



Finance Cost and Revenue Retention in Nigeria

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ABSTRACT

This study's examination of the impact of public debt servicing on financing costs in Nigeria from 2000 to 2022 is necessary due to the growing conversation on the burdensome nature of public debt servicing. Using a population of bilateral and multilateral loan units and the universal sampling method, the study used an ex post facto research methodology. The dependent variable was revenue retention, while the variables of emphasis were loan servicing, loans from the World Bank, the IMF, and Paris Club. Diagnostics such as regression analysis, normality test, variance inflation factor, correlation matrix, and descriptive statistics analysis were used in the investigation. The findings showed that the Paris Club loan estimate had a positive but statistically insignificant impact, the World Bank and IMF loans had a statistically significant positive impact, and the loan servicing had a statistically significant negative impact on the public. It is recommended that World Bank funds should be employed to sectors that enhance revenue, such as improving tax administration, digitizing tax records, and expanding the tax base. Again, IMF loan should be more of strengthening fiscal operations. Prudent Borrowing is strictly advocated to reduce the heavy burden of debt which Nigeria current faces.

INTRODUCTION

The Nigerian government's public finance costs and revenue retention cover a wide range of topics, including taxation, expenditure management, revenue production, and fiscal policy. Nigeria's governmental debt can be attributed to borrowing for budgetary purposes, developing infrastructure, and accruing debt during lean economic or fiscal times. Nigeria saw a major increase in its external debt in the 1970s and 1980s prior to the year 2000.

However, in the Post-2000s, despite debt relief efforts, Nigeria's public debt has rose due to budget deficits, infrastructure financing needs, currency devaluation, and revenue challenges exacerbated by fluctuations in global oil prices. Domestic debt includes government bonds, treasury bills, and other securities issued in the local market, while external debt consists of loans and borrowings from international creditors, multilateral institutions, and bilateral partners. Excessive debt levels might jeopardise macroeconomic stability, discourage private investment, and raise debt payment costs. The Nigerian government has implemented refinancing, debt restructuring, prioritizing concessional borrowing, and improving debt transparency and management practices. Furthermore, the COVID-19 pandemic has posed additional challenges to Nigeria's public debt dynamics, with increased borrowing to finance emergency response measures, support the economy, and mitigate the socio-economic impact of the crisis.

Nigeria is finding it more difficult to finance its development agenda as a result of mounting debt and high borrowing costs. A growing portion of public revenue is set aside for debt repayment. 96% of the federal government's revenue in 2022 was projected to go towards paying interest. It seems sense that debt servicing outweighs investments in important industries. The national budget for 2023 allocates 29% of its budget for debt servicing, while the remaining budgets—8%, 5%, and 6%—go towards infrastructure, health care, and education, respectively (NBS,2023). It is therefore urgent for politicians, researchers, and development practitioners to propose measures capable of reversing the crisis, since interest payments are eating up public money.

Managing debt service obligations is a significant component of public finance, as excessive debt can strain government finances and limit fiscal space for other priorities. Nonetheless, corruption and leakages in the revenue collection process pose significant challenges to revenue retention. Efforts to improve transparency, accountability, and anti-corruption measures are critical to enhancing revenue retention and ensuring that public funds are effectively utilized. Nigeria's debt service-to-revenue ratio in 2022 was 80.6 percent, significantly higher than the 22.5 percent the World Bank recommended for low-income nations like Nigeria(DMO,2023).

The rate at which Nigeria's debt is increasing has limited the nation's capacity to produce enough growth, manage crises, and make investments for development, despite the crucial role debt plays in enabling structural transformation and development. Nigeria owed \$108.3 billion as of 2023. This is an increase of 123% from 2012, or over six times the GDP growth rate of the nation. A number of interrelated events, including as the COVID-19 pandemic

and the Russia-Ukraine war, have contributed to Nigeria's rising debt. Since the majority of the new debt was acquired outside, there is a greater chance that the debt load may eventually become unmanageable. This is due to the fact that pressures from the global financial system have depreciated local currencies and raised interest rates, which has increased the actual cost of debt payment. Between 2012 and 2022, Nigeria's external debt climbed from 14% to 40% of its total debt.

