

External Debt Management Techniques: An Evaluation Of The Debt Conversion Programme On Nigeria Economy

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Abstract

The study evaluated the various debt conversion programme used by the Federal Government of Nigeria to manage the nation's external debt. It examines the problems and prospects of management techniques with a view to improving on them or possibly suggests new techniques which might be helpful in solving the external debt problem. Therefore, the research is focused on the external debt management techniques in Nigeria, with emphasis on the efforts of the central Bank of Nigeria (CBN) and the federal ministry of finance (FMF). Generally, the indebtedness of the country becomes a problem when the burden of servicing the debt becomes so heavy and unbearable that it imposes intolerable constraints on the economy and on the development efforts of the authorities. Managing the debt stock without stultifying growth has always been the headache of economic planners in Nigeria and other developing countries. The pupation of this study constitutes the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance (FMF) records and personnel, the sample used is the representative sample. This is because the sample reflects the conditions existing in the population. A total of 20 top management personnel of both the CBN and FMF including 5 top management personnel of the Debt Conversion Committee (DCC) were sampled. In this study, two types of data were collected that is, the secondary data and the primary data. In designing the instrument, care has been taken to ensure its effectiveness, the validity of the research questions were established found reliable at $r = 0.82$. The result showed that the management of Nigeria's external debt via debt conversion programme is effective ($\chi^2_{cal} 6.545 > \chi^2_{tab}$ value of 1.635 ;df=4; =0.05). Also, the Nigeria's debt conversion programme is realistic. ($\chi^2_{cal} 4.655 > \chi^2_{tab} 1.635$;df=4; =0.05). However, the study revealed that the debt conversion programme is not the final solution to Nigeria's external debt problems. ($\chi^2_{cal} 4.655 > \chi^2_{tab} 1.635$;df=4; =0.05). On the basis of the findings, it is therefore recommended that the debt management should be part of the macroeconomic policies of the month. The nation need not wait until there is a debt crisis before embarking on debt management. Also, accurate information on external debts should be sourced as this aids its efficient management on a day-to-day basis and external borrowing strategies in the planning framework.

Keywords: Debt Management, Debt conversion, Jumbo Loan, closed system, commercial debt.

1. Introduction

Nigeria and indeed almost all the African countries are now facing an unprecedented debt crisis never known in the history of the continent. 'He who owes must pay', could well be a true dictum. But it is also no less true that it is only a debtor who is alive that could be forced to pay his debt. In other words, the heavily indebted poverty ridden nations, especially those in developing Africa must survive the scourge of disease, starvation and ignorance if buoyant creditor-nations and institutions of the West are indeed serious about getting back their money. The rationale for raising external loan has always been to bridge the domestic resource gap in order to accelerate economic development.

The rationale for raising external loan has always been to bridge the domestic resource gap in order to accelerate economic development. This is because nations just like individuals need loans to augment domestic resources. Consequently, Nigeria decides to borrow in order to finance specific projects. However, the big questions have been, why can't the borrowed funds be used to finance economically viable project? Why is it that Nigeria cannot generate enough foreign exchange with which to repay the externally borrowed funds? Is the management of Nigeria's external debt efficient and effective? Have the heavy burden of Nigeria's external debt any effect on the Nigeria economy? And above all; 'why is it that the debt conversion committee (DCC) has not been able to come up with more permanent solutions top the nation's debt problem?

According to Phillips (1992), External Debt is the amount of money owed by the government to individuals,

governments, and institutions resident outside Nigeria². But when it is owed to individuals or institutions resident within Nigeria, then it is an internal Debt. Consequently, in the words of Ahmed (1991), former government of the central bank of Nigeria (CBN), "External Debt Management is a conscious and carefully, deployment and retirement of loans acquired either for development purpose or supports the balance of payments. It incorporate estimates of foreign exchange earnings, source of finance, the project returns from the investment and the repayment schedule, it also include an assessment of the country's capacity to service existing debts and adjustment of the desirability of contracting further loans.

