POLICY-BASED EXTERNAL LOAN AND THE NIGERIAN ECONOMY

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Abstract

The study investigated policy-based External Loan (EL) on the Nigeria Economy. It adopted a content data analysis based on secondary data sourced from Debit Management Office, National Bureau of Statistics, Central Bank of Nigeria, Economical and Financial review and relevant publication from Nigeria on variable like foreign assistance, policy on economic development, and debt overhang among others. The finding indicates that external debt burdens and constraint the Nigeria economy promoting poverty ridden society, unemployment, inflation and associated health related diseases. Consequently, study established that in as much as corrupt practices tails the political system, and as long as Nigeria economy is largely driven by government expenditure, exploit on loan will be detrimental. Hence, EL has failed to leverage the political economy system of Nigeria because of external influence and internal connivance from leaders. Based on the finding the study suggest that a review on policy-based EL be done to extricate Nigeria economy from the lender's trap, tackle the menace of corruption; control government expenditure and source alternative measure to generate revenue away from loan for economic development.

Key words: External Loan, Debt, Policy-based, Economic Development, Nigeria

1.0 Background to Study

The economy system of a country is driven by the policy made towards achieving development. Such policy, most times are the corner stone upon which many things are built. Though, there are different forms of economic tools available for a country to use to attain and sustain development. In this research, study examines the role of External Loan as an economic tool use by the Nigerian government to augment budget deficit and to build infrastructural capacity upon which economic activities can function.

Policies, regulations, are the framework or law instituted by government to govern political economy of a country. This policy enactment could be economical, political and social, the essence, invariably; is to protect, secure and guide business environment as well as polity of the nation. As a result, policy-base of a country is fundamental and critical for it enables policy makers to enact appropriate laws and regulations that will be beneficial to the citizenry. However, when policy becomes detrimental and it affect socio-economic life of the people, it behooves on policy makers to be proactive and change the course of direction in order to savage the social well being of the citizen.

According to Ezeabasili (2006), external borrowings by Less Developed Countries (LDCS) are necessary to supplement the inadequacy of their domestic financial resources and to allow for effective functioning of a productive economy. (Gana, 2002) established that external loan is desirable and necessary to accelerate economic growth provided it is channeled towards increasing the productive capacity of the economy and promote economic growth and sustainability. But as good as the use of external debt for the revitalization of an economy is, Summers (1986) believed that excessive external debt burdens will threaten financial stability with adverse consequence on the real sector of the economy and that an increase in debt stock will create political pressures that will make acceleration of inflation inevitable. The external debt problem, which poses quite a number of adverse effects on the economies of these developing countries, did generate macroeconomic distortion issues such as capital flight, discouragement of private investment and debt servicing payments. Meeting debt service obligations drastically affects other facilities which can be provided to improve the welfare of the citizenry and also crowd out public investment while insufficient public infrastructures discourage private investment (Obademi, 2013).

External Loan (EL) as an economic assistance received from external bodies mostly, the World Bank and International Monetary Fund (IMF) is a form of economic tool used by many countries especially the developing countries to grow and develop their economies. Unfortunately, many tales of woes has followed EL. The reason being that, when loan is received, it becomes debt and when debts are not serviced; it accumulates and becomes “hangover debt”; consequently, such debt constraint and burdens the economy promoting poverty, unemployment, inflation and associated health related diseases. It is these impacts of unserviceable debt and the long history of debt accumulation with consistent recourse for EL by Nigeria government that formed the focal point of this research study.

2.0 Literature Review

This section deals with relevant review of literature on External Loan (EL) in Nigeria. Study examined the historical trend of economic development and its policy implementation mostly in developing countries. After this, study enunciates the proponents and anti-proponents of EL as a mean of achieving economic development in the country. Consequently, a nexus approach between EL and economic development analyzed. This section will be structured in five parts, historical trend of economic assistance in the world, external debt, external loan in Nigeria, external loan an instrument of the World Bank and International Monetary Fund (IMF) and external loan ills on Nigeria economy.

