Journal of Current Practice in Accounting and Finance (JCPAF)
Volume.16, Number 8; August -2025;
ISSN: 2836-9584| Impact Factor: 9.83
https://zapjournals.com/Journals/index.php/Accounting-Finance
Published By: Zendo Academic Publishing

NIGERIA'S DEBT FINANCING, DEBT SERVICING AND FOREIGN DIRECT INVESTMENT SCENARIO IN EMPIRICAL RETROSPECT

[1]Okeke, Nneka Maureen (PhD), [2]Ogbuenyi, Chinwe Vivian and [3]Iweias, Seith Sokiri(PhD)

Article Info

Keywords: Debt Financing, Debt Servicing, Foreign Direct Investment

DOI
10.5281/zenodo.16901202

Abstract

The study was motivated by the need to examine the influence of debt financing and subsequent debt servicing obligations on foreign direct investment in Nigeria. Specifically, it sought to ascertain the effect of domestic debt, external debt and debt servicing costs on the rate of FDI inflows from 2006 to 2024. The research employed the ex post facto design enabling it to source data from the World Bank Development Indicators and the Central Bank Statistical Bulletin as the evidence upon which conclusions were made. In analyzing the data, the study applied the Autoregressive Distributed Lag (ARDL) approach. Findings from the results suggest that in the short and long run, domestic debts negatively affects foreign direct investment while external borrowings showed a positive impact on foreign direct investment inflows. In furtherance to this finding, the study also discovered that consistent debt servicing had a strong positive influence on FDI inflows in the long and short run dynamics. It therefore recommended amongst others that government should reduce its dependence on internal borrowings while external financing should be strictly targeted on productive activities and sectors that can drive economic growth and increase FDI inflows.

Introduction

The global economic landscape is shaped by complex financial interconnectedness, where the flow of funds play a key role in influencing world development patterns. The primary aim of each nation is to realize macroeconomic targets such as high and sustainable economic growth, full employment levels, price stability, a favorable balance of payments, and other internal and external stability. In the Nigerian context, narrow tax nets and increasing budgetary expenditures in the face of declining international crude oil prices have further rendered dwindling

[1]Department of Accountancy, Nnamdi Azikiwe University, Awka Nigeria.
[2]Department of Business Administration, Nnamdi Azikiwe University, Awka Nigeria.
[3]Department of Accountancy, Ignatius Ajuru University of Education,Port Harcourt Nigeria.
E-mail: nm.okeke@unizik.edu.ng, cv.ogbuenyi@unizik.edu.ng, iweias2013@gmail.com

revenue useless, thereby stiffening economic growth. These goals can only be achieved through the instrumentality of fiscal, monetary, and trade policies. Such fiscal policies include issuing currencies, restraining foreign exchange reserves and applying for loans from foreign and local supplies (Kalugalla et al,2020). As a way of engineering growth and development, nations take refuge in external sources of financing and to close the savings -investment gap through external borrowings, FDIs, grants, and aids from developed countries (Jilenga et al, 2016).

Debt financing stands out as a good deficit financing option as it does not have an inflationary impact on an economy as against printing of more currency notes or imposing high taxes on the public (Mohantry & Panda,2020). It is a key source of funds particularly in less developed countries where there is paucity of funds for growth financing. Governments all over the world including the developed ones rely to an extent on debts to finance their projects. Osazee & Oziengbe (2019) noted that Canada, Spain, the United States of America, Japan and Italy are among the nations whose source of financing of expenditures is external borrowings. But the key difference between these two sets of countries is that the less developed countries (LDC) are yet to tap into the benefits lying herein the debt as a result of poor management and this has led to huge debt obligations. These countries, which usually have high poverty levels and are heavily indebted to international creditors, are often labeled as HIPCs by the International Monetary Fund (IMF).

Such debts could come from both domestic and foreign sources. Domestic debts usually refer to debt sourced within the domestic economy through treasury bills, bonds, promissory notes and development stocks and are usually issued by the government to raise funds for financing purposes. On the other hand, foreign debts are acquired through external sources such as the World Bank, the IMF, foreign banks, international agencies etc. External debt is basically used for financing critical investments and supporting government expenditures necessary for economic development (Bello & Shittu, 2018). Notably, while recognizing the potentials of debt financing, its excess could portend danger to the economic stability of nations. Many have criticized it on the grounds of the possibility of leading to huge debt cycles capable of threatening the economy. For instance, debts acquired through domestic sources such as banks raises the demand for loanable funds and thereby increases the interest rates which in turn makes it extremely difficult for the private sector to access such funds. Furthermore, borrowing to service debts for current consumption or for recurrent expenditures may not lead to economic growth while if such loans are exclusively for development projects increases and capital expenditures will in the long run enhance economic growth. An uncontrollable debt profile is risky for nations because it is more expensive to service debts which many indebted nations may fail to meet. External funds have a greater negative impact on emerging economies than developed ones due to the lack of sufficient revenue to serve as a distress absorber for emerging countries. The absence of other explicit thresholds as contingencies, such as a healthy institutional environment could also expose developing nations to the harsh consequences of heavy borrowings.

The total debt of developing countries has risen significantly over the past decades. This rise has been associated with transitions from deposit money bank debts to bond debts, mostly dollar controlled and usually comes from middle-income emerging -market economies. In Nigeria, there has been a consistent rise in borrowings by government that it got to an alarming stage in 2007–2018 with values of #438.89billion, #523.25, #590.44, #689.84, #896.85, #1,026.90, #1387.33, #1,631.50, and #2111.51 billion, respectively (CBN Statistical Bulletin, 2018). Nigeria which was formerly on the HIPC list until the relief granted by the Paris Club,the London Club and other lenders in 2005 still has a high debt-GDP ratio as a result of the mismanagement of debts in financing projects that are not self-sustaining. Stieglitz (2002) equally noted that such government debts could crowd out private investments and decrease productivity, leading to a reduction in the standard of living of citizens of

indebted nations. In the same vein, huge debt obligations can prevent potential investors as heavily indebted countries are big turn offs due to their financially distressed economies.

