

## The Internationalization of Capital Market Influencing Debt Sustainability's Impact on the Growth of the Nigerian Economy

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**Abstract :** The paper set out to assess the sustainability of debt in the Nigerian economy. Precisely, it sought to determine the level of debt sustainability and its impact on the growth of the economy; whether internationalization of capital market has positively influenced debt sustainability's impact on economic growth; and to ascertain the direction of causality between external debt sustainability and the growth of GDP. In the light of these objectives, ratio analysis was employed for the determination of debt sustainability. Our findings revealed that the periods 1986 - 1994 and 1999 - 2004 were periods of severe unsustainable borrowing. The unit root test showed that the variables of the growth model were integrated of order one, I(1) and the cointegration test provided evidence for long run stability. Considering the dawn of internationalization of capital market, the researcher employed the structural break approach using Chow Breakpoint test on the vector error correction model (VECM). The result of VECM showed that debt sustainability, measured by debt to GDP ratio exerts negative and significant impact on the growth of the economy while debt burden measured by debt-export ratio and debt service export ratio are negative though insignificant on the growth of GDP. The Cho test result indicated that internationalization of capital market has no significant effect on the debt overhang impact on the growth of the Economy. The granger causality test indicates a feedback effect from economic growth to debt sustainability growth indicators. On the bases of these findings, the researchers made some necessary recommendations which if followed religiously will go a long way to ameliorating debt burdens and engendering economic growth.

**Keywords :** debt sustainability, internalization, capital market, cointegration, chow test

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