Research Article

Analysis of the Relationship Between External Debt and Economic Growth and Development in Nigeria

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Abstract: With a focus on Nigeria specifically, this study examined the country's external debt and economic growth from 1985 to 2014. The underdevelopment of Nigeria is one of the study's main issues economy. Measuring how external debt affects the country's growth is one of the study's goals. According to the theoretical perspective, external debt is a tool of fiscal policy that closes the savings gap. The ex-post facto method of design was the research design employed in this study. With GDP as the dependent variable and multilateral debt, Paris Club debt, London Club debt, promissory notes, and other debt as the independent variables, the findings were analyzed using the ordinary least square multiple regression analytical approach. The hypotheses were tested using the Pearson correlation and the student T-test. All types of external indebtedness contributed to the GDP's development, according to the data analysis, the Pearson While the dependent variable had a direct link with the other independent variables, GDP had an inverse association with Paris Club debt and promissory notes, as described by correlation. In order to reject the null hypotheses and accept the alternative hypotheses, the tested hypotheses showed that each independent variable had a positive influence and was significant to the effect of the dependent variable. According to the study's findings, Nigeria's economic growth is significantly impacted by external debt, and as a result, better management of these borrowings is advised in order to achieve sustainable growth.

1. Introduction

In Nigeria, the weight of debt has become a current issue considering the nation's wealth of natural resources and human capital. The two-gap model states that the equality of domestic savings and investment has a significant impact on an economy's growth rate. However, less developed nations like Nigeria must borrow money from outside sources due to the "epidemic" of a wide savings gap. Ajiteru (2024). According to Abalaka (2024), debts are the sums of money that a nation's government owes to fund its developmental initiatives. To put it another way, Udoffia and Akpanah (2016) view external debt as packages that include a mix of managerial, financial, and technological requirements from outside the nation with the goal of promoting economic growth and development but that must be repaid at a specific future date. Consequently, debt Depending on where money comes from and how long it takes to repay, it could be either local or international, short-term or long-term (Sulaiman, 2024). Debt buildup is not always a bad thing, particularly when it is put toward worthwhile investments that support economic expansion. But what really defines a debt

burden is a nation's incapacity to pay its debts, which is made worse by a lack of knowledge about the size, composition, and kind of the debt (Paul, 2017).

Regarding the relationship between external debt and economic growth, there are two theoretical schools of thought. While proponents of crowding-out and the debt overhang saw it as a problem, traditional neoclassical economics saw it as a positive. While some research indicate a negative relationship, others suggest a good one relationship Sulaiman, (2024). Therefore, the purpose of this research is to examine how Nigeria's economic growth from 1977 to 2019 is impacted by external debt and debt burden (a proxy for total debt service payments to exports of goods and services). The remainder of the study is summarized as follows after the introduction: The trend in economic growth, external debt, and external debt service are the main topics of section two. The review of theoretical and empirical literature is covered in Section 3. Ajiteru (2024) discusses data and methodology in section four. The results analysis and discussion are covered in Section 5, and the conclusion and policy recommendations are covered in Section 6. Abalaka (2024).

1.1 Economic Growth Trends in Nigeria, External Debts and External Debt Service
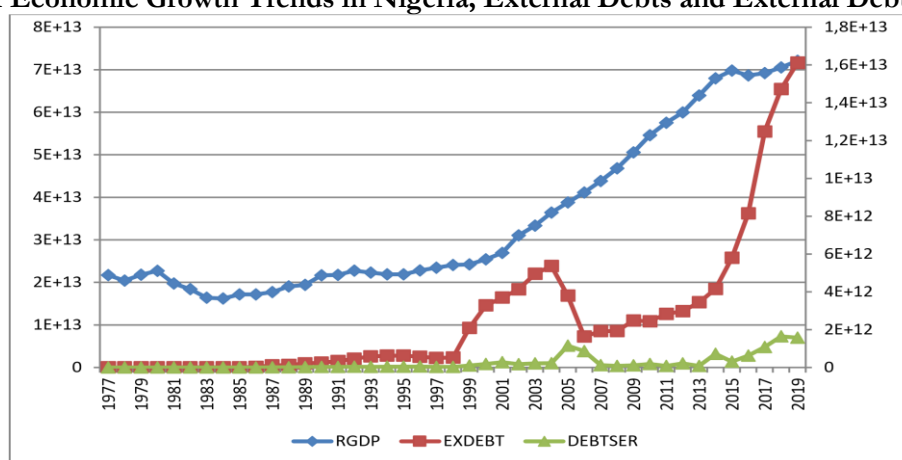
Figure 1. Trend of Nigeria's Real GDP, External Debt and Debt Service in Billions of Naira

