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Public borrowing in Nigeria consistently fails to translate into measurable development outcomes

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Research Article

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Abstract

Nigeria’s public debt has grown from £5.7 million in 1923 to about ₦144 trillion (~$96 billion) by 2026. Despite a $18 billion Paris Club debt relief in 2005, heavy borrowing has returned, with debt servicing consuming over 150% of government revenue in some years. Using qualitative content analysis of approximately 70 documents (1970–2024), the study finds a persistent pattern: borrowed funds are often used for consumption rather than productive investment, debt servicing crowds out spending on education, health, and infrastructure, and institutional weaknesses (lack of accountability) perpetuate the cycle. Drawing on Minsky’s Financial Instability Hypothesis and Public Debt Theory (Keynesian and Public Choice perspectives), the study argues that this is fundamentally a governance failure, not just an economic one. Practical implications include: a loan-outcome tracking framework for the Debt Management Office; prioritizing concessional borrowing; legislative oversight via public hearings; treating debt as a public accountability issue for civil society; and requiring creditors to address governance challenges. The central lesson: borrowing itself is not the problem, how borrowed money is used is the major problem. Debt relief without reform offers only temporary respite; sustainable development demands governance reform that turns borrowed funds into tangible outcomes for Nigerians.

1.0 Introduction

Nigeria's history with debt goes back further than most people realize. Before independence, in 1958, the country took its first loan from the World Bank $28 million for railway construction. Two years later, in 1960, another $13.1 million followed from the Paris Club, this time for the construction of the Niger Dams project.

During the period between 1958 and 1977, Nigeria relied less on external borrowing due to the oil boom, which provided sufficient foreign exchange earnings to meet financial obligations. However, when borrowing became necessary during this period, it mostly involved concessional loans from bilateral and multilateral sources with longer repayment periods and lower interest rates, making up about 78.5% of the total debt stock (CBN 2005).

The situation changed due to an oil glut that exerted considerable pressure on government finances. To support balance of payments and project financing, the military government under General Obasanjo's regime introduced Decree No. 30 of 1978, enabling the Federal Government to raise external loans from the International Capital Market. This decision led to Nigeria's first major jumbo loan of US$2.2 billion and subsequent loans, which didn't yield the expected benefits. Additionally, the entry of State governments into large external loan obligations increased the country's borrowing space. As a result, Nigeria faced debt crisis that have persisted till date, despite external loans being initially taken to sustain the economic growth stimulated by the oil boom between 1971 and 1977.

The need for the first loan arose from the depletion of foreign resources and a shortage of foreign exchange required for importing capital goods, caused by a significant decline in the price and demand

for oil in the world market, leading to reduced government income. At the time, it was believed that investing the borrowed funds would generate greater government incomes, helping to offset the loans and their interest payments. However, this once glorious period has now become part of Nigeria's history, as the country finds itself among the league of debtor nations.

Nigeria had experienced a consistent increase in its public debt at different levels and at different periods, primarily attributed to borrowing for infrastructure development and budgetary support. By 2020, Nigeria's external debt was estimated to fall within the range of 30billionto30*billionto*35 billion (DMO,2020). Nigeria's public debt makeup consisted of both bilateral and multilateral components. Bilateral debt constituted loans obtained from individual countries, while multilateral debt comprised funds sourced from international financial institutions. Key foreign creditors of Nigeria included prominent financial institutions such as the World Bank, the African Development Bank, the International Monetary Fund (IMF), Islamic Development Bank, as well as other bilateral sources including the China Exim Bank, the French Development Bank or the Japanese Aid Agency and private creditors such as investors in our Eurobonds.

In the second quarter of 2023, Nigeria's combined public debt, comprising both external and domestic obligations, amounted to N87.38 trillion (equivalent to US113.42 billion). This marked a significant increase from its first quarter of 2023 level of N49.85trillion (US113.42 billion). This marked a significant increase from its first quarter of 2023 level of N49.85trillion (US108.30 billion), representing a quarter-on-quarter growth rate of 75.27%. What these 2023 numbers do not fully capture is what happened next.

By the end of 2024, total public debt had surpassed ₦97 trillion. And by early 2026, just two years after that, the figure had swollen to roughly ₦144 trillion. In other words, Nigeria added more debt in the two years between 2024 and 2026 than it owed in total for most of its history before 2020. Specifically, the total external debt in the second quarter of 2023 was N33.25 trillion (US43.16 billion), while the total domestic debt reached N54.13trillion (US43.16 billion), while the total domestic debt reached N54.13trillion (US70.26 billion). In terms of the proportion of external debt in relation to the total public debt, it accounted for 38.05% in the second quarter of 2023 (NBS 2023, DMO,2023).

Nigeria confronted difficulties in servicing its public debt, influenced by a myriad of factors, including diminishing oil revenues, economic adversities, and fluctuations in exchange rates. These challenges raised concerns about the sustainability of the country's debt burden. Nigeria's public debt exhibited a diversity of repayment terms. Some loans came with concessional terms, characterized by lower interest rates and extended repayment periods, while others featured more stringent conditions. The Nigerian government had been actively pursuing strategies to effectively manage its public debt. These efforts encompassed negotiations for debt relief and restructuring when feasible. The Debt Management Office (DMO) of Nigeria played a pivotal role in overseeing debt management operations and ensuring transparency in the process. The escalating public debt in Nigeria had notable ramifications for Nigeria's fiscal stability, as a substantial portion of the country's revenue was being allocated to debt servicing.

Consequently, the effective management of Nigeria public debt and its alignment with productive investments constitute a critical challenge to development in Nigeria.

1.1 Statement of the Problem

Nigeria's public debt has grown from modest beginnings in the 1960s to become one of the most pressing economic challenges facing the nation today. By the second quarter of 2023, total public debt stood at ₦87.38 trillion (approximately US$113.42 billion), representing a 75% increase from the previous quarter alone (DMO, 2023). This rapid accumulation raises a fundamental question: what is the economic return on this borrowing?

The core problem this study addresses is the widening gap between Nigeria's public borrowing and the tangible development outcomes those borrowings were meant to achieve. When governments borrow, the implicit promise is that borrowed funds will finance investments that generate returns sufficient to service the debt while improving the welfare of citizens. In Nigeria's case, this promise remains largely unfulfilled.

Despite decades of borrowing and despite significant debt relief in 2005 Nigeria continues to struggle with the same development challenges: inadequate infrastructure, unstable power supply, poor educational outcomes, high unemployment, and persistent poverty. The country has been described as the poverty capital of the world (World Bank, 2014) while simultaneously being Africa's largest economy. This paradox suggests that something fundamental is broken in how borrowed resources are deployed.

This study therefore examines the economic impact of Nigeria's debt burden, focusing specifically on how borrowing has translated (or failed to translate) into measurable development outcomes. Unlike previous studies that have focused narrowly on GDP growth correlations, this study takes a broader view, assessing debt's impact on infrastructure, human capital development, industrialization, and macroeconomic stability.

The objective of the study is to critically examine the economic impact of debt burden on the economic development of Nigeria.

2.0 Literature Review and Theoretical framework

Understanding Nigeria's debt crisis requires looking at two things side by side: the scholarly debates about what debt does to economies, and the actual history of how Nigeria borrowed and spent. This review does both. I start by tracing Nigeria's debt journey from the colonial era to today because the numbers tell a story that theories alone cannot capture. Then I examine what researchers have found about the relationship between debt and development, and finally I lay out the theoretical lens through which this study makes sense of it all.

Historically, Nigeria did not suddenly wake up with a debt problem. The country has been borrowing for over a century, but the nature and consequences of that borrowing have changed dramatically over time.

