

RESPONSIVENESS OF MULTILATERAL DEBT ON REAL GROSS DOMESTIC PRODUCT-EVIDENCE FROM NIGERIA (1981-2014).

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ABSTRACT

This study empirically analyzed the effectiveness of multilateral debt on real gross domestic product (GDP) in Nigeria using time series data spanning from 1981 to 2014. The econometric techniques of Ordinary Least Square (OLS) were used for the analysis with the aid of EViews 8 statistical package, where multilateral debt was regressed on real gross domestic product and inflation to determine the relationship among them. Our study revealed that there is positive and significant relationship between multilateral debt and real gross domestic product in Nigeria. Therefore, multilateral debt is regarded as one of the major stabilization weapons that affects real gross domestic product in Nigeria positively. Equally revealed is the fact that multilateral debt has no significant and positive effect on inflation, it showed negative sign and is not statistically significant. We made the following recommendations which we believe if carried out approximately will in no small measure aid the effectiveness of multilateral debt on real gross domestic product. The government should ensure that multilateral loans must be invested in infrastructure because this will go a long way to boosting productive base of the economy, hence increase exports for improved foreign reserves. The government should source for multilateral loan to embark on infrastructural development that will empower industrial and manufacturing base of the country. Whenever government embarks on multilateral loans such money should be monitored by authorities in order to avoid looting and diversion of the fund into non-desired areas.

Keywords: Multilateral debt, External debt, Gross domestic product (GDP), Inflation and Ordinary Least Square.

INTRODUCTION

Every sovereign nation has it as her civil duty and responsibility to promote rapid and sustainable rate of economic growth and development and to improve on the general standard of living of its citizenry. For the fact that no country is self-sufficient, which is the basis of the law of comparative advantage, countries depend on one another to survive. As a backup to this assertion, [1], as seen in the work of Adepoju, Salau & Obayelu, (2007), [2], noted that due to scarcity of resources and the law of comparative advantage, countries depend on one another to foster economic growth and to achieve sustainable economic development. For a country to carry out these objectives money is involved, when the country sees that she cannot single-handedly afford it within, the option to borrow from outside becomes imperative. When this option is chosen, it becomes external borrowing, hence external debts. It emanates as a result of the problem of financial disequilibrium which has prompted the government of many nations to borrow money externally either from international organizations or foreign governments to support their economic growths. Little wonder, [3], describes it as an important resource needed to support sustainable economic growth. Hence, by definition, external debt is a component of central government expansionary monetary policy that helps fill financing gap through borrowing from other countries or international organizations [3]. When it is from international organizations it becomes a multilateral debt which is in this work our area of study. Such multilateral borrowing becomes necessary for the government to either finance deficit budget or to carry out developmental projects like water, rural electrification, road construction, erosion control, building of hospitals etc. The necessity for governments to borrow in order to finance budget deficits and carry out capital project as enumerated above has led to the emergent of

multilateral debts especially in emerging economies in which Nigeria is one of them. Suffice it to reemphasize that external borrowing can be multilateral or bilateral. It is multilateral when it entails a country borrowing from international organizations like International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD) aka World Bank, London Paris Club and other multilateral agencies. But when the borrowing involves a country like Nigeria borrowing from US government it is known as bilateral (government-to-government) debt. The aim of such borrowing differs from country to country, some need such borrowing to finance budget deficits and some use it to carry out productive and development activities in their country in order to boost improved economic growth and development [5]. For instance a nation like Nigeria can borrow either from international bodies such as International Monetary Fund (IMF) and World Bank (IBRD) or from any country of the world which she has bilateral financial relationship with.

As at June 2014, the Federal Government's borrowing from multilateral institutions amounted to \$3.826 billion. According to DMO the Federal Government's share of the rising external debt then stood at \$6.363 billion, while the balance of \$3.101 showed the debt profile of state governments as at March 2015. The figured increased to \$3.146 billion in 2016 and out of this figure; \$118.9 million was bilateral loans while the balance was borrowed from multilateral institutions. In the case of the Federal Government, \$3.652 billion were loans sourced from multilateral institutions while a total of \$2.793 billion were loans obtained from China Export-Import Bank and the funds the Federal Government raised from Eurobond [5].

