

Rising Public Debt and External Dependence: Assessing Nigeria's Development Trap in the Contemporary Era (2010–2025)

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Abstract

Nigeria's public debt rose dramatically from ₦5.2 trillion in 2010 to over ₦149 trillion by the first quarter of 2025, with debt servicing consuming nearly all federally generated revenue by 2023. The research was necessitated by the contradiction between escalating borrowing and weak developmental outcomes, reflected in slow economic growth, rising poverty, and mounting fiscal pressure. The objective of the study was to assess whether rising public debt and external dependence entrenched a development trap between 2010 and 2025. It examined debt composition, revenue performance, exchange rate dynamics, and macroeconomic outcomes to evaluate fiscal sustainability and policy autonomy. The study was anchored in Dependency Theory. It adopted a qualitative explanatory design using secondary data and content analysis of policy documents and institutional reports. The study found rapid debt accumulation, heightened vulnerability from external borrowing, and severe fiscal constraints arising from rising debt service obligations. It found that these factors limited developmental policy space and reinforced a debt-driven development trap. Policy recommendations emphasised strategic borrowing, stronger domestic revenue mobilisation, and aligning debt with productive sectors to promote sustainable growth.

Keywords: Public Debt; External Dependence; Fiscal Sustainability; Development Trap; Political Economy; Nigeria.

1.0 Introduction

Nigeria's development trajectory since the return to democratic governance in 1999 has been shaped increasingly by the interaction between public debt accumulation and persistent external dependence. Between 2010 and 2025, the structure of Nigeria's fiscal operations shifted markedly from a relatively low debt position to one characterised by rapid borrowing, rising debt servicing obligations, and growing exposure to external financial conditions (World Bank, 2023). In 2010, Nigeria's total public debt stood at approximately ₦5.2 trillion, representing less than 20 percent of gross domestic product, following debt relief secured from the Paris Club in 2005 and 2006 (Debt Management Office, 2025). By the first quarter of 2025, total public debt had risen to over ₦149 trillion, equivalent to more than ₦1.1 trillion per day in accumulated liabilities, despite modest debt to gross domestic product ratios relative to peer economies (Debt Management Office, 2025; IMF, 2023). This expansion reflects a fiscal strategy heavily reliant on borrowing to finance recurrent expenditure, infrastructure deficits, and balance of payments pressures in the face of weak domestic revenue mobilisation (World Bank, 2022).

The contemporary debt profile of Nigeria reveals a deepening dependence on both external and domestic borrowing sources, with significant implications for fiscal sustainability and long-term development. External debt increased from approximately \$4.5 billion in 2010 to over \$42 billion by early 2025, driven by loans from multilateral institutions, bilateral partners, and repeated Eurobond issuances in international capital markets since 2011 (Debt Management Office, 2025; Reuters, 2025). Although domestic debt remains dominant in nominal terms, external borrowing has become increasingly attractive due to longer tenors and lower interest rates, thereby exposing Nigeria to exchange rate volatility and global monetary tightening cycles (IMF, 2022). The sharp depreciation of the naira following exchange rate reforms in 2016 and again in 2023 significantly increased the naira value of external debt servicing obligations, amplifying fiscal stress and crowding out developmental expenditure (Central Bank of Nigeria, 2023; World Bank, 2024). The persistence of rising public debt amid low developmental outcomes highlights a fundamental problem that necessitates this research.

Despite sustained borrowing over the past decade and a half, Nigeria continues to experience sluggish economic growth, rising poverty levels, and weak structural transformation. Economic growth averaged only 2.1 percent between 2015 and 2024, below population growth rates estimated at over 2.6 percent, resulting in declining per capita income and worsening living standards (National Bureau of Statistics, 2022; World Bank, 2024). Debt service to revenue ratios escalated dramatically from 28 percent in 2010 to over 97 percent by 2023, indicating severe fiscal vulnerability and limited fiscal space for social investment (Nairametrics, 2023; IMF, 2023). The Nigerian government's recurrent requests for new external borrowing approvals, including the \$21.5 billion loan request submitted to the National Assembly in 2025, underscore the entrenchment of debt financed governance and external dependence as structural features of the political economy (Reuters, 2025; Debt Management Office, 2025).

