

EVALUATING THE DEBT-GROWTH NEXUS IN ECOWAS: AN INTEGRATIVE FRAMEWORK OF THE BURDEN OF DEBT SERVICING

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Abstract

This study investigates the impact of external debt, external debt servicing, employment, and other macroeconomic variables on economic growth within the ECOWAS sub-region, spanning the period from 2005 to 2023. Utilizing panel data from 15 ECOWAS countries, the analysis employs dynamic panel data models to explore the relationships between these variables. The results suggest that external debt negatively impacts GDP growth, while external debt servicing further exacerbates this negative effect. Conversely, employment levels and foreign direct investment (FDI) show positive associations with economic growth, highlighting their importance for long-term development. Additionally, the study finds that the interaction between external debt and debt servicing has a significant influence on growth, emphasizing the need for effective debt management strategies. These findings offer valuable policy implications for ECOWAS nations, advocating for sustainable debt practices, increased job creation, and enhanced investment policies to foster economic stability and growth in the region.

Keywords: External Debt, Debt Servicing, Economic Growth, Employment, ECOWAS, Foreign Direct Investment

1. Introduction

The inflow of external debt to African countries has been a crucial mechanism for financing development projects, especially in regions with low income and savings levels. The African continent, marked by low internal capital formation and the need for infrastructure development, has long relied on external debt as a significant source of financing (Akinboade et al., 2021). External debt provides necessary funds for investment in key sectors, such as infrastructure, education, and healthcare, which are vital for economic growth and development. However, the heavy dependence on borrowed capital has often come with long-term economic consequences. While external debt can be a useful tool for bridging financial gaps in developing economies, its sustainability and impact on economic growth have been subjects of extensive academic debate (Mlambo & Ranganai, 2022).

Since the 1990s, high levels of external debt in developing countries, particularly in sub-Saharan Africa, have garnered significant attention from scholars, policymakers, and international organizations. Studies suggest that while external borrowing can stimulate short-term growth, it can also lead to long-term fiscal distress if not managed carefully (Iyoha & Ebohon, 2020). One of the major concerns surrounding external debt is the so-called “debt overhang” hypothesis, which posits that when a country’s external debt level exceeds its repayment capacity, it creates a barrier to economic growth, as the country faces an increased burden of debt servicing, which can stifle domestic investment and reduce economic productivity (Osei-Assibey, 2021). The

debate surrounding the effects of external debt on economic performance has become particularly relevant in the context of the global economic uncertainty brought on by the COVID-19 pandemic, which has exacerbated debt burdens in many developing countries (United Nations, 2023).

External debt inflows often come with the condition of servicing, which diverts foreign exchange resources from productive investment into debt repayment. This represents a significant economic challenge, as it places pressure on the country's foreign exchange reserves, potentially causing a decrease in available funds for development (Alemu et al., 2021). The accumulation of external debt, especially at concessional rates, can provide temporary relief but can also lead to long-term financial instability if the borrowing is not accompanied by a corresponding increase in productive capacity (Mlambo & Ranganai, 2022). In recent years, the risk of a debt crisis has escalated in many African countries, particularly in those that have been categorized as heavily indebted poor countries (HIPCs), where debt levels have reached unsustainable levels, with repayment obligations threatening to undermine economic growth (Amri, 2023).

In the context of the Economic Community of West African States (ECOWAS), the accumulation of external debt has been driven by a variety of factors, both common and region-specific. ECOWAS countries, like many other developing nations, face persistent challenges such as low levels of productivity, inadequate infrastructure, and political instability, all of which contribute to the heavy reliance on external loans to finance development (Dube et al., 2020). These countries also face challenges related to civil conflict, which often necessitates additional borrowing to meet emergency financing needs (Umar & Yusuf, 2021). Despite the need for external debt to close the financing gap, there remains concern over its long-term effects, particularly in light of the region's vulnerability to global economic fluctuations and changes in interest rates, which can further exacerbate the debt burden (Ekpo & Egbetokun, 2022).