Statistics have shown that between 1980 and 2004, FDI suffered huge negative consequences from internal and external debts (Benson & Charles, 2023). They further lamented that Nigeria has witnessed rising public debts since 1999, with its total debt figure burgeoning to #19.639bilion as at 2017 and a corresponding domestic debt amounting to #15.037trillion. In 2018, this amount increased to #24.387billion (DMO, 2018) from where it rose to #39.56trillion in 2021 and #41.6billion in 2022. Gbenga & Abieyuwa, 2024 noted that effective management of external debt is crucial for maintaining economic stability which boosts investor confidence and economic development. There are basically two philosophies from which debt financing is seen in terms of its effect. FDI is projected to serve as a huge catalyst for growth, pushed by market expansion, technological advances, access to resources and a prospect for increased return on investments. Hence, it is a key mechanism for export expansion and technology propagation both of which have a positive ripple effect on the larger economy (Arezki et al, 2021). The nation needs to take advantage of the growth potentials FDI possesses and also a big way of shifting focus from the dwindling oil sector (Okonjo Iweala & Dollar, 2020). In the past, Nigeria has been able to attract foreign direct investment (FDI) inflows, produce high returns on investment, and boast of a great consumer market. In Africa, Nigeria ranks as the top economy for attracting foreign direct investment (FDI) and has a fair share of trade policies that dwells on broadening the revenue sources of the economy beyond oil and upgrading industrial sectors and earnings capacity. FDI inflows have been oscillating in recent times with a record of USD8.9billion in 2013, USD3.5billion in 2017 and around USD1.9billion in 2018 showing a decrease because of stringent measures adopted. Nevertheless, it nosedived again largely due to the COVID-19 pandemic in 2020 with a staggering percentage of 59% with an inflow of USD 2.6billion, indicating a 10% decline (Khan et al, 2021). Many factors, including government policies, market size, political/fiscal stability, inflation, and exchange rates, account for these different degrees. Nigeria's economic woes are linked to debt and debt servicing. In 2015, its external debt shares rose from 5.60% to 6.84%. The steady increases continued to 2021 where it stood at 17.98%. Figures from the DMO (2024) revealed that up to #75trillion was incurred domestically alone with the highest percentage emanating from federal government bonds. Equally, 1trillion was used to service Nigeria's debt from July to September 2024 which is an indication of a likely debt overhang. The ability of nations to reap the development benefits from FDI may be highly dependent on their levels of external indebtedness as well as other assimilative capacities. It suffices to state here that FDI only boosts economic growth below a certain limit of external debt after which growth benefits decreases beyond that level. This scenario is more evident in financially less developed nations to financially more developed climes, signifying that boosting financial development capacities of countries cushions the harmful effect of the debt threshold on the FDI debacle.

A critical review of the literature revealed that it is replete with studies either investigating the influence of debt on the economy or the effect of FDI on economy growth. Just a handful dared to research on the effect of debt on foreign direct investment. Despite the availability of these sparse studies (Makoni, 2015; Ogunjimi, 2019; Benson & Ibebi, 2023), they all ended up with mixed findings thereby failing to arrive at a consensus. Furthermore, a specific study by Benson & Ibebi (2023) on the effect of debt on FDI in Nigeria used a period from 2000 to 2021 leaving out other later years leading to a currency gap. The justification of this study therefore lies in the consideration of these noted literature gaps and its attempt to adequately fill them.

Study Objective

This study's broad aim is to determine the effect of debt financing and debt servicing on Nigeria's foreign direct investment for the period covering 2006-2024. Precisely,it attempts to:

Determine the effect of domestic debts on foreign direct investment in Nigeria
Ascertain the influence of external debts on foreign direct investment in Nigeria
Discover the effect of debt servicing on foreign direct investment in Nigeria

Debt Financing

Foreign loans are ranked as the primary source of funding, whereas they ought to be a secondary avenue and due to this misnomer, economies built on foreign capital lack the resilience to withstand adverse shocks. Sanni(2007) noted that Nigeria's fiscal operations in the past has led to varying levels of deficit, the financing of which has had huge implications on the economy. The tremendous fiscal deficits faced by Nigeria over the past years have caused grave damage to the economy as they have shrinked national savings and increased domestic interest rates and the end result is the crowding out of local investments. Debt financing can therefore be simply described as the act of borrowing funds from companies, investors through the use of bonds, banks, or financial institutions as a way of supporting businesses, individuals and nations (Kraemer-Eis & Lang,2017). Nigeria's external debts date back to the pre-independence stage when it acquired its first loan of $28 million from the World Bank to fund the construction of railway. By 1960, this figure had risen to $150 million as a result of a fall in oil prices and an edgy drop in balance of payments (Nkamere & It's, 2022). The Debt Management Office (2000) in its report also stated that Nigeria gained its first large loan of $1billion from the International Capital Market (ICM) in 1978, coupled with external loans from some states, which further shored up the debt figure to #17.3 billion in 1986. This worrisome scenario forced the country to implement the Structural Adjustment Programme (SAP), spearheaded by the International Monetary Fund (IMF), as a way of reviving the country's economy (Ujirshar,Fefa & Godoo,2016). These decreased investments lead to unemployment because of reduction of demand for labor by firms, all of which causes trade deficits and balance of payments dilemma and a general reduction in the standard of living. Such an economy is said to be facing the "the twin deficits phenomenon", that is a mixture of trade and fiscal deficits.

Debt servicing has depleted a greater proportion of Nigeria's earnings, accounting for 83% of total revenue in 2020 (Ezenwobi & Anisiobi, 2021). In 2019, out of a total revenue of #4.1trillion, #2.45trillion was earmarked for debt payment, further reducing resources meant for key infrastructures, healthcare and education. Nigeria's main economic woes are linked to debt and debt servicing. In 2015, its external debt shares rose from 5.60% to 6.84%, and the increase continued unabated (Tanna,Li & DeVita,2018). By 2021, Nigeria's public debts had skyrocketed to $33.11 trillion, with debt serving costs exceeding 98% of total revenue in the first five months (Izuaka, 2021). This kind of high debt-to-revenue proportion is unhealthy for a nation as it can lead to a debt dependent vicious sequence. The IMF (2024) reported that global debts rose to $102trillion in 2024: with developing nations accounting for one-third of the total, showing double growth since 2010. Specifically, their debt stood at $31trillion in 2024 with a staggering amount of $921billion as accrued on the debts. Approximately 61 developing countries spend more than 10% of their revenues servicing debts instead of serving their people. In 2024, they paid $25billion to external creditors, a clear indication that they pay more than they receive new disbursements.

The CJID report for 2023 bemoaned that the presence of this "damaging capital" is a pointer to dangerous risks to the economic growth of Nigeria. This is because of its ability to slew markets, increase inflation and impair on the credibility of financial institutions. Again, it can diminish public confidence, discourage genuine investments, and also obstruct efforts in creating a robust and transparent governance structure. Furthermore, in the words of Miftahu & Abdullahi(2022),debt financing could be counterproductive for several reasons. First, the size of the debt owed might be greater than the economy size of the borrowing nation resulting to a likely capital flight and

a decrease in private investments. Additionally, servicing a debt via export earnings may affect economic development by consuming scarce income from social service activities.

Debt Servicing

According to the International Monetary Fund (2003), debt servicing involves the necessary payments of principal and interest arising on outstanding debt obligations. DMO (2016) further described the principle as a type of embedded tax that stagnates economic growth and renders investment almost impossible. A source of concern here is the increasingly high pattern of interest payments apportioned to debt servicing alone due to the serious dangers on a nation's economy. The root of Nigeria's debt service dilemma traces back to 1978 after the fall in world oil prices including the debts it accumulated prior to this period (Samson & Mohammed, 2024). In Nigeria,#604.1billion was spent in servicing its internal debts in the fourth quarter of 2020 alone, signifying a slight decrease from the #610.3billion spent in the same quarter of 2019 and a 52.3% of revenues generated during that period (DMO,2021). Similarly, the first quarter of 2020 saw debt servicing costs running into #109billion for external borrowings as against the ones due from internal loans (Ali,Mahmut& Adahama,2024). This burden arising from debt servicing has led to a debt overhang for Nigeria with its development retarding tendencies.

