Imapct of Foreign Loans and Aid on Nigeria Economic Development, 1999-2024

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Abstract

The paper is essentially to examine the nexus between foreign loans aid on the Nigerian economic growth and development between1999-2024. The dual character of foreign financial inflows is examined in this study, taking into account both the benefits of filling important developmental gaps in Nigeria and the drawbacks of growing debt burden, problems with governance, and reliance on outside sources the country's economic growth and development. The paper critically assesses the long-term effects of these external finances on Nigeria's economic autonomy and growth trajectory and argued that foreign loans and aid granted to the Nigerian government were instruments of advanced capitalism and to control the country and not necessarily for the development of the nation. The paper adopted the modernization and dependency theories to show why loans and aid from donor's countries and institutions has become channel of economic dependency of Nigeria. According to the findings the paper, foreign loans and aid have been essential in tackling urgent development issues, but their capacity to foster long-term economic

growth and the reduction of poverty has been weakened by poor governance, financial mismanagement, and the growing debt burden. In order to achieve sustainable economic development in Nigeria, this study urges a more strategic and open approach to foreign aid and loans, highlighting the significance of mobilizing domestic resources and bolstering institutional capacity of the country. The country should only obtain foreign loans and aid when seriously and genuinely needed to finance capital projects that have direct bearing on the life of the people.

Keywords: Economic development, debt burden, Foreign aid, foreign loans, Nigeria, poverty reduction,

Introduction

The Nigerian government since independence in 1960 has adopted different strategies aim at achieving economic growth and development of the country. These include formulation of appropriate strategies and programs aim at transformation of the Nigeria economy. One of the strategies adopted by the government to attract the necessary fund required for economic development of the country was for the government to go for foreign loans and aid from donors' countries and agencies. While the government accepted foreign assistances in form of aid and loans to boost the required revenue needed for development, the donor's countries and institutions attached some conditions to the aid and loans granted to the government. This technically created a dependency relationship between the donors' countries, foreign institutions and the Nigerian state. This relationship has created so much discussion over the contribution of foreign loans and aid to the economic growth of Nigeria state.

Although, the development trajectory of Nigeria, a nation with abundant human and natural resources but faced with many economic problems, has been greatly impacted by foreign loans and aid from donor's countries and international financial institutions. This period of this research which is characterized by economic changes, democratic governance, and heightened engagement with global financial institutions which witnessed a large inflow of foreign loans and aid into Nigeria, mostly from the World Bank, the International Monetary Fund (IMF), and donor's nations and international organizations. For example, the Nigeria's public debt stock that includes extern and domestic debt stood at 121, 67

trillion Naira and 91. 46 billion UA Dollar in first quarter of 2024 from 97.34 trillion Naira and 108.23 billion US Dollars in fourth quarter of 2023, indicating a growth rate of 24.99 per cent on a quarter –on quarter basic (Debt Management Office, 2024). These loans and aid had varying effects on Nigeria's economic growth. Such that, on one hand, they played a crucial role in tackling some important problems in that country, like social welfare initiatives, poverty reduction, and infrastructural deficiencies. In this regards for example, the World Bank and IMF have funded a number of development initiatives in Nigeria, such as those related to health, education, and rural development, with differing degrees of success in raising the standard of life for Nigerians (Ajakaiye, Adeniyi, 2017). For example, in 2018, the World Bank approved a loan of $200 million for the Nigeria State Health Investment Project (NSHIP), aimed at improving the quality and delivery of basic healthcare services in targeted states (World Bank, 2018). Also, the World Bank has been instrumental in funding education reform programs, such as the $100 million Nigeria Education Sector Support Program in States (NESSP), which aimed to improve basic education, particularly in the northern regions (World Bank, 2020). Even with this kind of assistance, some opinion leaders and analyses had contend that foreign loans have added to Nigeria's mounting debt load, which could obstruct long-term sustainable growth if not handled carefully (Adebayo, 2020).

