

EXTERNAL DEBT AND ECONOMIC DEVELOPMENT: POLICY IMPLICATIONS AND POVERTY REDUCTION IN NIGERIA

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ABSTRACT

The study examined the impact of external debt on economic development and the policy implications for poverty reduction. It utilized secondary data from Nigeria statistical bulletins, IMF's International Financial Statistics, World Bank's International Debt Statistics and national accounts data. Based on the findings of the study, the Null hypotheses H_{01} and H_{02} were rejected at 5 % level of significance. This implied existence of a relationship between external debt and economic development on the one hand and the existence of long run relationship between external debt and economic development on the other. This study concluded that the resultant effects of external debt on economic development in Nigeria are negative and significant. The implication is that debt is a burden and should be traded with caution. External borrowings if elected should be channelled towards productive investments that will generate returns that are sufficient enough to offset the debt when due. Given the rural poor direct access to productive assets like land, water rights, inputs, policies related to debt should take cognizance of this and implemented accordingly. This will lead to output growth and enhance income distribution which will in turn reduce poverty.

Keywords: External debt, policy, poverty development.