Fosu(2007) regretted that high debt service payments shift focus from critical sectors such as health, education, and social sectors to debts accrued on other unimpactful sectors. This destroys the motive behind debt financing which is to support growth instead of drowning in an ocean of debt servicing which drains a nation's economic resources. Higher global interest rates could also be a problem in this regard as these rates can increase debt servicing costs on emerging economies thereby shrinking their economic growth rates. Were (2001) noted that huge debts may not always mean stunted economic growth, but a nation's failure to promptly meet its debt service payments as a result of sufficient knowledge on the nature, structure and extent of the debt is the greater challenge. Since the costs of servicing these debts come from government coffers,a nation may be incapacitated in undertaking more productive investments. In Nigeria, the mismanagement of loans has rendered debt servicing a herculean task which can be connected to political and economic instability and the embezzlement of funds. The DMO (2004) noted that Nigeria needs $3.0billion annually to service external debts. Muhtar (2011) argues that debt servicing burden weakens a nation's socioeconomic development efforts and contributes to negative resource flow.

Foreign Direct Investment

Bridging investment gaps due to insufficient savings is the key role of foreign direct investment. However, it could hamper domestic investments particularly where foreign firms with high foreign direct investment (FDI) rates are in fierce competition with smaller local firms. In this case,total investments in the nation are shrinked, and this could pose a danger to economic growth. The World Bank Global Report (2003) describes FDI as investment entailing a long-term relationship and lasting interest in and control by a resident in one economy in an enterprise resident in another economy. In other words,in an FDI arrangement, the investor wields great influence on the management of the enterprise resident in another economy. Such an investment includes both the initial transaction between the two entities and all consecutive transactions between them and among external partners, both incorporated and unincorporated.

Hermes & Hesink (2003) asserted that the effect of foreign direct investment (FDI) in nations is contingent on the strength of the host nation's financial market. Simply put, FDI can be described as a type of investment whereby a foreign firm invests in a local firm of another nation according to available resources (Osei & Kim, 2020). Such investments could be done through branches of multinational conglomerates, subsidiaries of

corporations, licensing, joint ventures which usually comes with benefits such as access to global markets through exports, absorption of labour, technology etc (Sahoo & Dash, 2022). Foreign investments can be done directly or through portfolios via securities, stocks and bonds. Boge, Suryaning & Nanik (2023) identified five features of foreign investments in developing economies. First, is external funding or foreign cash a platform for fostering investment and economic development? Secondly, a transformation in the manner of production and commerce must be achieved. Additionally, the use of external capital can be necessary in raising funds and making structural adjustments. Furthermore, even if that external capital will be fruitful, its demand drops at the moment of structural changes. Finally, the availability of foreign funds will be greatly valuable to emerging countries that lack sufficient industries and critical sectors. As a result of the absence of robust financial support for economic survival, developing nations tap into the FDI option for economic progress. Nigeria is the third largest beneficiary of FDI in Africa after Egypt and Ethiopia and also boasts as one of the continent's most promising growth destinations in the hydrocarbon, energy, and construction sectors (Epir,Yua & Iorember, 2024). In UNCTAD's World Investment Report for 2022, Nigeria's ratio of FDI flows to GDP was 0.75% in 2021 as against 0.55% in 2020. The key sectors housing these inflows are oil and gas, telecommunications, manufacturing, real estate and agriculture. The consequence of this is the non-availability of more jobs as Usazee & Oziengbe (2019) lamented. They noted with dismay that FDI inflows to the country seems to be concentrated on particular sectors of the economy, one of which is the oil and gas and telecommunications. They bemoaned that this has caused more harm to the agricultural sector through constant oil spills and gas flarings that affects man and animals.

Chronicles of Nigeria's Debt Situation

Nigeria's debts are accrued from borrowings to conceal budget shortfalls, finance infrastructural drives and support government expenditures. They could be sourced domestically through loans from deposit money banks, treasury bills, and bonds, as well as from foreign lenders comprising of international financial institutions, foreign governments and private foreign entities. Foreign debt could also involve bilateral loans (from one nation to another) and multilateral loans (from foreign firms). Experts have expressed fears that Nigeria's debt will reach a dangerous amount of $187.79 trillion by the end of 2025. This unfavorable forecast is borne out of increasingly regular debts, currency devaluation and weak financial governance mechanisms.

Ibukunuolu (2025) noted in utter dismay how the trajectory of Nigeria's debt has metamorphosed significantly by 658% between 1999 and 2021 specifically from #3.55trillion to #26.91trillion. It further worsened in 2023 shortly after the general elections, increasing by more than a 100% from #49.85trillion to over #134 trillion within such a little period. As at September 2024, it stood at #142.3trillion representing a debt of #624,527 per Nigerian. Out of this figure, domestic debts takes a share of 53%, while 47% is credited to external sources. The costs of servicing these debts particularly the foreign ones, have further deepened the level of damage to the economy no thanks to the consistent devaluation of the naira.

Before 1978, Nigeria's external debt profile was very low at $3.1billion with a little 6.2% of GDP. But in 1977/1978, when Nigeria had a shortfall in oil revenues, the first huge loan of $1.10billion was acquired from the International Capital Market (ICM) with a repayment period of three and a half years but with a high interest rate unlike other financial aids gotten from multilateral and concessional sources with betconditions of repayment (Obinna, 2014). The oil glut of the 1980s led to further borrowings by the Nigerian government to the extent of borrowing above the then Decree 30 of 1978 which limited external loans to #5.0billion. Instead, it borrowed $8.3billion and further imprudent loans from the International Capital Market for financing of projects.

These actions did not go without their adverse effects, one of which is the closing of new lines of credit by some creditors, resulting in the country seeking refuge through refinancing of trade arrears. As a result of these, Nigeria's external debts rose drastically from $9.0billion in 1980 to $17.8billion and $25.6 billion in 1983 and

1986, respectively. It continued in this steady rise up until 2004, standing at $35.9billion notwithstanding all the paybacks and debt management policies. Krumma (2015) further buttressed that it is needless going for more loans if the already obtained loan achieves the aim for which it was sought for by the borrowing nation, taking extra loan in servicing the previous loan is economically dangerous.

Some analysts have deduced expansionary fiscal policies, dwindling revenues and lack of structural adjustments as some of the reasons for the rising debt profiles. IMF in its recent report (2023) lamented that Nigeria's non-oil revenue mobilization is one of the lowest globally at a 3.4 percent of GDP indicating weak revenue administrative governance. AtAs at the end of 2005, Nigeria's debt stood at $1.36billion which was totally unsustainable leading to a debt pardon from the Paris Club, which saw the removal of Nigeria's name from the most poorly rated nations in the world. Despite this huge feat, Nigeria's internal debt remained at #1.52trillion and by 2011 it surged to #4.8trillion. This was followed with external debt increasing from $4.1billion in 2012 to $17.8billion in 2018 with a corresponding #2.014trillion going for debt servicing alone, representing a 58 percent share of the actual revenue. Regrettably,the nation's #2.2trillion accruing from crude oil revenue falls short of the debt servicing costs indicating a very bleak economic situation desirous of urgent remedial policies. 2019 saw an olympia jump in Nigeria's debt with a huge amount of #22trillion in addition to a #3 billion euro bond floated by the government in 2017,#10.69billion green bond in 2017, and another $2.5billion euro bond in early 2018 thereby shoring up its debt profile with an extra #2trillion(Idisi,Ogwu &Sunday,2019). By the third quarter of 2022, Nigeria owed approximately #42trillion both in internal and external debts which was recorded as the greatest debt profile of any nation in Sub Saharan Africa (DMO, 2022).

