

**THE IMPACT OF GOVERNMENT EXPENDITURE AND FOREIGN AID  
ON EDUCATIONAL GROWTH IN NIGERIA**

**BY**

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**DECLARATION**

I, **OSAWA NOSAKHARE** hereby declare that this project titled: “ **THE IMPACT OF GOVERNMENT EXPENDITURE AND FOREIGN AID ON EDUCATIONAL GROWTH IN NIGERIA**” is entirely my own project and composition. The work embodied in this project has not been submitted in Candidature for any degree and is not concurrently being submitted for any other degree. All references made to works of other persons have been duly acknowledged.

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**CERTIFICATION**

We certify that this project titled, “**THE IMPACT OF GOVERNMENT EXPENDITURE AND FOREIGN AID ON EDUCATIONAL GROWTH IN NIGERIA**” was carried out by **OSawe NOSAKHARE** in the Department of Economics, Faculty of Social Sciences, University of Benin, Benin City, is adequate in scope and quality in partial fulfillment for the award of bachelor of Science (B.Sc) degree in Economics.

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**DEDICATION**

This work is dedicated to God Almighty, the Father of our Lord Jesus Christ and to all who have influenced my life positively. It is also dedicated to my parents and all of my siblings.

## ACKNOWLEDGEMENTS

First and foremost, praises and thanks to God, the Almighty for his Divine protection, wisdom, Mercy, and grace towards me, through the course of this project and for making it a success. To God Be the Glory.

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## **ABSTRACT**

*The Development of a standard and comparable educational system has played a major role in the growth and development of most countries, both advanced and developing. Some of the major sources of fund to this sector has remained government expenditure and foreign aid. Hence this research work employs secondary data covering the period of 1980 to 2019 to examine the nexus among government expenditure, foreign aid and educational growth in Nigeria. Variables employed includes Literacy rate (LRT), Government Expenditure (GEX), Foreign Aid and other development assistance (FRA) and Real Gross Domestic Product per Capita growth rate (RGDPPC). Data on the relevant variables were obtained from the Central Bank of Nigeria (CBN) statistical Bulletin (2019) and the World Bank's World Development Indicators (WDI, 2019). The work employed the Augmented Dickey-Fuller (ADF) test for Unit Root and the Johansen Co-integration technique for the possibility of long run relationship. An empirical model was estimated using the Error Correction Model (ECM) of regression analysis. The results indicated that government expenditure, foreign aid and real GDP per capita shares a positive and significant relationship with Literacy rate in Nigeria. The concluded that the educational system can be reasonably improved if attention is paid to these important variables. Hence, it was recommended among others that the government should increase budgetary allocation to the education sector, attention should be paid to capital projects, appropriate*

*diplomatic policies to attract more foreign aid, checks to prevent the mismanagement appropriated funds.*

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

In achieving comparable standards in welfare development in developing countries, educational development has remained a vital and indispensable factor propelling this endeavor. Governments of various developing countries across the world has over the years developed suitable means of ensuring proper funding of educational activities through national budgeting and as well as obtaining development assistance in form of foreign aids and grants from both advanced countries and international development organisations.

Chika, Obi and Ogugua (2014) opined that it is a widely accepted fact that education creates improved citizens and helps to upgrade the general standard of living in a society. Therefore, positive social change is likely to be associated with the production of qualitative citizenry. It would seem to follow naturally that if

more individuals are educated, the wealth of nation would rise, since more education attracts higher wages and aggregatively higher national income. And if there are positive externalities of education, national income would increase by even more than the sum of the individual benefits (Chude and Chude, 2013).

Maintaining a similar view, Oriakhi and Umeh (2014) posited that one of the challenges that face any modern economy is the achievement and the sustenance of economic growth and development with the ultimate objective of improving the welfare of its citizens. The society's future depends largely on the quality of its citizen's education because education is the main instrument used by the society to preserve, maintain and upgrade its social equilibrium. The education system is undeniably the major backbone of the development of any country as it inculcates in the individual, the ability to be a vital part in nation building (Oriakhi and Umeh). Schumpeter (1954) has similarly stressed the role of innovation which is a byproduct of education in the process of economic growth. Many developing countries have made

significant progress in ensuring better access to education as evidenced by improvement in literacy and enrolment rates, higher quality and more equitable distribution of education services.

Government expenditure on education and training is not an end in itself. The goal of investment in public education is to create the skills and attitudes needed for higher levels of productivity and growth. Whether or not such growth will be achieved will depend not only on the amount of resources invested but also on the efficacy with which the inputs are managed (Oriakhi and Umeh, 2014). The body invested with the power of the allocation of resources in Nigeria is the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). Alabi, Kumar and Naidu (2008) as cited in Edame and Eturoma (2014) asserted that Nigeria generated about 23 trillion naira (191 billion US dollars) from oil between 1981 and 2006, which is around 83 percent of total government revenue, about 2 percent and 3 percent of total government revenue and oil revenue was spent on education. However they stated that government allocated only 1 percent of the Gross Domestic Product

(GDP) to education. Abidogun (2008) indicated that 0.76 percent of Gross National Product (GNP) allocated to education sector in Nigeria is lower than the average of 4.5 percent of GDP allocated to education sector in Sub-Saharan African countries and lower when compared with the average of 6 percent of GDP allocated to education sector by OECE countries.

Foreign aids in Nigeria have been in existence since the creation of Nigeria. The developed or rich countries have always assisted the developing or poor countries to achieve similar achievements of providing livelihoods for their citizens. Thus, history of foreign aid can be traced back to the 1940s following the destruction caused during the Second World War. Some of the post Second World War challenges were the collapse of the international economic systems characterized by shortage of capitals required for infrastructure reconstruction (Mukaddas, 2019).

The concept of foreign assistance is a voluntary action dependent on need of the recipient countries from a donating

country, governments, private organizations, individuals for the economic growth of recipient countries (Ouattara, 2006). Nigeria has benefitted from various schemes of foreign aids; however, she is still struggling for the self-sufficiency in all aspects of development (Oshewolo, 2011). On the other hand, some countries that were recipients of aids in the past, developed to the level that now they have become aid donors, this includes South Korea, and China et cetera (Mukaddas, 2019).

Nigeria has been receiving foreign aids for infrastructural development, development of human resource for learning and teacher development, ICT in teaching and learning, science and technology, and Education for All, etc. The Government of Nigeria has been working in active collaboration with International Development Partners such as the British council, United Nations International Children Education Fund (UNICEF), Department for International Development (DFID), United Nation Educational, Scientific and Cultural Organization (UNESCO), United State Agency for International Development (USAID), Japan

International Cooperation Agency (JICA), Korea International Cooperation Agency (KOICA), Chinese Government Cooperation (CGC), World Bank as well as Civil Societies and Non-governmental Organizations (NGOs) to achieve the Education for All and Universal Basic Education goals and Sustainable Development Goals (SDGs) etc, (Mukaddas, 2019).

Accompanying the increased contribution of petroleum to total federally collected revenue in the early 1970s, budgetary allocation to education sector took a rising trend. Education sector allocation as a proportion of total budgetary allocation rose from 0.69% in 1970 to 10.83% in 1976 dropped temporarily to 5.6% the following year as a result of some vagaries in the international price of crude oil. Since then, it has been fluctuating between 1.9% and 9% of total federal government expenditure. Budgetary allocation to the education sector accounted for 7.05% of total government expenditure in 2019 and 7.9% in 2020 (NBS, 2020) which is far below the United Nations recommended minimum standard of 26% (UNESCO, 1998). As budgetary allocations to the education sector

declined particularly since the introduction of the Structural Adjustment Program (SAP, 1986), school enrolment at all levels recorded an increasing trend and the number of educational institutions increased tremendously. These developments created severe infrastructural gaps in schools, per capita school infrastructures have declined as no new structures are built and old ones are not renovated (Edame and Eturoma, 2014).

This low trend has persisted in recent times as Ololube (2016) observed that the budgetary allocation to education was 13%, 8% and 6% in 2008, 2009 and 2010. It increased to 8% in 2011, to 10% in 2012 and declined to 8.7% in 2013 and to 8.44 in 2016 (Ololube, 2016). This figure further declined to 7.02% in 2019. Little wonder Ololube (2016) averred that the 26% benchmark by UNESCO is a far cry in Nigeria and in most sub-saharan countries.

## **1.2 Statement of the Research Problem**

There are diverse scholarly opinions on whether or not government expenditure and foreign aid impact economic growth

in Nigeria. Edame and Eturoma (2014) opined that Poor financial resources to the educational sector have been a major problem in the Nigeria educational system. The Federal Ministry of Education (2003) agreed that 1978-1999 period was an ill period for Nigeria education system due to instability and financial inadequacies which resulted to largely general economic downturn of the 1980s. Federal Government expenditure on education has been below 10 percent of the overall expenditure, 70 percent of its expenditure goes to recurrent activities. The above expenditure figure is below UNESCO recommendation of 29 percent of national expenditure which should be devoted to education (Edame and Eturoma, 2014).

There has been significant rise in the number of student intake at all levels of education- primary, secondary and tertiary. However, actual expenditure level falls short of the budgetary allocation. Okebukola (2005) as cited in (Edame and Eturoma, 2014) rightly observed that poor financial investment has been the bane of Nigerian educational system. Following this development, the funding formula of the educational sector was reviewed and is still

undergoing review by the government and stakeholders in the educational sector. According to the 1994 funding formula of the educational sector, states would share 50 percent equally; educationally disadvantage states 25 percent, pupil enrolment 25 percent and population of the state 10 percent. Alternative sources of funding education explored by the government are the Education Tax Fund (ETF) established in 1995, Petroleum Trust Fund (PTF) (Abidogun, 2008). Despite all the alternatives and the recommendation of UNESCO, the public expenditure on education remains inadequate for coping with a system that is growing at every rapid pace. Due to poor financing the quality of education offered is affected by poor attendance and inadequate preparation by teachers at all levels. The morale of teachers is low as a result of basic condition of services and low salaries. Access to education is further compounded by over subscription (Edame and Eturoma, 2014).

In Nigeria, the decline in the standard of education at all levels has become a fact of national life. Indeed the most significant event

in the sector in the recent past has been the continuing crisis besetting the sector. This crisis is rooted in the degenerating conditions within the citadels of learning, with respect to teaching facilities and other infrastructural facilities, the welfare of those engaged in the teaching profession and the ever increasing cost of education. This has culminated in student unrest and industrial actions by lecturers and teachers through their respective umbrella associations such as Academic Staff Union of Universities (ASUU), Nigerian Union of Teachers (NUT) and so on at their different levels of the educational system (Oriakhi and Umeh, 2014).

Fasanya and Onakoya (2012) posited that, although Nigeria has continued to benefit from all sorts of foreign assistance and, in fact, still receives as much foreign aids as possible, yet socio-economic development has remained gloomy. Ab-dulhamid (2008) stated that the total net aid flows from all donors that Nigeria received was US\$ 152 million in 1999; in 2000, aid flows increased slightly to \$185 million and by 2004, it reached \$573 million. Aid flows to Nigeria in the wake of its return to civilian rule sharply

increased, this was manifested in the volume of foreign aid influx into the country covering the period 1999-2007. According to Alabi (2012), Nigeria recorded the following volume of aid influx: \$6.799 billion in 2005; it rose to \$11.781 billion in 2006; but later fell to \$1.385 billion in 2007; \$1.401 billion and it was constant at \$1.638 billion in 2008 and 2009 (Mukaddas, 2019). This figure rose to \$2.479 billion in 2014 and to \$2.552 in 2016 (Agunbiade and Mohammed, 2018). Recording a value of \$3.5 billion in 2019 and \$4.1 billion in 2020 (NBS, 2020).

Despite the efforts in improving the quality of education by Nigeria government and its donors, the performance of educational institutes is yet below the expectations of stakeholders such as students, parents, teachers, governments, general public and international organizations. Some scholars believed that Nigeria's development indicators have not improved, rather they have deteriorated in spite of continuous foreign aids for de-cades. At present, nearly 10 million school age children are not attending

schools and more than two million Nigerian children study abroad (UNICEF, 2019).

It is against this background that this research work attempts to answer the following questions;

- i. What is the relationship that exists between federal government expenditure and education growth in Nigeria?
- ii. How has foreign aid influenced education growth in Nigeria?
- iii. Does the inflow of aid crowd in Educational Growth in Nigeria?

### **1.3 Research Objectives**

With respect to the foregoing, the broad objective of this research work is to examine the impact of government expenditure and foreign aid on educational growth in Nigeria. To achieve this overall aim, the following specific objectives will be tested;

- i. To ascertain the relationship between federal government recurrent expenditure and education growth in Nigeria.

- ii. To assess the relationship between foreign aid and education growth in Nigeria.
- iii. To ascertain whether or not foreign aid crowd in Educational Growth in Nigeria.

#### **1.4 Research Hypotheses.**

- i. Ho: There is no relationship between federal government expenditure and education growth in Nigeria.
- ii. The relationship between foreign aid and education growth in Nigeria is not statistically different from zero.
- iii. Fore Foreign aid does not crowd in Educational Growth in Nigeria.

#### **1.5 Scope of the Study**

The researcher sourced for data on the relevant variables from the Central Bank of Nigeria (CBN) statistical bulletin (2019) and the World Bank's World Development Indicators (WDI, 2019) covering the period between 1981 and 2019 to analyze the issue in question.

## **1.6 Significance of the Study**

An empirical analysis of government's budgetary operations and its attendant impact on educational development in the country as well as issues pertaining to the country's foreign aid assistance remains an invaluable topic that should be addressed if improvement in the stock of human capital, living standards and ultimately economic growth is of key consideration to the country's resources administrators. This research work thus draws its relevance or pertinence from the fact that it will be useful to the country's administrators both as a tool of analysis as well as an instrument of prediction. It will also be useful to the private sector comprising of business organisations, individual investors, firms, private research institutes, etc. In the tertiary institution level, this research paper can be employed as a start off point with respect to the issue of government expenditure, foreign aid and its attendant impact on educational development in Nigeria to be conducted by subsequent researchers and students. Specifically;

**i) The General Administration:** Notwithstanding the fact that this research work focuses on the role played by the federal government in the process of ensuring adequate educational development and maintenance, the empirical findings of this paper can also be applied sub-national levels of government, which encompasses both the state and local governments. Good administrative practice no matter where it is found remains a necessary requirement to achieving better operational and delivery standards. Thus, the outcome of this research endeavor will furnish the government with useful intricacies inhibiting the issue in question toward informed decision making.

