

Nigeria's Cyclic Borrowing and its Implications for National Development

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Abstract

Funds are indispensable assets for concretizing the policies and goals of a state towards national development. Thus, the success of a state in attaining its goals is contingent upon and measured by the volume of funds at its disposal. This paper argues that the Nigeria cyclic borrowing over the years since the return to democratic rule in 1999 has assumed a worrisome dimension as it seems to have consistently barricaded, distorted and disarticulated all efforts at achieving sustainable and all-inclusive national development. The major concern of this paper is to examine the implications of unending borrowing on socio-economic and political development in Nigeria. The study employs a synthesis of the dependency theory and social order theory of negotiation as its theoretical framework. The study is dependent on documentary method for data collection and analyzed through qualitative content analysis. Findings show that despite the abundant natural and human resources, the country's economy still remains in bad shape or impoverished state. This leads to desperation and dependency and thus, places the country in a disadvantaged position to negotiate favorable borrowing terms which has dire implications for national development. It is recommended that if Nigeria wishes to get out of this cycle of borrowing and engender national development, it must diversify her mono-cultural economic system and reduce her dependency stance to the barest minimum.

Keywords: Cyclic Borrowing, Debt, Dependency, National Development and Negotiation

Introduction

The socioeconomic heritage of Nigeria is awash with bizarre paradoxes. Despite the availability of abundant human and natural resources, the country continues to wallow in abject poverty and intractable underdevelopment. Regardless of Nigeria's oil wealth, its social indicators are among the least on the planet, with a Human Development Index (HDI) positioning 152nd out of 188 countries and territories in 2017. Even statistics from the government indicated that the poverty rate increased from an average of 27 per cent in the 1980s to over 70 per cent in 2003 (Onuoha, 2008). Current life expectancy hovers at a dismal 55.2 years according to a 2016 World Health Rankings; and infant and maternal mortality

rates remain high at 59.181 deaths per 1000 live births and over 800 maternal deaths per 100,000 live births respectively. A report by the World Poverty Clock (2018) suggests that Nigeria has overtaken India as the country with the most extreme poor people in the world even though India has a population seven times larger than Nigeria's. Thus, Nigeria has become the poverty capital of the world.

Onuoha (2008), opined that the workforce in Nigeria is about 88 million people. The country can boast of about 100 universities, about 50 of which are publicly owned (by states or the federal government); while about 40 are owned by private individuals and corporate institutions. In terms of crude oil, the country is said to have an estimated reserve of about 32 billion barrels and an estimated gas reserve of about 174 trillion barrels. It is even said that if Nigeria's natural gas is depleted at the current rate, then the reserve can last for the next 110 years (Onuoha, 2008). The World Bank survey indicates that out of the 137 billion cubic meters of gas flared worldwide, Nigeria flares about 17 billion cubic meters. In spite of the presence of abundant mineral resources in the bowels of Nigerian soil, the country's poverty rating is still pathetically high, declining standard of living, education and health, unimaginable inflation, deteriorating infrastructures and among others. These examples demonstrate that Nigeria should have nothing to do with poverty and borrowing if the country's resources are properly harnessed and prudently managed. In fact, the nation's macro-economic policies, which could have brought about balance of payments equilibrium and by implications, the elimination of unsustainable external debts, are badly implemented thereby culminating in balance of payments deficits. Poverty tends to engender non-stoppable borrowing to finance deficit budgets.

In the face of this bleak reality and the incessant quest to provoke a minimum level of development; and give the country a facelift, successive governments have been borrowing from international donor agencies. From the return to civil rule in 1999 to 2018, it is estimated that Nigeria borrowed an alarming \$41.483 billion (The Cable News, 2018). In most cases, these borrowings have resulted in increasing unemployment, double digit inflation, perpetual halt in domestic capital accumulation, and breakdown in the productive apparatuses and widening income inequality. Yet, despite being a country with rampant extreme poverty, Nigeria also runs one of the most expensive governments in the world. Since his return to power in 2015, the Buhari's administration continues to present high yearly budgets that the country's gross domestic product (GDP) is incapable of servicing. The country has indeed been borrowing to actualize virtually all the yearly budgets presented.