Given these complexities, it is essential to investigate the specific impacts of external debt on economic growth in the ECOWAS sub-region. Previous empirical studies have shown mixed results regarding the relationship between external debt and economic growth in developing countries, with some arguing that external debt can stimulate growth under favorable conditions, while others suggest it may hinder development due to the heavy burden of debt servicing (Anifowose, 2016; Lawanson, 2014). However, studies focused on the ECOWAS region remain limited, and a more nuanced understanding of how external debt affects the region's economic performance is needed. Research in this area can contribute valuable insights to the formulation of debt management policies that balance the need for development financing with the risks associated with excessive borrowing (Kasidi & Said, 2013; Paul, 2017).

The present study aims to address these gaps by examining the effects of external debt and debt servicing on economic growth in the ECOWAS sub-region. This study contributes to the ongoing debate by focusing on the ECOWAS region, where these dynamics are particularly pronounced, providing empirical evidence to inform policy decisions and debt management strategies aimed at fostering sustainable economic growth. This study uses advanced econometric methods, such as fixed and random effects models and fully modified ordinary least squares (FMOLS) estimation, to address endogeneity issues and capture the dynamic relationship between debt and economic growth. By investigating the impact of external debt accumulation in ECOWAS countries, this study seeks to provide empirical evidence on the validity of the debt overhang hypothesis in the region and offer policy recommendations for managing external debt

sustainably. The findings will contribute to the broader discourse on debt management strategies, providing insights that can guide policymakers in ensuring that external debt remains a catalyst for development rather than an obstacle to growth (Anifowose, 2016; Kasidi & Said, 2013).

2. Empirical Literature

The empirical literature on the relationship between external debt, debt servicing, and economic growth is extensive. While the relationship between external debt and economic growth remains complex and context-dependent, a broad consensus in the literature suggests that debt can be both a tool for development and a constraint on growth, depending on factors such as debt management, institutional quality, and the productive use of borrowed funds. One of the key findings from this body of research is the mixed impact of external debt on economic growth, with the direction of the relationship often contingent on a variety of factors such as the level of debt, the efficiency of debt usage, and the macroeconomic environment. For instance, studies by Reinhart et al. (2020) and Arezki et al. (2021) argue that external debt, when used for productive investment, can foster growth. However, when debt is misallocated or becomes unsustainable, it can impede economic progress by imposing significant financial burdens on governments.

In the context of sub-Saharan Africa, several studies have found a generally negative relationship between external debt and economic growth, particularly in the long run. For example, Moyo (2021) and Bakare et al. (2023) conclude that the rising debt levels in African economies have often been accompanied by increased debt servicing costs, which crowd out productive public investment and limit the ability of governments to finance key development projects. This is echoed by Fosu (2022), who suggests that external debt leads to debt overhang, where countries are unable to service existing debt, thereby hindering future borrowing and economic growth. Furthermore, empirical work by Olofin & Ganiyu (2021) highlights that the adverse effects of external debt are more pronounced in countries with weak institutions and inefficient fiscal policies, suggesting that the capacity to manage debt plays a crucial role in determining its impact on growth.

However, other studies present more nuanced findings, suggesting that external debt, under certain conditions, can have a positive or neutral effect on growth. Studies by Khan & Qayyum (2021) and Osei (2020) indicate that external debt can stimulate economic growth when the borrowing is directed towards investments in infrastructure, education, and other growth-enhancing sectors. In these cases, debt may not only be sustainable but also contribute to the accumulation of human and physical capital, ultimately driving economic development. This perspective is further supported by recent work by Rajan & Subramanian (2023), who argue that debt can be beneficial when accompanied by effective governance and strong institutional frameworks that ensure debt is used productively and does not lead to excessive accumulation.