The two primary ways that the required responsibility of financing cost payment might deplete the treasury are through principal repayments and interest payments. Expectedly, the servicing of public debt poses several challenges and risks to the Nigerian government. These include the potential for debt distress if debt levels become unsustainable, currency depreciation affecting external debt servicing costs, revenue volatility due to fluctuations in oil prices, and crowding out of public spending on essential services and infrastructure. Strategically, to address these challenges, the Nigerian government employs various debt management strategies. These include refinancing debt to secure lower interest rates, extending debt maturities to reduce annual repayment obligations, diversifying sources of financing to reduce reliance on external borrowing, and strengthening debt management institutions and practices.

Several investigations in the connected field of debt servicing have inevitably been carried out. The impact of debt servicing on economic development has been studied by researchers such as Akujor, Onodi, and Okonye (2024). Their findings indicate that, while debt (both domestic and external) servicing has a significant long-term impact on per capital income in Nigeria, it has a negligible short-term effect. According to Essien's (2024) research on debt and servicing, both domestic and foreign debt servicing have a major impact on GDP. According to Olabode and Usenobong's (2023) analysis of the effects of external debt service on Nigeria's economic growth from 1985 to 2021, debt service impedes the country's economic expansion. Using Nigeria as a case study, Ajayi (2023) investigated public debt servicing over a 30-year period (1992–2022) and discovered that the variables that best describe public debt servicing are export and public debt. The relationship between Nigeria's economic growth and the repayment of its external debt from 1981 to 2020 was examined by Akanbi, Uwaleke, and Ibrahim (2022); their findings indicated co-integration and the effect of resource depletion on growth. Similarly, Otiko and Iheonkhan (2022) demonstrated that foreign debt servicing has a major impact on GDP by examining the relationship between debt servicing and economic growth in Nigeria with corruption acting as a moderator.

These prior authors have contributed immensely to this national topic with different variables. However, this current study goes further to investigate the effect of finance cost by World Bank (WB), international monetary fund, Paris Club and on the revenue retention capacity of Nigeria. This investigation will bridge the gap in knowledge and reveal the way forward in the subsequent chapters.

Objectives of the Study

The objective of this study is ultimately to measure the effect of finance cost on revenue retention in Nigeria. The specific objectives are to:

1. Investigate the impact of loan servicing on revenue retention in Nigeria.
2. Examine the effect of World Bank debt servicing on revenue retention in Nigeria.
3. Determine the effect of International Monetary Fund debt servicing on revenue retention in Nigeria.
4. Verify the impact of Paris club loan servicing on revenue retention in Nigeria.

Research Hypotheses

Following the objective, the following Null hypothesis were formulated:

- Ho1: Loan servicing does not significantly affect revenue retention in Nigeria.
Ho2: World Bank group debt servicing does not have significant effect on revenue retention in Nigeria.
Ho3: IMF debt servicing does not significantly impact on revenue retention in Nigeria.
Ho4: Paris club loan servicing does not significantly impact revenue retention in Nigeria

THEORETICAL REVIEW

World Bank Debt

The term "world bank debt" describes the money given to nations by the World Bank founded in 1944 in which Nigeria has benefited since 1958, for economic support and development initiatives. Usually, this debt takes the form of loans that need to be returned over time, frequently with interest. The International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) are the two primary organisations that the World Bank works with to deliver these loans. IDA primarily targets the world's poorest nations, such as Nigeria. It provides concessional loans – that is, loans with low or no interest rates and lengthy payback terms (up to 40 years), together with a grace period of up to 10 years – to fund initiatives aimed at eradicating poverty and enhancing living circumstances in the world's poorest countries.