Nigeria's Foreign Direct Investment Outlook

Nigeria is a major beneficiary of FDI in Africa notwithstanding it's not so impressive result compared to other countries on the continent. Despite this fact, Nigeria's economy remains largely dependent on the oil sector accounting for almost 97.5% of foreign exchange inflows and 80% of budgetary earnings. In the words of 0zili (2025), FDI has witnessed a plummeting trend in recent times, precisely in 2017, the inflows amounted to $3.5billion (0.9% of GDP) and further reduced to $1.99billion (0.5% of GDP) in 2018. Nigeria recorded a lower FDI of about $190million in 2022 as against a higher figure of $3.31 billion in the previous year. In 2011, a jumbo figure of $8.84 billion was realized,while in 2018, a considerable decline was achieved as the FDI inflows stood at $780million(Sasu,2024). The receipts from FDI in the Nigerian economy have been unstable owing to some factors such as small market size, absence of economic freedom, fluctuating and erratic exchange rates and low economic development (Aderemi et al, 2020).

By 1980, there was an increase in Nigeria's FDI inflows due to an upturn in global oil prices which led to the relaxation of economic policies that resulted in massive importation of goods with its depletion impact on our reserves. From a value of $434 million in 1985, it maintained a stable figure over the next nine consecutive years, which incidentally concealed in the drastic rise of over 700 percent from 1988 to 1989 when #13.88 billion was realized (Boluwatife, Sunday & Eyitayo, 2022). This sudden increase was as a result of the adoption of the Structural Adjustment Programme (SAP) in 1996 with its attendant economic freedom. It continued on an upward slope with #22.23billion in 1994 for the next two years culminating at #111.29billion in 1996 and then declined for the next two years to #80.75billion in 1998. Surprisingly, it rose to #258.39billion, a more than 200 percent increase between 1998 and 2003. A 3% decrease was recorded in the nation's FDI inflows between 2003 and 2004 partly due to the transition in government as that time.

However, it experienced a surge to the sum of #654.19billion but later nosedived to #624.52billion in 2006. The country's earnings from FDI rose again to a whopping #1.27trillion in 2009 indicative of a more than 100percent

rise. However, this figure was not sustained as a shortfall of #905.7billion was earned by 2010 (Boluwatife et al., 2022). The unsteady trajectory continued leading to a 86.7% increase between 2015 and 2016 to #1.12trillion which can be linked to the pumping of funds to Nigerian firms in the form of equity capital to the tune of #714.1 billion and also irked by the decline in exchange rates (CBN, 2016). Regrettably, the inflows decreased by 42.19percent to #610.3billion as a result of the impact of the 2016-2017 recession (CBN, 2018).

Unfortunately, this unpredictability nature of the Nigerian economy is also responsible for the low returns realized from foreign direct investments over the past decades. The irregular trend continued until 2020 with a figure of $2.39billion and a record of $3.31billion in 2021 representing a 38.9% increase, and output of $186.79million recording an all-time loss of 105.64 percent (UNCTAD Report, 2024 time loss to the tune of 105.64percent (UNCTAD Report, 2024). This huge loss is attributed to equity divestment, including the infamous exit of Glaxosmithkline. In 2023, Nigeria's foreign direct investment earnings further fell to $1.87billion, indicating an unprecedented decline at the rate of 1102.46percent from 2022. This lopsided and abysmal performance of Nigeria in the market can be ascribed to the debt overhang situation. Junk credit ratings,lack of diversification of the economy, absence of basic infrastructural facilities and harsh government policies are also reasons why Nigeria is a poor FDI destination.

Effect of Debt Financing on Foreign Direct Investment

Large amassing of debts is usually prevalent in the early stages of economic advancement where there are minimal levels of domestic savings, high account deficits and low capital imports (Todaro & Smith, 2011). However, after the third world debt crisis of the early 1980s, many emerging nations experienced serious degree of debt overhangs. Debt overhang arises when the projected repayments on external debt are less than the agreed value of the debt. In other words, if a nation's debt level is predicted to surpass its debt level is predicted to surpass the country's capability of future repayments, then forecasted debt service is likely to be a growing function of the nation's output level. Some of the profits realized from investment in the local economy are successfully taxed by foreign creditors thus inhibiting further investment. Moreover, high debt obligations heighten fears that debts will most likely be serviced by skewed measures such as financial repression, punitive taxes or expenditure cuts leading to decreased levels of investments, high uncertainties about future returns and potential low growth prospects (Clements et al, 2003).

The costs of debt servicing consumes a large chunk of a nation's foreign exchange earnings and drive away investors implying that highly indebted countries are susceptible to FDI inflows. Similarly, defaults on debt repayment could portend danger as the indebted nation could face international sanctions, exclusion from global capital markets or restrictions on international trade. Another risk here is the expropriation arising from political risks found on most indebted nations. There are fears that an indebted nation that hosts foreign investors can use its sovereign power to avoid debt repayments through the courts. In this case, an investor lacks the power to recover its debts from the indebted country. The literature on this 'sovereign debt problem' is explicit by arguing that indebted nations will only pay back debts if the costs of default exceed the gains from repudiation (Monika, 2000). Moreover, a country with bad debt records could instill fears in the minds of foreign investors about the risks of nationalizing such foreign investments through outright stoppage of payments of compensation to the multinationals and stropping of all control rights. The threat of increased taxes, particularly import or export duties or other specific changes which is called "obsolescing bargain," also identifies debt financing as a limiting factor to FDI.

In addition, MNEs might be forced to downsize their operations if fears of low returns from investments are rife as a result of high inflation rates. The spillover effect is the boycotting of local financial markets for raising capital

as a result of concerns that their returns would be heavily taxed thereby curtailing their interactions with domestic entrepreneurs. Thus, the gains arising from the usual linkages will diminish. Furthermore, the patronage of local supplies by these foreign investors will also decrease due to the less profitability degrees of such joint ventures.

Theoretical Model

This study is anchored on the debt overhang theory. It is viewed as the difference between the face value of outstanding debt and its market value. In concrete terms, it refers to the situation whereby a nation is encumbered with huge debts to the extent of not being financially attractive in seeking more funds. Such an economy may be difficult to revive even if certain structural adjustments are effected. This condition can deter investors because a greater percentage of the future returns realized from the new investments may be channeled towards servicing the existing and heavy debt obligations instead of accelerating the economic growth of the host nation or the intending investors. For Eduardo (1990), debt overhang simply means a condition where the debtor country fails to service its external debt obligations totally with its available resources and enters into negotiations with lenders to determine actual debt payments, this time connecting to the financial situation of the debtor nation. Consequently, some portion of its increased output will go into settling the forthcoming debts. The, end result of this arrangement is a disincentive for private investments and a barrier on the government from pursuing the right policies.

