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# ROLE OF PUBLIC DEBT ON EDUCATIONAL SPENDING IN NIGERIA: 1980–2022

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**Abstract**

*The study investigates the effect of public debt on educational spending in Nigeria. The work spanned forty-three years, from 1980 to 2022. Using a bound testing approach for co integration and an error correction model developed within an Autoregressive Distributive Lag (ARDL) Model, the long-run equilibrium relationship and impact of public debt on educational spending were assessed. Using the approach, the study discovered evidence of a long-run link, that domestic debt and debt services have a negative effect and significance at 5 percent. External debt and exchange rates, on the contrary hand, have a beneficial impact on educational spending, despite only by a small percentage. As a result, the study recommends that policymakers prioritise prudent fiscal policy to increase revenue within the economy by diversifying sources to finance education and other government expenses for the purpose to balance short-term demand with long-term benefits, particularly in education and human capital development, for sustainable economic growth and social development.*

**Keywords:** Education; Public Expenditure; Public Debt; Exchange Rate;

## 1. Introduction

The objective of macro-economic of every government is universally informed to achieve sustainable economic development guided by stable economic growth, in a broader sense this adequately speak through institutional stability and viability, the development refers to as welfare of the society, as the achievement of the desired economic growth to enhance the development of the people and society as whole (Sari 2002). Educational investment is very significant for sustainable economic growth, to stimulate desire development so that both micro and macroeconomic get impacted to achieve their objectives. Therefore, investing in human capital through training and value base education improve per capita income and economic productivity (Olayanka 2020).

In view to this, a very huge gap is existed in the educational opportunities in the globe, about 115 million children are estimated largely from Sub-Sahara Africa and Southern-Asia denied access to basic education (UNDP, 2005).

However, Wesbraid (1962) noted that, while investment in human capital will necessitate economic growth, therefore, it is the responsibility of the

Government to adequately make enough expenditure on people in greater consideration to attain sustainable development.

While Nigeria is regarded as largest economy in Africa as such its growth has been regarded as an economic growth without real growth on the fact that, it's budgetary allocation to education does not rich the UNESCO bench mark of 26 per cent. The UNESCO recommends at least 26 per cent of the total expenditure of the government should be allocated to the educational sector for every developing country.

Nigeria since independence the allocation in the educational sector has been far below the UNESCO's bench mark. The Nigeria government borrowed from both internal and external sources to finance the major projects and addressing economic concerns. The borrowing from internal and external sources is refers to as debt. This has been regarded neither contributed nor conform to its standard objectives in any way (Udoka & Ogege 2012).

According to Fasu (2006), the inability of the Nigeria Government to settle it debt servicing is have been increase as a result of rising interest payment, price hike of imported goods, and exchange rate, as a result Nigeria was fault under vicious circle of deficit and debt servicing outstanding. This has manifest to non-development expenditure to the extent that government deviated from providing for education. For instance the total expenditure of Nigeria government for the year 2024 is estimated to the tune of 27.5 trillion out of which only 2.18 trillion representing 7.9 per cent is allocated to education instead of 26 per cent.

However, many studies have been undertaken to investigate the relationship between educational spending on public debt. Abiodum and Osagie (2018) examined educational spending and economic growth; Daniel, Bulus, and Musa (2020) explored internal debt and educational spending; Ekete et al. (2019) focused on external debt and educational spending; Adesola (2019) investigated debt servicing and economic growth; Sunday (2016) studied public sector borrowing's impact on price; and Sulaiman and Azeez (2012) analyzed external debt and economic growth, respectively. The study employed OLS, VEC VAR, while Abiodum and Osagie (2018) used ARDL to examine the effect of education spending on Nigerian economic growth. Therefore, this study investigates the impact of public debt on educational spending over a forty-three-year period from 1980 to 2023 using the ARDL model for data analysis. However different path have been undertaken by these different studies and hence policy transformation mechanism suggested in these different study noteworthy extent contradictory. This make the debate open new approaches to the inquiry. This study attempted to bridge the methodology, time and variable gaps identify in the past study.

This paper is intended to explore the impact between public debt and educational expenditure in Nigeria. The specific objectives are as follows: -

i. To examine the effect of public debt on education funding in Nigeria.
ii. To determine the long run impact of public debt on education in Nigeria.

