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Foreign Aids and Economic Growth in Nigeria under Buhari, 2015-2021

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Abstract

The aim of this study is to examine the impact of foreign aid and external borrowings on economic development of Nigeria. The study was qualitative in nature as data collection was based on the secondary sources. The two-gap model and the endogenous growth models would complement one another in establishing the theoretical base for this study. The study revealed that external debt does not impact economic growth in Nigeria both in the long run and short run, substantiating on the inapplicability of the two-gap theory, which establishes that external finance can fill savings gap to propel an economy towards achieving a target growth rate. Therefore, the study recommends adequate measures to be put in place to manage borrowed fund by ensuring that borrowed fund are expended on capital project that will generate income and there should be appropriate measures in place that will serve as checks and balances on government spending such as institutional framework for analyzing and managing public investment projects. Also, borrowed funds should be channeled to the purpose in which they have been borrowed this will help foster economic development. Furthermore, the government should work towards freeing up more expenditure for capital project, as this stimulates growth, encourage productivity as against the current focus on more recurrent spending, which only compounds our fate as a consuming nation, thereby affecting long run growth in the country.

Keywords: Economic Growth, External Borrowings, Foreign Aid, Grants, Nigeria.

Introduction

The issue of foreign aid has become imperative, especially in developing countries given the recently adopted Sustainable Development Goals (SDGs) by the international community whose major goal is the realization of 17 cardinal objectives in the world by the year 2030. Trinh (2014) noted that the insufficiency of domestic capital needed for the promotion of economic growth in developing countries is a generally shared opinion. Hence, in some developing countries of the world, inadequate domestic savings and foreign exchange have been the main militating factor to the accomplishment of overarching global development targets of the United Nations as entrenched in the SDGs, particularly the objectives of building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation and ending poverty in all its forms everywhere by 2030 (United Nations, 2015b).

Given that most developing countries lack the capacity and financial wherewithal to finance development programmes for the realization of the 17 fundamental objectives of SDG, reliance on foreign aid in a supportive capacity as one of the important sources of finance becomes undeniable. Hence, as was stated by Pacifique (2017:15) "the success of the SDG agenda will depend on the effectiveness of foreign aid in promoting Africa's development''. In the opinion of Lancaster (1999) "aid is a double-edged sword" implying that it can boost progress in the right economic and political environment. However, aid will be squandered in the absence of a good enabling environment. The significance of foreign aid was recognized by the Monterrey (2002:14) as: "ODA plays an important role by complementing other sources of financing required for development, especially for those developing countries where private direct investors are reluctant to invest with the fear of low profit''.

Despite the numerous economic, social and humanitarian aids routed through capital flows, technical and relief assistance, most people in Nigeria live in conditions of deprivation, high unemployment and absolute poverty. However, underdevelopment is rife. There is budgetary constraint, a high degree of indebtedness, high repayment and servicing costs of external debts and poor economic performance (Bakare, 2011). For instance, an investigation of Nigeria's external debt profile from June 2015 by the International Centre for Investigative Reporting (ICIR) revealed that President Muhammad Buhari's administration inherited a national foreign debt of $10.3 billion in June 2015 from President Goodluck Jonathan's administration (Abolade, 2019). However, the country's loan afterwards rose to $11.3 billion by 30th June 2016. This corresponds to a 9.2 per cent rise in the country's national debt. Not later than June 2017, it increased from $11.3 billion to $15.0 billion corresponding to a total of 33.6 per cent rise compared to the 2016 figures (Abolade, 2019).

Moving to 2018, the external debt skyrocketed to $22.1 billion from $15.0 billion. This represented a 46.8 per cent rise in foreign debt. The external debt of the debatably largest economy in Africa rose to $27.2 billion by the close of the 2019 2nd quarter. This amounted to 23.0 per cent rise in the year. Hence, the country's foreign debt cumulated by 163.2 per cent between June 30, 2015, and June 30, 2019, covering the first four- year tenure of Buhari's Administration (Abolade, 2019). As economic growth waned regardless of massive flows of aid, foreign aid had bound her into a debt trap. Amid this critical empirical evidence, Nigeria had been a recipient of considerable donor aid that increased further with the Boko Haram conflict.

There is insufficient evidence of efficient aid performance in Nigeria. Empirical evidence revealed that decades of foreign aid have done little in transforming the destiny of Nigeria that is currently experiencing a low rate of economic growth. No wonder, Karras (2006) discovered that the economic growth of the majority of aid-recipient countries in Sub Saharan African countries had been delayed by corruption. This had prompted submissions from some policy analysts that there is more to the Nigerian problem than just directing

aids to her as the likelihood of turning things around through this avenue is very remote. The numerous macroeconomic policy reforms undertaken mainly at the request of the donor community had not changed the narrative either. It is uncertain whether they have helped in boosting the impacts of foreign aid on economic growth.
Bakare (2011) expressed this opinion about this situation: Taking Nigeria as a case to study; the impact of foreign aid has not been so much felt. Despite being one of the first ten African countries to receive structural adjustment funding from the World Bank, later the Enhanced Structural Adjustment Facility (ESAF) loan from the International Monetary Fund (IMF) and debt relief from Paris club, Nigeria has experienced major standoffs with the donor community, which have sometimes led to aid freezes. The disbursement of foreign aid funds has frequently been short-lived as the donors often find themselves dissatisfied with the way the government implements aid conditionality funding. (p.25) Irrespective of this paradoxical development, sufficient research had not investigated the effectiveness of aid in Nigeria, with specific focus on the Buhari administration.

Statement of the Problem

The need to balance the savings-investment gap and offset fiscal deficits in developing countries compels government to source for finance outside taxation, its established main source of revenue (Ajayi & Oke, 2012). Multilateral finance institutions including International Monetary Fund (IMF), International Development Association (IDA), Africa Development Bank (ADB) and the World Bank have to the rescue. Chimniya (2013) and Ebi, Abu and Clement (2013) have identified bilateral and consortium of credit sources to include both the London and the Paris clubs. The literature has reported conflicting impact of a country's external debt on the economic agents. The rationale is that a country should borrow provided that the capital borrowed produces a rate of return that is higher than the cost of borrowing. In effect, the marginal product of external debt must be higher than its interest rate.
Otherwise, external borrowing will become burdensome rather than stimulate the economy. Significant positive impact of external debt on economic growth was reported by Utomi (2014) and Ebi et al. (2013).
Yet some studies established insignificant relationship between the variables (Ibi and Aganyi, 2015; Ogunmuyiwa, 2011).Before the global oil crisis in the late 1970s, Nigeria external debt was minimal (Erhieyovwe & Onovwoakpoma, 2013). However, dwindling oil revenue and the need to meet its financial obligation necessitate the government to borrow US$1 billion known as the Jumbo loan in 1978 from the International Capital Market. Since the year 1978 and thereafter, Nigeria external debt has sporadically increase because of the prevalence of borrowing from international financial organizations and countries at a non-concessional interest rate. Despite global assistance by the London club and Paris clubs in ameliorating the impact through debt reliefs, debt forgiveness and outright grants, gross structural deficiencies are still manifest in the economy. The $18 billion debt forgiveness received by Nigeria from the Paris club in 2005 and the subsequent payment of $12 billion

to offset the remaining debt, Bakare (2010) found no evidence growth and development in Nigeria. Indeed, in a bid to plug the huge financing gap needed to facilitate her growth and development aspirations, Nigeria has resorted to external borrowings. The decision of the federal fiscal authorities in Nigeria to borrow about $4.55 billion and $4.97 billion externally and locally respectively will bring the debt GDP ratio to 2.16 percent and double its budget deficit to double to =N=2.2 trillion ($11 billion) in 2016 (Buhari, 2016).

The seemingly deleterious impact of the falling price of crude oil which accounts for about 90 per cent of the country's external revenue has provoked a fresh thirst for public debt. Coupled with the divergent findings on the foreign debt-growth nexus, the need for this study has become manifest. While some studies established a negative relationship, some established a positive relationship. Others found the relationship to be insignificant either in the short run or long run. This study will attempt to contribute to knowledge, resolve the gap created by further investigating the implication of external debt on Nigeria economic growth and a data period of 2015 – 2021.

External Borrowings and Economic Growth

Several attempts have been made to establish the nexus external debt and economic growth. Different models have also been deployed with conflicting results.