At this juncture it is worthy to re-emphasize that our concern in this paper is on the multilateral debt. In this note, let's redefine multilateral debt as that portion of a country's external debt burden owed to

international financial institutions (IFIs) such as the International Monetary Fund (IMF), the World Bank and the London Paris Club. Multilateral debts from IFIs are preferable options by most of the world's poorest countries as debt tools which are far better and larger than other external debts [6]. Hence, they have been best described as 'preferred creditors' as they provide core development and balance-of-payment adjustment loans to mostly the emerging nations at affordable interest rate. Almost all the emerging economies in the world in which Nigeria is one of them, are indebted to external bodies in one way or the other. And such multilateral borrowing has effect on the economies of the borrowed countries and such impact can either be positive or negative depending on the political structure, economic, financial and otherwise of the country.

STATEMENT OF THE PROBLEM

However, scanty studies exist that relate multilateral debt to economic growth of emerging economies in which Nigeria is one of them. Most of the literature on this was carried out in the economies of developed countries like US, Germany, UK and the host of others. Hence, there is need to carry out the empirical study on the subject matter here in Nigeria to fill the gap in literature. It is pertinent for the government of a particular nation to know the effect of multilateral debts on the nation's economy. This knowledge will enable the government to make favorable policies that will help revamp the economy. Hence, the broad objective of this study is to examine the impact of multilateral debt on real gross domestic product (RGDP) of Nigerian economy. Other objectives include determining the nature of relationship between multilateral debt and inflation in Nigerian economy. To achieve the objectives, the study provides an answer to a question which asked to what extent multilateral debt affects real gross domestic product. Based on this, still the paper hypothesized that there is no significant and positive relationship

between multilateral debts and the real gross domestic product in Nigeria.

The remaining parts of the paper are structured to include section two which looks into review of related literature, section three discusses methodology, section four presents and analyses the regression results and finally section five summarizes and concludes the work with recommendations.

METHODOLOGY

The study involves an empirical analysis of the relationship between multilateral debt and real gross domestic product in Nigeria covering a study period from 1990 to 2015. Hence, the study adopted an *Ex-post facto* design which is considered appropriate since it dealt with data that had already been compiled [7]. Secondary data were sourced from the Central Bank of Nigeria Statistical Bulletin of various years, the World Bank Database and from other websites.

TECHNIQUES OF DATA ANALYSIS

For the analysis of the gathered data, Standard Ordinary Least Squares (OLS) were applied to a panel series of data to test the hypotheses as seen in the work of [8]. The ordinary least square (OLS) estimate is best, linear, unbiased, efficient and consistent and it is widely used in research. The signs of the coefficients of determinant R^2 were relied upon to measure the goodness of fit and in describing the direction and strength of linear relationship between variables while the t-statistics is used to test the validity of the parameter estimated. And p-value was relied upon in determining the magnitude of the effect between multilateral debts, real gross domestic product and inflation in the collection of our data series. The F-test following the F-distribution at 5% level of significance is therefore used to find out whether the overall parameter is significant or not.

DESCRIPTION OF VARIABLES

The variables used in the model are divided into two; dependent variable and independent variables.

Dependent Variables: The dependent variables in this work are the Real Gross Domestic Product (RGDP) and inflation (CPI).

Real gross domestic product (RGDP): This is defined as a macroeconomic measure of the value of economic output adjusted for price changes of either inflation or deflation. This adjustment transforms the money-value measure, nominal GDP into an index for quantity of total output [9].

Inflation (CPI): [10], defines inflation as any general increase in the price level of the economy in the aggregate. This is a macroeconomic concept while in microeconomics; one may be concerned with a rise in the price of one commodity relative to other commodities. Inflation involves a rise in the price of all commodities or of most commodities or most commonly of some index that measures the average of various prices taken together. This definition is still a bit general; [11], observes that one might wish to know exactly what prices are being included in any particular index of inflation. In Nigeria there are three main indices of inflation in common use, namely consumer price index, the wholesale price index and the GNP Price deflator. In this work we use consumer price index (CPI).

Independent Variable: Multilateral debt (MD) connotes as independent variable in this work and it is that portion of a country's external debt burden owed to international financial institutions (IFIs) such as the International Monetary Fund (IMF), the World Bank, Paris and London Club of Creditors [9]. In this study we are going to see how multilateral debt (MLD) impacts on the real gross domestic products (GDP) and inflation (CPI) as dependent variables.

