IMPACT OF DEBT MANAGEMENT ON NIGERIA'S SOCI-ECONOMIC DEVELOPMENT: A STUDY OF DEBT MANAGEMENT OFFICE, ABUJA

By

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MSC/ADMIN/8548/2009-2010

A THESIS SUBMITTED TO THE SHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY, ZARIA

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A

MASTER OF SCIENCE (M.SC) DEGREE IN PUBLIC ADMINISTRATION

DEPARTMENT OF PUBLIC ADMINISRATION,

FACULTY OF ADMINISTRATION

AHMADU BELLO UNIVERSITY, ZARIA

NIGERIA

OCTOBER, 2012

DECLARATION

I declare that the work in this Thesis entitled IMPACT OF DEBT MANAGEMENT ON NIGERIA'S SOCIO-ECONOMIC DEVELOPMENT A STUDY OF DEBT MANAGEMENT OFFICE ABUJA has been carried out by me in the Department of Public Administration. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this thesis was previously presented for another degree or diploma at this or any other Institution.

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CERTIFICATION

This thesis entitled IMPACT OF DEBT MANAGEMENT ON NIGERIA'S SOCIO-ECONOMIC DEVELOPMENT A STUDY OF DEBT MANAGEMENT OFFICE ABUJA by RAHEEM AKANNI OKEWALE meets the regulations governing the award of the degree of a Master's of Science (M.Sc) in Public Administration of the Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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Date_____

DEDICATION

This thesis is dedicated to a NEW NIGERIA where brotherliness, commitment, loyalty, patriotism and orderliness are entrenched national values.

ACKNOWLEDGEMENTS

First and foremost, I am very grateful to the Almighty God for giving me life, good condition of health, strength, perseverance, the ability and capability to produce a thesis of this nature. I am profoundly grateful to my supervisor Dr. (Prince) Kola Obaitan who has painstakingly went through the manuscripts of this work and made very useful suggestions, observations and comments. Sir, thank you so much for your patience, intellectual and fatherly advice.

I am also highly indebted to the various authors whose publications were used as reference materials. Some of them are listed in the Bibliography. Also, I am indebted to some professors and lecturers who have in one way or the other impacted knowledge on me in the course of the programme. I would also like to acknowledge the contributions of my parents, for encouraging and according me the much needed modern education of our time.

I am equally grateful to Mr. Dickson and many other friends in the same department for their word of discouragement. I remain indebted to Olubukola, who showed unusual patience and understanding when I had to turn off the TV and deny her my attention in order to concentrate and complete the work on schedule. I would like to express heartfelt gratitude to my friend, Mr. David Adejuwon who provided excellent secretarial and editorial support in the critical final stage of preparing the manuscript. He made it possible for me to meet the deadline.

I want to express my profound gratitude to Prof. Fanjoyomi, Prof. Iyabo Olojede, Dr. Ekiyor, Dr. Fatile, Dr. Nchuchuwe, Dr. Ighodalo, Mr. Ajulor, Mr. Afegbua, Mr. Adekanbi and Mrs.Aliu for their assistance and words of encouragement in the course of my study. I also wish to thank the staff of Debt Management Office, Abuja who contributed immensely to the primary data collected.

Finally, I must express my appreciation for the good typing work by a number of typists who are also too numerous to mention by names.

ABSTRACT

This study examined Impact of Debt Management on Nigeria's Development from 2000-2011.The study offers empirical explanations, and discusses the salient issues of significant management strategy adopted by Nigerian government in accordance with executive direction and organization. Primary and Secondary data were utilized for the study. Primary data were collected through questionnaires. One hundred and fifty (150) questionnaires were administered. While secondary data were collected from relevant texts, journal articles, official reports, newspapers and magazines. The quantitative data generated were presented and analyzed using table of frequency distribution, simple percentage, means and chi-square test. The study discovered that policy framework will improve effective debt management in Nigeria. The finding also revealed that external debt has significant effect on Nigerian economic growth within the period of this study. The study also discovered that Nigerian government do not seek external loans for high priority and most project embarked upon do not have direct impact on socio-economic development and also that the loans acquired do not utilized for its purpose. The thesis concluded by arguing for the desirability to reduce the debt burden, an increase debt servicing capacity, an increase in exports and reduction in world interest rates is required for achieving socio-economic development. In the acquisition of external loans, such loans should have direct impact on Nigerians.

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DEBT MANAGEMENT OFFICE

Federal State Governments' External Debt Stock as at 11th December, 2011 (in Us Dollars)

S/N	State	Amount Outstanding	Percentage
1.	Abia	26,879,837.76	0.59%
2.	Adamawa	25,517,501.91	0.56%
3.	Akwa Ibom	59,479,373.06	1.31%
4.	Anambra	17,903,645.08	0.39%
5.	Bauchi	48,015,990.26	1.68%
6.	Bayelsa	24,277,888.79	0.54%
7.	Benue	23,663,719.96	0.52%
8.	Borno	13,580,124.53	0.30%
9.	Cross River	99,988,070.04	2.21%
10.	Delta	16,595,148.67	0.37%
11.	Ebonyi	30,957,354.69	0.68%
12.	Edo	39,825,043.34	0.88%
13.	Ekiti	31,044,737.47	0.68%
14.	Enugu	33,455,829.61	0.74%
15.	Gombe	22,799,515.53	0.50%
16.	Imo	46.891.860.86	1.03%
17.	Jigawa	18,877,769.09	0.42%
18.	Kaduna	143,450.575.19	3.16%
19.	Kano	47,207,128.85	1.04%
20.	Kastina	72,717,999.75	1.60%
21.	Kebbi	44,141,393.53	0.97
22.	Kogi	31,487,217.62	0.69%
23.	Kwara	35,561,183.85	0.78%

24.	**Lagos**	**369,198,815.41**	**8.14%**
25.	**Nasarawa**	**30,462,671.35**	**0.67%**
26.	**Niger**	**24,927,239.56**	**0.55%**
27.	**Ogun**	**73,719,135.36**	**1.63%**
28.	**Ondo**	**47,785,052.96**	**1.05%**
29.	**Osun**	**59,807,064.61**	**1.32%**
30.	**Oyo**	**88,164,728.75**	**1.94%**
31.	**Plateau**	**24,898,497.17**	**0.55%**
32.	**Rivers**	**31,851,734.94**	**0.70%**
33.	**Sokoto**	**35,926,349.37**	**0.79%**
34.	**Taraba**	**19,071,354.46**	**0.42%**
35.	**Yobe**	**25.904,500.91**	**0.57%**
36.	**Zamfara**	**22,800,402.97**	**0.50%**
37.	**FCT**	**33,199,700.50**	**0.73%**
	Sub-Total	**1,841,956,157.44**	**40.62%**
	FGN	**2,692,230,577.57**	**59.38%**
	Grand Total	**4,534,186,735.00**	**100.00%**

Source: Guardian Newspapers December, 2011

To expand man's economic choice

Men economic, as well as social choice is expanded by such developmental factors as: equitable distribution of basic life-sustaining goods; higher incomes; and higher/relevant education. One who is educationally deficient, for example, lacks the knowledge and requisite skills to exploit opportunities which hold sway in the society. Furthermore low income greatly limits the effectiveness of demand for variety of goods and services (Basu, 2003).

Barriers to Development

At independence the emergent Nigeria leaders, like their fellow compatriots of other developing countries made economic and social development central national issues. Development objectives since 1970 were aimed at achieving fourth national development plan (1980-1985). According to Ogbeide (1993:13) the objectives are:

i) A united, strong and self reliant nation;
ii) A just and egalitarian society;
iii) A great and dynamic economy;
iv) A land of full and bright opportunity for all citizens and a free and democratic society.

Several public administrative agencies were created to effectuate these policy objectives. But the fact remains that, development planning experience in Nigeria has been virtually synonymous with economic planning. The basis for this is the realization and admission by some Nigerian economic expects who in the early 1980s stated the

short comings. To support this view point development plans had been essentially devoted to only economic growth rather than a broad approach (Imhanlahimi, 2009). The concentration of national planning experience on only economic growth concept without commensurate attention to other aspects, especially the social has been a major weakness in our experience. Another major weakness is what has been rightly referred to as concentration on the theory rather than practice. By practice in this study we mean the implementation stage which has been the Achilles' heel in the process, while theory is the blue print stage. There are other plethora of problems that have bedeviled national planning experience in Nigeria, which have all conspired to promote underdevelopment in the country. As Ogbeide (1993:55) succinctly puts it,

> The gap between planning theory and practice on the one hand, and the vowed goals and objectives of plans and life realities on the other hand have tender to widen to the discomfort and dissolution of those whose standard of living the plans were intended to improve (cited in Ola and Tonwe, 2009).

However, the colonial legacies of non-responsiveness to the people which public services are directed continue to be a bane in Nigeria public administration. In the past, there had been some disputations between the theory and practice in the national planning process. It is because some of the helmsmen in the planning process across countries were essentially men of practice who the Fulton Committee report in Britain (1968) described as gifted laymen.

Against this background, the inability of the Nigerian economy to adjust to the post-oil boom realities combined with policy inadequacies during the boom period produced an economic crisis characterized by both internal and external disequilibria (Iyoha, 1992). From the forgoing, some barriers of development have been identified. These include:

- **Political Instability**

  Political instability is the bane of development not only in Nigeria but in African as a whole. The advent of military rule from 1966 added another dimension to the orientation and behavior of public servants. The military by socialization were to be defenders of the county's sovereignty against external aggression. They were not trained for leadership in the political arena. This vacillation coupled with uncertainty that usually surround military coups and counter coups often instill fears in the intending investors.

  This standpoint does not go without some controversies. For example, while some believe that political instability causes underdevelopment, others hold that it is the underdevelopment that causes political instability. This latter view agrees with the Report of the political Bureau (1987) which states that political instability occurs due primarily to internal dynamics, especially as a result of:

- Systemic collapse which is often a product both of the structural imperfection of the system previously tried or

attempted as well as the inability of the dramatic personae to play the game according to laid down rules;

- Crises of legitimacy indicated by corruption, ineptitude, gross indiscipline, and bad leadership.
- The influence of self-seeking or powerful civilians; and
- Personal, self-regarding interests of the military coup makers.

All these are directly or indirectly related to the indicators of underdevelopment hence the thinking that political instability results from underdevelopment. But our stand is that political instability and underdevelopment have cyclical causal relationship.

- **Ethnicity and tribal affiliations**

The socio-cultural value is also an important variable

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The Nigeria state, just like many other states in Africa (example, Kenya, Democratic Republic of Congo, formerly Zaire and Ghana to mention but a few) in the 1960s and early 70s were not indebted. When Nigeria attained independence in 1960, the world believed that, she will usher in economic prosperity for her citizens. It was because of this thinking the world saw Nigeria as the future economic giant of Africa (AFRODAD, 2007). The thinking was not a mere wishful idea because oil, the money – spinner, had been discovered at Oloibiri in present – day Bayelsa state in 1956. By 1958, Nigeria had begun to export the black gold to earn petrol – dollars. Also, agriculture was booming; cash and food crops were being produced massively and were fetching for the nation much foreign exchange. In fact, suffice it to say that Nigeria was blessed with an abundant and a viable human resource base, a favourable climate and a vast expanse of land more than twice the size of Britain (ibid).

Actually, Nigeria, comparatively with other developing countries was rich. She had no reason to go a borrowing. In fact, Nigeria later successfully financed her 30 – month civil war from 1967 to January 1970 without taking a foreign loan. It was this that made General Yakubu Gowan (1966 – 1975). Nigeria's military head of state, at the time, once vaulted during the early 1970s that Nigeria problem was not cash, but rather what to use the available money to do.

However, trend of events during some of the successive governments and administration from the periods of General Obasanjo's regime (1976 – 1979) till Babangida and Abacha regimes (1985 – 1998), surprisingly, cause the nation's 'boast' to begin to fade. She then discovered that to keep moving, she had to take foreign loans. In no time, she was subsequently caught up in a crippling foreign debt crisis that besides compromising its economic progress, political stability, social dignity and cultural integrity, also dealt a debilitating blow to the Nigerian masses, because of the pains and sufferings they passed through during SAP (Ikejaku, 2008).

The debt burden has, for decade remained a recurrent and discordant note in the discourse on the crisis and contradictions of Africa's development. This is however, not entirely surprising given its magnitude and the consequences for Africa. The collective debt burden of the continent represents a massive betrayal of Africa's huge resource base, both human and material, and the failure of policy measures targeted at the management of those resources. To be sure, hopes and expectations were high in the decade of the 1960s, when most African countries attained political independence. Africa's new leaders believed that, given the abundance of human and natural endowment at their disposal, they were bound to make steady progress in the direction of sustainable democratic governance and development. But as it turned out, these hopes have been dashed by years of military dictatorship and external complicity (Omotola and Saliu, 2009).

The debt burden of African states has reached a freighting dimension that it threatens to cripple socio-economic and political development in Africa. In much of Africa, the debt in Africa bomb continues to gather strength and to make matters worse, the interest payable on these debts are not being serviced as at when due. It has been difficult to reschedule these debts to give most African states some respite to enable them put their acts together. It would seem that with the level of the debt profile of African states, it is condemned to remain under-developed (Akhakpe, 2007).

This has been of profound impact on the continent. Not only do debt service payments consume a huge chunk of foreign exchange earnings, they also act to depress investment and lower the rate of economic growth, due to debt overhang effect, leading to extreme poverty. As the crisis deepens, there has been a heightened African struggle for debt cancellation from creditors, particularly from the Paris club (Okonjo-Iweala,Soludo and Muhtar 2003;and Ajayi, 2003).

In view of the above Babawale (2008:23) observes that:

> During the 1980s, the Nigerian economy recorded low growth rates averaging less than 3 percent per annum, low domestic investment, high unemployment and wide balance of payments deficits. Nigeria was in a situation of debt overhang, i.e. its debt stock exceeded its future repayment capacity. This resulted in low incentives to invest and the difficulty to access funds on the international capital market (Babawale, 2008:23).

The first Nigerian external public debts were contracted by the semi – colonial government of Nigeria in 1958 during the period of the so-called self – government, two years before the attainment of political independence in 1960. The debt amounted to only 2.8 million pound sterling. It was considerably smaller compared to the future growth in the country's foreign debt. From the 1960s to the

mid 1970s the country's public debt grew at a moderate rate. But during the oil boom the economy witnessed a rapid and steady growth. In 1976 the stock of Nigeria's external debt amounted to only 1.27 billion Us dollars.

Babawale (2007) noted that from a figure of $17.37 billion in 1983; Nigeria's external debt rose speedily to $18.904 billion in 1985; $33.730 billion in 1991 and $32.58 in 1995. The debt stock declined marginally to $28.733 billion in 1998; while the total debt of Nigeria in 2002 was put at $31 billion.

In light of this, Debt Management Office Abuja put Nigeria's total debt stock, as at December 31st 2010 at $34.6 billion (about N5.19tn). Out of the amount, Lagos, Kaduna and Cross River States are top on the list of the states of the federation that are indebted to foreign institutions. The three states owe $612.64m (91.90bn) out of a total $ 1.84bn foreign debt of the 36 states of the federation, including the Federal Capital Territory. The debt of the three states represents 33.26 per cent of the foreign debt owned by the 36 states and the F.C.T. The three states foreign debt liability also represents 13.51 percent of the nation's total foreign debt.

Lagos state, according to the breakdown, is the most indebted state of the federation with a total foreign debt of $369.20m (N55.38bn). Lagos holds about 20 per cent of the country's sub-national foreign debt stock. The state's foreign debt stock also represents 8.14 per cent of the country's total foreign debt stock, according to the list. Details of the facilities showed that the foreign debt liability of Lagos state had been ballooned by a World Bank facility obtained with the support of the Federal Government

for its urban renewal programme about four years age. Kaduna state followed on the list, with a liability of $143.45m (N21.52bn), while Cross River had $99.99m (N15bn). Other states in the top league include Oyo, $88.16m; Ogun, $73.72m; Katsina, $72.72m; Osun, $59.81m and Akwa Ibom, $59.48m. The least indebted states were Borno, $13.58m; Delta, $16.6m; Anambra, $17.9m; Taraba, $19.07m; and Benue, $23.66m. The 36 states and the Federal Capital Territory account for 40.62 per cent of the nation's total foreign debt liability (The Punch, 2011).

It could be observed that Nigeria has two major categories of external creditors. Namely, they are official creditors and private creditors. Her official creditors are: International Fund for Agricultural Development (IFAD), Africa Development Fund (ADF), European Development Fund (EDF), International Bank for Reconstruction and Development (IBRD), African Development Bank (ADB), Economic Community of West African States (ECOWAS) Fund, and European Investment Bank.

These official lists of International funders are Nigeria's multilateral creditors. In the bilateral league are the Paris Club Creditors and Non-Paris Club Creditors. Also, Nigeria is indebted to Private Creditors which consist of Promissory Note Holders and The London Club Group. 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, she had only incurred external debts of N82, 4m (Okonjo-Iweala, 2003).

Following the remarkable and unprecedented debt relief of 2005, the sustainability of Nigeria's debt has become a very critical component of the work now done by the Debt Management Office (DMO). In the last few years, the approach to debt sustainability has been

methodological, systematic, holistic and practical. It has taken the debt relief as the base because the singular decision essentially provides the country with a sustainable debt basis. Besides, in terms of debt sustainability in Nigeria, the whole essence is to prevent a relapse into wasteful borrowing, while pursuing the growth and developmental objectives of debt.

1.2 Statement of the Problem

It is quite obvious in Nigeria that lack of debt management has posted a serious effect on public debt. The debt and its servicing are draining away resources which can be used to finance development. Since some of the loans were contracted on commercial terms, the interest rates have tended to move with the market rate. The problem is that the debt repayments as well as the service charges in recent years have constituted a significant proportion of the total export earnings. This reduces the ability of the government to undertake certain vital projects necessary for development. Apart from the exercise undertaken by the administration of President Olusegun Obasanjo settling Nigerian foreign debts, subsequent exercises have been characterized by inability to service debt as at when due and negotiating for more loans to finance some sector projects. The area of concern is not just necessary because of the loan but our inability to manage prudently previous loan facilities (John, 2007).

The experience in Nigeria has shown that the external and domestic borrowings at the state level are part of the limbs of the country's public debt octopus. More generally, implementation of federal budgets has not exceeded 60 percent in any year since 2007 in the

best situation, it means the borrowings to support government capital are not delivering value right from year of appropriation. The soft analysis of the growing public debt however, raises concerns about sound fiscal policy, ineffective plugs to leakages, ineffective economic diversification policy implementation and low loan utilization as evidenced by poor budget performance over the period of time. Apart from the general belief that development is horizontally induced issues of corruption as wastage through inflated contracts, the renter nature of the Nigerian economy, the politicization of ethnicity and the behaviour pattern of the elite in the use, misuse and abuse of public office have aggregated to unproductive capital projects.

The official public purpose of the office then becomes a secondary concern, however much that purpose might have been originally cited in its creation during the periodic competition to fill it. Thus, the procurement of office of a state has moved from the reward for loyal service to the lord, to that a promise of all the pecuniary of office of a state.

The political actor, either as a ruler or an opposition member, is concerned with his selfish interest. He is less concerned with what constitutes the interest of the state. As a ruler he is concerned with the survival of the system only to preserve his self-interest. Indeed, as a ruler, he does not serve the interest of the state except when the state is seen as instrument of oppression and

exploitation. As an opposition member, he is concerned with how the system will collapse, not with how his criticism will improve the system for preservation. Both categories of actors do not identify with, or pursue, the goal of the Nigeria nation. This explains why the implicit and explicit objectives of development policies differ in the country.

While the explicitly stated motive tends to give an impression of people – centered development, the implicit objectives are to serve the leaders selfish interest.

One of the major problems in Nigeria's development process, therefore, is the prioritization of politics. Those in power deploy all available resources for the retention of power. Because of the privatization of control and retention of power, the politics of control and retention according to Onyekpe (2000) has extended into many problems. Some of these include incessant corruption among government officials, political killing; thuggery, abduction, kidnapping, etc. These problems portend great dangers to the future of Nigeria as a nation. Therefore, there has not been a remarkable progress report on Nigeria's politics owing to series of social menace, which for long bedeviled the growth and development of our socio-political economy.

Another identified problem is the diffusion in the management of public debt which has created fundamental problems, including operational inefficiency and poor coordination, inadequate debt data recording system and poor information flow across agencies with consequent inaccurate and incomplete debt records; extreme difficulty in the verification of creditors claims due to conflicting figures from the various bodies handling the debt management function; complicated and inefficient debt service arrangements,

which created protracted payment procedure and often led to penalties that added to the nation's debt stock; inadequate manpower and poor incentive systems for the affected personnel, which affected outputs and performance; lack of consistent well-defined borrowing policies and debt management strategies. However, the consideration of these myriad problems led government to support the establishment of a

relatively autonomous debt management office, yet no hope of a stop to the desire for debt crisis in Nigeria.

In recognition of the fact that debt is never going to go away, it is an integral part of public finance. Often motivated by the need to cover revenue gaps and hasten the development process faster than government revenues from taxes and mineral resources exploitation will allow government all over the world always have the need to finance their deficits. Over the time therefore, debt problems have not emerged because there was necessarily debt, but because debt accumulation had not been managed properly.

1.3 Objectives of the Study

This study is intended to achieve the following goals:

i). To examine the relationship between debt management and socio-economic development in Nigeria.

ii). To investigate whether external debt has significant effect on Nigeria economic growth and development.

iii). To recommend ways of improving debt management and policy framework that will enhance socio-economic transformation and development in Nigeria.