Figure 1 shows that between 1977 and 1998, external debt, debt service obligations, and economic growth (RGDP) all increased gradually. With a real GDP of 2.41 trillion naira and a steadily increasing debt service obligation, Nigeria's external debt was 5.19 billion naira in 1998. With a little growth in real GDP, Nigeria's external debt rose from 2.09 billion to a peak of 5.37 million naira in 2004. Nigeria's external debt fell to a historic low of 1.64 million in 2006 after a significant portion of its debt was forgiven in 2005, bringing it down to 3.79 billion. Shortly after Ajiteru (2024), this caused Nigeria's real GDP to increase at an increasing rate. External debt increased gradually from 2006 to 4.16 billion naira in 2014, but actual keep expanding, reaching a record high of 6.98 trillion naira in 2015, the year the economy was recognized as Africa's fastest growing economy. On the other hand, as the real GDP plot between 2016 and 2018 demonstrates, external loans and debt payment requirements have been steadily rising since 2015, ultimately sending the economy into a recession with a modest recovery in 2019. Real GDP, external debt, and debt service all generally displayed a rising trend, with the external debt plot touching the real GDP plot, indicating an imminent threat in the future (Abalaka, 2024). According to Sulaiman (2024), this necessitates a thorough examination of the impact of external debt and debt load on Nigeria's economic growth.

1.2 Explaining the Problem

The foreign debt problem has grown to be a huge status symbol in Nigeria that dominates the global political and economic landscape. Foreign aid is become a tool of oppression, repression, and ongoing underdevelopment rather than a means of providing relief. The following challenges serve as the foundation for the necessity of examining and, consequently, using the machinery of foreign debt:

(i) The Nigerian economy is underdeveloped.
(ii) Domestic debt facilities' unreliability
(ii) How much of the GDP is affected by the foreign debt load

2. Literature Review
2.1 Customary Neoclassical Growth-Cum Debt Framework

Solow proposed the conventional neoclassical growth-cum debt model in 1956 (Ajiteru 2024). According to the hypothesis, modest amounts of foreign borrowing have a beneficial impact on growth because of the free movement of money across international borders (Nyong, 2015). Additionally, it implied that less developed nations (LDCs) are motivated to borrow.

for investment, as their capital's marginal productivity surpasses the worldwide interest rate. According to a related study by Cohen (1999), which was cited by Nyong (2015), there is a positive correlation between debt and economic growth at low levels of debt. However, at higher levels, the obligations associated with debt servicing make it impractical to accumulate debt in order to promote capital formation and economic growth (Sulaiman, 2024). Because it assumed perfect capital mobility, the neoclassical growth-cum debt model was questioned. This is because nations might not be able to borrow freely because of moral hazard or the possibility of debt repudiation. Abalaka (2024).