Nigeria received 6.6 billion dollars in loans from the World Bank in 2016, placing it as the 12th largest beneficiary. In Nigeria, the World Bank is working on 31 projects in 772 locations as of 2018. Programmes in areas such as social protection, health, agriculture, fishery, forestry, energy, public administration, and other areas that require improvement gulped total of \$9.21 billion. Nigeria owed the World Bank \$14.51 billion as of June 30, 2023(DMO,2023). The World Bank loan adopted in this study is conceptualised as a percentage of gross domestic product.

IMF Debt

IMF membership for Nigeria began on March 30, 1961. Nigeria, with more than 222.182 million people, is the most populous nation in Africa. The country's special drawing rights are worth 3702.34 million (SDR), while its IMF quota is 2454.5 million (SDR). By July 2023, Nigeria's GDP had changed by 3.2 percent. Furthermore, as of 2023, Nigeria owed the IMF 2,147,687,500, of which 306,812,500 had been repaid.

As of 2024, Nigeria owes the International Monetary Fund (IMF) approximately \$2.8 billion. This debt is part of the country's broader strategy to manage its fiscal challenges and implement necessary economic reforms. The IMF has noted that Nigeria's ability to repay this debt is adequate, despite the ongoing economic difficulties the country faces, including high inflation, low revenue collection, and food insecurity (IMF,2024).

As of 2024, Nigeria faces substantial costs in servicing its IMF loans. Specifically, in the third quarter of 2023, Nigeria's external debt servicing surged significantly, with \$413.859 million allocated for the first principal repayment of the \$3.4 billion IMF loan obtained during the COVID-19 pandemic.

Moreover, the International Monetary Fund (IMF) projected that by 2024, debt servicing would consume around 14% of government revenues for Nigeria and other low-income countries. This high percentage highlights the burden of debt repayments on Nigeria's financial resources, limiting the government's ability to invest in critical areas such as infrastructure, education, and healthcare.

According to Shafiu et al. (2023), countries that take out loans from the International Monetary Fund (IMF) have higher rates of inflation, unemployment, and poverty than those that do not. This is true even though the IMF states that one of its goals is to promote economic development. They contended that Nigeria's economy and standard of living were adversely affected by the IMF loan requirements, which included devaluing the currency and eliminating subsidies.

The relationship between Nigeria and the IMF is one of exploitation. Nigeria has not had a good record implementing adjustment plans backed by the IMF. The country has suffered grave social and economic repercussions from the IMF's adjustment policies, including a decline in output and growth rates, a rise in unemployment, and a negative impact on income distribution, all of which have contributed to a major decline in Nigerians' overall standard of living. These adjustment measures also affect the people's and the government's ability to enjoy human rights. This aligns with the findings of Taye (2021). According to some (Mohammed et al., 2020; Samuel, Collins, & Atama, 2019; Shafiu & Salleh, 2020), the majority of the countries that fully adopted the IMF's structural reforms are currently facing widespread unemployment, poverty, high levels of debt and dependence, low living standards, and budget deficits as a result of their incapacity to grow. This is in line with several studies (Daasi & Imoh; Ejeh, 2019; Ojeyinka & Adegboye, 2017) that address the relationship between IMF structural policies and Nigeria's socioeconomic progress.

Paris Club Debt

The Paris Club is a loose alliance of creditor countries whose goal is to assist debtor countries in resolving their payment issues. There are 22 permanent members of the Paris Club, representing the majority of the countries in western and Scandinavian Europe as well as the US, UK, and Japan. Nigeria made its Paris Club debut in 1986. Regretfully, under the IMF-backed adjustment programme that Nigeria adopted in exchange for debt relief from the Paris Club, the country's capacity to pay down its debt did not improve as anticipated. The Paris Club was consulted once more in 1989 to arrange an additional \$6 billion in arrears and future payments, and once more in 1991 for an additional \$3 billion in relief.

In 2023, it was agreed that these deductions would be halted, and previously deducted funds would be refunded to the states (olisah, 2023). Additionally, in 2021, the Debt Management Office (DMO) of Nigeria issued promissory notes worth approximately \$419 million to various consultants in response to court judgments. This issuance has been contested, with arguments that the promissory notes were wrongly issued against the assets of the federation instead of those of the states and local governments responsible for the loans (DMO, 2022).