This research is therefore motivated by the objective of assessing whether Nigeria's rising public debt and growing reliance on external financing have entrenched a development trap in the contemporary era. Specifically, the study seeks to examine the extent to which borrowing patterns between 2010 and 2025 have reinforced fiscal fragility, constrained domestic policy autonomy, and limited inclusive economic development. By analysing the composition, cost, and utilisation of public debt alongside macroeconomic outcomes such as revenue performance, poverty trends, and exchange rate dynamics, the research aims to situate Nigeria's debt experience within broader political economy debates on dependency and underdevelopment (IMF, 2018; OECD, 2022). The study also seeks to contribute to policy discourse by interrogating the sustainability of Nigeria's current debt trajectory in light of weak revenue mobilisation, persistent current account pressures, and exposure to global financial volatility (World Bank, 2022; African Development Bank, 2024).

Understanding Nigeria's debt driven development path is particularly important given the country's strategic position as Africa's largest economy and most populous nation. The failure to translate sustained borrowing into structural transformation has implications not only for domestic welfare but also for regional economic stability in West Africa (African Development Bank, 2024). Episodes such as the oil price collapse of 2014, the recession of 2016, the COVID-19 shock in 2020, and the global monetary tightening cycle of 2022 to 2024 exposed the vulnerability of Nigeria's debt dependent fiscal model to external shocks (IMF, 2021; World Bank, 2023). These events intensified borrowing needs while simultaneously weakening revenue inflows, reinforcing cycles of dependence and fiscal distress that align with classical development trap dynamics (OECD, 2021; IMF, 2023). By focusing on the period from 2010 to 2025, this study captures the evolution of Nigeria's debt strategy across multiple administrations and global economic cycles. The analysis provides a historically grounded and empirically informed assessment of how rising public debt and external dependence interact to shape Nigeria's development outcomes.

In doing so, it offers insights into the political economy constraints facing fiscal reform and highlights the urgency of rethinking debt management and revenue mobilisation strategies in order to escape the contemporary development trap confronting the Nigerian state (World Bank, 2024; IMF, 2023).

2.0 Literature Review

2.1 Nigerian Public Debt

The concept of public debt occupies a central position in the analysis of fiscal policy and macroeconomic management in developing economies, particularly in Nigeria, where borrowing has become a dominant instrument of state finance in the contemporary era. Public debt refers to the total financial obligations incurred by a government through domestic and external borrowing to finance budget deficits, stabilize the economy, and support development objectives (Easterly, 2001). In the Nigerian context, public debt has historically reflected the structural weaknesses of revenue mobilization, heavy dependence on oil earnings, and recurrent fiscal imbalances that have persisted since the post-independence period (Iyoha, 2002). While borrowing is not inherently detrimental, the sustainability and productivity of debt have remained a subject of intense scholarly debate, especially as Nigeria's debt profile expanded rapidly after 2010 in response to declining oil revenues, rising expenditure pressures, and repeated macroeconomic shocks (Central Bank of Nigeria, 2021).

Nigeria's modern public debt trajectory can be traced to the oil boom and bust cycles of the 1970s and 1980s, when external borrowing was heavily used to finance ambitious public investment projects that later became unsustainable following the collapse of global oil prices in the early 1980s (Lewis, 2007). By the late 1990s, Nigeria's external debt stock had risen to over 33 billion United States dollars, largely owed to Paris Club creditors, resulting in severe debt overhang effects that constrained economic growth and public investment (Ajayi, 1997). Scholars such as Sachs (2002) argue that excessive debt servicing during this period diverted scarce resources away from health, education, and infrastructure, thereby reinforcing underdevelopment. Nigeria's debt relief agreement in 2005 marked a significant turning point, reducing the country's external debt to about 5 billion United States dollars and temporarily restoring fiscal space (Debt Management Office, 2006). However, this relief did not resolve the underlying structural drivers of debt accumulation.

Following the return to democratic governance and the post debt relief era, Nigeria adopted a more cautious borrowing framework guided by the establishment of the Debt Management Office in 2000 and the introduction of medium-term debt strategies (Oshikoya, 2008). Despite these institutional reforms, public debt began to rise steadily again after 2010 as government expenditure expanded faster than revenue growth (World Bank, 2018). Nigeria's total public debt increased from approximately 10.6 trillion naira in 2010 to over 32 trillion naira by 2020, driven by both domestic borrowing and renewed external loans from multilateral and bilateral

creditors (Debt Management Office, 2020). This trend intensified after the 2014 global oil price crash, which sharply reduced government revenues and widened fiscal deficits across all levels of government (IMF, 2016).

A key issue emphasized in the literature is that Nigeria's debt challenge is less about the absolute size of debt and more about weak revenue capacity and rising debt service obligations. Although Nigeria's debt to gross domestic product ratio remained below 40 percent throughout much of the 2010 to 2025 period, which is lower than the regional average, debt service to revenue ratios deteriorated significantly (International Monetary Fund, 2023). By 2022, Nigeria was spending over 80 percent of its federally retained revenue on debt servicing, leaving minimal fiscal space for capital expenditure and social spending (Central Bank of Nigeria, 2022). Scholars such as Reinhart and Rogoff (2010) note that high debt servicing burdens pose serious risks to fiscal sustainability even when headline debt ratios appear moderate.