Moreover, the literature also emphasizes the importance of debt servicing in the growth-debt relationship. Several studies have found that the way countries manage their debt servicing obligations can significantly influence the impact of debt on growth. A study by Ndikumana & Boyce (2021) concludes that countries with lower debt servicing costs relative to GDP experience more positive growth outcomes, as resources are freed up for other developmental uses. Similarly, Akinmoladun et al. (2022) argue that debt servicing can be a positive growth driver when it signals to international investors that a country is committed to fiscal discipline and debt sustainability. This argument is supported by findings from Sambo & Johnson (2023),

who show that debt servicing, while costly, may increase a country's access to capital markets, reduce borrowing costs, and enhance economic stability, particularly when debt levels are perceived as manageable.

A critical insight that emerges from the recent literature is the role of institutional quality in shaping the debt-growth relationship. Studies by Muna & Chijioke (2023) and Babatunde & Akintoye (2023) suggest that strong institutions can mitigate the negative impacts of external debt by ensuring that borrowing is transparent, properly allocated, and used for development purposes. In contrast, countries with weaker governance structures are more likely to experience adverse growth outcomes from external debt, as poor debt management practices can lead to inefficiencies, corruption, and unsustainable debt levels. This underscores the need for comprehensive institutional reforms alongside debt management strategies to ensure that borrowing contributes positively to economic growth.

Finally, the recent literature also emphasizes the importance of debt composition in determining its impact on growth. According to studies by Afolabi & Oladipo (2023) and Akinmoladun et al. (2022), the type of debt affects its potential for fostering economic growth. Concessional debt, which comes with lower interest rates and longer repayment periods, is less likely to hinder growth compared to non-concessional debt, which often carries higher interest rates and shorter repayment periods. This distinction highlights the importance of borrowing on favorable terms to reduce the debt burden and minimize the negative effects of debt servicing on growth.

3.0 Methodology

The dataset employed in this study comprises panel data, which integrates both cross-sectional and time-series dimensions, covering a sample of 15 ECOWAS countries, including Nigeria, Ghana, Senegal, and others, for over the period 2005 to 2023. This results in a total of 210 observations (15 countries \times 14 years). The study focuses on key macroeconomic variables such as the Gross Domestic Product Growth Rate (GDPG), External Debt (EXDB), External Debt Service (EXDS), Employment Level (EMPL), Gross Fixed Capital Formation to GDP ratio (GFCG), and Foreign Direct Investment to GDP ratio (FDIG). The variable for lagged GDP growth (GDPL) is also included to capture dynamic effects. Data were primarily sourced from the World Bank's World Development Indicators (2019) for financial and investment metrics, while employment figures were obtained from the Penn World Table Version 9.1 (2019). This panel structure allows the study to account for both country-specific heterogeneity and temporal variations, making it well-suited to analyze the dynamic and long-term effects of external debt and debt servicing on economic growth in the ECOWAS sub-region.

To demonstrate the relation we apply equations (1) and (2). Equation (1) represents the baseline dynamic panel model used to assess the impact of external debt and external debt servicing on economic growth within ECOWAS countries. The model includes the lagged GDP growth rate (GDPG) to account for persistence in economic performance, a common feature in growth regressions (Barro & Sala-i-Martin, 2004). The inclusion of external debt (EXDB) and external debt service (EXDS) helps capture the distinct effects of debt accumulation and repayment obligations, respectively, on growth. Additionally, employment (EMPL), gross fixed capital formation to GDP ratio (GFCG), and foreign direct investment to GDP ratio (FDIG) are included as key control variables often linked to capital deepening, labor productivity, and external investment flows, which are significant drivers of economic performance (Levine & Renelt,

1992; Solow, 1956). This specification allows the study to isolate the separate effects of debt volume and servicing costs on economic growth while controlling for structural and policy-related growth drivers.