**ii) Public Institutions:** In response to socio-economic conditions, the developmental and welfare activities of the government are usually implemented and executed through public institutions normally referred to as public corporations. One observed fact that is inherently present in the operations of public institutions in Nigeria is the continuous trend of maladministration and low level of efficiency. This research paper will be useful as a tool of

information to provide adequate recommendations on how to improve public service delivery.

**iii) Research institutes:** The pertinence of this research work also covers the fact that it can as well be used by various institutions carrying out a similar empirical investigation to the one in question.

**iv) Universities and other Tertiary institutions:** This research work will also serve as a guide to subsequent undergraduate research on the issue of government expenditure, foreign aid and educational development in Nigeria and as such will ease the burden of framing up a research write-up. Its usefulness also extends to further advanced studies as this research work can be built upon for advanced studies.

**v) Private Researchers:** Private researchers whose works are related to the issue in question can also adopt this work as a starting point or guide, this will ease the process of materials and information sourcing.

**vi) Students:** In completion of the Bachelor of Science (B.Sc.) degree, undergraduate research project still remains a key institutional requirement. Hence, as an effective aid to that process, this research work will also serve a guide to assist upcoming students who seek to pursue a first degree program in economics and other related fields.

### **1.7 Limitations to the Study**

In assessing the empirical validity of the outcome of this research work, it is important to note that the research is faced by some limitations one of which is the unavailability of ample time. The availability of sufficient time remains one important requirement due to the inclusiveness of the research problem, if bulk of the entirety of the issues related to the research problem is to be assessed. Hence, facing this problem, the researcher made the most efficient and effective use of the minimal time available. Notwithstanding, a reasonable amount of information is covered.

Another limitation faced by the researcher is the issue of lack of adequate research materials and up-to-date library resources. This problem necessitated the use of personal resources to source for useful information and materials via the internet due to the absence of government supported internet facilities. Also, due to the poor statistical or record keeping culture of the country, this research work as faces the problem of unavailability of statistical data which only became available upon rigorous and time consuming search.

## **1.8 Structure of the Study**

This research work is structured into five (5) chapters. Chapter one (1) above introduces the reader to the issue in question and the objectives the research hopes to achieve. The chapter also comprises of the significance of the study, scope of the study, limitations of the study, and structure of the study. The remainder of the research work is structured as follows;

Chapter two (2) proceeds to review the relevant literature related to the issue in question. The chapter is further divided into Conceptual clarification, Theoretical literature review and Empirical literature review.

Chapter three (3) presents the theoretical framework upon which the research problem is built and the model specification used to capture the issue in question. It also presents the research methodology employed herein.

In Chapter four (4), the Descriptive statistics of the respective variables, Trend and Empirical analysis of the model specified in chapter four, are all presented.

The Summary of findings of this research, Conclusion and Recommendations, are all presented in Chapter five (5).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction.**

In furtherance of this research paper, this chapter proceeds to review the relevant literatures related to this research work in order to aid a more robust and comprehensive understanding of the intricacies hovering around the issue of federal government expenditure, foreign aid and education growth in Nigeria. This chapter is further divided into; conceptual clarifications, contextual literature review, theoretical review and empirical review.

#### **2.2 Conceptual Clarifications**

Concepts are the building blocks of thoughts. Consequently, they are crucial to such psychological processes as categorization, inference, memory, learning, and decision-making. Concepts are customarily regarded as intermediaries between mind and world. They are the basic elements of thoughts and the tools by which one

classifies things. They are central to the philosophy of mind, and they are often implicated in theories of meaning (Carey, 1985). Some of the terminologies related to the research problem are succinctly discussed below.

### **i) Education**

Philip (2013) as cited in Oriakhi and Umeh (2014) defined education as a profound philosophical exploration of how we transmit knowledge in human society and how we think about accomplishing that vital task. It is the power of reasoning and judgment, and generally preparing oneself or others intellectually for mature life. We have two types of education, these are formal and informal.

Education may be defined as a purposive, conscious or unconscious, psychological, sociological, scientific and philosophical process, which brings about the development of the individual to the fullest extent and also the maximum development of society in such a way that both enjoy maximum happiness and

prosperity. In Short, education is the development of individual according to his needs and demands of society, of which he is an integral part (Kumar and Ahmad, 2008).

## **ii) Literacy Rate**

Literacy rate can be defined as the percentage of the total population who are able to read, write and with understanding a short and simple statement on their everyday life (UNESCO). According to Central Intelligence Agency (CIA, 2013), the adult literacy rate of the Nigerian economy is 61.3% of the total population meaning that almost 40% of the population cannot read, write or understand simple, short statements. The World Bank reported that the total adult literacy rate in Nigeria was 62.01% in 2018 (WD1, 2019).

## **iii) Human Capital**

According to Schultz (1979) as cited in Joseph and Aibieyi (2017), human capital involves increase investment in education and training of the individuals. Individual's abilities can be

enhanced through education and training that bring about effective change in the performance of jobs. Marshal (1998) postulates that human capital amounts to investment on education and training which can be undertaken by individual or group of individual workers of any institution or organization. Becker (1993) conceived of human capital as referring to “investment in education, training, skills, health, and other values that can not be separated from the individual.” Human capital is a trait crystallized in an individual that can not be expunged.

Human capital represents the value each employee brings to the table, according to his or her studies, knowledge, capabilities and skills. The development of the human capital can only be acquired through education. It should be noted that nothing substitutes the value of human capital in an organization or economy (Oriakhi and Umeh, 2014).

#### **iv) Foreign Aid**

Foreign aid is defined as the voluntary transfer of resources from one country to another country. This transfer includes any flow of capital to developing countries. A developing country usually does not have a robust industrial base and is characterized by a low Human Development Index (HDI) (Thapa, 2020). Foreign aid can be in the form of a loan or a grant. It may be in either a soft or hard loan. This distinction means that if repayment of the aid requires foreign currency, then it is a hard loan. If it is in the home currency, then it's a soft loan. The World Bank lends in hard loans, while the loans of its affiliates are soft loans (WHO, 2008).

#### **v) Positive Impacts of Foreign Aids**

The effect of foreign aid on growth is the subject of ongoing debate. It is difficult to determine the effect of aid on growth when aid is an integral part of an economy; there are few “experiments” in the level of foreign aid (Thapa, 2020). Galiani, Knack, Xu and Zou (2017) argued that there are points on a nation's growth

trajectory at which aid inflows drop because of the rules donors use to select recipient countries. They use the substantial changes in aid around this point to evaluate how aid affects growth, and they conclude that aid has a substantial positive effect.

Although aid has had some negative effects on the growth and development of most African countries, research shows that development aid, in particular, actually does have a strong and favorable effect on economic growth and development. Development aid has a positive effect on growth because it may actually promote long term economic growth and development through promoting investments in infrastructure and human capital. More evidence suggests that aid had indeed, had a positive effect on economic growth and development in most African countries. According to a study conducted among 36 sub-saharan African countries in 2013, 27 out of these 36 countries have experienced strong and favorable effects of aid on GDP and investments, which is contrary to the believe that aid ineffective and does not lead to economic development in most African countries (Thapa, 2020).

## **vi) Negative Impacts of Foreign Aid**

While most economists like Jeffery Sachs hold the view of aid as the driver for economic growth and development, others argue that aid has rather led to increasing poverty and decreasing economic growth of poor countries. Economists like Dambisa Moyo argue that aid does not lead to development, but rather creates problems including corruption, dependency, limitations on exports and Dutch disease, which negatively affect the economic growth and development of most African countries and other poor countries across the globe (Galiani, 2017).

- **Death of local industries**

Foreign aid kills local industries in developing countries. Foreign aid in the form of food aid that is given to poor countries or underdeveloped countries is responsible for the death of local farm industries in poor countries. Local farmers end up going out of business because they cannot compete with the abundance of cheap imported aid food, that is brought into poor countries as a response

to humanitarian crisis and natural disasters. Large inflows of money that come into developing countries, from the developed world, in a foreign aid, increases the price of locally produced goods and products. Due to their high prices, export of local goods reduces. As a result, local industries and producers are forced to go out of business (Thapa, 2020).

- **Neocolonialism**

Neocolonialism is where a state is “in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside”. The political and economic affairs of a state under neocolonialism, is directly controlled by external powers and nations from the Global North, who offer aid or assistance to countries in the Global South or developing countries. Neocolonialism is the new face of colonialism, which is made possible by foreign aid. Donor countries offer foreign aid to poor countries while bargaining for economic influence of the poor or

receiving countries, and policy standards that allow donor countries to control economic systems of poor countries, for the benefit of the donor countries (Galiani, 2017).

- **Aid dependency**

Aid dependence is defined as the "situation in which a country cannot perform many of the core functions of government, such as operations and maintenance, or the delivery of basic public services, without foreign aid funding and expertise". Aid has made many African countries and other poor regions incapable of achieving economic growth and development without foreign assistance. Most African economies have become dependent on aid and this is because foreign aid has become a significant norm of systems of international relations between high and low income countries across the globe (Thapa, 2020).

- **Corruption**

While development aid is an important source of investment for poor and often insecure societies, aid's complexity and the ever-

expanding budgets leave it vulnerable to corruption, yet discussing it remains difficult as for many it is a taboo subject. Foreign aid encourages rent-seeking, which is when government officials and leaders, use their position and authority to increase their personal wealth without creating additional wealth, at the expense of the citizens. Most African leaders and official, are able to amass huge sums of personal wealth for themselves from the foreign aid received - they enrich themselves and do not use the aid provided for its intended purpose. Corruption is very hard to quantify as it is often hard to differentiate it from other problems, such as wastage, mismanagement and inefficiency, to illustrate the point, over \$8.75 billion was lost to waste, fraud, abuse and mismanagement in the Hurricane Katrina relief effort (Thapa, 2020).

#### **vii) Federal government expenditure**

Government expenditure could be capital or recurrent. Capital expenditure can be defined as expenditure creating future benefits, as there could be some lags between when it is incurred

and when it takes effect on the economy (Onalo, Lizam and Kaseri, 2019). It can also be described as expenditure on the creation or acquisition of fixed assets (new or second-hand). On the contrary, recurrent expenditure refers to expenditure on purchase of goods and services, wages and salaries, operations as well as current grants and subsidies (usually classified as transfer payments). Regardless of the classification, government expenditure has direct practical and theoretical connexion with fiscal policy (Onalo, Lizam and Kaseri, 2019).

#### **viii) Economic Growth**

Economic growth is the continuous increase in economic and business activities in a country leading to substantial rise in the level of Gross Domestic Product (GDP). Economic growth is an increase in the production of goods and services over a specific period. To be most accurate, the measurement must remove the effects of inflation. Economic growth creates more profit for businesses. As a result, stock prices rise. That gives companies

capital to invest and hire more employees. As more jobs are created, incomes rise. Consumers have more money to buy additional products and services. Purchases drive higher economic growth. For this reason, all countries want positive economic growth. This makes economic growth the most watched economic indicator (Kimberly, 2019).

## **2.3 Contextual Literature Review**

### **2.3.1 Education in Nigeria**

The education sector in Nigeria has passed through two phases of development: the phase of rapid expansion in the growth of the sector (1950 - 1980); and the second phase of rapid decline in the sector in terms of growth (1981 - 2009). A look at the trend of events indicates that the situation still remains the same Omojomite (2010) as cited in Chika and Ogugua (2020).

During the first phase when representative governance took its roots in Nigeria, the three regional governments had control of the educational development in their respective regions. This first

period marked the beginning of rapid expansion in terms of access. For example the number of pupils in primary schools was 626,000 in 1954, the figure rose to 2,912,619 in 1960. Similarly the number of post primary school rose from 161 in 1955 to 912 in 1960. The student population in post primary schools rose from 9,908 in 1947 to 140,401 in 1960 (Aigbokhan et. 'al., 2005). The surge in access to schools was due largely to the policies and programmes of governments that built primary and post primary schools and also provided grant - in - aid to missionary schools. We must note here that the missionary churches dominated the provlsion of schools before the government took over of primary and post primary schools in the early 1970s (Omojomite 2010).

Educational curriculum at this first period was not local oriented. It was based on colonial ideology by the British. It must be noted also that at this initial phase of educational development no effort was made to select school curricula that would meet the long-run developmental needs of the Nigeria society; Rather emphasis was placed on numeracy and general intellectual capacity

while technical and practical skills were neglected. The university college Ibadan which was the only university in Nigeria before 1960 had no facilities of engineering, law and technology (Chika and Ogugua, 2020).

During this period, access to tertiary education was easy following the establishment of the University of Nigeria, Nsukka (1960), University of Lagos (1962), University of Ife, Ile-Ife (1961), Ahmadu Bello University, Zaria (1962), and University of Benin, Benin City (1970). These universities were established and funded by the post independence regional governments. In 1975, the military government took over the regional universities and also extended grants-in-aid to state owned polytechnics, More universities and colleges of technology (polytechnics) were established between 1975 and 1980. In establishing the new educational institutions, sound investment criteria were not followed; instead the need to have regional balance, ethnicity, nepotism and opportunity for personal gains were the determining factor (Omojomite, 2010).

Chika and Ogugua (2020) noted that also during this period, precisely 1976, the government introduced the universal primary education (UPE) programme. This policy made primary education free to all Nigerian children. In 1976, a new structure was introduced into the education system in Nigeria to replace the old structure of 6 years primary; 5 to 7 years post primary (that is, secondary teacher training colleges and sixth form or higher school) and 4 - 7 years of tertiary education (University, Polytechnics and colleges of education).

The second phase of the educational development in Nigeria was a period characterized by a decline in educational inputs leading to deterioration of educational fixed assets, inadequate funding and declining standards (Chika and Ogugua, 2020). Aigbokhan et al. (2005) noted that the period 1978 - 1999 was a crisis period in the education sector in Nigeria and the root cause of the crises was inadequate funding (Omojomite 2010).