Wellington (2015) analyzed the growth-debt nexus in Zimbabwe over the period 1980 to 2013 using ordinary least square estimation technique and reported that public debt has a negative effect on economic growth in Zimbabwe. In 2019, Manmohan and Jaejoon constructed a panel of thirty eighty advanced and emerging economies for the period of 1970 to 2008 to analyze the public debt-growth nexus. System Generalized Method of Moment and Arellano-bond dynamic panel model affirms the negative relationship between public debt and economic growth. The study by Poly and Niaz (2014) on Bangladesh applied the Autoregressive Distributive lag model for time series data over the period of 1982 to 2019 The existence of negative long run relationship from debt to economic growth was recorded.

Hadhek and Mrad (2021) investigated the effect of debt on economic growth in 19 developing countries for the period 2010 to 2021 using Arellano-Bond dynamic panel technique. The variables included in the model are growth rate of real GDP per capita, investment, trade openness, rate of inflation, change in total external, short term debt, private guarantee debt, ratio of total debt to GDP, and external debt as percentage of GNI. The countries sampled include Tunisia, Egypt, Mali, Niger, Congo Dem Rep., Ethiopia, Angola, Gambia, Bangladesh, Jordan, Mauritania, Algeria, Malawi, Guinea, Ghana, India, Sri Lanka, Cote d'Ivoire, and El Salvador. Findings showed that external debt has a negative impact on economic growth in these countries.

The examination by Chiminya and Nicolaidou (2024) of the determinants of external debt in 36 Sub-Saharan Africa countries, using time series data between 1995 and 2022 showed that democratic government accumulate more debt that autocratic regimes; government accountable are eager to accumulate external debts; trade openness, gross domestic growth rate, external debt to GDP, and inflation rate are the economic determinants of external debt accumulation. Rehmat, Akhtar, and Shazia (2024) deployed an autoregressive distributed lag model to analyse the determinant of external debt in Pakistan using time series data between 1996 and 2020. The study concluded that fiscal deficit, trade openness and exchange rate are statistically significant factors that determine external debt.

Al-Zeaud(2024) empirically assessed the impact of public debt on Jordan economic performance using time series data that covers the period 2016 to 2020. Per capita growth was the dependent variable while the independent variables are population growth rate, investment rate, terms of trade, inflation rate, ratio of fiscal balance to economic growth, ratio of public debt to GDP, and debt service payment in Jordan. Using ordinary least square technique, results estimated showed that public debt has a positive impact on economic growth while debt service has a negative impact on economic growth in the Jordanian economy.

Rash id and Muhammad (2021) uncovered the positive role of external debt on Pakistan economy between 1992 and 2020 using ordinary least square estimation technique. However, Faraji and Makame (2013) using a classical ordinary regression model, reports positive relationship between external debt and economic growth in the country but a negative relationship between external debt service and economic growth. There is absence of long run relationship between external debt and economic growth in the country. Thomas (2010) hypothesized that autocracies are more likely to borrow more than democracies in developing countries. An error correction model was conducted and panel data was gathered for seventy eight developing countries between 1996 and 2918. The survey of literature reveals that the nexus of external debts and economic growth causality have yielded conflicting results.

The study by Bolanle, Fapetu and Olufemi (2015) analyze the impact of external debt and foreign direct investment on economic growth in Nigeria using error correction model with data spanning 1990 to 2013. Augmented Dickey Fuller test indicates that all the variables are first differenced stationary while Johansen co integration test indicate the presence of at least one co integrating equation among the variables. The short run estimation shows that external debt has a negative impact on economic growth in the short run but statistically insignificant while foreign direct investment has a negative but significant impact on economic growth in Nigeria.

Moreover, Ibi and Aganyi (2024) tested the same in Nigeria using a Vector Auto Regression model. Secondary data which covers 1990 to 2021 were used in the model and five variables were regressed on gross domestic product which proxy economic growth. The variance decomposition shows that at horizon 5, shock arising from external debt was 0.7% thereby aligning with studies that found a weak and insignificant causation between external debt and economic growth in Nigeria. Similar study by Utomi (2024) using the same method over the period of 2000 to 2022 established a long run relationship among external debt, debt servicing, exchange rate and real gross domestic product but a positive relationship between external debt and economic growth in the short run. Amassoma (2021) employed the same method over the period 1990 to 2019 and reported that while there is a bidirectional relationship between internal debt and economic growth, there is a unidirectional causality which runs from economic growth to external debt in the country.

Furthermore, Erhieyovwe, and Onovwoakpoma(2013) and Ogunbiyi and Okunlola (2024) established a long run cointegrating relationship between external debt, economic growth, and capital accumulation in Nigeria using Johansen cointegration test. The ordinary least square model shows a positive relationship between economic growth and external debt in Nigeria for the period of 2011 to 2022. However, the study fails to estimate short run relationship among the variables despite the fact that the variables are non-stationary and there is a long run convergence among them. The shortcomings of these studies lie in its inability to estimate the short run relationship among the variables.

Again, Taiwo (2012) and, Bamidele and Joseph (2013) both using the ordinary least square model examine the causal relationship between external debt and economic growth in Nigeria using pair wise granger causality. Their studies reported different results. While the former affirms a positive, unidirectional causality from external debt to economic growth in Nigeria, the latter indicates that external debt has a negative impact on economic growth in Nigeria.

In a related development, Ajayi and Oke (2012) also empirically assessed the effect of external debt on economic growth and development in Nigeria using ordinary least square model. Although the study failed to test for the existence of unit root in the variables of study, the findings showed the existence of a positive relationship between external debt and national income. This according to the authors did not conform to the a priori expectation of a negative relationship. This is not unconnected with the failure to test for the existence of unit root in the variables which can lead to spurious regression and result.

Imimole, Imoughele and Okhuese (2014) analyzed the determinants of external debt in Nigeria using time series data covering 2006 to 2022. Terms of trade, openness of the economy, budget deficit, gross domestic product, foreign direct investment, and exchange rate are some determinants of external debt evaluated in the study.

Johansen cointegration test shows the existence of at least two co integrating relationship among the variables in the long run and the error correction model shows that exchange rate, gross domestic product, and external debt services are significant determinant of external debt in Nigeria. Using the private investment channel, Thank God (2023) estimates the causal relationship between public debt and economic growth in Nigeria using a two-stage least squares evaluation of time series data covering the period 2011 to 2022. The findings revealed that a linear positive relationship between domestic debt and private investment and a quadratic relationship between external debt and private investment. However, Ijeoma (2013) established an inverse relationship between external debt and economic growth in Nigeria. Same result was established by Ishola,Olaleye and Ajayi (2022) over the period 2010 to 2020.

In 2019, Ogunmuyiwa investigated the possibility of external debt stimulating economic growth in developing countries using Nigeria as a case study. The findings reveal the causality between external debt and economic growth was found to be weak and insignificant but the short run error correction mechanism shows a positive relationship debt and growth in the country. Tajudeen (2012) however established a positive relationship between external debt and economic growth and between domestic debt and economic growth. A negative relationship was however found to exist between debt service payment and economic growth in Nigeria. The same negative short and long run relationship between external debt and economic growth was reported by Izedonmi and Ilaboya (2022) using time series data from 2010 to 2020. Sulaiman and Azeez (2012) hypothesized that there is no significant relationship between economic growth and external debt in Nigeria.

On the contrary, the analysis by Obademi (2024) of the long run impact of public debt on economic growth in Nigeria using time series data spanning 2015 to 2023 however shows that external debt has a positive impact on economic growth in the short run while it negatively impacts on economic growth in the long run. Ezenwa (2022) using Engle Granger cointegration test and ordinary classical regression model to estimate the short run dynamics from 2019 to 2023 on real gross domestic product, external debt service, government expenditure, and average interest rate. The study established an inverse relationship between external debt stock and economic growth while it established a positive relationship between external debt service and economic growth.

Similarly, Onaolapo and Kayode (2015), established a negative correlation between Nigeria's external debt and economic growth but a positive correlation between external debt management and economic growth which purports better debt management augments economic growth in the country.

