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## Tax revenue collection or foreign borrowing: What fiscal tools enhance the educational development in Nigeria?

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### ABSTRACT

Nigeria's educational system does not receive sufficient finances and nearly every new administration proposes greater levels of borrowing on the belief that they would enhance the economy, particularly human capital. The most important fiscal tools utilized in the Nigerian political arena to support education are tax revenue collection, foreign borrowing, and its interest component. This study aims to examine the impact of these fiscal tools on educational development in Nigeria. We use the multiple regression analysis of the data obtained from the Central Bank of Nigeria, Federal Inland Revenue Service, and World Bank Economic Development Indicators. The statistics ranging from 1990 to 2019 were analyzed using the Statistical Package for Social Sciences (SPSS). The correlation data shows that education has a substantial positive association with foreign liabilities and taxation income at the 1% level, but the relationship with debt servicing (interest rate) is negatively significant at the 1% level. Foreign debt, on the other hand, shows a substantial positive association with education and tax income at the 1% level but has an insignificant negative correlation with interest rate. Tax income has a substantial negative association with interest rates, but it also has a positive relationship with education and foreign loans. The findings of this study show that foreign debt and interest rates have had little impact on Nigeria's educational system. The study result met the a priori expectation that tax revenue should impact positively on the development of education in Nigeria. As a result, the research recommends the prudent use of tax revenues while opposing foreign borrowing for political campaigns.

### KEYWORDS

fiscal tools, taxation, foreign borrowings, interest rate, education, Nigeria, political campaigns

JEL D72, D82, E62, F34, G12

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## Налогообложение или внешний долг: какие фискальные инструменты помогут развитию образования в Нигерии?

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### АННОТАЦИЯ

Система образования Нигерии не получает достаточного финансирования, и почти каждое новое правительство предлагает более высокие уровни заимствований, полагая, что они улучшат экономику, особенно человеческий капитал. Наиболее важными финансовыми инструментами, используемыми на

политической арене Нигерии для поддержки образования, являются налоги, иностранные заимствования и их процентная ставка. Целью данного исследования является изучение влияния этих финансовых инструментов на развитие образования в Нигерии. Мы использовали множественный регрессионный анализ данных, полученных из Центрального банка Нигерии, Федеральной налоговой службы и Индикаторов экономического развития Всемирного банка. Статистические данные за период с 1990 по 2019 г. были проанализированы с помощью Статистического пакета для социальных наук (SPSS). Данные корреляции показывают, что образование имеет существенную положительную связь с иностранными обязательствами и налоговыми доходами на уровне 1%, но связь с обслуживанием долга (процентная ставка) имеет отрицательную значимость на уровне 1%. С другой стороны, внешний долг показывает существенную положительную связь с образованием и налоговыми доходами на уровне 1%, но имеет незначительную отрицательную корреляцию с процентной ставкой. Налоговый доход имеет существенную отрицательную связь с процентными ставками, но он также имеет положительную связь с образованием и иностранными займами. Результаты исследования показывают, что внешний долг и процентные ставки мало повлияли на систему образования Нигерии. Результаты исследования подтвердили гипотезу о положительном влиянии налоговых поступлений на развитие образования в Нигерии. Рекомендовано разумное использование налоговых поступлений при одновременном противодействии иностранным заимствованиям для политических кампаний.

#### КЛЮЧЕВЫЕ СЛОВА

фискальные инструменты, налогообложение, иностранные займы, процентная ставка, образование, Нигерия, политические кампании

### 1. Introduction

Public education investment and parental human capital are inputs in the process of human capital creation, therefore contributing to children's human capital formation and economic growth (e.g., [1–4]). Governments, via elected representatives, finance public education spending through capital and labor income taxes, as well as foreign loans. Bearnse, Glomm & Jeneba [5] confirm that tax money is used to fund a uniform lump-sum distribution and public education. Ono and Uchida [6] put forward that each election period allows three successive generations, the young, the middle-aged, and the old, to vote. The elderly, on the other hand, are unconcerned about either policy since they pay no taxes and receive no benefit from public education spending.

Although the young may benefit from public schooling in the future, they are not of voting age. As a result, the government's goal is to implement budgetary policies that maximize the usefulness of the middle-aged. Based on this approach [6], characterize the political equilibrium in both the tax and debt-

financing situations, to be yielding the following results.