## 2. Literature Review

### 2.1 Theoretical Framework

The embraced theoretical framework is based on Romer's (1990) endogenous growth model, but it has been updated to incorporate education as a component of government budget constraints. The government budget constraint incorporates major fiscal components such as government expenditure, revenue variables, and debt accumulation and servicing, all of which are significant to developing countries' fiscal profiles. According to Blinder and Solow (1973) and Christ (1968), the government budget limitation

creates a dynamic system within an otherwise static system, allowing for an assessment of long-term growth dynamics. We assume an economy divided into three sectors: home, productive, and government. The model takes one decision variable (consumption) and two state variables (public capital stock and public debt). In accordance with Barro (1990), we incorporate the role of government expenditure into the growth model to evaluate the effects of government spending on education.

As a result, the work extend Romer's (1990) methodology to include education, which is directly influenced by the effectiveness of public debt and education. Education is also introduced as having a favourable impact on labour effectiveness and production, and consequently on growth (Barro and Sala-i-Martin, 1995). Romer (1990) formalises the idea that a more educated population can better incorporate new technologies. In our approach, the index of labour effectiveness is calculated while accounting for the effects of schooling.

The introduction of spending by government is assumed to have a positive effect on education by providing resources for the ongoing operations of these sectors; however, declining shares of government expenditure in these sectors may stifle education development and thus reduce growth prospects (Bose et al., 2003).

Christ (1967, 1968), Blinder and Solow (1973), and others have demonstrated how the government budget constraint creates a dynamic structure in an otherwise static system. The reason for this is that financing a budget deficit or surplus requires changes in the private sector's net claims against the government, which in turn cause changes in the other endogenous variables. Thus, the system can only be in equilibrium if the government's budget is balanced. The Blinder and Solow (1973) paper, in particular, has demonstrated how the technique employed by the government to finance its budget deficit has a critical effect on both the stability of fiscal policy and the long-run impact of government expenditure on activity. Challenges, such as highly concentrated tax systems and expenditure inflexibility, impede emerging countries' efforts to solidify their fiscal positions. Some countries are experiencing significant rises in government debt, thus they are implementing changes to minimise deficits through tax reform and lower spending.

**2.2 Empirical Review**

Using secondary and time-series data from 1987 to 2016, Abiodun and Osagie's (2018) study the connection between educational spending and economic growth in Nigeria. They used a variety of statistical methods, such as the Autoregressive Distributed Lag (ARDL) and bound test methodology, as well as the Augmented Dickey Fuller (ADF) strategy. The results showed that there was an inconsistent relationship between the output of the education sector and the amount spent on education. Interestingly, capital education spending was considered unimportant, whereas ongoing educational spending showed a strong correlation with real gross domestic product (economic growth). The study found that only recurring educational investment has a positive and significant long-term influence on economic growth, and that the impact of educational expenditure on real GDP in Nigeria is largely dependent on the type of expenditure.

Daniel, Bulus and Musa, (2022) assess the impact of external debt on Nigerian education funding. Secondary data for the study were obtained from the National Bureau of Statistics, the Central Bank of Nigeria statistical bulletin, and the World Development Indicator during a 33-year period (1988–2020). A statistical tool called Ordinary Least Squares was employed to analyze the gathered data. Tests for symptoms were conducted, including the Augmented Dickey - Fuller (ADF) Unit root test, Johansen Co-

integration, and the Vector Error Correction (VEC) model. The findings show a significant impact of external debt on education funding in Nigeria as well as a strong long-term association between foreign debt and education finance in Nigeria

Research on "external debts and the financing of education in Nigeria" was done by Ekaette et al. (2019). Data on government financing for education, foreign debt stock, and external debt service payment Gross Domestic Product were gathered and subjected to Ordinary Least Squares analysis between 1988 and 2018. The Granger Causality test, the Vector Error Correction (VEC) model, the Johansen Co-integration, the Augmented Dickey-Fuller (ADF) unit root test, and others were used to test for symptoms. The results show that external debts have a major impact on Nigerian education financing. They advised that the government employ money received from outside sources for investments, including education investment, and came to the conclusion that external debt is a major barrier to financing education in Nigeria.