2.2 The Theory of Debt Overhang

Nyong (2015) asserts that the debt overhang hypothesis gives the debt issue that less developed nations face a fresh perspective. When a nation accrues more debt than it can pay back, it is said to have a debt overhang. According to the theory, accruing debt service payments will increase in proportion to the debtor's gross domestic product if loans exceed a nation's future ability to repay them. According to the hypothesis, massive debt also encourages capital flight, lessens incentives to save and invest, and functions as an expected foreign tax. As stated in Nyong (2015), Pattillo et al. (2002) state that the debt-over-hang theory holds that a large debt stock inhibits growth by lowering prospective investment. It continued to

Nyong (2015) asserts that the debt overhang hypothesis adds a fresh perspective on the debt problem that less the debt-over-hang theory, as cited in Nyong (2015), posits that a large debt stock lowers growth by reducing potential investment, and that debt accumulation initially promotes economic growth, while previous year's debt accumulation negatively impacts growth. The theory further argues that if a country incurs more debt than its repayment capability, accrued debt service payment will be an ever-increasing function of the debtor's gross domestic product going forward through a lack of liquidity, where paying off debt lowers the amount of foreign exchange earnings available for public spending, which has a detrimental effect on GDP. The debt overhang theory has an intriguing implication: the government will be less motivated to carry out challenging changes like fiscal restraint and trade liberalization (Nyong, 2015).

According to Abalaka (2024), the debt overhang theory proposed a potential Laffer curve for the relationship between debt and economic development, with the apex of the curve occurring at the moment where high debt stocks begin to operate as a sharp marginal tax on domestic investment. Therefore, debt starts to somewhat hinder economic growth at this stage. Debt servicing will function as a tax-hindering measure at greater debt levels, distorting that early debt buildup spurs economic growth, whereas debt accumulation from prior years has a detrimental effect on growth. However, the indirect effect occurs through a lack of liquidity, as the payment of debt service lowers the amount of foreign exchange earnings available for public spending, which has a detrimental effect on growth. The debt overhang theory has an intriguing implication: the government will be less motivated to carry out challenging changes like fiscal restraint and trade liberalization (Nyong, 2015).

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2.3 The Liquidity-Constrained Crowding-out Thesis

According to the crowding-out thesis, the accumulation of external debt has a negative relationship with economic growth because the resources used to pay off debt take away from

domestic investment. Both the crowding-out thesis and the debt overhang theory point to a significant inverse relationship between external debt and economic development (Abdullahi et al., 2016). This suggests that a nation with a high level of debt is likely to experience credit constraints, which are comparable to high real interest rates that deter investment. Rising rates of interest and pricing levels significantly impact domestic investment and deteriorate the macroeconomic environment (Sulaiman, 2024).

2.4 Literature's Gaps

The following is a summary of the main gaps in the literature based on the reviewed work:

- As demonstrated by Ajiteru (2024) and Lucy et al. (2016), some of the examined studies were conducted in different nations, resulting in a geographic gap. Studying the situation in Nigeria is absolutely necessary.

- Additionally, as noted in Abalaka (2024), some of the analyzed research employed OLS and VAR, respectively, indicating a methodological gap. ARDL is used in this investigation.

- The following was updated by this study. focused on internal debt, but external debt must be modeled since it increased from N12.6 trillion (US$65.4 billion) in December 2015 to US$81.274 billion (25 Trillion Naira) in March 2019 (DMO) with other macroeconomic variables of interest Sulaiman (2024).

3. Proposed Method

3.1 Overview

It is a systematic investigation with the goal of supplying data to address recognized issues. Adopting legitimate, trustworthy, and reliable statistical approaches for gathering and utilizing data is necessary for this research project to have meaning (Abalaka, 2024). measures are done in this regard to give this research significance, and these measures are described in this paper by Ajiteru (2024). This chapter explains the methodology and steps taken to carry out the research and gather pertinent data for it (Sulaiman, 2024). It includes the population's description. Study sample period, data analysis methodology, and hypothesis testing Among the methodology found are:

(i)   Design of Research
(ii)   Data collecting method
(iii)   Model Details
(iv)   Methods for Analyzing Data

3.2 Research Design

The researcher used an ex-post facto study strategy, which uses data that already exists to create a cell of variables. Ajiteru (2019) conducted an analysis of the variables. Bar chart, table histogram, and regression analysis were used to evaluate the hypothesis. The results will help clarify how external debt and economic growth are related, according to Abalaka (2024).