First, the government's budgetary policy is determined by the parents' level of compassion for their children. Greater self-sacrifice encourages parents to leave bigger salaries to their children, which they will accomplish by reducing public bond issuance and, as a result, diminishing the crowding-out impact on capital accumulation. There is a starting point of fairness which the government considers it ideal (not) to issue public bonds when selflessness is below (beyond) the inception level. According to [6], this finding implies that the degree of compassion is a significant factor for fiscal policy decisions.

Second, the debt-financing case has a lower growth rate than the tax-financing one. The cost of debt repayment exceeds the cost of capital creation, lowering the government's available resources and, as a result, diminishing public education expenditure as an engine of economic growth. This conclusion is explained by the unusual negative impact on expenditure in the debt-financing situation.

Third, debt financing involves a compromise between current and future generations. When generosity falls below a certain threshold, the government selects debt financing for the given physical and human capital levels. Debt finance, on the other hand, hinders human capital creation and, as a result, leaves less physical and human capital to future generations. As a result, future governments will have to adopt a fiscal strategy that is vulnerable to lower levels of capital than those projected from tax financing. In other words, future governments' capital-level choices are optimum in and of themselves, but they derive less value from debt financing than from tax financing.

Fourth, the political equilibrium achieves under-accumulation of capital and under-investment in education, in comparison to the option of the social planner, who is believed to have the capacity to commit to all of his or her choices at the start of a period, subject to resource constraints. Boldrin & Montes [7] proved that the money borrowed by young people to invest in their education gets repaid through social security taxation. The positive inter-temporal tax linkage promotes political support for social security by allowing present taxpayers to affect their own future social security benefits [8].

The difference between the decisions of the planner and the politician occurs because the planner considers the welfare of all generations, whereas the politician primarily considers the welfare of current generations. Because of the politician's shortsightedness, less physical and human capital is formed, resulting in slower economic progress than that achieved by the planner's option. The elected government optimizes the political goal function of the weighted sum of the utility of the middle-aged and elderly populations. A political-economic theory of fiscal policy is provided in which tax policy preferences are generated from a conflict of interest between persons of different ages [9]. In this voting environment, present policy choices influence future policy decisions through the accumulation of physical and human capital. This effect generates

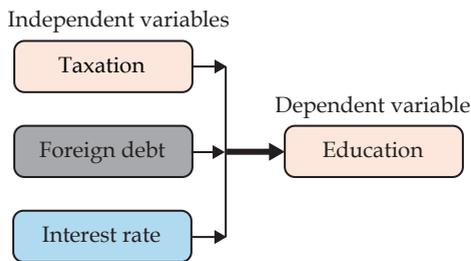
the two driving forces that shape fiscal policy, namely the general equilibrium effect via the interest rate in the next period and the disciplining effect via the capital income tax rate in the following period, both of which have received little attention in previous studies.

Fiscal policy in Nigeria is such that taxation and debt are the two key instruments that play a major role in ensuring that government projects receive adequate funding. One of these crucial projects is the educational system of the country. Viaene & Zilcha [10] assert that the government uses income tax revenues to finance basic education and support higher education to produce skilled human capital to promote a nation's economic performance.

On the other hand, it could perceive that in the previous two decades, several industrialized countries have suffered huge budget deficits and rising public debt. In 1998, the average general government debt as a percentage of GDP in Organization for Economic Cooperation and Development (OECD) member nations was 73.58 percent, whereas it was 93.70 percent in 2017. In France, Greece, Japan, Portugal, Spain, the United Kingdom, and the United States, the ratio climbed by more than 40 points. Increasing public debt is a hallmark of emerging countries as well [11]. Scholars have argued that Nigeria's educational system does not receive sufficient finances leading to academic staff strike actions, low salaries for teachers, deplorable school buildings and worst still, increase in the number of out of school children [12].

In this whole scenario, one may be asking of the usefulness of ever amassing foreign loans and income from taxes paid by individuals and firms to the government. Nigeria is such a political environment where administrations make conscious efforts to remain in their position while ignoring important issues such as education. Scholars have argued that the large chunk of money received from taxpayers as well as foreign loans are used for political campaigns and settlement of political party loyalists.