An empirical analysis on debt servicing and economic growth in Nigeria between 1981 and 2004 was carried out by Adesola (2019). The least squares multiple regression method was employed for the analysis of the gathered data. The result shows that payments made to creditors, including holders of promissory notes, London Club creditors, and Paris Club creditors, have a major effect on GDP and gross fixed capital creation. The report recommends that the government make sure that any loan agreement with the London Club or other creditors promotes commerce, investment, and the private sector in Nigeria.

A study on the "impact of public sector borrowing on prices, interest rates, and output in Nigeria" was carried out by Sunday et al. (2019). The study uses a vector Autoregressive framework, the Granger Causality test, impulse response, and variance decomposition of the several innovations to examine the effect. The results demonstrate that, albeit slowly, an increase in the external debt stock shock raises the prime lending rate. Nonetheless, during the study period, the rate of both external and domestic indebtedness had no appreciable impact on output or the overall level of prices.

A study on the "effect of external debts on Nigerian economic growth from 1970 to 2010" was also carried out by Sulaiman & Azeez (2022). The Error Correction model, Johansen co-integration, and the Augmented Dickey Fuller (ADF) unit root test were among the diagnostic techniques used. The estimation technique employed was Ordinary Least Squares. The long-run equilibrium link between the variables is demonstrated by the Cointegration test. The findings of the Error Correction Model demonstrate that external debt boosts Nigeria's GDP.

## 3. Methodology

### 3.1 Research Design

This study adopts a quantitative research design, utilizing statistical methods to analyze data on the impact of public debt on education in Nigeria. Data was collected from Central Bank of Nigeria statistical Bulletin. Variables of study include Educational Expenditure as proxy to educational spending while External Debt, Debt Servicing, Exchange Rate and Domestic Debt the explanatory variables. The study covered the period of Forty-Two years' time series data spanned from 1980 to 2022, that gives total of Forty-Two (43) observations. The choice of this period is in line with time series research requirement of a minimum of 30 observations (Gujarati, 2014), and central limit theorem this is also justified by the study of Squalli (2007), and Ghosh (2010), who's suggested that 25 to 80 observation is sufficed for the application of the newly developed Autoregressive Distributed Lag (ARDL) Model. The study adopts probability sampling technique in the form of availability of data.

### 3.2 Data and Sources

Secondary data were sourced primarily from the **Central Bank of Nigeria (CBN) Statistical Bulletin**. The variables used in the study include:

- **GEDUEXP** – Government Expenditure on Education (dependent variable)
- **EXDEBT** – External Debt
- **DEBTSER** – Debt Servicing (in billions of USD)
- **DDEBT** – Domestic Debt (in billions of Naira)
- **EXR** – Exchange Rate

These variables serve as the explanatory variables in examining the impact of public debt on educational expenditure in Nigeria.

### 3.3 Model Specification

This study adopts and modifies the model of Shahateet, (2014). In Equation (1) that is the functional form of the model:

$$GEDUEXP_t = f(EXR_t, DDEBT_t, EXDEBT_t, DEBTS$$

Equation (1) is re-specified in structural form as in equation (2) below:

$$GEDUEXP_t = \beta_o + \beta_1 EXR_t + \beta_2 DDEBT_t + \beta_3 EXDE$$

Where GEDUEXP is a Total Government Expenditure on Education, EXR Exchange Rate, , EXDEBT External Debt, DEBTSER Debt Servicing in billion of US Dollars while DDEBT Domestic Debt in Billion of Naira and $\mu_t$ is an Error term

### 3.4 Techniques of Data Analysis

The study employs the following techniques of data analysis:

**Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) Unit Root Tests**

These tests are used to determine the stationarity of the variables. This is necessary because time series data must be stationary to avoid spurious regression results and to ensure valid econometric inference.

**Autoregressive Distributed Lag (ARDL) Bound Testing Approach**

The ARDL method is adopted because it is suitable for variables that are integrated of different orders (I(0) and I(1)), accommodates small sample sizes, and provides both short-run and long-run relationship estimates.

**Model Stability Tests (CUSUM and CUSUMQ)**

These tests are conducted to verify the stability of the estimated parameters over the sample period, ensuring the reliability and consistency of the model.