Idris (2024) found a unidirectional causality runs from economic growth to external debt implying that the level of growth in the country necessitates more debt in his research which employed a vector error correction model to estimate the short run relationship between external debt and economic growth in Nigeria between the year 2010 and 2023. Specifically, external debt negatively impact on economic growth in the short run while external debt positively impact on economic growth in the long run.

Foreign Aids and Economic Growth

There have been several theoretical and empirical investigations on the relationship between foreign aid and economic growth at cross-country and country-specific level. A revision of these empirical studies from the perspective of developed countries of Europe and North America, developing economies of Asia, Latin America, the Caribbean's, and Africa are unmasked. Ekanayake and Chatrna (2010) studied the connection between foreign aid and economic growth for a group of 85 developing countries including Asia, Latin America, Africa, and the Caribbean using annual data from 2010-2022. Utilizing the Panel Least Squares Estimation method, the proposition that foreign aid can stimulate economic growth in developing countries was investigated employing panel data series for foreign aid while accounting for regional variations in Asian, Latin American, African and the Caribbean economies besides the changes in levels of income. The findings of this study revealed that foreign aid had mixed outcomes on economic growth in developing countries. Besides, Salisu and Ogwumike (2022) utilized the Ordinary Least Square (OLS) and Two-Stage Least Square (2SLS) methodologies to study the role of the macroeconomic policy environment in the relationship between foreign aid and economic growth for 20 countries of Sub-Saharan African for the period of 2010-2021. The findings showed that a sound macroeconomic environment is necessary for the efficient impact of foreign aid on sustainable economic growth. Also, the results revealed that the macroeconomic policy environment is a fundamental factor in economic growth.

Likewise, Tadesse (2021) employed the multivariate cointegration technique to investigate the impact of foreign aid on economic growth in Ethiopia using a time series data for the period 2011-2019. The findings revealed that foreign aid had a positive and significant impact on economic growth when it was entered alone. However, foreign aid exerted a negative and significant impact on economic growth when it was interacted with policy. The negative result was linked to the policy environment (macroeconomic and infrastructure) in the country that makes aid ineffective contrary to the norm. This implies the deleterious effect of bad policies in limiting the effectiveness of aid. The general impact of foreign aid on economic growth for the period studied was negative as a result of deficiency of good policies. However, the results revealed that the country had no problem of capacity constraint concerning foreign aid flow.

Furthermore, Bakare (2011) used the Vector Autoregressive (VAR) model to investigate empirically the link between foreign aid and economic growth in Nigeria. The results showed a negative relationship between foreign aid and economic growth in Nigeria. In the same vein, Odusanya, Logile, and Akanni (2011) examined the impact of foreign aid and public expenditure on economic growth in Nigeria. The results revealed that foreign aid and public expenditure exerted a positive impact on economic growth in Nigeria. However, foreign aid had a significant impact on economic growth.

In another related study and utilizing the Vector Autoregression (VAR) model, Agbontaen and Iyoha (2012) examined the effect of foreign aid on economic growth in Nigeria from the standpoint of macroeconomic stability. The VAR model was estimated to pinpoint unexpected shocks in foreign aid and assess their impact on growth bearing in mind macroeconomic challenges in the country. These investigations allowed us to concentrate on investigating the limitations of macroeconomic stability that deters foreign aid from boosting economic growth. The values of the modernizations of foreign aid shocks to shocks in macroeconomic variables unveiled that it breeds contradictions that alter budget deficits, generate doubts that diminish current account balances and transfer negative shocks with strong limiting impacts on economic growth. It was discovered that the negative effects of foreign aid lower the country's tendencies to economic growth and that macroeconomic approaches are incompatible and deficient of the willpower to efficiently exploit the benefits of foreign aid.

Similarly, Kargbo (2021) investigated the impact of foreign aid on economic growth in Sierra Leone from 2000 to 2019 utilizing a triangulation of methodologies comprising the ARDL bounds test method and the Johansen maximum likelihood methodology to cointegration. The findings revealed that foreign aid had a positive and significant impact on fostering economic growth in Sierra Leone. This result was established to be robust across methodologies and specifications. Although aid may have been linked with the expansion of economic growth in Sierra Leone, its influence in the time of war was discovered to be either weak or non-existent. Additionally, aid in the pre-war time was discovered to be slightly more valuable than aid in the post-war time. The last findings indicate that the effect of aid may vary with time.

On the same subject and using annual data throughout 2010 to 2021, Olkeba (2023) assessed the causal relationships among aid, domestic resources and economic growth in developing countries with emphasis on Ethiopia within an ARDL framework. The results revealed that aid and domestic savings exerted a positive relationship with economic growth in the long-run. The domestic resource mobilization exerted a higher positive effect on economic growth than aid. However, when the level of investment was controlled, aid had a negative and insignificant relationship with economic growth. Furthermore, the existence of absorptive capacity constraints connected with expending huge aid money was validated by this result. Besides, aid and domestic saving exerted a negative and positive relationship with economic growth respectively in the short-run. However, the impact of domestic saving on growth was statistically insignificant.

In a related study, Ojiambo (2013) utilized the ARDL estimation method to investigate the impacts of foreign aid predictability on investment and economic growth in Kenya for 2016-2021. Particularly, the impact of foreign aid on investment and economic growth; the impact of macroeconomic policy environment on foreign aid, investment and economic growth; the impact of aid unpredictability on investment and economic growth were investigated in the study. The results revealed that there was a long-run relationship between the variables. Also, the findings showed that foreign aid had a positive impact on economic growth and public investment in Kenya. The lagged effects of foreign debt influenced economic growth and public investment positively after one year and negatively afterwards.

Furthermore, the findings revealed that private investment influenced economic growth and public investment positively. A complementary association between private investment and public investment was established by the results. The macroeconomic policy environment in Kenya was discovered to be unstable for the study period hence influenced economic growth and public investment negatively. This was regardless of the macroeconomic policy reforms embarked on by the Government of Kenya and the endorsement of such reforms by the development partners. Ojiambo (2013) stated that "foreign aid flows to Kenya were found to be unpredictable and negatively affecting economic growth and public investment despite Kenya and her development partners having committed to working towards predictable foreign aid" (p.xiv).

In a similar study, Trinh (2024) examined the nexus between foreign aid and economic growth in Vietnam throughout the 2010-2019 by employing the Autoregressive Distributed Lag (ARDL) estimation technique. The empirical results showed that foreign aid had a positive and significant impact on economic growth in Vietnam. Furthermore, additional evidence of the favourable effects of aid was confirmed through the outcomes of growth accounting exercise and the examination of central channels through which aid had contributed to outcomes of development. These channels are human capital accumulation, infrastructure and macroeconomic management. However, problems associated with aid such as rent-seeking behaviour, absorptive capacity constraints and high volatility and unpredictability of the inflow could pose a problem on the recipient's administration and in succession, weaken the effectiveness of aid.

In another related study, Ojiambo, Oduor, Mburu, and Wawire (2015) used the ARDL method to cointegration to evaluate the mixed impacts of aid on economic growth in a low-income country with diverse aid unpredictability periods and discovers that increased aid unpredictability reduces economic growth in Kenya. Besides, the unpredictability of aid was found to enhance economic growth in an unstable macroeconomic environment suggesting that unpredictability of aid compels weak governments to be more cautious in the management of inadequate uncertain resources at their disposal during episodes of macroeconomic instability. However, no evidence of the diverse effects of aid unpredictability during times of shocks was established.

Likewise, Chamlagai (2015) used ARDL to investigate the relationships among remittance, foreign aid, foreign direct investment (FDI) and economic growth in Nepal for the period of 1970-2014. The results revealed that remittances and labour are vital for driving economic growth in the short-run and long-run. Also, the findings showed that aid, investment and FDI do not have any significant impact on economic growth in the short and Long-run periods. Using the Ordinary Least Square (OLS) methodology, Manwa (2024) studied the relationship between foreign aid and economic growth in Malawi employing data from 2011-2022. The findings suggested that aid exerted a negative and significant impact on economic growth. Besides, the study revealed that the effectiveness of aid is conditional on states having strong political will, sound policies and governance structures that are supportive.