1. Before Nigeria was even a republic, it was a borrower from 1914–1960. The British colonial administration took loans primarily for what scholars now call extractive infrastructure: railways to move groundnuts, coal, and tin from the interior to the coast for export. The first documented major loan on Nigeria's behalf was approximately £5.7 million (about $27.7 million) in 1923, taken at a 2.5 percent interest rate. By 1936, total debt had reached £9.89 million.

Two years before independence, Nigeria took its first loan from the World Bank. Finance Minister Chief Festus Okotie-Eboh signed a $28 million (₦20 million) credit agreement in 1958 to extend the railway into the northeast – the Bauchi-Maiduguri line. This was concessional borrowing: low interest, long repayment periods, and money tied to specific infrastructure projects. At independence in 1960, Nigeria's total public debt stood at just ₦30 million. By 1970, it had grown to about ₦287 billion in today's terms – still modest by any measure.

2. The post-civil war era coincided with the oil boom from 1970–1977, and Nigeria initially borrowed very little. Foreign exchange earnings from crude oil provided sufficient revenue to meet financial obligations. When borrowing did occur during this period, it mostly involved concessional loans from bilateral and multilateral sources with longer repayment periods and lower interest rates. According to Central Bank of Nigeria records, these concessional loans made up about 78.5 percent of the total debt stock during this era.

3. Everything changed in 1978 when Nigeria took what became known as the "jumbo loan." That borrowing marked the real turning point for the country's debt trajectory. The oil glut of the late 1970s put serious pressure on government finances. To support balance of payments and project financing, the military government under General Olusegun Obasanjo introduced Decree No. 30 of 1978, enabling the Federal Government to raise external loans from the international capital market. This decision led to Nigeria's first major commercial loan: $1 billion (approximately ₦606 million), borrowed from the international market. This "jumbo loan" opened the floodgates. State governments also began entering large external loan obligations, expanding the country's borrowing space dramatically.

By 1985, Nigeria's total debt had climbed to 19 billion(approximately₦17 billion). By the early 2000s,with unpaid interest and penalties accumulating, the figure ballooned to as taggering19 billion(approximately₦17 billion).Bytheearly2000s,with unpaid interest and penalties accumulating, the figure ballooned to a staggering35.9 billion (about ₦4.7 trillion). Between 1985 and 2004, Nigeria's debt grew nearly 90 percent, with most of the increase coming from capitalized interest and penalties rather than new borrowing.

4. In 2005, Nigeria achieved what many called a fiscal miracle. After years of negotiation led by then-Finance Minister Ngozi Okonjo-Iweala, Nigeria reached a deal with the Paris Club of creditors. The agreement was straightforward: Nigeria paid $12.4 billion (₦1.6 trillion) in cash to clear arrears, and in

exchange, creditors wrote off $18 billion (₦2.3 trillion) of the outstanding debt. The external debt stock dropped from $35.9 billion in 2004 to $3.5 billion by 2006 with a reduction of over 90 percent of the nation's external debt.

This relief was supposed to be a turning point. The idea was simple: free from crushing debt service obligations, Nigeria could finally invest in infrastructure, education, and the productive sectors of the economy. For a few years, it worked. Between 2006 and 2008, debt levels remained low, and the economy grew.

5. But the clean slate did not last. By 2008–2014, external debt had crept back up to $3.7 billion. In 2009, it was $3.9 billion. The trajectory was clear: $4.5 billion in 2010, $5.7 billion in 2011, $6.5 billion in 2012, and $9.0 billion in 2013. By 2014, Nigeria's external debt had reached levels not seen since before the Paris Club deal.

Domestic debt was also rising. In 2014, total public debt stood at ₦12.1 trillion. By 2018, it had reached ₦20.5 trillion.

6. The administration of President Muhammadu Buhari, with Finance Minister Zainab Ahmed, turned heavily to the international capital markets. This era saw the rise of Eurobonds as a major financing tool. Between 2015 and 2024, Nigeria issued multiple Eurobonds to fund infrastructure projects and cover budget deficits.

The numbers tell the story. In 2023, total public debt stood at ₦87.38 trillion (approximately $113.42 billion). By 2024, it had climbed to over ₦97 trillion. Debt servicing began consuming an alarming share of government revenue. In 2024, Nigeria spent approximately 150 percent of its total revenue on debt servicing meaning the country was borrowing just to pay interest on existing debt. Domestic debt servicing rose 12 percent year-on-year to ₦5.9 trillion, while external servicing climbed 33 percent to $4.7 billion.

7. As of February 2026, Nigeria's total public debt stands at approximately ₦144 trillion (about $96 billion, calculated at an exchange rate of ₦1,500 to the dollar). Of this, external debt accounts for about ₦67.5 trillion ($45 billion), while domestic debt makes up the remaining ₦76.5 trillion ($51 billion). The debt-to-GDP ratio has worsened to about 53 percent.

What is perhaps most troubling is that Nigeria has maintained a flawless record of never defaulting on international sovereign debt but at a tremendous cost. In 2023 alone, Nigeria paid back $500 million in Eurobond obligations. In 2025, the Debt Management Office successfully priced $2.35 billion (₦3.5 trillion) in dual-tranche Eurobonds simply to refinance older maturing debts. The country is effectively running just to stay in place

A substantial body of research has examined the relationship between public debt and economic outcomes in Nigeria. The findings are not uniform, but they point to some consistent patterns.

Abdulkarim & Saidatulakmal (2023) investigated the asymmetric impact of public debt on economic growth in Nigeria. Their findings revealed that public debt positively and symmetrically influences both long-term and short-term economic growth – but with a crucial caveat. When considering the debt overhang hypothesis, debt service payments trigger a symmetric effect that actually hampers growth. Domestic debt, they found, impedes growth asymmetrically in the short term and linearly over the long term. The authors recommended fiscal reforms that effectively curtail deficit financing and enhance domestic revenue generation.

Anifowose, Ojo, & Ajayi (2023) used annual time series data from 1981 to 2021 to examine public debt accumulation and economic growth. Their Dynamic Ordinary Least Square (DOLS) regression revealed a nuanced picture: domestic debt displayed a positive correlation with GDP growth, suggesting a favorable influence. However, external debt demonstrated a negative relationship with economic growth, indicating an adverse impact. The authors attributed the notable effect of debt servicing cost to the negative consequences associated with the accumulation of public debt.

Kur et al. (2025) tested the effect of public debt on Nigeria's economic growth using Autoregressive Distributed Lag (ARDL) methodology. Their results showed that external debt and investment definitely influenced growth, while domestic debt and external debt servicing had significant effects that were often negative.

Several researchers have focused on the debt overhang effect – the situation where debt levels become so high that they discourage investment because investors fear that future returns will be captured by debt service obligations.

Ebhotemhen (2020) explored this specifically, examining the impact of debt overhang and crowding out effects on investment in Nigeria from 1981 to 2018. Using a macro-econometric model with investment as the endogenous variable, the study found a positive relationship between gross domestic product and debt-export ratio on investment. But the critical finding was that proper debt management is essential to avoid debt overhang and crowding out effects on investment.

Mustapha (2026) provides perhaps the most recent assessment, examining the period from 2014 to 2024. His findings are stark: Nigeria's total public debt increased from ₦12.1 trillion in 2014 to over ₦97 trillion in 2024, while debt servicing rose disproportionately, often exceeding 90 percent of government revenue in some fiscal years. The evidence suggests a clear debt overhang effect, where excessive servicing obligations crowd out productive investment and weaken growth prospects.