Jen-te, Chien & Chief (2010) noted that one of the strands of debt overhang is the situation where external debts increases beyond certain boundaries, investors anticipate lesser returns due to concerns of higher and more distortionary taxes being enforced as a way of servicing the debts. A second strand of the theory states argues that at the level that large debt stocks exceed projections, that debt seems to be financed by arbitrary expenditure cuts, artificial inflation etc. Under this environment, investors may choose to suspend operations, reduce investments or even divert to higher risk ventures with rapid financial returns, thereby giving opportunity for financial fragility that often results in economic crises. Developed by Myers (1977), the theory illustrates that excessive external debts can be a red flag to domestic and foreign investors. Any nation faced with this condition is usually burdened with economic uncertainty and instability which are intrinsically unconducive for financial sector growth and a wholistic economy boom.

Again, foreign corporation maybe reluctant in engaging countries since their sustenance and earnings stands the risk of being jeopardized by heavy debt obligations and other investment undermining factors. The “debt overhang” therefore comes into action when incurred debts hinder investors from investing due to fears of heavy taxes also known as tax disincentives. Bamidele & Joseph (2013) connected this theory to the Nigerian debt dilemma and regretted that its debt service liability has prohibited rapid economic progress and also degenerated its social behaviour. Nigeria’s projected debt service is viewed as a rising role of its output, and as such potential investors are indirectly taxed away by foreign lenders through debt service payments (Asogwa, Ogechukwu & Onyekwelu, 2018). Atique & Malik (2012) expressed that debts build up can enhance investment up to a certain level where debt overhang sets in and the eagerness of investors to make available capital starts to diminish.

Review of Previous Empirical Studies

As earlier noted as one of the gaps propelling this study is the presence of only a handful of studies that investigated the effect of debt on FDI in Nigeria. Notable amongst them is the study by Joshua (2019) who examined the impact of public debt on investment in Nigeria for the period between 1981 and 2016. The public debt was proxied by domestic and foreign debts while the investment variable was measured by private, public

and foreign investments using output and interest rates as control variables. Data employed for the study were generated from the Central Bank of Nigeria (CBN) Statistical Bulletin and World Development Indicators. Specifically, data on public investment, real GDP, monetary policy rates, domestic debt and external debts were obtained from the CBN Statistical Bulletin while that of the foreign direct investment and private investments were collected from the World Development Indicators. Preliminary tests such as unit root and co-integration tests were ran before estimating via the ARDL model. To prevent unsubstantial regression, the study tested for unit root deploying the Augmented Dickey Fuller (ADF) and Phillip Perran Method while the ARDL bounds test approach was employed for the regression analysis. The findings of this study indicated that domestic debt positively influences private and public investment in the short and long run but failed to attract foreign direct investment. In the same way, the study revealed that external debt crowds in private investments both in the short and long run. Also,Sathanatham & Kanesh(2022) conducted a study on the impact of public debt on domestic and foreign direct investments in developing markets with reference to Sri Lanka over the period 1980-2020. The public debt consisted of domestic and foreign debts while the foreign direct investment was proxied with the lending interest rate and exchange rates. The study made use of time series data derived from the Central Bank of Sri Lanka and annual reports from the World Bank Database's Development Indicators. The data were subjected to preliminary unit root analyses and the ARDL bounds testing approach after which findings emerged. Some findings revealed that internal debt crowds out FDI eventually, whereas foreign debt has no influence on the FDI Additionally,the study discovered that higher lending rates have no effect on FDI in the long term, while in the short run it has a crowding out effect on it. In a seperate research by Gigamon & Charles (2022), they investigated on the effect of Ghana's heavy external debt on its ability to attract foreign investment. Foreign direct investment was determined using net FDI inflows, whereas external debt was assessed via public and publicly guaranteed external debt stock and long term debt stock. Through the instrumentality of the ARDL, they found that external debt has a significant long-run negative influence on foreign direct investment (FDI) inflows, while economic growth had a positive impact on FDI. Another similar study by Benson & Charles (2023) on the signaling effect of public debt to foreign investment in Nigeria served as one of the empirical evidence guiding this study. They used the variables of domestic public debt, external public debt, and fiscal deficit to measure public debt while net foreign direct investment inflows was used to measure the FDI variable. Annual time series data spanning from 2000 to 2020 sourced from the CBN Statistical Bulletin and the World Bank's World Development Indicators (2021) served as the data for the study. The ARDL based Ordinary Least Squares (OLS) technique was used to analyze the data. Findings from this research showed that domestic debt and debt servicing negatively influenced FDI in Nigeria, while external debt had a positive impact.

Methodology

This study employed an ex post facto research design, which is suitable for analyzing historical data without manipulating the variables. Data were sourced from the World Development Indicators (WDI, 2024) and the Central Bank of Nigeria (CBN) Statistical Bulletin (2024) covering the period from 2006 to 2024. The dependent variable, foreign direct investment (FDI) was measured with net FDI inflows into Nigeria, while the independent variable, debt financing, was proxied by public domestic debt**,** external public debt**,** and debt servicing. To examine both the short-run and long-run dynamics among these variables, the study utilized the Autoregressive Distributed Lag (ARDL) technique**.** This method was chosen for its flexibility in handling variables integrated at different levels and its suitability for small to medium sample sizes. The study adapted and modified the model

used by Jackson (2023) who examined the Impact of Budget Deficit and Foreign Direct Investment on Nigerian Economy.

The mathematical form of the model is expressed as:

RGDP = F (GDF, FDI, EXR, INFR)……..1

Where RGDP = Real gross domestic product

GDF = Government Deficit Financing

FDI = Foreign Direct Investment (FDI)

EXR = Exchange Rate

INFL = Inflation Rate

F = Functional notation

The linear regression model based on the above functional relation is expressed as :

$RGDP = \beta 0 + \beta 1GDF + \beta 2FDI + \beta 3EXR + \beta 4INFR$ ……. 2

$\Delta RGDPt = \alpha 0i + \beta 1i\ RGDPt\text{-}1 + \beta 2i\ GDFt\text{-}1 + \beta 3i\ FDIt\text{-}1 + \beta 4i\ EXRt\text{-}1 + \beta 5i\ INFRt\text{-}1 + \sum q\ i=1\ \alpha 1\ \Delta RGDPt1 + \sum p1i=1\alpha 2\ \Delta GDFt\text{-}1 + \sum p2i=1\alpha 3\ \Delta FDIt\text{-}1 + \sum p3i=1\alpha 4\ \Delta EXRt\text{-}1 + \sum p4i=1\alpha 4\ \Delta INFRt\text{-}1 + et$……3

ECM $\Delta RGDPt = \alpha 0i + \sum q\ i=1\ \alpha 1i\ \Delta RGDPt\text{-}1 + \sum p1i=1\ \alpha 2i\ \Delta GDFt\text{-}1 + \sum p2i=1\ \alpha 3i\ \Delta FDIt\text{-}1 + \sum p3i=1\ \alpha 4i\ \Delta EXRt1 + \sum p4i=1\ \alpha 5i\ \Delta INFRt\text{-}1 + \lambda ECTt\text{-}1 + et$ …..…… 4

$B1 \geq 0, \beta 2 \geq 0, \beta 3 \geq 0, \beta 4 < 0,$

Where β0 is the regression constant or intercept, β1β2β3β4and β5 are the regression coefficients or parameters and U is the random variable. All other terms are as earlier defined.