Moreover, Ojiambo and Ocharo (2016) studied the nexus between foreign capital inflows and economic growth in Kenya making an allowance for volatility and the macroeconomic policy environment. The ARDL estimation method was employed for the study. The Granger causality methodology was used to investigate the direction of causality between the variables. The findings revealed a uni-directional causality between FDI and economic growth, foreign aid and labour and FDI and macroeconomic policy environment Furthermore, the results showed that aid had a positive and significant impact on economic growth when the macroeconomic policy environment is taken into account. Remittances were discovered to have a short-run negative impact on economic growth but a positive impact after one year. Also, a negative relationship was established between FDI and economic growth in Kenya perhaps as a result of its volatility and a small level of inflow.

Equally, Sahoo (2021) employed Johansen-Juselius multivariate cointegration test, Granger-causality test and Vector Error Correction Mechanism (VECM) test to investigate the long-run causal link between foreign aid and economic development in three key South Asian economies of India, Sri Lanka and Pakistan over the periods of 2010-20111 to 2019-2020. The effect of aid volatility on the economic growth of the aforementioned developing countries was investigated as well. The study resolved that foreign aid is unquestionably considered as a vital determinant of economic development in all the three Asian countries of India, Pakistan and Sri Lanka. The major results of the study underscored that foreign aid had played an important impact on the economic development of India, Pakistan and Sri Lanka. However, the empirical results established that volatility of aid had revealed a significant negative impact on the economic growth of Pakistan and Sri Lanka.

In the same way, Abera (2024) employed the ARDL method to cointegration to investigate the short-run and long-run nexus between foreign capital inflows and economic growth in Ethiopia for the period 2011–2024. Precisely, the real Gross Domestic Product (GDP) per capita was expressed as a function of foreign aid, FDI and other foreign capital inflows (remittances and external debt) and examined. The results showed that foreign aid flow had a negative impact on economic growth in both the long-run and short-run. Likewise, the FDI flow exerted a negative impact on economic growth in the long-run. However, other foreign capital inflows had an insignificant impact on real GDP per capita in both the long-run and short-run. Besides, FDI exerted an insignificant impact on real GDP per capita in the short-run. Furthermore, the results of the causality test showed that there was a uni-directional relationship from foreign aid to real GDP per capita and bi-directional relationship between FDI and real GDP per capita. However, there was no causal link between other foreign capital inflows and real GDP per capita in Ethiopia.

Methodology

The paper is qualitative; therefore, it relied on secondary data like journal, articles, books, editorials etc for all its data. Content analysis was used for data presentation and analysis. Due to its dependence on secondary data, the text of hypothesis, findings of the study and results will be judged based on the extracts from available scholarly works on this study. Other researches undertaken by various individual scholars will be put into consideration while concluding the results of this study.

A superfluity of methods and theories had thrived in the academic and political boundaries to account for the effectiveness of aid. The two-gap model of Chenery and Strout (1966) and the endogenous growth models would complement one another in establishing the theoretical base for this study. The two models would offer a strong theoretical boost for investigating the foreign aid-economic growth nexus in Nigeria.

Tadesse (2011) stated that ''the Harrod-Domar growth model is the first and most well-known of the gap models'' (p.6). However, the original Harrod-Domar theory was extended in the two-gap model of Chenery. and Strout (1966) in the sixties. The main contention of the two-gap model popularized by Chenery and Strout (1966) was to explain the function of foreign aid in the growth process of a recipient nation. Therefore, the two-gap model was meant to investigate the means through which a poor, sluggish economy can metamorphose into a developed economy experiencing a sustained rate of economic growth (Chenery & Strout, 1966). The theoretical support for giving foreign aid for economic growth is presented by the model. Chenery and Strout (1966) maintained that foreign aid complements the scarce internal resources by filling the savings-investment gap, the export-import gap and assists in enhancing the capital-absorptive capacity of the aid receiving nation as well.

The first gap comprises of the relationship between the quantity of investment necessary to reach a specific rate of economic growth and available internal savings, while the second gap is between rates of foreign exchange and import prerequisites for a fixed level of production (Todaro & Smith, 2009). These gaps are regarded as either a savings-gap or as a foreign exchange (or trade) gap. Sahoo (2016) asserted that capital was considered as a critical element for higher economic growth by all the economic theories and growth models. Some remarkable features of the majority of the developing countries are low saving and low investment. Hence, they are regarded as low saving and low investment economies. In this perspective, the process of economic growth is accelerated by foreign aid through limited domestic saving and investment supplementation. Hence, the inflows of foreign aid are required to fill the existing gap (savings gap or foreign exchange gap), to enable economies to grow more speedily than their domestic resources would otherwise permit.

However, the absence of these inflows would result in most economies facing slower economic growth and the inefficient utilization of domestic resources. The two-gap model had received some criticisms from some authors bordering on its assumptions. The theory assumed that investment was the solitary factor through which economic growth can be increased. However, education, research and development are other factors of economic growth (Harms & Lutz, 2004). Furthermore, the model presumed that the recipient nation invests all aid. Foreign aid is fungible just like other types of capital flows. It can be utilized for any objective, and therefore, cannot be presumed to be dedicated to investment completely. They were of the view that the recipient nation will dedicate a segment of the aid money for investment and some portion for government consumption expenditures.

Furthermore, Harms and Lutz (2004) also recognized that ''in reality, aid availability is an incentive for corrupt administrations to intentionally lower their domestic investment efforts so that they get a continuous stream of aid money from donors'' (p.8). Besides, it was called a 'dead model' by Easterly (1999). Despite these condemnations, Devarajan, Dollar, and Holmgren (2001) in defence of the two-gap model stated that "it is a transparent and flexible framework for examining, for a large number of countries, the aid requirements of achieving the poverty goal" (p.17). The two-gap model had lingered as the leading theoretical idea employed for comprehending the nexus between foreign aid and economic growth in nearly all of the World Bank's research surveys on foreign aid and economic growth. Also, Ahmed (2014) and Tadesse (2011) observed that the two-gap model had been used for a long time as the standard model for the explanation of aid. It was utilized by policy-makers extensively.

On the other hand, the endogenous growth models were developed by Romer (1986); Lucas (1988); Romer. (1990); Grossman and Helpman (1991a) and Barro and Sala-i-Martin (1995). Human capital accumulation was ascertained endogenously by Lucas (1988) to support economic growth. Technological progress was established endogenously by Romer (1990) as a vehicle for driving economic growth. This model was developed as a response to the drawbacks of the neoclassical economic growth model of Solow-Swan. Solow (1956) argued that contrary to the neoclassical growth model, the endogenous growth theories made it clear that long-run economic growth originates from internal factors (innovation, knowledge and investment in human capital) inside an economic system, especially, those factors that generate technological knowledge.

Countries would gain from developing their human capital and investing in research and development (R&D). Economies of scale can be fostered through this process. Besides, the endogenous growth models expanded the neoclassical economic growth models through the introduction of technological progress in the economic growth model. The core difference between neoclassical and endogenous growth models is that technological advancements were assumed to be exogenous to an economic system by neoclassical growth model whereas it was challenged by the endogenous growth models that provided conduits through which technological progress may result primarily in the shape of domestic innovations (Artelaris, Arvanitidis, & Petrakos, 2006). In the contention of this model, endogenous factors promote the long-run rate of economic growth of an economy instead of the exogenous factors as expounded in the neoclassical growth theories (Sahoo, 2016).

Furthermore, the endogenous growth model investigated production functions that depict increasing returns as a result of specialization and investment in knowledge capital. In developing economies, funds for investment needed to invest in human capital, R&D and innovations are not adequate. The investment requirements of these economies can only be accomplished partly by their internal capital. As was observed by Morrissey (2001) they count on Official Development Assistance (ODA) to boost their internal capital because it generates research ideas, technical knowledge, managerial skills and foreign assistance at a lower rate of interest. In the opinion of Morrissey and Nelson (1998) the economic factors in the endogenous growth model such as physical and human capital accumulation and technology that resulted in productivity growth can offer a satisfactory explanation to the East Asian countries miracle, hence, the decision to use it as a complementary theory.