1.4 Research Questions

i). Is there any significant relationship between debt management and socio-economic development in Nigeria?

ii). Does external debt have significant effect on Nigeria economic growth and development?

iii). Is policy framework will improve debt management for socio-economic transformation and development in Nigeria?

1.5 Statement of Hypotheses

The research hypotheses formulated to guide the focus of this study are as follows:

Ho: There is no significant relationship between debt management and socio-economic development in Nigeria.

Ha: There is significant relationship between debt management and socio- economic development in Nigeria.

Ho: External debt has no significant effect on Nigeria economic growth and development.

Ha: External debt has significant effect on Nigeria economic growth and development.

Ho: Policy framework will not improve debt management for socio-economic transformation and development in Nigeria.

Ha: Policy framework will improve debt management for Nigeria.

1.6 Scope and Limitation of the Study

Basically, this study is a theoretical and practical examination on effect of Debt Management on Nigeria's development. With the

controversy round the globe, the issue of debt crisis has generated lately in Nigeria among the political office holders, the public servants and general public. The study will be focused majorly on Impact of Debt Management on Nigeria Development from 2000-2011 and limited to Debt Management Office.

The choice of limiting the study area to Debt Management Office (DMO), Abuja is born out of the fact that much emphasis has been placed overtime on federal and ministries when it comes to the issue of debt management and socio-economic development.

There are some constraints to this research, though these constraints do not have significant influence on the reliability of this study. They are; the time factor within the researchers disposal, unwillingness of the Debt Management Office staff to disclose information, and difficulty in retrieving the administered questionnaires. Despite the limitations highlighted above, it is expected that the study will meet the overall objective of the study.

1.7 Significance of the Study

Nigeria's performance and placement in debt management and development scoreboard in the world has made the current exercise not only worthwhile but timely considering the most recent rating of Nigeria as one of the most corrupt country in the world. The information gathered will not merely satisfy our curiosity but will have the potential to lead to effective legislative and executive actions on debt management that will enhance socio-economic development in Nigeria.

This study will be an addition to the growing and expanding work on debt management with its effect on standard of living and provision of social amenities in Nigeria.

The findings of this research will assist government and policy makers to formulate policy that can enforce the entrenchment of ethics and accountability on borrowed money, especially in the public service. The study will be of immense importance to the Debt Management Office in Nigeria. However, the outcome of this research will be of assistance to policy makers, researchers and students in higher institutions of learning as reference materials on debt management and development in Nigeria.

1.8 Definition of Terms

Sustainable development

Sustainable development is defined as development that satisfies the needs of the present without compromising the ability of future generations to satisfy theirs. Sustainable development implies the fulfillment of several conditions: preserving the overall balance, respect for the environment, and preventing the exhaustion of natural resources. In order to be sustainable, development must combine three main elements: fairness, protection of the environment, and economic efficiency.

Management

This simply means knowing exactly what you want people to do and then seen that they do it in the best cheapest way. On the other hand, management is responsible for combining and

coordinating various resources to achieve the organizational goals.

Democracy

Democracy refers to the government of the representatives where both male and female in the society have a say in the decision making process. It rests on two fundamental principles: the principle of 'individual autonomy': that no-one should be subject to rules that have been imposed by others; the principle of 'equality': that everyone should have the same opportunity to influence the decisions that affect people in society. Therefore, societies are considered to be democratic if they are founded on the principles of a sovereign citizenship, transparent decision making and accountable government. It is difficult to fully achieve these principles in reality, but nevertheless we can say that in general these are the guidelines for the development of democracy in contemporary Europe.

Debt

This is the act of borrowing. Debt therefore, refers to the sources of money in use in an organization which is not contributed by its owner or does not in any way belong to the owner.

Indebtedness

Indebtedness refers to any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

Public Debt

When a government borrows, the debt is a public debt public either internal or external are debt incurred by the government through borrowing in the domestic and international market so as to finance domestic investment and socio-economic growth and development.

Public External Indebtedness

Often times, the terms public external indebtedness means any indebtedness expressed or denominated or payable or which, at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of the Federal Republic of Nigeria, and which is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the data of issue which are, or are capable of being , quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other security market.

Security

Security refers to any mortgage**,** pledge, lien, hypothecation, security interest or other charge or encumbrance including without limitation, anything analogous to the foregoing under the laws of any jurisdiction.

Debt Crisis

This is a situation whereby a country is heavily indebted and is unable to pay the creditor (principal) of this debt.

1.9 Plan of the Thesis

This thesis is planned into five chapters:

Chapter one consists of the Background to the study, Statement of problem, Objectives of the study, Research question, Hypotheses, Scope and limitation of the study, Significance of the study, Clarification of major terms and Plan of the thesis.

Chapter two is literature review; it deals with reviewing of relevant literatures and application of theoretical framework to the study.

Chapter three discusses the Methodology. It covers the Research Design, Population, Sample and Sampling Technique, Procedure for Data Collection, Administration of Data Collection Instrument, Procedure for Analysis and Limitation of the Method.

Chapter four is the analysis of results and discussion section. In this section, data were presented and analyzed on the basis of the research questions and test of hypotheses. This chapter highlights the major findings and policy implications of the study.

Chapter five is the Summary, Conclusion and Recommendations. Findings of the study are extensively discussed here in line with previous research efforts. The chapter ends with suggestions for further study together with Reference/Bibliography. This is followed by Appendices.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

The problem of debt has assumed a crisis proportion in Nigeria. What makes the debt crisis more critical is that Nigeria still has the unenviable distinction of being one of the most impoverished countries in the world. Therefore, the issue of debt management in public service has become a crucial one in Nigeria today, and cannot be glossed over. Bryson (1995) acknowledges that attention to the needs of stakeholders is important throughout any strategic management process. This has not been the practice in many countries. The practice is that "Public agencies are born of and live by satisfying interests that are sufficiently influential to maintain the agencies, political legitimacy and the resources that come with it" (Rainey, 1997:38).

The performance of government at Federal, State and Local Level has always been of concern to the nationals, stakeholders, the media and general public. Hence, each successive administration has struggled with management models and frameworks to enhance the performance of public service. Various reforms have been undertaken starting with the 1946, Walter Harraign to the Yar'Adua 7 point Agenda of 2007.

Against this backdrop, this chapter begins with a review of related literature and theoretical framework. However, attempts has been made in ensuring analysis to discuss the concept of debt and debt crisis, management, development and how its affect Nigeria's socio-economic development.

2.2 Conceptual Issues

Here, an attempt is made to proved conceptual clarification on some of key concepts that are relevant to this study in order to aid understanding of the context under which they were employed in this thesis.

Debt

The act of borrowing creates debts. Debt therefore refers to the resources of money in use in an organization which is not contributed by its owners and does not in any way belong to them. (Oyejide et. tal, 1995). Debt according to Ogbeifin (2007) is generated by the gap between domestic saving and investment, which can increase in absolute terms over time. As he gap widens and the debt accumulates, interest rates also accumulates and the country must borrow increasing amounts just to maintain a constant flow of net imports. It must also borrow to refinance maturing debt obligations. Olaleye (1997:19) puts it, "debt is a sum of money owed by individuals, organizations or countries, a condition whereby owing money when one cannot pay".

Eaton (1993) made simple definition with the various stock and flows associated with debt. Regarding stocks a major distinction is made between disbursed and undisguised debt. Whereas undisbursed debt is composed for mere commitment made by lenders and are, therefore, not accumulating interest, disbursed debt consists of commitment made by the lender that have be drawn on and have accumulated unpaid interest, putting differently, unpaid interest obligation are part of the disbursed debt. Thus, debt essentially refers to disbursed debt. When a

government borrows, the debt is a public debt public either internal or external are debt incurred by the government through borrowing in the domestic and internal market so as to finance domestic investment.

Public Debts

By public debt, we mean government IOUs issued to individuals, organizations and government. From the ancient to the contemporary world, governments have been indebted to their citizens. Governments like individuals borrow from willing creditors to finance their long and short – term pressing financial needs that cannot be financed from other sources (Shaibu, 2003). A country becomes in debt when she borrows money to meet deficit as a result of short fall in revenue to meet earmarked expenditures. However, government borrows to finance wars, to fight economic crises such as depression or inflation or to finance economic reconstruction and development.

Ocampo (2004) proclaimed that the external debt situation for number of low income countries, mostly in Africa has become extremely different. For their countries, even fill use of traditional mechanism of rescheduling and debt resection together with continued provision of confessional financing and purist sound economic policies may not be sufficient to attain sustainable external debt levels additional external support.

Asley (2002) opined that high level of external debt in developing country negatively impact their trade capacities and performance. Debt overhang affects economic reforms and stable monetary policies, export promotion and a reduction in certain trade barrier

that will make the economy more market friendly and this enhances trade performance. However, debt decreases a government ability to invest in producing and marketing exports, building infrastructure, and establishing a skill labour force.

Muhtar (2004) also stated that, the service of these debt have direct negative impact on economic development. To him, debt services encroach on resources needed for socio-economic development and poverty reduction. It also contributed to negative net resources flow. Ojo (1989) was of the belief that it is no exaggeration to claim that Nigeria huge external debt is one of the hard knots of the Structural Adjustment Programme (SAP) introduce in 1986 to put the economy on a sustainable path of recovery. The corollary of this statement is that of only the level of debt service payment could not reduce significantly, Nigeria would be in a position to finance larger volume of domestic investment, which would enhance growth and development, but more often than not, a debtor as only limited room manage a debt crisis to advantage.

Furthermore, debts are classified into two i.e reproductive debt and dead weight debt. When a loan is obtained to enable the state or nation to purchase some sort of assets, the debt is said to be productive e.g money borrow for acquiring factories, electricity, and refineries etc however, debt undertaking to finance war and expenses on current expenditure are dead weight debt (Eaton, 1993). When a country obtains loan from abroad, it means that the country can import from abroad goods and services to the value of the loan without the sometime having to export anything for exchange, when capital and interest have to be repaid, the

same country will have to get the burden of exporting goods and services. These two types of debt however require that the borrowers' futures saving must cover the interest and principles payment (Debt Servicing). Therefore, debt finance investment need to be productive and well manage enough to earn a rate of return higher than the cost of debt servicing.

Nda (2007) asserts that public debt is not bad especially when it is prudently used to increase the assets most of which can create employment opportunities. However, if a country borrows and the proceeds are put into unproductive uses or mismanaged, then we should avoid it like a plague. Let us go for debt only when it is absolutely necessary and when there is guarantee for its prudent management.

To be able to measure the actual amount of the debt which a government owes, that is, the public debt of a country, it is important to separate the instruments, i.e. the IOUs held by different arms of the government, against the center from those held against the government by other institutions and individuals. The former are known as duplicating public debts and the latter as net debts. Duplicating debts are so labeled because the government agencies which purchase them consist of integral parts of the very government which issued the debts. To simplify our explanation, we will define a net public debt as the debt owed by the government to others and the duplicating debt as the debts a government owes to itself.

The government agencies referred to above, in advanced countries like the social security trust funds which was created out of negative taxes best known as subsidies and the Federal

Reserve Banks. In Nigeria and many developing countries the agency which holds government securities that may be described as duplicating debt is the central bank. In some developing countries the securities markets are underdeveloped and government securities find no market within the private sector. In such countries all government debts are located within the central banks and in such cases a net debt is considered zero. In Nigeria, however, the capital market is growing, and the private business sector is actively involved in the market for government securities (Ude, 1999).

Concept of Management

There are as many definitions of management as there are books on the subject. Many of the definitions are relatively concise and simplistic. For example, almost a century ago, Taylor (1903:10) defined management as "knowing exactly what you want people to do, and then seeing that they do it in the best and cheapest way". We think, however, that management is much more complex than we can discern from the above definition. Management is perhaps best understood from a resource – based perspective (Griffin, 2007). All organization use for basic kinds of inputs or resources from their environment, namely, human, financial, physical and information resources.

Management is responsible for combining and coordinating these various resources to achieve the organization's goals. However, managers combine and coordinate the various kinds of resources by performing four basic managerial functions or activities: planning and decision-making, organizing, leading and controlling. This is why Griffin (1997) defines management as a set of

activities (including planning and decision-making, organizing, leading and controlling) directed at an organizations resources (human, financial, physical and information) with the aim of achieving organizational goals in an efficient and effective manner.

Every organization in modern society consists of many different groups of people woven together in a complicated process to achieve the objectives of the organization. As it is in the world of industry, so also is it in the realm of the state. It is this process of organization and management which constitutes administration.

At this juncture, this is pertinent to exploits the significance of administrator. The administrators' position within an establishment (government agencies) is therefore strategic and pivotal to socio-economic development of a country. Augustus (2008:2) asserts that "it is true to say that the place of administration has come to be clearly recognized in every sector of human endeavor, as being the keystone to the success and indeed to the very existence of the enterprise". Being concerned with the planning, co-ordination, supervision and control of the establishment which it is involved, it is no overstatement to declare that "whatever may be the future, the science of administration will be an essential instrument of human welfare (Augustus, 2008).

Indeed, so significant is the importance of this instrument of human welfare that one can agree with the writers on administration who asserted that 'if our civilization breakdown, it will be mainly a breakdown of administration', and that the future of civilized government, and even of civilization itself, rest upon

our ability to develop a silence and a philosophy and practice of administration competent to discharge the public functions of civilized society (ibid, 2008).

From the foregoing, it is not difficult to see that administration is the process on which social stability rests. This is because administration ensures the establishment of institutional processes and machinery through which the function of the state is carried out from day to day. In the state, institutional machineries like the rule-making, the rule-application, the rule adjudication, regulatory commissions, the technocrats, etc are set up to ensure the smooth working of the various integrate parts that make up the state. Each component is designed to perform a specialized purpose; laws, rules, and mechanisms are set up and their operation is coordinated, controlled, and supervised. As earlier said these however, are the processes of organization and management and they constitute administration.

The effect of these institutional mechanisms led to the establishment of Debt Management Office (DMO), Abuja in 2004 by President Olusegun Obasajo to ensure stability and continuity in management of debt crisis in Nigeria.

2.3 Debt Crisis and Development: Conceptual Discourse

By debt crisis, we mean a condition whereby a country has accumulated so much debt that it can no longer sustain the management of the debt, resulting in severe distortion and contradictions in the domestic political economy. This has been the African condition for decades, so much so that the struggle for debt cancellation for Africa has been in the forefront of the public

discourse on the matter since the 1990s (Adedayo,1990). Mimiko (1997) defined debt crisis as a situation whereby "a country is heavily externally indebted and is unable to pay the principal of this debt. It is also a situation where a country uses a high proportion of its foreign exchange earnings to service this debt and still scouts for more loans to enable it meet urgent and pressing domestic obligations".

Following the traditional approach which supports external finance to support public expenditure and economic development, coupled with declining income from export and refusal of the developed world to meet their moral financial obligations to the Third World Countries, the latter have to resort to external loans from the Western Financial Institutions (Aluko and Arowolo, 2010). Countries entrapped in foreign debt have some perceptible symptoms. Representatives of the creditor institutions take over strategic financial institutions of the country such as the central bank and the finance ministry to mention a few. This is done to monitor and ensure that no resources are misappropriated or diverted to anything other than servicing the external loans. It is for this reason that Ajayi (1990) believes that countries experiencing debt crisis have been caught in a "very tight rope debt trap". This is the predicament which many of the Third World Countries have found themselves. No doubt this development has mortgaged the future of generation yet unborn in developing countries. The campaign against the debt bomb has been waged on different fronts. Africans has made spirited effort to get Africa's debt cancelled, repudiated or reduced but to no avail.

Development on the other hand, is a multi-dimensional concept that involves the organization and re-orientation of the entire economic, political and social institution (Olaleye, 1997). A varied body of literature exists on this concept, yet no consensus has been reached on its scope and actual definition. The concept has been considered from various viewpoints, bringing forth various derivations. For instance, Seer (1969) observes that development involves not only economic growth, but also a condition in which people in a country have adequate food and jobs and the income inequality among them is greatly reduced.

Mabogunje (1995) however suggested that two ideas underlined the notion of development. The first is that development is about wealth creation for the use of the citizens and the second is that every society succeeds best when in this direction if it is able to adapt and transform its own institutions as well as its mores and the general attitude of its people towards the attainment of these goals. It is important to note that the first notion of development in Mabogunje's view is more relevant to this discourse. However, of great importance is that development is seen as a product of human efforts.

This is because human beings manipulates the resources available and ensure it serves the goal of achieving the standard and integrity of the people. This led Chilivumbo (1978), for instance, to argue that development as a concept is amorphous and rather difficult to articulate.

But the fact still remains that development is a process involving the reduction or eradication of inequality, absolute poverty,

unemployment, and slavery or apartheid institutional changes and economic growth.

Development as a concept is not limited to Economics discipline as some people tend to believe. Instead, it touches on so many other areas of human endeavors. Todaro (1977:87). Thus, holds that in addition to improvements in incomes and outputs, development "typically involves radical changes in institutional, social and administrative structures, as well as in popular attitudes and sometime even customs and beliefs". Tomori's study as cited in Bozimo, says that:

> *Development implies the complete modernization of a society. If entails the conversion of a peasant society into an industrial one, and it means a change in the whole way of life in expectations and motivations, and even the physical environment of daily life itself (Bozimo, 1999:67).*

In any case, even when the term is applied to the economic state of a given society, there are still so many perspectives to its conceptualization. This diverse perspective include: Firstly, those who conceived the term "development" to mean the process by which a society endeavor to fulfill the socio-economic needs of her citizenry through joint capacity building and the exploitation of her natural resources. That is, the socio-economic needs perspective, a group which Walter Rodney belongs. Defining development, he says;

> *'a society develops economically as its members increases jointly their capacity for dealing with the environment. This capacity for dealing with the environment is dependent on the extent to which they put that understanding into practice by devising tools (technology) and on the manner in which work is organized' (Walter Rodney:1971:22).*

Indeed development must be internally stimulated and collectively generated if the benefit of such development is to be widely spread and sustained.

The second perspective is that represented by Adams Smith, which equates development to economic growth. Adams Smith, opined that a developed society is that which witnessed sustained growth in per capital income through deliberate industrialization strategies. Nancy (1970), defined it more precisely by saying development is the change in economy in terms of structural capacity, output and economic growth. This group of scholars lay so much emphasis on increase in GNP as an important indicator of development.

The third group of scholars, namely, S.N Eisentadt and Dennis Goulet, which sees development as modernization process. Eisentadt views development as a process of introducing new ways of doing things in order to bring about desired improvement in the society. On the other hand, Dennis Goulet (2008) defines development as a means of obtaining good things of life. According to him, when the term good things of life is used in societal context it means national power and prestige, material prosperity of some and all members, optimized social cohension, and a certain level of cultural excellence or optimum capacity building.

Nation that want to develop will have to modernize their economies using technology transfer and other modernization strategy to quicken the pace of their economic growth, and capacity building, but obviously modernization process cannot itself be equated with development, although it is a strong

strategy by which most societies making serious efforts to develop and achieved their goals.

However, these views of development generated collections of ideas on the strategies for attaining development in the developing countries in the 50's. Generally, it was accepted that industrialization and modernization of agriculture and production process through technology transfer will lead to increase in National Productivity and balance of trade.

The problem of poverty, unemployment or unequal cannot be solved by economists alone because it possesses cultural, social, political and historical traits. The measure of development is not limited to economic indices alone. Rather, it is extended to include the degree to which provisions have been made for the people's life – sustaining needs self-sustaining needs-include food, shelter and clothing. Self-esteem implies individual's self-respect, self-confidence, sense of worth and accomplishment. Freedom as used here is not limited to political freedom. It extends to freedom from poverty, freedom to hold religious beliefs and opinions, equality of opportunities, etc. Protection not only relates to safety of lives and properties but to the sanctity of the human rights (Bozimo, 1999).

Development is thus deemed to have started only when man's life sustaining needs, self-esteem, freedom and protection are provided for and can be maintained for as long as many lives. Therefore, for a country to be said to be developed there has to be a transformation in that country's institutions, socio-cultural rules and general attitudes of the people so as to create an

enabling environment for the country to be responsive to desired and attainable modern changes.

Objectives of Development

Development generally and ultimately aims at the qualitative and quantitative improvement of the level of living of man in his earthly existence. It is ultimate goal was assumed to be increase in productivity measurable by gross national productivity (GNP), and when attempt were made to relate GNP to people welfare, it was erroneously assumed that total national productivity can be divided over the heads of the total number of people within the society to produce individual income worth called per capital income. And if any increase in per capital income is witnessed, it was assumed that the average human being in the society is well off. Until it was discovered that although the GNP continued to increase, life of large portion of the people remain miserable and only the few rich individuals enjoyed the boom. Therefore, the objectives of development can be presented as follows:

To provide and improve basic needs of citizen

Sustaining the life of people through provision of basic needs is one of the objectives of development. Man's need can be classified as basic, social, and individual needs which have psychological effects on an individual and his attitude to work. The basic needs are the fundamental needs for the survival of man. For a man to be alive, he needs to eat, drink, clothe and shelter himself, sleep and rest (Manners, 2005). The absence of any of these will adversely affect him. So, man needs to feel secured and protected from aggression or else, he can become aggressive himself in self-defence. This can be improved by

creating more jobs, achieving low population growth rate and mounting relevant educational programmes.