Equation 1 (baseline)

$$GDPG_{it} = \beta_0 + \beta_1 GDPL_{it} - \beta_2 EXDB_{it} + \beta_3 EXDS_{it} + \beta_4 EMPL_{it} + \beta_5 GFCG_{it} + \alpha_i + \varepsilon_{it}$$

Equation 3 (with interaction)

$$GDPG_{it} = \beta_0 + \beta_1 GDPL_{it} + \beta_2 (EXDB_{it} \times EXDS_{it}) + \beta_3 EMPL_{it} + \beta_4 GFCG_{it} + \alpha_i + \varepsilon_{it}$$

Equation (2) extends the baseline model by introducing an interaction term between external debt and external debt service (EXDB*EXDS) to investigate their combined or conditional impact on GDP growth. This approach acknowledges that the effects of external debt on economic growth may be contingent on the level of debt servicing obligations, consistent with findings from Pattillo, Poirson, and Ricci (2004), who noted that the debt-growth relationship may be nonlinear or threshold-dependent. By including this interaction term, the model captures the synergistic or compounding burden that high debt coupled with high servicing costs could exert on a country's fiscal space and investment potential. The inclusion of the same control variables (GDPG, EMPL, GFCG, and FDIG) ensures comparability with the baseline model while testing for nuanced dynamics in debt-growth interactions (Clements, Bhattacharya, & Nguyen, 2003). This model is particularly relevant for policy discussions in debt-dependent economies where servicing costs may erode the growth-enhancing potential of borrowed funds.

4.0 Results

Table 1 presents the descriptive statistics for the variables included in the analysis, showing the mean, maximum, minimum, standard deviation, skewness, kurtosis, Jarque-Bera (J-B) test statistic, and the number of observations (Obs). The variable GDPG (Gross Domestic Product Growth Rate) has a mean of 4.770%, with a maximum of 20.710% and a minimum of -20.590%. This substantial variation in GDP growth reflects the economic instability observed in the countries under study. The variable exhibits a negatively skewed distribution (-1.260) and high kurtosis (14.830), suggesting that the data is leptokurtic, with a higher probability of extreme values. Similarly, EXDB (External Debt) has a mean of approximately 4.8 billion USD, with a maximum of 47 billion USD and a minimum of 271 million USD. This distribution shows a substantial disparity in external debt levels across countries, and the positive skewness (2.870) indicates that most countries have lower levels of external debt. The EXDS (External Debt Service) variable has a high degree of variability, with a mean of 380 million USD and a maximum value of 8.81 billion USD. EMPL (Employment) and GFCG (Gross Fixed Capital Formation as a percentage of GDP) both demonstrate substantial variation, with EMPL showing a mean of 7.430 million and GFCG showing a mean of 21.370%. The Jarque-Bera test statistics for most variables suggest that the data significantly deviate from normality, indicating the need for caution when applying traditional statistical methods that assume normality.

Table 2 displays the correlation matrix, which reveals the relationships between the explanatory variables in the model. The correlation between GDPG and EXDB is virtually negligible (-0.002), indicating that there is no linear relationship between the growth rate of GDP and external debt. However, there is a moderate correlation between EXDB and EXDS (0.740), implying that higher external debt levels are associated with greater external debt service requirements. EMPL

(employment level) and EXDB exhibit a strong positive correlation (0.820), which suggests that countries with higher external debt levels tend to have higher employment levels. The correlation between GFCG (gross fixed capital formation) and GDPG is also positive (0.164), although relatively weak, indicating that increases in capital investment may slightly correlate with GDP growth. FDI/GDP (foreign direct investment as a percentage of GDP) has weak correlations with the other variables, indicating that FDI's impact on the other factors is less direct.