They argued that given enduring problems in the country such as corruption, poor management, and inefficient assistance program implementation, the efficacy of foreign aid in promoting economic growth and development in Nigeria has been questioned (Ogunleye, 2019). Although foreign loans offer quick funding choices, they frequently have terms that could restrict Nigeria's fiscal independence and result in long-term debt burden (Ogunleye, 2019; Salami, 2020). With an emphasis on their role in economic growth and development, poverty alleviation, and infrastructure development, as well as the difficulties brought on by mounting debt and governance concerns, this paper seeks to critically analyze the impact of foreign aid and loans on Nigeria's economic development between 1999 and 2024. Providing Insights on how Nigeria can effectively utilize foreign aid for sustainable economic growth and development will also be analysis in the paper

Statement of the Research Problem

Since becoming independence nation, Nigeria has struggled to achieve sustained economic development in spite of its abundance of human and natural resources. Foreign loans and aid have been important instruments in tackling the problem of Nigerian public financing, especially during this Fourth Republic, (1999-2024). Foreign loans from international financial institutions like the World Bank, International Monetary Fund (IMF), and bilateral donors have been crucial in funding the nation's infrastructure, social programs, development projects, and efforts to combat poverty. It is unclear, however, how much Nigeria's long-term economic growth has benefited from these foreign financial inflows. Understanding the complex impact of foreign loans and aid on Nigeria's economic growth and development between 1999 and 2024 is the research problem. There are worries about the long-term effects of foreign loans and aid, even if there has been crucial in filling short-term budgetary shortfalls and financing certain development projects. The durability of such foreign-financed development initiatives, the growing debt burden brought on by increased foreign borrowing, and the possible negative effects of loans and aid dependence on domestic policy autonomy are some of these worries. Additionally, a major concern has been the role that institutional capability and governance play in Nigeria's efficient use of loans and foreign aid. Nigeria's high rates of poverty, poor infrastructure, and socioeconomic inequality persist despite significant international inflows, indicating that the impact of foreign loans and aid may not have been as revolutionary as expected by the Nigerian government. Therefore, assessing the actual effects of foreign loans and aid on Nigeria's economic development—with an emphasis on growth, poverty alleviation, infrastructure development, and the wider socioeconomic outcomes—is the main research problem. The purpose of this study is to investigate if foreign loans and aid have aided Nigeria's economic growth and development or if they have increased the country's reliance on outside sources, fiscal difficulties, and economic instability.

Research Questions

The study was guided by the following research objectives

1. How have foreign loans and aid generally impacted Nigeria's economic development between 1999 and 2024?

2. To what extent have foreign loans and aid helped Nigeria overcome its socioeconomic problems?

Objectives of the Study

The following are the specific objectives of the study, to;

1. examine impact of foreign loans and aid on Nigeria's economic development between 1999 and 2024; and
2. determine the extent foreign loans and aid helped Nigeria overcome its socioeconomic problems?

Methodology

Data for this study was sourced from secondary source obtained from textbooks, magazines, newspapers, internet, and official documents such as World Bank, IMF and Nigerian Debt Management Reports and journals.

Brief review of related Literature

Nigeria has relied heavily on foreign loans and aid for funding, especially during the post-1999 era of democratic administration. These foreign funding sources have been intended to aid Nigeria's attempts to reduce poverty, enhance its infrastructure, and advance its economy. Scholars and decision-makers continue to disagree over the efficacy and long-term effects of these foreign loans and aid on Nigeria's economic growth and development. Foreign loans and aid been seen as a vital instrument for promoting economic progress. According to Ajakaiye, Adeniyi (2017), foreign aid has been crucial in helping Nigeria finance its development initiatives, particularly in areas like rural development, health, and education. They point out that aid has been crucial in reducing poverty, giving Nigeria the money it needs to create vital infrastructure, and easing short-term financial limitations. To improve healthcare access and education quality in Nigeria, for example, the World Bank has provided funding for a number of programs (Ajakaiye, Adeniyi, 2017. Regarding the overall efficacy of foreign aid in promoting sustainable economic growth, there are differing opinions. While foreign aid has helped achieve certain development objectives, Adebayo (2020) contends that its long-term effects on Nigeria's economic growth have been minimal. According to him, reliance on foreign loan and aid has occasionally deterred the mobilization of domestic resources and hampered the nation's ability

to develop an economy that can support itself. Furthermore, foreign and aid frequently has restrictions that can affect domestic economic structures and policy decisions, reducing the Nigerian government's ability to make its own economic decisions (Salami, 2020**).**