To widen the economic distribution

It has to be recognized that a good institutional set up that guarantees rule of law and fair and quick access to justice will also contribute to a better distribution of income by reducing abuses and corruption (Tanzi, 2000). When rule of law is not fair or not respected, poorer people are more likely to be exploited through lower compensation for their work and higher costs for some services, as for example in the case of usury when they borrow money. This can be achieved by increased income distribution, rational economic policies and depoliticized economic planning.

To provide higher incomes

Income is the consumption and savings opportunity gained by an entity within a specified time frame that is generally expressed in monetary terms (Wikipedia, 2010). However, for households and individuals, income is the sum of all the wages, salaries, profits, interests, payments, rents and other forms of earnings received in a given period of time. In the field of public economics, the term may refer to the accumulation of both monetary and non-monetary consumption ability, with the former (monetary) being used as a proxy for total income (Ibid).

Income per capita has been increasing steadily in almost every country. Many factors contribute to people having a higher income such as Education, globalization and favorable political circumstances such as economic freedom and peace. Increase

Income also tends to lead to people choosing to work less hours. Developed countries defined as countries with a "developed economy" and higher incomes as opposed to a developing country tend to have lower incomes. The higher incomes are derivable from increased investment, cultivation of saving culture, provision of more jobs and acquisition of functional education.

To modify norms and values

One of the objectives of development is to modify norms and values; development removes completely obnoxious traditions and repugnant cultural practices especially in the typical traditional setting. As man progresses in all facets of human endeavour either physiologically, economically, culturally, politically or educationally his belief and thought processes progress too. So development accelerates the rate at which norms and values transform, modify and transmute (Ola and Offong, 1999).

To remove superstitious belief

This can be achieved through formal, informal and non-formal education. Education exposes man to the ideas, knowledge and ideals of people of other lands. Application of science and technology in influencing and controlling natural phenomena is possible only through education. Education and not indoctrination, is therefore an indispensable tool in the removal of superstitions beliefs and tendencies (Ujo, 1999).

To expand man's economic choice

Men economic, as well as social choice is expanded by such developmental factors as: equitable distribution of basic life-sustaining goods; higher incomes; and higher/relevant education. One who is educationally deficient, for example, lacks the knowledge and requisite skills to exploit opportunities which hold sway in the society. Furthermore low income greatly limits the effectiveness of demand for variety of goods and services (Basu, 2003).

Barriers to Development

At independence the emergent Nigeria leaders, like their fellow scompatriots of other developing countries made economic and social development central national issues. Development objectives since 1970 were aimed at achieving fourth national development plan (1980-1985). According to Ogbeide (1993:13) the objectives are:

v) A united, strong and self reliant nation;
vi) A just and egalitarian society;
vii) A great and dynamic economy;
viii) A land of full and bright opportunity for all citizens and a free and democratic society.

Several public administrative agencies were created to effectuate these policy objectives. However, the colonial legacies of non-responsiveness to the people which public services are directed continue to be a bane in Nigeria public administration.

Against this background, the inability of the Nigerian economy to adjust to the post-oil boom realities combined with policy inadequacies during the boom period produced an economic crisis

characterized by both internal and external disequilibria (Iyoha, 1992). From the forgoing, some barriers of development have been identified. These include:

Political Instability

Political instability is the bane of development not only in Nigeria but in African as a whole. The advent of military rule from 1966 added another dimension to the orientation and behavior of public servants. The military by socialization were to be defenders of the county's sovereignty against external aggression. They were not trained for leadership in the political arena. This vacillation coupled with uncertainty that usually surround military coups and counter coups often instill fears in the intending investors.

This standpoint does not go without some controversies. For example, while some believe that political instability causes underdevelopment, others hold that it is the underdevelopment that causes political instability. This latter view agrees with the Report of the political Bureau (1987) which states that political instability occurs due primarily to internal dynamics, especially as a result of:

- Systemic collapse which is often a product both of the structural imperfection of the system previously tried or attempted as well as the inability of the dramatic personae to play the game according to laid down rules;
- Crises of legitimacy indicated by corruption, ineptitude, gross indiscipline, and bad leadership.
- The influence of self-seeking or powerful civilians; and
- Personal, self-regarding interests of the military coup makers.

All these are directly or indirectly related to the indicators of under development hence the thinking that political instability results from underdevelopment. But our stand is that political instability and underdevelopment have cyclical causal relationship.

Ethnicity and tribal affiliations

The socio-cultural value is also an important variable shaping the nature character and behaviour of public administration in Nigeria. Tseayo (1983) described ethnicity as the perception of group differences and so, the social boundaries between sections of a population. This definition show that ethnicity in itself is not dangerous but the role it is made to play in decision-making processes as well as in the action and inaction of the government is where the problem lies. Presenting the picture more clearly, Musa (1993:46) says "unfortunately, because each ethnic group in the country desires to dominate the political scene, we have failed to bring together for the common good all those virus assets individually discernible among the group". According to him,

> *It is no surprise that there continues to exist an inter-ethnic discord and conflict nourished on mutual suspicion and fear of domination. The three major groups in the country – the Hausa Fulani, Yorubas and Ibos are perpetually locked in serious combat aimed at securing for themselves the juiciest parts of the "national cake" Musa, 1993:46) .*

The Irony is that in the ensuing 'combat' these various ethnic groups fail to think of who baked the cake, how to replenish the eaten parts and how to avoid matching on the cake! Ethnicity and tribal affiliations have combined to

reduce the system of recruitment, promotion, training and transfer of personnel to nothing except benefit of political patronage, loyalty and ethnic affinity. The Nigeria constitution also confirmed the significant role of ethnic balancing in recruitment of its public servants.

Population growth

The adverse effect of rapid population growth (not matched with rapid food production) on any nation's economy was recognized early enough by Thomas Malthus. Malthus observed that population was increasing with geometrical progression, while food was increasing with arithmetic progression. In other words, population was growing faster than food production. In such a situation the implication is that there would be hunger, misery malnutrition and all the attendant problems all these are antithetical to development. Malthus Theory, as it is now called still holds despite the modifications, misinterpretation and misrepresentation it has received and is still receiving.

Lack of Human and Natural Resources

In the present context, human resources refers to skilled, healthy and dedicated labour force, while natural resources include agricultural and mineral resources. Where these are in a very short supply development rarely difficult to attained. Therefore, it is imperative for government to embark on capacity building.

Religious Intolerance

Religious intolerance implies matters. The intolerance often people views or beliefs on religious matters. The intolerance

often goes beyond religion and blinds rational reasoning on other areas of the economy.

Religious intolerance stultifies development in so many ways some of which include: Demolition or burning of houses, market places, schools, etc. thus forcing the government to waste scarce revenues in rebuilding these or paying compensation;

- Scaring away the investors. The safety of their investment cannot be guaranteed;
- Some policies which have religious bias are forces on the people even if they (the policies) may result in economic waste; and
- It impinges upon the human rights of freedom to hold religious opinion.

Inefficient use of Resources

We noted above that lack of human and natural resources militates against development. When these resources are available and they are not efficiently used. Development will still not occur. Inefficient use of resources may take any of the following forms.

Underemployment;

- Labour force which is skilled but unhealthy;
- Unmotivated labour force;
- Labour restricted by taboos;
- Neglect restricted by taboos;
- Over-pricing of resources; etc.

Inappropriate Educational Policy

Education plays a very important role in development of any nation. It is education that determines and moulds the skill of the

labour; it is education that prepares man psychologically, emotionally and intellectually for his various economic tasks. Educational policy is therefore an indispensable tool in the development of any country.

The implication of the above assertion is that wrong educational policy undoubtedly produces, at best, retarded development. Problem of unemployment in Nigeria today is constantly blamed on the nation's educational policy. It is said that the policy is neither functional nor relevant to the socio-political and economic realities of Nigeria.

Wrong Economic Plans

Economic plans are as important as Educational Policies. For an Economic Plan to be appropriate the data must be readily available and accurate; the planner must be honest, detribalized and patriotic; and the geo-political environment must be stable to ensure continuity. These attributes are lacking in a country like Nigeria. Thus, our Economic Plans often fail or are short-lived. In conclusion we agree with the Report of the Political Bureau (1987:40) that, earned revenue from the oil boom was lavished on unenviable and grandiose projects which were very poorly thought through, and enormous contracts grossly inflated. All interest converged on the appropriation and consumption of all revenues, but not on production, investment, or on any concern for effective development of productive force. Many of the concrete projects were characteristically over-ambitious, poorly planned and implemented.

Sustainable Development

Sustainable development, according to the Brundtland commission, is the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This automatically subsumes some notion of fairness of access to basic resource needs for all populations, both in the present day and in the future. Economists have been at pains to make sense of the elusive condition for sustainability. Various interpretations of this definition have consequently emerged, differing along the disciplinary lines of ecology, economics, philosophy and others. While the debate still lingers on how to develop appropriate indicators for measuring the concept, there is a consensus that sustainability is the capacity for continuance into the future (Pearce, 1997).

The implication of this conclusion is that while ensuring the welfare of all, a path of economic and social development should not seek to maximize gains for this generation if in so doing it reduces the capacity of future generations to provide for their own wants and needs. The sustainability concept recognizes that life is a complex bundle of values, objectives and activities, with ethical, environmental, economic and social dimensions. While current concern about sustainability largely has an ecological basis, it is clear that human situations can be unsustainable for social and economic reasons as well. For sustainability, therefore, the pertinent questions are: For the environment, can its contribution to human welfare and to the human economy be sustained?

And for society, can social cohesion and important social institutions, knowledge and skills be sustained? (Ekins, 1997).

Viewed from an economist's perspective, the above three ramifications of sustainable development can be said to constitute the capital assets available for societal development. In this sense, the capital available for sustainable development can be said to be natural, man-made, social, and human capital stocks in that order (the social dimension having been split into social and human capital stocks). The condition for sustainable development, therefore, amounts to each generation leaving the next generation a stock of productive capacity, in the form of capital assets and technology, that is capable of sustaining utility or well-being per capita than that enjoyed by the current generation, or at the very least, equal to that enjoyed by the current generation (Becker, 1996).

Put in another way, sustainable development requires that the stock of natural, man-made, social and human capital should not decline, or if you like depreciate, below the present level. This has come to be known as the constant capital rule (CCR). For an African nation like Nigeria to be deemed sustainable, therefore, her stock of capital (human, man-made, and social) should remain constant over time or ideally be increasing.

Sustainable development has three components: environment, society, and economy. If you consider the three to be overlapping circles of the same size, the area of overlap in the center is human well-being. As the environment, society, and economy become more aligned, the area of overlap increases and so does human wellbeing. The National Town Meeting on sustainability

(May 1999) in Detroit, Michigan, established that the term 'sustainable development" although frequently used, is not well understood. We believe that it means new technologies and new ways of doing business, which allow us to improve quality of life today in all economic, environmental, and social dimensions, without impairing the ability of future generations to enjoy quality of life and opportunity at least as good as ours (Besell, 1999).

Conservationists also claim that Sustainable development is not just about conserving our resources: it is about changing our culture to make conservation a way of life. The earth has a natural balance, and over-consumption of its resources, whether it is polluting or diverting water or over-using land for building or agriculture or mining, or clear cutting of forests, or over-fishing the ocean, or burning too many fossil fuels throws that balance off and makes it difficult for the earth to renew itself. Living sustainably means only consuming as much as we need, while making sure to never consume so much that it cannot be replaced (Reed, 1995).

Furthermore, While managing resources sustainably, an environmental policy that focuses mainly on the conservation and protection of resources must take due account of those who depend on the resources for their livelihoods, otherwise it could have an adverse impact both on poverty alleviation and on chances for long time success in resource and environmental conservation.

According to Baker (2006:35) sustainable development is "a process of change in which the exploitation of resources, the direction of investment, the orientation of technological

development, and institutional changes are all in harmony and enhance both current and future potentials to meet human needs and aspiration". It is about long term conditions for humanity's multidimensional well-being. Sustainable development is not about the society reaching an end state, nor is it about establishing static structures or about identifying fixed qualifies of social, economic or political life. It is about promoting equitable and balanced development.

It is important to state that sustainable development is a comprehensive process involving complex relationships among various aspects of the society including population growth, improvements in education and health, environmental degradation and globalization. It seeks to reconcile the ecological, social and economic dimensions of development, now and into the future. It aims at promoting a form of development that is contained within the ecological carrying capacity of the planet, which is socially just and economically inclusive, so as to achieve the common future of humankind (Baker, 2006).

Principles of Sustainable Development

Many governments and individuals have pondered what sustainable development means beyond a simple one-sentence definition. The Rio Declaration on Environment and Development fleshes out the definition by highlighting some important principles of sustainability. In order to achieve sustainable development, environmental protection shall constitute an integral part of the development process, and cannot be considered in isolation from it. Eradicating poverty and reducing disparities in living standards in different parts of the world are essential to

achieve sustainable development and meet the needs of the majority of people (Timberlake, 1995).

Environmental issues are best handled with the participation of all concerned citizens. Nations shall facilitate and encourage public awareness and participation by making environmental information widely available. Nations shall enact effective environmental laws, and develop national law regarding liability for the victims of pollution and other environmental damage. Where they have authority, nations shall assess the environmental impact of proposed activities that are likely to have a significant adverse impact.

The full participation of women is essential to achieve sustainable development. The creativity, ideals and courage of youth and the knowledge of indigenous people are needed too. Nations should recognize and support the identity, culture and interests of indigenous people. People are entitled to a healthy and productive life in harmony with nature. Development today must not undermine the development and environment needs of present and future generations.

Nations have the sovereign right to exploit their own resources, but without causing environmental damage beyond their borders. They could develop international laws to provide compensation for damage that activities under their control cause to areas beyond their borders. Nations should reduce and eliminate unsustainable patterns of production and consumption, and promote appropriate demographic policies. Precautionary approach should used be to protect the environment. Where there are threats of serious or irreversible damage, scientific uncertainty shall not be used to

postpone cost-effective measures to prevent environmental degradation (Reed, 1996).

Cooperation is required to conserve, protect and restore the health and integrity of the Earth's ecosystem. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command. Also, Nations should cooperate to promote an open international economic system that will lead to economic growth and sustainable development in all countries. Environmental policies should not be used as an unjustifiable means of restricting international trade.

Warfare is inherently destructive of sustainable development, and Nations shall respect international laws protecting the environment n times of armed conflict, and shall cooperate in their further establishment. Peace, development and environmental protection are interdependent and indivisible. Sustainable development requires better scientific understanding of the problems. Nations should share knowledge and innovative technologies to achieve the goal of sustainability. Nations shall warn one another of natural disasters or activities that may have harmful trans-boundary impacts (Potter, 1998).

Sustainability consensually means capacity to continue into the future. It is however noted that this concept applies not only to environmental issues, but also incorporated into economic and social policies. The Agenda 21 which was adopted and followed up the World Summit on Environment and Development which took

place at Rio do Janeiro in 1992 has since constituted reference point in formulating policies relevant to sustainable development (Dodds, 1997).

One important tenet of sustainable development is the precautionary principle and the recognition that each government is responsible for creating condition for sustainable development within its own border, with the participation of its own population and international co-operation where needed. Also, sustainable development encompasses a number of basic political challenges: democratization, equitable distribution of wealth, respect for human rights, combating corruption and sound resources management etc. These are issues that transcend borders, says Olayode (2000).

2.4 The Nature and Causes of Nigeria's External Debt Nigeria during the earlier years of its existence as an independent nation was not classified as a debtor nation. Nigeria, in comparative terms, was rich. She had no reason to go a-borrowing. Indeed, she later successfully prosecuted her 30 month civil war from 1967 to January 1970 without taking a foreign loan. General Yakubu Gowon (1966 – 1975) Nigeria Military head of state, at the time, once said during the early 70s that Nigeria didn't have cash problems. Her problem rather was how to use the money in her vault.

However, surprisingly, the nation's vault soon began to dry up. It then discovered that to keep afloat it had to take foreign loans. Its entry into the league of debtors started in 1981 in spite of the paradox of being an oil-exporting country. The fact of been a washed with petro-dollar following the OPEC oil price windfall of

1973 made borrowing by Nigerian government unnecessary up till 1978. Until this period, government pegged external borrowing at a manageable N1.0 billion. Nigeria's rendezvous in the company of debtor nations began with the decision of the then military head of state Olusegun Obasanjo to raise the ceiling on external debt from N1.0 billion to N5.9 billion in 1978 (Babawale, 2007).

In no time, she was subsequently caught up in a crippling foreign debt crisis that compromised its economic progress, political stability, social dignity, and cultural integrity. Accompanying this debt crisis was poverty. It took an upward swing. For instance, from 28% in 1980 Poverty took a frog leap to 66% in 1996 and finally settled at about 70% in 2000. Put simply, the UNDP estimate, about 65 million Nigerians were living on less than one dollar a day. The wealth of the nation was therefore concentrated in the hands of a selected few while an average of 3 million Nigerians enter the non performing job market annually (AFRODAD, 2007).

The picture of debt crisis in Nigeria was painted by New Age Editorial (November, 3rd 2004) thus; "….a country that borrowed $11billion and has so far paid back $32 billion still owes $34 billion". That means every dollar borrowed has been repaid three times over, yet about three times the initial borrowed is still being owed, creditors are having their cake and eating it in a vicious arrangement designed by IMF and its allies, the effect of which stifles growth and development in developing countries.

According to Sogo-Temi (1999), the explanation for the growing debt burden of developing countries is of two-fold. Firstly, developing countries have become much dependent on external

funding than they used to even previously. Secondly, the difficulties experience by most countries in servicing external debt burden. These two factors according to him, account for Nigeria's indebtedness. Any assessment of the present dependency nature of Nigerian economy must take into cognizance the political economy of the country during the colonial era.

Ajayi (1984) reflected the causes of debt problem as related to both the nature of the economy and the economic policies put in place by the government. He articulated that the developing economies are characterized by heavy dependence on one or few agricultural and mineral commodities and export trade is highly concentrated on the other. The manufacturing sector is mostly at the infant stage and relies heavily on imported inputs. To him, they are dependent on the developed countries for supply of other input and finance needed for economic development, which made them vulnerable to external shocks.

The grand cause of the debt crisis is that, in most cases, the loan is not used for development purposes. The loan process is done in and shrouded with secrecy. The loan is obtained for the personal interest and parochial purposes. It is usually tied to party politics, patronage and elevation of primordial interest rather than the promotion of national interest and overall socio-economic development (Aluko and Arowolo, 2010).

The causes of Nigeria's external debt burden could be grouped into six areas and these according to Aluko and Arowolo (2010) are: inefficient trade and exchange rate policies, adverse exchange rate movement, adverse interest rate movements, poor lending and inefficient loan utilization, poor debt management

practices, and accumulation of arrears and penalties. Inappropriate monetary policy also contributed to the problem of Nigerian external indebtedness. For instance, until recently little or no conscious effort was made to achieve financial discipline which was made necessary for effective and efficient mobilization of domestic savings. The negative real rates of interest which prevail for long had the effect, if representing the financial market, increase the dependence of Nigeria on external loans, and encouraging capital flight.

Causes of Public Debt Crisis

There are a number of causes which has led Nigeria and other developing countries into debt crisis now facing them. These factors include the following:

- **Huge Budget Deficits**

  One of the major causes of Nigeria's public debt especially the internal debt is the persistent huge budget deficit which various government have incurred in their budget over the years. Since one way to finance such deficits was through government borrowing, this contributed to the growth of the debt stock over time (Roberth, 2004).

- **Over Dependence on Oil Revenue**

  The over dependence on crude oil revenue is another major cause of the debt crisis, the false illusion of riches which oil revenue gave the country began in the seventies and this made the government to embark on gigantic (white elephant) projects on the assumption that oil would continue

to bring in huge revenues (Mabogunje, 2004). When oil prices nose – divided in the eighties and oil revenue subsequently fell, government resorted to borrowing to finance expenditures. On the other hand, when expenditures are more than revenue, the government will have no other option but to borrow.

- **Mismanagement And Embezzlement Of Government Funds**

  Apart from the fact that the oil revenues have been unpredictable, the massive mismanagement and embezzlement of government funds have made revenue to fall short of expectations. During Shehu Shagari administration, there was a policy on austerity measure to tight budget and carryout only essential projects and programmes. To do this, the administration resorted to borrowing (Kolawole, 2004).

- **Misplacement Of Priority – Short Term Loans Being Used In Financing Long Term Projects**

  In Nigeria another major cause of debt and its growth was that in some cases, short-term funds were borrowed to fiancé long-term projects. Thus, when such loans mature, the returns from the projects were not able to provide sufficient resources to pay the debts thus worsening the debt crisis (AbdulRahman, 2006).

- **Rise in Interest Rates on Commercial Loans**

  Inability of the government to service debt is one of the causes of public debt crisis. The debt and its servicing are draining away resources which can be used to finance development. Since some of the loans were contracted on commercial terms, the interest rates have tended to move with the market rates. The problem is that the debt repayments as well as the service charges in recent years have constituted a significant proportion of total export earnings. This reduces the ability of the government to undertake certain vital projects necessary for development (Olufemi, 2000)

- **Neglect of the Non-Oil Sector**

  The neglect of the non-oil sector, particularly, the agricultural sector, also indirectly contributed to Nigeria's debt crisis, before the discovery of oil in the 60s agriculture was the mainstay of our economy. In light of this, Obasanjo (2011) noted that, "Nigeria did not see beyond oil. That was one of the misfortunes of Nigeria, or regrets of Nigeria" (Sunday Independent, 2011:25).