**Diagnostic Tests (Serial Correlation, Heteroskedasticity, Normality, and Ramsey RESET)**

These diagnostic checks are performed to confirm that the model meets standard econometric assumptions, ensuring that the estimated coefficients are unbiased, efficient, and robust.

## 4. Results and Discussion

### 4.1 Descriptive Statistics

**Table 1: Summary Statistics**

| | LGEDUXP | LEXDEBT | EXR | LDDEBT | LDEBTSER |
|---|---|---|---|---|---|
| Mean | 24.38478 | 24.19006 | 113.0664 | 27.31662 | 20.95342 |
| Median | 25.16339 | 24.20073 | 111.9433 | 27.64785 | 21.08395 |
| Maximum | 28.11898 | 25.31165 | 425.9811 | 30.73158 | 22.89805 |
| Minimum | 19.48164 | 22.91360 | 0.610025 | 23.13852 | 19.34434 |
| Std. Dev. | 3.009428 | 0.511928 | 119.0136 | 2.324496 | 0.873779 |
| Skewness | -0.412410 | -0.017458 | 1.046454 | -0.276117 | -0.210926 |

| | | | | | |
|---|---|---|---|---|---|
| Kurtosis | 1.738329 | 3.519004 | 3.269611 | 1.830089 | 2.457580 |
| Jarque-Bera | 4.070918 | 0.484796 | 7.978203 | 2.998630 | 0.845987 |
| Probability | 0.130621 | 0.784744 | 0.018516 | 0.223283 | 0.655083 |
| | | | | | |
| Sum | 1048.545 | 1040.172 | 4861.857 | 1174.615 | 900.9969 |
| Sum Sq. Dev. | 380.3797 | 11.00696 | 594897.9 | 226.9379 | 32.06659 |
| Observations | 43 | 43 | 43 | 43 | 43 |

**Source: Author Computation Eview 12 softwire. 2024**

Table 1 suggest that the Mean, Medium, minimum and maximum value of Government Expenditure on Education are (GEDUEXP) $.24.19b, $24.201b, $25.311.396b, and $1.238b billion respectively, also Mean, Medium, minimum and maximum value EXDEBT $24.190, $24.200b, $25.312, $22.914b respectively, it is also reported on table Mean, Medium, minimum and maximum value EXR $113.07b, $111.94b, $425.98b $0.610b; that Mean, Medium, minimum and maximum value OF DDEBT ₦27.317b, $27.647, $30.731b, $23.318b. and the table finally indicate Mean, Medium, minimum and maximum value DEBTSER$20.953b, $21.084b, 22.898b, However, all the variables are negatively skewed given their negative skewed valued except EXR that has positive value. However, the table indicate GEDUEXP and EXR has heavy tail (lepto-Kutosis) because it Kortosis value greater than three, while, DDEBT, DEBTSER, AND EXDEBT are light or have platy-kurtic curve because their kurtosis value is less than three. All of the distributions have a Jarque-Bera value larger than one percent, indicating that they are regularly distributed.

Given that the time series data is known to contain random shocks, a stationary test was used to determine the presence or absence of a unit root in each of the variables.

**Table 2. Correlation Matrix.**

| | **GEDUEXP** | **DEBTSERV** | **EXR** | **EXDEBT** | **DDEBT** |
|---|---|---|---|---|---|
| **GEDUEXP** | 1.000000 | -0.189589 | 0.941360 | 0.857511 | 0.810002 |
| **DEBTSERV** | -0.189589 | 1.000000 | -0.077288 | -0.010237 | -0.151495 |
| **EXR** | 0.941360 | -0.077288 | 1.000000 | 0.879276 | 0.874861 |
| **EXDEBT** | 0.857511 | -0.010237 | 0.879276 | 1.000000 | 0.715639 |
| **DDBEBT** | 0.810002 | -0.151495 | 0.874861 | 0.715639 | 1.000000 |

**Source: Author Computation Eview 12 softwire. 2024**

Table 2 contains a correlation matrix that summarises the strength and direction of linear connections among five variables: The diagonal elements (1.000000) denote the perfect positive correlation between each variable and itself. GEDUEXP exhibits a strong positive correlation with, EXR, EXDEBT DDEBT at coefficient value of 0.941360, 0.857511 and 0.810002 respectively, indicating that higher education expenditure tends to be associated with higher exchange rates, eternal debt and the domestic debt. But DEBTSERV has a weak negative correlation with GEDUEXP. This suggests that higher debt service might be associated with lower values on GEDUEXP that is the relationship is not very strong.