The domestic component of Nigeria's public debt has expanded rapidly since 2015, reflecting the government's reliance on treasury bills, federal government bonds, and central bank financing to cover persistent budget shortfalls (Ajakaiye and Fakiyesi, 2009). Domestic debt rose from about 6.5 trillion naira in 2010 to over 21 trillion naira by 2023, accounting for more than sixty percent of total public debt (Debt Management Office, 2023). While domestic borrowing reduces exposure to foreign exchange risk, it has been criticized for crowding out private sector credit and raising interest rates in the domestic financial market (Sanusi, 2010). Empirical studies by Adegbite et al. (2018) find that excessive domestic borrowing in Nigeria has weakened investment growth and undermined financial sector development.

External debt has also increased significantly in the post 2015 period, particularly through loans from the World Bank, African Development Bank, and China Exim Bank to finance infrastructure and budget support (Brautigam, 2020). Nigeria's external debt stock rose from about 7.3 billion United States dollars in 2010 to over 41 billion United States dollars by 2023, reflecting increased dependence on concessional and semi concessional financing (World Bank, 2024). While some scholars argue that external borrowing has supported infrastructure development in sectors such as transportation and power, others contend that weak project execution and governance failures have limited the developmental impact of these loans (Collier, 2007). The literature further links Nigeria's rising public debt to governance challenges, fiscal indiscipline, and weak public financial management systems. Studies by Transparency International (2021) highlight how corruption and inefficiencies in public procurement inflate project costs and reduce the productivity of borrowed funds. Similarly, Olukoshi (2019) argues that Nigeria's debt accumulation reflects deeper political economy dynamics where borrowing substitutes for politically costly tax reforms.

This pattern reinforces a cycle in which the state relies on debt rather than domestic revenue mobilization, thereby deepening fiscal vulnerability.

Recent economic shocks have further intensified Nigeria's debt challenges. The economic recession of 2016, the global pandemic in 2020, and the exchange rate adjustments following the removal of fuel subsidies in 2023 significantly increased borrowing needs and debt servicing costs (International Monetary Fund, 2024). The sharp depreciation of the naira raised the local currency value of external debt obligations, worsening fiscal pressures at a time of declining real incomes and rising poverty levels (National Bureau of Statistics, 2023). Scholars increasingly describe this situation as a debt driven development trap in which rising public debt constrains growth, weakens state capacity, and reinforces external dependence (Mkandawire, 2010).

2.11 External Dependence

External dependence refers to a structural condition in which a national economy relies heavily on external actors for capital, technology, markets, policy direction, and macroeconomic stability. In the Nigerian context, external dependence has long shaped development outcomes, fiscal policy, and state capacity, particularly through reliance on foreign exchange earnings from crude oil exports, external borrowing, foreign aid, and multilateral financial institutions (Ake, 1981). Scholars situate Nigeria's dependence within the broader political economy of post-colonial states whose integration into the global economy occurred under unequal terms that privileged primary commodity exports while discouraging industrial diversification (Amin, 1976). This structural positioning has persisted into the contemporary era, reinforcing vulnerability to external shocks and limiting autonomous development planning (Rodney, 1972).

Nigeria's dependence on external markets is most evident in its mono-product export structure. Since the 1970s, crude oil has accounted for between 85 and 95 percent of export earnings and over half of government revenue, making fiscal performance highly sensitive to global oil price fluctuations (Okonjo Iweala, 2018). The collapse of oil prices in 2014 provides a critical case, as Brent crude prices fell from over 110 dollars per barrel in mid-2014 to less than 40 dollars by early 2016, triggering a sharp decline in foreign exchange inflows and plunging Nigeria into its first recession in over two decades (National Bureau of Statistics, 2017). Studies by Gelb (2019) argue that such price shocks expose the fragility of externally dependent economies and deepen fiscal crises when domestic revenue bases are weak.

Beyond trade, Nigeria's external dependence is reinforced through chronic balance of payments pressures and persistent foreign exchange shortages. The country has consistently struggled to generate sufficient non-oil export earnings to meet import demand, particularly for refined petroleum products, machinery, pharmaceuticals, and food items (Central Bank of Nigeria, 2020). As a result, Nigeria has relied on external reserves accumulation and foreign capital inflows to stabilize the naira and finance imports.