- **Reckless Contraction of Loans**

  In some cases, loans were contracted without regard to viability of projects they were meant to finance (Richard, 1991). Corruption, political factors and personal gains of government officials who negotiated such contracts seemed to be the major factor in contracting certain loans rather

than the soundness of the projects to be financed with the loans.

- **Corruption**

  There is no doubt that corruption is pervasive and has eaten deep into the fabric of the Nigerian society (Igbuzor, 2005). Corruption hampers the existence of development in Nigeria. It has helped to inculcate negative understanding of socio-economic development in Nigeria. Corruption especially among the elected officials has resulted in apathy and disgust among the citizenry.

- **Poor Performance and Compounded Term of Trade**

  This poor performance is compounded by the poor terms of trade, which developing countries exports tend to suffer in the world market (Nda, 2003). These experts believe that Nigeria's huge debt burden and its growth may have been as a result of structural imbalance and the need to undertake economic adjustment.

- **Legislative – Executive Relations**

  A study in Executive – legislative relations is largely a study of the long standing struggle for policy influence or "continuing duel for political, if not constitutional primacy" between the legislature and executive branch – a struggle or duel over which branch is "predominant" or is in the forefront (Eminue, 2006).

One of the challenges facing democratic governance and development is how to work out a good working relationship

between the executive and the legislature. Unfortunately, Nigeria's experience since 1999 only depicts the legislature and the executive as two arms constantly antagonistic and holding each other in mutual suspicion.

The Crisis of Democracy and Development in Nigeria

The type of democracy operating in Nigeria inhibits or hinders developmental efforts. No wonder Ake (1996) remarked that; we have pursued development with confusion of purposes and interest and with policies full of ambiguities and contradictions. It is not we could not find suitable notions of development or ways to apply them to our experience. The problem lies with the major agents of development; our government, the multinationals, IMF, the World Bank, and the imperial powers. Each of them propagates an idea of development corresponding to its interest and images of the world.

As a result of weakness of our democratic institutions, the ideas and strategies of development are externally given, and deliberately distorted by the ruling elites. This is due to the fact that their pre-occupation with power and survival has not put them in the position of pursuing development agenda. This has created a prostrate dependence on the metropolis for developmental programs. This according to Hyden (1994) shows that, it is the international community that has helped set the Africa development agenda. Besides, the type of democracy operating in Nigeria does not appear to be the one that can bring about development.

2.5 Implications of Debt Burden on Nigeria's Development

It is believed that the growing national debt against the background of declining and/or unstable foreign exchange earnings has serious consequences for the recovery of the Nigerian economy. But the crucial questions to ask according to Sogo-Temi (1999) are: how to determine the extent of Nigeria's debt burden; and how is this going to affect the capacity of the economy to achieve substantial economic growth and development? Answers to these questions will be based on some principal indices. These are standard indicators for measuring the burden of external debt. These indicators among others include; the ratio of the stock of debt to exports and to Gross Domestic Product and the ratios of debt service to exports and to government revenue.

It has been noted that the debtor countries have too much burden on their heads, the burden packaged with economic crisis and socio-political difficulties. Expanding as much as 70 – 90% of export earnings on debt servicing connote that little is left virtually for the COJ, merles to perform their constitutional obligations to the citizenry. It is also carefully noted that in its zeal to break out of economic shackles to achieve economic and socio-political development, the Third World has chosen the option of seeking foreign loan to achieve this development.

Development, to them, might mean embarking on capital intensive projects such as schools, hospitals, road and bridges, radio and television stations. The implication of this is that, the loan, well packaged with a number of conditionality needs to be serviced and as such, the recipient countries are expected to

invest the money in the business that will bring returns for servicing and paying back of the loan but with the implementation of these non-profitable social projects (Aluko and Arowolo, 2010).

As noted by James (2006) public debt has no significant effect on the growth of the Nigeria economy because the fund borrowed were not channeled into productive ventures, but diverted into private purse. He suggested further that for the gains of debt forgiveness to be realized the War against Corruption should be fought to the highest.

Oshadami (2006) in her own study concluded that the growth of debt has affected negatively the growth of the economy. This situation is premise on the fact that majority of the market participants are unwilling to hold longer maturity and as a result the government has been able to issue more of short term debt instruments. This has affected the proper conduct of monetary policy and affected other macroeconomic variables like inflation, which makes proper prediction in the economy difficult. External control and manipulation of the domestic economy is another by-product of debt crisis.

In addition to executing the conditionality in the host country, officials of IMF, and other western based capital institutions often invade and take over the economic policies and administrations of debtor - nations' banking and financial systems. Import earnings are strictly monitored and this is capable of significantly increasing the plight of the domestic populace. The overall effect of the above on the development of the debtor country is that the economy often graduates from bad to worse. The debt burden increases Africa's dependence on the outside world; slows the

prospects of economic recovery and growth; jeopardizes the stability of African governments and increases the poverty of Africa and her peoples (Hardy, 1986:65).

The foregoing put together therefore raises another question of whether what Nigeria actually needs is debt relief. As it is being made operational, the debt relief has been made to appear as if the western world is doing Nigeria a special favour. This ought not to be so. For instance, the deepening crisis and contradictions in Nigeria are largely attributable to decades of exploitation of Africa through the slave trade and colonialism. These were to be followed by years of marginalization and continuing exploitation of African resources through the neo-colonial enterprises. It is in this light that the conception of debt relief, or worse still, debt forgiveness, offends (Ake, 2000; Ochonu, 2005).

2.6 Debt Relief and Nigeria's Development

It is believed that debt relief would engender increased saving and investment in the domestic economy. This has the potential to engineer growth and reduce poverty, capable of leading to improved conditions of living. This is especially so if the proceeds from debt relief are well managed in the overall interest of the Nigerian economy. While this positive thinking has some merit, there is also the observation that the much touted debt relief has been selective and discriminatory. For instance, under the various debt deals, different conditions apply to different countries with respect to qualification and classification. To make matters worse, these conditions were drawn up solely by the Paris Club and related agencies acting according to the interests of the West, and particularly the US (Eurodad, 2008).

Indeed, the assumed tremendous prospects of Africa's development under the new debt relief are too optimistic. For instance, virtually all the measures that have been devised by the World Bank and IMF for the management of Africa's external debt have been predicated upon such conditions as political and economic liberalization, deregulation, privatization and devaluation (Mkandawire and Olukoshi, 1996).

To be sure, debt relief, be it partial or total, has the potential to halt negative movement of capital flight in Africa. As studies have shown, there is a positive correlation between external debt and capital flight, with negative consequences for economic growth and development.

2.7 External Debt: The bane of Nigeria Socio-economic and development

Over the years, external debt has been the bane of socio-economic and development in Nigeria. Despite its huge revenue from over 50 years export of petroleum product, country has remained one of the most impoverished countries in the world with very poor infrastructure to drive its economy and about 60 per cent of its populace living on less than dollar a day (Ifeoma,2009). Several years after its independence, has left itself at the mercy of foreign creditors through continued external borrowings, which in turn gulps huge amount in the national budget yearly for their servicing.

In 2005, the country relieved itself of a total debt of $30 billion through the Paris club deal during President Olusegun Aremu Obasanjo, but as at June 2009, the new debt status stood at

about $3.7 billion while more borrowings were in the offing but stalled by the resistance of House of Representatives who mandated its committee on debt management to investigate Nigeria's loans and ascertain their legality or otherwise (Adebayo, 2009). This was on the premise, four years after Nigeria got reprieve from its debt burden acquired over the years by successive governments, a fresh debt burden has started setting in with the renewed frivolous borrowings which the House of Representative ascribed the manner in which there were obtained as dubious, shady and corrupt (Sulaiman, 2009).

Henshaw (2009) alleged that the International creditors like the World Bank lure Nigeria into more loans because of what they gain from it as their service charges grow higher than the actual borrowed amount, while Nigeria suffers huge capital flight through annual debt servicing. As revenues from oil production increased Nigeria's attractiveness to predatory external creditors led to major borrowing by successive governments with the resultant huge external debt burden of the country. All manner of loans were collected from private and multilateral creditors by the federal and state governments mostly during the military regimes. And the resultant debt burden meant that substantial amount of oil revenues were expanded on servicing the accumulated external debts annually.

Surveys showed that the cost of servicing these debts over the years surpasses what was actually borrowed by up to 100 per cent. For instance, for a period of about 20 years before the supposed debt write-off by the Paris club in 2005. Nigeria's actual borrowing was put at about $10 billion, while it had spent over

$35 billion in annual debt service payments for the period and still owed about $36 billion (Savvides, 1992). Besides, servicing the growing debt stock is gradually becoming a burden on the federal government and the states and this in turn really affect the development in the country.

Richard (2009) also viewed the continued borrowing from the ever-ready international creditors as neo-colonization as most of the loans come with conditions which tend to weaken the economy of the country, through excessive liberalization. Most of the loans come with conditionality of economic liberation imposed by the International Monetary Fund (IMF) and the World Bank (WB) which the country must meet to qualify. This neo-liberal strategy is principally focused on the promotion of free markets, including privatization, deregulation, and trade liberalization, which reduce the ability of government to provide basic social services for the people. As conditions attached to loans, the international creditors have at various times demanded that Nigeria adopt the following neo-liberal policies:

- Reduction in overall public expenditure
- Removal of petroleum and other subsidies
- Trade liberalization
- Devaluation of the currency(World Bank,1980)

2.7.1 Consequences of World Bank policies on Nigeria's socio-economic and political development

With loan offers, external institutions like World Bank have been able to undermine the sovereignty and independence of many

countries, with reference to Nigeria, they have quite often prescribed policies that are essentially anti-people, increased poverty, increased level of unemployment and encouraged the tying of the economy of developing countries to that of global community, much to the detriment of the local people and to the benefit of donor countries (Ogbe, 2008).

The external loans regime has ensured that more resources are leaving Nigeria to industrialized countries than the country receives in development aid from the G8. For this reasons, Nigeria must be cautious about incurring more external debts. External loans should be sought only for every high priority, well-appraised, and self-liquidating projects. Such projects should have direct impact on economic development. However, government should make fiscal adjustments through cuts in expenditures, as this would reduce the level of deficit financing which exerts pressure of foreign exchange.

2.7.2 Towards a Sustainable Public Debt Management

As the critical nature of Nigeria's debt problems becomes widely recognized, advocates of innovative solutions put forward a number of debt management strategies. Basically, conscious and discernible efforts were made to adopt relief measures. Essentially, the management strategies that have been adopted are those within the framework of the global debt relief measures. In a broad sense, these includes; debt refinancing, rescheduling, restructuring and debt conversion under the aegis of SAP (Sogo-Temi, 1999).

In a narrow sense, the way ahead for Nigeria and African countries is to de-link from the present international capitalists arrangement and pursue a progressive socialists programme of development. But before this can take place, there is need for reconstruction of the present condition of African states, to put political power in the hands of the people who can thereafter take their destinies into their own hands. In the short –run, Nigeria needs to devise means of promoting a sustainable debt management strategy and take full advantage of the opportunities of debt relief through prudent management of resources and effective co-ordination of all debt management related offices. Nigeria must also invest in entrepreneurial development to boost trade and investment not only in the continent, but also between it and the rest of the world. All these are possible where there is a system of governance that is democratic, efficient and development oriented.

If the debt relief currently granted is to be sustained, this trend must be reversed. First, it is important that Nigerians should step up their level of domestic production, both in terms of quantity and quality. Nigeria could start by investing more in entrepreneurial development.

Above all, there is need to institute and strengthen a sustainable regime of good governance across the country. Also, the current wave of democracy must be sustained, which will require the institutionalization of an open political process, including multiple political parties, a free civil society, an informed citizenship, a free press, an independent judiciary and a democratic political culture. The government and the Debt Management Office (DMO) should

draw up guidelines to limit the growth of future debt. In this regard, debts service ratio must not exceed 40 percent of allocation from the federation account. Effective mechanism should be put in place to ensure that any borrowing is judiciously utilized to contribute to economic growth. The place of corruption in public debt in Nigeria is central. Most often, borrowed fund are either misapplied or embezzled. In this regard, government effort at curbing corruption should be sustained. It is good news that the corruption perception index of Transparency International has shown positive improvement in Nigeria standing, this should be sustained.

2.8 Institutional Structure and Regulatory Arrangements for Debt Management

It is generally believed that every organization in the world should offer the best approach to achieve good performance in their respective country in which they are situate(Araham, 2011).

Robbin and David (2003) observes that Organizational studies encompass the study of organizations for multiple view points, methods and levels of analysis. For instance, some scholars divide these multiple viewpoints into three perspectives: modern, symbolic and post modern. Another traditional distinction, present especially in the American academia is between the study of "micro" organizational behaviour – which refers to individual and group dynamics in an organizational setting and "macro" organizational theory which studies whole organizations, how they adapt and strategies and structures that guides them.

Prior to the establishment of the Debt Management (DMO) in 2000, the institutional framework for managing the country's debt was very weak. Obasanjo (2000) cited the following challenges facing Debt management in Nigeria:

- The lack of coordination among the various agencies involved in contracting and managing public debt;
- A weak and unreliable database;
- The lack of skilled debt managers;
- Weak institutional arrangements for managing domestic and sub-national debt; and,
- A loose legal framework.

This section summarizes the legal and institutional arrangements for public debt management in Nigeria which served to overcome the weakness above.

2.8.1 Legal Framework for Debt Management

According to NDMF (2000) the extant legal framework for managing debt includes, among others, the following:

The Constitution of the Federal Republic of Nigeria: This vests exclusively in the National Assembly (NASS) the power to make laws to regulate both external and domestic borrowing for the federation-Federal, State and Local Governments. The Second Schedule, Exclusive Legislative list, items 7 and 50 confer this authority on the NASS. Pursuant to its constitutional authority and mandate, the National Assembly enacted the Debt Management Office (Establishment) Act, 2003. Act no.18 and

Fiscal Responsibility Act to regulate external and domestic debt at the Federal, State and Local Government Levels.

T**he Debt Management Office (Establishment) Act, 2003, Act no 18**: This establishes the DMO as an autonomous body charged with the responsibility of managing the country's debt. Among other things, it empowers the DMO to:

- advise government on how to fund its financing gap;
- issue guidelines on public borrowing by Federal and sub-national governments, their agencies and public enterprises; and,
- determine the level of Federal Government's contingent liabilities that may result in extra-budgetary spending and recommend appropriate action for dealing with them.

The Local Loans (Registered Stock and Securities Act): This act provides for the creation and issue of registered stock. Government Promissory Notes and Bearer Bonds, for the purposes of raising loans in Nigeria.

The Treasury Bills Act: This empowers the Minister of Finance to issue Treasury Bills, through the Central Bank of Nigeria (CBN) as his agent, to the limit of 150 percent of the estimated revenue of the Federal Government and gross revenues of the State for the current year. The Consolidated Revenues Fund is to be credited with the proceeds of this issuance from which the Minister is allowed to pay out any charges and expenses arising thereof**.**

The Treasury Certificate Act: By this Act the FGN can raise short term loans of not more than two (2) years tenor by issuance of Treasury Certificates, whose proceeds may be on-lent to states.

The Government Promissory Notes ACT, CAP 164: A Government Promissory Note is a promissory note issued under Section 3 of the Government Promissory Act. Given the definition under Section 3, Government Promissory Notes are securities issued whenever authority is given to raise any sum of money by loan or repay any loan raised by the Federal Government.

Investment and Securities Act No 29 2007 (ISA): This empowers the securities and Exchange Commission (SEC) to regulate borrowing from the domestic capital market by Federal, States, local governments and other government agencies. This Act makes provisions for borrowing from the Nigerian Capital Market.

Central Bank of Nigeria (CBN) Act 2007: This Act enables the CBN among other things to discount or rediscount project-tied bonds issued by State Governments. Local Governments and corporations owned by the FGN or State Governments, being bonds which have been publicly offered for sale and with maturity not exceeding three years, and grant advances to the Federal Government.

Fiscal Responsibility Act 2007: This imposes fiscal discipline on the Federal and to some extent the State Governments, and their agencies and particularly for the States in respect of borrowing, debt management and oil-based fiscal rule within a medium-term

expenditure framework. Also, the States have committed to adopting similar legislation.

2.9 Institutional Arrangement for Debt Management

The Debt Management Office

DMO Act (2003) observes that the government established a Debt Management Office in 2000 with the mandate of managing the country's external and domestic debt. Part III, Section 6 of the Debt Management (Established) Act 2003, specifies that the DMO shall:

- Maintain a reliable database of all loans taken or guaranteed by the Federal or State Governments or any of the agencies;
- Prepare and submit to the Federal Government a forecast of loan service obligations for each financial years;
- Prepare and implement a plan for the efficient management of Nigeria's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and development and participate in negotiations aimed at realizing these objectives;
- Set guidelines for managing Federal Government financial risks and currency exposure with respect to all loans;
- Advise the Minister on the term and conditions on which monies, whether in the currency of Nigeria or in any other currency, are to be borrowed;

- Submit to the Federal Government for consideration in the annual budget, a forecast of borrowing capacity in local and foreign currencies; and,

- Prepare a schedule of any other Federal Government obligations such as trade debts and other contingent liabilities, both explicit and implicit and provide advice on policies and procedures for their management.

Moreover, the Act empowers the Debt Management Office to issue periodic guidelines to regulate the conduct of external and domestic borrowing as approved by the Federal Executive Council (FEC) and the National Assembly.

Debt Management Related Committees

In addition to the establishment of the DMO, the government has constituted multi-agency advisory committees, namely:

- **Monetary and Fiscal Policy Coordinating Committee (MFPCC)**: To clarify and harmonize the objectives of public debt strategies, fiscal and monetary policies, among other things. Members of the Committee are drawn from DMO, MoF, CBN, Budget Office, OAGF and NPC.

- **Bond Market Steering Committee**: To get the buy-in of all relevant stakeholders and to speedily resolve any conflicting policy issues that may hinder the orderly development of the Nigerian bond market. Members of the committee are drawn from DMO, SEC, NSE, CBN, PENCOM, and the organized private sector.

- **Sub-national Steering Committee**: To streamline the management of Nigeria's domestic debts, make fiscal federalism effective, and ensure full involvement of States in the management of sub-national debt, the maintenance of a reliable database and design of borrowing guidelines. Members of the Committee are drawn from the six geopolitical zones, OAGF, FMF, CBN, and DMO. A representative of the World Bank serves on the Committee on an advisory basis.

Inter-Agency Relations

- In matters of policy, strategies and procedures for its operations, the DMO must obtain the approval of the Board, whilst the approval of the National Assembly (NASS) must be obtained for the negotiation and acceptance of external loans and the issuance of guarantees. DMO must also the approval of the Federal Executive Council (FEC) with respect to guidelines drafted for its procedures and strategies.

- National Planning Commission (NPC) by mandate is responsible for managing grants from development partners. To enable the government have a holistic view of capital flows, DMO liaises closely with the NPC to obtain grant data.

- The DMO collaborates with other government agencies for various activities, including the conduct of Debt Sustainability Analyses (DSAs), debt servicing and settlement and, as mentioned above, macro, fiscal and

monetary policy coordination. Such government agencies are the following: Federation Ministry of Finance (MoF), National Planning Commission (NPC), National Bureau of Statistics (NBS), Central Bank of Nigeria (CBN), Office of the Accountant General of the Federation (OAGF), Bureau of Public Enterprises (BPE), Office of the Senior Special Assistant to the President on Millennium Development Goals (OSSAP-MDGs) and the Budget Office of the Federation.

- The CBN currently issues Nigerian Treasury Bills (NTBs) via an auction system in which prices are market-determined. Joint efforts are being made to involve DMO in the process, because of the implications that the issuance of NTBs has for the overall supply of government securities in the market. CBN raises instruments for monetary purposes while DMO raises debt instruments for government financial needs, including cash management needs. To ensure coordination in market intervention, close relationship is achieved through the Monetary and Fiscal Policy Coordinating Committee.

Debt Management Organization

Board and Management Structure of DMO

Following the establishment of the DMO in 2000, debt management functions have been concentrated in this autonomous government agency located under the Presidency. The DMO Act provides for a Seven-member Supervisory Board, where the Vice President of the Federation is the Chairman, the

Minister of Finance is the Vice-chairman and other members include the Attorney-General of the Federal, the Chief Economic Adviser to the President, the Governor of the Central Bank of Nigeria, the Accountant-General of the Federation and the Director-General of DMO. The Director-General of DMO is also the Secretary to the Board. The Board was inaugurated on Thursday, 23rd August, 2007.

Departments and Operational Responsibilities

The DMO is structured in a front, middle and a back office configuration in line with international best practice in debt management. It consists of five core departments and one support department, namely:

Portfolio Management Department (Front Office) – negotiates loans and is responsible for the issuance of sovereign bonds.

Strategic Programmes Department (Font Office) – responsible for facilitating the development of Debt Management Departments (DMDs) in the 36 States of the Federation; nationwide public debt education; the establishment of the Debt Management Institute; and the management of associated issues and externalities affecting public debt.

Market Development Department (Front Office) – responsible for the development of the Federal Government of Nigeria debt securities market.

Policy, Strategy and Risk Management Department (Middle Office) – is responsible for, among others, the formulation of

policies and strategies; performing debt sustainability analyses and risk evaluations on the portfolio.

Debt Recording and Settlement Department (Back Office)- This department responsible for the recording of public debt data and the servicing of debt.