Omojomite (2010) advanced for the low and unstable trend in the allocation of resources to the education sector: The dwindled oil revenues due to a fall in oil prices in' the early 1980s lowered federal government budgetary allocations and, education sector was badly hit. The IMF-World Bank inspired structural Adjustment Programme (SAP) that was adopted as a development policy beginning from 1986 engendered cuts in fiscal spending in education expenditure. The debt overhang of the 1980s and 1990s constrained the, amount of resources available for the other sectors of the economy including the education sector. It has also been suggested that the long military rule in Nigeria favoured the defence sector to the neglect of the education sector in terms of resource allocation. Widespread corruption in the management of educational institutions by political and school administrators has contributed to the underfunding of the education sector in the past three decades (Chika and Ogugua, 2020)

Currently, responsibility for Education Policy in Nigeria is shared between Federal, State and Local Government authorities,

with concurrent education authorities existing at state and federal levels. While state and federal ministries of education hold the core policy mandate for education, the Universal Basic Education Commission (UBEC), and State Universal Education Boards (SUBEBs) administer basic (primary and lower secondary) education. The education budget in Nigeria is also split between authorities, with the primary sources of funding being; households, direct federal transfers to local government authorities, the Universal basic education intervention fund, and state budgets (both from federal transfers and locally generated revenues). Schools operate a 1-6-3-3-4 system, with one year of pre-primary, six years of primary, three years of lower and upper secondary, and four years of tertiary education (Outhred and Turner, 2020).

Nigeria became a General Partnership on Education (GPE) member in 2013 and between then and 2019 US\$ 101,342,420 has been awarded in grants, of which US\$ 81,153,663 has been disbursed at the time of writing. This comprises of two grants to the Civil Society Action Coalition for Education for All (CSACEFA),

an Education Sector Plan Development Grant (ESPDG), a Program Development Grant (PDG) and an Education Sector Plan Implementation Grant (ESPIG). The ESPDG granted in 2013 supported improvements to the Medium-Term Sector Strategies (MTSSs) of Jigawa, Kaduna, Kano, Katsina, and Sokoto (the five NIPEP focal states), while the PDG funded the design of the Nigeria Partnership for Education Project (NIPEP), funded by the US\$ 100,000,000 of ESPIG funding (Outhred and Turner, 2020).

GPE funding in Nigeria between 2013 and 2019 has focused on five states in the north-west. The northern states of Nigeria are characterized by a paucity of reliable data on access, equity and learning outcomes, as well as on financing. Overall Nigeria has the largest population of out of school children in the world (13.7million) and many of these are in Northern states. Among those counted as being out of school, a significant proportion attend un-registered Islamiyya and Quranic Schools, which in some cases outnumber registered schools. Where learning outcomes have been measured, it has been demonstrated that the majority of students in

these northern states are failing to meet basic minimum standards in literacy and numeracy (Outhred and Turner, 2020).

### **2.3.2 Challenges to the Nigerian Educational System**

Some of the several challenges of the Nigerian educational system to which the Federal Ministry of Education (2009) has attested and acknowledged are analysed presently:

#### **Problem of access**

Access to education has been a perennial problem affecting all levels of the educational system. For example, despite the purported emphasis (in terms of funding, staffing and teacher training) on primary education, through such international and national programmes as the Universal Primary Education (UPE), Universal Basic Education (UBE) and Education for All (EFA) 38 million children were never enrolled in school in Sub-Saharan Africa as of 2004 (UNESCO, 2006). For example, 10.5 million Nigerian children who (as of 2009) were of primary school age were out of school; 6 million were out-of-school at the junior-secondary school

level and 7,210,378 at the senior-secondary level (Outhred and Turner, 2020).

The World Bank (2009) and Okogu (2009) have in separate works confirmed that the access problem in Africa is acute at all levels of education and is reflected in the low gross enrolment ratios at secondary and tertiary levels, which are 30 and 5 percent respectively as of the 2009 levels; the lowest level compared to any other region in the world, implying that there is still a long way to go before achieving Universal Primary Education and the MDGs in Africa. The girls' enrolment ratio is much lower than that of boys at all levels of education and the problem of access to technical education is even worst as only 2.8% (that is, 92,216 of 3.2 million) of products of junior-secondary schools transit to technical colleges, which are also very few (Federal Ministry of Education, 2009). The problem of access to education has grave consequences for the achievement of the vision 2020. In fact, UNESCO (2006) has predicted that in the achievement of the MDGs relating to education and literacy, Sub-Saharan Africa lags far behind other

regions, with an estimation that 28 of the countries are seriously off-track and are unlikely to reach the MDGs before 2040. Nigeria is one of these twenty-eight (Outhred and Turner, 2020).

- **Challenges of school infrastructure**

The lack of essential infrastructure and the very poor state of the physical facilities at the basic and post basic education levels pose a serious threat to the actualization of vision 2020. According to the Federal Ministry of Education (2010) the physical state of classrooms is very poor, with floors full of holes, roofs and ceilings broken, the fabric in a state of disrepair; most schools are without perimeter fences subjecting the school premises to intrusion, vandalism while in other circumstances, the premises are being messed up having been used as toilets. More than 55% of classrooms fall into this poor state category. At the tertiary level, infrastructure, equipment, laboratory and library facilities are also grossly inadequate, obsolete, dilapidated, and non-functional (Schleicher et al., 1995). An earlier NUC survey report in 2011

indicates that only about 30% of the students in universities could have access to classrooms, lecture theatre, laboratories and other physical facilities. A total of 70,601 additional classrooms are needed at the public basic and post basic public levels alone as of 2009, besides furnishing, laboratory equipment and libraries, a clear indication of the poor state of education in Nigeria. Correcting these deficiencies and providing the basic and essential infrastructural needs of the education sector are fundamentally crucial, without which, the actualization of the Vision 20:2020 will be a mirage (Outhred and Turner, 2020).

#### iv. **Challenges of teacher adequacy**

Although the National Policy on Education (2011) re-echoes the obvious fact that no educational system can rise above the quality of its teachers, the quality and quantity of teachers at all levels of the Nigerian school system remains a toothy challenge. Based on the data on table one, the total number of additional teachers required for the entire educational system stood at 1,

371,619, as at 2009. But available records released by the National Council for Colleges of Education (NCCE) indicate that Nigeria needs 1,320,135 teachers to meet the demands of Basic Education by 2015 (Outhred and Turner, 2020). In spite of this gross inadequacy, a large number of the teaching force at the basic and post basic levels have qualifications below the National Certificate in Education (NCE) minimum teaching qualification (Ojo, 2007). For example, in the North-East and North-West, about 70% of the teaching force at present has less than the NCE. Notwithstanding, the serving teachers are poorly trained, remunerated and motivated. They have engaged in endless industrial actions to be paid their rightful entitlements, culminating in poor performance and declining quality education (Outhred and Turner, 2020).

At the tertiary level, the situation is not different. There is acute shortage of academic staff in all tertiary institutions in Nigeria. The figures in parenthesis, which represent teacher-student ratio, indicate a one-teacher-to-forty-two-students ratio in Nigerian universities. This is against the expected one-teacher-to-twenty-

five-students ratio recommended by the National Universities Commission (Abubakar, 2009). The situation where a lecturer has to contend with as many as 42 students and more than 70% of staff is non-academic is most unproductive and retrogressive for the actualization of the ideals of tertiary education in the 21st century. Yet this statistic represents the average. The high correlation between infrastructural development and academic performance expressed by Abubakar (2009) cannot be ignored in the nation's quest to realize its developmental vision (Outhred and Turner, 2020).

#### **iv. Funding challenges**

Poor funding remains a major challenge that has continued to blight the development of education in Nigeria (Ayeni, 2007). Total expenditures on education have lagged behind other regions since 1990s. Per pupil and per student expenditures that were relatively higher in the 1970s as a legacy of early efforts to emulate the European education systems gradually began to fall and since the

1990s fallen below the regional average. The Federal Government budgetary allocation to education since 1990 has been far lower than the 26% recommended by the World Bank. Even the peak years of 1999 and 2000 when the sectoral allocation rose to between 10 and 12 percent, these are still a far cry from international standards. When compared to allocations to general administration, defence and internal security, even since the launching of the UBE in 1999, the disposition clearly shows governments' continued showed lip service to the funding of education in Nigeria (Abubakar, 2009). The education required for the attainment of vision 20:2020 must be that where schools are equipped with functional physical or e-libraries facilities, laboratories, classrooms well furnished with modern instructional technology gadgets, projectors, audio-visual and video conference equipment (Outhred and Turner, 2020).

Funding challenges of the universities have particularly remained critical during the past ten year period. The Federal Government report on the educational sector lamented: "For

example, in 2004, only 255 of the universities' funding requests were met by the Federal Government. To make matters worse, there is an existing policy which prohibits federal universities from charging tuition fees" (FGN, 2009).

In addition, the crucial challenges posed by mismanagement, misappropriation and wastage of the scarce available resources and the general lack of accountability, probity and transparency further deflate the mean resources allocated to the education sector - a factor which has dissuaded foreign donors to the Nigerian education sector. All these combine to explain in part the decay in education in the country (Outhred and Turner, 2020).

### **The issue of relevance**

The quest for relevance for the Nigerian educational system, which necessitated the 1969 National Curriculum Conference and culminated in the formulation of the National Policy on Education in 1977, has remained a mere dream. The challenge of implementing the 6-3-3-4 and the 9-year basic education curricula,

particularly in relation to science, vocational and technology education required to meet changing societal needs has been a difficult one (Ayeni, 2007). The result is the extremely low enrolment in technical colleges, science and technology-based courses due in part to low societal regard.

The continuing preference by students, parents and policymakers for general education (bequeathed by the colonial masters to the local people) which lacks the basic entrepreneurial skills for self-reliance and for confronting the challenges of underdevelopment, renders the attainment of the vision 20:2020 a mirage. Indeed, the lack of relevance and current focus of some programmes with highly “academic” contents in Nigerian educational institutions have placed tolls on the dropout rates and graduate employment in the country as these programmes hardly make the outputs self-reliant after school (Abubakar, 2009).

- **Issue of development-focused research collaboration**

Among other things, there are problems of lack of (or limited) relevant research and poor funding of research activities directed at solving national problems. The level of collaboration between universities and research institutes, between university-based/research-institute-based researchers and between indigenous researchers and inventors is at present not adequate and encouraging. Also, the lack of emphasis on endogenous research and development that is based on local initiatives, local knowledge and institutions and resources has been preventing the attainment of development in Nigerian (Aletor, 2009).

### **2.3.3 Trend of Foreign Aid to Nigeria**

From 1960 to 2011, Nigeria received an average of below US\$ 0.5 billion net Official Development Assistance (ODA) annually (Fuady, 2014). But for 2012, OECD records net ODA at US\$ 1.916 billion rising to US\$ 2.529 in 2013 (an increase of 32%). In 2013, 46% of net ODA was derived from OECD-DAC countries

and 54% from multilateral sources. Per capita the figure has risen from US\$ 11.5 to US\$ 14.6 (2012–2013). In 2013, three development agencies (the World Bank IDA, USAID and the UK) provided 62% of net ODA (75% for 2011–2012 average). In 2012, net ODA represented less than half inward private investment flows to Nigeria (EDOREN, 2017).

Foreign Aid to education in Nigeria is modest, perhaps 1.5% of the country's domestic expenditure on primary education alone. It is not an aid priority, comprising 5% of total bilateral ODA 2011–12 average and 6.5% in 2013 – a poor relation to spending on health and population. For DFID alone, education comprises 9.4% of the country aid budget, and health 23.4% Exploration of, and the rationale for, this marked difference deserves investigation in its own right (EDOREN, 2017).

In 2002 and in 2007, the proportion of education for aid as a percentage of total aid was over 17%, whereas in 2005 and 2006, commitments were below 0.6%, rising and leveling out since then

to over 5%. From 2008, commitments were lower than disbursements, until 2013, when commitments rose above disbursements for the first time in five years. The latter have leveled off to approximately 7–8%, a little higher than the DAC figure as a proportion of net bilateral aid (EDOREN, 2017).

The year 2007 saw a commitment peak in foreign aid (US\$ 487 million, including US\$ 212 million from DFID and US\$ 245 million from World Bank IDA) at the beginning of new programme and project cycles. The year 2013 shows the beginnings of a new peak, reflecting the inception of new World Bank and DFID projects in particular. Disbursement levels have risen gradually from zero reported in 2000 to nearly US\$ 150 million in 2012, peaking in 2010. The figure of foreign aid to Nigeria recorded \$2.479 billion in 2014 and to \$2.552 in 2016 (Agunbiade and Mohammed, 2018). This figure stood at \$3.4 billion in 2017 (PWC, 2018). Total foreign aid to Nigeria recorded a value of \$3.305 Billion in 2018 and then rising to \$3.517 in 2019. in 2020,

Foreign aid and other development assistance received by Nigeria recorded a value of \$4.137 Billion.

#### **2.3.4 Foreign Aid on Education and Economic growth in Nigeria**

Dreher (2015) as cited in Mukaddas (2019) pointed out that many of the developing countries receiving aids, poverty still looms large, and underdevelopment persists while concluding that there is no robust evidence that aid affects growth. On the other hand, Alemu and Lee (2015) in their work on the comparative analysis of the impact of foreign aid on Middle and Low-Income African countries concluded that aid has a significant positive impact on low-income countries arguing that criticisms of foreign aid is flawed. Galiani et al. (2014) also pointed out that foreign aid has a sizable positive effect on economic growth.

Adeyeye (2013) pointed out that theft and misappropriation of development aids are thriving, too. These issues have not been taken seriously by the government to bring the concerned people

under legal system through appropriate prosecution and such practices are behind the under-developed state of Nigeria. Oshewolo (2011) further stated, “aids may fail to help the vulnerable, as aid money can often be embezzled”. Adewole (2014) revealed that foreign aid in 2010 was spent mostly on administration, which received 26.9% of total aid. In the same year, 5.4% of aid was allocated to agriculture; 9.4% to energy and mining; 1.9% to industry and trade; and 6.8% to transportation. Mbah and Amassoma (2014) also adduced that the negative impacts of foreign aid stems from the result of channeling most aid funds to unproductive use thereby limiting the great potentials of foreign aid in promoting growth.