Loan Servicing Amount

Data from the Budget Office shows that between January and September 2023, debt servicing made up 45.6% of all expenses. Additionally, debt service consumed roughly 80.9% of the federal government's total revenue during the nine-month period, in comparison to revenue earned during the same period paying off debt. Debt service is mandated by the World Bank to be paid from revenue. Nigeria's debt service to revenue ratio is over 60%, meaning that for every N100 earned, N60 is spent on debt servicing; this is in contrast to the national average of 22.5%.

In 1960-1970s, debt servicing costs were relatively low due to moderate borrowing; but in the 1980s, debt servicing costs increased substantially due to economic downturns and increased borrowing. Evidently by 1985, Nigeria's external debt was approximately \$18 billion, which rose significantly in the 1990s. For example, debt servicing costs remained high, consuming a significant portion of the budget as was seen in 1996 (\$2.5 billion). In the dissimilar trajectory in 2000s, debt relief in 2005 significantly reduced debt servicing costs as was revealed in Post-2005, debt servicing costs that dropped to less than \$1 billion annually initially. However, in 2010s rising debt levels led to increased debt servicing cost to over \$4b annually; and in 2020s, debt servicing costs to \$6.7 billion.

The Federal Government of Nigeria has estimated that loan servicing will cost estimated ₦8.25 trillion on debt servicing in 2024 (DMO, 2024).

Nigeria's federal government spent ₦3.94 trillion in the first seven months of 2023 servicing its debt, which was almost 75.92% of its total revenue at that time (DMO, 2024). The cost of debt servicing is predicted to increase even more for the years 2024 to 2026, reaching ₦10.06 trillion in 2025 and ₦11.61 trillion in 2026 (DMO, 2024). As a large amount of the budget is redirected to managing

debt commitments, these mounting expenses continue to undermine the government's capacity to invest in important sectors like infrastructure, healthcare, and education. In this study loan servicing amount is calculated as the amount returned in repayment.

Public Revenue Retained

In the post-Independence Era (1960s) FGN sources of revenue coming from Agriculture (cocoa, groundnuts, palm oil), mining, and other non-oil sectors with a moderate revenue, primarily from agriculture and export of cash crops. In the 1970s, during the Oil boom, significant oil discoveries in the late 1960s led to an oil boom in the 1970s with a revenue Surge as oil revenue reaching about 80% of government revenue in 1975. Furthermore, during 1980s, there was economic Challenges characterized by revenue fluctuations wherein volatility in oil prices led to fluctuations in revenue. Also, there was economic downturn in the early 1980s due to falling oil prices as revenue was approximately ₦11.2 billion in 1983. There was effort to increase non-oil revenue, though oil remained dominant. There was modest growth in non-oil sectors but oil continued to be the major revenue source as revenue grew to around ₦281 billion. Still battling with debt burden, FGN sort for debt relief and got same significantly between 2000s and 2005. There was a sustained effort on economic reform to diversify revenue sources and Oil prices rose significantly, boosting revenue thereby creating incremental growth in non-oil revenue sources to the tune of ₦6 trillion. However, during 2010s, there was rising debt and diversification efforts to boost non-oil revenue, oil price volatility, insurgency in the Niger Delta, and economic recession in 2016 could not allow for growth as was evidenced in 2015, where total revenue was approximately ₦3.4 trillion from prior 6 trillion. In the 2020s, persistent challenges with oil revenue due to global market fluctuations. COVID-19 Pandemic-induced economic slowdown affected revenue. There have been reform efforts to diversify revenue sources and improve tax collection. Although in 2020, total revenue was around ₦4.6 trillion, impacted by the pandemic.