Princewill & Christine (2023) shifted the focus to sub-Saharan Africa more broadly, using panel data from 24 countries over 39 years (1980–2018). Their research revealed compelling evidence supporting a nonlinear relationship between public debt and growth – indicating that excessive public debt harms economic growth beyond a certain threshold. This finding is significant because it suggests that moderate debt can be productive, but there is a tipping point.

Didia & Ayokunle (2020) used the Vector Error Correction Model (VECM) to examine how Nigeria's economic development was affected by both domestic and foreign debt between 1980 and 2016. Their findings were instructive: when measured using specific development indicators, external debt had a substantial and negative impact on economic growth, while domestic debt had a more beneficial effect.

Similarly, Okwu, Obiwuru, Obiakor, & Oluwalaiye (2016) examined how domestic debt affected economic development between 1980 and 2015. Their findings demonstrated that while domestic debt stock had a positive, long-term impact on Real GDP, debt servicing expenses had a significant negative impact on RGDP.

Aremu (2026) examined the effect of public debt management on budget implementation performance across 18 Nigerian states from 2014 to 2023. The study found that the domestic debt management ratio exerts an insignificant negative effect on budget implementation, while the external debt management ratio exerts a positive but insignificant effect. The implication is that state-level debt management is not yet a major drag on budgets, but it is also not contributing meaningfully to development.

Aliero et al. (2022) tested the interactive effect of institutions and public debt on financial development in Nigeria using the ARDL model. Their findings revealed that the interactive effect of institutions and public debt is positively and significantly related to financial development – suggesting that strong institutions can mitigate the negative effects of debt.

A recent study published in the Future Business Journal (2026) examined the moderating influence of the rule of law on the relationship between public debt and banking sector stability in Nigeria. Using cointegration techniques including FMOLS, DOLS, and CCR, the analysis revealed that public debt significantly destabilizes the banking system, whereas institutional quality contributes to enhanced stability. However, the interaction between debt and the rule of law becomes negative, indicating that excessive indebtedness may undermine the advantages of institutional strength.

2.1 The Gaps in existing Research

Despite the richness of this literature, several gaps remain. First, most studies focus narrowly on GDP growth as the outcome variable, with less attention to broader development indicators like infrastructure quality, educational outcomes, or poverty reduction. Second, the institutional dimensions of debt management remain underexplored in the Nigerian context. Third, few studies have examined the specific mechanisms through which debt servicing obligations crowd out social spending. Fourth, there is limited research on the political economy of borrowing decisions – why governments choose to borrow, who benefits, and how borrowed funds are actually deployed.

This study aims to address these gaps by examining not just the quantitative relationship between debt and growth, but the qualitative reality of how borrowed funds have been used and whether they have delivered the development outcomes they promised.

This study is anchored in two complementary theoretical perspectives.

1. Minsky's Financial Instability Hypothesis (1986)

Hyman Minsky's financial instability hypothesis provides the primary theoretical lens for this study. Minsky, an American economist who worked through the mid to late twentieth century, developed his hypothesis over three decades, with the definitive full articulation appearing in his 1986 book Stabilizing an Unstable Economy. The hypothesis argues that financial systems are not naturally self-stabilizing. Instead, Minsky contended, capitalist economies have an inherent tendency to move from stable to fragile financial structures over time, especially during extended periods of prosperity.

Minsky identified three types of financing arrangements that characterize this progression. Hedge financing is the most stable: borrowers can meet all their debt obligations from expected cash flows. Speculative financing involves borrowers who can meet interest payments but must roll over principal, creating vulnerability to changes in credit conditions. Ponzi financing is the most fragile: borrowers cannot meet even interest payments from cash flows and must rely on rising asset prices to survive. During long economic expansions, Minsky observed, the proportion of speculative and Ponzi financing grows as investors become overconfident and creditors become complacent. This is the dynamic he summarized in his famous observation: stability breeds instability.

This framework is remarkably relevant to Nigeria's experience. The oil boom years of the 1970s created an environment of optimism and easy credit. Governments borrowed assuming oil revenues would keep flowing. When oil prices collapsed in the early 1980s, the fragility became apparent. Debt that seemed manageable became crushing. The pattern has repeated: periods of high oil prices lead to increased borrowing, and periods of low oil prices reveal the underlying fragility. Minsky's theory helps us understand why Nigeria's debt trajectory has been so persistent. Each wave of borrowing creates new vulnerabilities that later waves must address. The 2005 debt relief was supposed to break the cycle, but the underlying patterns of behavior borrowing during good times, struggling during bad times remained unchanged.

2. The Public Debt Theory

Unlike the Financial Instability Hypothesis, which has a single identifiable origin, public debt theory is better understood as a tradition of thought spanning three centuries. Three main schools have shaped how economists understand government borrowing.

1. The Classical View (Pessimists). David Hume, Adam Smith, and David Ricardo viewed public debt as a destructive force. Writing in the late 18th and early 19th centuries, they argued that government borrowing was almost always wasteful, that it diverted capital from productive private investment, and that it burdened future generations. Adam Smith dismissed arguments that public debt was

harmless as sophistry. David Ricardo, while recognizing that interest payments are internal transfers, still opposed borrowing because he assumed governments would waste the funds.

2. The Keynesian View (Optimists). The Keynesian revolution overturned this skepticism. In his General Theory (1936), John Maynard Keynes argued that deficit spending was essential to fight unemployment and that worrying about balanced budgets during a depression was self-defeating. Evsey Domar (1944) provided the mathematical foundation: if the economy grows faster than the interest rate on debt, the debt-to-income ratio will naturally decline over time. Abba Lerner (1944) went further with functional finance – the doctrine that governments should ignore the size of the debt entirely and focus only on maintaining full employment.
3. The Public Choice View (Realists). James M. Buchanan (1958) offered a third perspective. He argued that both the classical and Keynesian views missed something important. Classical economists were right that debt can be a burden, but wrong about the mechanism. The burden is not that future generations will be poorer, but that they will face higher taxes without having received the benefits of the spending. Buchanan drew on the Italian tradition of Antonio de Viti de Marco (1893, 1898) to argue that debt financing allows governments to spend without immediate political accountability – a problem particularly relevant to Nigeria's experience.

For this study, I draw primarily on the Keynesian and Public Choice traditions. The Keynesian framework helps explain why debt sustainability depends crucially on the relationship between the interest rate and the economic growth rate. The Public Choice framework helps explain why borrowed funds in Nigeria have so often failed to translate into development – because borrowing enables governments to spend without the accountability that taxation would impose. Nigeria's debt trajectory, viewed through this lens, is not simply an economic failure but a political one.

2.2 Conceptual Framework: Linking Debt to Development

Drawing on the literature reviewed above, this study conceptualizes the relationship between public debt and development in Nigeria through three channels:

1. Borrowed funds can supplement domestic savings and finance investment that would otherwise not occur. When this channel functions effectively, debt contributes to development.
2. Debt service obligations consume government revenue that could otherwise be spent on education, health, infrastructure, and other development priorities. When this channel dominates, debt constrains development.
3. The quality of institutions determines which of the first two channels dominates. Strong institutions ensure that borrowed funds are deployed productively and that debt service does not crowd out essential spending. Weak institutions lead to waste, corruption, and unsustainable debt accumulation.

This study examines Nigeria's experience through these three channels, asking whether borrowed funds have reached productive investments, whether debt service has constrained development spending, and

whether institutional weaknesses have undermined both.

According to Soludo (2016), nations borrow for two main purposes: firstly, for macroeconomic reasons, which can be either used to finance increased investment or higher consumption and to finance budget deficit. This means that countries borrow with the intention of boosting economic growth and reducing poverty. However, Soludo also warned that when the level of debt reaches a certain threshold, it can have negative consequences on the economy. At this point, debt servicing obligations become a massive burden, and countries may find themselves on the wrong side of the debt Laffer curve, where debt starts crowding out investment and growth. This is the situation in the country today.