3.3 The Construction of the Data

Data might be obtained from two sources in an effort to achieve the goals of the study.

- iginal information
- Secondary information

Primary data comes directly from first-hand sources through surveys, observation, or experimentation, whereas secondary data is gathered and sometimes processed by individuals other than the researcher (Sulaiman, 2024).

Given the aforementioned, the researcher utilized includes secondary data, including statistical bulletins from the National Bureau of Statistics, CBN, and Debt Management Office (DMO) between 1985 and 2014.

3.4 Model Specifications

Every piece of data gathered for the study was assessed, cross-checked, contrasted, and subjected to critical analysis. The gauge of the relationship between the Foreign Debt (London Club, Paris Club, Multilateral Club) and Gross Domestic Product (GDP) of Nigerian economy; a simple open macroeconomic Debt Growth Model was applied Sulaiman (2024). A Multiple linear regression model was designed by the authors to access the impact of this Foreign Debt on the Gross Domestic Product. The relationship between the variables will

appear   thus;

GDP = F (LCD, PCD, MLD, PND, OTD) ……………………….…………….1
The linear equation will become;
GDP = β_0 + β_1LCD + β_2PCD + β_3MLD + β_4PND + β_5OTD ……………....2
The econometric equation will then be thus;
FXR t-1 = β0t-1 + β1LCDt-1 + β2PCDt-1 + β3MLDt-1 + β4PNDt-1 + β5OTDt-1 + μt-1.…3
Where;

GDP =		Gross Domestic Product of the Nigerian Economy
LCD =		London Club Debt of the Nigerian Economy
PCD =		Paris Club Debt of the Nigerian Economy
MLD =		Multilateral Debt of the Nigerian Economy
PND =		Promissory Note Debt of the Nigerian Economy
OTD =		Others Debt of the Nigerian Economy
β_0- β_4 =		Coefficients of the variables
μ	=	Error term

3.5 Data Analysis Techniques

To examine the data, multiple regression analysis was employed. Regression analysis was chosen because of the following:

- It produces a report that demonstrates the connection between
- variables that are independent and dependent.
- The outcome is simple to understand.
- Procedure for Data Estimation

The importance of the independent variable to the dependent variable will be examined using multiple linear regressions, according to Sulaiman (2021). Additionally, we have to assess the model's validity based on two main standards: The signs and magnitudes of the variables' coefficients, as well as economic theories, served as the foundation for the a-priori expectation criteria. The following is the a-priori expectation for this study:
-1<MLD<0, PCD < -1 <0, -1<LCD<0, PND < -1 <0, -1<OTD<0.

The statistical theory serves as the foundation for the statistical criterion. It includes the T-test, F-statistics, and Rsquare. The overall explanatory determination of the regressed variables is the focus of R-square, while the overall significance of the regression analysis is tested using F-statistics. The independent variable Ajiteru's major contribution is tested using the t-test (2024).

4. Results and Discussion

4.1 Analysis of Data Presentation

Presenting the values of Nigeria's external and domestic borrowing from 1985 to 2014, as well as the impact of such borrowings on the Nigerian economy, is the aim of this study. According to Abalaka (2024), this borrowing consists of loans from the federal government, state governments, and the private sector.

Data presentation and analysis, data sources, and data nature will all be covered in this article technique for gathering and using data. Additionally, research report and hypothesis test will be included Sulaiman's (2024).