MODEL SPECIFICATION

The linear regression model was used for the hypotheses one and two. The general model is written thus:

$$Y = \alpha + \beta X + \epsilon \dots\dots\dots (1)$$

- Where:**
- Y = Independent variable
 - X = Dependent Variable
 - α = constant
 - β = coefficient of independent variable
 - ϵ = error margin

Hypothesis One: Multilateral debt (MLD) has no significant and positive effect on real gross domestic product (RGDP) of Nigerian economy

$$MLD = \alpha + \beta RGDP + \epsilon \dots\dots\dots (2)$$

- Where:**
- MLD = Multilateral debts
 - RGDP =Real gross domestic product
 - α = constant
 - β = coefficient of independent variable
 - ϵ = error margin
 - A priori: $a_1 > 0$.

Hypothesis Two-Multilateral debt has no significant and positive effect on inflation (proxy by CPI) in Nigerian economy

$$MLD = \alpha + \beta CPI + \epsilon \dots\dots\dots (3)$$

- Where:**
- MLD = Multilateral Debts
 - CPI = Consumer Price Index (proxy for Inflation)
 - α = constant
 - β = coefficient of independent variable
 - ϵ = error margin

It is estimated that there are other variables that may explain the behavior of multilateral debts apart from real gross product and inflation, therefore the error term is introduced to capture them.

Presentation and Analyses of Empirical Results

Table 1 Dataset for the analyses

Year	MLD	RGDP	CPI	MLDCPI	MLDRGDP
1981	15.204	46.411	8.570050	9.085659	15.34181
1982	17.925	695.81	10.66834	10.56154	15.62870
1983	195.32	-1.723	11.66804	10.60114	16.07058
1984	6.7873	-6.625	12.46293	10.71876	17.29213
1985	124.44	-1.357	13.07034	9.711546	16.56882
1986	1.7542	11.335	15.24745	11.32769	17.68634
1987	261.09	1.8857	21.08299	10.91669	14.27749
1988	88.013	-0.693	27.32642	10.37865	14.56802
1989	13.782	7.5831	30.40322	7.953513	12.00824
1990	114.91	7.1462	33.54770	7.097808	11.18315
1991	61.157	11.358	41.35246	7.578257	13.81803
1992	14.021	0.0117	58.12295	6.640023	12.69358
1993	126.25	2.6302	127.1177	11.66560	15.17315
1994	-8.757	1.5571	143.4242	10.24676	16.45296
1995	19.152	-5.054	180.0048	6.191351	9.943428
1996	-0.015	8.4303	238.5966	5.917133	8.577088
1997	5.7583	4.1322	316.2071	7.548060	9.865254
1998	-6.266	2.89	351.9562	8.822173	12.23592
1999	-3.103	2.8154	431.1684	9.214550	13.44141
2000	287.49	1.1942	530.3733	7.900013	13.08479
2001	4.9414	4.8905	764.9615	11.09412	18.40878

2002	-17.29	4.7174	930.4939	11.93590	19.31773
2003	19.839	4.6325	1096.536	11.06101	19.69958
2004	10.162	9.5668	1421.664	12.45864	18.68203
2005	-7.159	6.5795	1838.390	12.58233	18.05444
2006	-13.95	6.5119	2290.618	12.33864	20.45781
2007	0.4732	6.031	3668.658	17.75960	24.82123
2008	9.4003	6.4498	6920.499	28.48372	32.96055
2009	27.819	5.9837	9110.859	36.74587	37.99238
2010	12.839	6.9584	10157.02	18.73823	20.35787
2011	21.221	7.9773	10660.07	16.85158	19.24243
2012	13.797	7.4283	14649.28	20.57872	19.51969
2013	0.5807	6.5818	15778.31	19.66827	18.89581
2014	0.0015	6.4877	16984.42	17.99884	17.11242

Source: CBN Statistical Bulletin of Various issues

Regression Result for Test of Hypothesis One

Descriptive Statistics			
	Mean	Std. Deviation	N
Multila debts	8.5750	3.25992	28
RealGDP	10.7500	2.96294	28