Organizational Resourcing Department (Support Office) – responsible for human resources and administrative issues, IT, accounts, outreach and communication

Administrative Unit: Its general Administration functions include the following:

. Facilities Management;

. Protocol and passage;

. General administrative duties include management of pool services such as the administration of Office Assistants, dispatch riders, etc;

. Publicity and Media Relations: to create and preserve a good image for the DMO by being both proactive and reactive in dealing with press issues management and the management of public functions. The Admin unit is responsible for managing the external communications strategy of the DMO. In addition to creating and preserving a pleasant and favorable image for the DMO, this unit will also spear head relationships building between the DMO and its clients and other stakeholders working in tandem with the operational departments (dmo.gov.ng).

2.10 Theoretical Framework

An accurate and proper analysis of debt crisis in developing countries of Africa, and Nigeria in particular cannot be possible without the examination of some theories underpinning development in Nigeria. Scholars and writers have emerged with different theories and explanations concerning the debt crisis in developing countries. The protracted debt crisis in these countries has stimulated research project that endeavour to unravel the causes, and explain the complexities surrounding the debt crisis. While some studies argue that dependency theory is best for understanding the debt crisis, other maintains that development theory or economic explanations are more lucid. Yet, others contend that political explanations or the liberal theory is important. In line with our analysis of this thesis, the dependency and neoliberal economic theories are adopted.

Dependency Theory and Neoliberal Economic Theory

Dependency Theory

In examine Dependency theory and Africa's debt crisis; proponents of the dependency theory (Baran, 1954; Frank, 1971; Rodney, 1974 and Sweezy, 1978) contend that the debt crisis in Africa could be perceived from the extreme dependence of Africa's economics on international competitive economic conditions over which they had little control. The theory was developed from a Marxian perspective by Paul Baran in 1957 with the publication of his Book titled "The Political Economy of Growth" but the theory was popular in the 1960s and 1970s as a criticism of

modernization theory, which was falling increasingly of favour because of continued widespread poverty in much of the world.

Dependence is a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development (Dos Santos, 1970).

Samir Amin (1978) corroborated the above postulates when he averred that:

> *Resources flow from "periphery" of poor and underdeveloped states to a "core" of wealthy States, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor States are impoverished and rich ones enriched by the way poor State are integrated into the "world system". (Ikejiaku, 2010: 66).*

From the foregoing, it is clear that dependency theory is predicated on the notion that there is a centre of wealth states and a 'periphery' of poor, under developed state. Resources are extracted from the periphery (developing nations) and flow towards the states at the centre (developed nations) in order to sustain their economic growth and wealth. The major contention here is that the economic development of the developing countries (the Global South) was rendered impossible by the domination of the global economy by the already industrialized

capitalist powers. The implication is that poverty; including indebt of the countries is the result of the manner of their integration of the world system. The historical incorporation of dependent territories into global division of labour entailed a tendency toward economic stagnation in the colonies and neo-colonies.

In another postulation, About.com Sociology (2009) struck the cord with specific reference to Industrialization and Technology when it averred that "Dependency theory is used to explain the failure of nonindustrialized countries to develop economically in spite of investments from industrial countries. The central argument of this theory is that the world economic system is highly unequal in its distribution of power and resources and places most nations in a dependent position in relation to the industrial powers".

Therefore, scholars for example, agree that American based multinationals own overseas investments too large to have been generated by the capital transferred by these companies out of U.S. Their net returns of foreign exchange to the U.S. are also reported to be very high and growing. The net effect is that holes are continuously knocked into the pockets of these poor countries and the degree of their impoverishment is growing more until they acquire the psychological impression that the only way they can support investment is through foreign loans, loans which once acquired are swept away by worsening balance of trade (Rodney, 1974 in Ikejiaku, 2009).

These developing countries go for more loans hoping that this will help improve the situation, but the conditions tied to these loans always spell trouble and doom for these less development

countries (LDCS); as in the words of George Washington, the former president of U.S. it is madness for one nation to expect disinterested help from another the U.S. does not have friends, but interest'. Thus dependency tightens its grip; as the LDCS go for more loans from the financial institutions and donor countries. This is the phenomenon which Cheryl (1974) called 'debt trap'. At this point, dependency became inescapable for developing countries.

Amin Samir in Wikipedia (2010) identifies the premises of dependency theory that:

- Poor nations provide natural resources, cheap labour, a destination for obsolete technology, and markets for developed nations, without which the latter could not have the standard of living they enjoy.
- Wealthy nations actively perpetuate a state of dependence by various means. This influence may be multifaceted, involving economics, media control, politics, banking and finance, education, culture, sport and all aspects of human resources development(including recruitment and training of workers)
- Dependency theory states that the poverty of the countries in the periphery is not because they are not integrated into the word system, or not fully integrated as is often argued by free market economists, but because of how they are integrated into the system.
- Wealthy nations actively counter attempts by depended nations to resist their influences by means of economic sanctions or the use of military force.

Marxist argues that we consume luxury good we consume what we don't produce and we produce what we don't consume, Besides, the developed nations determines oil price because the market is under the firm control of developed countries. There is unequal division of labour where the less developed countries specialize in the production of manufacture or capital goods.

Neoliberal Economic Theory and Africa's Debt Crisis

The history of development over the last century has been one of competing theories and developmental models. Since the 1970s neoliberal approach was widely applied in different countries around the world, including developing and developed countries with the assistance of the International Financial Institution (IFI) that evidently advocate for neo-liberalism in developing countries (Greig etal, 2007). Neo-liberalism, as a global approach to development, dominated global development literature and practice from the 1970s. It emerge mainly to enhance growth, create free markets, replace the Keynesianism that proved to be weak, and eliminate the intervention of the state in the economy that resulted in the poor economic performance in many countries (Harrison, 2005).

In 1973 the oil crisis created by OPEC countries through increasing the price of oil resulted in surpluses for OPEC countries funds, which in turn kept the money in the private banks in developed countries. These banks started to offer loans to poor countries that were suffering from the oil price escalation, but they fialed to pay back either the loan or the interest. As as result, the IMF interfered to help solve the economic crisis in the developing countries, and this was a suitable time for the IMF to

introduce so called conditionality for obtaining loan. This conditionality was associated with the implementation of the "Structural Adjustment Programs" that are mainly structured based on the "Washington Consensus Agenda". It could be said that the prevalence of neoliberalism is because of the widespread implementation of Washington Consesus economic reform in developing countries in 1980s and 1990s with the support of IMF and World Bank, which set adopting "Washington Consensus" reforms as a condition for borrowing money (Geig et al, 2007; Payne and Philips, 2010).

The Washington Consensus consists of ten reform policies, including: "fiscal discipline, public expenditure priorities, tax reform, interest rates, exchange rate, trade liberalization, foreign direct investment, privatization, deregulation and property rights"(Williamson, 1990). The liberal economic theory also offers plausible contention on the debt crisis in developing countries. The major argument here is that economic liberalization will help in the increase of flow of foreign investment into the developing countries, as a result of the easing of trade and exchange restrictions.

The notion is that in the process of homogenizing the political economy of every member state of the international community that the objective of creating a market society on a global scale is within reach (Biersteker, 1993). Again, one of the major objectives of liberalization is to reduce the resource gap in the LDCs, by improving the trade balance and encouraging a net capital inflow. Thus, the growing importance of international organizations such as the G8, IMF and World Bank is indicative of

the influence of liberal economic internationalism in the post-cold War period.

However, events in the developing world provide us with some reasons an attempts made in redressing the situation through the encouragement of increased foreign borrowing have contributed to the current debt crisis by increasing the resource gap even further. These powerful transnational bodies which embody free trade liberalism as their governing ideology however impose free market structures on developing societies. Since they are the primary organizations which formalize and institutionalize market relationships between states; they lock peripheral states into agreements which force them to lower their protective barriers thereby preventing developing nations from developing trade profiles which diverge from the model dictated by their supposed "comparative advantage" (Buchill, 1996). The IMF and the World Bank for example, make the provision of finance (or more accurately debt) to developing societies conditional on their unilateral acceptance of free market rules for their economics, the conditionality of the so called-structural adjustment programme.

IMF's preconditions, which have their theoretical roots underpinning in monetarist doctrines, show no sensitivity or consideration to the peculiar underdevelopment nature of the economics, and as a result, the prescriptions have had the effect of threatening their very survival (Onimode, 1989). In fact one such conditional toes has been the insistence that the currencies of these countries be devalued. The application of this condition for example in Zambia 1985, Ghana and Nigeria in 1986, suggests that these economies are far improving, rather it has worsened

them, and thereby raises fundamental questions to their long term usefulness.

Besides, there is a large element of uncertainty in the minds of the donor bodies regarding the ability and stamina of the state in Africa for example to stem the tide of opposition to overall adjustment policies, and thus meeting the expectations of loan repayments. The Nigerian and Zambian experience are cases in point and by implication how long the programmes can be continued considering the serious hardship imposed on the people. Above all, there is further submission that these financial institutions created an easy or sophisticated means through which corrupt leaders in developing countries can use to stash their nations' wealth into tax havens; therefore, worsening the debt crisis, and depending the level of absolute poverty to what Ikejiaku (2005) coins the term poverty qua poverty to explain.

All these were part of the factors that render the African economy weak, and therefore necessitated or led to their financial flight, dependency relation and subsequent interests and demand for foreign loans.

Application of Theoretical Framework to the Study

Dependency theory and liberal economic theory provide us with the most informed explanations on why Nigeria degenerated to the statue of indebted nation. In the late 1970 and 1980, disillusion with statistics approaches and the ascender or dominance of neo-conservative governments in Britain, the United States and to some extent in West Germany Provoked a shift towards a liberal market oriented paradigm. Specifically, failings

in the form of mistaken policies (particularly in United States under President Regan and Britain under Thatcher), not essentially the workings of the global economy or globalization were identified as the prime cause of economic stagnation in the third World (Okafor, 2004). The current global development philosophical approach, particularly by the developed capitalist nations and international financial institutions is still critical on machinists of developing countries economics, as the cause of their economic development backwardness.

Today's revised development ideology retains both the emphasis upon domestic sources of economic malaise, and the faith in liberal economic policies. What is new is the belated recognition of the centrality of the state and in particular, accountable government, to sustained capitalist development.

Imperatively, one might be tempted to ask why an institution (IMF) which once failed to deliver in Europe was drafted to take the lead in the economic recovery of Africa and other developing world. Surprisingly, and as if obvious of the question of incompetence on the part of the IMF, the Western governments moved to implement the recommendation of the institution by granting of loans/aids to any African state that follows the IMF's economic liberalization policies. In Africa this was miffed through Structural Adjustment Programme (SAP).

Again, the loans and aid administration from the developed to underdeveloped Africa states remain economically retrospective. On this pedestal, it can be pointedly contended that, one of the biggest stumbling blocks to Africa's social development in modern times was the external debt crisis. Not only did the West, through

the instrumentality of IMF deplete financial resources and channel capital flows from poor countries to rich counties through interest payments, it retarded economic development and increased poverty (Filomena, 1997).

For every dollar allocated for US aid, up to 70 percents will never leave the US. Each year, roughly $70bn will be spent on purchasing goods and services in cities such as New York and Texas. Up to 80 percents of all British goods an contracting British services. For every dollar that entered the continent in loans, grants and investment three dollars left as profits, debt servicing.

On neoliberal approach which is also refers to 'One-package model'. One of the notable weaknesses of the free market principle is lack of ability to combat inequality in the developing world as one of the critical development problems. Furthermore, neoliberal reforms can increase inequality and weaken social cohension (Greig et al, 2007; Coburn, 2000). Besides, neoliberal reforms concentrate on achieving free trade at the expense of other important factors of development, such as labour rights, environmental protection and human rights. For example, Jamaica has increased the production of cement in the adjustment programme that harshly harmed the environment. So, it could be said that free trade and other neoliberal reforms focus on achieving high economic growth and increase completion with disregard for the impacts of such activities on the environment (Haque, 1999).

Harvey and Onis (1995) observes that as for the principle of state nonintervention, a notable paradox is associated with neoliberalism. Despite it strongly advocating nonintervention of

state in the market, neoliberalism requires state involvement in creating a suitable climate for establishing business. For instance, the market approach around the world, and especially in the Latin America, was applied through State intervention to facilitate applying neoliberal policies and supporting them against the opposition. Harvey (2005) argues that, despite neoliberalism being presented as a symbol of freedom, it is very far away from promoting any kind of freedom. In the same vein Mitchell (2011) argues that neoliberalism achieved good economic growth, reduction of the State budget deficit and reduction in inflation rates in Egypt, but it could not achieve equality, and this was one of the reasons behind the collapse of the political system in Egypt (Joya, 2011).

However, despite neoliberalism contribution to economic growth in many countries around the world, it harshly affects the poor. It increases the disparity between rich and poor due to full reliance on the free market and ignorance of welfare State concepts.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research method has been defined as the process of information, gathering, analysis and interpreting data for the purpose of information, it is the cure of the research study as its addresses extensive issue relating types and source of data used, method of estimation and evaluation model specification and limitation of methodology. According to Adam (1982) research methodology is the blue print or guide for data collection and presentation. Margaret (2002) said designing a research project involves organizing the collection and analysis of data to fulfill the purpose of the research and to provide the information which is sought. However, methodology in research is associated with the techniques adopted for the selection of sample from the population, extraction of data and of course the analysis and presentation of data. The intention is for the study to be controlled such that a valid research is carried out at the end. Therefore, this chapter includes, the research design, the population of the study, the sample size and technique, the instrumentation and the technique for analysis of the data collected.

3.2 Research Design

This study adopts Survey design with the administration of questionnaires. The survey design enables the researcher to go out to meet the respondents and they were selected by a sampling process that can give information on the researcher's

area of interest. Also a statistical table is used to analyse the data collected from the study. The techniques include, the presentation of data in the table forms, the frequency were calculated using simple percentage and the hypothesis formulated chi-square is used to calculate the responses from the study.

3.3 POPULATION OF STUDY

The entire population for this study comprises the employees' of Debt Management office with the estimated population of Three hundred and fifty two (352) within the establishment. The choice of this establishment was guided by research accessibility and the need to be able to make useful generalization because of the characteristics of the population shared by the staff of the organization. The subject will cut across people in lower, middle and upper management.

TABLE 3.1: POPULATION OF DEBT MANAGEMENT OFFICE

STAFF STATUS	MALES	%	FEMALES	%	TOTAL
Junior staff	67	24.18	43	57.3	110
Senior Staff	206	74.4	26	34.7	232
Others	04	1.42	06	8	10
Total	277		75		352

Source: DMO; Field Survey, 2011

3.4 SAMPLE SIZE AND SAMPLING TECHHIQUES

The subjects were distributed according to the format shown in table 3.1 and 3.2 below. In all, a total of One hundred and fifty (150) respondents were selected for study in the survey from different departments of the establishment. The choice of selecting one hundred and fifth from the population born out of the fact that it is the representative of the entire population that is too large to cover. The sampling technique adopted for this study is Simple Random Sampling Techniques where every member of the population has equal and unhindered chance of being selected for the purpose of avoiding bias.

TABLE 3.2: DISTRIBUTION OF SAMPLE ACROSS THE SIX DEPARTMENTS IN DMO

DEPARTMENTS	SAMPLE
Portfolio Management Department	25
Market Development Department	23
Strategic Programme Department	26
Policy, Strategy & Risk Mgt. Dept	22
Recording & Settlement Department	26
Organisational Resourcing Department	28
Total number of respondents	150

Source: Field Survey, 2011

3.5 Data Collection and Instruments

Data collection instrument is designed specifically for gathering and analysis of data. For the purpose of this study both qualitative and quantitative methods were used for data gathering. For quantitative data, the questionnaire method was used and for qualitative, observation and in-depth interview were used for the collection of data.

Questionnaire

The questionnaire for the survey was designed to elicit information relating to the objectives of the study. It provides an opportunity for respondents to give anonymous answers especially for the respondents who find it difficult to express their view orally on certain questions they considered sensitive and their opinion might run contrary to the views of the power that be(see appendix). The questionnaire assessed the impact of debt management on Nigeria's development. And the respondents provided relevant data for the analysis of the study. The fixed choice question was used in the questionnaire survey instrument in obtaining a reliable assessment on the study.

Wessel and Willette (1995) observed that the danger in the fixed-choice approach adopted by social psychologist like Rensis Likert is that it is overly restrictive. This is because it compels respondents' to compress a variety of opinions into a single alternative, which may not exist in reality (wessel and willette (1995) In Fatile, 2007). The instrument comprises 36 items designed to measure the attributes of the subjects as specified by the purpose of the study. The items in the questionnaire were

divided into sections A, B, C and D. Section A of the questionnaire comprised instructions for the respondents as well as their demographic characteristics, which vary across the subjects. Thus, it requested for the respondents background data, with respect to sex, age, marital status, education qualifications, occupational status, and year of service. Section B, C and D were made up for the research questionnaire items to solicit their views on the study. Also, section B, C and D comprised research questionnaire items relevant to research propositions 1, 2 and 3 respectively. Section B requested for the respondents' evaluation of the extent to which debt management impact on socio-economic development. Section C requested for the respondents opinion on the issue of socio-economic development and misappropriation of public fund. Section D requested the respondents' opinion to evaluate the extent to which effective debt management strategy enhance economic stability.

The questionnaires were made up of three scales as shown below:

- Yes
- NO
- Undecided

The respondents were expected to rate the items according to the extent to which they agree or disagree with the underlying attributes under measurement.

3.6 Questionnaire Administration Procedure

The questionnaires for this study were self administered to the respondents through personal contact. The pilot studies were

conducted on a few friends in a neutral environment. Besides, the respondents were carefully chosen and the questionnaires were administered to those who possess the desired information and are to be sufficiently interested to respond conscientiously and objectively.

Sources of Data

The secondary sources of data collection were used to supplement the data from primary source.

3.7 Method of Data Presentation and Analysis

Observed data were tested with nominal tools of statistical analysis. In table of frequency distribution, simple percentage method was used in presenting the data collected through questionnaire. The data collected were subjected to analytical and statistical analysis in order to test its validity using the chi-square non-parametric statistics analysis, for the purpose of hypothesis testing. The formula is given below:

$$X2 = Z \frac{(0 - E)}{E}$$

Where X2 = chi-square

0 = Observed frequency

E = Expected frequency

Z = Summation notation

Degree of freedom (r-1) (c-1) for test of independence of classification

Where r = Row total

C = Colum total

The expected value = $\frac{RT \times CT}{GT}$

Where RT = Row total

CT = Colum total

GT = Grand total

3.8 Limitations of the Methodology

Despite the efforts put in place to get better result, there are some circumstances that created limitation in the methodology adopted to this research. The limitations of the methodology included those that are normally associated with survey techniques such as the possibility of sampling error, personal biases of respondent and the response rate which may be affected by lack of co-operation and trust of respondents. Some of the staff may be skeptical and preferred to not be quoted during the course of this research. However, this may create obvious imperfection on the sampling procedures.

The research design is always difficult or infeasible because of the dynamism and complexity of human bahaviour involved in this type of research. The questioners were administered on a population sample of 150, as a result of some limitations beyond the researcher's control such as time and finance. The duration for the completion of this thesis is very short. Besides, the limitations of the study, which included those that are associated with survey technique, were stated. But, these limitations do not have influence on the reliability of this study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter of the study analyses and interprets the data generated from the primary source. The main instrument used in generating these data was questionnaire. As indicated in the preceding chapter on Research Methodology, the data collected from respondents were analyzed using tabular breakdown or statistical tools like the descriptive (simple) statistics. The questionnaire was designed for staff of DMO.

In this chapter, attempt was made to classify the questionnaire into bio-data and operational data while responses were classified in accordance with age, sex, marital status, educational qualification and occupation of the respondents. The data were analyzed descriptively. The descriptive analysis involves qualitative and quantitative analyses. The qualitative analysis involves verbal interpretation of the result of this research. Quantitative descriptive analysis was equally used to summarize the mass of data and information generated in the course of our data collection for the study. The study finds the simple percentage method as appropriate technique.

4.2 Data Presentation and Analysis According To Research Questions

The questionnaire was divided into four sections namely: section A for personal data and section B, C and D parading an operational data which centered on the major research questions and hypotheses.

4.2.1 Analysis of Responses

Responses to thirty (30) items on the questionnaire were analyzed. It is important to state that the questionnaire returned were analyzed using simple percentage statistical tool as follows:

$$\frac{RO \times 100}{RE \times 1}$$

Where:

RO = Response Obtained

RE = Response Expected

Table 4.1: Analysis of Response Rate

Classification	Number of Questionnaire Administered	Not Returned	Total	Rate of Returned
Portfolio Mgt	23	2	25	17%
Market Dev.	22	1	23	16%
Strategic Prog.	21	5	26	16%
Policy Strategic & Risk Mgt.	20	2	22	15%
Recording & Settlement	24	2	26	18%
Organization Resourcing	25	3	28	18%
Total	135	15	150	100

Source:Researcher's Survey, 2011.

The data presented above shows that out of One hundred and fifty (150) respondents sampled among the staff, a total of one hundred and thirty-five (135) representing ninety per cent (90 per cent) of the respondents responded to the questionnaire while a

total of fifteen (15) representing ten percent (10 percent) of the respondents failed to return their questionnaires.

4.2.2 Background Characteristics of Respondents

Background characteristics of the respondents are very important in the analysis of social survey related to human behavoiur. In this particular case, they helped in understanding the social background of the persons whose responses are germane to this study. This section is devoted to the discussion of the respondents' variables. This variables are age, sex, marital status, educational level and occupation. These were measured by requesting the respondents to tick alternative responses provided in the bio-data.