Scholarly works in this area are not many and extremely scarce within the Nigerian context. Thus, using the identified framework (see Figure 1), this study examines the politics of fiscal policy development, where taxation and foreign debt financing and servicing are used to establish the influence of politics of fiscal policy on human development.



**Figure 1. The conceptual framework for the study**

Source: Author's Research output, 2021

From a structural standpoint, the tax system helps the government to pay its national and international responsibilities; hence, an effective tax system is critical in every country's politics [13]. Usually, elections are a litmus test for governments in power. Policymakers aim to seem competent in the eyes of voters, therefore they use a range of tools, including fiscal devices, to increase their prospects of re-election [14]. This desire fades after the election, and economic policy returns to normal.

However, Hallerberg & Scartascini [15] argue that increasing taxes during election seasons is quite improbable, even if the government is experiencing financial difficulties. Meanwhile Mayburov & Kireenko [16] maintains that tax reform could be an issue of concern in all electoral process. Probably because revenue is required to carry out expenditure functions of the government and can be better optimized by improving the existing tax policies. The political reality of tax reforms is likely to be a combination of models of consensus, disagreement, and agent discretion [16]. In turn, the integrity of tax administration, that is, how efficiently the collection of taxes and other obligatory payments is managed, determines the effectiveness of a tax

system [13]. According to Borshchevskiy & Mossaki [13] multiple parties are involved in this process, but the tax authorities play the most important role.

Nigeria's tax structure is suited to the Nigerian governance hierarchy which includes Federal, State and Local Government [17–18]. Nigeria has a decentralized tax system in which each level of government is responsible for tax administration within its jurisdiction. Nigeria generates money to pay government spending through pooling taxes from each level of government. Each layer of government has its own tax collection body. The Federal Inland Revenue Service (FIRS) is the agency in charge of collecting and distributing federal government taxes. The different state boards of internal revenue manage state government taxes, whilst local government revenue committees administer local government taxes [18]. The Joint Tax Board, on the other hand, advises, harmonizes double taxation, and proposes amendments. The Federal Inland Revenue Service administers the major taxes of Companies Income Tax, Education Tax, Stamp Duties, Custom Duties, Excise Duties, Withholding Tax, and Value Added Tax, while the State Board of Internal Revenue administers Personal Income Tax and Withholding Tax, and Local Government administers levies [17].

Considering the positive effect of political tax amnesty in Nigeria, it has been adjudged as one political achievement of the present administration in the history of Nigerian tax administration. The Voluntary Assets and Income Declaration Scheme (VAIDS) in Nigeria gave a limited chance for taxpayers to declare previously unreported assets and income for tax reasons. The Voluntary Assets and Income Declaration Scheme (VAIDS) was formally inaugurated on June 29, 2017 by Professor Yemi Osinbajo, the then Acting President, to promote voluntary disclosure of previously unreported assets and income for the purpose of settlement of all outstanding tax bills.

Bassato [19] conceptualizes that the political process by which government policy is selected encompasses a successive ne-

gotiating power of game in which the two generations alive bargain over the provision of the public good, the methods of financing it, and the size of (nonnegative) lump-sum transfers from the government to either generation, subject to intra-period monetary base. According to Bassato [19], this negotiating arrangement represents the wide agreement on the tax system and intergenerational transfers that is generally necessary to pursue big reforms, as well as the regular capacity of tiny minorities to thwart them. In line with this concept, the present administration led by President Mohamadu Buhari has encouraged digital taxation which has also been embraced to enhance filing of tax returns and tax revenue collection. Therefore, digital tax collection is part of political tax reforms and innovation in the present dispensation of Nigeria's tax system.

The major aim of this study is to examine the impact of political application of taxation and foreign debt on educational development in Nigeria.

Behind this backdrop, this study hypothesizes that:

*H01:* Political application of taxation does not have significant influence on education in Nigeria

*H02:* Foreign debt accumulation by politicians does impact substantially on education in Nigeria

*H03:* Debt servicing interest does not have beneficial consequence on education in Nigeria.

## 2. Literature Review

Bernasconi & Profeta [20] define political economics of taxes as a political environment that allows the government to redistribute income through giving education to the poor, which aids in developing young talents to be more marketable. Glomm [21] research showed that in impoverished nations, monetary redistribution is insignificant. To the degree that public education spending is redistributive, public education budgets account for the lion's share of redistribution in impoverished nations [22].