Correlations			
		Multilat debt	inflation
Pearson Correlation	Multilat debts	1.000	.438
	RealGDP	.438	1.000
Sig. (1-tailed)	Multilat	.	.193

		debts	
N	RealGDP	.193	.
	Multilat	28	28
		debt	
	RealGDP		28
		28	

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.438 ^a	.192	-.010	3.27663	1.310

a. Predictors: (Constant), Multilateral Debt

b. Dependent Variable: Real gross domestic product

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.190	1	10.190	.949	.385 ^a
	Residual	42.945	4	10.736		
	Total	53.135	5			

a. Predictors: (Constant), Multilateral debt

b. Dependent Variable: Real domestic product

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
		1	(Constant)	3.395		

Inflation	.482	.495	.438	.974	.38
					5

a. Dependent Variable: Multilateral debts

Residuals Statistics ^a					
	Minimu m	Maximu m	Mean	Std. Deviation	N
Predicted Value	6.5754	10.6709	8.5750	1.42760	28
Residual	-3.71818	3.62454	.00000	2.93070	28
Std. Predicted Value	-1.401	1.468	.000	1.000	28
Std. Residual	-1.135	1.106	.000	.894	28

a. Dependent Variable: Real domestic product

Regression Result for Test of Hypothesis Two

Descriptive Statistics			
	Mean	Std. Deviation	N
Multilateral Debts	188882.1221	1.11220E2	28
Inflation	10.7500	2.96294	28

Correlations

		Multilat debt	Inflation
Pearson	Multila debts	1.000	.185
Correlation	Inflation	.185	1.000
Sig. (1-tailed)	Multila debts	.	.363
	Inflation	.363	.
N	Multila debts	28	28
	Inflation	28	28

Model Summary^b

Mod	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.185 ^a	.034	-.207	2.11987E5	.490

a. Predictors: (Constant), Multilateral debts

b. Dependent Variable: Inflation

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.374E9	1	6.374E9	0.142	.726 ^a
	Residual	1.798E11	4	4.494E10		
	Total	1.861E11	5			

a. Predictors: (Constant), Multilateral debts

b. Dependent Variable: Inflation

Coefficients^a

Model		Unstandardized Coefficients	Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	
1	(Constant)	84903.646	354682.360		0.239
					.823

Multilater	12050.467	31996.460	0.185	0.377	.726
al debt					
a. Predictors: (Constant), Multilateral debts					
b. Dependent Variable: Inflation					

The results in **table 2** reveal that multilateral debt causal effect on gross domestic product. However, a strong unidirectional causality was found between multilateral debt and gross domestic product with the causality running at 5 percent level of significant. Also multilateral debt was found to not have granger cause inflation even at a very weak rate of less than 5 percent significant level. Equally, a unidirectional causality was found between GDP and inflation rate, which runs from GDP to inflation at 6 percent significant level. The monetarists' causal argument for inflation was confirmed by the Granger test result at 5 percent level of significant.

Analyses of Our Estimated Linear Model Empirical Results

The table below presents the result obtained from our estimated linear model, based on the ordinary least squares (OLS) procedure as follows.

Dependent Variable: RGDP				
Method: Least Squares				
Date: 10/11/16 Time: 11:48				
Sample: 1981 2015				
Included observations: 33				
Table 4 Linear Regression Result using OLS Model				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.664421	0.435521	5.332421	0.0000
MLD	0.541822	0.051214	4.275213	0.0200
R-squared	0.002342	Mean dependent var	5.65422	

			1
Adjusted R-squared	-	S.D. dependent var	1.42760
	0.013242		2
S.E. of regression	-3.06421	Akaike info criterion	1.22452
			2
Sum squared resid	344562.0	Schwarz criterion	1.34522
			4
Log likelihood	-	F-statistic	0.02414
	122.0142		2
Durbin-Watson stat	1.02154	Prob(F-statistic)	0.04242
			2

Source: Researcher’s computation 2016

The equation below presents the results obtained from our estimated linear model

$$RGDP = 3.664 + 0.541822 (MDL) \dots\dots\dots (4)$$

Probability = 0.0200

R- Squared = 0.002342

F- Statistics = 0.042422

Dependent Variable: CPI				
Method: Least Squares				
Date: 10/11/16 Time: 11:48				
Sample: 1981 2014				
Included observations: 33				
Table 5 Ordinary Least Squares Regression Results				
Variable	Coefficie	Std. Error	t-Statistic	Prob.

	nt			
C	28.84425	0.542122	1.33221	0.4512
	6			
MLD	-	0.275607	-0.397937	0.1233
	0.144222			
R-squared	0.342284	Mean dependent var	25.8980	
			8	
Adjusted R-squared	-	S.D. dependent var	118.663	
	0.026172		3	
S.E. of regression	120.2061	Akaike info criterion	12.4733	
			1	
Sum squared resid	0.132284	Schwarz criterion	12.5631	
			0	
Log likelihood	-	F-statistic	0.04242	
	210.0463		2	
Durbin-Watson stat	1.917176	Prob(F-statistic)	0.54222	
			3	