External Borrowings in Nigeria Under Buhari

SaharaReporters obtained the March 2021 report from the National Bureau of Statistics showing that Nigeria took loans from China, France, Japan, India and Germany, taking the country into a total $33billion foreign loan amidst dwindling revenue and low standard of living generally for Nigerians. According to Hans (2020), President Muhammadu Buhari's government in its insatiable thirst for foreign loans borrowed money from five European and Asian countries, to take Nigeria into $4.1 trillion debt, according to statistics released by the Debt Management Office, Abuja. Accordingly, SaharaReporters obtained the March 2021 report from the National Bureau of Statistics showing that Nigeria took loans from China, France, Japan, India and Germany, taking the country into a total $33billion foreign loan amidst dwindling revenue and low standard of living generally for Nigerians. The document revealed that the Buhari government took loans from China through the Exim Bank of China at $3.4 billion, France through the Agence Francaise Development, $486 million; Japan through the Japan International Cooperation Agency at $74.6 million; India through the Exim Bank of India, $34 million and Germany through the Kreditanstalt Fur Wiederaufbua at $183.74 million.

The total stands at $4.1 billion debt which is only 12.73 per cent of the country's humongous foreign loans. The document reads, "BILATERAL; China (Exim Bank of China) 3,402.45; France (Agence Francaise Development) 486.68; Japan (Japan International Cooperation Agency) 74.60 India (Exim Bank of India) 34.59; Germany (Kreditanstalt Fur Wiederaufbua) 183.74; SUB-TOTAL 4,182.06 - 12.73%."

SaharaReporters had on June 29 reported that the Buhari government took loans from about 10 international banks and agencies including the Islamic Development Bank and the Arab Bank for Economic Development in Africa, plunging the country into a $17 billion multilateral debt crisis. It had been reported that out of the $17 billion, the Nigerian government collected $29.72 million from the Islamic Bank and $5.88 million from the Arab Bank. SaharaReporters had obtained these figures from a report, Nigeria's External Debt Stock in Millions of USD, prepared by the Debt Management Office, Abuja, and the National Bureau of Statistics.

From the document, the Buhari government took loans from "the International Monetary Fund, the World Bank Group through the International Development Association $11billion; the International Bank for Reconstruction and Development; $410 million; the African Development Bank Group; the African Development Bank $1 billion; Africa Growing Together Fund; $0.21 million; and the African Development Fund, $942 million."

Others were; "Arab Bank for Economic Development in Africa, $5.88 million; European Development Fund, $51.33 million; the Islamic Development Bank; $29.72 million; and the International Fund for Agricultural Development, $223.28." According to the document, the total of the country's multilateral loans stands at $17,830,000,0000 ($17billlion).This is only about 54.26 per cent of Nigeria's total external debt which stands at $33 billion as of March 31, 2021.

Since the Buhari administration came to power in May 2015, Nigeria's debt stock has risen astronomically with the government insisting that it had no options but to borrow if it would meet the growing demands of governance. In 2015, Nigeria had a total foreign debt stock of $7.02 billion compared to the present staggering $33 billion.

More so, according to Omotola (2020), the recent approval of two fresh foreign loans of $1.5 billion and €995 million respectively, by the Senate, has raised a lot of concerns among many stakeholders in the country. Many have considered it a very bad move in the management of the economy, particularly at this time of excruciating debt service obligations. The loans in question, as presented by Clifford Ordia, the Chairman of the Senate Committee on Local and Foreign Debts before the whole Senate are part of the external loans President Muhammadu Buhari had requested in May 2020 for the financing of various "priority projects" in the country.

The $1.5 billion is to be sourced from the World Bank for the financing of critical infrastructure across the 36 states of the federation under the States Fiscal Transparency, Accountability and Sustainability (SFTAS) programme and COVID-19 action recovery plan while the €995 million is to be sourced from the Export-Import Bank of Brazil to finance the Federal Government's Green Imperative project to enhance the mechanisation of agriculture and agro process to improve food security.

Nigerians have been inundated by frequents requests by Mr. President for loans at the slightest financial pressure. These loans have become too many and most well-meaning Nigerians have called for a stop to this disturbing trend to incur loans inappropriately. Nigeria already has a huge debt burden and does not have this situation worsened by the administration of Buhari. According to the Debt Management Office, Nigeria's total public debt as of December 2020 stood at N32.915 trillion, a whopping 20.13 per cent increase over the N27.4 trillion figures a year earlier. In recent times, the increase in the country's total debt stock was mainly due to a 40.83 per cent increase in external debt to N12.71 trillion in December 2020 from N9.02 trillion in December 2019. This is very alarming. Where are the projects to which these borrowings have been committed? Many Nigerians do not see them.

Aside from this, the Federal Government has also incurred another N10 trillion in overdrafts with the Central Bank of Nigeria. This overdraft, which can also be provided by printing of money, has been repackaged to be repaid over a 30-year period. One wonders what the managers of the economy have up their sleeves when they take on these liabilities which have serious implications not only for the present but also for the future generations of Nigerians. These allegations of printing money that has been trending across the country in recent times can be seen as seemingly substantiated with this huge N10 trillion owed by the CBN. The CBN might have invariably resorted to printing money to satisfy the overdraft requests from the government. Where do we go from here? The poor argument put forward by the government and other proponents of more borrowing is that the country's Debt-GDP ratio is still healthy and below 40 per cent. They, however, lose sight of the fact that GDP does not repay the debt; revenue does. GDP only tells you what the size of your

economy is and not that you have put in place the mechanism to serve the loan when they fall due.
Currently, the debt service to revenue ratio is in the region of 70 per cent, implying that for every N100 earned as revenue by the country, N70 will be used to service existing debts while a paltry N30 will be left to keep the economy running. No wonder government has been having serious fiscal challenges in recent times despite the improving prospects in the global oil market. This is simply because the government is paying a large portion of the earned revenue as debt service added to the fact that the government has failed to drastically cut the cost of governance despite the hue and cry being raised by many stakeholders including this newspaper. One wonders why it is so difficult for the Buhari administration to cut the cost of governance, particularly the perks and allowances of political office holders and the huge security votes which have been used to do other things apart from security.
Why is the Presidency still keeping so many jets in the Presidential fleet? Why is the President still undertaking medical tourism when the country is in such an economic strait with great fiscal challenges? All that is going on now run completely contrary to the campaign promises the President made to the Nigerian people when he was seeking this office that he presently occupies. Was it a plan to deceive the populace in the quest for political power? If not, what went wrong?
It is obvious that with the high debt profile and a huge percentage of revenue being used to service it, another loan now is simply reckless. The argument of the government that the country's GDP is good enough to accommodate more loans is unrealistic because debt servicing is slowly killing Nigerians. Besides the fact that government has a penchant for not satisfactorily accounting for loans, these particular loans are grave misnomers because they are largely aimed at boosting agriculture, at a time that close to half of Nigerian farmers have been driven away from their farms by bandits. The approval of the loans is a misappropriation of priorities. It should be stopped. Government should concentrate on securing lives and properties and cut its outlandish expenditure.
The Debt Management Office (DMO) had in the previous month put Nigeria's Public debt at N32.915trillion as of December 31, 2020. This is made up of the debt stock of the federal and state governments as well as the Federal Capital Territory (FCT). The DMO said at the time that "total Public Debt to Gross Domestic Product as at December 31, 2020 was 21.61 per cent, which is within Nigeria's new limit of 40 per cent."
Leadership (2020), recalls that the Senate had approved the borrowing of $1.5 billion and €995 million, or N1.1 trillion (when calculated at the CBN official exchange rate of $1 to N381) for both the federal and state governments from foreign market in April 2021. The Debt Management Office (DMO) clarified the recent borrowing yesterday, saying "The proposed new capital raising is the New External Borrowing already provided for in the 2021 Appropriation Act." The 2021 Appropriation Act included new domestic and new external borrowing after approval by the National Assembly. The Debt office said the new capital