A nagging question that continues to agitate the minds of many Nigerians is why the country is still in such a dire state of underdevelopment in spite of all the developmental loans accrued from international donor agencies. These loans have not been used to improve infrastructure and education that would improve Nigeria's capacity to earn and repay creditors. Instead, they have been largely wasted on unproductive recurrent expenditure while the government stays true to actions, inactions, policies and legislation that stifle regional growth and market improvements.

Regardless of the huge loans, the country's economy remains in bad shape. This leads to desperation and dependency and thus, places the country in a disadvantaged position to negotiate favorable borrowing terms which has dire implications for national development.

Indeed, Nigeria literally has no bargaining power and negotiates from a position of weakness because of its weak economy. Thus, the inability of the country to internally generate sufficient capital to revamp its economy and the urgent need to do so at all cost creates a state of perpetual dependency and cyclic borrowing.

This study, therefore, is an attempt to unravel the dynamics of Nigeria's cyclic borrowing and its implication for national development. We shall pay particular attention to Nigeria's borrowing from the World Bank and why the conditions of such loans are mostly unfavorable so as to engender any meaningful development.

Theoretical Framework

Our theoretical framework for this study is predicated on a synthesis of the modified dependency theory and social order theory of negotiation propounded by Anselm Strauss (1979). Dependency theory was significantly influenced by Marxist thoughts and grew as a critique to modernization theory which treated the development problems of the Third World in terms of tension between the forces of traditionalism and the forces of modernization. The concept of dependency was coined by a Brazilian sociologist, Fernando Henrique Cardoso however; A.G Frank is often credited with formulating the original version of Dependency Theory. His work titled "*Capitalism and Underdevelopment in Latin America*" written in the early 1960s and published in English in 1967 can be taken to be the opening salvo in the dependency theory debate (Onuoha, 2008). The theory was presented by A.G Frank as a contribution to development economics and geared towards the explanation of the present condition of less developed countries. Frank used the concept of dependency to classify relations of power and control such that the course of development in the underdeveloped countries or satellite is determined by that of the developed nations or metropole. The implications of these relationships for the satellite are that certain problems such as poverty and asymmetrical development are accelerated and the satellite is further disadvantaged (Frank, 1986).

In a journal article entitled "Structural Theory of Imperialism" Johan Galtung (1971) improved on A.G Frank's theory of dependency. He advanced arguments that the world consists of *center* nations and *periphery* nations. For him, there is harmony of interest between the center nations, particularly the center of the center and the center of the periphery. There is also a disharmony of interest between center of the periphery and periphery of the periphery. This position is important to our understanding of the issue under study. As we shall soon argue, there is a clear structural inequality between the World Bank and underdeveloped states like Nigeria which makes borrowing on favorable terms impossible. While the World Bank falls within the category of center of the center, Nigeria falls within the center of the periphery.

While the dependency theory is crucial to our apperception of the issue under study, we shall make some necessary modifications of the theory to make it applicable for this study. The first modification is a retraction of the supposed harmony of interest that is said to exist between the center of the center and the center of the periphery. Our position is that such congruence does not actually exist for if it does, Nigerian elites would not be bemoaning of western exploitation and domination. Secondly, such postulation dismisses the question of

manipulations during negotiations between the center of the center (World Bank) and the center of the periphery (Nigeria).

The application of the modified version of the dependency theory to the issue under study will become clearer in the context of the social order theory of negotiation developed by Anselm Straus (1979). The basic assumptions of this theory are that structural conditions under which agreements are negotiated affect how actors see social order and what they believe to be possible or impossible, problematic or probable. The implication of these assumptions is that virtually everything can be affected by the changing and structural contingencies, including implied stakes: the guiding strategies, the associated tactics, the number of participants, the issues and alternative models of action (Onuoha, 2008).

From this theoretical perspective, we may conclude that the negotiated outcomes for loans between Nigeria and the World Bank is influenced by the degree of structural inequality between the two parties with the interest of the World Bank first than that of Nigeria. The situation is even direr when it is understood that Nigeria desperately needs foreign exchange in order to survive. This desperate stance of Nigeria usually encourages the World Bank to wield a “take it or leave it” position. Onuoha (2008) noted that in most multilateral negotiations for loan between the World Bank and Nigeria, the former enjoys such an overall disparity of international power and relative invulnerability that it is able to achieve its objective in virtually every case.