Source: Researcher’s computation 2016

The equation below presents the results obtained from our estimated linear model

$$\text{CPI} = 28.844256 - 0.144222 \dots\dots\dots (4)$$

Probability = (0.542223)

R- Squared = 0.342284

F- Statistics = 0.042422

The regression result presented in **tables 4 and 5** above revealed that the out of the two explanatory variables real gross domestic product (GDP) and inflation (CPI), only GDP shows significant and positive relationship with multilateral debt. In other words the result revealed that multilateral debt is significantly and positively related to real gross domestic product to the extent that 1%

increase in multilateral debt may lead to 15% increase in real gross domestic product. But for the inflation, it shows negative relationship showing multilateral debt does not either cause inflation or reduce inflation in an economy during the periods under review.

R- Squared (R^2): The R-Squared which is also known as coefficient of determination, is a statistical tool used to measure goodness of fit of the model. In other words, it is used to show the extent at which variation in the dependent variable is explained by changes in the explanatory variables. Hence it is measured in percentages and from the estimated linear multiple regression model shown in table 2, the computed R-Squared obtained is 0.342284. The implication is that 0.342284 variation in real gross domestic product is explained by multilateral. While the remaining 0.657716 ($1-0.342284$) variation are explained by other variables that are not captured in the model. This is an indication that the estimated model has a good fit for prediction and policy making purpose.

F-test: This tests for overall significance of the model and is also carried out using the 5% level of significance, which is considered as a fair level. Thus, the probability (F-Statistics) is 0.042422, thus we accept the alternate hypothesis and conclude that the overall parameter estimate for the result is statistically significant because the probability value of the (f- statistics) is 4% which is less than 5% level of significance. But for inflation as control variable in this work, the probability F-statistics is 0.542223 which is more than 5% level of significance; therefore we reject the alternate hypothesis and accept null, therefore we reject the alternate hypothesis and accept null which postulates that multilateral debt has no significant and positive impact on inflation rate. We then conclude that the overall parameter estimate for the result is non-statistically significant.

Testing of Hypotheses using T-test Statistical Solution

In our work the t-test is conducted to verify the effect of the independent variable (Multilateral debt) on the dependent variables (real gross domestic product and inflation). The null hypothesis for this test states that the parameter estimates are not statistically significant; the decision rule is that we accept the null hypothesis, if the probability value is more than 5% level of significance. Re-stating hypothesis 1 using researcher's hypothesis we have:

H_{A1} : There is significant and positive relationship between multilateral debt and real gross domestic product.

INTERPRETATION

Since the probability value of (0.0222) is less than 0.05 percent level of significance, we therefore accept the alternate hypothesis which postulates that there is significant and positive relationship between multilateral debt and real gross domestic product.

For hypothesis 2- using Researcher's Hypothesis

H_{A1} : There is significant and positive relationship between multilateral debt and inflation. We can see from the result that the calculated probability value (0.4544) is more than 0.05% which is our chosen level of significant. Therefore, we refuse to accept our alternative hypothesis which states that there is significant and positive relationship between multilateral debt and inflation.

The Estimates of Causality-Test Pairwise Granger Causality Tests Results

It is widely believed in the literature that events cause events (everything causes everything), hence, the estimate of causality which is presented in **table 2**.

Test of Hypothesis 1 and 2: There is no causality relationship among multilateral debt, economic growth and inflation in Nigeria.

Observation: 1981-2015.

Table 6: **Result of the Granger Causality Test Null Hypotheses:**

	F-Statistic	Probability
MULT does not Granger cause GDP	2.01231	0.00000
GDP does not Granger cause MULT	1.24224	0.07009
CPI does not Granger cause GDP	0.37561	0.55602
GDP does not Granger cause CPI	1.02013	0.36428
MULT does not Granger cause CPI	1.05410	0.16415
CPI does not Granger cause MULT	-0.00414	-0.87415
Source: E-Views version 8 statistical package		

The hypotheses 1 & 2 are stated in a null form while the alternative is implied. From the table 4.2 above, the results of the Granger causality test reveals that; (i) there is a unidirectional relationship between multilateral debts and economic growth in Nigeria, meaning that multilateral debt (MULT) has causal effect on gross domestic product (GDP) during the period under review. In other words, multilateral debt granger causes gross domestic product to increase, indicating an improvement for the period under study. (ii) there exists a bidirectional relationship between multilateral debts and inflation in Nigeria in an economy for the period under review, showing that multilateral debt does not either increase or reduce inflation in an economy for the period studied.