The above model was modified and adapted in this study below to capture both short-run fluctuations and long-run equilibrium dynamics:

The mathematical form of the model is expressed as follows as:

$FDI_t = f(PDD_t, EPD_t, DS_t)$

Where:

FDIt = Net Foreign Direct Investment (inflow) at time t

PDDt = Public Domestic Debt at time t

EPDt = External Public Debt at time t

DSt = Debt Servicing at time t

The ARDL model can be specified in its dynamic form as follows:

$\Delta FDIt = \alpha 0 + i=1\sum n\beta i\Delta FDIt{-}I + i=0\sum n\theta 1\Delta PDDt{-}i + i=0\sum n\theta 2\Delta EPDt{-}I + i=0\sum n\theta 3\Delta DSt{-}i + \lambda 1FDIt{-}1 + \lambda 2 PDDt{-}1 + \lambda 3EPDt{-}1 + \lambda 4DSt{-}1 + \mu t$

Where:

Δ denotes the first difference operator

μ_t is the error term

α0 is the constant

β,θ, λ are parameters to be estimated

where n is the optimal lag length selected based on the information criteria

Empirical Results and Discussions

Table 1: Descriptive Statistics

	EPD	DPD	DS	FDI
Mean	9.089900	8.161496	5.105789	-3.39E+09
Median	9.086703	7.655159	4.550000	-3.08E+09
Maximum	11.40756	11.54345	12.62000	1.20E+08
Minimum	7.469232	6.084249	0.500000	-8.02E+09
Std. Dev.	1.046525	1.791363	4.244093	2.44E+09
Skewness	0.675784	0.597928	0.083045	-0.402940
Kurtosis	3.460739	2.193409	1.543283	2.007300
Jarque-Bera	1.614220	1.647187	1.933632	1.294293
Probability	0.446146	0.438852	0.380292	0.523538
Sum	172.7081	155.0684	97.01000	-6.44E+10
Sum Sq. Dev.	19.71387	57.76169	324.2219	1.07E+20
Observations	19	19	19	19

Table 1 provides a summary of the key variables: External Public Debt (EPD), Domestic Public Debt (DPD), Debt Servicing (DS), and Foreign Direct Investment (FDI) for the period 2006 to 2024. On average, EPD and DPD recorded values of approximately 9.09 and 8.16 respectively, while DS averaged 5.11. FDI had a negative mean of approximately -3.39 billion, indicating that outflows exceeded inflows during the period under review. The maximum and minimum values show that FDI ranged from a peak of 120 million to a low of -8.02 billion, reflecting significant fluctuations in foreign investment. Similarly, the DS ranged from 0.5 to 12.62, indicating wide variations in debt repayment commitments. In terms of variability, the standard deviation of FDI (2.44 billion) reveals substantial volatility, while DS also exhibited notable dispersion (4.24). The EPD and DPD showed more moderate variability, with standard deviations of 1.05 and 1.79 respectively. The skewness values suggest that the distributions of EPD, DPD, and DS are slightly right-skewed, while FDI is slightly left-skewed. Kurtosis statistics indicate that most variables are close to normal distribution, although DS appears to be somewhat flatter than a normal curve. The Jarque-Bera test results, with p-values well above 0.05 for all variables, confirm that the data do not significantly deviate from normality, supporting their suitability for further econometric analysis.

Unit Root (Stationarity Test)

The unit root test is conducted to check if there is stationarity in the variables. Establishing stationarity at the level I(0) or at the first difference I(1). This test is very necessary in time series data as nonstationary data might produce spurious results. Also, to be able to use the ARDL model, it is necessary to ensure that none of the variables under study is integrated at the second difference I(2) because it produces spurious results. The unit root test was conducted using the Augmented Dickey-Fuller (ADF) method under the following hypothesis:

H_0: The variable contains a unit root; hence, it is non-stationary.

H_1: The variable does not contain a unit root; hence, it is stationary.

The decision rule is to reject the null hypothesis if the calculated ADF test statistic value is greater than the critical value at a chosen significance level (in absolute terms). The summary of the result is on table below:

Table 2: Summary of the ADF Unit Root Tests

Variables	ADF Test	5% critical value	Order of integration	Remarks
DS	-4.857873	-3.673616	1 (0)	Stationary
EPD	-4.470967	-3.690814	1 (1)	Stationary
DPD	-5.888237	-3.791172	1 (1)	Stationary
FDI	-6.318454	-3.040391	1 (1)	Stationary

Source: Researchers' Computation Using E-Views 10.0

Since the decision rule is to reject the null hypothesis if the calculated ADF test statistic value (in absolute terms) is greater than the critical value at a chosen level of significance (5%), the result presented above shows that the variables are stationary hence we reject the null hypothesis. Almost all variables are stationary at the first difference 1(1), except debt servicing (DS) that is integrated at the level.

Co-Integration Test

A co-integration test is carried out to identify if some set of non-stationary time series variables possess a long-run equilibrium relationship. The tests are used to identify the degree of sensitivity between two or more variables. The ARDL bounds testing approach will be used to check for a long-run relationship among the variables under study. The results of the bound testing approach are shown in Table 3 below:

Decision Rule for the ARDL Bounds Co-Integration Test

Case 1: If the F-statistic is greater than the upper bound critical value, we reject the null hypothesis and conclude that the variables have a long-run co-integration relationship.

Case 2: If the F-statistic is less than the lower bound critical value, we fail to reject the null hypothesis, indicating that no evidence of co-integration exists.

Case 3: The test result is inconclusive if the F-statistic falls between the lower and upper bound values, and further investigation may be needed.

Table 3: ARDL Bounds Test Result

F-Bounds Test		**Null Hypothesis: No relationship between levels**		
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	5.214652	10%	2.37	3.2
K	3	5%	2.79	3.67
		1%	3.15	4.08

Source: Researchers' Computation Using E-Views 10.0

From Table 3, the value of the F-statistic which shows the joint significance of the lagged level variables, is 5.214652, which is greater than the upper bound I(1)) at a 5% level of significance. Therefore, we reject the null hypothesis and conclude that a long-run relationship exists between the dependent variable net FDI and the independent variables under study.