In most cases, the World Bank threatens wholesale international financial boycott to frighten Nigeria if it is not ready to adopt and implement the Bank’s peculiar adjustment policies. The World Bank does not hesitate to exploit the weakness of Nigeria by pressuring it to adopt structural adjustment programs. And being all too aware that noncompliance with the World Bank may lead to refusal of the World Bank’s disbursement of the loan which may in turn engender economic hardship in the country, Nigeria gets pushed to the limit and proceed as persuaded. The loans advanced under such conditions do not lead to national development; they usually end up destabilizing the economy and keep the country on a perpetual state of dependence and lack of sufficient capital to revamp the economy and galvanize national development.

Yet, because funds are indispensable assets for concretizing the policies and goals of a state towards national development; and the success of a state in attaining its goals is contingent upon and measured by the volume of funds at its disposal, Nigeria must go borrowing again under the same conditions in the absence of needed funds. This would still lead to more borrowings because the borrowed funds would not generate the much needed capital to revamp the economy, pay off the debt and embark on development projects. The circle just goes on and on and there seems to be no end to the Nigeria’s cyclic borrowing.

Conceptual Clarification Development

The concept of development has defied numerous attempts by scholars to assign a universally acceptable and precise definition in the extant literature. A varied body of literature exists on this concept, yet no consensus has been reached on its scope and actual definition. 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 underline 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. This study adopts the first notion of development as enunciated by Mabogunje above. However, of great importance is that development is seen as a product of human efforts. This is because human beings manipulate the resources available and ensure it serves the goal of achieving the standard and integrity of the people.

National Development

The term national development is very comprehensive. It includes all aspects of the life of an individual and the nation. It is holistic in approach. It is a process of reconstruction and development in various dimensions of a nation and development of individuals. National development as used in this paper therefore can be described as the overall development or a collective socio-economic, political as well as religious advancement of Nigeria. It includes full-growth and expansion of a nation's industries, agriculture, education, social, religious, and cultural institutions. Moreover, national development implies the development of a nation as a whole. It can be best defined as the all-round and balanced development of different aspects and facets of the nation viz. political, economic, social, cultural, scientific, and material (Bhawna, 2016). This is best achieved through development planning, which can be described as the country's collection of strategies mapped out by the government.

Debt

Africa, a continent with enormity of material and human resources, is grappling with debt crisis. This was largely due to the increasing debt profile of the continent which has remained a recurring and discordant note on the crisis and contradictions of Africa's development. Nnamani (2017) pointed out that Africa is trapped with unimaginable debt, which is hampering the continent's economic growth. Also, Adejuwon et al (2010) lamented that the debt burden of African states has reached a frightening dimension that it threatens to cripple socio-economic and political development in Africa. This is because, Africa expend three times more of its scarce resources on repaying debt than it does on providing basic services.

Debt is incurred when money is borrowed by one country from another. Debt is used by many governments as a means of raising finance to execute projects that they could not afford under normal circumstances. 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 al, 1985). A debt arrangement gives the borrowing party permission to borrow money under condition that it is to be paid back at a later date, usually with interest (Nnamani, 2017). The most common forms of debt are loans. Under the terms of a loan, the borrower is required to repay the balance of the loan by a certain date, typically several years in the future. The terms of the loan also stipulate the amount of interest that the borrower is required to pay annually, expressed as a percentage of the loan amount. One of the principal features of debt is repayment of what has been borrowed with an additional interest. If a government is taking a loan whether from external or domestic source, the borrower must calculate the annual debt service required on each loan. For instance, Nigeria is in a debt that servicing options have become difficult to handle and such highly indebtedness appeared

to have trapped national development. An article published in the New Age Newspaper cited in Nnamani (2017:196) aptly captured the devastating situation of debt in Nigeria when it noted thus:

“A country that borrowed US\$11 billion and has so far paid back US\$32 billion is still owing US\$34 billion? That means every dollar borrowed has been repaid almost three times over, yet about three times the initial amount borrowed is still being owed, creditors are having their cake and eating it in a vicious arrangement designed”.

By debt in this context, 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 distortions 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, 1999). 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 like Nigeria 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”.