DISCUSSION OF THE FINDINGS

The study is on the effect of multilateral debt on real gross domestic product and inflation, using ordinary least square model. From the result, it was revealed that the real gross domestic product which is one of the explanatory variables shows a positive and significant relationship with multilateral debt in Nigeria during the period under study. In other words, both in the short run and

long run, multilateral sources of loans was found to have maintained a positive and significant relationship with economic growth in Nigeria for the period under review.

Equally the t-statistics and the linked probability revealed that real gross domestic product (GDP) is a significant function of the exogenous variable within the context of the formulated and estimated model which in this work is the multilateral debt. Hence, it can be inferred from the result that 1% increase in multilateral debt produces 34% increase in real gross domestic product. The implication of this is that multilateral debt impacts positively and significantly on economic growth of Nigeria within the period of the study.

This finding is in total agreement with the findings in the empirical work of Faraji and Makame which showed that there is significant and positive impact of the external debt on economic growth of Tanzania. Equally in semi line with our findings is the result of the work of Adeboya (1990), [11], which revealed that external debts contributes positively to growth rate in the short run but in the long run its contribution becomes negative reflecting the presence of non-linearity effects. This seems to be in partial agreement with the findings of our work.

However, in total contrast with our finding is the empirical study of Bornstein, (1989), [3], which found that external debt soaks up resources and reduces public investment especially in emerging economies, hence it has damaging impact on developing economies where high interest rate on the accumulated debts will subsequently depress the economy the more both in the long run and short run. Also our result revealed that inflation which is used in this work as a control variable, not really the variable of interest showed a negative and non-significant relationship with multilateral debt. In other words, inflation maintains a negative but non-significant relationship with the multilateral debts under the period under studies. This is in total contrast with the findings in the work of Adekule (2012), [14], which proved otherwise.

SUMMARY OF FINDINGS

At this juncture, it is pertinent enough to briefly summarize the findings of our study thereafter make some policy recommendations.

- There is significant and positive relationship between multilateral debts and the real gross domestic product in Nigeria. This indicates that multilateral debt contributes positively and significantly to the growth rate of Nigeria's economy during the period under review.
- Multilateral debt has no significant and positive effect on inflation in Nigeria. This implies that multilateral debt does not cause or reduce inflation in Nigeria within the period under study.
- The R- Squared has a goodness of fit for prediction and policy decision; therefore, the model was significant.

CONCLUSION AND RECOMMENDATIONS

The study empirically analyzed the effectiveness of multilateral debt on real gross domestic product and on inflation in Nigeria using time series data spanning from 1981 to 2015. The econometric techniques of OLS were used for the analysis, where multilateral debt was regressed on real gross domestic product and inflation to determine the relationship among them. Our study revealed that there is positive and significant relationship between multilateral debt and real gross domestic product in Nigeria. Therefore, multilateral debt is regarded as one of the major stabilization weapons that positively and significantly affects real gross domestic product in Nigeria during the period under review. Equally revealed is the fact that multilateral debt has positive sign on real gross domestic product and it is statistically significant. In other word, multilateral debt has significant and positive influence on real gross domestic product in Nigeria. But for inflation it showed negative sign and is not statistically significant.

Based on these findings, we made the following recommendations which we believe if carried out appropriately will in no small measure aid the effectiveness of multilateral debt on real gross domestic product.

- Government multilateral debt should be invested in infrastructure because this will go a long way to boosting productivity.
- Whenever government embarks on multilateral debt such money should be monitored by authorities in order to avoid looting and diversion of the fund into non-desired area.
- The government should diversify the economy away from oil in order for Nigerians have all they need domestically; this will reduce the demand for multilateral debt.
- The government should source for multilateral loan to embark on infrastructural development that will empower industrial and manufacturing base of the country. When this is in place, our local industries would have enough for mass production of goods, enough for local consumption and for exports to earn enough foreign exchange, hence appreciation of our naira exchange against dollar. With this in place, Nigeria will have enough foreign exchange reserves to settle her external debts.

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