2.1 Historical Trend of Economic Assistance

This study examined the history and trend of economic assistance and it was discovered that theory like the economic growth theories, two-gap theory argued that loans and grants given as foreign aid by western donor countries were a strategic form of development built on capital flows. Looking at these economic support or aid policy propagated by the western world it is clear that these growth theories did not take Africa out of poverty into an age of ‘maturity’ and high mass consumption, but rather entrenched the continent into greater depths of underdevelopment (Andrews 2009; Ayittey, 1994; Easterly et al., 2003; Hansen and Finn, 2000; Maren, 1997; World Bank, 1998; World Bank, 2001). Moyo and Ferguson (2009) and Moyo (2010) cast blame on aid as source of the social stagnation of the African continent: ‘Millions in Africa are poorer because of aid: misery and poverty have not ended but increased’ (Moyo, 2010). Moyo defines aid as gifts (including emergencies) and loans as preferential rates of interest transferred from rich countries to African poor countries.

Available resources and materials show us that western economic assistance came with aid policies that were motivated by the depressed post-World War 11 situation. The situation was marked by decolonization struggles, the end of most European empires and breakdown of the international finance market. From this situation, an international state of affairs was created that necessitated 'humanitarian' interventions in Africa. This humanitarian approach to aid flows was further justified by the fact that a similar situation existed in the western welfare state of transferring wealth from the rich to the poor. So, this welfare principle, enforced through the Marshall Plan (Schain, 2001) was adopted and applied to North-South relations in order to also transfer wealth from the rich western countries to the poor masses in African countries and promote economic development. However, after more than half a century of application of these economic supports, the situation for the continent worsened off instead of improving. Moyo (2010) confirms that, despite more than US$1 trillion of aid given to Africa governments by western states over the past 50 years, Africa did not extricate itself from underdevelopment.

Williams Easternly (2006) argues that although the initial intentions for economic support were good, the foreign aid policy according to him failed as a result of two main reasons. First, in practice, it was not created to help Africa to develop despite such a suggestion in its humanitarian rhetoric. It was designed to assist but implemented in such a ways as to construct Africa's 'dependency' on the west. Second, as a result of the 'asymmetrical' development, it produced the aid policy which is been challenged as a result of many of its failures. When we looked at the hypocrisy of the European states to African nations, Farah (1993) argues that this same 'givers' today strangled Africa nation by debts owed all in the name of 'gift'.

The role played by the International Monetary Fund and World Bank is an instrument of neo/imperialism in Africa. Since foreign aid was politically profitable; hence, despite its economic failures, it continued to exist. For example, Structural Adjustment Programmes worsened the debt crisis of the African nations in the 1980s, and this, in turn, meant greater dependency on foreign assistance, which continued to cripple Africa's bureaucratic structures and societies depending on western nations (Remmer, 2004). According to Edelman (1983), the critical factors affecting debt service capacity are returns on investment, the cost of borrowing, and the rate of savings. The benefits of external borrowing have been emphasized in some literature to the neglect of the costs. Ubok-Udom (1978), enumerates the costs of external borrowing to include debt service burden which incorporates costs implied by the term structure of external loans, costs of resultant liquidity crisis, costs of the viciously cumulative debt and manageability level.

2.2 External Debt

The next issue in debt acquisition and management is the determination of a sustainable level of debt. According to Ajayi and Khan (2000), sustainable foreign borrowing is measured by several ratios, such as debt to export, debt service to export, debt to GDP (or GNP), and external debt to Gross National Income among others. However, the determination of the sustainable level of these ratios is indeterminable and their usefulness is reduced to a warning of potential explosive growth in the stock of foreign debt. For instance, if the acquisition of additional foreign debt increases the debt servicing burden more than it increases the country's capacity to bear the burden, such an acquisition becomes undesirable and the situation must be reversed through export expansion. If export is not expanded, more borrowing will be necessitated for servicing debt and external debt will pile up above the country's capacity to bear.