Nigeria's economic operations have also been mostly financed by foreign loans, particularly when it comes to filling the infrastructure gap in the nation. Nigeria has greatly expanded its borrowing from both bilateral and international lenders over the reviewed period. These loans have been used to finance transportation, energy, and road projects—all of which are essential for economic growth. Ogunleye (2019) asserts that foreign loans have enabled Nigeria to increase the capacity of its infrastructure, which has temporarily boosted economic growth. The sustainability of such borrowing has been questioned, nevertheless, due to the growing external debt burden servicing.

According to Adebayo (2020), Nigeria's expanding debt burden as a result of its increased reliance on foreign loans presents a serious threat to the nation's long-term fiscal stability. Nigeria's external debt had grown significantly by 2024, and a sizable amount of that debt was being paid off rather than being used to finance new development projects (Adebayo, 2020). Opponents contend that the nation's mounting debt commitments restrict the government's capacity to make investments in vital areas and that the high debt service payments are displacing other crucial public spending on things like healthcare and education (Ogunleye, 2019).

According to Ajakaiye, Adeniyi (2017), foreign loans and aid has benefited social programs including building health facilities and electrifying rural areas that aim to raise living conditions. These initiatives have had varying effects on the overall fight against poverty, nevertheless.

Oko, (2023) examine and evaluated the effect of foreign debt on the Nigeria economic growth and development, and revealed that foreign loan can led to economic growth and development of developing nations like Nigeria if well utilized. He suggested that government agencies responsible for monetary policies such as ministry of finance and Central Bank of Nigeria should integrate suitable

as well as appropriate measures towards ensuring effective management of foreign loan in order to improve gross domestic product as well as the economic growth and development of the country. He concluded that, the Nigeria government should put in place adequate measures and guidelines on how to access foreign loans that will bring about accountability. The loans should be directed towards encouraging real investment so as to increase capital formation and achieve sustainable economic growth and development of the country. In the opinion of Onwunyi, (2023), while examine the impact of foreign borrowing on economic development of Nigeria between 2015-2921, argued that external loan does not improve economic growth and development of Nigeria either in the short run or long run. According to him, foreign borrowing should be discouraged by the Nigerian government even though he agreed that external finance can provides alternative sources of revenue that can kick start an economy towards achieving the projected growth rate. He suggested that before going for foreign loans, adequate policy should be put in place to manage borrowed funds by ensuring that there are expended on capital project that will better the lives of the citizens.

Chukwu, (2023), examined the impact of external loan on economic growth and development in Nigeria between 1981-2020, shows that external debt has no significant impact on economic growth in Nigeria. It also reveals that external loan rather has negative consequences on the country. In view of these result, the study suggested that the cost of governance should be reduced to enable proper utilization of the available internally generated funds for developmental purposes and enabling environment should be created to enhance investment in the all sector of the economy

Sulaiman, Azeez, (2012) examines the effect of external debt on the Nigeria economic growth and development. It reveals that external debt has not impacted positively on the Nigerian economy. It suggested that the Nigerian government should take responsibility of economic and political stability of the country by implementing economic policies that will discourage foreign loans. But when it became necessary to obtained foreign loan, it should only be obtained only for capital projects rather than for social or political reasons. Daniel, (2023) investigates the impact of foreign loans on Nigeria economic growth and

development and came to the conclusion that foreign loans plays a non-significant role in enhancing the country economic growth. He further argued that the government should decrease the amount of foreign loans obtained from various sources as these loans are not used for the intended purpose for which there were obtained.