4.2 Data Presentation

Table 1: Nigerian Foreign Debt Outstanding

YEAR	GDP @ CURRENT BASIC PRICES (₦'BILLION)	Multilateral Debt (₦'BILLION)	Paris Club Debt (₦'BILLION)	London Club Debt (₦'BILLION)	Promissory Note Debt (₦'BILLION)	Others Debt (₦'BILLION)
1985	1,572,732	1.29	7.73	6.16	1.27	0.84
1986	1,823,827	4.67	21.73	8.44	4.15	2.46
1987	1,997,928	8.78	63.21	6.77	20.63	1.40
1988	2,008,829	9.99	75.45	14.99	25.74	7.79
1989	2,821,721	21.47	121.23	42.84	35.07	19.78
1990	2,013,728	34.61	154.55	53.43	40.95	15.08
1999	2,781,942	39.46	173.05	58.24	43.56	14.14
2000	2,352,845	89.27	324.73	41.89	64.14	24.23
2001	2,251,923	81.46	400.38	45.32	69.67	36.32
2002	2,178,427	97.06	404.21	45.37	70.07	32.11
2003	2,371,892	97.04	476.73	44.99	69.26	28.85
2004	2,745,253	102.63	420.00	44.95	47.08	2.66
2005	2,801,973	96.20	417.57	44.95	35.48	1.74
2006	2,708,430	93.21	458.26	44.95	35.15	1.45
2007	3,194,015	361.19	1,885.66	187.63	136.52	6.36
2008	4,582,127	379.04	2,320.27	223.83	158.49	15.75
2009	4,725,086	313.50	2,475.51	228.95	144.75	13.58
2010	6,912,381	375.70	3,220.82	182.96	146.34	7.06
2011	8,487,032	413.88	3,737.28	196.16	123.99	7.02
2012	11,411,067	384.25	4,196.84	196.16	106.56	6.46
2013	14,572,239	330.65	2,028.58	189.77	85.53	60.54
2014	18,564,595	332.22	0.00	0.00	64.83	54.41
2015	20,657,318	374.30	0.00	0.00	0.00	64.59
2016	24,794,239	464.56	0.00	0.00	0.00	58.70
2017	24,794,239	524.20	0.00	0.00	0.00	66.23
2018	33,984,754	635.45	0.00	0.00	0.00	54.39
2019	37,543,655	723.12	0.00	0.00	0.00	173.73
2020	332,169,009	727.32	0.00	0.00	0.00	299.58
2021	366,769,456	977.05	0.00	0.00	0.00	396.53
2022	375,578,356	1,142.29	0.00	0.00	0.00	489.23

Source: CBN Statistical bulletin and Nigeria bureau of statistics 2014

Table 2: Analysis of Foreign Debt Variables to Gross Domestic Product

YEAR	GDP @ CURRENT BASIC PRICES (%)	Multilateral Debt (%)	Paris Club Debt (%)	London Club Debt (%)	Promissory Note Debt (%)	Others Debt (%)
1993	11.33	0.08	0.45	0.36	0.07	0.05
1994	1.89	0.11	0.52	0.20	0.10	0.06
1995	-0.69	0.09	0.63	0.07	0.21	0.01
1996	7.58	0.08	0.56	0.11	0.19	0.06
1997	7.15	0.09	0.50	0.18	0.15	0.08
1998	11.36	0.12	0.52	0.18	0.14	0.05
1999	0.01	0.12	0.53	0.18	0.13	0.04
2000	2.63	0.16	0.59	0.08	0.12	0.05
2001	1.56	0.13	0.63	0.07	0.11	0.06
2002	0.78	0.15	0.62	0.07	0.11	0.05
2003	2.15	0.14	0.67	0.06	0.10	0.04
2004	4.13	0.17	0.68	0.07	0.08	0.00
2005	2.89	0.16	0.70	0.08	0.06	0.00
2006	2.82	0.15	0.72	0.07	0.06	0.00
2007	1.19	0.14	0.73	0.07	0.05	0.01
2008	4.89	0.12	0.75	0.07	0.05	0.00
2009	4.72	0.09	0.78	0.07	0.05	0.00
2010	4.63	0.10	0.82	0.05	0.04	0.00
2011	9.57	0.09	0.83	0.04	0.03	0.00
2012	6.58	0.08	0.86	0.04	0.02	0.00
2013	6.51	0.12	0.75	0.07	0.03	0.02
2014	6.03	0.74	0.00	0.00	0.14	0.12
2015	6.45	0.85	0.00	0.00	0.00	0.15
2016	5.98	0.89	0.00	0.00	0.00	0.11
2017	6.96	0.89	0.00	0.00	0.00	0.11
2018	7.98	0.92	0.00	0.00	0.00	0.08
2019	5.31	0.81	0.00	0.00	0.00	0.19
2020	4.21	0.71	0.00	0.00	0.00	0.29
2021	5.49	0.71	0.00	0.00	0.00	0.29
2022	6.22	0.70	0.00	0.00	0.00	0.30