The burden of large debt servicing obligations can hinder investment and, consequently, economic growth due to the illiquidity and disincentive effects. The illiquidity effect arises because available resources must be divided among consumption, investment, and external transfers to service existing debt, limiting the potential for investment. The disincentive effect occurs because expectations of higher future tax burdens can discourage current private investment. Investors may fear that they will be affected by defaults on old debt, which hampers their willingness to engage in new economic activities. Additionally, the debt overhang contributes to capital flight and external debt linkage, as domestic investors fear increased future tax liability leading to capital outflows instead of domestic savings.

Moreover, the debt overhang also creates a link between capital flight and external debt. Domestic investors may anticipate higher tax liabilities in the future, leading to capital outflow rather than domestic savings.

Despite Nigeria's increasing prominence and wealth in the eyes of the world, the World Bank (2014) ranked it as one of the world's poorest nations, with its people living on less than US$1.25 per day based on the purchasing power parity rate, which considers how much local currency is required to purchase the same goods that a dollar could purchase in the US. Nigeria being the poverty capital of the world, among the most insecure people on earth, among the hungriest, have poor education quality and the highest number of out-of-school children, high infant mortality, corruption, unemployment, the highest income gap between the poor and the rich, high corruption perception index, infrastructure and healthcare challenges, and more.

Since the US is a comparatively costlier country, this usually translates to less local currency than the exchange rate in less developed nations. Nigeria's enormous debt load has detrimental effects on the country's economy and populace's well-being. The resources available for socioeconomic growth have been substantially impacted by the service of the foreign debt.

Debt has been an issue for developing nations ever since the debt crisis began in the 1980s and spread into the 2024. Many developing nations have accrued significant debts during the past 40 years, which impedes economic expansion and limits efforts to reduce poverty. The situation in Nigeria has remained the same.

In 2024, shortly after the Tinubu administration removed the long-standing fuel subsidy, Nigeria's total public debt crossed the ₦97 trillion mark, according to DMO reports. This represented a significant jump from previous years, though part of the increase reflected currency devaluation rather than new borrowing. When the naira falls, the naira value of dollar-denominated debt automatically rises. Official creditors accounted for 93.38% of the entire foreign debt stock at the time, while private creditors accounted for 6.62%.

The DMO despite articulating a five-year debt strategy to ensure that government needs and obligations are met at lowest possible cost, the economy has not benefited significantly from such initiatives. Public debt management strategy as enshrined in the National Debt Management Framework (NDMF) is to prudently access concessionary financing needed to finance growth and development within a sustainable debt profile, (DMO Annual Report and Statement of Account, 2009). However, the majority of emerging nations, including Nigeria, are said to be experiencing a lack of capital. As a result, they rely on foreign revenue to supplement their capital that is created locally. It's anticipated that the economy would grow proportionately as the amount of external public borrowing grows.

Nigeria lags behind the majority of African nations in terms of the development of human capital. Japan has made significant investments in human capital development while lacking both agriculture and oil. It is extremely shameful that Nigeria's office of the president has a budget for entertainment that is far higher than that allocated to the education sector. It is a huge insult to our Nigerians that the politically motivated school feeding program under President Muhammadu Buhari's Social Investment Program cost over 228 billion dollars during his administration, more than the yearly budgeted allotment for education. Poor welfare and deteriorating infrastructure have led to a decline in educational standards. This has led to various industrial actions in both Primary, Secondary and tertiary institutions and yet the external borrowing cannot be utilized to revamp the Nigeria educational sector.

Industrialization has been seen as one of the fastest means of fast-tracking economic development in Less Developed Countries (LDC's). Countries develop their industrial sectors for many reasons:

1. Industries have more backward and forward linkages to the other sectors of an economy;
2. They exhibit increasing returns to scale;
3. They have the ability to diffuse technology in the economy wider than the primary sector but external borrowing by Nigeria has not done the magic and the country is not industrialized but has the potentials for industrial growth.

Consider electricity. No economy can grow without reliable power, and this is where Nigeria's failure to translate borrowing into development becomes painfully visible. As of 2020, Nigeria was generating roughly 4,000 megawatts of electricity for a population of over 200 million people. To put that in perspective, Egypt with about 100 million people had pushed its generating capacity from 26,000 megawatts to 55,000 megawatts by 2020. South Africa, with only 50 million people, consistently generates around 45,000 megawatts. Vietnam, a country that was war-torn just a generation ago, grew

its electricity output from 38,000 megawatts in 2015 to 76,000 megawatts in 2020. What these comparisons show is not that Nigeria lacks potential. It is that borrowed money meant for power infrastructure has too often disappeared into administrative inefficiency, poorly executed contracts, or worse. The resources have been there. The accountability has not.

Nigeria was acclaimed to be the largest economy in Africa with the largest unemployment rate, the largest African economy with largest population of the poor, the largest African economy with the worst critical infrastructures, the largest economy in Africa with the worst investment climate, the largest economy in Africa with the largest security threat to foreign investment, the largest economy in Africa but the economy has no sustainable power supply. Further analysis shows that the Nigeria economy needs serious diagnosis and restructuring if the country must make a sustainable economic growth and development.

A true government in any nation provides direction, guidance, solutions, and reassurance in times of crisis. This is the hallmark of visionary leadership and a trait of nations that are making progress and advancing their development. They don't simply state the obvious but offer a roadmap for overcoming obstacles.

2.3 A Necessary Conceptual Refinement: Beyond the Debt-to-GDP Illusion

Before moving to the methodology, we need to pause and address a problem that runs through much of the public discussion on Nigeria's debt. Almost everywhere you look – government statements, analyst reports, social media arguments – people use the debt-to-GDP ratio as the ultimate scorecard. The logic seems simple: if the ratio is low, the country is safe; if it is high, trouble is coming. But after spending years looking at Nigeria's numbers, I have come to believe that this single statistic, while not useless, can be profoundly misleading.

I recently came across a social media post by Professor Emmanuel Onwioduokit that put into words what the data had been hinting at for years. He argues, and I think he is right, that what actually strangles a country is not the sheer size of its debt but something more immediate: cash-flow pressure. He uses a simple but powerful analogy that stuck with me. Think of two individuals. One earns a very high salary but spends almost every naira servicing loans. The other earns a modest income but has little to no debt payments. Which one is under more financial strain? The high earner, of course. Financial stress is not about how much you owe in total; it is about how much of your current income gets eaten up by repayments before you can even think about living.

The same applies to nations. A country does not repay debt using its GDP. GDP is the size of the whole economy, including private businesses, informal traders, and household activities that generate little or no direct revenue for the government. A country repays debt using actual government revenue: taxes, customs duties, oil royalties, and other inflows. That is why the debt-service-to-revenue ratio is often a much better early warning signal than debt-to-GDP.

Onwioduokit illustrates this with a comparison that should worry any Nigerian reading this. Japan, he notes, has one of the highest public debt burdens in human history, over 250 percent of GDP. By any textbook measure, Japan should have collapsed years ago. Yet Japan remains stable. Why? Because most of its debt is in its own currency, held domestically, with very low interest rates. Its debt servicing costs remain manageable relative to government revenue. Nigeria, on the other hand, has a far lower debt-to-GDP ratio. By that old measure, we look safer. But our fiscal strain is acute because debt servicing consumes a massive share of government revenue, sometimes over 150 percent. We borrow at higher interest rates. Our currency keeps falling, which makes dollar-denominated debts heavier. A smaller debt stock can therefore generate far greater financial pressure.