The Central Bank of Nigeria (CBN), in conjunction with the Federal Ministry of Finance manages the nation's external or public debts. It is necessary to note that in an attempt to get out of debts, the Debt Conversion Committee (DCC) was set up under the External Debt Management department which was established in July, 1988 to implement Nigeria's Debt conversion programme. Basically, debt conversion involves the Exchanges of external debt for domestic debt or equity. The objective of a debt conversion programme to a debtor country is to reduce the stock of its debt while simultaneously promoting the inflow of additional foreign capital to stimulate economic growth and recovery. Furthermore, Phillips (1992) stated that, "the Paris Club represents the official government creditors. This includes the United States of American (USA), the United Kingdom (UK), Germany, France and Canada. The London Club of creditors on the other hand represents the commercial banks spread all over the world. Both the Paris Club and the London Club of creditors are among the major sources of Nigeria's external debts. Other sources of debt include the multilateral creditors such as the World Bank, International Monetary Fund (IMF), African development Bank (ADB) and the European investment Bank (EIB); promissory notes holders (creditors in respect of refinanced debts; and other bilateral creditors.

The International Capital Market (ICM) is where Nigeria made her first major borrowing of US\$1 Billion, referred to as the "Jumbo Loan" which was contracted in 1978. The London inter-bank offer rate (LIBOR) is one of the official interest rate used during negotiations.

2. Conceptual Framework

The Giant of Africa did not start badly at a fledging nation. She emerged from the womb of colonialism with prosperity inherent/. Blessed with human resources, Nigeria did not lack natural and agricultural resources. Indeed, the prospects were bright. This became even brighter with the advent of the 'Oil Boom' in the 1970s. By 1974, Nigeria buoyant enough to be a creditor to the money spinning international monetary fund (IMF). The nation was considered as "under – borrowed" with her total debt below N500 million. Four years later, it was a different story, as Nigeria contracted her first major loan of US\$1 Billion, referred to as the "Jumbo Loan" which consequently increased Nigeria's external debt stock to US\$2.2 Billion. Furthermore, in 1986, Nigeria joined the unenviable league of 15 most heavily indebted countries otherwise called the 'Baker 15 Group' with a debt of N42.23 Billion (US\$18.63 Billion). It rose further to US\$ 27.3 Billion in 1988, US\$ 33.4 Billion in 1991, and US\$ 32.584 Billion in 1995, and by 1996, it reduced to US\$28.06 Billion.

Ahmed (1991) maintains that the nation's credibility despite the under-provision for the Naira and Dollar components of the external debts, fuelled by the unstable exchange rate, the nation still had to service its debts. Historically, the country was on the verge of taking the IMF short-term relief package for distressed countries at the inception of the President Babangida regime but for the public debate that rejected it. The structural Adjustment programme (SAP) a long-term World Bank sponsored package came in its stead by September, 1986. Economic analyses say that external loan may be a blessing rather than a curse depending in the way it is utilized. Sanusi (1997), former executive Director (Monetary and banking policy) of the CBN upheld that no one will quarrel with any developing country for resorting to external borrowing provided that the proceeds are utilized in a productive way that will facilitate the eventual servicing and liquidation of the

However, the conscious attempts made at debt management have improved the nation's rating in the international community. At the London club and New York secondary Market, where debt instrument of Less Developed Countries (LDCs) are bought and sold, Nigeria's commercial debt which was 25% per dollar in 1990 was sold for 40.8% in 1991. This means that for every dollar worth of the nation's debt brought to the market, buyers were ready to pay 40.8% as against the 25% in 1990. This is an indication that the value of its debt instrument appreciate by 60% within a year.

Olatunde, Alaketu and Ojelabi (1991) opined that each successful agreement with either the Paris club or the London club and the Debt conversion programme actions also makes for further appreciation of the instrument. And this shows the level of the increasing appreciation of the instrument. And this shows the level of the increasing international confidence in the debt management strategy. Yet, debt stock mounts more loans are taken, multilateral bodies like the World Bank and the African development Bank (ADB) have lent money to Nigeria. Furthermore, Olatunde, Alaketu and

Ojelabi (1991), stresses that “the nation cannot exist without getting one loan or the other. To do so, we will be practicing a closed system and our economy cannot sustain it. The kernel of the matter is that as one generation takes the loan another generation pays for it.