According to Forni [23], intergenerational redistribution is a critical topic in

every nation's political discourse. When the affluent wield more political power, the economy suffers from lower levels of education, growth, and social mobility than when the poor support political regimes [20; 24]. This means that more income disparity indicates a more progressive tax structure, but, contrary to popular belief, it may also result in a smaller government [25].

The amount of public education is controlled by political processes in democratic countries [26]. According to traditional view, the older population would increase political pressure to shift the composition of social expenditure in favor of the elderly, perhaps at the expense of other publicly supplied commodities such as education [27]. This is because public education is a policy of transfer from parental to progeny generations and its long-term viability is dependent on parental generosity toward their children [26]. Due to a rise in social-security payouts and crowding out of state spending, the rate of increase in politico-economic stabilization would largely stay constant if the pensionable age was maintained fixed [28].

Torgler & Schaltegger [29] examined the impact of amnesties on compliance in two distinct nations which were Switzerland and Costa Rica. The study investigated the link between tax compliance and respondents' ability to vote for or against an amnesty. The findings indicated that tax compliance increased only after voting, when individuals were given the opportunity to consider the amnesty prior to voting.

Ono & Uchida [6] investigated how debt and taxation affected growth and wellbeing through generations, as well as which fiscal attitude had people's approval. The research demonstrated that debt financing had a lower growth rate than tax financing, and that debt financing generated a tradeoff between current and future generations. The research also revealed that debt financing resulted in slower economic growth than choosing a social planner who was concerned with the well-being of all generations.

Chatterjee, Gibson & Rioja [30] investigated the link between infrastructure investment and economic wellbeing in the setting of a heterogeneous agent, incomplete-markets economy in this article. The study showed that the welfare-maximizing share of public investment in GDP depended critically on whether one internalizes the transition path between stationary equilibrium or not. The study used a quantitative model to match the key aggregate and distributional features of the US economy over the period 1990–2015. When solely comparing long-run stationary equilibrium, the model indicated that the government should raise infrastructure spending above the data's average share of 4 percent of GDP. It was further revealed that once the transition path and short-run dynamics were internalized, welfare-maximization generated a linking temporal trade-off in the path of infrastructure spending: a short-run increase significantly above its observed share in the data, but a long-run decline below this share to satisfy the government's budget constraint.

Uchida & Ono [31] provided voting on policies, such as labor and capital income taxes and public debt, in an overlapping-generations model with physical and human capital buildup and examined the effects of a debt ceiling on policy formulation and its influence on growth and welfare. The findings indicated that the debt ceiling led the government to shift tax responsibilities from older to younger generations, but it also increased physical capital accumulation and might enhance public education spending, resulting in a faster growth rate.

Azhari et al. [32] examined the impacts of Revenue Sharing Funds (RSF) and Locally Generated Revenue (LGR) on the Human Development Index (HDI) via Regional Minimum Wages (RMW) in Banten province. The panel data employed were a mix of time series and cross-section data covering 2014 to 2019 and were collected from all districts/cities in Banten Province. The total number of data obtained was 48. The Structural Equation Model (SEM) with Partial Least Squares (PLS)

was used to analyze the data. The findings indicated that LGR had a favorable influence on RMW and HDI, but RSF had a negative effect on RMW and HDI. RMW had a favorable impact on HDI.

Borshchevskiy & Mossaki [13] investigated the evolution of tax administration in post-Soviet Russia between the 1990s and the 2010s. The methodologies of SWOT analysis and factor analysis were employed in the investigation. The data revealed that, over time, tax administration and tax system goals correlated at an increasing rate.

Fukui [33] investigated the influence of government spending and tax policies on macro patterns in contributions to public research institutions in Japan and the United States. The following two study issues were addressed using panel data from contribution revenue to public research institutions in both countries: (1) whether capital market trends affect the donation revenue of public research universities in Japan and the United States that operate under different tax systems, and (2) how the level of government support for higher education affects donations to American and Japanese public research universities. The main conclusion was that stock prices were positively related with donations in the United States. However, there was little evidence that stock prices influenced donations to Japanese public research institutions. These disparate findings suggested that greater stock prices did not inspire donations to universities, and that it was critical to examine each country's tax system when searching for potential linkages between stock prices and donations to universities. The study further stated that, donor behavior was unrelated to the quantity of government funding received by universities in both Japan and the United States.

