

The Effects of External Debt Management on Sustainable Economic Growth and Development

Abstract

This paper reviewed the roles of debt management practices on sustainable economic growth and development with particular emphasis on Nigeria. Information was generated extensively from literature, the Nigeria Central Bank and National Bureau of Statistic reports. The analyses of the data collected with descriptive statistics shows that, availability of access to external finance strongly influences the economic development process of any nation. Debt is an important resources needed to support sustainable economic growth. But a huge external debt without servicing as it is the case for Nigeria before year 2000 constituted a major impediment to the revitalization of her shattered economy as well as the alleviation of debilitating poverty. The much needed inflow of foreign resources for investment stimulation, growth and employment were hampered. Without credit cover, Nigerian importers were required to provide 100 percent cash covers for all orders and this therefore placed them to a competitive disadvantage compared to their counterparts elsewhere. Failure of any owing country to service her debt obligation results in repudiation risk preventing such to obtain new loans since little or no confidence will be placed on the ability to repay. It will also undermine the effort to obtain substantive debt relief over the medium term with a tremendous increase in interest, arrears and other penalties. This will subsequently depress the economy both in the long and short runs. Best arrangement in debt payment must be put in place from time to time in response to changes in the economy and the polity. Debt can only be productive if well managed so as to make the rate of return higher than the cost of debt servicing.

Keywords