According to Ojo (1994), if money borrowed is not invested in concrete project that will yield proceeds to be used to pay the rescheduled debts, there is a big risk. The only way debt rescheduling is advisable is that what is borrowed should be used to execute projects that will yield foreign exchange earnings to repay the loan. The purpose of rescheduling is that if the project you borrowed the money for has within three to five years' time it will start yielding profit. For instance, if we use like Algeria has done say, within two or three years' time, we can earn foreign exchange from it to pay the debts that is how we can reschedule.

Consequently, Akimade (1991) upheld that the Federal Government of Nigeria should continue to explore all the various options available to manager our debt since no single option has the final answer. Each approach has its own merits and constraints. For example, while debt rescheduling offers temporary relief and breathing space, it only postpones the inevitable needs to repay the debts it also has the disadvantage of increasing the stock of the debt as interest is capitalized. Sanusi (1997), stressed that debt conversion takes many forms, those considered relevant to solving our debt problem include debt equity conversion, debt equity swap, and debt conversion to financial instruments or securitization of debt. The current arrangement on debt conversion is limited to the redemption of promissory notes. Although useful, 'securitization of debt' has its own problems.

According to Olatunde *et al* (1991), the USA took the initiative in 1985, when the then treasury secretary, James Baker, came out with a proposal on how the debt problem should be tackled. Tagged the 'Baker Plan', the proposal contains two major elements. One is the provision of financial assistance of US\$ 9 Billion by both the commercial banks and multilateral financial institutions to debtors. The other is for debtor countries to undertake international monetary fund (IMF) World Bank sponsored structural adjustment programme (SAP) Unfortunately, not many African countries benefited from the initiative. The plan basically the Latin American countries. Besides, the commercial banks who were expected to pump in US\$ 20 Billion failed to live up to their expectations. A second plan – the 'Brady Initiative' – was put forwarded, but like the first one, the initiative was hamstrung by inadequate financial assistance.

As a means of solving the debt crisis, there have been many calls from various quarters in the economy seeking debt relief measures from our creditors. But Ojo (1989), posited that debt relief to debtors might even hurt them more since this might hinder their economic prospects.

3. Managing Debts in Developing Economy

Managing the debt stock without stultifying growth has always been the headache of economic planners in Nigeria and other developing countries. While Poseur and Mexico fiddled with the idea of debt repudiation before retracting their steps, Nigeria would prefer debt cancellation or forgiveness.

In 2005, the administration of President Olusegun Obasanjo was granted a US\$18 Billion. However, Ahmed (1991) noted that a major problem compounding the debt problem is the changing fortune of the dollar in the international foreign exchange market any depreciation of the Dollar in international currency market automatically reflects as an increase in Nigeria's debt stock while any appreciation reflects in a decrease in the debt stock. Also, Phillips (1995), emphasised that numerous factors contributed to the increased size of Nigeria's public debt (domestic and external) which by end 1994 stood at N900.6 Billion. The major factors include the rapid growth of public expenditures, particularly for capital project, borrowing from the international community at non-concessional interest rates, decline in oil earnings from the late 1970s, and the emergence of the trade policy. The current trade policy framework combines high general barriers to trade and a plethora of derogations granted there to by administrative fiat. The high import barriers according to IMF (2005) entails an anti export bias to the economy that is partly mitigated by various export incentive schemes. It could also be seen vividly that Nigeria's trade policy framework is significantly more restrictive in recent year than that from in most other countries, and it has become increasingly restrictive in recent years. The 2005 trade policy review made the WTO to conclude that Nigeria's trade policy regime had become more protectionists since its 1998 trade policy review. Nigeria having more than 2 percent of the world's population-has a share of the world's export of about 1/3 of 1 percent, of which more than 90% is oil and gas export. It could also be seen that Nigeria's non-oil and gas exports on a per capital basis amounted to only 1 percent of the world's average-the fourth lowest share in the world. Over 10 years in which the world economy became significantly more integrated, Nigeria's non-oil and gas exports remained stuck at about 3 percent of GDP (6 percent of non-oil and gas GDP). The total exports of goods and services less oil exports for countries classified as fuel exporters in World Economic Outlook (WEO). Out of 178 countries considered. According to

IMF (2005) only Burundi, Ethiopia and Rwanda has lower non-oil Exports than Nigeria. The table below shows the details; Table iv Nigeria: Trade, Foreign Investment, and Growth, 1994-2004.