Table 1: Descriptive Statistics

Variable	Mean	Max	Min	Std. Dev.	Skew	Kurtosis	J-B	Obs.
GDPG	4.770	20.710	-20.590	3.690	-1.260	14.830	1281.780	210
EXDB	4.800e9	4.700e10	2.710e8	7.050e9	2.870	13.000	1165.980	210
EXDS	3.800e8	8.810e9	1.531e6	1.010e9	5.420	37.440	11409.200	210
EMPL	7.430	67.050	0.150	13.060	3.260	12.730	1202.780	210
GFCG	21.370	52.410	5.880	8.590	0.920	3.870	36.820	210
FDI/GDP	5.790	103.330	-1.030	12.000	6.060	43.080	15345.200	210

Source: Author (2025)

Table 2:
Correlation Matrix

Variable	GDPG	EXDB	EXDS	EMPL	GFCG	FDI/GDP
GDPG	1.000					
EXDB	-0.002	1.000				
EXDS	0.034	0.740	1.000			
EMPL	0.032	0.820	0.676	1.000		
GFCG	0.164	-0.154	-0.060	-0.095	1.000	
FDI/GDP	0.163	-0.139	-0.095	-0.121	0.131	1.000

Source: Author (2025).

Table 3 presents the results of panel unit root tests, including the Levin-Lin-Chu (LLC), Im-Pesaran-Shin (IPS), and Fisher ADF and PP tests. The results indicate that all variables GDPG, EXDB, EXDS, EMPL, GFCG, and FDI/GDP are stationary at the 1% significance level, as evidenced by the significant p-values across all tests. The LLC test, which assumes a common unit root process across panels, shows that the null hypothesis of a unit root is strongly rejected for all variables. The IPS test, which allows for individual unit root processes, also rejects the null hypothesis for all variables, confirming their stationarity. These results suggest that the variables are integrated of order one, making them suitable for inclusion in co-integration and dynamic panel data models.

Table 4 reports the results from the Pedroni co-integration tests, which examine the long-run relationships between the variables. The results from the within-dimension tests reveal that the null hypothesis of no co-integration is rejected for most statistics, with the Panel PP-Statistic and Panel ADF-Statistic yielding significant results at the 1% level, indicating a long-run relationship between the variables. Specifically, the EXDB (external debt) and EXDS (external debt service) variables exhibit co-integrating relationships with GDPG (GDP growth) and other macroeconomic factors. The between-dimension tests also show strong evidence of co-integration, further supporting the existence of long-term relationships between the variables in

the model. These findings provide strong evidence that external debt and debt service, along with other macroeconomic variables, are interrelated over time.

Table 3:

Panel Unit Root Tests

Variable	LLC (p)	IPS (p)	ADF Fisher (p)	PP Fisher (p)	Remark
GDPG	-13.084 (0.000)	-6.024 (0.000)	87.481 (0.000)	189.272 (0.000)	Stationary
EXDB	-14.815 (0.000)	-8.481 (0.000)	108.892 (0.000)	135.604 (0.000)	Stationary
EXDS	-13.046 (0.000)	-7.073 (0.000)	99.940 (0.000)	123.158 (0.000)	Stationary
EMPL	-6.276 (0.000)	-2.323 (0.010)	48.733 (0.017)	72.080 (0.000)	Stationary
GFCG	-10.061 (0.000)	-1.859 (0.032)	90.313 (0.000)	124.622 (0.000)	Stationary
FDI/GDP	-11.245 (0.000)	-7.360 (0.000)	100.057 (0.000)	137.888 (0.000)	Stationary

Source: Author (2025)

Table 4:

Pedroni Co-integration Tests (p-values in parentheses)

Panel A: Within-dimension Tests			
Statistic Type	No Trend	Intercept + Trend	No Intercept/Trend
Panel v-Statistic	-3.748 (0.999)	-5.193 (1.000)	-3.030 (0.999)
Weighted Panel v	-4.070 (1.000)	-5.522 (1.000)	-3.333 (1.000)
Panel rho-Statistic	5.394 (1.000)	6.989 (1.000)	4.791 (1.000)
Weighted Panel rho	5.260 (1.000)	6.819 (1.000)	4.668 (1.000)
Panel PP-Statistic	-4.210 (0.000)*	-4.250 (0.000)*	-0.972 (0.166)
Weighted Panel PP	-5.352 (0.000)*	-7.109 (0.000)*	-1.608 (0.054)*
Panel ADF-Statistic	-4.388 (0.000)*	-4.844 (0.000)*	-5.513 (0.000)*
Weighted Panel ADF	-4.329 (0.000)*	-5.671 (0.000)*	-5.339 (0.000)*
Panel B: Between-dimension Tests			
Statistic	No Trend	Intercept + Trend	No Intercept/Trend
Group rho-Statistic	7.128 (1.000)	8.332 (1.000)	6.759 (1.000)
Group PP-Statistic	-5.501 (0.000)*	-8.801 (0.000)*	-1.400 (0.081)*
Group ADF-Statistic	-4.843 (0.000)*	-6.827 (0.000)*	-6.317 (0.000)*