Debt sustainability is also defined by Adegbite (2012) as the ability of a country to meet its external debt obligations in full without future recourse to debt rescheduling, debt relief, accumulation of trade arrears over a medium or long term and without compromising macroeconomic objectives. These two above positions by Ajayi and Khan (2000) and Adegbite (2012) scored the point of this study because after the celebrated debt relief of Nigeria, the debt profile has suddenly rise in an astronomical rate with no major capacity to expand the revenue base of government to cushion debt servicing nor has the export expansion improve upon.

According to Omotoye et al. (2006), Nigeria is the largest debtor nation in the Sub-Saharan Africa. They also observe, in a comparative study with Argentina (Latin America's most severely indebted nation), that Nigeria's external debt, as a percentage of gross national income, has been continuously higher than that of Argentina since 1985 and continued to follow an upward pattern, unlike that of Argentina. The problem is compounded, according to Greene (1989), by inability of the economy to generate the requisite resources to meet repayment obligations, especially since the early 1980s. Fosu (2007) further shows the severity of the debt burden brought about by the pile-up debt (debt arrears as proportion of total debt stock) as high as 59%.

Accumulated debt stock reduces economic performance through 'debt overhang' effect. The relevance of 'debt overhang' hypothesis was stressed by Audu (2004). According to Audu, "the debt service burden has militated against Nigerian's rapid economic development and worsened the social problems. Service delivery by key institutions designed to mitigate the living conditions of vulnerable groups were hampered by decaying infrastructure due to poor funding. By cutting down expenditure on social and economic infrastructure, the government appears to have also constrained private sector investment and growth through lost externalities. This has reduced total investment, since public investment is a significant proportion of the total investment in the country." It is argued that external debt burden is among the factors that depressed private investment in the Philippines after 1982. By utilizing data from Nigeria, Iyoha (1997) reports results that confirm the 'crowding out' and the 'debt overhang' effects of debt servicing. He concludes that these two effects apparently explain, to a large extent, the low level of investment in the Nigerian economy.

2.3 External Loan- The Lesson for Nigeria

The economic power of a nation determines to a large extent its global influence and political power in the comity of nations. It is to this end many countries are referred to as developed and others developing. Some developing nations have transformed their economies and attain developed status of industrialization, example of such are Brazil, Russian, Indian, China and South Africa (BRICS) and the four Tigers of the Asian countries. But emerging economies like Nigeria is striving to come up into the lime light of exporting nations in the global economy arena. To be "developed" connote terminology for advanced countries that have reduced level of poverty, raise standard of living, and have technological knowhow, industrialized with massive exporting power of goods and services to other nations.

Though the nation called Nigeria is referred to as an emerging economy but the capacity to transform itself from the shackles and chain of economic captivity into an industrialize nation still a mirage. While trying to engage the issue of underdevelopment, poverty, insecurity, infrastructure decay, and debt overhang, study discovered that stories of countries in Africa are a reflection of these concepts. Reasons why most African countries remain perpetually poor, underdeveloped and tagged often as developing is not far from the unusual relationship existing

