The study examined the impact of external borrowing on Nigeria's economic growth within a span of 1981-2014. The objectives of this work were specified to determine the relationship between external borrowing and economic growth and examine the impact of external borrowing on economic growth in Nigeria.

Secondary data for the period 1981- 2014 was used which was collected form CBN statistical bulletin and the Debt Management Office (DMO) quarterly report. This study was guided by the dual gap theory. Regression analysis, Augmented Dickey-fuller (ADF), Johansen Co-integration and Vector Error Correction Mechanism were employed in the cause of this study. Also a test for causality between external borrowing and economic growth using Granger Causality test was carried out at 5% level of significance. The Augmented Dickey-fuller test (ADF)showed that the variable were stationary and reliable for forecast. The choice of OLS is most appropriate for the study in terms of goodness of fit and significance of regression coefficients.

The study found that there is significant long run relationship between external borrowing and economic growth in Nigeria for the period under study at 5 per cent level of significance. Granger causality tests showed that there is a bidirectional causal relationship between external borrowing and economic growth in Nigeria. It was concluded that external borrowing negatively affects economic growth and this relationship is statistically insignificant. It indicates that external borrowing amount slows down economic growth. The reason behind this is that as the debt servicing of external borrowing has to be paid in foreign currency and the value of Naira has been increasingly weal compared to what it was obtained from the creditor countries currency. This indicates that there is need of effective external borrowing management and the borrowed fund should be utilized in such a manner that it adds value to the Nigeria's economy.

In view of this, in order to experience higher rates of economic growth, it is recommended that the government of Nigeria strengthens restriction on increasing budget deficits.