TABLE 4.2: Sex Distribution of Respondents

Gender	Frequency	Percentage
Male	105	77.8
Female	35	22.5
TOTAL	**135**	**100**

Source: Field Survey, January-May, 20011

The Table 4.2 above showed that, majority of the respondents were male and they constituted the people who were forthcoming in their responses. A total of one hundred and five respondents (105) which constituted 77.8 per cent of the respondents were male while the remaining thirty-five respondents (35) which constituted 22.5 per cent of the respondents were female. The

table further indicates the frequency count covered the scope of the study.

TABLE 4.3: Age Distribution of Respondents

Age Distribution	Frequency	Percentage
25 – 35	80	59.3
36 – 50	40	29.6
51 years and above	15	11.1
TOTAL	**135**	**100**

Source: Field Survey, January-May, 20011

As shown in the Table 4.3 above, the questionnaire revealed that a total of eighty (80) of the respondents representing 59.3 per cent were between the age bracket of 25–35. This shows that 25-35 age categories had the highest representation. Forty (40) of the respondents representing 29.6 per cent were from the age bracket of 36–50, and fifteen (15) of the respondents representing 11.1 per cent were from the age bracket of 51 years and above. The age distribution shows that majority of the respondents were adult and dynamic work force.

TABLE 4.4: Marital Status of Respondents

Marital Status	Frequency	Percentage
Married	115	85.2
Single	20	14.8
Divorced	0	0
Separated	0	0
Widowed	0	0
TOTAL	**135**	**100**

Source: Field Survey, January-May, 2011

The distribution in the Table 4.4 above shows that one hundred and fifteen (115) of the respondents representing 85.2 per cent were married, 14.8 per cent were single. The divorced and separated and widowed on the distribution of the marital status of respondent table fall on 0.0 per cent. The analysis of the data presented indicates that Married rate seems to be higher in the frequency distribution.

TABLE 4.5: Educational Qualification of Respondents

Educational Qualification	Frequency	Percentage
SSCE/WASC	7	5.2
OND/NCE	25	18.5
HND/B.Sc/B.A	90	66.7
MSC/MBA/ MPA/PhD	13	9.6
TOTAL	**135**	**100**

Source: Field Survey, January-May, 20011

The educational qualifications as revealed in Table 4.5 above shown that none of the respondents were primary school certificate holder, SSCE/WASC constituted 5.2 per cent of the total respondents, 25 of the respondents representing 18.5 per cent were OND/NCE Certificate holders, while 90 of the respondents representing 66.7 per cent were HND/B.Sc/BA holder and 13 of the respondents representing 9.6% were MSC/MBA/MPA/PhD holders. This revealed that majority of the respondents were educated and do understand the various questions asked in the survey.

Table 4.6: Number of Year in Service Length of Service Frequency Percentage

1-5 years	40	29.6
6 years and above	95	70.4
TOTAL	**135**	**100**

As shown in Table 4.6 above, 29.6 per cent which constituted 40 respondents out of the total number of 135 respondents had stayed on the job for 1 to 5 years. Ninety-five (95) which constituted 70.4 per cent of the respondents had experience over 15 years. This indicated that m ajority of the respondent had enough experiences in the establishment. Thus the respondents had better advantage in talking about the subject matter and their opinions were useful for the valuable judgment.

4.2.3 PRESENTATION AND ANALYSIS OF OPERATIONAL DATA

In this section our basic concern is to analyse the operational data that were obtained using questionnaire. The 3 point rating scales of the liker type was use with corresponding scores.

Table 4.7: Impact of Debt Management on the Growth of Nigeria Economy

Responses	No of Respondents	Percentage
Yes	85	63
No	30	22.2
Undecided	20	14.8
Total	**135**	**100**

Source: Field Survey, January- May 2011.

The table above shows that 85 of the respondents representing 63% of the total respondents concurred with the view that debt relief had significant impact on the growth of Nigeria economy, 30 of the respondents representing 22.2% of the total respondents disagreed with the stated notion and 20 of the respondents representing 14.8% were having insufficient knowledge about the discourse.

From the above presentation and analysis, it shows that most of the employees in the organization (i.e. DMO) attested to the positive role of debt relief on the growth of Nigerian economy (both in terms of economic growth and development).

Table 4.8: Relationship between Debt Management and Reduction in Unemployment

Responses	No of Respondents	Percentage
Yes	20	14.8
No	80	59.3
Undecided	35	25.9
Total	**135**	**100**

Source: Field Survey, January-May 2011.

The table above shows that 20 of the respondents representing 14.8% agreed with the stated view, 80 of the respondents representing 59.3% of the total respondents disapproved the stated view, and 35 of the respondents representing 25.9% of the respondents were having limited knowledge of the stated notion.

This shows that majority of the respondents attested with the view that despite the pardon and relief of debt to Nigerian government by the multinational nations, the problem of unemployment still remain unresolved (i.e. there has being no any reflection in form of change and reduction in unemployment with the emanation of debt relief).

Table 4.9: Debt Management and Poverty Reduction

Responses	No of Respondents	Percentage
Yes	50	37.1
No	60	44.4
Undecided	25	18.5
Total	**135**	**100**

Source: Field Survey, January-May 2011.

The table above shows that 50 of the respondents representing 37.1% of the total respondents concurred with the view that debt relief play a role in poverty reduction in the country, 60 of the respondents representing 44.4% of the total respondents disapproved that debt relief does play a role in reducing rate of poverty in the country, and 25 of the respondents representing 18.5% were having a deficient knowledge of the state view.

The above presentation and analysis shows that majority of the respondents acknowledged the poor impact of debt relief on poverty reduction in the country despite the formation of policies such as NAPEP, NEEDS and a lot of others.

Table 4.10: Debt Management and Growth in Industrialization

Responses	No of Respondents	Percentage
Yes	20	14.8
No	80	59.3
Undecided	35	25.9
Total	**135**	**100**

Source: Field Survey, January-May 2011.

The table above shows that 20 of the respondents representing 14.9% of the total respondents concurred with the view that debt relief improves the level of industrialization in the country, 80 of the respondents representing 59.3% of the total respondents strongly disapproved the stated notion, and 35 of the respondents representing 25.9% were having insufficient knowledge about the relationship between debt relief and improve level of industrialization in the country.

This shows that most of the respondents disagreed with the view that debt relief significantly influences the improvement in industrialization in the country. They attested and pinpointed the closure of most industries like the textiles, cement and plethora importation of diverse goods that were previously made in the country despite the relief and pardon of debt by the multinational organizations.

Table 4.11: Debt Management and Improved in Standard of living

Responses	No of Respondents	Percentage
Yes	50	37.1
No	65	48.1
Undecided	20	14.8
Total	**135**	**100**

Source: Field Survey, January-May 2011.

This question was pinpointed to examine the linkage between the debt relief in Nigeria and its importance on improving standard of

living. The table above shows that 50 of the respondents representing 37.1% of the total respondents concurred with the view that debt relief has significantly improve the standard of living in the country, 65 of the respondents representing 48.1% of the total respondents strongly disapproved the stated view that debt relief has significantly improve the standard of living in the country, 20 of the respondents representing 14.8% were not having idea about the above stated notion.

This shows that majority of the respondents are not in harmony with stated view and acknowledged that debt relief does not improve the standards of living of Nigerians with references to key issues such as poverty, unemployment, labour turnover and increase in vices such as corruption, favoritism, embezzlement and nepotism.

Table 4.12: Debt Management and Increase in Capital Flight

Responses	No of Respondents	Percentage
Yes	75	55.2
No	50	37.3
Undecided	10	7.5
Total	**135**	**100**

Source: Field Survey, January-May 2011.

This section attempted to examine the relationship between debt relief and increase rate of the cases of capital flight in Nigeria. The views of the respondents can be seen in the table above. The table shows that 75 of the respondents representing 55.2% of the total respondents concurred with the view that debt relief stimulate the growth of capital flight in the country, 50 of the respondents representing 37.3% of the total respondents disapproved the stated view, 10 of the respondents representing

7.5% were having insufficient knowledge of the above stated notion.

The presentation and analysis above revealed that majority of the respondents tried to draw an analogy between the relief of debt in Nigeria and the rise in problem of capital flight among Nigeria leaders and elites.

Table 4.13: Debt Service Payment and Reduction in Industrial Growth

Responses	No of Respondents	Percentage
Yes	20	14.8
No	90	66.7
Undecided	20	18.5
Total	**135**	**100**

Source: Field Survey, January-May 2011.

The table above shows that 20 of the respondents representing 14.8% of the total respondents concurred with the stated view, 90 of the respondents representing 66.7% strongly disagreed with the stated notion that debt service payment significantly reduce the level of industrialization in Nigeria, 25 of the respondents representing 18.5% of the total respondents were having deficient knowledge of the above stated notion.

The notion stated above revealed weak approval from the respondents' majority of respondents disapproved it and attested that the low level of growth in industrialization was not cause by portion affixed for payment of debt service in Nigeria.

Table 4.14: Debt Management and Improvement Infrastructure Development

Responses	No of Respondents	Percentage
Yes	60	44.4
No	65	48.1
Undecided	10	7.5
Total	**135**	**100**

Source: Field Survey, January-May 2011.

In this range unit, attempt was made to examine the impact of debt relief on infrastructural development in Nigeria. Ranges of options were provided for respondents to point out their stands. The table above shows that 60 of the respondents representing 44.4% agreed with the view that debt relief in Nigeria had led to improvement in infrastructural development, 65 of the respondents representing 48.1% of the total respondents disagreed with the above stated view, 10 of the respondents representing 7.5% were having scarce knowledge of the above stated notion.

This shows that majority of the respondents did not see any relationship between debt relief and improvement in infrastructural development i.e. there is no significant improvement in Nigerian infrastructural sector despites the relief of debt to the country by the multinational organization.

Table 4.15: Debt Management and the Rise in Wastage of Public Resource

Responses	No of Respondents	Percentage
Yes	90	66.7
No	25	18.5
Undecided	20	14.8
Total	**135**	**100**

Source: Field Survey, January-may 2011.

In this range unit, attempt was made to examine the impact of debt relief on infrastructural development in Nigeria. Ranges of options were provided for respondents to point out their stands. The table and figure above shows that go of the respondents representing 66.7% of the total respondents were in harmony with the view that debt relief in Nigeria had led to increase in public resource wastages and abuses, 25 of the respondents representing 18.5% of the total respondents disapproved the above state view, 20 of the respondents representing 14.8% of the total respondents were having deficient knowledge about the above stated view.

This shows that relief of debt by the multinational nation to Nigeria had created room for vices such as abuse and waste of public fund (resource) i.e. it has created more harm than good because in those time that the country is lingering with the burden of debt, it has discipline and control itself in term of waste and abuse of public resource.

Table 4.16: Budget Deficit and the increase level of Public Debt

Responses	No of Respondents	Percentage
Yes	100	74.1
No	20	14.8
Undecided	15	11.1
Total	**135**	**100**

Source: Field Survey, January-May 2011.

Here, respondents were asked to examine the relationship between persistence huge budget deficit and the increase level of debt in Nigeria. Ranges of options were provided for the respondents to indicate their respective stands.

The table above shows that 100 of the respondents representing 74.1% of the total respondents tandem with the view that budget deficit which creates room for government expenditure to surpass its earnings pave way for the increasing level of public debt in Nigeria, 20 of the respondents representing 14.8% of the total respondents disapproved the stated notion of the relationship between deficit budget and the rise in public debt, 15 of the respondents representing 11.1% of the total respondents have scarce knowledge of the above stated view.

This thus shows that whenever there is increase or rises in budget deficit in the country, there is high tendencies for increase in public debt. i.e. budget deficit stimulates and enhances the rising level of public debt in Nigeria. Based on the data collected, the average mean score for the hypothesis is 58.49. Going by the decision rule which state that accept H_o if average means score is 50% and above, reject H_o if average mean score is less than

50%. The hypothesis one (1) which state that debt relief has no effect on the development of Nigerian economy due to the low level of development is accepted and we conclude that there is no relationship between debt relief and improvement in development in Nigeria.

Table 4.17: Debt Pardon and increase in Embezzlement of Public Fund

Responses	No of Respondents	Percentage
Yes	110	81.5
No	20	14.8
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May 2011.

Here, respondents were asked to assess the relationship between debt pardon in Nigeria and the increase level of embezzlement of public funds. Ranges of options were provided to respondents to indicate their respective views.

The table above shows that 110 of the respondents representing 81.5% of the total respondents agreed with the above stated notion that debt pardon create rooms for embezzlement of public funds in Nigeria, 20 of the respondents representing 14.8% of the total respondents disapproved the view that the debt pardon in Nigeria enable vices such as embezzlement and 5 of the respondents representing 3.7% of the total respondents were having deficient knowledge of the above stated notion.

Majority of the respondents were in harmony with the above stated notion. This shows that there is a significant relationship

between debt pardon and the rise in embezzlement of public resources in Nigeria. This thus account for retrogression in socio-economic and political development in Nigeria.

Table 4.18: Debt Pardon as a function of good leadership

Responses	No of Respondents	Percentage
Yes	70	51.9
No	60	44.4
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May 2011.

The respondents were asked to examine the relationship between good leadership and the emanation of debt pardon in the country.

The table above shows that 70 of the respondents representing 51.9% of the total respondents agreed that the debt pardon granted to Nigeria at its early part of its Fourth Republic was as a result of good leadership that the country was having, 60 of the respondents representing 44.4% of the total respondents disagreed with the above stated view, and 5 of the respondents representing 3.7% of the total respondents were having deficient knowledge on the relationship between the granted debt pardon and good leadership in Nigeria.

The view of the majority of the respondents tally with the above stated notion that debt pardon granted to Nigeria came as a result of good leadership that was abound in the early part of the Fourth Republic and as well as the good relationship between the multinational nations and leaders of Nigeria as of then.

Table 4.19: Debt Pardon and Poor Macro-economic Policies

Responses	No of Respondents	Percentage
Yes	80	59.3
No	20	14.8
Undecided	35	25.9
Total	**135**	**100**

Source: field Survey, January-May 2011.

The table above reveals that 80 of the respondents representing 59.3% of the total respondents agreed with the above stated view that debt pardon had created room for poor and faulty macro-economic policies in the country, 20 of the respondents representing 14.8% of the totals respondents disapproved the relationship between debt pardon granted to Nigeria and its loose macro-economic policies and 35 of the respondents representing 25.9% of the total respondents were having limited knowledge of the above stated view.

This shows that majority of the respondents tandem with view that debt pardon in Nigeria pave way for faulty macro-economic policies in Nigeria as can be seen with introduction of the recapitalization of the banking sector, loose interest rate among diverse bank and the proliferation of the Naira (currency).

Table 4.20: Misplacement of National Priority as a function of Debt Pardon

Responses	No of Respondents	Percentage
Yes	90	66.7
No	30	22.2
Undecided	15	11.1
Total	**135**	**100**

Source: Field Survey, January-May 2011.

Here, respondents were asked to assess the relationship between debt pardon and the increase in misplacement of national priority. The table above shows that 90 of the respondents representing 66.7% of the total respondents agreed with the notion that the emanation of debt pardon in the country created rooms for misplacement of national priority, 30 of the respondents representing 22.2% disapproved the relationship between the debt pardon and the misplacement of national priority and 15 of the respondents representing 11.1% of the total respondents were having deficient knowledge of the above stated view.

This depicts that there is relationship between debt pardon granted to Nigeria and the misplacement of national priority. This can be seen in the emanation of diverse policies and programmes which most of the respondents mentioned among are: the NAPEP, NEEDS, Vision 2015, 7 point agenda, MDGs and a host of others.

Table 4.21: Debt Pardon as a stimulant to Good Governance

Responses	No of Respondents	Percentage
Yes	30	22.5
No	90	66.7
Undecided	15	11.1
Total	**135**	**100**

Source: Field Survey, January-May 2011.

Here, respondents were asked to assess the relationship between debt pardon and the increase in misplacement of national priority. The table above shows that 30 of the respondents representing 22.5% of the total respondents attested that the granted debt pardon created rooms for good governance in Nigeria, 90 of the respondents representing 66.7% of the total respondents disapproved the relationship between the granted debt pardon and good governance in Nigeria and 15 of the respondents representing 11.1% of the total respondents were having scarce knowledge of the above stated view.

This reveals that there is no any correlation between the granted debt pardon and good governance such as infrastructural development, employment creation, socio-economic development, poverty and inequality control and a lot of others as a resultant of the granted debt pardon in Nigeria.

Table 4.22: Debt pardon and the rooms for diversification of revenue sources

Responses	No of Respondents	Percentage
Yes	5	3.7
No	125	92.6
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May 2011.

Respondents were asked to examine the relationship between debt pardon and the diversification of revenue sources for socio-economic development. Their views can be seen in the table above. The table and figure above shows that 5 of the respondents representing 3.7% of the total respondents agreed with the above stated view that there is a significant relationship between the granted debt pardon and the diversification of the revenue base of Nigeria, 125 of the respondents representing 92.6% of the total respondents disapproved the notion that there is a significant linkage between debt pardon and the diversification of revenue source of Nigeria and another 5 of the respondents representing another 3.7% were having a deficient knowledge of the above stated notion.

This reveals that there is no significant correlation between debt pardon and the diversification of revenue source in Nigeria. Most of the respondents attested that Nigeria is practicing mono-economy and thus relied heavily on oil and nothing else.

Table 4.23: Oil Dependency and the rise of debt crisis in Nigeria

Responses	No of Respondents	Percentage
Yes	100	74.0
No	30	22.2
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

Here, respondents were asked to examine the relationship between debt pardon and the diversification of revenue sources for socio-economic development. Their views can be seen in the table below:

The table above depicts that 100 of the respondents representing 74.0% of the total respondents agreed with the view that over dependence on oil is one of the stimulant of the debt crisis in Nigeria, 30 of the respondents representing 22.2% of the total respondents disagreed with the above stated view that oil dependence does not increase the problem of debt crisis in Nigeria, and 5 of the respondents representing 3.7% of the total respondents were having limited knowledge of the above stated view.

This shows that the over dependence on oil (i.e. mono-economy) stimulate debt crisis in Nigeria and this is in accord with the responses from majority of the respondents.

Table 4.24: Debt Pardon and the increase in economic-development

Responses	No of Respondents	Percentage
Yes	10	7.4
No	120	88.9
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

This notion attempted to examine the relationship between debt pardon and improvement in economic development in Nigeria. Respondents were asked to indicate their range of choices. The table above depicts that 10 of the respondents representing 7.4% of the total respondents concurred with the above stated view that debt pardon enhance expansion in economic activities in Nigeria, 120 of the respondents representing 88.9% of the total respondents disagreed with the above stated view that the debt pardon granted to Nigeria does not in any way lead to expansion in economic development and 5 of the respondents representing 3.7% of the total respondents were having insufficient knowledge of the above stated notion.

The table above depicts that majority of the respondents disapproved the correlation ship between debt pardon and improvement in economic development such as education, health, agriculture, employment, poverty reduction and a host of others.

Table 4.25: External debt and improvement in economic growth

Responses	No of Respondents	Percentage
Yes	80	59.3
No	30	22.2
Undecided	25	18.5
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

The essence of the above stated question was to ascertain the relationship between debt pardon and increase in economic growth. The table above shows that 80 of the respondents representing 59.3% of the total respondents concurred with the view that external debt lead to an increase in the economic growth of Nigeria, 30 of the respondents representing 22.2% of the total respondents disagreed with the above stated view that there is no any relationship between external debt and increase in economic growth, 25 of the respondents representing 18.5% were having deficient knowledge of the stated view. Thus, reveal that there is a significant relationship between external debt and increase in economic growth.

Table 4.26: Corruption and socio-economic development

Responses	No of Respondents	Percentage
Yes	125	92
No	5	3.7
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

With respect to the debt pardon, it has being assumed that revenue of government would shoot up but corruption is seen as an impediment to socio-economic development. It is based on this that respondents were asked to ascertain their views from the ranges of options provided.

The table above shows that 125 of the respondents representing 92% of the total respondents concurred with the stated view that corruption of the revenue accumulated in the country with references to the debt pardon has lead to poor socio-economic development, 5 of the respondents representing 3.7% of the total respondents disagreed with the above stated view that corruption is not an impediment to socio-economic development and another 5 of the respondents representing another 3.7% were having scarce knowledge of the above stated view.

The implication here is that the revenue base of the country has shoot up with the debt pardon granted and the increased per-capita income is misappropriated through vices such as corruption.

Table 4.28: Debt Management and the effectiveness of its strategy

Responses	No of Respondents	Percentage
Yes	120	88.9
No	5	3.7
Undecided	10	7.4
Total	**135**	**100**

Source: Field Survey, January=May, 2011.

Here, respondents were asked to examine the effectiveness of debt management strategy on the success of its management. The table above shows that 120 of the respondents representing 88.9% of the total respondents agreed that the strategy in managing of debt in Nigeria is effective, 5 of the respondents representing 3.7% disagreed with the above stated view that the strategy for the management of debt in Nigeria is not effective, and 10 of the respondents representing 7.4% of the total respondents were having deficient knowledge about the above stated view.

This reveals that the strategy which was employed by Nigeria in managing its debts received public applause and recognition for its success and effectiveness.