### **2.3.5 Government Expenditure Profile in Nigeria**

The trend of public expenditure in Nigeria over the years has been characterized by steady and continuous increase in the expenditure side of the budget. Government expenditure was ₦314.41 billion on average between 1960 and 1970 but rose to

₦5972.90 billion between 1971 and 1980 representing 1799.7% growth in government expenditure during the decade of 1970s (CBN, 2017). The expansion can be associated with the discovery of oil in the early 1970s that led to unprecedented increase in Nigeria's revenue. Additionally, government budgeted large monies for reconstruction after the 1960s civil war that lasted for about 30 months. The country also embarked on increase in spending on priority sectors to provide an enabling environment needed to accelerate sustainable growth and development (Jibir and Aluthge, 2019).

Government expenditure was ₦11,188.42 billion on average between 1981 and 1985 representing the growth rate of 87.3% (CBN, 2017). Furthermore, public expenditure exhibited upwards trend despite countless efforts by government to reduce its expenditure particularly through the structural adjustment program (SAP) in 1986 which focused on short-term and medium-term policy reforms to structurally adjust the economy. Public expenditure continued to maintain steady and upwards trend from

1986 to 1991. Total government expenditure was ₦11,413.7 billion in 1986 but by 1990, it slightly increased to ₦66,584.4 billion representing 10% increase (CBN, 2017). This development could be attributed to the volatile revenue base of government and large fiscal deficits which resulted to decrease in government expenditure (Jibir and Aluthge, 2019).

Aregbeyen and Akpan (2013) posit that after the implementation of SAP, which marked the post-liberalization era in 1986, strict measures were put in place to curb government spending. This includes reduction in wage bills, reduction in government subsidies, limiting or delaying investment projects and privatization or commercialization. That has indeed reflected in the expenditure pattern as government expenditure growth rate was on average 31.1% between 1986 and 1991 compared with the growth rate of 87% between 1981 and 1985.

However, in the period 1991–1995, government made effort to reduce inflation rate by avoiding large budgetary deficits, which

made government expenditure more cost-effective and consistent with the nation resources. In fact, public expenditure reduced from ₦191,228.90 billion in 1993 to ₦160,893.20 billion in 1994 representing –15.9% growth rate in government expenditure (CBN, 2017).

Lastly, from 2000 to 2017, government expenditure continues to increase unabated. Throughout the period, government expenditure maintained a rising trend. Public expenditure was ₦701,059.40 billion and rose immensely to ₦4,813,380.00 billion from 2000 to 2016, respectively. In 2019, total government expenditure in Nigeria stood at ₦9.1 Trillion, rise to ₦10.3 Trillion in 2020, recording a growth rate of 11%. Average growth rate of government expenditure was 19.2% between 2001 and 2010 (CBN, 2017). Public expenditure has been continuously increasing in this period because of the increased demand for the provision of socioeconomic services due to the population growth, increase in the flow of revenue from the production and sales of crude oil as a result of high price of crude oil in the international market,

expenditure on election and the desire of policymakers and political leaders to meet the aspiration of citizens as well as to fulfill election promises (Jibir and Aluthge, 2019).

## **2.4 Theoretical Review**

### **2.4.1 Public Expenditure Theories**

#### **2.4.1.1 Wagner's law of increasing public expenditure:**

This theory was first associated to a German economist who based his law of increasing state activities on historical facts. The law states that there are inherent tendencies for the activities of different layers of governments to increase both intensively and extensively. It assumes the existence of an economy and the growth of the government activities in which the government sector grows faster than the economy (Edame and Eturoma, 2014).

Although the law was first observed in his country, it was based on an industrial economy. He argued that for any country, the public expenditure rises constantly; it shows an upward sloping trend. The law predicts that the development of an economy is accompanied by an increased share of public expenditure in Gross

National Product, and that the increase in state expenditure is needed because of three main reasons, viz: Social activities of the state, Administrative functions and protective actions, Welfare functions of the state (Oriakhi and Umeh, 2014). Wagner cited education and culture as areas in which collective producers are more efficient than private producers because some economic activities require a large scale capital that the only way these capital projects could be financed was if the state participates in the activity (Edame and Eturoma, 2014).

#### **2.4.1.2 Peacock and Wiseman's Theory of Expenditure**

Peacock and Wiseman's study is probably one of the best known analyses of the time pattern of public expenditures. They founded their analyses upon a political theory of public determination namely that governments like to spend more money and citizens do not like to pay taxes, and that government need to pay some attention to the wishes of their citizens. The duo saw taxation as setting a constraint on government expenditure. As the

economy and thus incomes grew, tax revenue at constant tax rate would rise, thereby enabling public expenditure would show a gradual upward trend even although within the economy there might be a divergence between what people regarded as being desirable level of public expenditure and the desirable level of taxation. During the periods of social upheaval however, this gradual upward trend in public expenditure would be disturbed (Taiwo and Abayomi, 2011).

These periods would coincide with war, famine or some large-scale social disaster, which would require a rapid increase in public expenditures; the government would be forced to raise taxation levies. The rising of taxation levels would, however, is regarded as acceptable to the people during the period of crisis. Peacock and Wiseman referred to this as the “displacement effect”. Public expenditure is displaced upwards and for the period of the crisis displaced private for public expenditure does not however fall to its original level. A war is not paid for from taxation; no nation has such large taxable capacity. Countries therefore borrow and

debt charges have to be not after the event (Junko and Vitali, 2008). Another effect that they thought might operate was the “imperfection effect” thus they suggested arise from the people Keener awareness of social problems during the period of upheaval. The government therefore expands its scope of services to improve these social conditions and because people perception to tolerable levels of taxation does not return to its former level, the government is able to finance these higher levels of expenditures originating in the expanded scope of government and debt charges (Taiwo and Abayomi, 2011).

### **2.4.1.3 Engel's Theory of Public Expenditure**

Engel was also a German economist writing almost the same time as Adolph Wagner in the 19th century. Engel pointed out over a century ago that the composition of the consumer budget changes as family income increases. A smaller share comes to be spent on certain goods such as work clothing and a larger share on others, such as for coats, expensive jewelries etc. (Taiwo and Abayomi, 2011).

As average income increase, smaller charges in the consumption pattern for the economy may be to occur. At the earlier stages of national development, there is need for overhead capital such as roads, harbors, power installations, pipe-borne water etc. But as the economy developed, one would expect the public share in capital formation to decline over time. Individual expenditure pattern is thus compared to nation expenditure and Engel finding is referred to as the declining portion of outlays on foods (Taiwo and Abayomi, 2011).

#### **2.4.1.4 Pure Theory of public Expenditure**

The pure theory of public expenditure was first expounded in a consistent form in the 1950s by Samuelson, a United State economist. The pure theory of public expenditure fully preserves the category of government services but emphasizes the specific forms of the consumption of these services (Samuelson, 1955) as cited in Edame and Eturoma (2014). In addition, he virtually denied a role for political economy by concluding that any further exploration of the problem raised by public expenditure would take us into the mathematical domain of sociology or welfare politics, and that it may turn out to be pure luck that within this domain there happened to be sub-sector political economy with the simple properties of traditional economic (Samuelson, 1954).

According to Samuelson (1995), public expenditure will grow in sympathy to achieve growth in labor (L) and this will involve increase in education expenses, growth in capital (K) all these will come with through savings or borrowings and technological

innovation ( $T_n$ ), therefore  $Q=F(K,L,T_n)$ . To occur at the earlier stages of national development, there is need for overhead capital such as roads, harbors, power installation, pipe-borne water education etc., but as the economy developed, one would expect public share in capital formation to decline over time. However, individual expenditure pattern is thus compared to nation expenditure (Edame and Eturoma, 2014).

#### **2.4.1.5 The Theory of Expenditure Limitation**

This theory was propounded by Aaron Wildavsky in 2003. This theory is not about why government should choose to limit spending, the problem of expenditure limitation exists only when there is a public will but not yet a public way to hold down spending. The desire to limit spending, of course does not necessarily mean that citizen or government dislike all or most or even any individual items of expenditure. They may well like each and every one considers separately and yet dislike the totals to which their desires adds up. The people preferences on total may

well be at variance with their preferences on individual programs. Most expenditure is approved but total spending is disapproved. Reconciling these incompatible demands constitutes the contemporary political problem of public spending (Taiwo and Abayomi, 2011).

The theory builds on the doctrine of opportunity costs, which state that the value of an act is measured in terms of opportunities forgone. This means that the spending of government should be based on hierarchy of importance because when you spend more on an item; it will mean spending less on other items. The theory supports the fact that more resources should be spent on productive sectors of the economy and less on unproductive sectors since the long run effect will be positive on the economy generally. Once there is a limit in government expenditure, it will increase cooperation in the society and also an increase in the common interest. Organizations interested in income redistribution will come to understand that the greater the increase in real national product, the more these will be for government to spend on

productive purposes. Government regulations that impose financial burdens would not be viewed as desirable, but would be balanced against the loss to the economy on which the size of the social services depends (Oriakhi and Umeh, 2014).

## **2.4.2 Theories of Foreign Aid**

### **2.4.2.1 Capital Absorptive Capacity Theory**

Hackett, Bickel and Casler (2013) as cited in Nwosu (2018) defines capital absorptive capacity as “the ability of communities to make effective use of different forms of capital to provide needed goods and services to underserved communities”. This capital absorptive capacity theory is a non-economic model of foreign aid (Panjak 2005); It advocates for foreign aid to be invested in human capital such as skill development and establishment of technical institutions. This theory explains that impediments to growth are not limited to economic factors alone but extend to non-economic factors like lack of entrepreneurship, low levels of education, etc. These factors contribute to the underutilization of resources in LDCs, thereby producing suboptimal goods and services. However,

if foreign aid can be channelled towards the development of human capital, then *ceteris paribus*, output growth can be achieved (Nwosu, 2018).

#### **2.4.2.2 The Two-Gap Model**

The two-gap model is an extension of the Harrod-Domar model. Chenery and Strout (1966) posit that besides the savings-investment gap, another resource gap called the foreign exchange-import gap, or the trade gap exists (Nwosu, 2018). Capital formation in LDCs is restricted by the shortage of either domestic savings (savings gap) or export earnings (trade gap) (Moreira, 2005). The trade gap exists because in most LDCs, export earnings are way below import requirements, as a result, there is a shortage of foreign exchange to finance the importation of capital and intermediate goods necessary for the production of investment goods. Therefore, foreign assistance in the form of aid (supply of foreign exchange) can be used to fill this resource gap so as to achieve a targeted rate of growth (Delessa, 2012).

### **2.4.2.3 The Three-Gap Model**

One of the most brutal global financial crises to hit the world was that of the 1980s. The crisis of 1980s was offset by the decision of industrialised countries to deflate their economy, as a result, multiple African countries were forced below their BOP curve, leaving them in crippling debt. After this global experience, Bacha (1990) and Taylor (1994) extended the two-gap model to include a third gap called the fiscal gap. The fiscal gap occurs when government expenditure exceeds revenue, causing a budget deficit. LDCs do not have a developed tax system, as a result, generated revenue is inefficient to finance necessary expenditure on investment. According to Delessa (2012), in order to finance this budget deficit, the government may consider borrowing from either the private sector or the central bank. In the former case, low per capita income of the population makes it impossible for domestic savings to fill this gap, while in the latter case, the risk of nominal inflation keeps this option closed. This model therefore

recommends foreign aid as a vital option in bridging the fiscal deficit gap (Nwosu, 2018).

### **2.4.3 Economic Growth Theories**

#### **2.4.3.1 The New Growth Theory (Endogenous Growth Model)**

One characteristic feature of the exogenous growth model is that population growth and technological change are assumed exogenous in neoclassical growth model, the model does not explain the mechanisms that generate steady-state growth, and therefore does not allow an evaluation of the mechanisms through which government policies can potentially influence the growth process. The new growth literature addresses these limitations of the neoclassical model by proposing a variety of channels through which steady-state growth arises endogenously. The new growth theory stresses the importance of innovation, human capital accumulation, the development of new technologies and financial intermediation as important determinants of economic growth (Agénor and Montiel, 2008). One of the approaches followed in the new growth literature to relax the assumption of diminishing

returns to capital imposed in the basic neoclassical growth model consists of viewing all production inputs as some form of reproducible capital, including not only physical capital (as emphasized in the basic neoclassical framework), but other types as well, especially human capital (Lucas, 1988) or “The State of Knowledge” (Romer, 1986).

A simple growth model along these lines is the so-called AK model proposed by Rebelo (1991) which states that output per worker ( $y$ ) is a linear function of capital (both human and physical capital) per worker ( $k$ ). The steady-state growth rate under the AK model states that the growth rate is positive (and constant over time) and that the level of income per capita rises without bound. An important implication of the AK model is thus that, in contrast to the neoclassical model, an increase in the saving rate permanently raises the growth rate per capita. Abu (2004) noted that in addition and again in contrast with the neoclassical growth model, which predicts that poor countries should grow faster than rich countries, the AK model implies that poor nations whose production process

is characterized by the same degree of technological sophistication as other nations always grow at the same rate as rich countries, regardless of the initial level of income (Agénor and Montiel, 2008).

## **2.5 Empirical Review**

Oseni, Akinbade, Babalola and Adegboyega (2020) carried out a research work titled; Government spending and school enrolment in sub-Saharan Africa: A system GMM approach. Using data for 24 countries from 2000 to 2016, the study assesses the effect of government educational spending on primary school enrolment in SSA by employing the System-GMM approach. The results showed that government spending has significant and positive effect on primary school enrolment in SSA. The results were further confirmed using different diagnostic tests which include the Arellano–Bond test for first and second order autocorrelation in the disturbance term and the Hansen J-test for the validity of the instrumental variables. Other variables analysed (control), which have positive influence on enrolment, include GDP,

general number of teachers available, and percentage trained teachers. Population growth rate negatively influences enrolment. The study concluded that increasing spending on education by governments in SSA is sine qua non for improving primary school enrolment rate in the region.