Abdul, Adamu, and Ogwuche, (2022), argued that developing countries such as Nigeria depend on one form of assistance or the other from developed nations to improve their general economic welfare even though it has been argued that the donor countries benefit more from these loans than the recipient countries. Ndubuisi, (2017) concluded among other things that, debt services payment has become a major problem to the country as huge amount of money is used to services the debt. He argued that the money for debt services would have been used for economic development of the country. Arising from these literatures, this paper concluded that foreign loans have done more evil than good to the Nigerian economic growth and development.

Nigeria's poverty rate has remained consistently high despite the financial aid; in 2024, over 40% of the population lived below the poverty line (World Bank, 2021). While certain efforts to reduce poverty have benefited from foreign aid, Salami (2020) argues that the effectiveness of these programs has been diminished by their poor execution, corruption, and governance shortcomings. Furthermore, Nigerian institutions' poor handling of loans and foreign help has frequently resulted in inefficiencies, reducing the efficacy of these interventions. The effectiveness of foreign loans and aid has been largely determined by Nigeria's institutional capabilities and governance. Effective governance, according to Ogunleye (2019), is essential for the efficient use of foreign aid since it guarantees that funds are distributed to priority areas and handled appropriately. However, the execution of foreign aid and loans has been severely impacted by Nigeria's historical governance issues, which include political instability, corruption, and weak institutions. The potential benefits that may have been obtained from foreign assistance have been diminished due to the frequent misuse of resources caused by the lack of accountability and transparency in the management of these funds (Ogunleye, 2019).

One reason for this is because of the country poor economic policy that failed to scrutinize attached conditions of the aids that came to the country. Arising from this, Aja, (2008) cautioned that Nigeria is at high risk of underdevelopment, if it continue to accept foreign aid without adequate consideration about the conditions attached to these aids which could hinder the effective economic growth and development of the country. The position canvas by Okafor, Akarogbe, (2016), in examining the impact of loan and foreign aid on Nigeria economic growth from 1980-2023 is that, although foreign aid is positively related to GDP, but statistically insignificant to the country economic growth and development. While also, exploring the effect of foreign aid on economic development of Nigeria, Agunbiade, Salam, (2018) attributed corruption and diversion of the aid by political leaders as a major reason while the Nigeria does not benefits from foreign aid granted to the country by foreign donors. According to Abdul, Adamu, Ogwuuhe, (2012), although developing countries depend on one form of assistance or the other from the developed nations and institutions to improve their general economic welfare, the donor countries benefits more from the aid then recipient countries as most of these aid are misused by the government officials that received them. Rojik, Maitah et al, (2024), in assessing the impact of foreign aid on the Nigerian economy with a specific interest from 1980-2019, argued that the estimated results from the aid received during this period shows that foreign aids received by the Nigerian government during this period did not however contributed to the progress of the Nigerian economy, rather it retards the economic growth and development the country during the period under consideration as there were misused and misappropriated.

Umeh, (2019), examine the impact of foreign aid on Nigeria economic growth and development, argued that foreign aid comes with conditionality that end up effecting the economic growth and development of the country negatively. According to him, this is specially so, as the country lack good economic environment that would have helped for effective utilization of these foreign aids. He argued further that although, all countries of the world, especially developing country like Nigeria, is primarily concerned with issues of economic growth and development, and how best to improve on her economic, but the development objectives of foreign aid programs have been distorted by the use of aid from donors countries for commercial and political purpose which give them advantage

over the developing countries. He concluded that foreign aid cannot bring about economic growth and development of any country, but rather, it is a lucrative venture for donor countries that used it to dominant the less developed countries politically, economically and socially. The work suggested that Nigeria government should look inward and come up with adequate economic programs and policies that can scrutinize the conditions attached to these aids and also properly utilized them for the benefits of the country.