Empirical analyses by Obadan (2014) demonstrate that this pattern has entrenched a cycle of import dependence that undermines domestic production and exacerbates current account vulnerabilities.

External borrowing constitutes another major dimension of Nigeria's dependence. Since 2010, Nigeria has increasingly relied on concessional and semi concessional loans from multilateral institutions such as the World Bank, African Development Bank, and International Monetary Fund to finance budget deficits and support macroeconomic reforms (World Bank, 2022). While these loans have provided short term fiscal relief, scholars argue that they often come with policy conditionalities that constrain domestic policy autonomy (Stiglitz, 2002). For instance, the IMF supported policy reforms during Nigeria's economic adjustment following the 2016 recession emphasized exchange rate liberalization and subsidy rationalization, reforms that had significant social and political costs (IMF, 2017).

Nigeria's growing engagement with non-traditional creditors, particularly China, has further deepened external dependence. Between 2010 and 2023, Nigeria contracted over 8 billion dollars in loans from Chinese policy banks to finance infrastructure projects in rail transportation, power generation, and airport modernization (Corkin, 2021). While these investments addressed critical infrastructure gaps, scholars such as Mohan and Lampert (2019) caution that repayment obligations and limited transparency may create long term fiscal and strategic vulnerabilities. The suspension of loan drawdowns for some rail projects in 2022 due to debt sustainability concerns underscores the risks associated with excessive external reliance (Debt Management Office, 2023).

Aid dependence also features prominently in Nigeria's development trajectory, particularly in the health, education, and humanitarian sectors. External donors have played a central role in financing vaccination programs, HIV treatment, and internally displaced persons relief, especially in conflict affected regions of the northeast (OECD, 2020). While aid has delivered important social outcomes, scholars argue that heavy donor involvement can weaken domestic accountability mechanisms and reduce incentives for revenue mobilization (Brautigam and Knack, 2004). In Nigeria, donor funded programs have often operated parallel to state institutions, limiting their contribution to long term capacity building (Whitfield, 2009).

The literature further links external dependence to Nigeria's exchange rate dynamics and monetary policy constraints. Persistent dependence on foreign exchange inflows has forced the Central Bank of Nigeria to intervene repeatedly in the currency market to stabilize the naira, often at the cost of reserve depletion (Sanusi, 2011). Major devaluations in 2016 and 2023 significantly increased the domestic currency value of external obligations and import costs, contributing to inflationary pressures and declining real incomes (National Bureau of Statistics, 2024).

Scholars such as Kaldor (1978) argue that such dependence limits the effectiveness of macroeconomic policy and traps economies in low-growth equilibria.

From a theoretical perspective, dependency scholars argue that Nigeria's external reliance is not merely a policy failure but a structural outcome of its position in the global capitalist system (Frank, 1969). External dependence shapes domestic class relations, production structures, and state behaviour, reinforcing a pattern in which economic growth does not translate into broad based development (Mkandawire, 2001). Contemporary political economy analyses emphasize that Nigeria's dependence has been reproduced through elite coalitions that benefit from import rents, foreign contracts, and access to external finance, thereby resisting reforms that would promote self-sustaining development (Khan, 2010).

Recent global disruptions have further highlighted the costs of external dependence. The global pandemic in 2020 disrupted supply chains, reduced oil demand, and triggered capital flight from emerging markets, intensifying Nigeria's fiscal and external vulnerabilities (UNCTAD, 2021). Similarly, global monetary tightening following 2022 raised borrowing costs and reduced access to international capital markets, forcing Nigeria to rely more heavily on multilateral lenders and domestic financing (World Bank, 2024). These developments have renewed scholarly concern that Nigeria is increasingly locked into a development path shaped by external constraints rather than domestic priorities.

2.1.2 Development Trap

The concept of a development trap describes a condition in which an economy becomes structurally locked into a cycle of low productivity growth, weak industrial transformation, persistent poverty, and limited institutional capacity, despite periods of economic expansion or reform efforts. In development economics, the notion of a trap challenges linear models of growth by emphasizing how historical structures, policy choices, and external constraints interact to prevent sustained development outcomes (Easterly, 2006). For Nigeria, the development trap is increasingly understood as a political economy phenomenon in which rising public debt, external dependence, and weak domestic productive capacity reinforce one another, producing growth without development between 2010 and 2025 (Pritchett, Sen, and Werker, 2018).

Nigeria recorded episodes of positive gross domestic product growth during much of the study period, particularly between 2010 and 2014 when annual growth averaged over 6 percent. However, this growth failed to translate into broad based improvements in welfare, employment, or structural transformation (World Bank, 2016). Manufacturing value added as a share of gross domestic product remained below 10 percent throughout the period, while agriculture continued to absorb labour without corresponding productivity gains (National Bureau of Statistics, 2021).