3.1 External Debt Management Functions

The General Babangida led administration in Nigeria actually laid a systematic programme for the management of our debt crisis. The administration took a comprehensive approach by providing long-term solutions. The government has so far followed proven and standard strategies in its debt reduction effort. These strategies revolve mainly on debt servicing and debt conversion:

3.2 Debt Servicing

Akinmade (1991) stresses that debt service ratio of 30% seem to be the ideal ration adopted by the country. The prospects of redeeming a substantial part of our debts in the short to medium term have become doubtful barring unexpected favourable development in the oil sector. While the debts have some in- built capabilities to grow on their own, the urgent need for additional loan to close our persistent resources gap has made debt reduction through redemption most likely for now. However, the continue to provoke debate due to fluctuations in the debt service ration as indicated in 1984 at 29.1% and 32.2% in 1995.

3.3 Debt Conversion Programme

Debt conversion has become a major responsibility of the central Bank of Nigeria in recent times resulting in the setting up of a department in the Bank to undertake the function. Consequently, the debt conversion programme (DCD) was established in July, 1988 to implement Nigeria's debt conversion programme. Basically, Akinmade (1991) stressed that debt conversion involves "the exchange of Nigeria's foreign currency denominated debts for local currency which is then used in the purchase of equity capital in a local enterprise i.e. exchange of external debt for domestic debt or equity. He stressed further that "the objective of a debt conversion programme to a debtor country is to reduce the stock of its debt while simultaneously economic growth and recovery". It attracts the needed foreign investment without a corresponding increase in foreign exchange inflow. The Nigerian programme has been structured to minimize the effects of a number of constraints. For instance, there is a limit to the amount and type of debt to be converted and there is an effective monitoring scheme to ensure that the proceeds of such redemptions are invested in well-defined and identifiable business.

The programmers' serious limitation is that it offers only a litter scope for reducing substantially the debt stock. According to Akinmade (1991), in Nigeria for example, less than 1% (N959 million) worth of debts was redeemed in the first year of the programme compared to outstanding debts of over 130 billion. As at 31st December, 1982, our external loan stock was reduced by US\$ 306.7 million, comprising the US\$ 138.3 million and US\$ 168.4 million converted in 1998 and 1989 respectively. Onuoha (1996) asserted that external debts valued at US\$ 153.7 million (about N8.7 billion) were cancelled through the debt conversion programme. Since the inception of the Debt Conversion Programme, external debt valued at US\$ 649.4 (about N19.2 billion) has been cancelled. However, Sanusi (1998) states that "Debt conversion can take many forms. These include the following:

3.3.1 Debt for Equity

This is the conversion of debt at face value and at the prevailing exchange rate for the currency of the debtor country. Proceeds are designated as registered capital investment of the creditors in the debtor country. The proceeds are strictly for financing an entirely new company, expand a existing company, to recapitalize an existing venture and or to finance portfolio investments. This scheme seeks to reduce the size of the external debts and link the servicing of the external obligations more closely to the country's capacity to pay in that the outflows of returns to investors would depend upon the earnings generated by the activity being financed.

3.3.2 Debt for Cash

This is similar to debt to equity except that the proceeds from the conversion are not capitalize but rather used for

working capital for loan repayments and for local tax payments.

3.3.3 *Debt for Export*

This involves the exchange of export for debt obligations. For example the government can export goods worth US\$ 80 million in order to cancel external debts of that magnitude.

3.3.4 *Debt-Debt Swap*

This is a change of one creditor for another in respect of loans. Typically, the parties assign loans or give sub-participation to each other without otherwise changing the terms of payment.