Uchida & Ono [34] look at the politics of public education and how it affected economic development and wellbeing over generations. The study applied the probabilistic voting to highlight generational conflict in taxation and expenditure, demonstrating that aging shifted the tax burden from the retired to the working

generation, lowered public education investment, and eventually slowed economic development.

Arcalean & Schiopu [35] used a model with endogenous fertility and school choice, to explore the influence of inequality on political support for public education spending. Unlike previous research, the study showed that when family income heterogeneity was compatible with the skewness of empirical income distributions, inequality might drive education spending in different directions in poor and affluent nations. The study revealed that in low-income economies, a mean-preserving spread raised tax rates and public-school enrolment while decreasing public spending per student, but it had the reverse impact in high-income ones. Although even when taxes are democratically determined, de Freitas [36] asserts that income tax has a constraint in financing redistribution in poor nations.

Naito [26] investigated an overlapping generation's model with labor income taxation funding public education and social security, where the total scale of these policies was decided by a recurrent majority vote game. In stationary Markov perfect equilibrium, the study examined the relationship between these policies and economic growth. The labor income tax rate was represented in the politico-economic equilibrium as a linear rising function of the ratio of the decisive voter's human capital to the average human capital level. An increase in starting income disparity decreased the scale of public programs and slowed economic growth.

From the previous studies, scholars have different views over the efficacy of political use of tax and debt in funding education. At the moment, there is no consensus among researchers. The work of [6] affirms that debt is more promising and in [34] they revealed that tax burden could have a shift from the older generation to younger generation. This present study is different and compares the effectiveness of the study autonomous variables (selected fiscal tools) in improving education in an emerging society.

### 3. Methodology

The statistical methodology for this investigation is the multiple regression analysis. The research investigates the effect of tax revenue and foreign debt on education in Nigeria. In this study, data obtained from the sources indicated in Table 1 are analyzed using the Statistical Package for Social Sciences (SPSS). The statistics ranged from 1990 to 2019.

Table 1

Variable's description and sources		
Variable	Description	Source
EDU	Expenditure on education	CBN Statistical Bulletin
TRV	Tax revenue	Federal Inland Revenue Service (FIRS) website
FDT	Foreign debt	CBN statistical bulletin
INT	Interest rate	World Bank Economic Development Indicators

Source: Collation by Author, 2021

The model specified for this study is as follows (1):

$$Y = \beta_0 + \beta X_1 + \beta X_2 + \dots + \mu_{it} \quad (1)$$

where  $Y$  = Expenditure on Education (response variable);  $X$  = Taxation and foreign debt (autonomous variables);  $\beta$  = Coefficient;  $\mu_{it}$  = Error term.

The above model can be specifically applied to this study as (2):

$$\begin{aligned} \text{LOGEDU} = & \beta_0 + \beta_1 \text{LOGFDT} + \\ & + \beta_2 \text{LOGTRV} + \beta_3 \text{LOGINT} + \mu_{it} \end{aligned} \quad (2)$$

where EDU = Education Spending; FDT = Foreign Liability; TRV = Tax Revenue; INT = Interest Rate;  $\beta_0$  = Coefficient of the parameter estimate;  $\beta_1 - \beta_3$  = intercept;  $\mu_{it}$  = Error term.

Based on the above study specification, the study seeks to provide answers to the following research questions:

- i. Does political application of taxation exert significant positive influence on education in Nigeria?
- ii. To what extent does foreign borrowing by politicians' impact on education in Nigeria?
- iii. Does debt servicing interest have beneficial consequence on education in Nigeria?

**4. Results**

The descriptive statistics for this study include the lowest and highest values, as well as the mean and standard deviation. The minimal values for Education (EDU), Foreign Liability (FDT), Tax Revenue (TRV), and Interest Rate (INT) are 0.0, 2.47, 1.25, and 1.18, respectively, according to Table 2. The maximum values for EDU, FDT, TRV, and INT are 2.77, 3.95, 3.67, and 1.50, respectively. The mean values for EDU, FDT, TRV, and INT are, in that order, 1.77, 3.12, 2.72, and 1.28. The standard deviations for EDU, FDT, TRV, and INT are 0.81, 0.44, 0.75, and 0.07, respectively. As a result, standard deviation is only a mathematical tool for determining how far the values of data are distributed above and below the mean. The idea is that the larger the dispersion or variability, the greater the degree of the departure from the mean. According to the descriptive statistics in Table 2, the standard deviation values of the distribution in all variables have a lower spread and are lower than the mean values.