between the "center" and the "peripheral". Before the era of colonization and global trade, Africa States economy buoyancy was not in doubt. However, the result of slavery, colonization and World War 11 situations brought about economic calamity on the continent.
After 50 years of development finance of massive EL assistance to Africa in the 1960s for infrastructure project, scholars like Farah (1998), William Easterly (2006) and Moyo (2010) were of the opinion that focus shifted to poverty eradication in 1970s, thereafter, tightening of monetary policy took the center stage in 1980s with a sharp rise in interest rate, but again left many Africa Government with untenable debt service problem. In 1990s, according to OECD (2005), western support concentration on governance, and the censuring of economic problems of the African continent on its lack of leadership resulted in donor fatigue by the turn of the century.
Development finance was designed as a response to problems of underdevelopment but aside from the diamond-rich Botswana, hardly any other country has graduated out of the list of developing countries in more than three decades. Instead, many more countries continue to join the club of destitute nations- now totaling 48, out of which 33 are in Africa (Soludo, 2003). The issue of development finance and the lot of external loan given has neither cure poverty nor transform the economy but rather has become a heavy burden of debt stocks constraining sustainable development and economic growth. This picture painted above brought about series of argument as to the economic assistance associated with western support of external loans and the rest. While scholars were of the opinion that the way and manner in which loans have been extended to Africa has really constrict development, some were of the opinion that Africa continent can actually go the way of the Asian Tiger experience.
Sadly, patronage of EL by government in Africa is on the increase perhaps because of the free cash syndrome associated with it. Sufficient evidence have shown that many foreign loan assistance extended to Africa, especially Nigeria has not actually raise the economy to expected level. The reason, probably, may not be in the capital extended but in the miss-use of the fund given. The research noted that the politics of external loan are inimical to economic growth in Nigeria. The construct of the ways and manners in which loan or foreign assistance is given to Africa and Nigeria limit economic advancement and meaningful sustainability. Loans are supposed to be given after series of investigation and procedures have been followed with the intent that the receiver will be able to pay back but it has been found that creditors doling out this cash knew the conditions of these economies, that the money was not being used for the purposes meant and yet kept on lending. In the case of international finance institutions (IFIs), according to Soludo (2003) in the book "Debt trap in Nigeria" there is the phenomenon of loan pushing, where officials are rewarded on the basis of the amount of credit they are able to dole out, regardless of the risk involved.
All these have resulted in debt overhang and limit development making countries entrapped and perpetually under the control of its creditors. The little amount of cash gotten from the domestic economic which could have been used for development are channeled to service loan thereby making meaningful development and economic growth difficult . Critical examination on the history of Nigeria has an independent entity; help discovered that we inherited legacies from the British that are alien to the people. The institution brought to Nigeria by the British was structures of exploitation and despotism. This has contributed to the corruptive nature of Nigeria's political system till date (2014). Nigeria has been tagged as a country where corruption walks on four legs, where shops are opened on the road by men in "Khaki" to collect money from motorist.

The position of this study is not to blame the west nor the British for our woes but to put on the table that Nigeria has nothing to do with debt if proper engagement of our endowed natural resources are put into use. It is evidently cleared that in as much as corrupt practices still tails the political system, and as long as Nigeria economy is largely driven by government expenditure, exploit on loan taking will be detrimental. Loan by itself perhaps might not be bad but its misuse has caused untold hardship and economic summersault in the effort towards economic development. The contribution this research has done was to x-ray and diagnose the appropriateness of EL in the context that it has failed to leverage the political economy system of Nigeria.

2.4 External Loan- Instrument of the World Bank and IMF

It is important to start this section by saying that global economy is dominated by international finance capital. Also, from the position put forward by Williams Easternly (2006) that initial intentions for economic assistance were good, but failed because it was not created in practice to help Africa develop. The politics played in here was that it was designed in such a way to assist but implemented to perpetuate Africa's dependency on the west. The World Bank and IMF are instruments of oppression on the developing countries. For example, the World Bank situated in the New York City is a weapon in the hand of the US, that is why no matter how hard an African person intends to be at the helm of affair of the World Bank it cannot be possible. Currencies of countries are denominated against the dollar for economy and political control. Many economy policies are channeled and directed from these "donor" to the "receiver" making them subjective and dependent even for political direction.