Source: Author (2025)

Table 5 presents the estimation results from the Random Effects (RE) and Fully Modified Ordinary Least Squares (FMOLS) models, with and without interaction terms between EXDB (external debt) and EXDS (external debt service). In the Random Effects Model, the coefficient for DEXDB is negative and highly significant (-3.090), indicating that an increase in external debt is associated with a decrease in GDP growth. The EXDB×EXDS interaction term is significantly positive in the FMOLS model (2.640), suggesting that the interaction between external debt and debt service has a positive impact on GDP growth in the long run. The variable EMPL (employment) is positively associated with GDP growth in both models, with the RE model estimating a coefficient of 10.557 and the FMOLS model showing a higher coefficient of 13.759, implying that higher employment levels contribute significantly to economic growth. Similarly, GFCG (gross fixed capital formation) and FDI/GDP (foreign direct investment as a percentage of GDP) also show positive coefficients, with FDI/GDP being particularly significant across all models. The R-squared values for the models suggest that the independent variables explain a substantial proportion of the variation in GDP growth, with the RE model performing

better in terms of fit (R-squared = 0.810). The Hausman test indicates that the RE model is appropriate for this dataset, further supporting the robustness of the results.

Table 5: Main Estimation Results

Panel A: Estimation				
Variable	Random Effects	Interaction (RE)	FMOLS	Interaction (FMOLS)
DGDPG(-1)	-0.045 (0.010)	-0.057 (0.029)	-0.037 (0.003)	-0.046 (0.007)
DEXDB	-3.090 (0.000)	-	-2.530 (0.000)	-
DEXDS	4.040 (0.000)	-	3.760 (0.000)	-
EXDB×EXDS	-	1.640 (0.070)	-	2.640 (0.000)
EMPL	10.557 (0.000)	12.635 (0.004)	13.759 (0.000)	16.904 (0.000)
GFCG	0.242 (0.000)	-0.030 (0.497)	1.012 (0.000)	0.021 (0.444)
FDI/GDP	1.041 (0.000)	1.217 (0.000)	0.261 (0.000)	1.165 (0.000)

Panel B: Model Diagnostics				
Metric	RE Model	RE + Interaction	FMOLS	FMOLS + Interaction
R-squared	0.810	0.579	0.792	0.694
Adj. R-squared	0.804	0.567	0.766	0.658
F-statistic	133.888	51.906		
Prob (F-statistic)	0.000	0.000		
Durbin-Watson stat	2.151	2.278		
Hausman Test (p)	0.000	0.000		

Source: Author (2025)

The negative relationship between external debt (EXDB) and GDP growth (GDPG) observed in the study suggests that rising external debt could hinder economic growth in the ECOWAS region. Policymakers in these countries should prioritize managing external debt levels to avoid detrimental effects on long-term economic stability. Specifically, governments should adopt prudent debt management strategies, ensuring that borrowing is used efficiently for investment in productive sectors, such as infrastructure, education, and healthcare, which can generate future returns. Efforts to diversify sources of financing, such as increasing domestic revenue mobilization, could reduce reliance on external debt and mitigate its negative impact on economic growth. Furthermore, efforts to negotiate favorable debt terms, including lower interest rates and extended repayment periods, should be a key component of debt management strategies.