Source: CBN Statistical bulletin and Nigeria bureau of statistics 2013

4.3 Presentation of Descriptive Figures

Based on the above table, which shows the annual foreign debt (Multilateral, Paris Club, London Club, Promissory Note, and Others) and GDP of the Nigerian economy, it was found that from 2002 to 2013, GDP increased continuously. In 2006, GDP increased from 18,564.59 to 20,657.32, which represents a percentage increase from 6.0% to 6.2%, due to an increase in the country's productive capacity/output through these foreign debts injected into

the economy (Abalaka, 2024). However, from 2006 to 2010, the multilateral debt increased from 4127.9 to 2320.3 in 2011, which represents a percentage decrease of 0.65% to 0.35% in table 4.2.2, which is due to an increase in borrowing from abroad nations/investors. Sulaiman (2024).

Additionally, Table 2 shows that Nigeria's foreign debt climbed between 2002 and 2004, decreased in 2005, and then increased once more in 2009. Table 4.2.2 shows the foreign debt from 2004 to 2005 as a percentage drop from 0.48% to 0.08%, or 4890.2 to 2695.00. This resulted from the Paris Club's easing of Nigeria's foreign debt. The real interest rate decreased from 20.71 to 19.8 in 2004, lowering borrowing costs. Inflation from 2008 to 2009 caused an increase, according to Ajiteru (2024).

4.4 Analyzing Data

By examining the effects of external debt on Nigeria's economic growth, this study aims to define objectives and discipline (Abalaka, 2024). To do this, information on multilateral, Paris club, London club, promissory note, others foreign debts and GDP were collected and measured on yearly basis for the period under review Sulaiman (2024). The data were suggested to regression analysis using SPSS statistical software. Multiple regression method was applied in the regression analysis. The results of the regression are shown below:

4.5 Presentation Of Regression Result

Table I

Summary of Regression Result

	Beta	Std Error	T-Value	Sig	R	R2	F-Value	Sig	Durbin Watson
Constant	-152.934	101.689	-1.504	0.046	0.925	0.889	2.252	0.082	2.463
MLD	160.470	101.738	1.577	0.028					
PCD	156.590	101.858	1.537	0.037					
LCD	175.411	100.838	1.740	0.005					
PND	138.589	101.221	1.369	0.014					
OTD	153.488	102.022	1.504	0.006					

Dependent Variable: GDP. Source: Researcher's Output (2016)

The analysis table above demonstrated that, as a whole, foreign debt as an independent variable showed a downward trend toward GDP, with the dependent variable being (-152.934), which is the constant value in the regression table above (Ajiteru, 2024). MLD, PCD, LCD, PND, and OTD, the independent variables, all exhibited positive trends toward the dependent variable. As indicated by figure 0.925 (92.5%), the total variation of the variables indicated that they are suitable for the investigation, and the F-statistic (2.252) significant at 0.082 indicates that the model is important for the study. The Durbin Watson score of 2.463 indicates that the variables in the model utilized to accomplish the empirical findings of this study, Sulaiman, do not exhibit any signs of autocorrelation Sulaiman (2024).