According to Kali Gwegwe, in his book "Western Democrats in Glass Parliament", he makes strong the argument that the International Monetary Fund (IMF) and World Bank are all the instruments used by western countries to destroy the economies of weak nations so as to make them rely on the developed west for anything, including political leadership. The developed countries are known to have deliberately used international institutions to mislead African governments in the near and far pasts to economic policies that are mostly aimed at subtly breeding poverty and socio-political tensions".

When we critically examined the military regime of Ibrahim Babagida (IBB), we could discovered that the administering of sponsored inspired economic theory of Structural Adjustment Program (SAP) left the country and it's economic in shambles and dislocation. The pieces of a failed policy program called SAP in the country we are still picking up till today (2014). The period and era of IBB has constituted a momentum epoch of corruption incorporated and legalization. In order for us not to make mistakes of the past, government has to change line of operation and if we must go with trend, we need to fashion out where the rope wont be tighten at the neck, suffocating and killing us gradually- this is what EL does.

Therefore, the role played by the International Monetary Fund and World Bank is an instrument of imperialism in Africa. Since foreign assistance was politically profitable; hence, despite its economic failures, it continued to exist just as it was with the Structural Adjustment Programmes that worsened the debt crisis of the African nations in the 1980s, and by extension meant greater dependency on foreign assistance, which continued to cripple Africa's bureaucratic structures and societies depending on western nations (Remmer, 2004).

2.5 External Loan Ills on Nigeria Economy

The launching point of this study is to x-tray the issue of external loans from the time of the landmark agreement that exited Nigeria from the debt burden of the Paris Club in 2006. It is interesting to know that after 8 years of the celebrated relief, debt profile is rising at astronomical rate again. Nigeria coordinating Minister of the Economy, Dr. Ngozi Okonjo Iweala disclosed in 2006 during a Grand House reception for her at Nightshift Coliseum in Lagos that Nigeria's external debt stood at over $35 billion. While this study focused largely on the issues of loans with immense contributions of official corruption perpetrated by leader and policy maker; also the role played by the Western financial institutions in conniving with some leaders in siphoning the nation's treasury and banks such money in their European Banks. These have created doubt in the heart of many Africans why Western governments and its bankers have no moral conscience to expose these anomalies which has continued to mar the collective development of the continent economies. According to AFRODAD (2007), true partnership between the North and the South is not genuine and profitable in the absence of resolving such historical and current trend.

Table 1: Nigeria External Debt (1960- 1988)

YEAR	TOTAL OUTSTANDING(In million N)	DEBT(in million$)
1960	82.4	Not Available(N.A)
1965	435.2	N.A
1970	488.8	N.A
1971	214.5	308.9
1972	263.4	400.4
1973	276.9	420.4
1974	322.4	523.3
1975	349.9	559.2
1976	374.6	593.6
1977	496.9	762.9
1978	1,265.7	2,163.8
1979	1,611.5	2,824.6
1980	1,866.8	3,444.8
1981	2,311.2	3,667.7
1982	8,819.4	13,124.1
1983	10,577.7	14,130.7
1984	14,536.6	18,034.1
1985	17,290.6	18,034.1
1986	42,229.5	18,631.3
1987	86,550.8	26,200.0
1988	146,310	29,282.0

Source: Federal Ministry of Finance, Central Bank of Nigeria (CBN), Annual Report 1988, p-22

Initially, Nigeria borrowed concessional only from the World Bank, a multilateral institution. This explains why in 1960 when Britain- Nigeria's colonial masters handed over power to Nigeria, the country only incurred external debts of N82.4m as the table above illustrates. Table 1 has shows that the setting changed because over time the debt profile continue to increase as a result of a proportional shortage of foreign exchange to meet her developmental needs. Borrowing was done with certain degree of caution, discipline, prudence and fiscal responsibility until 1977 when General Olusegun Obasanjo broken the chain of stake. The regime went and obtained a jumbo loan of one billion dollars, hence breaking the tradition of a long standing rule of borrowing in relatively small amount (AFRODAD, 2007). As a result the Nigeria debt profile jet-leaped from the million-dollar category to that of billion-dollars. In strict terms, Nigeria's foreign debts rose from $762.9m in 1977 to $ 2.163.8m in 1978.

