2024. In 2025, she was honoured with an Award of Recognition by the Society of Women Accountants of Nigeria (SWAN), Enugu Chapter, for her unwavering support and remarkable accomplishments within the profession.

Beyond her academic and professional engagements, Prof. Modesta enjoys reading, listening to music, travelling, and community service. She is happily married. God blessed her with four children.

Distinguished ladies and gentlemen, esteemed colleagues, and beloved students, it is truly a privilege to present to you an icon of academic excellence and a beacon of professional integrity. Please join me in welcoming **Prof. Modesta Amaka Egiyi**, the 17th Inaugural Lecturer of Godfrey Okoye University, as she shares her wealth of knowledge and insight with us today on **Today's Reckless Borrowing: Economic Incarceration and Infertility for Tomorrow.**

17TH INAUGURAL LECTURE
ORDER OF PROGRAMME

1. Procession to Peter Mbah Law Auditorium from the E-Library
2. National Anthem
3. University Anthem
4. Opening Prayers
5. Recognition/Introduction
6. Vice Chancellor's Opening Remark
7. Musical Interlude
8. Citation of Inaugural Lecturer
9. Inaugural Lecture
10. Award of Certificate to the Inaugural Lecturer
11. Vote of Thanks
12. Closing Remark
13. Closing Prayer
14. National Anthem
15. Photograph – with the Council Members, Principal Officers, and Members of the Senate in the Auditorium
16. Recession
17. Group Photographs: