International Journal of Innovative Finance and Economics Research 13(4):148-153, Oct.-Dec., 2025
© SEAHI PUBLICATIONS, 2025 www.seahipublications.org ISSN: 2360-896X

doi:10.5281/zenodo.17420115

Inside The Excessive Foreign Loans: A Fiscal Win Or Distraction

Samaila Mukhtar, Ahmad Garba Basakkwace, Bashar Umar, Alkasim Abubakar Yabo & Lawal Muhammad Shagari

Umaru Ali Shinkafi Polytechnic Sokoto, Nigeria

ABSTRACT
Among the many dangers threatening the very foundation of the Nigerian state is the government's increasing reliance on internal and external borrowing to finance its operations. The study discussed how the persistent borrowing practices exposed Nigeria to restrictive loan conditions, debt burden, and undermined its economic sovereignty. Nigeria is grappling with a concerning combination of rising public debt and increasing poverty. This situation is characterised by a growing debt burden, particularly in the form of domestic and external debt, which is straining the nation's finances and potentially hindering long-term development. The situation is further complicated by dwindling revenue, which limits the government's ability to invest in crucial sectors and address poverty effectively. Steps must be taken to attract more direct investment, which not only brings in the external finance but also the skills and technology so essential for the rapid expansion of the economy.
Keywords: Internal and External Debt, Poverty, Borrowing

INTRODUCTION
Nigeria's public debt stock which includes external and domestic debt stood at N121.67 trillion (US$91.46 billion) in Q1 2024 from N97.34 trillion (US$ 108.23 billion) in Q4 2023, indicating a growth rate of 24.99% on a quarter-on-quarter basis. o Total external debt stood at N56.02 trillion (US$42.12 billion) in Q1 2024, while total domestic debt was N65.65 trillion (US$49.35 billion). o The share of external debt (in naira value) to total public debt was 46.05% in Q1 2024, while the share of domestic debt (in naira value) to total public debt was 53.95%. Lagos state recorded the highest domestic debt in Q1 2024 with N929.41 billion, followed by Delta with N334.90 billion, Jigawa state recorded the lowest domestic debt with N2.07 billion, followed by Ondo with N16.40 billion (National Bureau of Statistics 2024).

Nigeria's public debt stock which includes external and domestic debt stood at N134.30 trillion (US$91.35 billion) in Q2 2024 from N121.67 trillion (US$91.46 billion) in Q1 2024, indicating a growth rate of 10.38% on a quarter-on-quarter basis. Total external debt stood at N63.07 trillion (US$42.90 billion) in Q2 2024, while total domestic debt was N71.22 trillion (US$48.45 billion). The share of external debt (in naira value) to total public debt was 46.96% in Q2 2024, while the share of domestic debt (in naira value) to total public debt was 53.04%. Lagos state recorded the highest domestic debt in Q2 2024 with N885.99 billion, followed by Rivers with N389.20 billion, while Jigawa state recorded the lowest with N1.82 billion, followed by Ondo with N15.10 billion (National Bureau of Statistic 2024). In addition, Lagos state recorded the highest external debt over the reference period with $1.20 billion, followed by Kaduna with $640.99 million, while Yobe had the lowest with $20.49 million, followed by FCT with $20.85 million (National Bureau of Statistic 2024)

President Bola Ahmed Tinubu's recent request for a $21.5 billion external loan has raised serious red flags about the direction of Nigeria's fiscal policy, the transparency of legislative processes, and the sustainability of Nigeria's debt trajectory. This request, the largest single borrowing proposal in Nigeria's history, is currently before the Senate Committee on Local and Foreign Debt, and is accompanied by additional borrowing proposals, including a $2 billion foreign currency bond programme and a ₦757.98 billion bond to settle outstanding pension liabilities under the Contributory Pension Scheme. While the presidency has justified these requests as necessary for critical infrastructure, notably the Lagos-Calabar Coastal Superhighway (estimated at ₦15.356 trillion), such rationalizations fail to address more fundamental concerns. Chief among these is the issue of fiscal responsibility, enshrined in the Fiscal Responsibility Act (FRA) 2007. Section 41(1) of the Act clearly stipulates that government borrowing must be strictly for capital expenditure and human development, with explicit terms on the purpose, cost, and expected benefits. Yet, the current loan proposals lack detailed cost-benefit analyses and fail to meet the transparency requirements set out in the law. Moreover, Nigeria's public debt has been rising at an alarming rate. According to the Debt Management Office (DMO), as of 31 December 2024, Nigeria's total public debt stood atN144.7 trillion (approximately $94.2 billion). About 51.4 per cent of the total (N74.4 trillion) is domestic debt while 48.6 per cent (N70.3 trillion) is external debt. This figure excludes additional domestic borrowings projected for the 2025 and 2026 fiscal years. It also does not account for repayments such as the $1.118 billion Eurobond due in November 2025 or ongoing obligations like the annual $30 million Special Drawing Rights charges payable to the IMF, despite the full repayment of the 2020 $3.4 billion Rapid Financing Instrument.

Despite assurances from the Special Adviser to the President on Information and Strategy, Bayo Onanuga that the funds are earmarked for economic development, many Nigerians are rightly concerned about the impact of large-scale borrowing on national priorities. The economy is already strained by high inflation, a weakening Naira, rampant unemployment, and underfunded essential services. Redirecting such vast resources to mega-projects—without a national consensus on urgency and without independently verified feasibility studies—raises questions about project prioritization in the face of dire social needs in education, healthcare, and food security. Additionally troubling is the legislative process surrounding these loan approvals. The Senate's decision to consider the proposal during a so-called "working vacation," where members are operating remotely, casts doubt on the robustness of legislative scrutiny. Nigeria's democracy relies on open, transparent, and participatory governance. Rushed decisions made without full legislative presence or public hearings erode public trust and diminish institutional accountability. It is imperative to recognize that borrowing itself is not inherently bad. When done prudently, loans can finance infrastructure that unlocks economic potential. However, reckless borrowing without accountability entrenches cycles of debt and dependency. Critics have raised repeated concerns over the lack of transparency in how previous loans were utilized, with limited visible impact on citizens' lives. Critics have also strongly opposed the Federal Government's continued reliance on foreign borrowing, arguing that Nigeria possesses sufficient resources to fund its needs without accumulating more debt. They warn that the new loans could push the country beyond its self-imposed debt-to-GDP threshold, worsening an already fragile fiscal situation. As a nation with significant human and natural resources, Nigeria must begin to shift its focus toward enhancing domestic revenue generation through plugging leakages in public finance, and fostering private sector growth. Continued reliance on external debt exposes the country to foreign exchange risks and undermines Nigeria's fiscal sovereignty. While the need for infrastructure is legitimate, it must not come at the cost of fiscal prudence and democratic oversight. The National Assembly must uphold its constitutional duty by demanding full compliance with the Fiscal Responsibility Act, and ensuring all loan proposals are transparently evaluated against national priorities. The Executive, on its part, must engage citizens in honest dialogue about the trade-offs involved in borrowing. Only through responsible fiscal governance and transparent policymaking can Nigeria secure a sustainable and inclusive future. President Tinubu Seeks Senate Approval for Over $21 Billion Foreign Loan to Boost Infrastructure and Economy. President Bola Tinubu has submitted a formal request to the Senate for approval to borrow $21.5 billion, €2.1 billion, and 15 billion Japanese Yen, alongside a €65 million grant, as part of Nigeria's 2025–2026 external borrowing plans. Nigeria's debt

stock has increased considerably over the past five years—a trend generally connected with expansion in the size of government expenditures. There is often danger associated with repayment and servicing of these debts, which often result in diversion of productive funds towards debt repayments, thereby limiting the government's ability to provide basic infrastructures that benefit the poor. Efficient use of debt could lead to improved economic growth and a better standard of living for the populace. However, resources from debt have not been managed effectively in Nigeria to generate sufficient resources to service and repay such debt at maturity. Consequently, Nigeria has to contend with mounting public debt and debt service payments amid deteriorating growth and rising poverty levels.

Nigeria's national debt poses significant risks to its economy, potentially hindering growth and development. High debt levels can lead to increased debt servicing costs, diverting government revenue from essential investments in infrastructure, education, and healthcare. This can, in turn, stifle economic growth, increase poverty, and limit the government's ability to respond to economic shocks. A large portion of Nigeria's revenue is used to pay off debt, leaving less for crucial public services and investments. External Debt in Nigeria increased to 45980 USD Million in the first quarter of 2025 from 43030 USD Million in the fourth quarter of 2024. External Debt in Nigeria averaged 20694.98 USD Million from 2000 until 2025, reaching an all-time high of 45980.00 USD Million in the first quarter of 2025 and a record low of 3287.73 USD Million in the first quarter of 2007 (Central Bank of Nigeria (CBN).

Nigeria's Loans Between June, 2023- July 2025

1. $750 million in June 2023;
2. $800 million in July 2023;
3. $7.4 billion + $100 million in December 2023;
4. N2.94 trillion borrowed from July to December 2023;
5. N6.53 trillion between December 2023 and March 2024;
6. $2.7 billion approved across 2023-2024;
7. $2.25 billion in June 2024;
8. $500 million in July 2024;
9. $1.57 billion in September 2024;
10. $6. 45 billion total from World Bank by September 2024;
11. $2.209 billion in December 2024 for budget deficit; &
12. $21.5 billion + $15 billion approved in July 2025
13. 2.3 billion in October 2025

Comparative Analysis of Debt Accumulation Between Muhammadu Buhari and Bola Ahmad Tinubu

Muhammadu Buhari (2015–2023)

President Muhammadu Buhari's administration marked a dramatic shift in Nigeria's external debt trajectory. When Buhari took office in 2015, Nigeria's external debt stood at $10.3 billion. By the end of his tenure in 2023, this figure had ballooned to $42.9 billion, reflecting an increase of $32.6 billion—the highest debt accumulation since 1999. The Buhari administration's borrowing strategy was driven by the need to finance critical infrastructure projects, such as railways, airports, and power plants, and to address budget deficits exacerbated by declining oil revenues. However, corruption allegations overshadowed many of these projects. Instances of inflated contracts, uncompleted projects, and opaque procurement processes became rampant, raising doubts about the efficiency of loan utilization. The increasing debt servicing obligations further strained public finances, reducing the funds available for meaningful development.

Bola Ahmed Tinubu (2023–Present)

Since assuming office in May 2023, President Bola Ahmed Tinubu has continued the trend of external borrowing. In just over a year, his administration has added $10.23 billion to Nigeria's external debt, bringing the total to $53.13 billion as of December 2024. Tinubu's borrowing has been aimed at addressing fiscal challenges and funding economic reforms. Key loans during his tenure include: $6.45

billion from the World Bank for power projects, education, and renewable energy initiatives. $1.57 billion financing package for healthcare and irrigation projects. $2.209 billion external loan approved to address the 2024 budget deficit. While these funds are intended to stimulate economic growth, concerns about debt sustainability and potential mismanagement remain prevalent. Critics argue that the entrenched culture of corruption threatens the effective use of these loans. Reports of nepotism, kickbacks, and inflated project costs have already surfaced, raising fears that borrowed funds may not achieve their intended objectives. The present government has continued with the trend. Just yesterday 8th of October 2025 he seek another loan of $2.3bn to cover 2025 budget deficit (Punch 2025).

Atiku Abubakar former presidential candidate has revealed that the announcement by the Tinubu-led APC government to pursue fresh external and domestic loans is a reckless and dangerous move that threatens the future of Nigeria and generations yet unborn. Despite national outrage, this administration is pushing ahead with plans to borrow $21.54 billion, €2.19 billion, and ¥15 billion — an equivalent of over $24 billion, which is more than 60% of Nigeria's total foreign exchange reserves. This borrowing spree will raise our total public debt from ₦144.7 trillion to a crushing ₦183 trillion. This move comes while Nigeria's debt burden is already at alarming levels. As of December 31, 2024, public debt stood at $94 billion (₦144.7 trillion). Since President Tinubu assumed office in 2023, public debt has jumped by 65.6%. Under the APC-led administration since 2015, public debt has ballooned by 1,048%, from ₦12.6 trillion to ₦144.7 trillion. The debt-to-GDP ratio has exceeded 50%. The debt-service-to-revenue ratio is over 130%, meaning the government now spends more on repaying loans than it earns. This is not just unsustainable but it is immoral. The Tinubu administration is borrowing money not for development but to service existing loans, fuelling a debt spiral that leaves nothing for infrastructure, education, healthcare, or jobs. This addiction to borrowing, entrenched under the APC-led administration and now accelerated by President Tinubu, has turned public finance into a Ponzi scheme of borrowing to pay debt, and then borrowing again to pay interest. Nigeria is now caught in a vicious cycle that mortgages the future to pay for the past. We warn that this is economic sabotage in plain sight. We demand that this reckless borrowing plan be halted immediately. We call on lawmakers, civil society organizations, the media, and the international community to take urgent action to stop this looming catastrophe. Nigeria must not be sold into debt slavery

Major Effects of High Borrowing

International Monetary Fund (IMF), PROJECTED THAT '' Nigerian government may spend nearly 100 percent of its revenue on debt servicing by 2026,'' the World Bank, which warned that the country's debt, while seemingly sustainable is '' vulnerable and costly,'' and the Nigerian Economic Summit Group (NESG), A Body of Private Sector Leaders, which warned against what it saw as the prospects of creating '' A Debt Burden for Future Governments''. Nigeria's debt can lead to a cycle where the government borrows more to service existing debt, exacerbating the problem. High debt levels restrict the government's ability to invest in infrastructure, education, and healthcare, which are essential for long-term economic development. According to Zouhaeir and Fatima (2014) . Nigeria's debt has led to a decline in the quality of life for citizens and hindered economic growth. Nigeria's excessive debt has discouraged both domestic and foreign investment, as investors become wary of lending to a highly indebted nation. Nigeria's debt has led to slower economic growth, increased unemployment, and decreased competitiveness. If Nigeria's debt becomes unsustainable, it could lead to a debt crisis, where the country struggles to meet its debt obligations. This could trigger a financial crisis and further damage the economy. Reduced government spending on social services due to debt servicing can lead to increased poverty, poor healthcare, and inadequate education, impacting human capital development. High debt levels make Nigeria more vulnerable to economic shocks, such as fluctuations in global oil prices or changes in interest rates. This is particularly concerning for Nigeria, which relies heavily on oil revenue (Business Day 2025).

Nigeria's Debt Services

The Central Bank of Nigeria (CBN) has disclosed that foreign debt service gulped about $5.47 billion between January 2024 and February 2025, further indicating the increasing burden on the nation's revenues as well as pressures on external reserves and fiscal stability (Arise News 2025) This is as the

total foreign exchange direct remittances increased by 1.3 per cent Year-on-Year (YoY) to $180.03 million in the first two months of 2025, according to data from the apex bank. According to the CBN, debt service however, moderated $854.37 to million in May 2024, the highest outflow in the review period, and $50.82 million in June 2024, the lowest monthly payment. The figures obtained from the bank's website showed that debt service obligations increased by 1.9 per cent to $283.22 million in February compared to $276.17 million in March. Meanwhile, total debt service cost for Q3 2024 stood at about N3.57 trillion marking a quarter-on-quarter increase of N60 billion or 1.71 per cent from N3.51 trillion in Q2. Debt service obligations dropped by 22.1 per cent to $215.20 million in April 2024 but increased by 297 per cent in May to $854.37 million – the highest single-month payment (Arise News 2025). Furthermore, debt service obligations dropped by 94 per cent to $50.82 million in June, the lowest in the review period, and rose by 967.4 per cent to $542.50 million in July (Arise News 2025). Borrowing obligations also dropped by 48.4 per cent to $279.95 million in August, before increasing by 84.2 per cent to $515.81 million in September. Debt service remained unchanged in October, following a 0.01 per cent increase to $515.86 million, the CBN added. The figure declined by 54.9 per cent to $232.50 million in October and rose by 41.4 per cent to $328.91 million in December.

In January 2025, payments rose by 64.4 per cent to $540.67 million and slumped by 48.8 per cent to $276.73 million in February 2025. The fluctuation in debt service payments further buttresses continued pressure on the country's FX reserves. However, total debt service costs, including external and domestic obligations, rose in the third quarter of 2024, reflecting the combined impact of increased external debt service payments and currency depreciation. FX Direct Remittances Rise to $180.03m Meanwhile, the total foreign exchange direct remittances increased by 1.3 per cent Year-on-Year (YoY) to $180.03 million in the first two months of 2025, according to data from the apex bank. According to the CBN "International Payments" data, total foreign exchange direct remittances in the first two months of 2024 were $177.7 million. The Month-on-Month (MoM) breakdown showed that total direct remittances stood at $54.44 million in January 2025, down from $138.56 million in January 2024. However, in February 2025, it increased significantly to $125.59 million, representing a growth of 220.8 per cent from the $39.15 million reported by CBN in February 2024. THISDAY Newspapaer, gathered that total foreign exchange direct remittances closed 2024 at $1.91 billion, a decline of 3.5 per cent from $1.98 billion reported by the CBN in 2023. While there were concerns over the decline in total remittances to the country in 2024, despite the surge in the number of Nigerians relocating abroad, the inflow in the first two months of 2025 has shown signs that reforms by the CBN are working. (Arise News 2025),

CONCLUSION

In conclusion, while borrowing can be a tool for development, Nigeria's current debt situation poses significant risks to its economic stability and future growth. Effective debt management, diversification of revenue sources, and investment in productive sectors are crucial to mitigating these dangers and ensuring sustainable economic development. President Tinubu is embarking on debt diplomacy, which is no longer relevant to most Nigerians; it is a serious threat to Nigeria's national security because of our experience with the IMF/World Bank Structural Adjustment Programme.

RECOMMENDATIONS

The paper made the following recommendations:

Nigerian Debt management office should set mechanism in motion to ensure that all foreign borrowing is utilized for the purpose of which they were collected. Through effective and proper monitoring coupled with efficient evaluation.

Nigerian government should cut down excessive foreign debts in order to keep down the unwanted impact of debt servicing. Good policies that will ensure price stability, creation of jobs, improvement of security of lives and properties, increased output and improvement of infrastructures should be maintained.

There is need to embark on good and effective policies aimed at reducing cost of borrowing to stimulate private investment thereby boosting productivity to enhance the reduction of inflation in the country.

REFERENCES

Arisenews., (2025). CBN: Nigeria Spent $5.47 Billion on Foreign Debt Service in 14 Months.https://www.arise.tv

Businessday NG (2025). Nigeria's $24.14 Billion External Borrowing Plan Amidst Hunger. Https://businessday.ng

CBN Digital Commons (2023). External Debt Pass-Through to Inflation in Nigeria. Https://dc.cbn.gov.ng

Central Bank of Nigeria (CBN) (2023). Annual Report and Statistical Bulletin.Abuja, Nigeria.

National Bureau of Statistic (2024). Nigeria Domestic and Foreign Debt Q2 2924.https://www.nigerianstat.gov.ng

The Punch, (2025). Tinubu Seeks $2.3bn External Loan to Cover 2025 Budget Deficit https://punchng.com

Zouhaier, H. And Fatima, M., (2014), Debt and Economic Growth. International Journal of Economics and Financial Issues, 4(2), 440-448.