raising has already been approved and is now being presented to NASS in order to fulfil the provisions of Sections 21 and 27 of the DMO (Establishment, etc.) Act, 2003.
"The proceeds are to be deployed to capital projects in various sectors of the economy, including power, transport, agriculture and rural development, education, health and water resources that are included in the 2021 Appropriation Act," DMO said in its verified Twitter handle.
In the letter addressed to the Senate president, Ahmad Lawan, dated May 6, 2020, which was read during plenary yesterday, President Buhari also asked the Senate to approve donor fund projects under the 2018-2020 federal government external borrowing (rolling) plan.
The first letter to the House stated: "The purpose of this letter is to request for a Resolution of the National Assembly (NASS) to raise the sum of N2,343,387,942,848.00 (about $6,183,081,643.40 at the Budget Exchange Rate of $1.00/N379) provided as New External Borrowing in the 2021 Appropriation Act (Item No. 330) to part-finance the Budget Deficit of N5.602 trillion.
"This request is in line with the provisions of Sections 21(1) and 27(1) of the Debt Management Office (Establishment, Etc.) Act, 2003 (DMO Act). Section 21(1) of the DMO states that "no external loan shall be approved or obtained by the Minister unless its terms and conditions shall have been laid before the National Assembly and approved by its resolution", while Section 27(1) states that "the National Assembly may by a resolution approve, from time to time, standard terms and conditions for the negotiation and acceptance of external loans and issuance of guarantees".
The letter further said, "The 2021 Appropriation Act provides for N4,686,775,885,696.00 as New Borrowings (item No. 328) to part-finance the 2021 Fiscal Deficit, of which 50% or N2,343,387,942,848.00 (about USD 6,183,081,643.40 at the Budget Exchange Rate of USD1.00/N379) is specified as New External Borrowing.
"The allocation of N2.343 trillion to New External Borrowing in the 2021 Appropriation Act is consistent with Nigeria's Debt Management Strategy, which seeks, amongst other objectives, to moderate 'debt service costs by accessing relatively cheaper external funds, and to free-up space in the domestic market for other borrowers.
"I wish to bring to the attention of the Right Honourable Speaker that the plan is to raise the sum of $6.183 billion from a combination of sources; namely: multilateral and bilateral lenders, as well as from the International Capital Market (ICM) through the issuance of Eurobonds.
"From recent trends in the ICM, it is now possible for Nigeria to raise funds in the ICM and this explains why we are proposing that the New External Borrowing in the 2021 Appropriation Act, should include issuing Eurobonds in the ICM.
"We estimate that Nigeria may be able to raise$3 billion or more, but not more than USD 6.183 billion (the amount provided in the 2021 Appropriation Act) in a combination of tenors between 5-30 years; the outcome would, however, be determined when Nigeria approaches the market.

"The proceeds of the $6.183 billion (N2.343 trillion New External Borrowing in the 2021 Appropriation Act) will be used to fund specific capital projects in the budget. This includes projects from priority sectors of the economy; namely: Power, Transportation, Agriculture and Rural Development, Education, Health, provision of Counterpart Funding for Multilateral and Bilateral Projects, Defence and Water Resources.
In the second letter to the lawmakers, the president said, "It is with pleasure that I forward the list of all the donor-funded projects under the 2018-2020 Federal Government External Borrowing (Rolling) Plan for the consideration and concurrent approval of the House of Representatives for same to become effective.
"The projects listed under the 2018-2020 External Borrowing Plan are to be financed through sovereign loans from the World Bank, African Development Bank (AfDB), French Development Agency (AFD), Islamic Development Bank, China EXIMBank, China Development Bank, European Investment Bank, European ECA. KfW, IPEX, AFC, India EximBank and international Fund for Agricultural Development (IFAD) at a total sum of USD 3,837,281,256 plus Euro 910,000,000 and Grant Component of USD 10,000,000.
"The Speaker may wish to know that the projects and programmes in the Borrowing Plan were selected based on positive, technical and economic evaluations as well as the contribution they would make to the socio-economic development of the country including employment generation and poverty reduction as well as protection of the most vulnerable and very poor segments of the Nigerian society.
"The Speaker may also wish to know that all the listed projects form part of the 2018 2020 External Borrowing Plan and covered both the Federal and States Governments' Projects and are geared towards the realization of the Nigeria Economic Sustainability Plan that cut across key sectors such as Infrastructure, Health, Agriculture and Food Security, Energy, Education and Human Capital Development and COVlD-19 Response efforts."
For the Senate, President Buhari said the upper chamber's approval would enable projects listed under the 2018-2020 External Borrowing Plan to be financed through sovereign loans from the World Bank, African Development Bank (AfDB), French Development Agency (AFD), Islamic Development Bank, China EXIMBank, China Development Bank, European Investment Bank, European ECA, KtW, lPEX, AFC, India EximBank and International Fund for Agricultural Development (IFAD) at a total sum of USD 36,837,281,256 plus Euro 910,000,000 and Grant Component of $10,000,000.
He added that the projects are geared towards the realization of the Nigerian Economic Sustainability Plan that cut across key sectors such as Infrastructure, Health, Agriculture and Food Security, Energy, Education and Human Capital Development and COVID-19 Response efforts in the six geo-political zones of the country.
The letter reads: "It is with pleasure that I forward the list of all the Donor funded projects under the 2018-2020 Federal Government External Borrowing (Rolling) Plan for the consideration and concurrent approval of the Senate for same to become effective.
"Distinguished Senate President, you may wish to know that the projects and programmes in the Borrowing Plan were selected based on positive, technical and economic evaluations

as well as the contribution they would make to the socio-economic development of the country including employment generation and poverty reduction as well as protection of the most vulnerable and very poor segments of the Nigerian society.
"Distinguished Senate President may also wish to know that all the listed projects form part of the 2018-2020 External Borrowing Plan covered both the Federal and States Governments' Projects and are geared towards the realization of the Nigerian Economic Sustainability Plan that cut across key sectors such as Infrastructure, Health, Agriculture and Food Security, Energy, Education and Human Capital Development and COVID 19 Response efforts."

External Borrowings and Economic Growth in Nigeria, 2015-2021

Loan-dependent budget, which is a budget that depends on borrowing (either internally or externally) to be financed, is no more a strange phenomenon under the Buhari-led administration of the Federal Republic of Nigeria. And it is worthy of note to say that any nation that adopts this kind of system of budget financing, no doubt, will continue to grapple with debt and other economic crises. As we look at the Nigerian State today, and going by her name as the giant of Africa, she is not supposed to be indebted to the international community as it is currently. In fact, Nigeria's external debt now stands at about USD90 billion (₦33.574 trillion). This astronomical rise in the debt profile is largely due to borrowing to finance the nation's budget, and here lies the importance of conducting this chapter. The issue of borrowing to finance budgets under the Buhari-led administration of the Federal Republic of Nigeria since inception is no more new to the citizenry. It is not also a piece of news to Nigerians that majority of them have been grappling with and groaning under poverty since the President took over government. Owing to this, many of the parents find it difficult to put food on their family tables and pay their children's school fees.
For better comprehension of this study, the review here comprises all the important concepts that make up the topic of this research, which shall be defined appropriately. The first one here is loan. According to IMF Committee on Balance of Payments Technical Expert Group (2005), *loan* comprises those financial assets created through the direct lending of funds by a creditor (lender) to a debtor (borrower) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. It also adds, "all sectors may acquire assets and incur liabilities in the form of loans", which is in general not the case for deposits, the latter often being part of the liabilities of few sectors, i.e. central banks, other depository corporations and government units (p.3). Furthermore, Fox (2001) as cited in Nzayisenga (2016), describes loan as a transaction whereby a lender (creditor) shall immediately surrender any property or money in a borrower (debtor) against the latter's commitment to perform at a specified date, payment of the property or refund of the amount loaned, with interest payable generally.

The term *budget* has supposedly been derived from the Old French word *Bougette*, which referred to the long leathered pouch in which the treasurer of the French Kingdom carried funds to defray the expenses of the court. According to Rustin and Nel (2011), budgets are variously referred to as financial plans, work plans or programmes, or political and social documents. In its strictest and most technical sense, a budget is a document containing words and figures that propose expenditures for certain items and purposes. The words describe items of expenditure or purposes and figures are attached to each item or purpose. The budget has also been defined as a process consisting of a series of activities relating expenditures to a set of goals, or as a process through which public expenditures are undertaken. In other words, a budget is a quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of business units, organizations, activities or events in measurable terms. By this definition, it is clear that budget is very crucial to the government of any nation in planning for its yearly financial expenditure.