Duru, Okafor, Eze and Ebenyi, (2020), in exploring the interplay between foreign aid and economic growth and development in Nigeria between 1984 to 2017, came to the conclusion that foreign aid have not contributed to economic growth in Nigeria as most of the aids are misappropriated as such did not achieved the aim that there were intended for. This was the same conclusion arrived at by Yiew, and Lau, (2018), while examines the role and the impact of foreign aid on economic growth on developing countries and concluded that foreign aid have a negative impact on the economic growth and development of the less developed countries. Ukpong, (2017), agreed with the position of Yiew and Lau, while examine the interdependence of developing countries that necessitates the granting of aid by the industrialized to the less developed countries. Abdullahi, (2024) assessed the impact of foreign aid on the Nigerian economy with a specific interest in official development assistance from 1980 to 2019. The findings of this research revealed among others that official development assistance such as foreign aid and credit extensions does not contribute to the economic growth and development of the country, rather retards it.

Iyola, (2003), suggested ways that Nigeria can benefits from foreign aid, when he posited that for Nigeria to benefit from foreign assistance in the form of aid/loan, the donors must be convinced of the effectiveness of these facilities. This is important as much of the foreign aids goes directly to the Miniseries, Department or Agencies (MDA), that uses the fund according to their individual strategic interest instead of channeling it to national productive economic sectors, as a result, aid/loan that were meant to boots Nigeria economic growth and development of the country turned to be detrimental to it. This is as, Ravinder, (2013), had argued that foreign aid and loan remains a major sources of income for many low-income countries in Africa, unfortunately, in Nigeria, the poor masses

see political leaders as the major beneficially of the facilities which they looted rather than using them for project that will enhance economic well-being of the people. As Agunbiade, Salam, (2018) recommended that government should ensure that foreign aid received should be invested in productive ventures and create institutions to monitor its usage, as well as to block diversion to non-authorized purposes.

Eze, Okpara and Madichie, (2020) examine the consequences of foreign aid on Nigeria economy. They argued that the economic down turn of 2016 resulted in the overall real GDP to contract, and despite the efforts of the government through the Economic Recovery and Growth Plan (ERGP) launched in 2017, inflation, especially of food prices, has remained high, unemployment worsened, low tax revenues and corruption coupled with fluctuating oil prices left the Nigerian economy vulnerable to external shocks and high fiscal deficit, leading to more government borrowing and need for foreign aid and interventions. Adamu, Zasha & Umar, (2022), examine the impact of foreign aid and economic development in less developed countries using Nigeria as a case study. From the various literatures examine above, it can be argued that foreign aids have not impacted positively to the economic growth and development of the country rather, it have done more evil than good. By these loans, Nigeria's policy autonomy has occasionally been jeopardized by the terms imposed by foreign lenders. For instance, the IMF and World Bank's economic reforms and structural adjustment plans from the 1980s and 1990s were criticized for putting market-oriented changes ahead of the demands of local development (Salami, 2020). The conflicts between the requirements of external aid and domestic development objectives are demonstrated by the fact that, despite their intended stabilization of the economy, these interventions also exacerbated social inequality and economic disruption

Foreign Aid and Loans Impact on Nigeria's Economic Development between 1999 and 2024

Between 1999 and 2024, foreign loans and aid significantly influenced Nigeria's economic development, having differing effects on infrastructure development, poverty alleviation, and economic expansion. Although loans and other forms of

foreign aid have boosted economic growth, they have also exacerbated problems with dependency, debt management, and resource misallocation.

Positive Impacts

Infrastructure Development

Nigerian infrastructure projects have benefited greatly from foreign loans and aid. For example, major developments in sectors like energy, health, education, and transportation have been financed by loans from global financial organizations like the World Bank (Olalekan, 2020). These inflows enabled the building and modernization of roads, railroads, and electrical infrastructure, boosting economic activity and raising living standards.

Poverty Reduction and Human Development

Programmes in Nigeria to reduce poverty have benefited greatly from foreign aid, especially grants and development assistance. Initiatives aimed at reducing poverty, addressing health issues (such as HIV/AIDS), and promoting education have been carried out by agencies like USAID and the United Nations Development Programme (UNDP). Human capital development has improved as a result of these initiatives, particularly in rural areas (Dube, 2019).