Scholars such as Rodrik (2013) argue that this pattern reflects premature deindustrialization, a core feature of development traps in late developing economies.

The persistence of mass poverty alongside growth further illustrates Nigeria's development trap. Despite periods of expansion, Nigeria became the country with the largest number of people living in extreme poverty by 2018, with over 87 million individuals living below the international poverty line of 1.90 dollars per day (World Poverty Clock, 2018). By 2023, national poverty incidence rose to over 63 percent following inflationary pressures and currency depreciation, indicating that growth shocks translated rapidly into welfare losses due to weak social protection systems (National Bureau of Statistics, 2023). This volatility is a defining characteristic of trapped economies where households lack resilience and the state lacks fiscal capacity to smooth shocks (Dercon, 2012).

The literature also links development traps to weak state capacity and institutional fragmentation. Nigeria's public institutions have struggled to effectively coordinate long term development planning, as evidenced by repeated failures to implement national development plans beyond short political cycles (Iyoha and Oriakhi, 2008). Vision 20 2020, launched in 2009 to position Nigeria among the top twenty economies globally by 2020, failed to achieve its core objectives due to fiscal constraints, policy inconsistency, and governance challenges (Ajakaiye et al., 2016). Scholars argue that such implementation gaps reflect a trap in which institutional weakness undermines reform credibility, discouraging investment and reinforcing low productivity equilibria (Acemoglu and Robinson, 2012).

Rising public debt and external dependence deepen Nigeria's development trap by crowding out productive investment. Between 2015 and 2023, debt servicing absorbed between 60 and 90 percent of federal government revenue, severely limiting expenditure on infrastructure, education, and health (Debt Management Office, 2024). This pattern aligns with theoretical models of debt overhang, which suggest that high debt burdens reduce incentives for long term investment and lock economies into stagnation (Krugman, 1988). In Nigeria, capital expenditure consistently fell short of budgetary allocations, weakening the foundation for future growth and reinforcing dependence on imports and external finance (BudgIT, 2022).

Human capital outcomes further illustrate the depth of Nigeria's development trap. Despite increased education spending in nominal terms, learning outcomes deteriorated over the period, with Nigeria recording one of the highest numbers of out of school children globally, exceeding 18 million by 2022 (UNICEF, 2022). Health indicators also lagged, as life expectancy stagnated and maternal mortality remained among the highest worldwide (World Health Organization, 2023). Development economists argue that such human capital deficits prevent economies from transitioning into higher productivity sectors, perpetuating low-income equilibria (Lucas, 1988).

External shocks repeatedly pushed Nigeria deeper into the development trap during the study period. The global oil price collapse in 2014, the recession of 2016, the pandemic induced contraction of 2020, and the inflationary surge following currency reforms in 2023 each exposed structural fragilities and reversed modest development gains (International Monetary Fund, 2024). Rather than serving as temporary setbacks, these shocks produced long lasting scarring effects on employment, household welfare, and public finances, a common feature of trapped economies with limited buffers (Cerra and Saxena, 2008).

Political economy scholars emphasize that development traps are sustained by domestic incentive structures. In Nigeria, elite dependence on oil rents, import licenses, and foreign contracts has reduced incentives to pursue difficult reforms that would promote industrial competitiveness and domestic revenue mobilization (Lewis, 2018). This rent based political settlement reinforces short term distributional politics over long term development strategy, sustaining the very conditions that generate fiscal crisis and external vulnerability (Khan, 2010).

Recent empirical studies increasingly frame Nigeria as caught in a low capability development trap rather than a simple income trap. Pritchett et al. argue that countries like Nigeria possess economic potential but lack the institutional and organizational capabilities to translate resources into sustained development outcomes (Pritchett, Woolcock, and Andrews, 2013). Without deliberate efforts to build state capacity, diversify production, and reduce dependence on volatile external revenues, Nigeria risks remaining trapped in a cycle of recurrent crises and stalled development.