This is exactly what we saw with Greece before its crisis. The disaster did not come merely because Greek debt was large. It came when revenues weakened, refinancing costs exploded, and the government suddenly could not meet its immediate payment obligations. Argentina repeats this pattern again and again. The United States, meanwhile, carries huge debt but remains credible because of deep financial markets and extraordinary taxation capacity.

What Onwioduokit calls the debt illusion is the mistake of focusing only on the size of the debt stock while ignoring the government's actual fiscal breathing room. Once debt service begins consuming an excessive portion of revenue, the government loses flexibility. Borrowing costs rise. Investor confidence weakens. And the state is forced into painful choices: cut health, cut education, cut roads, just to keep paying interest. At that stage, debt stops being a development tool and becomes a trap.

This insight is not just academic for Nigeria. It explains why our situation feels so desperate even when our debt-to-GDP ratio looks modest compared to Japan or the United States. Our problem is not simply that we owe a lot. It is that we collect too little revenue and what little we collect is largely spoken for before any development can happen. The real question, as Onwioduokit puts it, is not "How much does Nigeria owe?" but "After paying what we owe, how much does Nigeria have left to actually run the country and build its future?"

I have therefore taken this debt-service-to-revenue perspective as a guiding thread in the analysis that follows. It helps make sense of why the numbers in DMO reports often look acceptable on paper while the reality on the ground feels like crisis.

Table 1
Why Debt to GDP Can Mislead Comparing Japan and Nigeria

Indicator	Japan	Nigeria
Debt-to-GDP ratio	~ 250% (very high)	~ 53% (moderate)
Debt-service-to-revenue ratio	~ 10–15% (manageable)	~ 150%+ (critical)
Currency of debt	Mostly Yen (domestic)	Mixed – large dollar exposure
Interest rate environment	Extremely low for decades	High and volatile
Revenue collection capacity	Strong, broad-based	Weak, oil-dependent
Fiscal outcome	Stable despite massive debt	Acute strain despite modest debt

Source

Author's compilation based on DMO (2023, 2024), IMF Country Reports (2024), and Onwioduokit (2026).

A country with enormous debt can remain stable if its revenue is strong, its interest costs are low, and its debt is in its own currency. A country with modest debt can suffocate if revenue is weak, interest rates are high, and currency depreciation inflates the real burden. Nigeria is the second case.

This is exactly what we saw with Greece before its crisis. The disaster did not come merely because Greek debt was large. It came when revenues weakened, refinancing costs exploded, and the government suddenly could not meet its immediate payment obligations. Argentina repeats this pattern again and again. The United States, meanwhile, carries huge debt but remains credible because of deep financial markets and extraordinary taxation capacity.

What Onwioduokit calls the "debt illusion" is the mistake of focusing only on the size of the debt stock while ignoring the government's actual fiscal breathing room. Once debt service begins consuming an excessive portion of revenue, the government loses flexibility. Borrowing costs rise. Investor confidence weakens. And the state is forced into painful choices: cut health, cut education, cut roads, just to keep paying interest. At that stage, debt stops being a development tool and becomes a trap.

This insight is not just academic for Nigeria. It explains why our situation feels so desperate even when our debt-to-GDP ratio looks modest compared to Japan or the United States. Our problem is not simply that we owe a lot. It is that we collect too little revenue and what little we collect is largely spoken for before any development can happen. The real question, as Onwioduokit puts it, is not "How much does Nigeria owe?" but "After paying what we owe, how much does Nigeria have left to actually run the country and build its future?"

I have therefore taken this debt-service-to-revenue perspective as a guiding thread in the analysis that follows. It helps make sense of why the numbers in DMO reports often look acceptable on paper while the reality on the ground feels like crisis.

3.0 Methodology

The study was designed to be a descriptive study. This is because the study seeks to highlight the economic and relevant non-economic influences in our subject matter considering some historical factors in our investigation. Quantifying themes, words, phrases, or symbols is a typical method used in descriptive study to highlight similarities or differences in data. It is frequently employed to comprehend what is contained in the text without making inferences about causality.

The study objective is to examine the economic impact of public debt burden on the economic development of Nigeria. This structured approach allows a systematic examination of the complex challenges of development in Nigeria, supporting the research objectives and addressing the research problem effectively about debt crisis.

3.1 Method and sources of data collection

The method of data collection was based on comprehensive qualitative data and this approach leverages pre-existing information, existing information pertinent to the study describing the volume of debts incurred over the years, observation of behaviors and sequences of events on the economy. The sources of the data cover scholarly publications, official reports from DMO, CBN and other government agencies. This method and sources of data collection offer insights into the experiences, viewpoints, and motives of borrowing and are frequently employed to describe particular instances or thoroughly examine the phenomena. To increase the reliability of the descriptive information gathered, each technique can be applied separately or in combination. The objective is to present an accurate picture of the phenomenon under study and not to prove causation.

The data for this study were sourced from publicly available repositories, including the Debt Management Office Nigeria, Central Bank of Nigeria, World Bank, and International Monetary Fund. Full details, including direct web links, are provided in the Data Availability Statement in the Declarations section of this manuscript.

3.2 Measurements

The measurement was based on content analysis reports and economic impact assessment. Public Debts are designed for infrastructure development which can improve economic productivity and connectivity. The public debt is measured by excessive external and domestic debts and debt Servicing. Excessive debt can deter foreign investment and economic growth and high debt servicing reduced funds available for critical sectors like health and education.

Development is measured by key macroeconomic variables such as output, infrastructures, democratic service delivery, Inflation and exchange rate etc: Excessive public debt can trigger inflation and impact exchange rates, thereby affecting purchasing power and economic stability.

3.3 Techniques of Analysis

As earlier indicated in the methodology, the study was designed to be a descriptive study and the study adopted content analysis technique. This technique is justified on the ground that the study was based on the cause-and-effect relationship. The study would provide readers a thorough understanding of the debt crisis and the challenges of development arising from such huge debt burden. The analysis of the descriptive design was based on the review of various empirical and documented reports on public debt in Nigeria and qualitative data generated.

3.4 Document Selection and Analytical Process

This study drew on a range of published materials to understand Nigeria's debt trajectory. In total, I reviewed approximately 70 documents, though not every document received the same depth of attention. Some were read cover to cover; others were consulted for specific data points or historical context.

Documents were selected based on three criteria: direct relevance to Nigeria's public debt; publication by credible institutions (DMO, CBN, World Bank, IMF, or peer-reviewed journals); and coverage of the period 1970 to 2024.

The main sources fell into four categories. First, peer-reviewed journal articles on Nigerian public debt. I focused on studies published between 2000 and 2024, since the most relevant research on the post-Paris Club era appeared during this period. I ended up with about 35 articles that directly addressed debt burdens, growth outcomes, or debt management in Nigeria.

Secondly, official publications from the Debt Management Office. The DMO has produced annual reports since its establishment in 2000. I reviewed 18 of these reports, prioritizing years when major borrowing occurred or when debt figures changed significantly. I also looked at the DMO's quarterly bulletins and public debt snapshots where available.

Thirdly, Central Bank of Nigeria statistical bulletins. These provided the raw numbers on external reserves, exchange rates, and fiscal operations. I used CBN publications from about 15 different years, focusing on periods when debt was accumulating rapidly.

Fourthly, reports from the World Bank and the International Monetary Fund. These included country assistance strategies, debt sustainability analyses, and Article IV consultation reports. I reviewed roughly a dozen of these, focusing on those that specifically discussed Nigeria's debt trajectory and governance challenges.

Beyond these formal sources, I also consulted newspaper archives from ThisDay, BusinessDay, Premium Times, and The Guardian for specific events like the 2005 Paris Club deal, the 2023 fuel subsidy removal, and the 2025 Eurobond issuance. These were not counted as formal documents but helped fill in the sequence of events.