It is also important to note from table 1 that this departure from tradition saw the regime of Obasanjo borrowing from multilateral/bilateral institutions to sourcing loans from the international capital market. At this point, Nigeria laid herself in the frying pot of external debt patronage. By the time Obasanjo left office, the debt had climbed to $2,824.6m. Ever since then, the ladder chain has being climbing until it reached a peak of $29,282.0 million in 1988.

Table 2: Nigeria External Debt from 2004- 2012

YEARS	External Debt in $ Million
2004	35,944.66
2005	20,477.97
2006	3,544.49
2007	3,654.21
2008	3,720.36
2009	3,947.30
2010	4,578.77
2011	5,666.58
2012	6,035.66

Source: Debit Management Office (DMO), 2013

Ever since the rise and increase of debt profile, the oil boom that resulted into much cash flow for Nigeria did not stop patronage of external loan. Later in 2004, according to table 2, debts hit a height of about $35.6 billion. The table 2 also shows the chain of outstanding debt stock between 2005- 2012. It indicated a drop in rise from 2006 as a result of debt relief granted which was maintained until 2010 when we started experiencing another rise in debt. Presently (2013), Nigeria debt stock profile has risen to an astronomical height of N2.57 trillion.

The disbursements of loan extended to Nigeria over the years have become a curse rather than blessing. By 1992 Nigeria's foreign debt stood at $34 billion, and servicing the debt was costing $5.5 billion annually, the latter accounted for nearly one-third of Nigeria's export earnings (McCormick, 1995). The nation seemingly misappropriated huge amounts of foreign loan she obtained to finance her economic development. Invariably, the loans became largely non-functional. Hence, she ran into difficulties when they become matured and due for payment. In 2001, for instance, Nigeria paid $2.1 billion on her external debt. The opportunity cost of this debt repayment was the critical loss of badly-needed fund for financing her development (AFRODAD, 2007). This is one major area why external loan is not too good for the economy; funds that could have been saved and plough into the economy for developmental projects are engaged in servicing loan which further impoverishes the people.

According to Nigerian erudite scholar, a world renounced economist; late Prof. Sam Aluko, he argued that Nigeria was sold out economically in the Paris Club debt deal. For him, the debt treatment was very unfavorable. It was a big rip off. The late erudite economist asserted: "if you pay $12 billion in one year, which the Federal Government has paid there is virtually little or no gain because if you put that $12 billion in a bank at about 10 per cent of interest you get $1.2 billion in a year. In effect, we gained virtually nothing (from the debt deal). So, over the next 10 years if we (Nigerians) invested that $12 billion, we would have got about $24 billion. So, the White man is very clever. He does not loose in either way. We may feel that we gained momentarily but in the long run, we gained virtually nothing". Many scholars and authority have talked on the issue of looted public fund and the connivance of Nigeria elites with the western world. For instance, Patricia Adam, an authority on odious debt stated that "Nigerian may top all countries for corruption. With about $30 billion in debt, it is also Africa's most indebted nation, thanks to a succession of military and civilian regimes that have governed the country and its enormous oil wealth inefficiently and corruptly managed".

A report (1986) by a committee of the Federal Ministry of Finance clearly stated that loans taken by both the state and the Federal Government between 1979 and 1983 were looted. In his 1997 annual budget speech, Abacha, also accused of looting Nigeria's wealth, informed Nigerians that of the 145 projects financed with a total of $3.16 billion sourced from the international capital market, 18 of them worth about $836 million were never completed. In a related report conducted by Oxfam et al (2004) and demonstrated in a chat on the status of projects financed with foreign loans as at 1996. The chat revealed that:

- Only 2% of the projects were successful
- 25% of the projects were merely functional
- 64% of them failed
- 9% of them were out rightly fraudulent.