2.2 Theoretical Framework

Dependency Theory was adopted as a framework of analysis. It emerged as a critical framework in the late 1950s and early 1960s as scholars sought to understand persistent underdevelopment in Latin America despite decades of postcolonial independence and modernization efforts. The theory was formally articulated by scholars such as Raul Prebisch, Andre Gunder Frank, and Fernando Henrique Cardoso, who emphasized the structural inequalities embedded in the global economic system (Prebisch, 1959; Frank, 1967; Cardoso & Faletto, 1979). Prebisch's early work highlighted the declining terms of trade for primary commodity exporters in the periphery, showing that peripheral economies, heavily dependent on exports of raw materials, systematically faced deteriorating income relative to industrialized core nations (Prebisch, 1962). Frank extended this argument to propose that underdevelopment in peripheral nations was not a temporary condition but an active result of integration into a world system dominated by advanced capitalist economies (Frank, 1967). Cardoso and Faletto added nuance by demonstrating that internal political and social structures could mediate these dependencies, but the structural asymmetry in trade, finance, and technology remained a persistent constraint on autonomous development (Cardoso & Faletto, 1979).

At its core, Dependency Theory postulates that economic development in peripheral or less-developed countries is constrained by their historical and contemporary incorporation into a global capitalist system where wealth flows from the periphery to the core. The theory emphasizes that structural dependence manifests through trade imbalances, foreign debt accumulation, capital flight, and technological dependence (Dos Santos, 1970). The tenets of the theory posit that peripheral economies cannot achieve sustained growth merely through domestic policies alone because their economic structures are shaped by external forces, including multinational corporations, international financial institutions, and global commodity markets (Chenery & Syrquin, 1975; Ake, 1981). In essence, dependency is a systemic condition that generates cycles of debt accumulation, fiscal fragility, and constrained policy autonomy for developing countries.

2.2.1 Theory Application

Applying Dependency Theory to Nigeria's development context between 2010 and 2025, the framework provides a robust lens to interpret the country's rising public debt and external dependence. Over this period, Nigeria's total public debt increased from approximately \$30 billion in 2010 to over \$110 billion by 2025, reflecting both domestic fiscal imbalances and reliance on external borrowing from institutions such as the World Bank, IMF, and bilateral creditors (Debt Management Office, 2023; World Bank, 2024). Dependency Theory explains that Nigeria's persistent reliance on foreign loans is not merely a policy choice but a structural outcome of global financial integration, fluctuating oil prices, and limited domestic capital accumulation (International Monetary Fund, 2023). For example, the sharp decline in oil prices in 2016 and the global economic disruptions from the COVID-19 pandemic in 2020 forced Nigeria to increase external borrowing to finance deficits and maintain essential government expenditures, illustrating the vulnerability predicted by dependency frameworks (Central Bank of Nigeria, 2021; IMF, 2022). Furthermore, external debt servicing consumed nearly 25 percent of government revenue in 2022, reducing fiscal space for investment in infrastructure, health, and education, which entrenches the country in a developmental trap (Nairametrics, 2023). These dynamics demonstrate that Nigeria's economic trajectory is heavily conditioned by structural dependence, where external actors and international market forces shape domestic fiscal outcomes and development prospects.

The theory also illuminates the relationship between Nigeria's debt structure and policy constraints. Loans from multilateral organizations and foreign governments often come with conditionalities, such as fiscal consolidation requirements and public sector reforms, which, while intended to promote sustainability, can limit autonomous policy decisions (World Bank, 2023; OECD, 2021). Dependency Theory frames these external constraints as mechanisms through which underdevelopment is reproduced, reinforcing structural dependence

despite efforts to implement domestic reforms. Moreover, the theory underscores the interconnectedness of domestic and external factors, highlighting that internal governance challenges, weak tax administration, and corruption interact with external debt obligations to exacerbate fiscal fragility (Fjeldstad & Moore, 2022; Adebisi & Oladipo, 2022). Consequently, Nigeria's development trap between 2010 and 2025 is both externally imposed and internally reinforced, producing a cycle of rising public debt, constrained fiscal capacity, and limited socio-economic transformation.

3.0 Research Methodology

This study employed an explanatory research design to explore the topic. This approach facilitates a deeper understanding of the issues. It adopted the secondary source of data collection and content analysis method for data evaluation.

4.0 Data Presentation and Analysis

4.1 Trends, Drivers and Implications of Nigeria's Public Debt and External Dependence (2010–2025)

The period between 2010 and 2025 witnessed a profound transformation in Nigeria's public debt landscape, shaped by persistent fiscal deficits, revenue volatility, and a growing dependence on external financing. Official data from Nigeria's Debt Management Office show that total public debt expanded sharply from an estimated ₦3.8 trillion in 2010 to more than ₦149.39 trillion by the first quarter of 2025, reflecting a sustained borrowing strategy to bridge recurrent budgetary gaps and fund capital projects (Debt Management Office, 2025; World Bank, 2024). This expansion occurred amid structural weaknesses in domestic revenue mobilisation, where non-oil tax revenue consistently remained below 10 percent of gross domestic product, significantly lower than the sub-Saharan African average of approximately 17 percent (International Monetary Fund, 2023; Organisation for Economic Co-operation and Development, 2023). During the same period, Nigeria's external debt stock also increased, driven by multilateral loans from institutions such as the World Bank and African Development Bank, and by sovereign bond issuances that re-entered international capital markets after a lengthy hiatus (World Bank, 2024; African Development Bank, 2023). These trends illustrate an evolving debt profile in which both domestic and external instruments have been mobilised to finance ongoing fiscal shortfalls and development priorities.