Analysis proceeded in three phases. First, I read through the materials to establish a timeline of borrowing patterns across different administrations. Second, I coded the documents for key themes: debt sources, stated borrowing purposes, actual outcomes, and identified challenges. Third, and most importantly, I compared what the government said the borrowed money would do against what actually happened. This comparison between stated objectives and reported outcomes is the analytical core of the study.

4.0 Historical Analysis of Nigeria's Debt Trajectory (1960–2024)

The number of public debts accumulated by various Nigerian leaders constitute the data used in the study analysis as it spans a significant period of the country's economic history. The economic impact assessment on economic growth and development is broken down and analyzed as follows:

1. Alhaji Shehu Shagari (1979–1983): The president accumulated debts ranging from ₦2.3 billion to ₦10.5 billion. His era saw increased borrowing to fund developmental projects and infrastructure, but mismanagement and corruption hindered economic development. To date, the objective for accessing such loans was not achieved.
2. General Muhammadu Buhari (1983–1985): As a military president, he came as a corrective regime in Nigeria but ended up accumulating the public debt. Debt under his regime increased from ₦10.5 billion to ₦17.3 billion. His tenure faced economic challenges due to falling oil prices and fiscal mismanagement, leading to higher debt burdens. Even though the period saw stability in the value of the local currency, critical infrastructures were not addressed.
3. Gen. Ibrahim Babangida (1985–1993): During the military era of this president, public debt soared from ₦17.3 billion to ₦633.1 billion. The period was marked by ambitious projects but also saw excessive borrowing for consumption rather than investment, contributing to long-term debt crisis. Most of the huge projects embarked upon speaks in volume today but most of the borrowed funds were misappropriated for personal gain.
4. Chief Ernest Shonekan (1993): Debt under his administration was ₦633.1 billion during his brief interim period, influenced by political instability and economic uncertainty following Babangida's regime. Nothing was practically on ground to show as a reason for embarking on such public borrowing and drive economic development and sustainability.
5. Gen. Sani Abacha (1993–1998): Debt was stable around ₦633.1 billion during most of his tenure. His tenure was marked by corruption and mismanagement despite high oil revenues.
6. Gen. Abdusalami Abubakar (1998–1999): Despite coming into power following the death of Gen. Sani Abacha, debt increased sharply from ₦633 billion to ₦2.58 trillion. This period aimed at economic stabilization after Abacha's era but continued fiscal challenges persisted and development was retarded.
7. Chief Olusegun Obasanjo (1999–2007): The president came with a big bang to reposition the economy free from debtors' nations, debt rose from ₦2.58 trillion to ₦438.9 billion. His administration focused on debt relief and economic reforms, contributing to moderate debt

reduction and some economic growth. The 2005 Paris Club debt departure agreement under the regime of chief Olusegun Obasanjo and the 2006 and 2007 London Club debt exits caused a substantial decline in the foreign debt stock between 2004 and 2006. Though there were investment in the economy especially in the telecommunication sector among others.

8. Alhaji Umaru Musa Yar'Adua (2007–2010): Public debt increased from ₦438.9 billion to ₦689.8 billion. His tenure was marked by initiatives to reduce debt through prudent fiscal policies, but challenges of ill health adversely affected his policy implementation.
9. Dr. Goodluck Jonathan (2010–2015): When Jonathan took over after Yar'Adua's death, total public debt was about ₦3.2 trillion. By the time he left office in 2015, it had climbed to roughly ₦12.1 trillion. This period saw Nigeria step into the international capital market in a serious way. The country issued its first Eurobond in 2011 of $500 million followed by several more. In theory, these borrowed funds were meant for power sector reform and infrastructure. In practice, critics argue that much of the borrowing simply filled budget gaps left by weak revenue collection. The Jonathan years also saw oil prices crash in 2014, which exposed how vulnerable the entire borrowing strategy was to global market swings.
10. Gen. Muhammadu Buhari (2015–2024): Buhari returned to power promising to fight corruption and fix the economy. But his tenure saw Nigeria's debt stock climb to levels no one had anticipated. Let me break down the numbers carefully because this is where confusion often arises. By 2023, Nigeria's total public debt that is, external plus domestic had reached ₦87.38 trillion. Of that, external debt was about ₦33.25 trillion. Domestic debt made up the rest. By the time Buhari handed over to Tinubu in May 2024, the total had edged past ₦97 trillion. So when you see figures like ₦33 trillion, those usually refer only to external debt, not the full picture. The full picture is much larger. What made this period particularly painful was the cost of servicing all these debts. In 2024, Nigeria spent roughly 150 percent of its government revenue on debt payments – meaning the country was effectively borrowing just to pay interest on existing loans. Debates continue about where the money actually went. The Buhari administration pointed to infrastructure projects like the Second Niger Bridge and the Lagos-Ibadan railway. Critics counter that corruption and weak project management meant much of the borrowed funds never delivered the promised results.

Before presenting the most recent figures, one caveat is necessary. The DMO has not yet published official debt statistics for 2026 at the time of this writing. The numbers that follow are drawn from official statements, media reports quoting DMO officials, and extrapolations based on known borrowing activities in 2025. They should be treated as informed estimates rather than final audited figures.

11. Chief Bola Ahmed Tinubu (2024-present): Debt increased from ₦33.25 trillion to ₦56.02 trillion by 2024. As at March, 2024, he has already borrowed over ₦23 trillion. His administration faced serious challenges in balancing development needs with debt sustainability amidst global economic uncertainties.

As of April 2026, about two years into President Tinubu's first term, the nation's total public debt stands at roughly ₦144 trillion. Breaking that down: external debt accounts for about ₦67.5 trillion ($45 billion), while domestic debt makes up the remaining ₦76.5 trillion ($51 billion). The debt-to-GDP ratio, which was around 35 percent in 2020, has now worsened to about 53 percent. What is perhaps most troubling is what this new borrowing has been used for. In early 2025, for example, Nigeria went to the international market to raise $2.35 billion in Eurobonds. But this was not for a new railway or power plant. It was to refinance older debts that were coming due. The country is increasingly borrowing just to pay back what it already owes.

Having traced Nigeria's debt trajectory across eleven administrations, I now turn to what these patterns revealed about the relationship between borrowing and development outcomes

4.1 Discussion of Findings: Debt Burden and Development Outcomes

Based on the review and analysis carried out using the content analysis technique, the results of the analysis show that the public debts constitute a major threat to the economic development of the economy.

The goal of the public debt management plan was to borrow from concessional sources in order to finance growth after Nigeria left the Paris Club and the London Club in 2006. Later, the plan was broadened to include borrowing from the global capital market in an effort to lower the cost of debt servicing and diversify the government's funding sources. The approach of replacing domestic debt with less costly long-term foreign finance was suggested in 2013, given Nigeria's reclassification from IDA only to lower middle income.

Public debt is a burden to Nigeria because contracted loans were not optimally deployed, therefore returns on investments were not adequate to meet maturing obligations and did not leave a favorable balance to support domestic economic growth. One of the greatest problems facing Nigeria today is the amount of public indebtedness. The public debt problem is acute because the size of debt relative to the size of the economy is enormous and has led not only to capital flight but also discourages private investment. With the 2004 debt forgiveness granted to Nigeria, one would expect the economic development of the country to be increased given the number of years Nigeria had been independent.

The existing literature consists of various studies conducted by different researchers on the issues of public debt burden in Nigeria. The study focused on the Nigeria economic assessment of debt crisis and challenges of development in Nigeria. As Nigeria went into borrowing to finance trade, alleviate balance of payment deficit, to execute a good number of projects and enhance the welfare of Nigerians etc, the economy is seriously besieged by development challenges.