3.3.5 *Debt-Peso Swap*

When conversion involves residents of the country instead of a foreign investor, we term deal as a debt-peso swap. By 'peso', we mean local currency. Hence, debt-peso swap are designed for repatriation of flight capital. Residents buy their own country's debt in the secondary market using their funds abroad or foreign currency acquired in the parallel market.

3.3.6 *Use of Debt in Financial Investments*

This involves the use of debt (the redemption proceeds) to purchase stocks and bonds in capital market of the debtor country. This can also be extended to government development stocks. Consequently, the level of indebtedness and service obligations will decline in the main while foreign portfolio investment will rise correspondingly.

3.3.7 *Debt Rescheduling*

Before government introduced the Structural Adjustment Programme (SAP) in September, 1986, the external debt burden had become a clog in the country's drive towards self-reliance. And as trade arrears accumulated, most oversea correspondent banks refused to extend confirming lines of credit to Nigeria. The country has been able to achieve substantial relief by way of rescheduling our debts with both the London and Paris Clubs of Creditors. This is aimed at paying at a more favourable term – lower interest rates and longer repayments periods.

3.3.8 *Debt Refinancing*

A refinancing arrangement involves the procurement of a new loan by a debtor to pay off an existing debt, particularly short-term trade debts. The new loan may be contracted from the same creditors as the case may be. To solve the problem of paying for imports due to accumulated arrears of trade debts, it became necessary to seek for relief by refinancing the trade arrears. Thus, in 1984, Government decided to refinance the remaining trade arrears especially those contracted through open accounts and bills for collection by issuing promissory notes to cover them. The terms of the promissory notes agreements include the payment of interest at the rate of 1% above the arithmetic average of the lending rate quoted by some major international banks in New York, London and Paris. They also include a maturity period of 2½ years and the redemption of the notes in 14 equal installments beginning from October, 1986.

However, following the difficulty in servicing the debts under these terms, the agreement was renegotiated leading to the stretching of the repayment period over 22 years with an effective rate of return of 5% per annum. The new terms are generally believed to be the best relief package which the country has got. The total value of promissory notes issued amounted to US\$ 4.8 billion.

3.3.9 *Debt Buy-Back, Collateralization and New Money Options*

The buy-back arrangement implies the offer of a substantial discount to pay off an existing debt. This type of arrangement was concluded in February, 1992 when Nigeria bought US\$ 3.395 billion commercial debt due to the London Club at 60% discounts. In other words, Nigeria paid US\$ 1.352 billion to liquidate or buy-back the commercial debt. Furthermore, US\$ 2.054 billion has been collateralized as 30 years per bond with the London Club. With this

arrangement, the yield of the bond within a 30year period would off-set or pay-off the collateralised amount, which is referred to as the zero coupon option. The new money option refers to the granting of new loans by or creditor or a group of creditors to assist a debt-ridden nation.

3.3.10 Debt Repudiation

Officially, the Federal Government would not repudiate any genuine debt except those of doubtful credibility that would not be reconciled by Chase Manhattan Bank of New York. These doubtful claims are between US\$ 4 billion and US\$ 12.5 billion. However, repudiation of genuine debt would lead to ostracism.

In the words of Ani (1997), for the third consecutive year, the Federal Government did not take new external loans. In addition, during the year, Government cancelled loans amounting to US\$ 700 million. The restriction of borrowing will continue in 1997. Government will reappraise most of the on-going projects financed externally with external investments. The resultant external loan funds so displaced would then be cancelled. He stressed further that "for the first time in five years and without fresh debt rescheduling, the administration has succeeded in reversing the trend of rising external debt stock". This consequently, contributed to the reduction of the debt stock from US\$ 32.584 billion in 1995 to US\$28.060 billion in 1996.