The study's finding that external debt service (EXDS) positively interacts with external debt (EXDB) in the long run underlines the importance of managing both variables together. While external debt can provide short-term financial relief, the servicing of this debt can drain public resources and limit the government's capacity to invest in development projects. Policymakers must seek to balance external debt accumulation with the ability to service it without sacrificing critical public spending. This could involve renegotiating terms with creditors to achieve more sustainable debt service ratios and exploring debt forgiveness or restructuring options when necessary. Additionally, fostering economic diversification could provide the government with more robust and stable revenue streams, which can alleviate the burden of external debt service.

The positive association between employment (EMPL) and GDP growth in the study highlights the importance of employment generation as a key driver of economic growth. Governments should therefore focus on policies that promote job creation, particularly in sectors with high growth potential, such as agriculture, manufacturing, and services. Investment in skills

development and vocational training is crucial for equipping the workforce with the necessary skills to thrive in emerging industries. Moreover, promoting labor market flexibility and improving the ease of doing business could attract both domestic and foreign investment, further boosting employment opportunities. Policymakers should aim for inclusive growth by ensuring that employment opportunities are accessible to all segments of the population, including vulnerable groups such as women and youth.

The positive relationship between gross fixed capital formation (GFCG) and GDP growth in the study suggests that investment in physical capital is a key factor for fostering economic growth. Policymakers should implement policies that incentivize both domestic and foreign investment in infrastructure and productive assets. This can include offering tax breaks or subsidies for capital investments in strategic sectors, such as renewable energy, transportation, and technology. Additionally, the study indicates that foreign direct investment (FDI/GDP) plays a significant role in driving economic growth, which underscores the importance of creating an attractive investment climate. To attract more FDI, governments should focus on improving governance, ensuring political stability, reducing corruption, and creating a favorable regulatory environment. Public-private partnerships can also play a critical role in channeling FDI into vital sectors that will drive long-term economic development.

Finally, the findings from this study point to the need for a coordinated approach to managing external debt, debt service, employment, and investment. A long-term policy framework that integrates these variables is essential for sustainable development in the ECOWAS region. Governments should work closely with international financial institutions to design comprehensive economic policies that promote macroeconomic stability, investment, and job creation while ensuring that debt levels remain manageable. Additionally, regional cooperation among ECOWAS member states could enhance the effectiveness of debt management strategies, facilitate cross-border investments, and foster economic integration, which would ultimately contribute to the region's growth and development.

5.0 Conclusion and Recommendation

This study provides an in-depth analysis of the relationship between external debt, external debt servicing, employment, and economic growth in the ECOWAS region, revealing several critical insights for policymakers. The results show that external debt has a negative impact on GDP growth, indicating that excessive reliance on external borrowing may undermine long-term economic sustainability (Kouadio & Akinmoladun, 2023). Furthermore, the interaction between external debt and debt servicing is significant, highlighting the importance of managing both variables carefully to avoid negative consequences for growth (Ibrahim et al., 2021).

Additionally, the positive relationship between employment and GDP growth underscores the importance of creating jobs to stimulate economic activity and improve living standards (Ogunjimi & Adefolalu, 2022). Investment in both physical capital and human capital is crucial for fostering productivity and economic resilience (Adebayo & Bakare, 2020). The study also finds that foreign direct investment (FDI) plays an essential role in driving growth, supporting previous literature on the importance of FDI in developing economies (Olayemi & Adebisi, 2024).

In conclusion, the findings of this study suggest that ECOWAS countries must prioritize sound debt management, foster job creation, and encourage both domestic and foreign investments to sustain long-term growth. By integrating these elements into their policy frameworks, ECOWAS nations can better navigate the challenges posed by external debt and ensure more stable and inclusive economic development moving forward. These results contribute to the growing body of literature on debt management and economic growth in sub-Saharan Africa, offering valuable policy implications for the region's future development (Oluwaseun & Oyebanji, 2023).

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