McConnell, Brue (1996) noted that “debt – both public and private – plays a positive role in a prosperous and growing economy”, but, at the same time, they mark that “external debt is a burden”, as far as “the payment of interest and principal requires transfer-ring some of the real output to other”

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Cyclic Borrowing

Borrowing is an important source of revenue generation where a party agrees to lend money to another party with the expectation of repayment in the future, often through installment and usually with an interest. Borrowing situation arises when there is discrepancy between the expected revenue and expected expenditure. When a country borrows, it incurs debt. This implies that borrowing leads to a situation whereby the cost of meeting interest-payments and regular contractual repayments of principal on a loan along with any administration charges borne by the borrower.

Increase in continuous borrowing establishes cyclic borrowing trends. Cyclic borrowing, therefore, refers to repeated or seemingly unending borrowing for development projects by one country (mostly Third World), from donor agencies (usually the World Bank, IMF and industrialized capitalist states of the West), under harsh and unfavorable conditionalities, due to the dire economic state of the former. The implication of this is that such loans are hardly used for the development projects for which they were obtained. This often results in

desperation on the part of the borrower nation and more borrowing on even much worse conditions, as debts incurred tend to worsen their economy.

Consequently, the void created by the unachieved projects which is often the result of the conditions upon which the first loan was obtained, among others, necessarily creates another condition for obtaining more loans. This process seems endless as new loans are not acquired on any better conditions than previous ones, especially if there are no indicators of economic growth. This process tends to continue and cyclic borrowing, which is a major precipitator of debt burden, is born.

General Overview of Nigeria's Borrowing Cycle 1999-2019

The goal of every government is to attain higher level of development in such a way that its citizens would derive natural essence and good governance. The Nigerian governments both past and present have no doubt put in efforts in developing the nation. However, for a nation to be in a phase of development there must be some pre-requisites, which include socio-political and economic stability. A large majority of the world's population in developing world lives in a state of poverty (Tolu & Abe, 2011). In their efforts to bring about development over the years the different Nigerian leaders have been cyclically borrowing funds both from international Financial institutions like the IMF, the World Bank and other financially stable nations which has become the norm. Nigeria seems to have subjected itself to an uncontrollable borrowing to finance deficits over decades to such an extent that the debt burden is so huge, and her annual budget for debt servicing is bigger than that of capital expenditure.

Despite the introduction of SAP in the 1980's and debt forgiveness in the mid 2000's, Nigeria has not been able to get herself out of the web of debt conundrum, with no end in sight to reduce or stop borrowing in its entirety. The problem with the continuous borrowing is that rather than developing the country, it places the country on huge debt regimes. For example, when in 1978 General Obasanjo's regime was considering taking a \$2.78bn facility recommended by the International Monetary Fund, IMF, to boost economic growth, many Nigerians cried against it but he went on to borrow same and on his return to power in 1999 it was discovered that the \$2.78b has not been repaid. Instead, the debt stock had exploded to \$36bn (Dele, 2018).

After Nigeria transited to a democratic government under President Olusegun Obasanjo 1999 after a long period of military rule the nation's debt which stood at about US \$25 billion in 1999 when the government of Obasanjo assumed office rose to US \$34 billion as at the end of 2004. In addition, states had also collected huge loans from private financial institutions and multilateral organization like the World Bank and the African development bank (Yakubu, Kenneth & WasIu, 2019). In 2012, under the administration of President Goodluck Jonathan, it was reported that he sought for the approval of the Senate for Nigeria to take a \$1.6bn loan to finance a water supply project in Rivers State and for the execution of housing projects across the country. The loan, he said, was to be financed by the African Development Bank, ADB another \$300m for a low-income housing scheme, which was to be financed by the World Bank to provide affordable housing for Nigerians. Furthermore, in 2014 Daily Trust reported that Jonathan borrowed N165bn to improve the fight against the Boko Haram insurgents as well as other security challenges (Olaniya, 2014).

Upon assumption of office in 2015, President Muhammdu Buhari accused the former president of leaving behind N21 billion debt for the incoming administration (Daily Trust, 2014). The present administration has continued the cyclical borrowing which inevitably is stifling development in Nigeria. Also, in 2016, there were reports that President Buhari sent a request to the National Assembly to approve external borrowing plan of \$29.960 billion to execute key infrastructural projects across the country between 2016 and 2018. Statistics shows that the current administration of President Muhamadu Buhari has continued in the borrowing cycle. In October, 2016 the National Assembly approved N2.3tr loan during the passage of the Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) for 2017 – 2019 budget cycle.