The result also shows that the data sets' distributions are concentrated around the mean. Figure 2, on the other hand, shows that the distribution is normal.

Table 3 depicts the association between the factors used in this investigation. According to the correlation data in Table 3, education has a substantial positive association with foreign liabilities and taxation income at the 1% level, but the relationship with debt servicing (interest rate) is negatively significant at the 1% level. Foreign debt, on the other hand, shows a substantial positive association with education and tax income at the 1% level but has an insignificant negative correlation with interest rate. Tax income has a substantial negative association with interest rates, but it also has a positive relationship with education and foreign loans. In summary, debt servicing, as indicated by interest rates, has a strong negative association with education and tax income, but only a little negative relationship with international debt.

Table 2

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EDU	30	0.00000	2.77305	1.7693411	0.80570504
FDT	30	2.47567	3.95530	3.1250191	0.43932190
TRV	30	1.25527	3.67449	2.7224251	0.75087647
INT	30	1.17609	1.50515	1.2774310	0.07475454
Valid N (listwise)	30				

Source: Author's calculation, 2021.

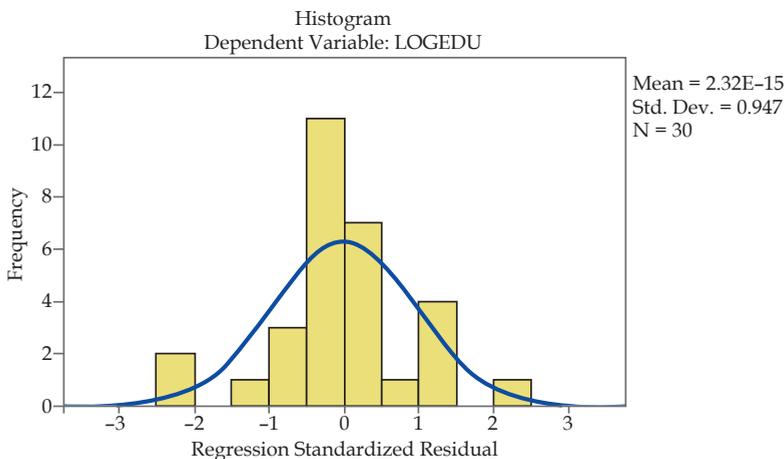


Figure 2. Normality test

It is important to evaluate the correlation between the dependent variable and the autonomous variables after evaluating the relationship between the variables in Table 3. Table 4's correlation ( $R$ ) value is 97.5 percent, showing a strong and positive relationship between the  $X$  and  $Y$  variables. Similarly, we examine the coefficient of determination, which indicates how much variation the independent factors may create in the dependent factor used in this study. As a consequence, 95.1 percent of the variation in the  $Y$  variable is accounted for by the predictor variables. As a result, the remaining 4.9 percent is attributed to factors evaluated in this study. The study produced several predictions based on the model employed in this investiga-

tion. Table 4 shows that the standard error of the estimate is 0.2, which is less than the value of 1. As a result, the study's forecast is 80% correct. The Durbin-Watson value is 2, indicating that the model is devoid of autocorrelation.

Table 5 displays the F-statistics results, which aid in determining the cumulative influence of the  $X$  factors on the  $Y$  variable. As a result, the results shown in Table 5 demonstrate that the  $X$  factors have a significant and positive influence on the  $Y$  variable. The outcome also demonstrates that the model used is statistically significant and appropriate for this investigation. In other words, politicians' estimates of how to promote education through taxes and external borrowing

Table 3

		Correlations			
		LOGEDU	LOGFDT	LOGTRV	LOGINT
LOGEDU	Pearson Correlation	1	0.568**	0.974**	-0.677**
	Sig. (2-tailed)		0.001	0.000	0.000
	$N$	30	30	30	30
LOGFDT	Pearson Correlation	0.568**	1	0.552**	-0.151
	Sig. (2-tailed)	0.001		0.002	0.426
	$N$	30	30	30	30
LOGTRV	Pearson Correlation	0.974**	0.552**	1	-0.720**
	Sig. (2-tailed)	0.000	0.002		0.000
	$N$	30	30	30	30
LOGINT	Pearson Correlation	-0.677**	-0.151	-0.720**	1
	Sig. (2-tailed)	0.000	0.426	0.000	
	$N$	30	30	30	30