The debt-to-GDP ratio, a key measure of sustainability, experienced notable fluctuations over the study period. Prior to the rebasing of Nigeria's GDP in 2025, the ratio was estimated to exceed 50 percent, reflecting the rapid growth in debt relative to output (International Monetary Fund, 2023). After rebasing, which expanded output figures by including previously under-measured sectors such as technology and informal services, the debt-to-GDP ratio moderated to about 39.4 percent in early 2025, undercutting the government's self-imposed ceiling but still signalling large nominal obligations (World Bank, 2024; National Bureau of Statistics, 2025).

Yet alternative analyses employing un-rebased figures highlight the persistent pressure on Nigeria's public finances, with external factors such as exchange rate depreciation raising the local currency value of dollar-denominated debt, thereby exacerbating servicing costs (United Nations Conference on Trade and Development, 2023; International Monetary Fund, 2023).

Multiple drivers underlie these trends, including structural fiscal deficits, limited revenue diversification, and macroeconomic shocks. The collapse of global oil prices in 2014 triggered the first major recession of the 2010s, with real gross domestic product contracting by 1.6 percent in 2016, a development that significantly reduced government oil revenue and widened fiscal gaps (National Bureau of Statistics, 2017; International Monetary Fund, 2017). Subsequent shocks, including the COVID-19 pandemic of 2020 and global inflationary pressures in the early 2020s, further constrained government revenue while increasing demands for social support and stimulus measures (World Bank, 2023; African Development Bank, 2023). In response, Nigeria relied heavily on both domestic debt instruments such as treasury bills and bonds, and external borrowings, including concessional loans and commercial Eurobonds, thereby deepening external dependence as part of its fiscal management strategy (Central Bank of Nigeria, 2022; Debt Management Office, 2025).

The implications of these debt dynamics extend beyond fiscal metrics to encompass development performance and policy space. High levels of debt servicing have crowded out capital expenditure, limiting the government's ability to invest in productive sectors such as infrastructure, health, and education. According to the World Bank's fiscal sustainability assessments, interest payments have increasingly consumed a larger share of federally collected revenues, reducing fiscal space for long-term development investments (World Bank, 2023). For example, by 2023 Nigeria's debt service to federally retained revenue ratio exceeded 70 percent, underscoring the fiscal pressure that servicing obligations exert on development financing (International Monetary Fund, 2023; African Development Bank, 2023). This pattern aligns with the development trap concept, where rising debt and external dependence constrain the state's capacity to allocate resources strategically for transformational outcomes, thereby reinforcing structural impediments to sustained inclusive growth.

Furthermore, heavy reliance on external financing introduces additional vulnerabilities related to global financial conditions and creditor influence. Borrowing from multilateral institutions such as the World Bank often comes with policy conditionalities that shape domestic economic reforms, including fiscal consolidation measures and subsidy rationalisation, which carry both economic and socio-political consequences (International Monetary Fund, 2023; Organisation for Economic Co-operation and Development, 2023). At the same time, commercial borrowings, particularly from international capital markets, subject Nigeria to global interest rate cycles, which during periods of

monetary tightening in advanced economies can raise debt servicing costs and increase rollover risk (World Bank, 2024; United Nations Conference on Trade and Development, 2023). These external linkages highlight how debt accumulation and external dependence are not only endogenous fiscal issues but also deeply embedded in global economic structures, reinforcing patterns of vulnerability that are central to the development trap narrative.

4.2 Research Findings

Understanding the dynamics of Nigeria's public debt and external dependence requires a detailed assessment of their trajectory, impact, and structural implications between 2010 and 2025. The following findings emerge from the research and highlight the multidimensional consequences of fiscal choices over the period.

The first significant finding is the rapid accumulation of public debt, which has become a defining feature of Nigeria's fiscal landscape. From a relatively modest total debt of approximately ₦5.2 trillion in 2010, following the Paris Club debt relief, the national debt surged to over ₦149 trillion by early 2025. This exponential increase was driven largely by borrowing to finance recurrent expenditure obligations, infrastructure deficits, and recurring balance of payments pressures. The debt growth outpaced domestic revenue mobilisation, resulting in a widening fiscal gap and limited capacity to fund developmental priorities. Despite the large influx of borrowed funds, investments in productive sectors such as manufacturing, energy, and transportation remained insufficient, demonstrating that borrowing did not translate into significant structural transformation or accelerated industrialisation.