1. It was observed from the works of these various authors that the domestic and external borrowing is not the major problem of development in Nigeria but no implementation framework designed to

achieve the objectives of borrowing. Much study has not been done on the impact of the economic impact assessment of the public debt burden and challenges of development in Nigeria which therefore created the gap of this study.

2. It was observed from the review that internal and external credits were received from various sources including bilateral and multilateral arrangements, private commercial banks and international financial bodies that are spread all over the world.
3. The country's huge public debt became a source of worry and subject of discussion when the projects for which the loans were contracted for, could not generate expected revenue to offset the credit and their accumulated interests.
4. The study identified some interrelated factors such as the declining foreign exchange receipts due to fall in oil price, high and volatile and double-digit interest rate, naira depreciation, capital flight, ineffective domestic economic policy measures, poor and bad leadership, selfish interest etc. as the negative effect of debt crisis on the Nigeria economy.
5. The huge public debt constitutes a major impediment to the revitalization of its shattered economy as well as the alleviation of debilitating poverty.
6. Nigeria has suffered several structural defects and regime switch and each of these regimes have borrowed huge amount of money that translated to nothing much in the economy.
7. Public debts have been the major obstacles to development as the funds are not judiciously utilized in productive ventures and adversely jeopardized the chances of the country achieving a sustainable economic growth and development.
8. One finding that became impossible to ignore when looking at the 2024 to 2026 period is this: Nigeria has quietly entered a phase where a significant chunk of new borrowing never touches the real economy. Take the $2.35 billion Eurobond issued in 2025. That money was raised specifically to pay off a Eurobond that was maturing. So the funds came in from international investors, sat briefly in a government account, and then flowed right back out to the same investors. No roads. No hospitals. No electricity. Just a refinancing exercise that keeps the lights on for creditors but does nothing for ordinary Nigerians. This is not development. It is survival. And it is a clear sign that the country has moved from using debt as a tool for growth to using debt as a crutch just to avoid default.

Long-term economic growth may result from the effective allocation of public debt to domestic investment. These funds may have been used for beneficial initiatives that would have expanded the economy. Additionally, Nigeria's massive public debt load and debt service payments, in particular, prohibit the country from making greater internal investments that would have boosted growth and development (Clement, 2003).

However, growth in Nigeria has often remained erratic over time, even with the growing amount of outside funding. Nigeria's debt is partly rooted in the collapse of the international oil price in 1981 and the persistent softening of the international oil market policy lapses, according to Ajayi (1995). The

Nigerian government has been having trouble funding deficit budgets and development projects due to the downward trend in global oil prices. This resulted in borrowing from outside sources, including the Paris Club, the World Bank, and the International Monetary Fund (IMF).

In order to manage public debt and other matters, the Central Bank of Nigeria (CBN) established additional departments to carry out the duties in coordination with the Federal Ministry of Finance (FMF) and other pertinent organizations.

Nigeria has decided to restrict debt service to no more than 30 percent of oil earnings since 1986, but this hasn't really helped.

In 2015, Nigeria spent about 40 kobo of every revenue naira on debt service and about 25 kobo on education and health combined. By 2024, debt service consumed roughly 150 kobo of every revenue naira meaning the country was borrowing just to pay interest. Meanwhile, combined spending on education and health had fallen to about 15 kobo. This is not a budget choice. It is a debt trap. When debt service eats revenue, development starves.

5.0 Summary of findings, Policy Recommendation and Conclusion

The empirical analysis conducted during this study, covers 1960–2024 with stylized facts used in addressing the statement of the problem. The objective of the study is to critically examine the economic impact of debt burden on the economic development of Nigeria.

Based on empirical evidence, the nature of Nigeria's debt situation is serious. The rate at which the debt accumulates as well as the critical levels of the various indices of debt burden show that Nigeria's public debt is a serious problem to development. The growing indebtedness and its accompanying burden have impaired the growth and performance of the Nigeria economy which has led to a high degree of unemployment, poverty, decline in per capita income and standard of living which our various failed National development plans proposed to achieve as their core objectives.

1. Public debts have been the major obstacles to development as the funds are not judiciously utilized in productive ventures and adversely jeopardized the chances of the country achieving a sustainable economic growth and development. But accumulating an excessive amount of public debt or defaulting on debt payments can undermine Nigeria's credit rating, resulting in higher borrowing costs in the future.
2. Prudent debt management and strategic utilization of internal or external financing can yield benefits, whereas mismanagement or unsustainable debt levels can pose challenges to economic stability and development.
3. Large debt service payment imposes a number of constraints on a country's growth prospect. It drains a country's limited resources and curtails financial resources for domestic developmental

needs.

4. Large debt servicing obligations and debt burdens can depress investment, and hence economic growth through its illiquidity and disincentive effects.
5. The country's huge public debt became a source of worry and subject of discussion when the projects for which the loans were contracted for, could not generate expected revenue to offset the credit and their accumulated interests.

5.1 Policy Recommendations

Based on the findings of this work, the researcher hereby gives the following policy recommendations for the consideration of various stakeholders.

1. The Debt Management Office should design and implement a comprehensive framework to track and monitor the application of borrowed funds into productive sectors. This framework should go beyond merely recording debt accumulation to include public assessments of what borrowed funds actually achieved whether roads were built, power plants generate electricity, and jobs were created. Such accountability would transform public borrowing from a fiscal exercise into a genuine development tool. This will further stimulate the productive capacity and increase capacity utilization of the economy, facilitating high economic growth and development.
2. The Ministry of Finance should prioritize concessional loans from multilateral institutions wherever possible, reserving commercial borrowing and Eurobonds only for projects with clearly defined, high rates of return. While commercial debt diversifies funding sources, it also increases interest costs and shortens repayment periods. Given Nigeria's weak revenue base and exposure to currency volatility, the risks associated with commercial borrowing far outweigh the benefits. The Nigerian government should actively negotiate debt deferment or restructuring with its bilateral creditors, seeking longer grace periods and lower interest rates, particularly on loans that have not delivered measurable development outcomes.
3. The National Assembly must strengthen its oversight of public borrowing. A simple but effective reform would require, as a condition for approving any new borrowing request, a public hearing on the outcomes of loans taken in the previous five years. If borrowed funds cannot demonstrate measurable results, the rationale for new borrowing collapses. This would inject much-needed accountability into the borrowing process and ensure that legislators are fully informed before approving additional debt.
4. Civil society organizations should treat debt as a public accountability issue rather than a purely technical economic matter. By publishing accessible analyses of where borrowed money goes, tracking project completion, and demanding answers from elected officials, civil society can shift the politics of borrowing. Nigerians have a right to know whether borrowed funds translate into improved roads, electricity, schools, and hospitals. Transforming debt from a technical discussion into a public accountability issue would create the political pressure needed for meaningful reform.

5. International creditors including the World Bank, IMF, and bilateral lenders must address governance challenges rather than assume that technical policy reforms are sufficient. For over six decades, these institutions have lent Nigeria billions while requiring structural adjustment programs, fiscal reforms, and debt management frameworks. Yet the outcomes remain disappointing. Lending to a government that cannot or will not ensure funds reach their intended purpose is not development assistance it is subsidizing dysfunction. Creditors should reconsider their focus on technical policy reform and instead prioritize governance reforms that ensure borrowed funds translate into tangible outcomes for ordinary Nigerians.