Mukaddas (2019) in a research investigation; Effect of Foreign Aid on Educational Development in Nigeria, empirically analysed the impact of foreign aid on educational development in Nigeria. The study employed descriptive survey research design and data were collected using key stakeholders questionnaire as research tools. Data were analyzed using descriptive and inferential statistics for research questions and t-test statistics to answer the research hypothesis. Findings from the study revealed that foreign aid has positively affected Nigeria education in terms of infrastructure, SDGs, UBE, science and technology, human resources and ICT. The study concluded that the foreign aid to education has a positive impact on Nigerian educational development. The study recommended that donor countries/agencies should allow Nigeria

to design and formulate its own policies according to her culture and traditions. It is also recommended that foreign aid intervention should be carried out more in rural communities especially in the area of critical infrastructures in Nigerian schools.

Ojewumi and Oladimeji (2016) assessed the effect of government expenditure on educational sector in Nigeria in a research article; Effect of public spending on the growth of educational sector in Nigeria. They employed time series analysis and a multiple regression model and further econometric tests. Surprisingly, it was reported that capital expenditure on education and recurrent expenditure had negative effects on the educational sector (school enrolment). They recommended a restructuring of the educational system capable of changing this negative relationship.

Alemu and Lee (2015) in their work; Foreign aid on economic growth in Africa: a comparison of low and middle-income countries, focused on the comparative analysis of the impact of

foreign aid on Middle and Low-Income African countries. The work employed a panel data analysis. The result from the analysis indicated that aid has a significant positive impact on low-income countries. They concluded that criticisms of foreign aid is flawed.

Carsamer & Ekyem (2015) in research work titled; An Empirical Analysis of Government Education Expenditure on Enrolments at Primary and Secondary School Levels in Africa investigated the effect of level of governments' educational expenditure on school enrolment at primary and secondary levels using a sample of 20 countries in sub-Saharan Africa over a fifteen-year period. Results indicated that increase in educational expenditure positively increased school enrolment at both primary and secondary school levels. They therefore recommended effective monitoring and controlling of education expenditure as well as an increase in the sectoral allocation.

Warning & Durrenberger (2015) using data from 88 developing countries assessed the effect of corruption on schooling

(enrolment) and confirmed that corruption negatively correlated with schooling. This brought to the fore the importance of governance effectiveness in ensuring service delivery. Hence, they recommended a proper system of checks and effective monitoring system to reduce the misuse, misappropriation and maladministration of educational funds in developing countries.

Dreher et al. (2015) in his review; Aid and growth at the regional level, pointed out that many of the developing countries receiving aids, poverty still looms large, and underdevelopment persists while concluding that there is no robust evidence that aid affects growth. The study recommended that developing countries should carefully examine the hidden threads tied to foreign grants and aids and also encourage the effective disbursement of aid funds.

Adewole (2014) in a review of Governance reform and the challenge of implementing public procurement law regime across Nigerian state and local governments revealed that foreign aid in 2010 was spent mostly on administration, which received 26.9% of

total aid. In the same year, 5.4% of aid was allocated to agriculture; 9.4% to energy and mining; 1.9% to industry and trade; and 6.8% to transportation. The study adduced that the negative impacts of foreign aid stems from the result of channeling most aid funds to unproductive use thereby limiting the great potentials of foreign aid in promoting growth.

Oriakhi and Umeh (2014) evaluated the influence of government expenditure on the education sector in Nigeria. Using a time series Linear forecasting model, the paper evaluated the effects of the allocation to the education sector by the government and its development. The co-integration result indicated a long-run relationship between the variables. The Granger Causality test shows that the various variables granger causes literacy rate in Nigeria. The study concluded that if certain policy measures such as increased funding reduced corruption, teacher's motivation and strategic planning among others are fully implemented, the sector will be appreciably developed. The work recommended that government should enhance the allocation of funds to the education

sector, and that the private sector should also contribute towards meeting UNESCO's recommendation of 26% of total budget allocation to the sector.

Adeyeye (2013) in his article; Stolen Aid development, pointed out that theft and misappropriation of development aids are thriving too. These issues have not been taken seriously by the government to bring the concerned people under legal system through appropriate prosecution and such practices are behind the under-developed state of Nigeria. Hence, concluded that the expected positive impact and contributions of foreign aid has been hindered in Nigeria and therefore recommended an effective monitoring and checks be put in place.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

In this chapter, the research methodology used in examining empirically, the issue in question is succinctly outlined. This chapter is further subdivided into sections which include the theoretical framework—present the theoretical reasoning behind the work, model specification which describes the model to be estimated, method of analysis, data sources and variables description.

#### **3.2 Theoretical Framework**

The theoretical reasoning upon which this empirical investigation is based is derived from the synchronization of two economic theories or postulations. These are; the “Two-gap” Model of Foreign Aid and the AK Model of the Endogenous Growth Theory.

Over a long period the “two-gap” model was the standard theory to explain aid (Ahmed, 2014). The first gap covers the correlation between the quantity of investment essential to reach a certain growth rate and available domestic savings, while the second gap is between foreign exchange rates and import requirements for fixed production level (Todaro, 2009). The two-gap model indicates that loans and grants improve domestic resource through foreign exchange blockages or by reducing savings (Todaro, 2009). Decreased domestic savings creates investments opportunities for countries while scarcity of foreign exchange increases countries imports of necessary intermediate goods and capita. Foreign inflow fills both gaps in the same time, making the two equal (Admed, 2014).

Savings gap and foreign exchange gap are therefore independent; meaning that only one of the two can be applied in the recipient country during a specific time frame. If the recipient country follows the foreign exchange gap, economic growth occurs depending on the surplus of productive resources that are frequently

used to import capital and intermediate goods (Todaro, 2009). However the savings gap and the foreign-exchange gap have incitements of decreasing investments in the public sector and a relatively low impact on growth in factors such as infrastructure or human capital growth (Todaro, 2009).

Robert Lucas developed the indication that input in present time can create more productivity in the future, i.e. investing in education will in the long run produce more efficiency. Investing in human capital accumulation will have a huge influence on the economy in the long run due to the fact that highly skilled workers contribute to successful businesses (Admed, 2014). If education rate increases, production will also increase in the long run, i.e. constant return to scale. Education is an endogenous factor because input inside the model will increase the output, that is to say more hours spent on studying will generate a higher permanent growth rate.

Furthermore Lucas continues stating that human capital has an external effect in the sense that, human capital accumulation creates returns, though the social return to human capital is greater than the individual return (Carlin and Soskice, 2006). Financing aid in education result in various positive effects such as increased government spending and other projects should progress, though if aid is fungible evaluating aid efficiency is complex (World Bank 1998).

Education is important when it comes to state development: concerning individual lives education has a high return rate in form of investment and educations value branches into family planning, health, agriculture, industries and government (Cassen, 1994). Although education is a long process the outcome is long-term and crucial meaning that the later the start the longer it takes to reach the satisfactory levels. Aid programs that finance aid have been successful referring to physical outputs such as schools built and numbers of enrolment, improving the effectiveness of aid towards education results in solving long-lasting problems (Cassen, 1994).

Endogenous growth is long-run economic growth at a rate determined by forces that are internal to the economic system, particularly those forces governing the opportunities and incentives to create technological knowledge. The theory holds that investment in human capital, innovation, and knowledge are significant contributors to economic growth. The theory also focuses on positive externalities and spillover effects of a knowledge-based economy which will lead to economic development. In the long run the rate of economic growth, as measured by the growth rate of output per person, depends on the growth rate of total factor productivity (TFP), which is determined in turn by the rate of technological progress. The neoclassical growth theory of Solow (1956) and Swan (1956) assumes the rate of technological progress to be determined by a scientific process that is separate from, and independent of, economic forces. Neoclassical theory thus implies that economists can take the long-run growth rate as given exogenously from outside the economic system.

Endogenous growth theory challenges this neoclassical view by proposing channels through which the rate of technological progress, and hence the long-run rate of economic growth, can be influenced by economic factors. It starts from the observation that technological progress takes place through innovations, in the form of new products, processes and markets, many of which are the result of economic activities. For example, because firms learn from experience how to produce more efficiently, a higher pace of economic activity can raise the pace of process innovation by giving firms more production experience. Also, because many innovations result from R&D expenditures undertaken by profit-seeking firms, economic policies with respect to trade, competition, education, taxes and intellectual property can influence the rate of innovation by affecting the private costs and benefits of doing R&D.

The first version of endogenous growth theory was AK theory, which did not make an explicit distinction between capital accumulation and technological progress. The AK model

production function is a special case of a Cobb–Douglas production function:

$$Y_t = AK_t^a L_t^{1-a} \quad (0 < a < 1) \quad (3.1)$$

This equation shows a Cobb–Douglas function where Y represents the total production in an economy. A represents total factor productivity, K is capital, L is labor, and the parameter a measures the output elasticity of capital. For the special case in which a=1, the production function becomes linear in capital thereby giving constant returns to scale:

$$Y_t = AK_t \quad (3.2)$$

The empirical nexus existing between both theories can be suitably substantiated thus; the endogenous growth model emphasizes the need for innovation and capital development (both human and real) to achieve reasonable levels of economic progress. Bulk of these innovations and capital development will require significant research and development into new areas of economic and social endeavours, which requires a reasonable amount of funding. In

addition to government expenditure, finance from foreign aid to education can assist this innovation process which will bring about a boost in economic output if properly utilised. This increased economic output will invariably result to further expansion in education and research.

### 3.3 Mode Specification

Following the specification adopted by Duru, Okafor, Eze and Ebeniyi (2020) based on the augmented Solow and endogenous economic growth theories which considered human capital development and technological progress as the main factors of economic growth as generally recommended by the literature on growth. They derived the human capital development function for assessing the aid-growth nexus in Nigeria in Equation 3.3 as follows,

$$Y = f(X, Z) \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad \text{---} \quad (3.3)$$

Where:

Y denotes output (a proxy for economic growth).

X is a vector of capital sources.

Z is a vector of other growth-determining variables crucial for technological productivity.

The significance of physical and human capital as policy for stimulating economic growth was particularly stressed by the endogenous growth theory. Based on this, they (Duru, Okafor, Eze and Ebeniyi, 2020) specified the general form of the capital (human and real) led economic growth model as follows:

$$RGDPPC_t = a_0 + a_1X_t + a_2Z_t + U_t \quad (3.4)$$

Where:

$RGDPPC_t$  = real GDP per capita growth rate

X = Vector of capital sources

Z = Vector of other growth-determining variables crucial for technological productivity.

In line with the objective of this research work, I proceed to modify the above model as follows in order to capture the relevant variables related to the issue in question,

$$LRT_t = f(GEX_t, FRA_t, RGDPPC_t) \quad (3.5)$$

Where:

$LRT_t$  = Literacy rate (as a proxy for education growth )

$GEX_t$  = Government Expenditure

$FRA_t$  = Foreign Aid and other development assistance

$RGDPPC_t$  = Real Gross Domestic Product Per capita growth rate

Econometrically, we can specify the above model as follows,

$$LRT_t = a_0 + a_1GEX_t + a_2FRA_t + a_3RGDPPC_t + U_t \quad (3.6)$$

Where:

$a_0$  = Intercept term

$a_1$  = Coefficient of Government expenditure, which measures the responsiveness of

LRT to GEX

$a_2$  = Coefficient of Foreign Aid which measures the impact of FRA on LRT

$a_3$  = Coefficient of real GDP per capita growth rate which captures the responsiveness

of LRT to RGDPPC

$U_t$  = Stochastic disturbance term or error term

### **A priori Expectation:**

The a priori expectation is derived from the relationship between the relevant variables utilised in this research work as suggested by the theoretical build-ups used herein. Thus, I expect the following:

$$a_0 > 0, a_1 > 0, a_2 > 0, a_3 > 0.$$

### **3.4 Method of Data Analysis**

This research work employs the Augmented Dickey-Fuller (ADF) test for Unit Root to assess the stationarity of the variables used and after which the Johansen Co-integration technique is used to check for the possibility of long run relationship among the variables under study. This is then followed by the application of the Error Correction Modelling (ECM) technique to Regression analysis to correct for possible errors in the series and as such yields better results. For structural stability, the work employs the Cumulative Sum of Squared Residual (CUSUM Squared) test. The Study also went further to employ the Breusch-Pagan-Godfrey

(BPG) test to assess if the model satisfies the assumption of homoskedasticity. The Breusch-Godfrey Serial Correlation LM Test was also applied to test for Autocorrelation.

### **3.5 Data Sources**

The data on the relevant variables employed in the research work which includes; Literacy rate (LRT) as a proxy for education growth, Government expenditure (GEX), Foreign Aid and Other Development Assistance (FRA) and real GDP per capita growth rate (RGDPPC) covering the period 1981 - 2019 were all gotten from the World Bank's World Development Indicators (WDI, 2019) and the Central Bank of Nigeria (CBN, 2019) Statistical Bulletin.

## **CHAPTER FOUR**

### **PRESENTATION AND ANALYSIS OF RESULT**

#### **4.1 DATA PRESENTATION AND TRENDS**

##### **4.1.1 Descriptive Statistics**

Descriptive statistics are summarized statistical coefficients that describes or explains a given data set, which can be either a representation of the entire or a sample of a population. Descriptive statistics are broken down into measures of central tendency, measures of variability (spread) and sometimes measures of normality. These measures help to provide some basic and useful information about the variables in question the measures employed here includes, the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, and the Jarque-Bera statistic.

The Mean measures the average of a given set of data observations or series. The median captures the middle value of a series of observation. The maximum is simply the data point that

holds the highest value in the series. The standard deviation is a measure of spread or dispersion or variability from the mean. Skewness is a measure of symmetry or asymmetry of a given series. If series is symmetric, it means that is equally distributed to the left and to the right. However, if a series is asymmetric, it connotes that it has a longer tail to the left (negatively skewed) or it has a longer tail to the right (positively skewed). Kurtosis is a measure of the peakedness or flatness of a given series or data distribution. A kurtosis coefficient of 3 implies that the series has a mesokurtic distribution, while a kurtosis coefficient greater than 3 implies that the series has a Leptokurtic distribution (highly peaked), and a kurtosis coefficient less than 3 implies a platykurtic distribution (flattened).