It is also worthy to note that with all these cyclical borrowings, the debt profile of the country has continued to rise. Nigeria's total public debt stock rose continuously from NGN8.32 trillion in September 2013 to NGN22.7 trillion in March 2017. The high debt made the World Bank and the International Monetary Fund (IMF) warn the country of the economic consequences of such huge debt. Even the Nigerian Debt Management Office (DMO) warned that Nigeria's high debt service to revenue ratio could trigger a debt crisis. According to the DMO, Nigeria's debt stock profile (both domestic and foreign loan) stood at NGN22.7 trillion as at March 2017. While the stock of external debt was USD22.07 billion, the domestic debt was USD52.21, billion (Nathaniel, Queeneth, & Emeka, 2018). This debt affects the National development of the country because rather than concentrating on development policy, the government focuses on ways of servicing the debts over time. The cost of servicing debt in Nigeria has adverse effects on both economic and human developments. For instance, as of June 2017, 34% of the nation's total revenue was spent on debt servicing as revealed by the DMO

The Nigeria State and Cyclic Borrowing: Why Do We Keep Borrowing?

The reality is that funds are authentic resources for engendering national development in a country. This implies that no organization, institution or state can function effectively and realize its goals without a sustainable flow of revenue. In other words, no government can be successful without funds at its disposal. Nnamani, (2017) rightly observed that government depends on taxation (internally generated revenue) or borrowing in order to execute public projects or provide essential social services. Generally, government borrows money when the expected expenditure exceeds the anticipated revenue. The borrowing situation arises when there is discrepancy between the expected revenue and expected expenditure. For example, government financial deficits are the summed differential of the government's total real fiscal expenditure and actual monetary revenue wherein the expenditure is higher. Since 2011, the Nigerian budget has been on a steady rise; with a higher expenditure than revenue, leading to a total price range deficit of over N13 trillion between 2011 and 2018. However, beneath the Buhari administration, actual deficits have turned higher than budgeted because the government misses out on revenue objectives (Adesanoye, 2018).

The Federal Government hinted that it borrowed N3.57tn between June 2015 and March 2017 to finance budget deficits. Statistics obtained from the Debt Management Office showed that the Federal Government's domestic component of the national debt rose from

N8.39tn as of June 2015 to N11.97tn March 2017. This means that the domestic debt of the Federal Government rose by N3.57tn within the period. According to the 2016 Appropriation Act, the Federal Government budget deficit for 2016 amounted to N2.22tn, while the deficit for 2017 amounted to N2.36tn. For 2015, the budget deficit stood at N755bn or 0.79 per cent of the Gross Domestic Product. Similarly, the then Minister of Budget and National Planning, Senator Udoma Udo Udoma, said the Federal Government will borrow N1.6 trillion to finance part of the N9.12 trillion 2018 budget. Nigeria's Debt Management Office (DMO) further said the country will borrow N1.549 trillion from domestic and international markets to fund its 2020 budget. Director-General of the office, Patience Oniha, told journalists that N805 billion will be borrowed externally, while N744 billion will be borrowed from the domestic market (Omilana, 2020). Incidentally, in the Nigerian state, cyclic borrowing has manifested itself through different administrations. The implication is that cyclic borrowing appeared to have trapped and hampered economic growth and cripple socio-economic and political development.

Another reason that the Nigerian state continued to borrow is the dwindling oil price and declining relevance for primary products in the world market. The implication of dwindling oil prices in the international market is that; as a country which relies majorly on oil revenue, Nigeria is bound to see borrowing as the last resort to prevent the total collapse of the economy since there is evidence of a serious revenue shortfall. Typically, when there is a decline in revenue, borrowing becomes inevitable. Generally speaking, borrowing is not entirely a bad idea; however, borrowing heavily for the purposes of building critical infrastructure with the level of revenue challenges in the country, poses major difficulty in servicing the debts. This has dire implications for national development. Additionally, synthetic commodities are being developed by the industrialized capitalist west to replace raw materials; for instance, the production of cars operating without petrol. The resultant effect is the declining relevance of primary product in the global market. Nigeria has been borrowing abroad to fund projects after a 2016 recession caused by low global oil prices, but debt service costs have been rising.