### 4.2 Unit Root Test

Standard tests, such as Dickey and Fuller (1979) and Phillips and Perron (1988), have been widely employed to analyse the integrating level of variables.

**Table 3: Unit Root Test**

| | ADF TEST | | PP TEST | |
|---|---|---|---|---|
| **Variables** | **Level** | **1ST Dif** | **Level** | **1ST Dif** |
| LGEDUEXP | -2.150397 | -8.445055** | -1.380006** | -11.92521** |
| LDDEBT | -2.306905*** | -5.783296** | -2.466385** | -5.888382** |
| LDEBTSER | -3.546934** | -6.536554** | -3.334761** | -12.59213** |
| LEXDEBT | -1.461540 | -5.491460** | -1.539914 | -5.476788** |
| EXR | -2.956181*** | -4.242637** | 3.286579 | -4.161252** |

**Source Author Computation E-Views 10 2024**

**Significance level ***=1% level of significance, **=5% level of significance *10% level of significance**

According to Table 2, ADF and PP statistics show that LGEDEXP, LDDEBT, LDEBTSER, LEXDEBT, and EXR have no unit root or are stationary at first difference. The table indicated that they are significant at the 5% level of significance.

**Table 4. Lag Length Selection**

| Lag | LogL | LR | FPE | AIC | SC | HQ |
|---|---|---|---|---|---|---|
| **0** | -97.48291 | NA | 8.054888 | 4.924146 | 4.966368 | 4.939412 |
| **1** | -32.48318 | 123.4995* | 0.328363 | 1.724159 | 1.808603 | 1.754691 |
| **2** | -30.62116 | 3.444727 | 0.314574* | 1.681058* | 1.807724* | 1.726857* |
| **3** | -29.80610 | 1.467114 | 0.317619 | 1.690305 | 1.859193 | 1.751370 |

**Source: Author Computation Eview 12 softwire. 2024**

Represents the condition for picking the lag order. LR, FPE, AIC, SC, and HQ stand for the sequential modified LR test statistic, final prediction error, Akaike information criterion, Schwarz information criterion, and Hannan-Quinan information criteria, respectively.

Before conducting the ARDL bound test to determine whether or not there is cointegration between public educational expenditure, exchange rate, debt servicing, foreign debt, and domestic debt, the variables must be assigned an acceptable lag order. To find an appropriate lag order, the study used the vector autoregression (VAR) model's optimal lag order. Table -4 displays the lag selection criteria for the ARDL bound test, indicating that the model performs better at lag 2 than at lag 0., 1 and 3.

**Table-5 ARDL Bound Test for Cointegration**

| Test Statistics | Value | Significance Level | I(0) | I(1) |
|---|---|---|---|---|
| F-Statistic | 4.159149 | 10% | 2.089 | 3 |
| | | 5% | 2.39 | 3.38 |
| | | 2.5% | 2.7 | 3.73 |
| | | 1% | 3.06 | 4.15 |

**Source: Author Computation Eview 12 softwire. 2024**

The F-statistics value of 4.159149 exceeds both the I(0) and I(1) critical value bounds. As a result, the analysis of the series demonstrates that we reject the null hypothesis that no equilibrium relationship exists. In contrast, the table demonstrates that the models have a co-integrating link because the F-statistics are greater than the upper bound critical value at all levels of significance. As a result, empirical findings indicate that there is a long-term relationship between domestic debt, external debt, debt servicing, and exchange rate on Nigerian public educational expenditure.

**Table – 6 Estimated Long Run Coefficients**

| **Independent Variables** | | | | | |
|---|---|---|---|---|---|
| **Dependant Variable GEDUEXP** | Constant | LNDEBT | LNDEBTSERV | LNEXDEBT | EXR |
| | -12.3800 | -0.8885** | -0.8252** | +1.6975 | +0.0010 |
| | [9.960787] | [0.660955] | [.0378725] | [0.764901] | [0.339753] |

**Source: Author Computation Eview 12 softwire. 2024**

**Standard error [], *Significance level* ***=1%, *Significance level* **=5%, *Significance level* *=10%**

We estimate the long-run effects of independent variables and present the estimation results in Table 6 The empirical evidence reveals that domestic debt and external debt have negative effects, both of which are statistically significant at the 5% level. In contrast, the exchange rate, and external debt exhibit positive impacts on education expenditure. However, external debt and the exchange rate are not significant even at 10% level.