Economic Stability and Growth

Foreign loans have given the Nigerian government the money it needs to stabilize the economy and control external shocks during times of economic volatility. For instance, loans assisted Nigeria in mitigating the effects of declining oil prices during the 2008 global financial crisis (Akinlo, 2018). By increasing Nigeria's foreign reserves, these loans helped control inflation and stabilize the Naira.

Negative Impacts

Debt Burden and Conditions

The growing debt servicing and conditionality's are some of the main issues Nigeria has had with foreign loans. Nigeria's debt servicing has grown over time, with loans from nations such as China and Western countries and international organizations accounting for a sizable portion of the government's debt (Fola, 2021). A significant amount of government revenue is frequently shifted from funding domestic development projects to servicing external loans as a result of

the expanding debt burden. Loan repayments have occasionally been challenged for being unsustainable, which has led to a decline in fiscal sovereignty (Eze, 2020).

Dependency and Mismanagement

One critique of foreign loans and aid to Nigeria is that, rather than promoting self-sufficiency, they have increased reliance on outside assistance. Numerous analysts contend that this reliance, together with bad administration and corruption, has resulted in inadequate management and distribution of foreign aid funds. For example, corruption and poor management frequently because funds intended for development initiatives to be misappropriated, diverted, or wasted (Akinlo, 2018**).**

Inflation and Exchange Rate Volatility

Because large inflows of foreign cash can lead to inflationary pressures, foreign loans have occasionally increased exchange rate volatility. The value of the Naira may be impacted, for example, by debts denominated in foreign currencies, which may raise demand for foreign exchange. This has consequently resulted in inflationary pressures that have a detrimental impact on the purchasing power of average Nigerians (Olalekan, 2020).

Foreign Loans and Aid helped Nigeria Overcome its Socioeconomic Problems

Nigeria's attempts to address its socioeconomic issues have been significantly, but unevenly, impacted by foreign loans and aid. Concerns exist regarding their ability to effectively address the nation's more profound socioeconomic issues, such as structural underdevelopment, corruption, and debt sustainability, even if they have aided in the development of infrastructure, the reduction of poverty, and economic stability

Infrastructure Development

Major-scale infrastructure projects, which are essential for economic development, have been financed in major part through foreign loans and aid. In order to strengthen Nigeria's infrastructure and boost economic activity, for example, funds from the World Bank and other international financial institutions have been allocated to projects including the construction of roads, the production of electricity, and the provision of water (Olalekan, 2020). These advancements are

crucial for increasing commerce, investment, and productivity, which will support sustained economic growth and better living standards.

Poverty Alleviation

Programs to reduce poverty have benefited greatly from foreign assistance, especially when it comes to funding for health and educational initiatives. Initiatives to improve public health, fight diseases like HIV/AIDS and malaria, and expand access to education have been funded by organizations including the European Union, USAID, and the United Nations Development Programme (UNDP) (Dube, 2019). By enhancing healthcare and education, these initiatives have helped Nigeria's Human Development Index (HDI), especially in rural and underserved areas

Economic Stabilization

Foreign loans have given Nigeria vital financial help during economic downturns. For instance, Nigeria's government was able to strengthen its foreign reserves and lessen the negative effects of declining oil prices during the 2008 global financial crisis by using loans and outside aid (Akinlo, 2018). By preserving economic stability and stabilizing the naira, the loans helped lower the likelihood of a more severe recession and joblessness**.**

Human Capital Development

Programs for developing human capital, such enhancing education and vocational training, have benefited greatly from foreign assistance. These initiatives have improved Nigerians' employability and decreased illiteracy, which has increased the nation's long-term economic potential (Fola, 2021). Through financing healthcare programs, skill-building efforts, and educational reforms, foreign aid has contributed to the improvement of human capital required for long-term economic success.