Ani (1997), maintains that "although discussion with the Bretton Woods Institution on the Medium Term Economic Programme (MTEP) is expected to continue in 1997, its impact on debt service may not be felt until 1998/99. The debt service arrears for 1996 was US\$ 11.124 million. In addition, the debt service requirement for 1997 is US\$4,979.96 million bringing the total amount to US\$ 16,103.96 million. Speaking at the 35th National Conference and yearly general meeting of the Nigerian Library Association on the 8th of May, 1997, Alkaleri (1997), Director General, Federal Ministry of Finance (FMF) said, "to make up for the short fall from external borrowing the present administration had embarked on measures intended to increase both revenue and foreign exchange earnings. The various areas where the government has initiated measures to increase its revenue base include: the revival and expansion of solid mineral exploitation; deliberate export drive intended to increase export and with it, foreign exchange earnings; the establishment and widening of the value Added Tax (VAT) base; port and customs reforms; and the creation of an enabling environment for attracting foreign investment through repeal of certain legislation, for example, the Exchange Control Act of 1962 and the Nigeria Enterprise Promotion Decree of 1989".⁴⁵ According to him, "the various legislation were replaced with the Foreign Exchange (Monitoring and Miscellaneous) Decree 1995 and the Nigerian Investment Promotion Commission Decree 1995 to make them more effective".

Stressing further, Alkaleri (1997) said that "the internal and external debt, some of which went directly to the benefiting public institutions, have over the years become overhang to such an extent that as at the end of 1995, the external debt alone stood at US\$ 32.585 billion. To combat the situation, the government has since 1995 suspended foreign loans. With prudent management, government has also been able to bring the external debt down to US\$28.060 billion by the end of 1996".⁴⁷ Furthermore, he said that "although the primary source of funding public institutions is more consistent and reliable, government funding alone is now inadequate in view of increasing responsibilities and demands on it. The private sector should participate in

The Olusegun Obasanjo administration improved on the Babaginda administration by seeking for a debt relief for the nation's external debt which presently stands at US\$ 32 billion. According to the Finance Minister, Dr. (Mrs.) Ngozi Okonjo-Iweala, whose dexterity has eventually brought hope to the present and the unborn generation of Nigeria in the form of debt relief, "the conclusion of agreement with the Paris Club in 2005 on the payment of US\$ 12 billion for the buy back of the nation's foreign debt to her creditors, is bound to have positive consequences on the lives of Nigerians, today and tomorrow. The understanding between Nigeria and the Paris Club means that Nigeria would clear arrears with equitable treatment of all creditors. This comes to US\$ 6 billion while debt buy back would gulp another US\$ 6 billion as incentives for the country's creditors to write off about US\$ 18 billion debt. The bottom line is that with the conclusion of a Policy Support Instrument (PSI) and payment of US\$ 6 billion arrears, the coast would have cleared for Nigeria to buy back the rest of the US\$ 24 billion at a substantial discount rate at US\$ 6 billion.

Stressing further, Ngozi Okonjo-Iweala(2005) noted that ordinarily, the Paris Club would not agree with this style of settlement with any nation without formal agreement with the IMF. The nation had virtually gotten the required PSI in the kitty since the IMF had technically endorsed the country's home grown reforms programmes which the fund has been monitoring long before the Paris Club decided to grant the nation's debt relief". Considering the dexterity of the Olusegun Obasanjo administration on the external debt problem, the debt relief would add value to the lives of the present and future generations of Nigerians. Opinions vary as to what are the correct answers to these questions. The researcher

observes that the debt crisis lies in the full and consistent implementation of the policies that promote expose and discourage imports. Thus, articulate that debt management programme should be put in place by the debt conversion committee to curb by low savings propensity, declining foreign exchange earnings and high import bills, among other consequences for the growth of the Nigeria economy.

Consequently, this research is aimed at identifying the various Debt Management techniques with emphasis on the nation's Debt Conversion Programme.

4. Statement of the Research Problem

Generally, the indebtedness of the country becomes a problem when the burden of servicing the debt becomes so heavy and unbearable that it imposes intolerable constraints on the economy and on the development efforts of the authorities. The causes of Nigeria's external debt problems are related to the nature of her economy – this has to do with the country's over-dependent on foreign goods as against locally produced goods; economic policies pursued or put in place by successive governments – not only did government and its agencies continue to borrow indiscriminately from abroad and suing short were not adequately monitored; exogenous factors which are beyond the control of the government itself which include the value of foreign currencies against the Naira and shorter payment period; all of which uncombined together to influence the macro-economic factors thereby holding the growth rate to a level too low for sustained development.