Furthermore, the results indicate that a 5% increase in domestic debt and debt service leads to a decrease of 0.9% and 0.8%, respectively, in educational spending. Therefore, both domestic debt and debt servicing have deleterious effects on educational spending.

**Table – 7 Estimated Short-Run Coefficients**

| **DEP. VARIABLE** | **INDEPENDANT VARIABLES** | | | | | | |
|---|---|---|---|---|---|---|---|
| **GEDUEXP** | LNDEBT | LNDEBTSERV | LNEXDEBT | EXR | $ECM_{t-1}$ | $R^2$ | D.W |
| **0.160985** | 0.735570 | -0.249903** | -1.472757** | -0.004303 | - | 51.8 | 1.963244 |
| **[1.963244]** | [1.610846] | [-2.187546] | [-2.193230] | [1.003858] | 0.919713** | | |

**Source: Author Computation Eview 10 softwire. 2024**

**Standard error [], *Significance level* ***=1%, *Significance level* **=5%,*Significance level* *=10%**

In the short term, only debt servicing is statistically significant at 5%. And they all have a detrimental impact on public education spending. The ECM term in the equation has the correct sign and is statistically significant at the 5% level of significance. The model adjusts at a rate of 92% annually. The coefficient of determination (R2) is 51.8, indicating that multiple explanatory variables account for 51.8 percent of the variation in educational expenditure. Durbin Watson is 1.963244, indicating the absence of serial correlation.

**Table – 8 Post Estimation Diagnostics Test**

| **Diagonestic Test** | **F-Statistic** | **P – Value** |
|---|---|---|
| **Breusch-Godfrey Serial Correlation LM Test:** | 0.187049 | 0.8308 |
| **Heteroskedasticity Test: Breusch-Pagan-Godfrey** | 1.742803 | 0.1099 |
| **Stability Test** | Jarque-Bera 3.783796 | 0.150785 |

**Source: Author Computation Eview 10 softwire. 2024**

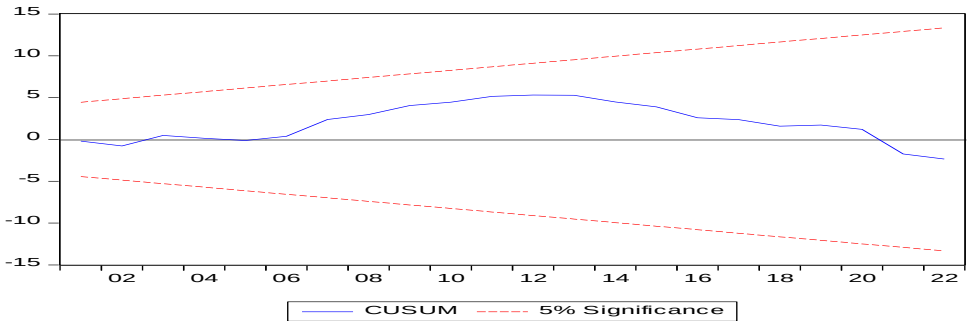
Several diagnostic tests were performed to confirm the reliability of the ARDL Model used in this study, including the Jarque-Bera normality test (to examine normality), the Breusch-Pagan-Godfrey heteroskedasticity test (to examine heteroskedasticity), and the Breusch-Pagan-Godfrey serial correlation LM test (to assess correlation). According to the results in Table 8, these tests show that the ARDL model

calculated in this work has no problems with normality, heteroskedasicity, or autocorrelation. The stability of the ARDL models is further examined using the CUSUM and CUSUMSQ tests.