5.2 Conclusion

Hence public debts burden constitutes a major threat to development in Nigeria judging from our analysis and interpretation, as such borrowed funds are not invested into productive ventures and critical infrastructures that could stimulate production in Nigeria, the study thus concluded that public debt can fund development, its management and allocation are crucial for sustainable economic growth, requiring prudent fiscal policies, transparency and accountability from the government.

This study confirms that public borrowing in Nigeria has consistently failed to translate into measurable development outcomes, not because borrowing itself is inherently problematic, but because institutional weaknesses and governance failures have systematically undermined the link between debt and development.

5.2.1 Implication of the study

1. Scientific Implications

This study contributes to the literature on public debt and development in three ways.

1. It challenges the narrow focus of existing Nigerian debt studies. Most previous work has examined debt's relationship with GDP growth using econometric models. While valuable, this approach misses something important: GDP growth alone tells us little about whether ordinary Nigerians are better off. A country can grow its GDP while poverty deepens, infrastructure crumbles, and citizens struggle to access basic services. By examining debt's impact on specific development outcomes – power generation, educational spending, industrial output this study offers a fuller picture.
2. The study reveals the importance of political economy in understanding debt outcomes. The existing literature often treats debt as a technical issue: the right debt-to-GDP ratio, the optimal mix of domestic and external borrowing, the ideal repayment schedule. But Nigeria's experience suggests that technical parameters matter far less than the political and institutional context in which borrowing happens. Loans taken for carpet factories that never existed, funds diverted on the day of disbursement, borrowing that continues despite no visible results these are not technical failures. They are governance failures.

3. This study demonstrates the value of qualitative and descriptive approaches in development economics. The econometric literature on debt in Nigeria is rich, but numbers alone cannot tell us why borrowed funds fail to deliver results. By tracing the history of borrowing across administrations, by reading DMO reports alongside newspaper accounts, by taking seriously the gap between stated intentions and actual outcomes, this study opens questions that regressions cannot answer.

2. Practical Implications

The following practical implications expand on the policy recommendations outlined in Section 5.1, offering more detailed guidance for specific stakeholders.

1. There is a hard lesson from the 2024–2026 period that the DMO cannot afford to ignore. Nigeria borrowed heavily in dollars through Eurobonds because the interest rates looked attractive compared to domestic borrowing. But when the naira crashed from about ₦450 to a dollar in 2023 to over ₦1,500 by early 2026, those 'cheap' dollar loans suddenly became twice as expensive in naira terms. A loan that cost ₦450 million to service in 2023 now costs over ₦1.5 billion for the same dollar amount. This currency risk has quietly done more damage to Nigeria's debt sustainability than any single corruption scandal. Going forward, any borrowing strategy that ignores exchange rate volatility is not a strategy at all it is a gamble.
2. The DMO currently focuses on borrowing at the lowest possible cost and maintaining sustainable debt ratios. This is necessary but insufficient. What is missing is a framework for tracking what borrowed funds actually achieve. The DMO should publish, alongside its debt reports, a public assessment of the outcomes achieved with borrowed funds. Did the road get built? Is the power plant generating electricity? How many jobs were created? This kind of accountability would transform public borrowing from a fiscal exercise into a development tool.
3. Nigeria's borrowing strategy has increasingly relied on commercial debt and Eurobonds rather than concessional loans from multilateral institutions. While this diversifies funding sources, it also increases interest costs and shortens repayment periods. The Ministry of Finance should prioritize concessional borrowing wherever possible and reserve commercial borrowing for projects with clearly defined, high rates of return.
4. Legislative oversight of borrowing has been weak. The National Assembly routinely approves borrowing requests without rigorous scrutiny of how previous loans performed. A simple reform would require, as a condition for approving new borrowing, a public hearing on the outcomes of loans taken in the previous five years. If borrowed funds cannot demonstrate results, the rationale for new borrowing collapses.
5. Nigeria's debt debate has largely been technical, conducted among economists and policymakers. Yet debt affects every Nigerian through the quality of roads, the availability of electricity, the standard of schools and hospitals. Civil society organizations should treat debt as a public accountability issue, not a technical one. Publishing accessible analyses of where borrowed money

goes, tracking project completion, and demanding answers from elected officials would shift the politics of borrowing.

6. The World Bank, IMF, and bilateral lenders have lent Nigeria billions over decades. They have also required structural adjustment programs, fiscal reforms, and debt management frameworks. Yet the outcomes remain disappointing. Creditors should reconsider whether their focus on technical policy reform misses the deeper governance challenges. Lending to a government that cannot or will not ensure funds reach their intended purpose is not development assistance – it is subsidizing dysfunction.

5.3 The Lesson for Nigeria

What does Nigeria's half-century of borrowing teach us?

1. Borrowing is not the problem – but how borrowed money is used is the problem. Countries across East Asia borrowed heavily in the 1960s and 1970s, but they invested in industrial capacity, education, and infrastructure. They grew. Nigeria borrowed and spent on consumption, poorly executed projects, and in too many cases, private enrichment.
2. Debt relief without reform is temporary relief, not a cure. The 2005 Paris Club write-off gave Nigeria a fresh start. Within a decade, debt had rebounded to pre-relief levels in real terms. The underlying patterns of spending never changed.
3. Nigeria's debt story is ultimately a story about governance. When institutions are weak, when accountability is absent, and when borrowing decisions serve political rather than economic logic, debt becomes a burden rather than a tool. No amount of technical debt management can substitute for basic governance reform.
4. The past two years have confirmed something uncomfortable but true. A new president, a new cabinet, and new policy speeches have not changed the underlying reality. Nigeria still collects too little revenue, spends too much of what it collects on interest payments, and lacks the accountability systems to ensure that borrowed money reaches the people it is meant to serve. The Tinubu administration has taken bold steps on subsidy removal and exchange rate unification, but those reforms will not matter for the debt crisis if every new loan simply goes to servicing old ones. Until Nigeria breaks the cycle of borrowing for consumption and refinancing, debt will remain a weight around the economy's neck rather than a springboard for development.
5. Onwioduokit (2026) warned that countries do not collapse merely because they owe a great deal of money; they collapse when debt service consumes so much revenue that the state can no longer breathe. By that measure, Nigeria has been running out of breath for years.

Declarations

Consent to Publish:

I approved the manuscript and give my consent to its publication. This manuscript did not contain any individual person's data, images, or identifiable information

Competing Interests:

I declare that there are no competing interests.

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Author Contribution

Chris AC-Ogbonna wrote the main manuscript and reviewed the manuscript

Data Availability Statement:

The data that support the findings of this study are derived from publicly available sources. Debt statistics and annual reports were obtained from the Debt Management Office Nigeria (https://www.dmo.gov.ng/), the Central Bank of Nigeria Statistical Bulletins (https://www.cbn.gov.ng/statistics/), and the World Bank International Debt Statistics (https://databank.worldbank.org/source/international-debt-statistics). Country reports and policy documents were sourced from the International Monetary Fund (https://www.imf.org/en/Publications/SPROLLs/country-reports) and the World Bank (https://documents.worldbank.org/). Peer-reviewed articles cited in this study are available through their respective journal websites. All sources are cited in the references section. No new primary data were generated in this study.

The datasets generated during and/or analyzed during the current study are available from the corresponding author on reasonable request.

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Figures

Year	Debt Service (% of revenue)	Education + Health Spending (% of revenue)
2018	62%	21%
2019	68%	20%
2020	75%	19%
2021	85%	18%
2022	95%	17%
2023	120%	16%
2024	150%	15%

Figure 1

The Crowding Out Effect Debt Service vs. Education + Health Spending Combined (Nigeria, 2015–2024)

Source: Author's calculations based on CBN Statistical Bulletins (various years), DMO Annual Reports (2015–2024), and Budget Office of the Federation data.