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An Econometric Analysis of External Debt and Nigeria Economic Growth

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This paper undertook an econometric analysis of external debt and Nigeria economy using time series dataset for the period 1988 to 2008 employing the Autoregressive Distributive Lag(ARDL) procedure to cointegration because the variables entered are I(1) and I(0).All the variables entered are statically significant in the long run. The result reveal that External debt significantly and positively influence on Nigeria economic growth. Also, financial deepening and foreign private investment is found to significantly and positively promote growth, while government expenditure negatively but significantly affects economic growth during the period under review. However, the Error Correction Model (ECM) is significant and shows the correct sign.

In other words, the implication of Error Correction Model when it is significant is that at least there is convergence in the model implying that there is a long run relationship among the variables entered. Usually, the more the value of the ECM term is near to (-1), the stronger the equilibrium but it must be significant. In other words, it indicate that in the long run the variables move together denoting that there could be short run deviations from the equilibrium but in the long run they adjust and move together and eventually, the entire system adjust itself back to equilibrium with the speed of adjustment of about 88.5 per cent.

Keywords: *External Debt, ARDL, Nigeria, Growth, Foreign Private Investment.*

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