From the result, it was observed that the mean of the variables used in this research was 60.76923%, N1902.293 Billion, \$1.36E+09 and N181750.7, for LRT, GEX, FRA and RGDPPC, respectively. The median for the variables were observed to be 63.00000%, N947.6900 Billion, \$2.88E+08 and N57757.02,

respectively. The standard deviation for the variables stood at 8.292233, 2344.760, 2.17E+09 and 222742.7. The skewness coefficient of the variables was also analysed and it was found to be -0.253868, 1.318229, 2.971819 and 1.032434, respectively. This implies that LRT is negatively skewed, while the distribution of GEX, FRA and RGDPPC are positively skewed, that is, they have a longer tail to the right. The kurtosis coefficient of the variables stood at 1.858716, 4.120570, 13.41440 and 2.681582, for LRT, GEX, FRA and RGDPPC, respectively. This outcome implies that while LRT and RGDPPC have platykurtic distributions, GEX and FRA are leptokurtic in distribution. The Jarque-Berra statistics for the respective variables stood at 2.535529, 13.33571, 233.6532 and 7.093245, respectively. This result is summarised in table 4.1.1 below.

	<b>LRT</b>	<b>GEX</b>	<b>FRA</b>	<b>RGDPPC</b>
<b>Mean</b>	60.76923	1902.293	1.36E+09	181750.7
<b>Median</b>	63.00000	947.6900	2.88E+08	57757.02
<b>Maximum</b>	73.00000	9286.388	1.14E+10	724704.1
<b>Minimum</b>	44.00000	9.636500	31709999	1846.627
<b>Std. Dev.</b>	8.292233	2344.760	2.17E+09	222742.7

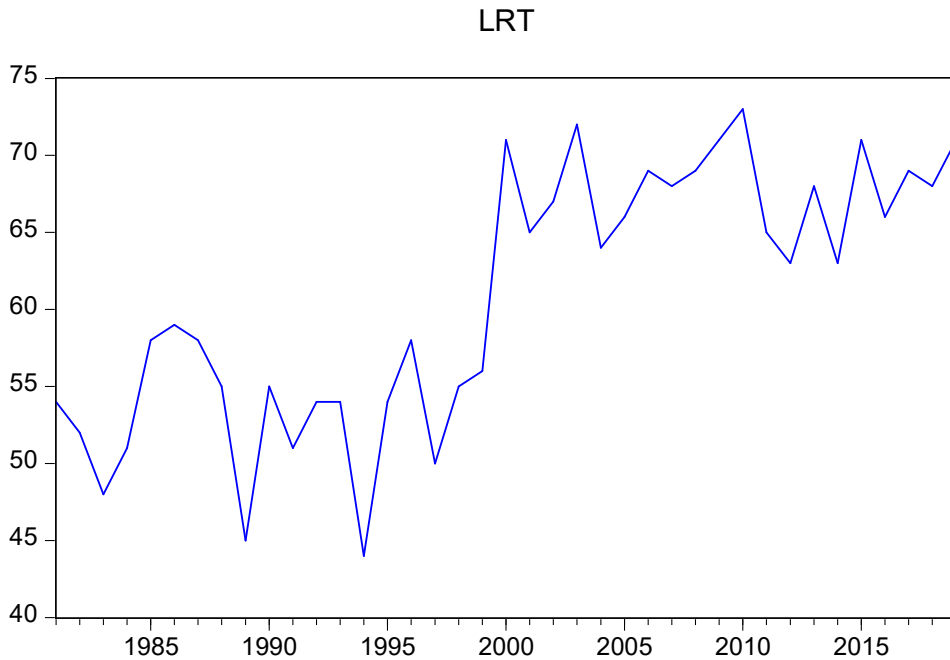
<b>Skewness</b>	-0.253868	1.318229	2.971819	1.032434
<b>Kurtosis</b>	1.858716	4.120570	13.41440	2.681582
<b>Jarque-Bera</b>	2.535529	13.33571	233.6532	7.093245
<b>Probability</b>	0.281460	0.001271	0.000000	0.028822
<b>Sum</b>	2370.000	74189.42	5.31E+10	7088276.
<b>Sum Sq. Dev.</b>	2612.923	2.09E+08	1.79E+20	1.89E+12
<b>Observations</b>	39	39	39	39

**Table 4.1.1: Descriptive Statistics**  
*Source: Computation on Eviews9*

### **Trend Analysis of the Variables**

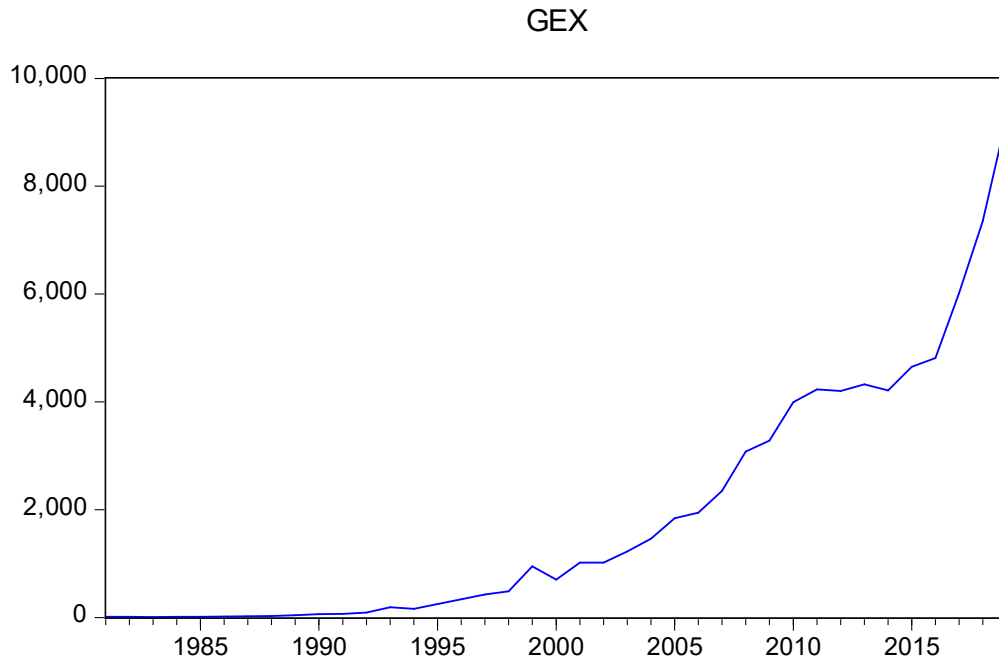
A trend is the overall direction of a variable of interest over time. It is the most consistent element of a distribution across time. The graphical trend of the respective variables used in this research work are given below.

## Literacy Rate



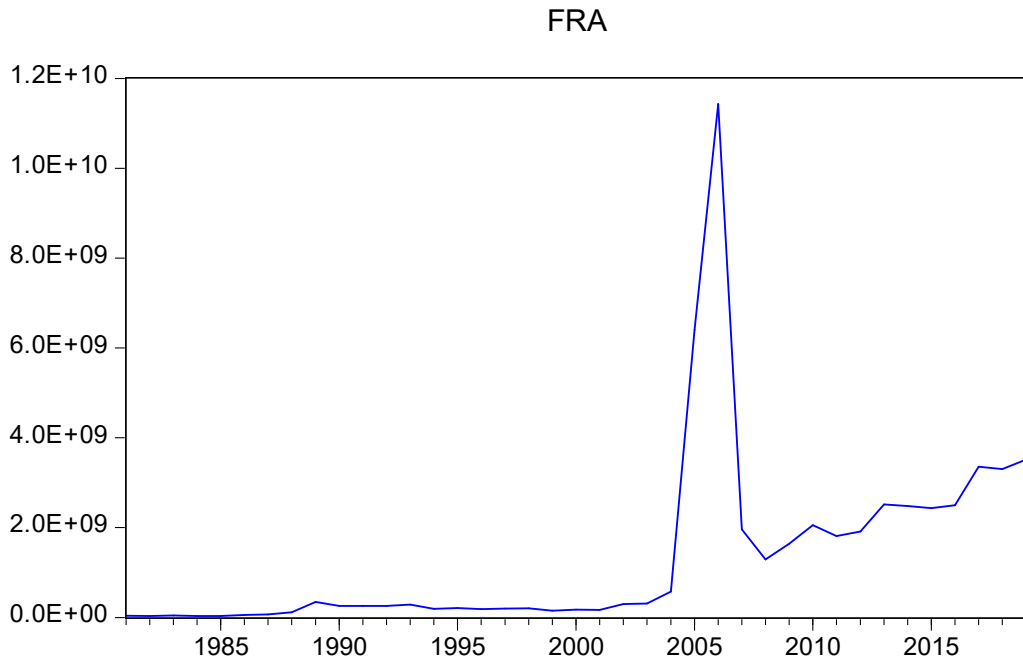
The above trend depicts the graphical behaviour of Literacy rate in Nigeria between 1981 and 2019. From the above trend it can be deduced that literacy rate in Nigeria stood at about 55% in early 1980s. It rose to about 60% in late 1980s. An improvement was observed in early 2000 where it stood at around 70%. It fluctuated around this level up until 2019.

## Government Expenditure



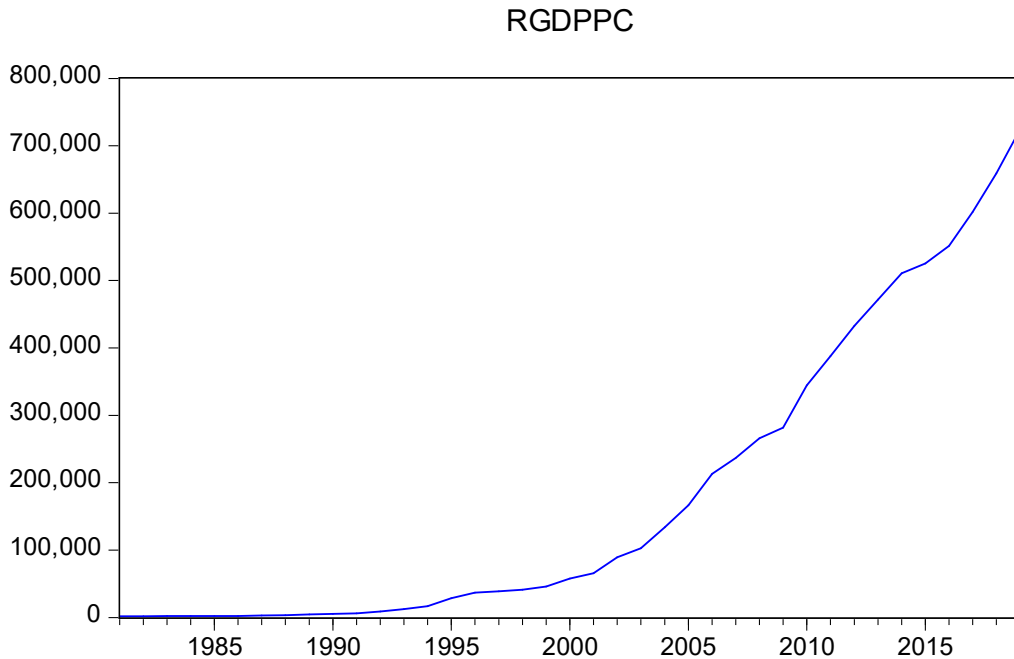
The above graph represents the trend of Government expenditure in Nigeria between 1981 to 2019. From above graph, it can be deduced that government expenditure in Nigeria exhibited an almost insignificant growth level from early 1980s up until 1995. This variable picked up momentum from late 1990s as government rose steadily up until 2019.

## Foreign Aid and Other Development Allowances (ODA)



The above trend depicts the graphical behaviour of Foreign aid and other development to Nigeria from 1981 to 2019. From the above graph, it can be deduced that foreign aid to Nigeria exhibited an infinitesimal growth rate between 1981 and 2004. This was followed by a sharp rise between 2005 and 2006 where it skyrocketed. A drastic fall was also observed almost immediately between 2007 to 2010, from whence it maintained a steady upward rise up until 2019.

## Real Gross Domestic Product Per Capita



The above graph depicts the trend of Gross Domestic Product per capita in Nigeria between 1981 to 2019. From the above trend, it can be deduced that no significant amount of growth was observed in this variable between 1981 and late 1990s. A steady and consistent was observed from 2000 up until 2019.

### 4.1.3 Correlation Analysis

Correlation is a statistical measure or coefficient which indicates the direction and magnitude of the relationship existing between two or more variables of interest. The analysis of Correlation is an important statistical tool that measures magnitude and direction of the relationship between two or more variables. Correlation analysis is a useful tool for pre-test analysis, however it does not show causality. The correlation among the relevant variables used in this research work is given in the table 4.1.2 below;

	<b>LRT</b>	<b>GEX</b>	<b>FRA</b>	<b>RGDPPC</b>
<b>LRT</b>	1	0.6816	0.4973	0.6741
<b>GEX</b>	0.6816	1	0.4915	0.9820
<b>FRA</b>	0.4973	0.4915	1	0.5126
<b>RGDPPC</b>	0.6741	0.9820	0.5126	1

**Table 4.12: Correlation Matrix**  
*Source: Computation on Eviews9*

## **4.2 Empirical Analysis**

### **4.2.1 Level Regression Result**

Applying the Ordinary Least Squares ((OLS) method of regression analysis, we proceed to estimate the empirical relationship existing between the variables used in the research work. The result from the level regression analysis is presented in Table 4.2.1 below,

Dependent Variable: LRT  
 Method: Least Squares  
 Date: 04/14/21 Time: 15:26  
 Sample: 1981 2019  
 Included observations: 39

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	55.78236	1.294729	43.08420	0.0000
GEX	0.002201	0.002247	0.979727	0.3339
FRA	8.25E-10	5.33E-10	1.545560	0.1312
RGDPPC	-1.78E-06	2.40E-05	-0.074206	0.9413
R-squared	0.499391	Mean dependent var		60.76923
Adjusted R-squared	0.456482	S.D. dependent var		8.292233
S.E. of regression	6.113341	Akaike info criterion		6.555739
Sum squared resid	1308.053	Schwarz criterion		6.726360
Log likelihood	-123.8369	Hannan-Quinn criter.		6.616956
F-statistic	11.63828	Durbin-Watson stat		0.965776
Prob(F-statistic)	0.000019			

**Table 4.2.1: Summary of Level Regression Result.**

*Source: Author's computation on Eviews9.*

From the above table, it can be deduced that the t-values of the respective coefficients estimates are 43.08420, 0.979727, 1.545560 and -0.074206, for C, GRX, FRA and RGDPPC. This outcome implies that the estimate of the constant term is statistically significant at 1% level, while the coefficients of GEX,

FRA and RGDPPC, are not statistically significant at 5% level, judging by the rule of thumb which holds that a given coefficient estimate is statistically significant at 5% level if and only if its t-statistic exceeds or equals 2 (two). The same conclusion about the significance of the coefficient estimates can be deduced from the p-values which were found to be 0.0000, 0.3339, 0.1312 and 0.9413, respectively. The coefficient of determination ( $R^2$ ) was found to 0.499391, implying that the explanatory variables used in this research work accounts for about approximately 50% of the total variation in the Literacy rate between 1981 and 2019. Its adjusted counterpart, the adjusted coefficient of determination stood at 0.456482, implying that the explanatory variables accounts for about 46% of the total growth in Literacy rate in Nigeria between 1981 and 2019. From assessing the coefficient estimates, it can be deduced that if all the explanatory variables are held constant at zero, LRT will increase by 55.78%, while a 1 unit rise in GEX, FRA and RGDPPC, will cause literacy rate in Nigeria to rise by 0.002201 units, rise by 8.25E-10 units (approximately zero) and fall

by  $1.78E-06$  units (approximately zero). Assessing the global significance of the estimated model via test, the f-value was observed to be 11.63828, implying that the global significance of the model is statistically accepted at 1% level of significance. The same conclusion can also be drawn from observing the p-value of the f-statistic, which showed a value of 0.000019. The D-W stat indicated the presence of positive autocorrelation in the series as its value stood at 0.965776.