5. The Objective of the Study

The intention of this study is to evaluate the various debt conversion programme used by the Federal Government of Nigeria to manage the nation's external debt. The objectives of the study are:

- i. to highlight the various debt conversion programmes in Nigeria.
- ii. to ascertain the efficiency and effectiveness of the debt conversion programme in Nigeria.
- iii. to ascertain whether the various debt conversion programmes have improved the economic environment in order to attract foreign investment.
- iv. to ascertain whether the debt conversion programme serves as additional incentive to the repatriation of flight capital.

6. Scope of the Study

The study will concentrate on certain periods to ensure effective coverage of the research objectives. The work is an evaluation of the debt management techniques which have been applied in Nigeria. It examines the problems and prospects of these techniques with a view to improving on them or possibly suggests new techniques which might be helpful in solving the external debt problem. Therefore, the research is focused on the external debt management techniques in Nigeria, with emphasis on the efforts of the central Bank of Nigeria (CBN) and the federal ministry of finance (FMF).

7. Research Questions

A research work of this magnitude and nature is based on certain research questions. The following research questions are therefore generated.

1. Is there any system of external debt conversion in Nigeria?
2. What are the various debt conversion programmes in Nigeria?
3. How effective and efficient is Nigeria's debt conversion programme?
4. Has the debt conversion programme lessen the external debt burden?

8. Research Hypotheses

Ho: The management of Nigeria's external debt via debt conversion programme is not effective

H₁: The management of Nigeria's external debt via debt conversion programme is effective

Ho: Nigeria's debt conversion programme is unrealistic

- H₂:** Nigeria's debt conversion programme is realistic
- H₀:** The debt conversion programme is not the final solution to Nigeria's debt problem
- H₃:** The debt conversion programme is the final solution to Nigeria's debt problem

9. Methodology

9.1 Research Design

In a scientific enquiry of this nature, a descriptive research of survey type was used.

In this particular research, research questions have been used. The use of research questions is appropriate here because the research environment is amendable to statistical analysis. The use of research questions provides the basic design instrument for the work to its achievement at a reasonable cost.

The pupation of this study constitutes the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance (FMF) records and personnel. The characteristics of this population include:

- i. The population constitutes personnel between the ages 35 – 40 years
- ii. There are about 60% males and 40% females
- iii. They are personnel in the financial institutions
- iv. They are geographically located in Lagos
- v. They have served for more than 20 years
- vi. They all reside in Lagos State
- vii. They are all academic intellectuals at a high level. Most of them are chartered.

The population has been subjected to this study due to its proneness to the of the study.

9.2 Sample and Sampling Techniques

In this study, the sample used is the representative sample. This is because the sample reflects the conditions existing in the population. For the purpose of facilitating this research, I have sample a total of 20 top management personnel of both the CBN and Federal Ministry of Finance including 5 top management personnel of the Debt Conversion Committee (DCC) were sampled.

Data collection is a procedure of capturing data from the data sources. In this work, the two types of data collected are tabulated hereunder within the method of collection.

Table1: Data and Collection Method

Data	Method
Primary	Preliminary survey questionnaire
Secondary	Reviewing of textbooks, journals, magazines, noting, reporting seminar notes

Source: Fieldwork

9.3 Research Instrument

The research instrument used was evaluation questionnaires. The instrument is deliberately fashioned for data on Nigeria's external debt management techniques and the debt conversion programme. In designing the instrument, care has been taken to ensure its effectiveness, validity and reliability. The evaluation questions have two parts: Part A which would collect information on the personnel data of the respondents; Part B was made up of 25 questions, each question designed to examine the validity of the research questions and were found reliable at $r = 0.82$.

10. Results

10.1 Testing of Hypotheses

Decision Rule: Accept the null hypothesis if the calculated chi-square value is less than the critical value otherwise reject the null hypothesis and accept the alternative.