**Stability Test.**

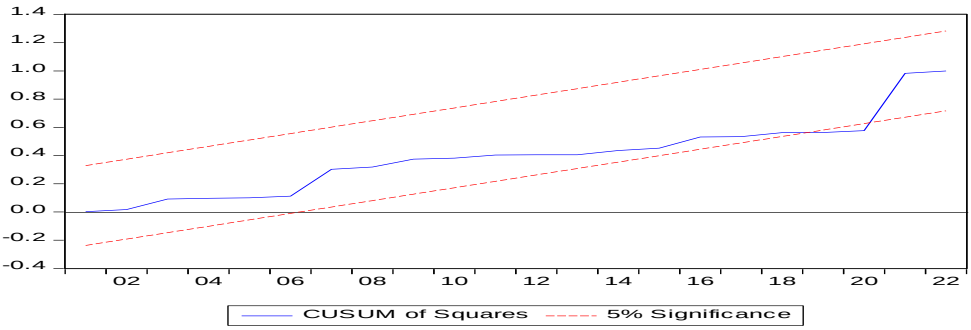
Finally, we investigated the long-term stability of the equation's parameters as well as its short-term dynamics. The investigation used the cumulative sum of residual (CUSUM) and cumulative sum square (CUSUMSQ) tests proposed by Borensztein et al (1998). Pesaran and Pesaran (1997) also used the same approach. Mohsen et al. (2002) and Suleiman (2005) investigated the stability of long-run coefficients. The test was performed on the residual of the ECM model.

**Figure 1: Cumulative Sum of Residual**




**Source: Author's Computation using Eviews 10 Softwire, 2024**

**Figure 2: Cummulative Sum of the Square**




**Source: Author's Computation using Eviews 10 Softwire, 2024.**

The graphic indicates that the model is stable since the CUSUM remains inside the essential 5 percent boundaries, and the CUSUMsq statistics show that the model is stable until 2018, when the CUSUM of squares line slips outside of the 5 percent significant lines. This indicates that the coefficients are unstable.

**4.3 Discussion of Major Findings**

The presented results shed light on the complex interplay between economic variables and their impact on public educational expenditure.

First, the negative link between domestic and external debt implies that higher levels of domestic debt are connected with lower levels of external debt, and vice versa. This could indicate a trade-off between domestic and overseas borrowing to fund government spending. However, the statistical significance at the 5% level implies that this relationship is not due to chance, implying a significant link between these variables.

The positive relationships observed with the exchange rate and external rate point to possible drivers of public education spending. Higher exchange rates may indicate economic conditions or government goals, resulting in more educational spending. The absence of statistical significance for external debt and

exchange rate in relation to educational expenditure at the 10% level shows that these variables may not have as significant an impact on educational expenditures as previously thought.

The findings on the influence of household debt and debt servicing on educational spending are especially worrying. An increase of 5% in domestic debt and debt servicing reduces educational spending by 0.9% and 0.8%, respectively. This suggests that larger levels of debt and debt servicing commitments limit the government's ability to devote resources to education, potentially jeopardising human capital development and long-term economic growth.

**5. Conclusion and Recommendations**

The findings emphasize the intricate link between economic variables and their effects on public education spending. Key observations include. The result revealed negative relationship between domestic and external debt which shows a potential trade-off in borrowing for government expenditure. The statistical significance indicates a meaningful connection, implying careful consideration is necessary when managing both types of debt.

However, the positive relationship between public educational spending, Exchange Rate and External debt variables indicate potential drivers of educational spending. However, the lack of statistical significance for external debt and the exchange rate regarding educational expenditure suggests their impact might not be as significant as initially assumed.

The findings reveal concerning implications of higher domestic debt and debt service on educational spending, indicating a constraint on resource allocation for education. This underscores the importance of prudent fiscal management to ensure adequate investment in human capital development.

Finally, these results emphasise the important necessity for policymakers to prioritise good fiscal management and deliberate allocation of resources, as emphasised by Blinder and Solow (1973), that the government approaches to finance its budget deficit. The stability of fiscal policy has a substantial long-term impact on government spending. Obstacles such as highly concentrated tax systems and spending rigidities impede the country's efforts to consolidate its budgetary situation. Some countries are seeing significant rises in government debt, and Nigeria has to implement changes to minimise deficits through tax reform and lower spending. Subsequently balancing short-term demands with long-term rewards is critical, particularly in terms of guaranteeing enough investment in education and human capital development to sustain economic growth and social advancement.

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