Weak economy is a condition of an economy in which growth is slow, flat or declining because colonialism deliberately structured African economy to be permanently dependent on western economies. They were consigned to the role of producers of primary products for processing by the west. The terms of trade in the western controlled international market discriminated against African states, which are unable to earn enough to develop their economies. Thus, the inability of the country to internally generate sufficient capital to revamp its economy and the urgent need to do so at all cost creates a state of perpetual dependency and cyclic borrowing. This leads to desperation and dependency and thus, places the country in a disadvantaged position to negotiate favorable borrowing terms which has dire implications for national development. Indeed, Nigeria literally has no bargaining power and negotiates from a position of weakness because of its weak economy. According to Mbah (2012) "Africa is the largest loser in contemporary globalization process as it is obvious that Africa is currently the worst hit in the draw backs and backlash of globalization". Globalization is posing serious economic dislocation, social and political instabilities in Africa.



In most cases, for Nigeria to survive, it yields to the harsh ‘conditionalities’ of the borrower agencies. The weakness of Nigeria’s economy directly or indirectly empowered the borrower agencies to persuade Nigeria to adopt and comply with the unfavorable conditionalities such as Structural Adjustment Programs (SAP). Noncompliance could lead to refusal by the borrower agencies to disburse such loans which may in turn exacerbate the situation at hand.

The origin of Nigeria’s external debts dates back to May 2, 1958 when the sum of \$28 million was secured from the World Bank for the construction of 1780 miles of railway from Kuru in Jos through Bauchi and Bornu, and to improve then existing rail network. The origin of Nigeria’s external debts dates back to May 2, 1958 when the sum of \$28 million was secured from the World Bank for the construction of 1780 miles of railway from Kuru in Jos through Bauchi and Bornu, and to improve then existing rail network. The origin of Nigeria’s external debts dates back to May 2, 1958 when the sum of \$28 million was secured from the World Bank for the construction of 1780 miles of railway from Kuru in Jos through Bauchi and Bornu, and to improve then existing rail network.

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The Implications of Cyclic Borrowing on National Development

In Nigeria there seems to be contending positions for and against government engagement and involvement in borrowing. While some of the positions may have been relevant to aid capital project and achieve infrastructural development, others are of the view that borrowing seriously hampers economic growth of the state. However, scholars like James (2006); Oshadami (2006); Ake, (2000); Ochonu, (2005); Onuoha (2008); among others debunked the initial position and contend that public debt has no significant effect on the growth of the Nigeria economy because the fund borrowed were not channeled into productive projects, but diverted into private pockets. Nwannebuike, Ike and Onuka (2016) argued that the negative relationship between external debt and economic growth might be due to the fact that even though debt provided the much needed fund, it might not have been used on productive ventures where the returns should be more than the interest payable. This may be due to poor policy formulation, misappropriation, embezzlement and other corrupt practices.

There seems to be no motivation behind why an administration should continue acquiring loans and the individuals are not feeling the effect of what the advances are utilized for. In the event that our nation's debt servicing and income proportion, which is around 60 percent and our development rate, is around two percent, there is a valid justification for concern. The government must come out with the details of the loans and what they have been used for. The country's manufacturing sector is in pains and some are dying gradually. Unemployment is rising and most young people are becoming sad or hopeless. Education and health may soon become unaffordable to ordinary citizens if care is not taken. Insecurity posits another challenge with growing insurgency in the North-East, the separatist agitations in South-East and South-South, banditry in the North-West, kidnappings, armed robbery and Fulani herdsmen-farmers clashes across the six geopolitical zones of Nigeria. Also the inevitable devaluation of the currency (naira) since the inception of SAP into the Nigerian system has continued without prudence. Obviously, all these issues cannot be resolved in a year or two, but by now the country should begin to feel the impact of efforts put into the resolution of these issues.

Following from the above, former President Olusegun Obasanjo on 28 December, 2019 condemned and warned the Buhari administration of its penchant for loan request. He stated inter alia:

Things might get worse economically as Nigeria, as well as other African countries, kept piling up debts, saying he is worried for the future generations who would have to pay such loans. The country's external debt had increased to \$81.274 billion, noting that to service this current level of indebtedness, Nigeria must commit at least 50 percent of its foreign earnings. "Such a situation talks about an impending bankruptcy. No entity can survive while devoting 50 per cent of its revenue to debt servicing (Vanguard, 2019).