10.1.1 Hypothesis One

Ho:The management of Nigeria's external debt via debt conversion programme is not effective
H1:The management of Nigeria's external debt via debt conversion programme is effective

Table 2: Chi-square Summary Testing the Effectiveness of Management of Nigeria's External Debt via Debt Conversion Programme

Management of External Debt	Total	χ^2 Cal	χ^2 Tab	df	∞
Yes Options	14	6.545	1.635	6	0.05
No Options	66				
Total	80				

Source: fieldwork

Table 2 shows that the χ^2_{cal} value of 6.545 is greater than the χ^2_{tab} value of 1.635 (df=4; =0.05). Therefore, the null hypothesis is rejected as being correct. Hence, we accept the alternative which therefore means that the management of Nigeria's external debt via debt conversion programme is effective.

10.1.2 Hypothesis Two

Ho:Nigeria's debt conversion programme is unrealistic
H2:Nigeria's debt conversion programme is realistic

Table 3: Chi-square Summary Testing How Realistic is the Debt Conversion Programme

Management of External Debt	Total	χ^2 Cal	χ^2 Tab	df	∞
Yes Options	22	4.655	1.635	6	0.05
No Options	58				
Total	80				

Source: fieldwork

Table 3 reveals that the χ^2_{cal} value of 4.655 is greater than the χ^2_{tab} value of 1.635 (df=4; =0.05). Therefore, the null hypothesis is rejected as being correct. Hence, we accept the alternative which therefore means that the Nigeria's debt conversion programme is realistic.

10.1.3 Hypothesis Three

Ho: The debt conversion programme is not the final solution to Nigeria's debt problem
H3: The debt conversion programme is the final solution to Nigeria's debt problem

Table 4: Chi-square Summary Testing the Final Solution to Nigeria's Debt Problem

Management of External Debt	Total	χ^2 Cal	χ^2 Tab	df	∞
Yes Options	43	0.539	1.635	6	0.05
No Options	37				
Total	80				

Source: fieldwork

The calculation from the chi-square distribution table reveals that we have chi-square calculated as 0.539 which is less than the critical value in the chi-square table (0.539 < 1.635), we therefore conclude that the debt conversion programme is not the final solution to Nigeria's external debt problems.

11. Discussion and Conclusion

This study has provided information on Nigeria's external debt management to permit analysis of the conversion techniques so far used in Nigeria and recommendations of policy measures for reducing the debt burden in future. The road to recovery is simple and short, but the time to traverse it can be short or long, depending on how we go about it. It is obvious that we have chosen the long route. This is also corroborated by Isaac-Aluko (1987); Ichilike (1990); and Isakpa (1996). The country will continue to need them inflow of foreign capital to supplement domestic resources for productive investment. Nigeria will only need to take the necessary steps to ensure that such foreign resources are used judiciously to generate growth so as to facilitate the servicing and repayment of the debt.

Conclusively, it must be realized that a debt is a debt whether it is rescheduled, refinanced or remolded; it has to be paid, for a country to be permanently relieved.

12. Recommendations

1. To avert the adverse consequences of debt, debt management should be part of the macroeconomic policies of the month. The nation need not wait until there is a debt crisis before embarking on debt management. Rather, debt management should be part of the economic policies of the nation in its day-to-day activities. On a continuous basis, Nigeria must determine the amount she would borrow which should be related to the economy's absorptive capacity for foreign capital and ability to service the dent without experiencing external payment problems.
2. Accurate information on external debts should be sourced as this aids its efficient management on a day-to-day basis and external borrowing strategies in the planning framework. The gap between the creditors and debtors should be narrowed by the application of emerging market oriented management options.
3. Emphasis should be laid on the need for domestic resource mobilization through savings. There is a positive correlation between domestic mobilization on the one hand and the ability to attract external financial flow including foreign client investment on the other hand. Policies that promote export and discourage imports should be fully and consistently implemented. It is only when a balance has been attained in the external sector that prospects for an acceptable level of debt will become possible.
4. Efforts to get reparations from the West should be intensified. Repayment is payment for loss or wrong done by the West on us (Nigeria and other countries that are once colonies of the West), our debts should be cancelled or we could be given debt relieves. International Conference should be organized in strategic countries in all the five continents of the world high lightening the effects of debt on debtor nations and preferring solutions that would bring about reduction in the debt magnitude and effects on each debtor nation.

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