In other words, this scenario has created a situation of International trade between Nigeria and the West which was exploited by the International Financial Institutions (IFIs) and the West to create foreign debts and a debt crisis later for Nigeria. In a statement made by the formal President Obasanjo, that, over half of Nigeria's debts are odious and dubious. Following his thinking and the established fact that most of Nigeria's creditors with headquarters in the West looted Nigeria's wealth through the window of international trade, debt campaigners have argued that it is the IFIs and the West that are really indebted to Nigeria, not the other way round (AFRODAD, 2007). Again, this established the fact that many economic woes confronting Nigeria is as a result of the country's patronage of external loans.

According to the DMO, the 36 states of the federation and the FCT owned about $2.22 billion (N333.05 billion) in external debts as at June 2011, this is almost half of national Federation Account of 2012 which was put at N713 billion by the Economic Confidential magazine. As at 2011, Lagos state debt profile was $493.781 million, representing 8.54 percent of the nation's external debts. Though Lagos is generating more money and has the capability and capacity to absorb and pay back through her cash flow income of IGR and investment, many other states do not have such opportunity like Lagos. Hence, it has been envisaged that many states in Nigeria are deep in bankruptcy when we place their debt profile along side the federal allocation given to them, since bulk of their revenue base is through federal receipt.

Presently, even after the debt relief, while Nigerians expected her economic development to start improving; and also correct the mistakes of the past, continuous patronage of loans has gone astronomical under the Jonathan Administration. Nigeria debt stock as of today (2013) stood at N2.57 trillion. This is a great concern because if Nigeria continues to operate like this, we will be moving round in circle without any meaningful development in sight since loan patronage in Nigeria has not yielded result toward development. Hence, to correct the mistakes of the past, a proactive and pragmatic step of policy-based program to accelerate economic development through other means other than EL is needed.

In the report given by The Punch Newspaper (2013) on the state of the economy and her patronage of loan, it was reported that the total indebtedness of Nigeria to the World Bank Group and African Development Bank (ADB) has reached $5.34 billion. According to the DMO, Abuja the country was indebted to the International Development Association, a lending arm of the World Bank Group, to the tune of $4.598 billion while that of ADB Group was $667.58 million. The calculation of this shows that; the country debt to these two agencies accounted for 80.19 per cent of the country's total $6.67 billion external debt.

The total external debt rose by $143 million in the first quarter of 2013 to $6.67 billion from $6.527 billion at the end of last year. Debt rose consistently throughout 2012. For instance, as of March 31, 2012, it stood at $5.91 billion; by June 31, it has risen to $6.03 billion, edging higher to $6.3 billion by September 31 before closing the year at $6.527 billion (The Punch, 2013). Many have argued that the problem with Nigeria debt profile is not in the increasing figures but that loan taken are not use for capital projects or productive sectors of the economy. External loan patronage has become trendy for government because of the claim or excuse that it was still within the globally acceptable limit of 40 per cent of the GDP.

3.0 Conclusion/Recommendations

The extension of loan to African countries most especially Nigeria has been detrimental. This patronage by the Nigeria government has left the economy in shamble and a state of despair. Study identified two reasons and calls it external and internal. The first which is external is that lenders lending money want to control, dominate and exploit the developing countries economies. The second, internal, is that; the Nigeria political economy system is challenged by its susceptibility to corruption perpetuated by leaders who should guide public fund meant for development. As a result of the loose economy system characterized by corruption, leadership inertial, weak institutions, and mono-cultural economy, we became an easy prey for exploitation and marginalization by the west.

It is therefore recommended that for sustainable economic development to be attained, policy markers should limit patronage of loan, criminalized corruption activities for death penalty, diversify the economy to expand revenue generation of government; and also make institutions of government stronger to limit exploitation and marginalization faced from these external and internal influences.

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