Negative Impacts

Debt Burden and Sustainability

Although foreign loans have been a vital source of revenue, Nigeria's mounting debt load has sparked questions about its long-term viability. Due to large loans from nations like China and international financial institutions, the nation's

external debt burden increased dramatically (Eze, 2020). These loans frequently have foreign currency values, which causes exchange rate swings and inflationary pressures. Due to the mounting debt, a significant amount of Nigeria's national budget is now allocated to debt repayment, leaving less money for social programs and development initiatives.

Dependency on External Financing

One of the main complaints about foreign loans and help is that, instead of encouraging self-sufficiency, they have made people dependent on outside funding. Numerous commentators contend that neither economic diversification nor the mobilization of indigenous resources have been encouraged by the influx of foreign aid (Akinlo, 2018). Nigeria has instead frequently depended on foreign help and loans to fund its development, which impedes the growth of a strong, independent economy. Nigeria may become more susceptible to external economic shocks as a result of this dependence since it lacks the capacity to withstand such shocks on its own.

Mismanagement and Corruption

Corruption, poor management, and bad administration have weakened the effects of foreign loans and aid. There have been several instances of financial misallocation and ineffective development project execution, even with the significant influxes of foreign aid (Olalekan, 2020). The intended beneficiaries, especially the impoverished and disenfranchised, frequently do not fully benefit from the administration of aid resources due to a lack of accountability and transparency. The potential benefits of foreign aid and loans in resolving Nigeria's socioeconomic problems are diminished by this corruption.

Inflation and Exchange Rate Instability

The effect that foreign loans have on the nation's inflation and exchange rate is another problem. Nigeria's foreign exchange reserves have been strained by the requirement to repay loans in foreign currencies, which has led to exchange rate volatility (Fola, 2021). Inflation has resulted from this, which has a detrimental effect on purchasing power and disproportionately affects the poor. Therefore, foreign loans might occasionally worsen inflationary pressures and promote inequality rather than resolving socioeconomic issues.

Theoretical Framework

Many theories have been developed to explain why the western countries and institutions give aid and loan to less developed countries such as Nigeria. This research makes use of two-gap and dependency theories to explain the nature of the relationship between and among nations in the world as well as the conditions that make it possible for dependency of one part of the world on the other, (north-south relations). According to Ukpong (2017), countries of the world are divided based on their economic affluence- those that are buoyant in terms of their economic and have political stable are called developed countries, and on the other hand, those that are economically backward are called third world countries or less developed countries. Thus, dependency theory seeks to identify and clearly explain the factors that are responsible for the existence of this difference between developed and less developed countries of the world in terms of economic prosperity. The proponents of the theory are of the opinion that there is an unbalanced centre-periphery relationship where the less developed countries are made to dependent on the developed countries for the pursuance of their development. This dependency gives birth to the underdevelopment of the periphery/less developed countries and developed/advanced countries. This is because the developed countries which are dominated by very powerful capitalist countries are always devising means of exploiting the less developed countries, particularly African countries, from their own benefits. Some of the means used to dominate the less developed countries are through aid and loan that there use in exploiting the less developed countries.

The Two-Gap Model

Chinery and Stout (1966), asserts that foreign aid promotes economic growth by supplementing domestic capital formation. The argument is that most developing countries face either a shortage of domestic savings to meet investment opportunities or a shortage of foreign exchange to finance needed imports of capital and other intermediate formation for investment due to low per capital income, therefore, there is the need for the inflow of foreign aid to fill the vacuum. Also, the less developed countries face severe shortages of foreign exchange to finance the import of critical tools and other goods needed for growth. This is caused by insufficient exports to finance imports. This foreign exchange gap is to be filled by the inflow foreign aid/loan according to the two-gap model theory.

From this theory, the less developed economy will require foreign aid/ loan if expenditure is more than income to meet the shortages. Where there is no foreign inflow to supplement thee shortage of capital, then there will be slow growth and inefficient employment of internal resources like labour, natural resources among others. This financing gap model has continued to be used by World Bank and other Multilateral Institutions in advancing aid/loan to less developed countries such as Nigeria.