It could reasonably argued that the above empirical is relatively reliable, however, this result can be improved upon by applying more rigorous statistical and econometric testing and analysis which will aid in obtaining a more reliable result. We thus proceed to apply some other econometric procedures on the above result. This process is initiated by ascertaining the level of stationary of the respective variables, hence, we begin with the Unit root test for stationarity.

### 4.2.2 Unit Root Test

The Unit Root test is an econometric technique used to indicate whether or not a given variable is stationary over time. The interest in stationarity emanates from the fact it enables generalisation into future time periods for which the data is not available. This implies that a non-stationary series cannot be used for prediction because each given data set of a variable becomes a particular episode of that variable and as such they all exhibit different behaviours and statistical properties. Study by Granger and Newbold (1977) indicated that, time series variables always trend in non-stationary fashion and thus, utilizing such non-stationary variables might yield spurious regression results. Therefore, the Augmented Dickey-Fuller (ADF) test was utilised with a view to examining the stationarity status of the series utilised in the study. The ADF test compares the ADF statistic with the t-values, the decision rule is that if the ADF statistic is greater than the t-values, it implies stationarity, if otherwise, it means that the series is not stationary.

From the empirical result, it was deduced that none of the variables were stationary at level, while LRT, FRA and RGDPPC were stationary at first difference, GEX was however not stationary at first difference. All the variables were however stationary at second difference. This result is presented in 4.2.2a – 4.2.2c below,

Table 4.2.2a: Augmented Dickey-Fuller Test for Unit Root at Level

VARIABLES	ADF TEST STATISTIC	ADF CRITICAL VALUE			ORDER OF INTEGRATION	REMARK
		1%	5%	10%		
LRT	-1.404891	-3.621023	-2.943427	-2.610263	I(0)	Not Stationary
GEX	-1.407115	-3.621023	-2.94342	-2.610263	I(0)	Not Stationary
FRA	-1.228509	-3.615588	-2.941145	-2.609066	I(0)	Not Stationary
RGDPPC	-1.244598	-3.62678	-2.94584	-2.611531	I(0)	Not Stationary

*Source: Author's computation on Eviews9*

Table 4.2.2b: Augmented Dickey-Fuller Test for Unit Root at First Difference

VARIABLES	ADF TEST STATISTIC	ADF CRITICAL VALUE			ORDER OF INTEGRATION	REMARK
		1%	5%	10%		
LRT	-9.103604	-3.62678	-2.94584	-2.611531	I(1)	Stationary
GEX	1.670257	-2.94584	-2.943427	-1.712229	I(1)	Not Stationary
FRA	-5.673258	-3.62678	-2.94584	-2.611531	I(1)	Stationary
RGDPPC	-3.366417	-3.62678	-2.94584	-2.611531	I(1)	Stationary

*Source: Author's computation on Eviews9*

Table 4.2.2c: Augmented Dickey-Fuller Test for Unit Root at Second Difference

VARIABLES	ADF STATISTIC	ADF CRITICAL VALUE			ORDER OF INTEGRATION	REMARK
		1%	5%	10%		
LRT	-8.975631	-3.62678	-2.94584	-2.611531	I(2)	Stationary
GEX	-6.891480	-2.94584	-2.943427	-1.712229	I(2)	Stationary

FRA	-8.168202	-3.62678	-2.94584	-2.611531	I(2)	Stationary
RGDPPC	-8.257296	-3.62678	-2.94584	-2.611531	I(2)	Stationary

*Source: Author's computation on Eviews9*

### 4.2.3 Co-integration Test

Given that the variables have been made stationary by taking the second difference, we then proceed to test for the possibility of long run relationship among the variables. Thus, variables are said to be co-integrated if they have a long run relationship. For this purpose, the Johansen Co-integration technique is applied. This test make use of two statistics for the decision rule. These are the Trace statistic and the Max-Eigen Value. For the first, if the Trace statistic is greater than the critical value at the given level of significance it implies that the variables are cointegrated. However, if the Trace statistic is less than the critical value at the given level of significance, we conclude that the variables are not cointegrated. The same decision rule applies when comparing the Max-Eigen value with the critical values. From the result, both the Trace

statistic and the Max-Eigen value indicated three (4) cointegrating equations, this is presented in table 4.2.3 below;

Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.774278	149.3598	47.85613	0.0000
At most 1 *	0.733377	97.26398	29.79707	0.0000
At most 2 *	0.627294	50.99677	15.49471	0.0000
At most 3 *	0.375051	16.45296	3.841466	0.0000

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\*MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.774278	52.09580	27.58434	0.0000
At most 1 *	0.733377	46.26721	21.13162	0.0000
At most 2 *	0.627294	34.54382	14.26460	0.0000
At most 3 *	0.375051	16.45296	3.841466	0.0000

Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\*MacKinnon-Haug-Michelis (1999) p-values

**Table 4.2.3: Summary of Co-integration test result. Source: Author's computation on Eviews9**

#### 4.2.4 ECM Regression Result

Having satisfied the requirement for long run relationship, we then proceed to apply the ECM technique to the model specified to capture the issue in question. From the result, it is observed that the coefficient of determination ( $R^2$ ) is 0.857291, indicating that the explanatory variables used herein accounts for approximately 85.73% of the total variation in Literacy rate in Nigeria from 1981 to 2019. Its adjusted counterpart, the adjusted coefficient of determination showed a value of 0.798507, indicating that the explanatory variables accounts for approximately 80% of the total growth in literacy rate in Nigeria between 1981 and 2019. Assessing the individual significance of the of coefficients estimates, the t-values were observed to be 2.432825, 3.840210, 2.056491, 7.289456 & -4.670576, for C, D2LGEX, D2LFRA, D2LRGDPPC and ECM(-1), respectively. Indicating that all the coefficients estimates are statistically significant at 5% level. The same conclusion can also be drawn from the p-values which were found to be 0.0092, 0.0000, 0.0319, 0.0000 and 0.0001,

respectively. The coefficients estimates from the regression model were found to be 5.928645, 0.509748, 0.061425, 0.215063 and -0.693052, for C, D2LGEX, D2LFRA, D2LRGDPPC and ECM(-1), which measures the speed of adjustment to equilibrium. From the estimate of the constant term, it can be deduced that if all the explanatory variables used in this research are held constant at zero, LRT will grow by approximately 6%. The coefficient of D2LGEX, D2LFRA and D2LRGDPPC indicates that a 1% rise in Government expenditure, Foreign aid and real GDP per capita, will cause literacy rate to rise by 0.51%, 0.06% and 0.22%, respectively. The coefficient of ECM(-1) which measures the speed of adjustment to equilibrium showed a value of -0.69, which was rightly signed and statistically significant. Assessing the global significance of the model, via the f-statistic, it was that the model is globally significant at 1% level as the f-value and its p-value stood at 2.918587 and 0.009896, respectively. The D-W statistic showed a value of 1.973863, indicating the absence of autocorrelation in the series. This result is summarised in table 4.2.4 below,

Dependent Variable: D2LRT  
 Method: Least Squares  
 Date: 04/14/21 Time: 16:14  
 Sample (adjusted): 1984 2019  
 Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.928645	2.436938	2.432825	0.0092
D2LGEX	0.509748	0.132739	3.840210	0.0000
D2LFRA	0.061425	0.029868	2.056491	0.0319
D2LRGDPPC	0.215063	0.029503	7.289456	0.0000
ECM(-1)	-0.693052	0.148387	-4.670576	0.0001
R-squared	0.857291	Mean dependent var		0.003820
Adjusted R-squared	0.798507	S.D. dependent var		0.045627
S.E. of regression	0.041606	Akaike info criterion		-3.370150
Sum squared resid	0.051931	Schwarz criterion		-3.106230
Log likelihood	66.66269	Hannan-Quinn criter.		-3.278034
F-statistic	2.918587	Durbin-Watson stat		1.973863
Prob(F-statistic)	0.009896			

**Table 4.2.4: Summary of ECM Regression Result**

*Source: Author's Computation on Eviews9*

#### 4.2.5 Heteroskedasticity Test

One of the assumptions of the Classical Linear Regression Model (CLRM) is that the variance of the error terms of different observation is constant, i.e., it has an equal distribution around the zero mean. This is usually referred to as the assumption of

Homoscedasticity. If this assumption is violated, then the problem of Heteroskedasticity (unequal) variance occurs. To test for the fulfillment or otherwise of this requirement, this work employs the Breusch-Pagan-Godfrey (BPG) test. The decision rule is to accept the null hypothesis which says that there is no Heteroskedasticity (homoscedasticity) if the p-values of the f-statistic and the observed  $R^2$  is greater than 0.05(5%). From the result, it was observed that the problem of Heteroskedasticity was absent. This result is given in table 4.2.5 below;

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.429916	Prob. F(4,31)	0.7859
Obs*R-squared	1.892070	Prob. Chi-Square(4)	0.7556
Scaled explained SS	0.737125	Prob. Chi-Square(4)	0.9467

Test Equation:

Dependent Variable: RESID<sup>2</sup>

Method: Least Squares

Date: 04/14/21 Time: 16:20

Sample: 1984 2019

Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	50.46870	9.059014	5.571103	0.0000

D2LGEX	-6.993573	28.24671	-0.247589	0.8061
D2LFRA	-14.74763	12.65840	-1.165047	0.2529
D2LRGDPPC	-24.20004	86.60222	-0.279439	0.7818
ECM(-1)	-0.607992	1.052154	-0.577855	0.5675
R-squared	0.052557	Mean dependent var		50.50100
Adjusted R-squared	-0.069693	S.D. dependent var		52.50189
S.E. of regression	54.30058	Akaike info criterion		10.95519
Sum squared resid	91405.16	Schwarz criterion		11.17513
Log likelihood	-192.1935	Hannan-Quinn criter.		11.03196
F-statistic	0.429916	Durbin-Watson stat		1.978393
Prob(F-statistic)	0.785887			

**Table 4.2.5: Heteroskedasticity Test Summary Result**

*Source: Author's computation on Eviews9*

#### 4.2.6 Serial Correlation Test

Serial correlation (also known as autocorrelation) refers to the existence of a linear relationship between the error terms of different observation in a regression exercise. This is a violation of a very important assumption of the Classical Linear Regression Model (CLRM). Presence of autocorrelation in a given series yields estimates of variances and standard errors that are biased, hence, the validity of the routinely computed summary statistics becomes

impaired. The Breusch-Godfrey Serial Correlation LM Test was applied to check for the presence or absence of autocorrelation in the series. This test has the same rule as the B-P-G test for Heteroscedasticity. From the result, it was observed that the p-values of f-statistic and observed  $R^2$  were both greater than 0.05 which implies the absence of autocorrelation in the series. This result is given in the table 4.2.6 below;

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.440003	Prob. F(2,29)	0.1049
Obs*R-squared	5.185365	Prob. Chi-Square(2)	0.0748

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 04/14/21 Time: 16:20

Sample: 1984 2019

Included observations: 36

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.019116	1.222530	-0.015637	0.9876
D2LGEX	-0.101024	3.827745	-0.026393	0.9791
D2LFRA	0.252498	1.720044	0.146797	0.8843
D2LRGDPPC	1.933504	11.73340	0.164786	0.8703
ECM(-1)	0.002714	0.305687	0.008878	0.9930
RESID(-1)	-0.255334	0.319844	-0.798308	0.4312

RESID(-2)	-0.339365	0.263001	-1.290353	0.2071
R-squared	0.144038	Mean dependent var		4.93E-17
Adjusted R-squared	-0.033058	S.D. dependent var		7.207211
S.E. of regression	7.325369	Akaike info criterion		6.993230
Sum squared resid	1556.170	Schwarz criterion		7.301136
Log likelihood	-118.8781	Hannan-Quinn criter.		7.100697
F-statistic	0.813334	Durbin-Watson stat		2.078634
Prob(F-statistic)	0.568314			