Moreover, an analyst in public finance, Driessen (2019) defines *debt*, or in this case, federal debt, the money that the government owes to its creditors, which include private citizens, institutions, foreign governments, and other parts of the federal government. Debt measurements may be taken at any time and represent the accumulation of all previous government borrowing activity. Federal debt increases when there are net budget deficits, outflows made for federal credit programs (net of the subsidy costs already included in deficit calculations), and increases in intra-governmental borrowing. Irwin (2015) in *IMF Working Paper* observes that in a pure system of cash accounting, the natural measure of debt is the government's overdraft. In practice, governments that use cash based accounting also record the loans they have taken out and the bonds they have issued, even if this measure is not produced by the accounting system that measures the deficit. In financial and full-accrual accounting, the range of possible liabilities is larger. To crown it all on one hand, it is clear from the above defined terms that a *loan-dependent budget*, as seen in the activities of the present government, is a budget that relies heavily on borrowing, either locally or internationally to be financed. And on the other hand, *debt crisis* is the outcome of a loan-dependent budget. This is because the loan taken must be serviced, and in a bid to do so, the nation is starved of funds for basic infrastructural developments, amenities as well as its general well-being such as road construction and maintenance, employment, education, healthcare, economic prosperity, etc.

Borrowing and its Implications in Nigeria under President Buhari

To be presented as data here are cases where the President categorically mentioned that loan-taking or borrowing would be done in order to finance the budget and its deficit. This is done with the year and source of the data clearly stated.

2016 Budget Presentation at the National Assembly by the President

Distinguished members of the National Assembly, I now present, the 2016 Budget proposals of the Federal Government. Based on the assumptions I presented earlier, we have proposed a budget of N6.08 trillion with a revenue projection of N3.86 trillion resulting in a deficit of N2.22 trillion. The deficit, which is equivalent to 2.16% of Nigeria's GDP, will take our overall debt profile to 14% of our GDP. This remains well within acceptable fiscal limits. Our deficit will be financed by a combination of domestic borrowing of N984 billion, and foreign borrowing of N900 billion totaling N1.84 trillion.

2017 Budget Presentation at the National Assembly by the President

This fiscal plan will result in a deficit of N2.36 trillion for 2017 which is about 2.18% of GDP. The deficit will be financed mainly by borrowing which is projected to be about N2.32 trillion. Our intention is to source N1.067 trillion or about 46% of this borrowing from external sources while, N1.254 trillion will be borrowed from the domestic market.

2018 Budget Presentation at the National Assembly by the President

We plan to finance the deficit partly by new borrowings estimated at 1.699 trillion Naira. Fifty percent of this borrowing will be sourced externally, whilst the balance will be sourced for domestically. The balance of the deficit of 306 billion Naira is to be financed from proceeds of privatisation of some non-oil assets by the Bureau of Public Enterprises (BPE).

Nov. 2019: Nigeria's Buhari seeks parliamentary nod on $23 billion in foreign loans

ABUJA, Nov 29 (Reuters) - Nigerian President Muhammadu Buhari has asked parliament to approve $23 billion of foreign borrowings tied to infrastructure and other projects, according to a letter seen by Reuters on Friday, after a similar request three years ago was rejected. In the letter dated Nov. 26, Buhari said parliament did not approve a $30 billion external borrowing plan in its entirety. Rather, a $4.5 billion Eurobond sale was approved alongside five projects out of a total of 39.

March 2020: Senate approves Buhari's $22.7 billion loan request

President Muhammadu Buhari's request to borrow $22.7 billion has been approved by the Senate. The loan was requested by the president in order to fund critical infrastructure projects under the 2016–2018 External Borrowing Plan.

From the above, we can see that right from the first fiscal year of the President's administration in 2016; he spoke of the need to borrow both domestically and internationally to finance the 2016 budget in his budget presentation address to the National Assembly. In his word, he said "Our deficit will be financed by a combination of domestic borrowing of N984 billion, and foreign borrowing of N900 billion totaling N1.84 trillion". Similarly in **2**, while presenting the 2017 budget to the National Assembly for consideration, he said "The deficit will be financed mainly by borrowing which is projected to be about N2.32 trillion. Our intention is to source N1.067 trillion or about 46% of this borrowing from external sources while, N1.254 trillion will be borrowed from the domestic market". Furthermore, in data **3**, still on the floor of the National Assembly for the presentation of the 2018 budget, again he said "We plan to finance the deficit partly by new borrowings estimated at 1.699 trillion naira. Fifty percent of this borrowing will be sourced externally, whilst the balance will be sourced for domestically". Lastly in 2019, even though the President did not mention categorically that he would seek for loan either internally or externally to finance the 2019 budget, data **4** and **5** showed that he sent foreign loan request letters of $23 billion on the 26th November, 2019, and another of $22.7 billion in March 2020 respectively to the National Assembly for approval.

Obviously, this has led the country into serious economic crises because Nigeria is now indebted heavily both internally and internationally more than ever in the history of the nation. For example, the PM news of December 27, 2019 quoted former President Olusegun Obasanjo as saying that Nigeria's debt profile now stands at 700% in four years, adding that the nation faces imminent bankruptcy. According to that report, Chief Obasanjo put Nigeria's external debt at N24.947 trillion ($81.2 billion), which was $10.32 billion in 2015 when President Mohammadu Buhari took over government (https://www.pmnewsnigeria.com/2019/12/27/). In fact, the upper house of the national assembly (Senate) after approving the President's request of $22.7 billion foreign loan, put Nigeria's debt burden at N33 trillion This situation has led to an endless debt servicing thereby depriving the nation of funds for basic infrastructural developments, amenities as well as its general well-being such as road construction and maintenance, employment, education, healthcare, economic prosperity, etc. In addition, social vices are part of the resultant effects of this issue, which include armed robbery, kidnapping, fraud, cybercrime, etc. This is because people will be looking for how to survive by all means. These are the attendant crises of debt burden, otherwise known as debt crisis, as witnessed in Nigeria today.

Foreign Aid and Economic Growth in Nigeria under Buhari, 2015-2021

Debate on the relationship between foreign aid and economic growth among developing countries remains subject of argument and continuous re-assessment, due to incongruence in some previous studies conclusion.

Some previous researchers found positive impacts of foreign aid on economic growth (Moyo, 2009; Brautigam & Knack, 2004; Fasanya & Onakoya, 2012; Yiew & Lau, 2018; Mukaddas, 2020; Siddique, Kiani & Batool, 2017; Saibu & Obioesio, 2017; Onakoya & Ogunade, 2016; Ugwuegbe, Okafor & Akarogbe, 2016). Yiew and Lau (2018) concluded by presenting a U-shape relationship between foreign aid and economic growth using data for 95 developing countries from the years of 2005 through 2013. Interestingly, results strongly support that GDP is likely depends on Official Development Assistance (ODA). This indeed negates the claim on the dependency notion from the recipient's countries on to the donors.

Also, Ugwuegbe, Okafor and Akarogbe (2016) earlier revealed that foreign aid is in conformity with the a priori expectation is positively related to Gross Domestic Product. Supporting the argument, Saibu and Obioesio (2017) lends credence to the theoretical assumptions and previous empirical conclusion that foreign aid impact economic growth positively in Nigeria. It went further to state that the impact of foreign aid on economic growth in Nigeria is systematically conditioned on some factors among which include the quality of policies, the policy climate and quality of institutions. Onakoya and Ogunade (2016) also discovered that foreign aid is positively related to real gross domestic product per capital with a percentage increase kin foreign aid leading to, on the average, 0.13 percent increase in real gross domestic product per capita. The study also affirms that the relationship is statistically significant in shaping the\ gross domestic product in the long run in Nigeria. In the same vein, Siddique, Kiani, and Batool (2017) used Dynamic Panel Estimation technique to re-estimate the relationship between foreign aid and economic growth of South and East Asian countries, with a conclusion that it is a significant channel through which wealth is transferred from rich countries to the poor nations to enhance growth and development in under developed countries. Recently, Mukaddas (2020) concluded that the foreign aid intervention programme have positive impact on the infrastructural development in Nigeria education sector, improve performance of teachers, helped Nigeria to achieve Sustainable Development Goals and Universal Basic Education goals, encourage Nigerian school enrolment at primary and secondary school levels as well as improved ICT application in higher institutions.