A second critical finding is the vulnerability stemming from external dependence. External borrowing increased from around \$4.5 billion in 2010 to over \$42 billion in 2025, sourced from bilateral partners, multilateral institutions, and repeated Eurobond issuances. While external loans provided short-term fiscal relief and opportunities for development financing, they also heightened exposure to exchange rate risks, global monetary tightening cycles, and international market volatility. Currency depreciation episodes, notably after 2016 and again in 2023, amplified the naira value of debt servicing obligations, creating acute fiscal stress and crowding out budgetary allocations for social investment and infrastructure development.

The third key finding relates to constrained developmental policy space and the entrenchment of a debt-driven development trap. Escalating debt service obligations, which rose from 28 percent of government revenue in 2010 to over 97 percent by 2023, severely restricted the government's capacity to implement inclusive growth programs, social welfare initiatives, and industrialisation policies. Low domestic revenue mobilisation, coupled with reliance on recurrent borrowing, resulted in limited fiscal space for strategic planning, human capital investment, and poverty reduction programs. This structural condition has perpetuated low economic growth, declining per capita income, and sluggish transformation of productive capacities, effectively

locking Nigeria into a cycle of debt dependence and constrained developmental outcomes. Overall, these findings collectively reveal that Nigeria's fiscal trajectory between 2010 and 2025 reflects not only a rising debt burden but also a structural dependence on external financing and limited capacity to convert borrowing into sustainable development, which underscores the contemporary development trap confronting the Nigerian state.

5.0 Conclusion

The analysis of Nigeria's public debt and external dependence between 2010 and 2025 demonstrates that rising borrowing and reliance on external financing have entrenched a contemporary development trap. Despite substantial debt accumulation, domestic revenue mobilisation remains weak, constraining fiscal space and limiting investments in productive sectors. Debt servicing obligations have escalated, reducing the capacity of the state to fund social and infrastructure programs while exposing the economy to global financial shocks. Strategic misalignment between borrowing and development objectives has reinforced fiscal vulnerability and limited structural transformation. The research highlights the need for disciplined borrowing, strengthened revenue mechanisms, and targeted investment in productive sectors. Effective debt management, transparency, and institutional capacity are essential to break cycles of dependence. Aligning fiscal policy with long-term development priorities will enhance economic resilience and support sustainable growth. Reducing external reliance while prioritising domestic resources can mitigate vulnerability to currency fluctuations and international interest rate changes. Ultimately, Nigeria's ability to escape the development trap hinges on coherent fiscal strategies, policy consistency, and the strategic use of borrowed resources for inclusive development. Without these measures, rising debt will continue to constrain economic prospects and perpetuate dependency.

6.0 Policy Recommendations

Addressing Nigeria's debt-driven development trap requires a holistic policy approach that strengthens fiscal sustainability, reduces dependence on external financing, and ensures that borrowed resources contribute to productive development. The following recommendations are derived from the research findings and aim to provide strategic pathways for reform.

1. Prioritise Debt Sustainability and Strategic Borrowing

Nigeria should adopt a disciplined borrowing strategy that sets clear limits relative to projected revenues and balances domestic and external financing. Borrowing should focus on long-term developmental objectives rather than short-term fiscal pressures, ensuring that debt obligations do not compromise policy autonomy or divert resources from critical sectors such as human capital, infrastructure, and industrial development. Strategic debt management will help prevent the entrenchment of a debt-driven development trap.

2. Strengthen Revenue Mobilisation Mechanisms

Enhancing domestic revenue is crucial to reduce reliance on external borrowing and expand fiscal space for development. This involves broadening the tax base, improving efficiency in tax administration, reducing leakages, and integrating informal sector activities into the formal economy. Incentivising compliance and adopting data-driven approaches can increase government resources sustainably, allowing for greater investment in social programs, infrastructure, and economic diversification.

3. Align Borrowing with Productive Development Goals

Loans and credit facilities should be directed toward sectors that stimulate structural transformation, including energy, agriculture, technology, and manufacturing. This ensures that borrowed funds generate tangible economic growth and productive capacity rather than financing recurrent expenditure or debt servicing. Coupled with strengthened institutional oversight and transparency in debt management, this approach enhances fiscal stability, mitigates exposure to external shocks, and supports long-term national development objectives.

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