Cyclic borrowing may result in debt overhang. Excessive debts servicing drains resources thus decreasing funds available for national development. Nwannebuike, Ike and Onuka (2016) pointed out that debt service has negative relationship with GDP. This was in line with the result of most other researches as seen in the works of Kasidi and Said (2013), Momodu (2012), Onuoha (2008) and Ezeabaili et al (2011). This means that an increase in debts bring about reduction in the nations GDP. Debt servicing could be described as proboscis of a mosquito for sucking out blood from its victim. It is a tax on unearned income/resources. It is so in that a debtor nation has to service its debt with attendant depletion of resources which may result in debt overhang and uncertainty. Uncertainty occasioned by excessive large debt makes the macro environment (interest rate, exchange rate and inflation) unstable with disastrous economic consequences such as scarce investment, reduced access to international financial market and capital flight. Debt service therefore, can cripple socio-economic and political development of a nation through reduction in amount of available capital. One need to recognize the fact that external debt only helps to exploit the potential of a country; it does not improve it.

According to Omoleye, Sharma, Ngussam and Ezeonu (cited in Festus & Saibu, 2019) Nigeria is the largest debtor nation in Sub-Saharan Africa. As the supposed giant of Africa, this report has severe implications for Nigeria. Cyclic borrowing can be likened to sorrowing or what Onuoha (2008) described as “bargaining with the devil”. Several administrations in Nigeria kept recycling borrowing habit. That is doing the same thing and getting the same result without pragmatic effort to do things differently. Festus and Saibu (2019) further explain that borrowing creates the intergenerational and intra-generational inequity since it benefits the present but burdens the future generations who have to clear the debt. In fact, even the Bible acknowledges the fact that a good father should leave an inheritance for his children instead of liability, a development which makes Nigeria’s debt crisis a burden on successive generations of Nigerians

Also, cyclic borrowing has led to increase VAT from 5% to 7.5% to all sector of the economy including communication. The additional tax will likely be passed by traders and manufacturing of goods and services to the final consumer. The increase in VAT rate may also lead to corresponding rise in the cost of inputs used in the production of goods and services. The rationale behind increase in VAT is to ensure improvement in the internally generated revenue to fund budget deficit and service borrowed funds. The implication is that the poor masses are the ones indirectly paying for the unaccountable fund borrowed abroad by our political leaders.

Conclusion

Borrowing in itself is not a bad economic strategy, but the way in which money borrowed is used is very important. Whatever the name attached to the loans advanced; whatever the time such a loan is disbursed, the end goal should be one and the same: national development. Loans must be used for productive purposes and not to finance recurrent expenditure.



Today, Nigeria's economy is still in an impoverished state despite the huge loans infused into it over the years. It is important to note that the World Bank functions according to the principle of "the richer the country and the greater its stock in the Bank, the greater its weight in the decision making process". The implication of this is that with such an epileptic economy, Nigeria will not be able to secure loan from the World Bank under favorable conditions. Nigeria, therefore, negotiates from an extreme position of weakness and the loans obtained are hardly adequately used for the purposes for which they are gotten due to the harsh conditionalities attached to them. Huge debts are accumulated with nothing to show for it. Yet, because having sufficient funds is a prerequisite for national development and the country seems incapable to internally generate such funds, it must go borrowing again under the same or worse conditionalities, creating a circle of borrowing process due to its moribund economy. This cyclic borrowing process and the harsh conditionalities imposed by the World Bank keeps the country perpetually poor and dependent on the developed Western countries.

Thus, if Nigeria wishes to break out of this dependent, cyclic borrowing trap and engender national development, it must, first and foremost, desist from the practice of running very expensive government and borrowing to service national budget every year. The government should present national budgets that the country's Gross Domestic Income can foot. Furthermore, rather than borrowing from the World Bank or other international donor agencies, Nigeria should explore ways of recovering looted funds and reinvest them in national development. More so, Nigeria must revamp her economic stance by the diversification of her mono-cultural economy by looking inward to decisively grow her agricultural output and, in the process, improve her manufacturing base. Until then, the country will continue to borrow from the World Bank and other international donor agencies under unfavorable terms, which will result in more borrowing. Thus, this cyclic borrowing will continue to hamper national development.

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