Olabode, (2013), Appiah-Konadu, Junior, Eric & Twerefou (2016), Ozekhome (2017), Kolawole (2013), Arshad, Zaid & Latif (2014), Murshed & Khanaum (2014) and Ighodaro & Nwaogwugwu (2013) found that a negative relationship existed between foreign aid and economic growth. Kolawole (2013) in his study asserts that official development assistance also known as foreign aid has no effect on real growth in Nigeria. The study argued that bulk of foreign aid provided for infrastructural development in the country are either embezzled or diverted to unnecessary projects that has no link with real growth in Nigeria. Supporting this, Arshad, Zaid, and Latif, (2014) used Johnson co-integrated equation to reveal that foreign aid does not cause the improvement in Gross Domestic Product (GDP) of Pakistan. Also, Fasanya & Onakoya (2012) concluded that the policy variable reverse the positive effect of foreign aid on economic growth, even making it detrimental to growth. The study further argued that donor government should be aware of the political situation in the recipient nations to endure effective implementation.

In their complementary study, Murshed and Khanaum (2014) concluded that recipient countries should prioritize sound economic management as well as effective utilization of aid resources as it will not automatically enhance economic growth. In the study by Appiah-Konadu, Junior, Eric, and Twerefou (2016) it was discovered that aid which is intended to promote economic development end up harming the economy of Ghana due to corruption and high interest payments on aids that in the forms loans. Also, Ighodaro and Nwaogwugwu (2013) concluded that foreign aid is not beneficial to the agricultural sector

in both short run and long run in Nigeria as only domestic savings will impact positively on the agricultural sector of Nigeria. The argument was also supported by Ozekhome (2017) that foreign aid and its squared term are found to dampen growth in the ECOWAS countries. The study concluded that sound and stable macroeconomic policies, institutional structures as well as policy coordination and harmonization with respect to trade and investment among member countries will improve economic growth of the sub-region.
Other researchers such as Dreher and Langlotz (2015); Liew, Mohammed and Mzee (2012); Hansen & Trap (2000); Fashina, Asalaye and Ogunade (2018); Maria and Ezenekwe (2015); Ekanayake and Chatrna (2008); and Agunbiade and Mohammed (2018) found that a relationship between aid and economic growth was insignificant and not the real cause in economic growth of developing countries. Liew*et al* (2012) applied the pooled ordinary least squares, random effect, and fixed effect models to examine the impact of foreign aid on economic growth in East African countries between 1985 and 2010.
They found that a negative relationship existed between foreign aid and economic growth. Dreher and Langlotz (2015) examined the impact of aid and growth using an excludable instrument for 96 countries from 1974 through 2009. They concluded that there was no impact of aid on growth. The study shows foreign aid variable having a negative sign in three out of four cases, indicating that foreign aid appears to have an adverse effect on economic growth in developing countries. However, Agunbiade & Mohammed (2018) revealed that foreign aid flow in Nigeria has positive relationship with economy but not strong enough to impact on the economy. The study went further that aid received should be properly channeled into productive investment in Nigeria to have its impact on the economy. From the empirical evidences above, this study will substantiate any of the three arguments above or any of the group of empirical evidences to re-asses of foreign aid on economic growth in Nigeria.
The major consensus in the literature is that foreign aid can be a potent instrument through which developed countries can contribute to the development of poor developing countries (Minou & Reddy, 2010). The flow of foreign aid in the form of financial support, technical support, entrepreneurial training, human capital development and infrastructural development programmes instituted by developed countries in LDCs all support this aim. However, in reality, the actual impact of foreign aid on the progress of developing countries has remained at best questionable. While some studies provide evidence of a positive aid-growth linkage others do not.
Chief among the studies that validate the positive aid-growth linkages include Burnside & Dollar (2000). Burnside & Dollar (2000) which concludes that aid are and even most effective when policies are appealing and conducive. Their study has received abundant credence from latter studies which provide similar findings (for example, Okada & Samreth, 2012). Dalgaard & Erickson (2009) have established robust evidence that aid is beneficial in the short-term; whereas Minou and Reddy (2010) have recently found that the beneficial effect could also be viewed in the long-term especially for aids targeted at capital and infrastructural development. Gong, Zang & Zou (2008) and Asongu & Jellal (2015) have

emphasized that development assistance has both a direct effect on welfare and an indirect impact through public spending on social services. The indirect stance has been further consolidated by Upreti (2015) on wellbeing and poverty in recipient countries. Foreign aid has also been found to promote institutions in terms of its role on corruption (Okada & Samreth, 2012) and transition to democracy (Resnick, 2012).

Arndt, Jones and Tarp (2010) examined in detail the above-mentioned methodological problems and devoted a great deal of attention to their solution. Extensive testing led them to conclude that aid has a significant positive impact on economic growth mainly in the *long term*: increasing aid by 10% of the recipient country's GDP results in the economic growth per capita of the population in the long term of more than one percentage point.

While some studies provide enthusiastic empirical evidence for the positive aid-growth linkage, others, have remain largely pessimistic and in most instances at opposing view. Lessmann & Markwardt (2010) found that aid did not have a significant impact on economic growth, but it did have a negative interaction effect: He further argued that fiscal decentralisation has a negative impact on the aid-growth relationship and political decentralisation had no impact. Moyo (2009) also suggested that development aid, and budget support in particular, encourages corruption and has a negative impact on economic development. This conclusion, however, is not based on empirical scrutiny but on a meta-analysis of the available literature. The most poignant argument by this author is an intuitive one, namely that countries should have been much wealthier by now if aid had been used effectively. Dalgaard & Erickson (2009) and Dalgaard & Hansen (2010), similarly, showed that the assumed potential impact of aid is often overestimated and exaggerated. The authors calculated that if all aid in the past 30 years had been used effectively to increase investment, this still would only have led to a per capita increase in income marginally by just 6%-10%.

The preceding evidence shows that the analysis in the subject is far from conclusive. We may conclude that there is sufficient empirical evidence for the positive long-term impact of aid on economic growth. It remains difficult to show a positive relationship for the short term, precisely because the correlation between aid and economic growth in the short term seems negative. As pointed out by Roodman (2008) countries receive aid because they are doing poorly economically. Another reason why it is difficult to show an immediate positive impact is that a large share of aid is not aimed at promoting short-term economic growth. In passing, one can inferred that foreign aid transmission is most effective in an environment of fiscal policy optimality and good macroeconomic policy environment.

Conclusion and Recommendations

In conclusion, it is important to take cognizance of the fact that borrowing is not at all bad, but borrowed funds should not be misused. It is a well-known fact that finance is the bedrock for development of any economy. Therefore, a country that does not augment the deficiencies in its finances may likely not grow. When there is room to borrow current income will increase which will lead to increase in consumption and thereby increase investment. However, there is a need to review the country's debt policy and strategies, with a view to making it pro-growth.

From all that has been said so far, as a matter of fact, loan-dependent budgetary system is dangerous or detrimental to the economic prosperity, well-being and survival of any nation. The reason for this is not hard to find: it brings a heavy debt burden upon the nation, just as it has currently done to the Federal Republic of Nigeria. In addition, large amount of resources that should be used for infrastructural developments, amenities as well as the general well-being of the country such as road construction, road maintenance, employment, education, healthcare services, poverty reduction programs, etc. are channeled or used for debt servicing on yearly basis. This is the cause of debt crisis which Nigeria suffers at the moment as well as the current widespread poverty and hunger. In view of this, we advise that the Buhari-led administration of the Federal Republic of Nigeria should try as much as possible to reduce borrowing. And by so doing, our budgets will not be loan-dependent from now henceforth.

Based on the findings, the study provides the following policy recommendations

1. Therefore, the study recommends adequate measures to be put in place to manage borrowed fund by ensuring that borrowed fund are expended on capital project that will generate income and there should be appropriate measures in place that will serve as checks and balances on government spending such as institutional framework for analyzing and managing public investment projects. Also, borrowed funds should be channeled to the purpose in which they have been borrowed this will help foster economic development. Furthermore, the government should work towards freeing up more expenditure for capital project, as this stimulates growth, encourage productivity as against the current focus on more recurrent spending, which only compounds our fate as a consuming nation, thereby affecting long run growth in the country.
2. The effectiveness of foreign aids could be influenced by human development index as revealed by granger causality; therefore, it becomes paramount for policy maker to ensure that foreign assistant should be channeled to education, healthcare and other social services, foreign aid in form of foreign direct investment should be encouraged rather than financial aid to avoid embezzlement of those funds.
3. Finally, government needs to formulate strong and effective education and health policies to facilitate and attract investment in the sectors and improve their efficiency in the long-run.

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