Evaluation of Long Run and Short Run Estimates

Panel A: Long Run Estimates

Since we have established a long-run relationship amongst the variables under study, the ARDL model long-run form will be used to determine the coefficients of the regression model. The estimated long-run coefficients are reported in Table 4 below:

Table 4: ARDL Long Run Regression for the FDI Model

ARDL Long Run Form and Bounds Test

Dependent Variable: D(FDI)
Selected Model: ARDL(1, 1, 1, 1)
Case 2: Restricted Constant and No Trend
Date: 07/08/25 Time: 09:45
Sample: 2006 2024
Included observations: 18

Conditional Error Correction Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.70E+09	1.93E+09	0.000000	0.0000
FDI(-1)*	-1.038623	0.236628	-4.389268	0.0014
DPD(-1)	-472956.2	130483.3	-3.624650	0.0047
EPD(-1)	579342.0	171413.1	3.379799	0.0070
DS(-1)	5.28E+08	1.60E+08	0.000000	0.0000
D(DPD)	13288.62	37356.51	0.355724	0.7294
D(EPD)	10783.88	48567.25	0.222040	0.8288
D(DS)	1.60E+08	1.52E+08	0.000000	0.0000

Source: Researchers' Computation Using E-Views 10.0

The results of the long-run dynamic regression of the model are presented in Table 4. The ARDL long-run estimates reveal that lagged domestic public debt (DPD), external public debt (EPD), and debt servicing (DS) all have statistically significant long-run effects on FDI in Nigeria. Specifically, the coefficient of lagged FDI is negative and significant (-1.0386, $p < 0.01$), confirming the presence of a stable long-run relationship. DPD has a significant negative impact on FDI (-472,956.2, $p < 0.01$), suggesting that rising domestic debt discourages foreign investment. Conversely, EPD exerts a positive and significant influence (579,342.0, $p < 0.01$), implying that external debt may enhance FDI inflows, possibly through improved infrastructure or external financing signals. Debt servicing also has a strong positive effect (5.28E+08, $p < 0.01$), indicating that consistent debt repayment may build investor confidence. This finding agrees with Sathanatham & Kanesh (2022), who studied the impact of public debt on domestic and foreign direct investments in developing markets in Sri Lanka from 1980 to 2020. The findings revealed that internal debt crowds out FDI in the long run, whereas foreign debts have no influence on FDI eventually. The findings are also in consonance with Benson & Charles (2023) who examined the effect of public debt on foreign investment in Nigeria. The study showed that domestic debt and debt servicing negatively influenced FDI in Nigeria, while external debt had a positive impact.

Table 5: ARDL-ECM Short-Run Results for FDI model

Dependent Variable: FDI
Method: ARDL
Date: 07/08/25 Time: 09:44
Sample (adjusted): 2007 2024
Included observations: 18 after adjustments
Maximum dependent lags: 1 (automatic selection)

Model selection method: Akaike Info Criterion (AIC)
Dynamic regressors (1 lag, automatic): DPD, EPD, and DS
Fixed regressors: C
Number of models evalulated: 8
Selected Model: ARDL(1, 1, 1, 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	-0.038623	0.236628	-0.163221	0.8736
DPD	13288.62	37356.51	0.355724	0.7294
DPD(-1)	-486244.8	151832.9	-3.202500	0.0095
EPD	10783.88	48567.25	0.222040	0.8288
EPD(-1)	568558.1	194599.2	2.921687	0.0153
DS	1.60E+08	1.52E+08	1.047932	0.3193
DS(-1)	3.69E+08	1.64E+08	2.253838	0.0479
C	-8.70E+09	1.93E+09	-4.508312	0.0011

Source: Researchers' Computation Using E-Views 10.0

Table 5 presents the short-run dynamics of the ARDL error correction model for FDI. The results show that lagged domestic public debt (DPD(-1)) has a negative and statistically significant effect on FDI (-486,244.8, p = 0.0095), indicating that increases in past domestic debt levels tend to reduce foreign investment in the short term. In contrast, lagged external public debt (EPD(-1)) shows a positive and significant effect (568,558.1, p = 0.0153), suggesting that prior increases in external borrowing may encourage FDI inflows. Similarly, lagged debt servicing (DS(-1)) has a positive and significant impact (3.69E+08, p = 0.0479), implying that timely repayment of debt obligations may boost investor confidence. Other contemporaneous variables, including current DPD, EPD, DS, and the lagged FDI term, were not statistically significant in the short run. The constant term is negative and significant, reflecting the baseline level of FDI when all explanatory variables are zero. Overall, the model suggests that the effects of debt financing on FDI are more evident through their lagged components, highlighting the delayed response of foreign investors to changes in Nigeria's debt profile. This findings was in contrast with Joshua (2019) who examined the impact of public debt on investment in Nigeria for the period between 1981 and 2016. Findings emanating from this study indicated that domestic debt positively influences private and public investment in the short and long run but failed to attract foreign direct investment. Similarly, the study revealed that external debt crowds out private investments both in the short and long run.

Residual Diagnostics

Tables 6. Residual Diagnostics Test for FDI

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.234822	Prob. F(2,11)	0.7946
Obs*R-squared	0.737041	Prob. Chi-Square(2)	0.6918

Source: Researchers' Computation Using E-Views 10.0

The null hypothesis states that no serial correlation exists. Since each of the F-statistics probability value is greater than the 5% significance level, we cannot reject the null hypothesis of no serial correlation. This implies that the result is good.

Test for Heteroscedasticity

This test is conducted to determine whether the error variance of each observation is constant. The hypothesis testing is thus:

H_0: There is no heteroscedasticity in the residuals

H_1:There is a heteroscedasticity in the residuals

Table 7: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.551293	Prob. F(4,13)	0.7016
Obs*R-squared	2.610501	Prob. Chi-Square(4)	0.6250
Scaled explained SS	1.353725	Prob. Chi-Square(4)	0.8522

Source: Researchers' Computation Using E-Views 10.0

The decision rule is to accept the null hypothesis that there is homoscedasticity (i.e., no heteroscedasticity) in the residuals if the probability of the calculated F-test statistic (F) is greater than the 0.05 level of significance chosen in the study. Hence, P(F) = 0.7016, which means that the probability F statistic is greater than the 0.05 level of significance. Therefore, the study accepted the null hypothesis that the model has no heteroscedasticity in the residuals and therefore, the data are reliable for prediction.

Conclusions and Recommendations

This study examined the effect of debt financing on FDI in Nigeria from 2006 to 2024 using the ARDL model. The findings reveal a significant long-run relationship between debt components and FDI, while lagged variables largely drive short-run effects. Specifically, domestic public debt (DPD) was found to have a negative and statistically significant impact on FDI in both the short and long run, suggesting that rising domestic borrowing may signal fiscal stress or crowd out private investment, thereby discouraging foreign investors. Conversely, external public debt (EPD) demonstrated a positive and significant effect on FDI in both timeframes, implying that when effectively managed, foreign borrowing may enhance investor confidence, possibly by financing infrastructure and productivity-enhancing projects. Debt servicing (DS) also showed a positive and significant impact, indicating that regular and transparent repayment of debt obligations can foster trust among international investors.

However, the model's short-run dynamics highlight that current changes in debt levels do not immediately influence FDI, and investors are more responsive to past trends and fiscal discipline over time. This lagged reaction underscores the importance of policy consistency and long-term credibility in public debt management.