4.6 Test of Hypotheses

Hypothesis One

Ho: Multilateral Debt (MLD) does not have a significant impact on the Gross Domestic Product (GDP) of the Nigerian Economy.

t-cal (x) < t-tab (3.182)

Decision: Accept the null hypothesis (Ho) if the t-statistics is not significant and reject the null hypothesis and accept the alternative (Hi) if it is significant.

Significant level is at 0.05

Regression coefficients: Multilateral Debt (MLD). = -152.934 + 160.470x t-stats (1.577) < t-tab (3.182)

The coefficient of regression, which is 160.47, indicates that multilateral debt has a positive effect on GDP. This implies that borrowing more money from the multilateral debt will boost GDP growth. The variable is considered significant at 15% based on the t-statistic, which is 1.577. This is noteworthy since it is below the 5% t-table (3.182). The alternative hypothesis, according to Ajiteru (2019), will be accepted while the null hypothesis, which claims that Multilateral Debt (MLD) has no discernible effect on GDP, will be rejected.

The Second Hypothesis

Ho: The GDP of the Nigerian economy is not significantly impacted by the Paris Club Debt (PCD). t-tab (3.182) < t-cal (x)

Accept the null hypothesis as the conclusion.

If the t-statistics are not significant, reject the null hypothesis (Ho); if they are, accept the alternative (Hi).

0.05 is the significant level.

Coefficients of regression:

-152.934 + 156.590x t-stats (1.537) < t-tab (3.182) is the Paris Club Debt (PCD).

With a regression coefficient of 156.59, the preceding result indicates that the Paris Club Debt has a positive effect on GDP. This implies that the GDP will rise automatically in response to an increase in Paris Club borrowing. The variable is considered significant at 15% based on the t-statistic of 1.537. This is not significant because it is below the 5% t-table (3.182). According to the null hypothesis, the Paris Club Debt (PCD) has no discernible effect on the Since GDP is disproved, the alternative theory is accepted. Abalaka (2024).

The Third Hypothesis

Ho: The GDP (gross domestic product) of the Nigerian economy is not significantly impacted by this money. t-tab (3.182) < t-cal (x)

Accept the null hypothesis as the conclusion.

If the t-statistics are not significant, reject the null hypothesis (Ho); if they are, accept the alternative (Hi).

0.05 is the significant level.

Coefficients of regression:

-152.934 + 175.411x t-stats (1.740) < t-tab (3.182) is the external debt. With a regression coefficient of 175.411, the preceding result demonstrates that London Club Debt has a positive effect on GDP. This indicates that the Nigerian economy does not benefit from increased internal borrowing when the London Club borrows more. The variable is significant at 17%, according to the t-statistic, which is 1.74. This is significant because it is below the 5% t-tab (3.182), according to Abalaka (2024). This leads to the rejection of the null hypothesis, which states that London Club (LCD) has no discernible effect on Nigeria's GDP. The overall association between GDP and London Club Debt was also examined using the Pearson correlation. Ajiteru (2024) found that the correlation between these two variables had a zero coefficient result of 0.149, indicating a direct association in which the two variables will increase concurrently once one rises.

The Fourth Hypothesis

Ho: There is no Promissory Note Debt (PND) does not have a significant impact on the Gross Domestic Product (GDP) of the Nigerian Economy. t-cal (x) < t-tab (3.182)

Decision: Accept the null hypothesis

(Ho) if the t-statistics is not significant and reject the null hypothesis and accept the alternative (Hi) if it is significant.

Significant level is at 0.05

Regression coefficients: Promissory Note Debt (PCD). = -152.934 + 138.589x t-stats (1.369) < -tab (3.182)

The aforementioned conclusion, with a regression coefficient of 138.589, indicates that promissory note debt has a positive effect on GDP. This implies that if the amount borrowed under the Promissory Note increases, the GDP will likewise increase. The variable is considered significant at 15% based on the t-statistic of 1.369. This is not significant because it is below the 5% t-table (3.182). The alternative hypothesis is thus accepted, while the null

hypothesis, according to Abalaka (2024), that Promissory Note Debt (PND) has no appreciable effect on GDP, is rejected.