Table 4.28: DMO and its roles in stabilizing debt problem in Nigeria

Responses	No of Respondents	Percentage
Yes	120	88.9
No	5	3.7
Undecided	10	7.4
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

This unit attempted to assess the relationship between DMO and its influences in stabilizing debt problem in Nigeria. Respondents were asked to ascertain this statement with the ranges of options provided as can be seen in the table above.

The table above shows that 120 of the respondents representing 88.9% of the total respondents concurred with the above stated

view that DMO play a crucial role in stabilizing debt problems in Nigeria, 5 of the respondents representing 3.7% of the total respondents disagreed with the above stated view that DMO does not play a crucial role in stabilizing debt problem in Nigeria, 10 of the respondents representing 7.4% of the total respondents were having limited knowledge of the above stated view.

From the above presentation and analysis, it reveals that DMO play a crucial role in stabilizing the problem of debt and its management in Nigeria.

Table 4.29: DMO and economic stability in Nigeria

Responses	No of Respondents	Percentage
Yes	115	85.2
No	15	11.1
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May 2011.

Here, respondents were asked to examine the role of DMO on the economic stability of Nigeria. Ranges of options were provided for respondents to indicate their choices. This can be seen in the table above. The table above shows that 115 of the respondents representing 85.2% of the total respondents concurred with the view that DMO plays a vital role in economic stability of Nigeria, 15 of the respondents representing 11.1% of the total respondents disagreed with the above stated view that DMO does not play any role in the economic stability of Nigeria, 5 of the respondents representing 3.7% of the total respondents were having no knowledge of the above stated view.

This thus shows that majority of the respondents attested in the role of DMO in stabilizing economic development in the form of debt management, reduction and control of both internal and external borrowings, savings, expenditure and a host of others.

Table 4.30: Corruption and constraint to debt management

Responses	No of Respondents	Percentage
Yes	125	92.6
No	5	3.7
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

The essence of this unit is to assess corruption and its effect on hindering the progress debt management had in Nigeria. Respondents were asked to indicate their stands from the range of options provided above. The table above shows that 125 of the respondents representing 92.6% of the total respondents agreed with the above stated notion that corruption is a constraint to debt management in Nigeria, 5 of the respondents representing 3.7% of the total respondents disagreed with the above stated view and another 5 of the respondents representing another 3.7% of the total respondents were having scarce knowledge of the above stated view.

This depicts that corruption practices in form of inflating the real cost, embezzlement, misappropriation and a host of others constitutes a constraint to the management of debt in Nigeria.

Table 4.31: Debt management and reduction in interest rate

Responses	No of Respondents	Percentage
Yes	100	74
No	30	22.2
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

Here, respondents were asked to ascertain the relationship between proper debt management in Nigeria and the reduction of interest rate among commercial banks. The table above shows that 100 of the respondents representing 74% of the total respondents strongly concurred with the notion that proper debt management in Nigeria creates rooms for reduction in interest rate charges among commercial banks, 30 of the respondents representing 22.2% of the totals respondents disapproved that above stated view and 5 of the respondents representing 3.7% of the total respondents were having no knowledge of the above stated view.

This thus reveal that when debt is properly managed in the country, interest rate charges and imposes on commercial banks become less and flexible.

Table 4.32: Inconsistency in policies and poor debt management strategy

Responses	No of Respondents	Percentage
Yes	120	88.9
No	10	7.4
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

Here, respondents were asked to ascertain the relationship between proper debt management in Nigeria and the reduction of interest rate among commercial banks. The table above shows that 120 of the respondents representing 88.9% of the total respondents concurred with that inconsistency in policies leads to poor debt management strategy in Nigeria, 10 of the respondents representing 7.4% of the total respondents were having a disagreed view that inconsistency in government policies does not affect debt management strategy in Nigeria and 5 of the respondents representing 3.7% of the total respondents were having no knowledge about the above stated notion.

This reveals that the continued changes and fluctuations in government policies and programmes do have negative effects on the debt management strategy which the country is operating. This is because most of the instrument carries out their assessment with timeframe and has specified targets and objectives.

Table 4.33: Inflation as a constraint to debt management

Responses	No of Respondents	Percentage
Yes	110	81.5
No	20	14.8
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May 2011.

The table above shows that 110 of the respondents representing 81.5% of the total respondents concurred with the view that inflation is a constraint to the success of debt management in Nigeria, 20 of the respondents representing 14.8% of the total respondents disapproved the above stated view and 5 of the respondents representing 3.7% of the total respondents were having no knowledge of the above stated notion. The implication of this is that inflationary elements such as rises in prices of goods and services, worthlessness of currency and a host of others constitutes a threat to debt management practice both in terms of both domestic and foreign borrowings.

Table 4.34: Debt management and the rise in capital formation

Responses	No of Respondents	Percentage
Yes	100	74.1
No	25	18.5
Undecided	10	7.4
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

Here, respondents were asked to assess and examine the relationship between debt management and its influences on the nation's capital formation. Ranges of options were provided for the respondents to indicate their choices.

The table above shows that 100 of the respondents representing 74.1% of the total respondents agreed that proper debt management enables the growth of capital formation in the country, 25 of the respondents representing 18.5% of the total respondents disapproved of the above stated notion that debt management encourages the rise of capital formation and 10 of the respondents representing 7.4% of the total respondents were having scarce knowledge of the above stated view.

This depicts that debt management if handled effectively would lead to rise in capital formation of a nation. Majority of the respondents are in harmony with this notion.

Table 4.35: Conventional debt management strategy and the devaluation of Naira

Responses	No of Respondents	Percentage
Yes	117	86.7
No	13	9.6
Undecided	5	3.7
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

This question attempted to assess the effect of conventional debt management strategy on the valuation of the naira currency. Respondents were asked to ascertain the influence of the conventional method on the continued devaluation of currency.

Ranges of options were provided for the respondents to indicate their stands. This can be seen in the table above.

The above table shows that 117 of the respondents representing 86.7% of the total respondents agreed that the conventional approach impose and introduced in managing debt in Nigeria enhances the devaluation of the naira currency, 13 of the respondents representing 9.6% of the total respondents strongly disagreed that the conventional approach pave way for devaluation of naira currency in Nigeria, and 5 of the respondents representing 3.7% of the total respondents were having insufficient knowledge of the above stated view.

This shows that majority of the respondents were in harmony with the view that the conventional approach introduced in managing debt such as the condition given by IMF in 1987, the Brethon wood imposition and a lot of others pave way for the devaluation of naira currency.

Table 4.36: Debt management and the rise in indigenous industries

Responses	No of Respondents	Percentage
Yes	50	37.1
No	60	44.4
Undecided	25	18.5
Total	**135**	**100**

Source: Field Survey, January-May, 2011.

The above table shows that 50 of the respondents representing 37.1% of the total respondents advocated that debt management enhances the growth of indigenous industries in Nigeria, 60 of the

respondents representing 44.4% of the total respondents disagreed with the above stated view and 25 of the respondents representing 18.5% of the total respondents were having deficient knowledge on the relationship between debt management in Nigeria and the growth of indigenous industries in Nigeria.

Based on the data collected, the average mean score for the hypothesis three (3) is 80.52. Going by the decision rule which state that accept H_o if average means score is 50% and above, reject H_o if average mean score is less than 50%. The hypothesis three (3) which states "that effective management of debt does not enhance economic stability due to government interference" is rejected.

4.3 ANALYSIS OF RESEARCH PROPOSITION

In this section, the research propositions formulated in chapter one were tested using chi-square (X^2) to determine if the observed values are different significantly or not. The results of our analyses are presented below in tables 4.37 to 4.39. Table 4.37 is relevant to the first research proposition, table 4.38 and 4.39 are relevant to the second and third research proposition respectively. The decision criterion or rule is that when the calculated value is greater than tabulated value we reject the null hypotheses and accept the alternative hypotheses. That is, accept H_o if average means score is 50% and above, reject H_o if average means score is less than 50%.

HYPOTHESIS ONE

Ha: There is significant relationship between debt management and socio-economic development in Nigeria.

TABLE 4.37: RESPONDENTS OBSERVATION

Table	SA	A	D	SD	Returned
1.	80	25	16	14	135
2.	30	20	30	55	135
3.	40	35	50	10	135
4.	30	60	25	20	135
5.	63	37	20	15	135
Total	**243**	**177**	**141**	**114**	**675**

Source: Field Survey, January-May 2011

Expected Value

$$a\,11 = \frac{TR \times TC}{GT} = \frac{135 \times 243}{675} = 48.6$$

$$a\,12 = \frac{TR \times TC}{GT} = \frac{135 \times 177}{675} = 35.4$$

$$a\,13 = TR \times TC = \frac{135 \times 141}{675} = 28.2$$

$$a\,14 = TR \times TC = \frac{135 \times 114}{675} = 22.8$$

0	E	0-E	(0-E)2	(0-E)2/E
80	48.6	31.4	986	20.28
25	35.4	-10.4	108	3.05
16	28.2	-12.2	149	5.27
14	22.8	-8.8	77	3.37
30	48.6	-18.6	346	7.11
20	35.4	-15.4	237	6.69
30	28.2	1.8	3	0.10
55	22.8	32.2	103	45.48
40	48.6	-8.6	74	1.52
35	35.4	-0.4	0	0
50	28.2	21.8	475	16.84
10	22.8	-12.8	16	7.19
30	48.6	-18.6	346	7.11
60	35.4	24.6	605	17.09
25	28.2	-3.2	10	0.35
20	22.8	-2.8	8	0.35
63	48.6	14.4	207	4.25
37	35.4	1.6	2	0.05
20	28.2	-8.2	67	2.37
15	22.8	-7.8	61	2.67

Calculated value = 151.14

Degree of Freedom

(n-1) (1-1)

(5-1) (4-1)

(4) (3)

X2 tab 12 = 21.0

Respondents	NO	S.L	DF	X2 Cal	X2 Tab	Decision
SA	243	0.5	12	151.14	21.0	Accepted
A	177					
D	141					
SD	114					

Discussion

Data presented in the table 4.37 above is relevant to hypothesis one tested which states that there is significant relationship between debt management and socio-economic development in Nigeria. Out of ten questions constructed for this section five related questions to the formulated hypothesis one were selected for the purpose of analysis. The first question, out of One hundred and thirty five (135) respondents; eighty respondents (80) strongly agree, twenty five (25) respondents agree, sixteen (16) respondents disagree and fourteen (14) respondents strongly disagree. The second question, out of One hundred and thirty five (135) respondents; thirty respondents (30) strongly agree, twenty (20) respondents agree, thirty(30) respondents disagree and fifty five (55) respondents strongly disagree.

The third question, out of One hundred and thirty five (135) respondents; forty respondents (40) strongly agree, thirty five (35) respondents agree, fifty (50) respondents disagree and ten (10) respondents strongly disagree. The fourth question, out of One

hundred and thirty five (135) respondents; thirty (30) respondents strongly agree, sixty (60) respondents agree, twenty five(25) respondents disagree and twenty (20) respondents strongly disagree. The fifth question, out of One hundred and thirty five (135) respondents; sixty three (63) respondents strongly agree, thirty (37) respondents agree, twenty (20) respondents disagree and fifteen (15) respondents strongly disagree.

The expected value ranges from 48.6 %, 35.4 %, 28.2 % and22.8 % and the calculated table is (151.14).

Decision Rule

From the above table, the calculated value (151.14) is greater than the tabulated value (21.0). Base on this the alternative hypothesis (Ha) was accepted and null hypothesis (Ho) was rejected.

HYPOTHESIS TWO

Ha: External has significant effect on Nigeria economic growth and development.

TABLE 4.38: RESPONDENTS OBSERVATION

Table	SA	A	D	SD	Returned
1.	86	24	20	05	135
2.	44	26	38	27	135
3.	28	57	35	20	135
4.	42	48	30	15	135
5.	18	12	25	80	135
Total	**218**	**162**	**148**	**147**	**675**

Source: Field Survey, January-May 2011

Expected Value

a 11 = $\frac{TR \times TC}{GT} = \frac{135 \times 218}{675} = 43.6$

a 12 = $\frac{TR \times TC}{GT} = \frac{135 \times 162}{675} = 32.4$

a 13 = $TR \times TC = \frac{135 \times 148}{} = 29.6$

a 14 = $TR \times TC = \frac{135 \times 147}{67} = 29.4$

0	E	0-E	(0-E)2	(0-E)2/E
86	43.6	36.4	1325	31.10
24	32.4	-8.4	71	2.19
20	29.6	49.6	2460	83.11
05	29.4	24.4	595	20.32
44	43.6	0.4	16	0.36
26	32.4	-6.4	410	12.65
38	29.6	8.4	71	2.39
27	29.4	-2-4	6	0.20
28	43.6	-15.6	243	5.57
57	32.4	24.6	605	18.67
35	29.6	5.4	29	0.97
20	29.4	-9.4	88	2.99
42	42.6	-1.6	3	0.68
48	32.4	15.6	243	7,5
30	29.6	0.4	0.16	0.01
15	29.4	-14.4	207	704
18	43.6	-25.6	655	15.02
12	32.4	-20.4	416	12.83
25	29.6	-4.6	21	0.70

80	29.4	50.6	2560	8.70
			Calculated value =	232.91

Degree of Freedom

(n-1) (1-1)

(5-1) (4-1)

(4) (3)

X2 tab 12 = 21.0

Respondents	**NO**	**S.L**	**DF**	**X2 Cal**	**X2 Tab**	**Decision**
SA	218	0.5	12	232.91	21.0	Accepted
A	162					
D	148					
SD	147					

Discussion

Data presented in the table 4.38 above is relevant to hypothesis one tested which states that there is significant relationship between debt management and socio-economic development in Nigeria. Out of ten questions constructed for this section five related questions to the formulated hypothesis one were selected for the purpose of analysis. The first question, out of One hundred and thirty five (135) respondents; eighty six respondents (86) strongly agree, twenty four (24) respondents agree, twenty (20) respondents disagree and five

(05) respondents strongly disagree. The second question, out of One hundred and thirty five (135) respondents; forty four respondents (44) strongly agree, twenty six (26) respondents agree, thirty eight (38) respondents disagree and twenty seven (27) respondents strongly disagree.

The third question, out of One hundred and thirty five (135) respondents; twenty eight respondents (28) strongly agree, fifty seven (57) respondents agree, thirty five (35) respondents disagree and twenty (20) respondents strongly disagree. The fourth question, out of One hundred and thirty five (135) respondents; forty two (42) respondents strongly agree, forty eight(48) respondents agree, thirty (30) respondents disagree and fifteen (15) respondents strongly disagree. The fifth question, out of One hundred and thirty five (135) respondents; eighteen (18) respondents strongly agree, twelve (12) respondents agree, twenty five (25) respondents disagree and eighty(80) respondents strongly disagree. However, the expected value ranges from 43.6 %, 32.4 %, 29.6 % and 29.4 % and the calculated table is (232.91).

Decision Rule

From the above table, the calculated value (232.91) is greater than the tabulated value (21.0). Base on this the alternative hypothesis (Ha) was accepted and null hypothesis (Ho) was rejected.

HYPOTHESIS THREE

Ha: Policy framework will improve debt management for socio-economic transformation and development in Nigeria.

TABLE 4.39: RESPONDENTS OBSERVATION

Table	SA	A	D	SD	Returned
1.	70	50	10	05	135
2.	35	75	15	10	135
3.	59	41	18	17	135
4.	76	34	05	20	135
5.	99	20	02	14	135
Total	**339**	**220**	**50**	**66**	**675**

Source: Field Survey, January-May 2011

Expected Value

$$a\,11 = \frac{TR \times TC}{GT} = \frac{135 \times 339}{675} = 67.8$$

$$a\,12 = \frac{TR \times TC}{GT} = \frac{135 \times 220}{675} = 44$$

$$a\,13 = TR \times TC = \frac{135 \times 50}{675} = 10$$

$$a\,14 = TR \times TC = \frac{135 \times 66}{675} = 13.2$$

0	E	0-E	(0-E)2	(0-E)2/E
70	67.8	2.2	5	0.07
50	44	6	36	0.81
10	10	0	0	0
05	13.2	-8.2	6.7	5.07
35	67.8	-32.8	1076	32.8
75	44	31	961	21.84
15	10	5	25	2.5
10	13.2	10	10	0.75
59	67.8	-8.8	77	1.13
41	44	-3	9	0.20
18	10	8	64	6.4
17	13.2	3.8	7.6	0.57
76	67.6	8.2	67	0.98
34	44	10	100	2.27
05	10	-5	25	2.5
20	13.2	6.8	46	3.48
99	67.8	31.2	973	14.35
20	44	-24	576	13.09
02	10	-8	64	6.4
14	13.2	0.8	1	0.07
			Calculated value =	115.28

Degree of Freedom

(n-1) (1-1)

(5-1) (4-1)

(4) (3)

X2 tab 12 = 21.0

Respondents	NO	S.L	DF	X2 Cal	X2 Tab	Decision
SA	339	0.5	12	115.28	21.0	Accepted
A	220					
D	50					
SD	66					

Discussion

Data presented in the table 4.39 above is relevant to hypothesis one tested which states that there is significant relationship between debt management and socio-economic development in Nigeria. Out of ten questions constructed for this section five related questions to the formulated hypothesis one were selected for the purpose of analysis. The first question, out of One hundred and thirty five (135) respondents; seventy respondents (70) strongly agree, fifty (50) respondents agree, ten (10) respondents disagree and five (05) respondents strongly disagree. The second question, out of One hundred and thirty five (135) respondents; thirty five respondents (35) strongly agree, seventy five (75) respondents agree, fifteen (15) respondents disagree and ten (10) respondents strongly disagree.

The third question, out of One hundred and thirty five (135) respondents; fifty nine respondents (59) strongly agree, forty one (41) respondents agree, eighteen (18) respondents disagree and seventeen (17) respondents strongly disagree. The fourth question, out of One

hundred and thirty five (135) respondents; seventy six (76) respondents strongly agree, thirty four(34) respondents agree, five(5) respondents disagree and twenty (20) respondents strongly disagree. The fifth question, out of One hundred and thirty five (135) respondents; ninety nine (99) respondents strongly agree, twenty (20) respondents agree, two (02) respondents disagree and fourteen (14) respondents strongly disagree.

The expected value ranges from 67.8 %, 44 %, 10 % and 13.2 % and the calculated table is (151.14).

Decision Rule

From the above table, the calculated value (115.28) is greater than the tabulated value (21.0). Base on this the alternative hypothesis (Ha) was accepted and null hypothesis (Ho) was rejected.

4.4 Discussion of Findings

The test of hypotheses of this study with data generated from the field led to the following findings:

First, the federal government did not consolidate on the gains of the debt relief recently granted to her. The government lacks consistent debt management strategies, prudential borrowing, persistence servicing of debt, and possible liquidation of all outstanding external debt. Second, it was discovered that the federal government lacks effective implementation of policy and guideline for external loans. Also, the borrowed money is not meant for its purpose or project of highest priority. As a result the huge external debt had thrown the country into the series of economic problem. Third, the researcher found that factors other than changing government policies on employment encourage graduate unemployment. The money saved

from external debt servicing which supposed to be ploughed into poverty reduction programmes in order to boast agriculture and other sectors of the economy received no attention.

Besides, there is no provision for enabling social and economic environment as this discourage entrepreneurship and foreign investment. Furthermore, the debts services to London club and other creditor (i.e. Non-Paris club) deals are not open the economy of the country to greater trade and investment and this has significance. Fifth, there is increase in debt servicing capacity, export and a foreign exchange rate is alarming. While government continue to seek for more loan and the marginal return on investment is greater than or equal to the cost of borrowing for such priority projects.

Sixth, we discovered that more often than not Nigerian government do not seek external loans for high priority, well-appraise and self-liquidating project and most projects do not have direct impact on socio-economic development. Besides, the Nigerian leaders lack economic culture of transparency and sincerity of purpose. As such they engage in corruption and capital flights. However, in line with the above findings the following were found:

It was found that 88.9% of the total respondents are of the notion that the debt management strategy adopted in Nigeria is effective in its course of operation. Nigeria adopted debt cycling swap, paid on and lowering of interest rate as its own strategy in managing its debts.

It was also revealed that 78.9% of the total respondents acknowledged the vital role of debt management office in the regulation and control of debt problem in Nigeria. The cited samples with the role it play to tandem with the ministry of finance in 2004 to relief the country of its debt burden. In the conduct of the research it was also revealed that 88.9% of the respondents attested to the fact

that the resistance in sustainability in government policy and over influence in the affairs of Ministry of Finance and debt management attested its mode of operation. They cited with the continuous swapping and changing of leadership of such office with their diverse policies such as in 2006, 2009 and in 2010.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study analyzes the external debt of Nigeria and its impact on national development. No adequate summary can be given without much repetition of what has been said earlier. A number of significant findings of this work can however, be highlighted.

Effective debt management is essential for economic development. As countries develop they confront increasing challenges in managing public financial risk whilst still achieving their ambitious poverty reduction and economic growth targets.

Nigerian economy has for a long period been characterized by a high degree of openness, with its major sectors depending on foreign sources for a wide range of consumption and investment goods, the problems of external borrowing and the resultant indebtedness have strong consequences on the economy.

In the late 70's and early 80's, the oil prices fell while interest rates went up which did not result in reduced spending of the Nigerian government, thus it level of debt started to increase. By 1985, its debt service arrears started to accumulate and in spite of debt servicing, outstanding external debt was US35.9 Billion. Several debt reliefs were sort for, in this period but to no avail. Nigeria was only granted debt reschedule by its creditors. Using the Brady Plan in1992 Nigeria was able to conclude at the London club an exchange deal for a substantial part of its commercial debt allowing for a discount of about 60%.