Based on these findings, the study recommends that the government should reduce its overreliance on domestic debt, particularly in ways that compete with private sector credit, as this can undermine investor confidence. External borrowing should be prioritized for productive and capital-intensive projects that can stimulate economic activity and attract long-term investment. Moreover, regular and transparent debt servicing should be maintained to signal macroeconomic stability and enhance Nigeria's creditworthiness in the eyes of global investors. Strengthening debt transparency, through timely publication of debt statistics and clear communication of borrowing strategies is also essential in building trust and reducing uncertainty in the investment environment.

Ultimately, the effectiveness of debt financing in attracting FDI will depend not just on how much is borrowed but also on how well it is managed and aligned with national development goals.

References

Aderemi, T.A., Ganiyu, A.B.,Sokunbi,G.M., & Bako,Y.A.(2020). The determinants of fdi inflows in Nigeria: An empirical investigation. Acta Universitas Danubiu Economica, 16 (3).

Akinola, G.W., & Abieyuwa,O.(2024). The effects of external debt and foreign direct investment on economic growth in Nigeria. Economics, 12:142.

Arezki, R.S.D., & Ugo,P.(2021). Shaping Africa's post covid recovery. Paris and London:CEPR Press, 2008. Available online: https://cep.org/publications/books-and-reports/shaping Africa's post-covid recovery (accessed on June 19, 2025).

Asogwa, J.O.,Okechukwu,E.U.,& Onyekwelu,U.L.(2018). Evaluation of the effect of federal government external debts and reserves on economic growth in Nigeria. Journal of Economics & Sustainable Development, 9(6), 34-44.

Atique, R., &Malik,K.(2012). Impact of domestic and external debts on economic growth of Pakistan. World Applied Science Journal, 20(5), 120-129.

Bello, U.H.M., & Shittu,W.O.(2018). Impact of capital flight on economic growth in Nigeria. Lapai Journal of Politics, 5:36-46.

Benson, E., & Charles,I. (2023). Analyzing the signaling effect of public debts to foreign direct investment in Nigeria. IIARD Journal of Business & African Economy, 9(2), 69-82. doi:10.1016/j.iiard.2013.09.016

Boge, T., Suryaning, B., &Nanik,W.(2023). The contribution and influence of total external debts, FDI on economic growth in Indonesia, Thailand, Vietnam & Philippines. Research in Globalization, 7(5), 567-580.

Boluwatife, G.A., Sunday, I.O., & Eyitayo, O.O. (2022). Trends and patterns of foreign investment information in Nigeria. Sapienta Global Journal of Arts, Humanities & Development Studies, 5(2), 251-260.

CBN Statistical Bulletin. (2018). Documents Statistical Bulletin. Available online: https://www.cbn.gov.ng (accessed on June 11, 2025).

Central Bank of Nigeria, 2016. Annual Reports & Statement of Accounts, 31st December.

Central Bank of Nigeria, 2018. Annual Report & Statement of Accounts, 31st December.

Centre for Journalism Innovation Development (CJID) 2023.

Clements, B., Nguyen, T., &Bhattacharya,R.(2003). External debt, public investment and growth in low income countries. IMF Working Paper No. 3/249.

Debt Management Office (2000). Annual Report

Epor, S.O., Yua, H., &Iorember,P.T.(2024). Foreign direct investment & economic growth in developing countries. The role of international trade and foreign debt. Modern Finance, 2(1),1-17.

Ezenwobi, N.F., &Anisiobi,C.A.(2021). Effect of government public debt on economic development in Nigeria Social Science Research, 7(2), 75-199.

Gigamon, J.P., & Charles,O.(2022). External debt and foreign investment: An empirical analysis on the economy of Ghana. Eurasian Journal of Economics & Finance, 10(2), 54-67.

Ibukunolu, J. (2025).Nigeria's debt crisis:How did we get here?

Idisi, P.O.,Ogwu,J.J.,& Sunday,G.A.(2019). Debt management situation in Nigeria. International Journal of Management & Commerce Innovations, 7(1), 43-50.

Izuaka, M. (2021). Nigeria's debt problem to get worse: Government borrowing #5trillion in 2022. Available from: https://www.premiumtimesng.com/news/headlines/4888547. Nigeria's-debt-problem-to-get-worse-govt-borrowing-#5-trillion-in-2022.html.

Jen-te, H., Chien-Ping, C., & Chieh-Hsuan,W.(2010). Debt overhang, financial sector development & economic growth. Hitotsubashi Journal of Economics, 51(2010), 13-30.

Joshua, A.O. (2019). The impact of public debt on investment: Evidence from Nigeria. DBN Journal of Economics & Sustainable Growth, 2(1), 37-63. doi:10.1016/j.dbn.2018.09.016

Khan, Alan,Nadeem,K.,& Muhammed,S.(2021). The economic impact of COVID -19 from a global perspective. Contemporary Economics 2021:64-75.

Miftahu, I., & Abdulhadi,H.A.(2022). Impact of debt burden on economic growth in Nigeria: A policy discourse for a borrowing economy. Studies in Economics & International Finance, 2(2), 225-241.

Monika, S. (2020). Debt vs foreign direct investment. The impact of sovereign risk on the structure of international capital flows. Economica, 69, 41-67.

Ogunjimi, J. (2019). The impact of public debt on investment: Evidence from Nigeria. DBN Journal of Economics & Sustainable Growth, 1-27.

Okonjo-Iweala, N., & David,D.(2020). Ngozi Okonjo-Iweala's Vision for the WTO. Brookling, 2012. Available online: https://www.brooklings.edu/articles/ngozi-okonjo-iweala's vision-for-the-wto (accessed on June 25, 2025).

Osei, M.J., & Kim,J.(2020). Foreign Direct investment & economic growth: Is more financial development better? Economic Modelling, 4(93), 154-161.

Oziengbe, A., & Osazee,O.(2019).Public debt, foreign direct investment and economic growth in Nigeria. Finance & Economics Review, 1(1), 1-24.

Ozili, P.K. (2025). Impact of foreign direct investment inflow on economic growth in Nigeria in global economic interconnectedness. International Trade & Finance, 2(5), 181-196.

Sahoo, P., &Dash,R.(2022). Does FDI have differential impacts on exports? Evidence from developing countries. International Economics, 172(1), 227-237.

Sanni, H.T. (2007). Fiscal dominance: Its impact on economic management in Nigeria. A paper presented at the course on issues in Economic Management organized by the CBN Learning Centre, Lagos.

Sathanantham, S., &Kanesh,S.(2022). The impact of public debt on domestic and foreign direct investment in developing market: An ARDL bounds testing approach. Corporate Law & Governance Review, 4 (1),8-18.

Tanna, S., Li, C.,&DeVita,G.(2018). The role of external debt in the foreign direct investment -growth relationship. International Journal of Finance & Economics, 23(4), 393-412.

Todaro, M.P., & Smiths'. (2011). Economic Development. Essex:Pearson Education Ltd.

Ujirshar, A., Tefal, O., &Godoo. (2016). large external debt and domestic growth: A theoretical analysis. Journal of Economic Dynamics and Control, 1(2), 141-163.