Hypothesis Five

Ho: Others Debt (OTD) does not have a significant impact on the Gross

Domestic Product (GDP) of the Nigerian Economy. t-cal (x) < t-tab (3.182)

Decision: Accept the null hypothesis

(Ho) if the t-statistics is not significant and reject the null hypothesis and accept the alternative (Hi) if it is significant.

Significant level is at 0.05

Regression coefficients: External Debt. = -152.934 + 153.488x t-stats (1.504) < t-tab (3.182)

The aforementioned conclusion, with a coefficient of regression of 153.488, indicates that other debt has a positive effect on GDP. In other words, a rise in external debt does not stimulate domestic borrowing in the Nigerian economy. The variable is significant at 15%, according to the t-statistic, which is 1.504. Ajiteru (2024) states that this is important because it is smaller than the 5% t-tab (3.182). Therefore, it is decided to adopt the alternative hypothesis and reject the null hypothesis, which states that the GDP of the Nigerian economy is not significantly impacted by Others Debt (OTD). Additionally, the Pearson correlation was employed to examine the overall link between GDP and Others Debt (OTD). The zero coefficient the correlation coefficient between these two variables was 0.16, indicating a weakly positive relationship between them but explaining that they are in a direct relationship—that is, when one increases, the other will likewise increase at the same time (Abalaka, 2024).

5. Conclusions

Berdasarkan cakupan penelitian, dampak utang luar negeri terhadap pertumbuhan ekonomi Nigeria telah diselidiki dengan menggunakan data dari buletin statistik CBN yang dianalisis secara kritis. Hasil penelitian menunjukkan bahwa utang multilateral, utang Paris Club, utang London Club, utang promissory note, dan utang lainnya memiliki hubungan positif dengan PDB, sebagaimana ditunjukkan oleh nilai t-statistik masing-masing yang lebih kecil dari tingkat signifikansi 5%, sehingga hipotesis nol ditolak dan hipotesis alternatif diterima. Koefisien determinasi (R^2) sebesar 88,9% menunjukkan bahwa sebagian besar variabel independen dalam model menjelaskan variabel dependen, sementara 11,1% dijelaskan oleh variabel lain yang tidak disebutkan. Studi empiris menunjukkan bahwa pembiayaan utang luar negeri bertujuan untuk mendukung pengeluaran pemerintah, infrastruktur, keamanan, serta pembiayaan perusahaan swasta dan usaha lainnya guna mempercepat pertumbuhan ekonomi Nigeria. Namun, penelitian juga menemukan adanya hubungan negatif antara utang luar negeri dan utang domestik, dengan mayoritas utang Nigeria dalam beberapa tahun terakhir berasal dari lembaga multilateral, sementara utang dari London Club, Paris Club, dan promissory note tidak lagi terutang. Meskipun utang multilateral, Paris Club, dan London Club berkontribusi pada pertumbuhan ekonomi, promissory note memiliki dampak negatif terhadap PDB Nigeria. Secara umum, negara berkembang dianjurkan untuk menggunakan sumber daya utang luar negeri untuk membiayai pembangunan, tetapi perlu memastikan bahwa jumlah utang yang dapat dikelola dalam jangka panjang tetap terkendali. Oleh karena itu, rekomendasi utama dari penelitian ini adalah bahwa seluruh dana utang luar negeri harus digunakan sesuai dengan tujuan awalnya, struktur utang luar negeri sebaiknya dialokasikan dengan tingkat bunga terendah untuk mengoptimalkan penggunaannya di masa depan, dan temuan empiris ini seharusnya menjadi dasar dalam praktik pembiayaan eksternal di perekonomian Nigeria.

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