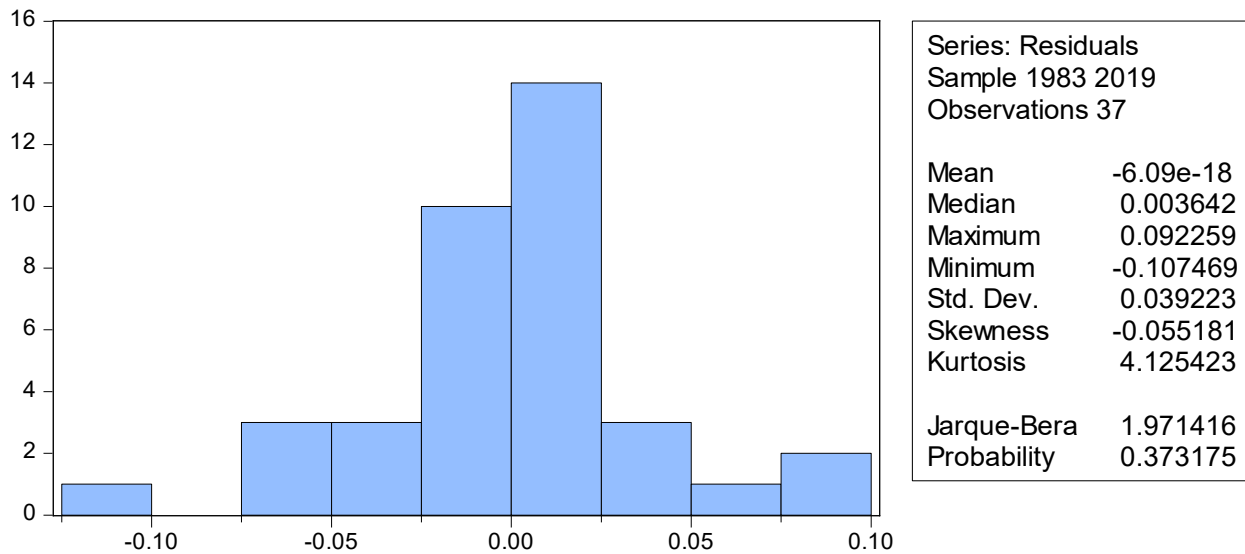
**Table 4.2.6: Serial Correlation LM Test Summary Result**

*Source: Author's computation on Eviews9*

#### 4.2.7 Normality Test

Another important assumption of the Classical Linear Regression Model (CLRM) is that the error terms or residuals are independently and identically distributed with a zero mean and a constant variance. In econometric jargon, this is usually referred to as the Gaussian white noise process. These above two key statistical properties are the basic features of a normal distribution. Hence, it is assumed that the error terms generated from a given regression exercise should be normally distributed. To test for the fulfillment or otherwise of this criterion, we utilised the Jarque-Berra (JB) statistic. The decision rule is to reject the null hypothesis

which holds that the series is normally distributed, if the probability of the JB statistics is less than 0.05 (5%) and accept the null hypothesis if otherwise. From the result, the probability of the Jarque-Berra statistic was found to be 0.373, which exceeds 5%. Hence, it is deduced that the residuals or error terms follows a normal distribution. This result is given in figure 4.1 below;



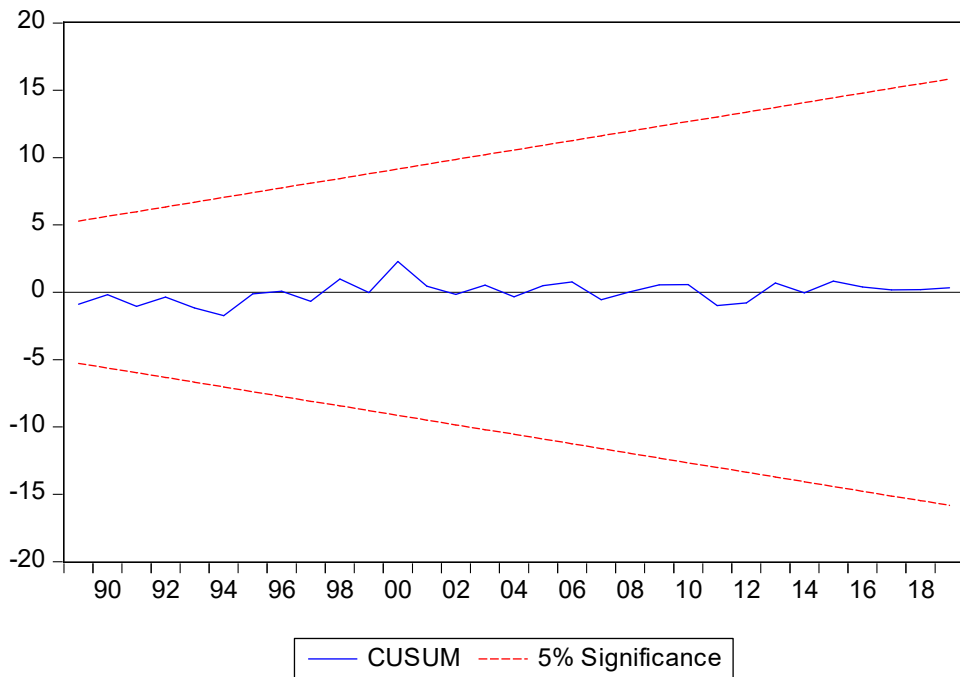
*Source: Author's computation on Eviews9*

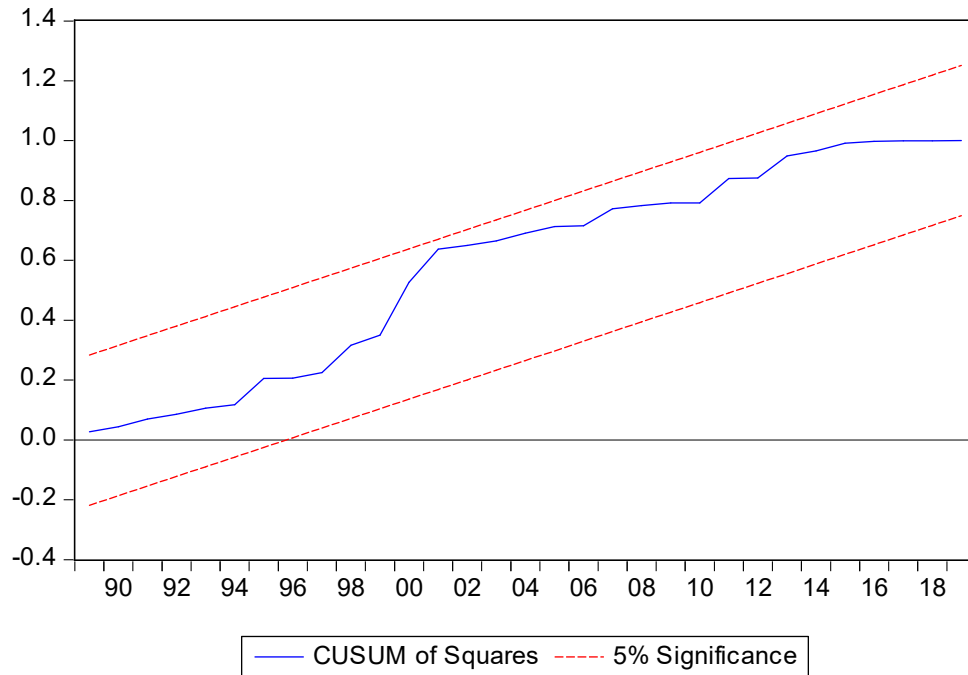
#### 4.2.8 Structural Stability Test

Finally, we assess the stability properties of the estimation model with the aid of the graphs of the Cumulative Sum of

Recursive Residual (CUSUM) and Cumulative Sum of Squares of Recursive Residual (CUSUMsq). Essentially, there are two hypotheses governing the CUSUM and CUSUMsq tests and they are expressed such that;  $H_0$ : parameters are stable and  $H_1$ : parameters are not stable. The Decision Rule is that, if the blue line is found within the two parallel (dotted) red lines, we accept the null hypothesis (stable) and reject the alternative hypothesis (not stable). But if the blue line is found across/outside the red lines, we accept the alternative hypothesis (not stable) and reject the null hypothesis (stable).

Consequently, from the graphs presented in figure 4.2a and 4.2b, the CUSUM and CUSUM of Squares remained within the 5percent critical lines throughout the whole period thus, suggesting parameter stability during the course of assessment. The results of the two tests are provided in figures (4.2a) and (4.2b) below.





### 4.3 Discussion of findings

This chapter presents a detailed econometric investigation of the causal nexus existing between government expenditure, foreign aid and economic growth in Nigeria. The educational systems remains one of the major pillars of growth in any nation, hence, requires proper financial and administrative attention. This fact has spurred numerous research in this area of public sector economics, deliberately emphasising the role of government. In this research work, literacy rate was used as a measure of educational growth,

while government expenditure, foreign aid and other development allowance were used as the explanatory variables. The result from this empirical investigation are succinctly discussed below.

From the above analysis, it was deduced that government expenditure has positive relationship with education development in Nigeria. However, the impact was found to be minimal. This observed positive relationship is very much in line with theoretical expectation. Educational development remains one of the socio-economic functions of government for which funds are allocated annually. These fund are usually of capital and recurrent nature which are used to developed educational facilities thereby improving the educational system. It could be rightly argued that the amount of funds dedicated to the educational sector in Nigeria has been extremely low and the little amount dedicated has been handled with maladministration.

From the findings of the research work, it was also deduced that a positive and significant relationship exist between foreign aid

and educational growth in Nigeria. This outcome is also very much in line with theoretical expectation. Foreign and other development allowances (ODA) are grants and funds provided by developed countries to assist the development process of underdeveloped nations. These funds are usually tied with special considerations and strings, which includes using such funds for social and cultural development with serious emphasis on education and health. When such funds are used in providing adequate educational facilities, it goes a long way in promoting the educational standards and output of the educational sector. However, in the case of Nigeria as seen above, this impact is below acceptable levels and as such it could be said that these funds are mismanaged and looted, hence the observe minimal impact.

Lastly, the results indicated a positive relationship between real Gross Domestic Product per capita and literacy rate in Nigeria. This outcome is also very much in line with a priori expectation. RGDPPC represents the economic power or strength of individuals in a given location. This significant amount of economic capacity

and financial wellbeing, individuals can access quality educational facilities for themselves and wards, hence the observed positive relationship.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, POLICY IMPLICATIONS, RECOMMENDATIONS AND CONCLUSION.**

#### **5.1 Summary of Findings**

In line with the objectives of this research work, the result obtained from the empirical analysis are summarized as follows,

- 1) A positive and significant relationship exists between government expenditure and educational growth in Nigeria. Government spending when rightly channelled can ensure development in the educational sector.
- 2) A positive and significant relationship exists between foreign aid and other development allowance and educational growth in Nigeria. The progress of the educational sector can also be spurred by support funds received from advanced and developed nations.
- 3) A positive and significant relationship exists between real GDP per capita and literacy rate in Nigeria. An improvement

in the economic wellbeing and financial strength of individuals is also a contributory factor to educational growth.

## **5.2 Policy Implications**

From the above empirical results, it can be adequately deduced that much growth and development in the educational sector can be achieved if these observed variables can be positively influenced with government policies and framework. The expenditure activities of government goes a long way in determining the level of social economic wellbeing of citizens in the country, hence, a lot more can be done to improve the current state of the educational sector. The above results has certain implications for policy making in Nigeria.

Firstly, the fact that government expenditure has a positive relationship with educational growth in Nigeria is a very important outcome that can be effectively harnessed to promote the educational sector in Nigeria. Observing the current state of the educational sector, it could be rightly said that this impact has not

been felt in actuality, hence, it will be of significance if the government can employ adequate and consistent expenditure frameworks that will ensure the consistent provision of funds for the sector and also ensure that funds are utilised for the purpose they were disbursed.

Second, the fact that foreign aid and other development assistance (ODA) positively influences the educational growth in Nigeria is another very important outcome with a significant implication for government policies in Nigeria. The above result implies that if adequate government policies and frameworks are put in place to attract more foreign aids from abroad and ensure the effective disbursement of these funds for the purpose they were granted, a significant amount of growth in the educational sector can be achieved.

Lastly, as we observed from the empirical investigation, a positive relationship exists between real GDPPC and literacy rate in Nigeria. This outcome also have a very important implication for

policy making in Nigeria. The above result implies that if the economic wellbeing and financial capacity of individuals in the country is improved, it can also help in putting individuals and their wards in a better position to acquire adequate and quality education. With ultimately transcends into an improvement in literacy rate.

### **5.3 Recommendations**

From the above policy implications, the following recommendations and possible solutions are made,

- 1) The Government should take necessary and appropriate measures to increase the amount of statutory allocation to the educational sector. This issue of poor finance has remained a constant problem in the educational sector in Nigeria since time immemorial. This issue should be tackled once and for all by increasing the amount of statutory allocation and other support funds to the educational sector.
- 2) The issue of funds misappropriation by government ministries, departments and agencies (MDAs) should also be

tackled by the government through adequate policies and framework. This can be done if the independent bodies assigned to carry out such duties are adequately furnished with both administrative and financial autonomy. This will go a long way in guaranteeing the effective utilisation and appropriation of government funds for the purpose they were disbursed. An agency should also be set up to assess the level of completion of government educational projects, such bodies should be empowered with disciplinary powers.

- 3) One observed fact in the Nigerian budgetary arena is the continuous rise of recurrent government expenditure over capital expenditure. Due to the potency and economic viability of capital expenditure, this work recommends that attention should be paid to capital expenditure in the educational sectors as this will help ensure the construction of adequate and modern educational facilities to aid the learning process and as such improve the stock of human capital.

- 4) The government should also adopt appropriate diplomatic and bilateral policies through the relevant government agencies directed at ensuring the continuous flow of foreign aid and other development assistance from abroad which will aid in making adequate funds available for the development of the educational sector. Checks and measures should also be put in place to ensure these funds are used for the purpose for which they were granted.
- 5) Lastly, the government should also take appropriate steps to improve the socio-economic wellbeing and financial capacity of individuals in the country. This can be achieved by tackling the issue of unemployment and low level of income in Nigeria. If this issue is adequately tackled to some reasonable extent, it will help guarantee the acquisition of good and quality education by individuals.

## **5.4 Conclusion**

This research work was conducted on the issue of government expenditure and educational growth in Nigeria. The educational sector has overtime been described as one of the major instruments to achieving sustainable growth and development. Hence, the literature on public sector economics is replete with a vast amount of reviews and empirical investigation of the issue in question. This work employed literacy rate as a proxy for educational growth in Nigeria while, government expenditure, foreign aid and other development assistance (ODA) and real GDPPC were used as the explanatory. From the empirical investigation conducted, it was observed that a positive relationship exists between all the explanatory variables and educational growth in Nigeria. It was concluded that much more can be done to improve the current level of performance of educational system by influencing these variables with adequate policies and frameworks. It was recommended that government expenditure to the educational sector should be increased and effectively monitored,

emphasis should be placed more on capital expenditure, more foreign aids should be attracted and the level of financial wellbeing of individuals should be improved.

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