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Calculation

Table 4

Model Summary					
Model	$R$	$R$ Square	Adjusted $R$ Square	Std. Error of the Estimate	Durbin-Watson
1	0.975	0.951	0.945	0.18828768	2.163

Predictors: (Constant), LOGINT, LOGFDT, LOGTRV

Dependent Variable: LOGEDU

Source: Author's Calculation

Table 5

ANOVA						
	Model	Sum of Squares	Df	Mean Square	$F$	Sig.
1	Regression	17.904	3	5.968	168.338	0.000
	Residual	0.922	26	0.035		
	Total	18.826	29			

Dependent Variable: LOGEDU

Predictors: (Constant), LOGINT, LOGFDT, LOGTRV

Source: Author's Calculation

while campaigning are predicated on the assumption that if they are elected, these fiscal policy instruments will increase learning in society.

The result shown on Table 6 provides evidence that the independent variables do not interrelate as the variance inflation factors are all less than 10. The specific objective of this study is to examine the impact of political economy of taxation and foreign loans on education. This objective is empirically examined using the t-statistic. From the result shown on Table 6, the t-statistic for foreign debt is 0.539 while the p-value is 0.59 which greater than 0.05 level of significance.

The result implies that foreign debt has immaterial impact on education. The debt servicing (interest rate) equally has insignificant impact on education. However, the t-statistic of tax revenue (TRV) shows a value of 11.99 with a p-value of 0.000. This is less than 0.05 significance level indicating that tax revenue has a significant positive impact on education.

This result met the a priori expectation that tax revenue should improve education quality but clashes with the findings of [6]. Education enhancement is one major reason for tax revenue collection. The finding of this study is in line with the postulations of Peacock & Wiseman [37] which states that the growth of government expenditure is purely dependent on revenue available to the government. This implies that, public goods and services such as education are funded through tax revenues collected by the government. Thus, availability of government revenue leads to public investment in education and other social goods and services.

### 5. Conclusion

The goal of this research is to look at the political and economic uses of taxation and foreign loan revenue to enhance education. Nigerians have elected leaders with the ultimate goal of improving infrastructure, educational systems, and health-care facilities. The tale has been unfathomable as debt continues to pile up and people’s expectations are crushed to the ground. According to the findings of this research, debt and its payment mechanisms have no discernible impact on schooling. It is important to emphasize that tax revenue has been beneficial and will continue to strengthen the educational system.

At this point, the research underlines that the government must address the issue of debt overhang and that it should be incorporated in the constitution that all political candidates and current leaders must provide a blueprint to ensure plans to minimize foreign borrowing. Furthermore, all foreign debts must be contracted for the aim of feasible investments and the growth of the nation’s human capital. There should also be strategies in place to guarantee effective governance, which will result in the correct use of tax resources to improve education and other types of social and community services.

Thus, a suitable tax mix is proposed under Nigeria’s current political regime for more strong income redistribution and education finance for greater economic progress. Macroeconomic indicators such as interest rate, currency rate, inflation rate, and trade openness are used to analyze the interplay of fiscal instruments (such as taxation and debt) with govern-

Table 6

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-1.761	1.027				-1.715
1 LOGFDT	0.057	0.106	0.031	0.539	0.595	0.569	1.758
LOGTRV	1.054	0.088	0.982	11.990	0.000	0.281	3.565
LOGINT	0.378	0.745	0.035	0.508	0.616	0.394	2.535

Dependent Variable: LOGEDU

Source: Author’s Calculation

ment investment in human capital of a nation. This study analyzes tax revenue collection, foreign borrowing, and its interest component as one of the most important fiscal tools utilized in the Nigerian political arena to support programs such as education. The reason for this is that near-

ly every administration proposes greater levels of borrowing on the belief that they would enhance the economy, particularly human capital, which is the bedrock of all better economies. However, this study proposes that inflation be included in future studies of similar type.

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