While Paris club arrangement for debt relief in the same year failed because Nigeria failed to return to democratic rule.

Until 2000, the management of Nigeria's public debt was defective, resulting in a debt crisis. The strategies adopted and the institutional arrangements in place were inadequate to achieve a sustainable debt regime for Nigeria. Public debt management responsibilities were diffused across several agencies and operators, leading to ineffective and poor coordination of debt functions.

Until recently, Nigeria's effort in tackling its debt problems was often not underpinned by proper analysis. No Debt Sustainability Analysis (DSA) was ever carried out throughout the period of debt overhang. As an IDA-only country, Nigeria is to undertake a DSA yearly. In a bid to independently ascertain the sustainability of Nigeria's debt portfolio and monitor the effects of Paris Club debt relief and future new borrowings, the government decided to conduct National Debt Strategy Workshops in both 2006 and 2007. The outcome of the DSA, therefore, feeds into this "National Debt Management Framework", which sets the policy guidelines for debt management in the country.

The establishment of the DMO is a welcome development which has been canvassed over the years by several interest groups as a major requirement towards resolving the debt problem of Nigeria. The enabling statute, in spite of its flaws, is a major step towards the realization of this objective. Making the law, however, is one thing while granting both financial and operational autonomy to the DMO is another issue entirely. If the DMO is starved of funds and quality staff, it is not likely to be able to achieve its objectives, while the high expectations of the national and international community would again have been frustrated.

Since inception, the DMO has made considerable progress in auditing the country's loan portfolio, updating and computerizing the debt database, and reconciliation of figures. Efforts are also currently underway to strengthen the external debt service procedures, with a view to improving efficiency and timeliness, while maintaining effective controls and safeguards. The DMO has been actively involved in negotiations for the rescheduling of Nigeria's external debts. These negotiations have resulted in an Agreed Minutes with the Paris Club on the rescheduling of the country's external debts owed to that category of creditors. In parallel to the Paris Club debt rescheduling negotiations and the campaign for debt relief, the DMO has worked with a team of financial and legal advisors to explore options for the restructuring of Nigeria's commercial debts. The objective of the proposed restructuring is to reduce the country's London Club commercial debt stock by taking advantage of current market opportunities. The restructuring also seeks to reduce debt service payments over the short to medium term. A decision on the timing of this transaction will take into account the overall framework for the restructuring the country's debt portfolio - including the Paris Club debts.

Over the medium term, the DMO is supporting Nigerian government's efforts to obtain deeper and more substantive debt relief from its creditors and to formulate a sustainable debt strategy for the country. An international conference is being hosted by the DMO to sensitize the international community about the severity of Nigeria's debt problem, as well as build consensus on a sustainable debt strategy.

In summary, therefore, Nigerian leaders and the West have individually or jointly involved in the plot to the looting of a huge volume of Nigeria’s external loans as well as domestic resources. This

has made the nation's debt crisis critical, coupled with the failed polices of IMF through its SAP economic reforms. Really, when a cost comparative analysis is taken of the social/environmental damage, political unrest, conflicts, insecurity and sufferings inflicted on Nigerians by the policies of the IFIs, particularly IMF's SAP and sovereign governments of the West, the irresistible conclusion is that Nigeria has already repaid all her debts in calculable terms. In fact what Nigeria needs is not debt repayment but payment of reparations to her years of colonial and neo-colonial exploitation by the West and the industrialized creditor nations. This exploitation was made possible through the dependency relationship and the introduction of liberal economic ideology in Africa and Nigeria in particular.

5.2 Conclusion

Every year Nigeria has to pay large sum of money on interest payments and principal been paying on its stock of debt. Nigeria has been paying approximately $1 billion annually to Paris club creditors and a further $0.8 billion to its other multilateral and commercial creditors. However, Nigeria has not been able to pay the US $3 billion debt service due every year. As a result, arrears have been built up on Nigerian's Paris club debt. The accumulation of arrears and associated penalty charges has created the paradox where by Nigeria's total debt stock has been increasing year after year even though it has been repaying debts, and has not borrowed any more money from Parish club creditors.

With an elimination of 100% of its Paris club debt, Nigeria's annual debt service due should fall from US$3 billion to some US$0.8 billion and the amount paid will fall from US$1.8 billion to US$ 0.8 billion, more than halving the payment to the debtors. This means that $1

billion can be diverted to spending on poverty reduction. In addition, Nigeria will escape from the debt spiral caused by rising penalties and interest on its unpaid debts – a spiral that each year adds about $1 billion to its debt burden.

The role of debt overhang in predicating debt crisis cannot be overlooked, thus debt relief would have positive impact on investment and growth. Moreover, to a greater extent the Nigerian debt situation is highly unsustainable. This unsustainability of Nigeria's external debt could be associated with high initial debt, high interest rates, lower real GDP growth, and large trade deficits. It is difficult to stabilize the debt ratio when interest rates, growth rate falling and the initial levels of the debt ratios are high. The implication is that government needs to step-up its growth performance and use concessional debt with lower interest rate in order to keep the debt at sustainable level. Furthermore, as long as revenue (export income) continues to fall, the external debt strategy becomes highly unsustainable because it constraints import capacity and hence lower growth. The analysis in the paper can aid the DMO's perception of debt servicing in several ways: one is to put sound debt management strategy in place, second is that the debt office should be properly reflected and equipped, third democracy and good governance will improve debt and economic management in Nigeria as it has done very recently. The debt relief recently granted the country has improved the debt situation in 2006 as the external debt profile is now sustainable. The major challenge facing the DMO is ensuring that a reasonable level of resources are earmarked for debt servicing to avoid the risk of default and to maintain conducive relations for debt relief negotiations with our creditors.

Another challenge is that budget resources are released in time to effect debt service payments. Much of Nigeria's debt stock build-up was significantly accounted for by the capitalization of interest arrears and penalties for default. Credits and loans are to be immediately serviced; currently these debts are not subject to debt relief or rescheduling and carry stiff consequences in case of default. Similarly, default on London Club debts carries stiff consequences. Prudence is required in managing external debt and preventing accumulation or build-up of new debt stock.

The study has shown why poor public debt management under degrading market conditions can lead to public finance weaknesses and fiscal vulnerability. Hence robust debt strategies and proper risk management could increase the ability of the economies and of their governments to withstand shocks.

Effective debt management involves primarily seven basic functions: policy, regulatory, resourcing, recording, analytical, controlling and operating functions. The first three functions are part of what can be called *Executive Debt Management*. The other four functions may be considered to be part of *Operational Debt Management. Executive Debt Management* might be viewed as the establishment of the "rules of the game" by the highest levels of government. It thus gives direction and organization to the whole which might be called the *Debt Management System*. *Operational Debt Management* is the day-to-day management of debt in accordance with executive direction and organization. Operational debt management may in turn be viewed as being composed of *passive and active debt management*. Although the dividing line is not always clear, the former involves functions which do not include actions (interactions and transactions) on the debt front,

while the latter does. It is obvious that passive management will strongly influence active management through the provision of information and analysis, and is of equal importance.

The major challenge faced by the debt management office is ensuring that a reasonable level of resources are earmarked for debt servicing to avoid the risk of default and to maintain conducive relations for debt relief negotiations with the creditors. Also, the DMO faces the challenge of ensuring that budget resources are release in time to effect debt service payment since much of Nigerian's debt stock build – up was accounted for by the capitalization of interest arrears and penalties for default.

5.3 Recommendations

Nigeria needs to consolidate on the gains of the debt relief recently granted her and the consequent reduction in its debt stock. One way to do this is through consistent debt management strategies, prudential borrowing, persistence servicing of debt, and possible liquidation of all outstanding external debt. The federal government should lay down well considered guideline for external loans. Defining the purpose, duration, moratorium requirements and commitments, negotiation fees etc including the conditions under which the government can approve and guarantee external loans. The use of more superior method to negotiate for fixed interest payment and varying amortization schemes. Nigeria should seek multi-year rescheduling rather than year by year basis. External finance should be used only for projects of highest priority. This is so because it is huge external debt that threw us into the series of economic problem in the first instance.

The money saved from external debt servicing should be ploughed into poverty reduction programmes boosting agriculture and other sectors of the economy. Government should provide enabling social and economic environment as this will encourage entrepreneurship and promote foreign direct investment. Government should promote portfolio investment which will generate employment opportunities that are highly needed for increase in per capital saving leading to high capital labour ratio. Place embargo on new loans especially to the state government and other government parastatals except for important economic reasons which are inevitable and for project which are self floating and self sustaining. Government should ensure that any deal with the London Club and Other creditors (i.e. Non Paris Club) should be deals that will open Nigeria to greater trade and investment and can stimulate the private sector since; debt services to these two creditors has a significant negative impact on our economic growth.

To reduce the debt burden and increase debt servicing capacity, an increase in exports and reduction in world interest rates is required. Thus, two externally important policy areas in this respect are real interest rates and protectionism. Nigeria should devote a tangible proportion of her annual foreign exchange earnings for debt servicing. This would enable the counting to accommodate the creditors' requirements.

External financing of project should be used only for projects with higher priority. Thus is so because it is huge external debt that threw us into the series of economic problem in the first instance.

For government in Nigeria proper debt and risk management practices could include keeping large foreign exchange reserves relative to the total external liabilities in the economy, reducing rollover risk by

increasing long-term debt, lengthening the average term to maturity and issuing domestic currency debt while relying less on foreign borrowing. It is clear that the introduction of new debt management and risk management practices could be challenging for these countries because of factors such as weak monetary and exchange rate policy and limited access to foreign and domestic capital markets.

The government should place an embargo on further acquisition of external finance, except for top priority projects. The marginal return on investment is greater than or equal to the cost of borrowing for such priority projects. If the current rate of debt pile-up is maintained, external debt will become Nigeria's major problem, threatening its economic environment, thus increasing poverty. Building strong debt management institutions, developing clearly defined procedures and creating the capacity for rigorous analysis can help Nigeria to manage these risks effectively, minimizing the cost of borrowing and ensuring a sustainable debt position into the future.

In order to reduce the debt burden and increase the debt servicing capacity, there is a need for an increase in exports, and a reduction in world interest rates, among other things. Nigeria should seek external loans only for very high priority, well-appraised, and self-liquidating projects. Such projects should have direct impact on economic development. An economic culture of transparency, in the issue of debt management, should be cultivated. Governments should make fiscal adjustments through cuts in expenditures, as this could reduce the level of deficit financing, which exerts pressure on foreign exchange. They should avoid short term financing, especially when floating rates of interest are involved. A sound macroeconomic

environment is an important ingredient of growth because it is a logical prerequisite to proper utilization of external funds.

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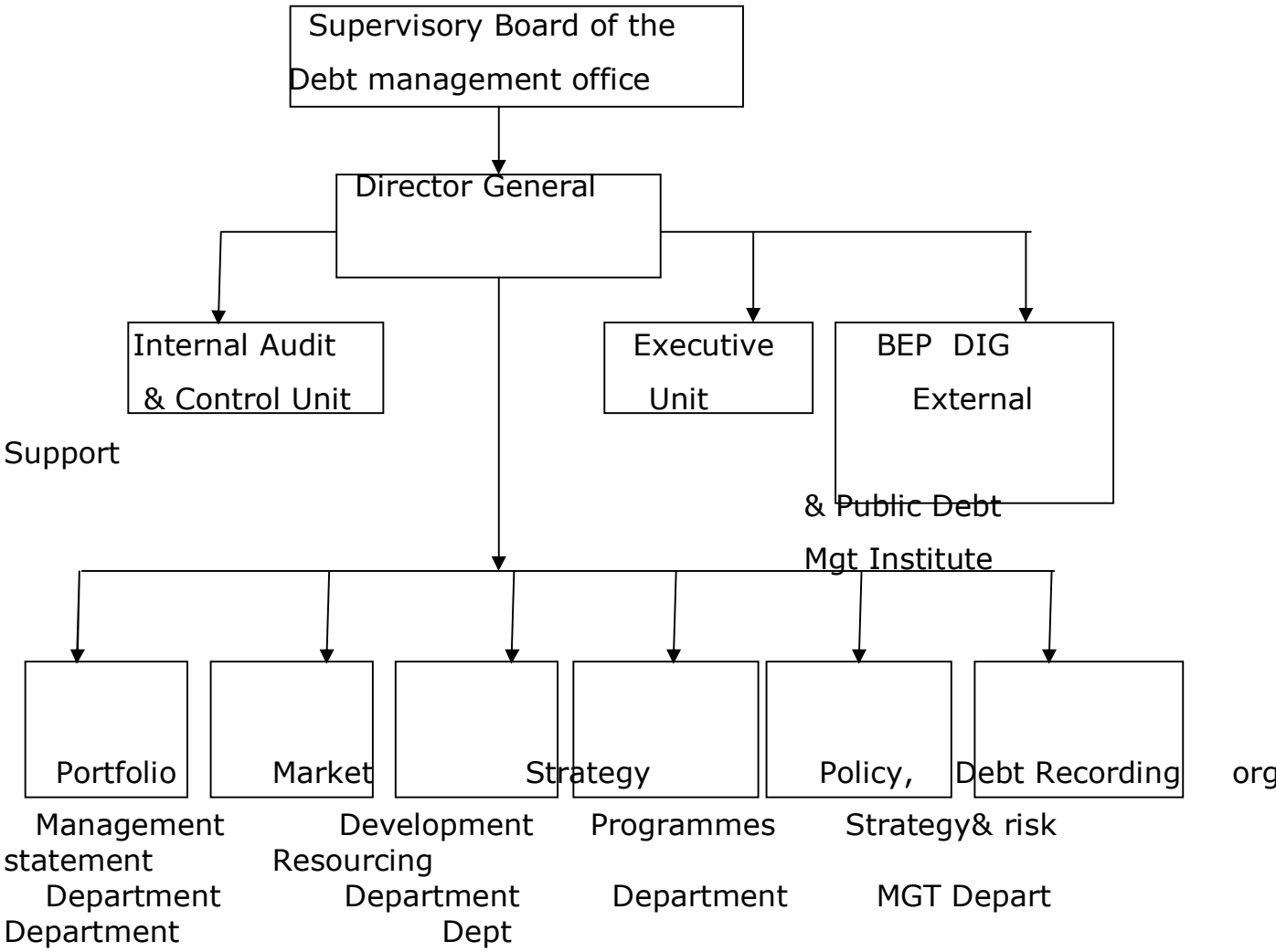
APPENDIX II

ORGANIZATIONAL STRUCTURE OF DEBT MANAGEMENT OFFICE



Source: www.debtmanagement.org.ng

APPENDIX III

QUESTIONNAIRE FOR THE STAFF OF DEBT MANAGEMENT OFFICE ABUJA

INSTRUCTION: Please indicate your response by ticking (√) in the box as appropriate.

SECTION A

BIO DATA

1. Sex: (a) Male ( ) (b) Female ( )
2. Age Group: (a) 25 – 35 years ( ) (b) 36 – 50 years ( ) (c) above 50 years ( )
3. Marital Status: (a) Single ( ) (b) Married ( )
4. Educational Qualification: (a) Primary ( ) (b) Post Primary( ) (c) OND/NCE ( ) (d) B.Sc/ HND ( ) (e) M.Sc/MPA ( ) (f) Ph.D ( )
5. Occupational Status: (a) Staff ( ) (b) Others please specify …….
6. Year of service with DMO: (a)1 – 5 Years ( ) (b) Above 5 years ( )

SECTION B

EFFECTIVE MANAGEMENT OF DEBT ON GROWTH AND DEVELOPMENT IN NIGERIA

7. Do you agree that effective management of debt tends to improve the growth of Nigeria economy? Yes ( ) No ( )
8. Has debt management reduce the rate of unemployment in Nigeria? Yes ( ) No ( )
9. Do you agree that debt management play an important role in poverty reduction in the country? Yes ( ) No ( )

10. Do you agree that debt relief have improved the level of industrialization in the country? Yes ( ) No ( )
11. Do you agree that debt management is significantly improving the living standard of the people in the country? Yes ( ) No ( )
12. Has public debt relief stimulated the increase in capital flight in the country? Yes ( ) No ( )
13. Do you agree that debt service payment reduce the rate of industrial growth? Yes ( ) No ( )
14. Do you agree that effective debt management enable government to embark on infrastructural development in Nigeria? Yes ( ) No ( )
15. Do you agree that wastage of public resources by government official has implication on development of Nigeria's economy? Yes ( ) No ( )
16. Do you agree that persistent huge budget deficit which various governments have incurred increase the level of public debt in Nigeria? Yes ( ) No ( )

SECTION C

SOCIO-ECONOMIC DEVELOPMENT AND MISAPPROPRIATION OF PUBLIC FUNDS

17. Do you agree that debt pardon create room for embezzlement of public funds in Nigeria? Yes ( ) No ( )
18. Do you subscribe to the notion that Nigerian leadership play an important role in debt pardon? Yes ( )No ( )
19. Do you agree that debt pardon had created room for poor and faulty macro-economic policies? Yes ( ) No ( )
20. Do you think that misplacement of priority in terms of resource allocation is a major problem of socio-economic development?
    Yes ( ) No ( )
21. Do you see debt pardon as limiting factor to good governance in Nigeria? Yes ( ) No ( )
22. Do you agree that there is linkage between debt pardon and diversification of revenue sources? Yes ( ) No ( )
23. Can you say over dependence on oil revenue is responsible for debt crisis in Nigeria due to the false illusion of riches which oil revenue posted? Yes ( ) No ( )
24. Do you agree that there has been an improvement in socio-economic development as a result of external borrowing? Yes ( ) No ( )
25. Has debt relief really enhance the economic growth of Nigeria? Yes ( ) No ( )
26. Do you see corruption as a militating factor against socio-economic development? Yes ( ) No ( )

SECTION D

EFFECTIVE DEBT MANAGEMENT STRATEGY AND ECONOMIC STABILITY

27. Do you agree that the strategy adopted in managing debt crisis in Nigeria is effective? Yes ( ) No ( )
28. Do you agree that debt management play a crucial role in stabilizing debt problem in Nigeria? Yes ( ) No ( )
29. Do you agree that DMO play a vital role in economic stability of the nation? Yes ( ) No ( )
30. Do you agree that corruption is a constraint to debt management in Nigeria? Yes ( ) No ( )
31. Do you agree that debt management creates room for reduction in interest rate among commercial banks? Yes ( ) No ( )
32. Do you agree that inconsistency in government policy leads to poor debt management strategy in Nigeria? Yes ( ) No ( )
33. Do you agree that inflation is a constraint to the success of debt management in Nigeria? Yes ( ) No ( )
34. Do you agree that effective debt management enables the growth of capital formation in Nigeria? Yes ( ) No ( )
35. Do you agree that conventional approach introduced in managing debt enhances the devaluation of currency in Nigeria? Yes ( ) No ( )
36. Do you agree that debt management enhances the growth of indigenous industries? Yes ( ) No ( )

APPENDIX III

DEBT MANAGEMENT OFFICE

Federal State Governments' External Debt Stock as at 11th December, 2011 (in Us Dollars)

S/N	State	Amount Outstanding	Percentage
1.	Abia	26,879,837.76	0.59%
2.	Adamawa	25,517,501.91	0.56%
3.	Akwa Ibom	59,479,373.06	1.31%
4.	Anambra	17,903,645.08	0.39%
5.	Bauchi	48,015,990.26	1.68%
6.	Bayelsa	24,277,888.79	0.54%
7.	Benue	23,663,719.96	0.52%
8.	Borno	13,580,124.53	0.30%
9.	Cross River	99,988,070.04	2.21%
10.	Delta	16,595,148.67	0.37%
11.	Ebonyi	30,957,354.69	0.68%
12.	Edo	39,825,043.34	0.88%
13.	Ekiti	31,044,737.47	0.68%
14.	Enugu	33,455,829.61	0.74%
15.	Gombe	22,799,515.53	0.50%
16.	Imo	46.891.860.86	1.03%
17.	Jigawa	18,877,769.09	0.42%
18.	Kaduna	143,450.575.19	3.16%
19.	Kano	47,207,128.85	1.04%
20.	Kastina	72,717,999.75	1.60%
21.	Kebbi	44,141,393.53	0.97
22.	Kogi	31,487,217.62	0.69%
23.	Kwara	35,561,183.85	0.78%

24.	**Lagos**	**369,198,815.41**	**8.14%**
25.	**Nasarawa**	**30,462,671.35**	**0.67%**
26.	**Niger**	**24,927,239.56**	**0.55%**
27.	**Ogun**	**73,719,135.36**	**1.63%**
28.	**Ondo**	**47,785,052.96**	**1.05%**
29.	**Osun**	**59,807,064.61**	**1.32%**
30.	**Oyo**	**88,164,728.75**	**1.94%**
31.	**Plateau**	**24,898,497.17**	**0.55%**
32.	**Rivers**	**31,851,734.94**	**0.70%**
33.	**Sokoto**	**35,926,349.37**	**0.79%**
34.	**Taraba**	**19,071,354.46**	**0.42%**
35.	**Yobe**	**25.904,500.91**	**0.57%**
36.	**Zamfara**	**22,800,402.97**	**0.50%**
37.	**FCT**	**33,199,700.50**	**0.73%**
	Sub-Total	**1,841,956,157.44**	**40.62%**
	FGN	**2,692,230,577.57**	**59.38%**
	Grand Total	**4,534,186,735.00**	**100.00%**

Source: Guardian Newspapers December, 2011