Chukwuebuke, Egolum (2022), examines the relationship between the external borrowing, foreign aid and Nigeria economic growth and development. This study argued that economic growth propel by Gross Domestic Product (GDP) has positive associated with foreign reserves, foreign aid and openness of the economy, but has negative association with external debts. They recommends that Nigeria government should set a platform where the reserve of the country can be used for infrastructural development in order to support economic growth. They argued that caution should be taken as regards to external debts because it reduced resources available for investment due to debt servicing

The two-gap approach to economic growth through foreign aid and loan has been severely criticized as not adequate to promote economic growth and developemnt of the countries of the south. As stated by Todaro and Smith, (2011), instead of filling financial-gap alone there should be deliberate effort to fill the skill-gap which most of the times is the major problem in less developed countries of the south. Also, they contended that economic growth through foreign capital inflow will depend on the recipient country's absorption capacity which has to do with the prudent and effective use of the aid/loan fund. Again, the skills, expertise and institutional arrangements and structures including existing policies providing the right climate to translate the aid/ loan fund to the achievement of the objectives is very vital.

Izuka, Chetachukwu, (2019) examined the impact of International Development Association (IDA) on the Nigerian economy for the period 1986 to 2016. Their finding indicates that official development assistance did not increase the rate of economic growth of Nigeria; there is a unidirectional causal relationship between economic growth and official development assistance, i.e., the changes in the

official development assistance are caused by the changes in economic growth. They concluded that the use of foreign aid should not be encouraged since it did promote growth. They however recommended that government should create an enabling environment needed for investment of this official development assistance. Measure should be mapped out to ensure that every investment using official development assistance should be on capital project that will have a long term benefit and the Nigerian government should put stringent measures to ensure the assistances from these body is well utilized to positively enhance both human and economic growth of the country.

Dependency Theory

This theory became popular in the late 1960's as a response to research by Raul Prcbish (1991), who found increases in the wealth of the richer nations at the expense of the poor ones. The dominant view of dependency theorist is that there is a dominant world of capitalist system that relies on a division of labour between the rich countries of the North and poor peripheral countries of the South. The rich countries of the north will exploit their dominance over increasingly marginalized countries of the south. Nigeria was a victim of dependency and what Nigeria claimed as independence was not independence in the real context as she courteously asking for foreign aid and loan from the developed countries of the south. Following its colonialism which was largely subjected to exploitation of the British Ajayi (2018), Nigeria continued to grow fat under the imperial exploitation of its resources which were largely agriculture and crude oil yet which were brutally abused by corruption. In explaining the problem of the developing countries, the United Nation Economic Commission for Latin America observed the following

> Poor countries of the south exported primary commodities to the rich countries of the north that then manufactured products out of these commodities and sold them back to the Poor countries. The value added by manufacturing a useable product always cost more than the primary product used to create those products. Therefore poorer countries would never be earning enough from their export earning to pay for their import. Prebish's solution was that poorer countries should embark on programs of import substitution so

> that they need not purchase the manufactured products from the richer countries. The poor countries would still sell their primary products on the world markets but their foreign exchange reserves would not be used to purchase their manufactures goods from abroad Ajayi (2019)

Dependency theory was view as a possible way to explaining the persistent poverty of the poorer countries which made them to depend on the developed countries of the North.

Conclusion

The paper has reveal that despite the amount of loans and aid received by the Nigerian government during the period under study, most Nigerian people still lived in conditions of deprivation, high unemployment and absolute poverty, deplorable social infrastructures, and the country is now been regarded as the poverty capital headquarter of the world, notwithstanding the amount of loans and aid coming into the countries from developed countries and international financial institutions. The country has continued to witness high degree of indebtedness, high repayment and servicing costs of external debts and poor economic performance. The paper concluded that there is no statistically significant evidence on the effectiveness of loans and aid on the economic development of Nigeria. The paper therefore recommended that:

1. Caution should be taken by Nigerian government to avoid foreign aid and loans traps that can hinder economic growth and development of the country as loans reduced resources available for development because of debt servicing burden.
2. The country should only obtained foreign aid and loans when seriously and genuinely needed to finance capital projects that have direct bearing on the life of the people

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