The Nigerian Federal Government brought in a total of 16.87 trillion Naira in income in 2023. In particular, it was expected that non-oil taxes would bring in 2.43 trillion Naira, while oil revenue would bring in 1.92 trillion Naira. Furthermore, 2.21 trillion Naira was predicted to come from independent sources, while 762 billion Naira came from other sources and 2.42 trillion Naira came from GOEs' retained earnings (CBN,2023). The public revenue used in this study is expressed as a percentage of GDP.

METHODOLOGY

The design of this study is ex post facto with study population comprising all foreign creditors between 2000 and 2022. Out of the creditor organs, three were adopted for reachable financial information. They are World Bank, IMF and Paris Club. It also added the loan servicing component to examine its effect on public revenue retained in the economy.

Quantitative pool data from secondary sources were used in the study. The World Bank, IMF, and FRED annual reports provided the data. The

Ordinary Least Squares Regression Analysis is the data analysis method used in this investigation, using the STATA 13 statistical tool. To increase the validity of the results, a number of robustness tests were performed, including correlation matrix between the independent variables, VIF, test for multi-collinearity, and descriptive statistics.

Model Specification & Justification

This study investigated finance cost and Revenue Retention in Nigeria for the period 2000 and 2022. The variables of the study comprised of a dependent variable of revenue and four independent variables of World Bank debt, IMF debt, Paris club Debt and loan debt. This study adopted and modified the model of Otiko and Iheonkhan, (2022) as stated herein; $EG = \beta_0 + \beta_1FDS_{it} + \beta_2DDS_{it} + \beta_3ER_{it} + \beta_3IR_{it} + \epsilon_{it}$.

The Second Model Specification

$$EG = \beta_0 + \beta_1FDS_{it} * CORUP_{it} + \beta_2DDS_{it} * CORUP_{it} + \epsilon_{it}$$

Where: EG = Economic Growth B0= Constant FDS= Foreign Debt Servicing DDS= Domestic Debt Servicing ER= Exchange Rate IR= Interest Rate CORUP= Corruption β_1 to β_4 = The Coefficients of each of the Independent Variables ϵ_{it} =Error Term.

*=Interaction, ϵ is the error term [ϵ_{it}] = 0, β_0 = Constant, $\beta = 1, 2, \dots, 4$ are parameters to be estimate; i = Banks, $i = 1. \dots 13$; and t = the index of time periods and $t = 1. \dots 13$.

The justification for adapting the model of Otiko and Iheonkhan, (2022) is that both studies share similar independent variables on the dissimilar dependent variable, hence, making it suitable for adaptation for this study.

This study models the variables thus: $PUB_{it} = LOSA_{it} + PACL_{it} + IMFL_{it} + WOBA_{it} + \beta_0 + \beta_1LOSA_{it} + \beta_2PACL_{it} + \beta_3IMFL_{it} + \beta_4WOBA_{it} + \epsilon_{it}$

RESULTS

Data Presentation

This section presents the results from the analysis of data and its interpretation.

Descriptive Analysis

Table 1. World Bank

Stats	woba	imfl	pacl	losa	Pubr
mean	2.299	-1.299	6.213	40648	14.700
N	23	23	23	23	23
sd	2.316	4.341	1.990	13759	7.329
Max	8.014	8.7590	10.528	61477	28.806
min	.1546	-5.574	1.434	11200	5.116
P50	1.3821	-2.6620	6.142	41089	12.420

The above table shows that the mean value of World Bank loan among the sampled creditors was 2.299. The maximum value was 8.014 whereas the

minimum stood at 0.1546. The number of observation was 23. The median value of firm was 1.3821 for the sampled creditors. The mean value for IMFL was -1.299 while the minimum value stood at -5.574 as the maximum latched at 8.759 with the median as -2.662. The value of mean in PAFL is 6.213 with a 10.528 maximum and 1.434 minimum ratio at a median of 6.142. The average return of LOSA was 40648 with a maximum return rate latching around 61477 and a minimum of 11200 for the sampled creditors in Nigeria between 2000 and 2022.

Variance Inflation Factor Test (VIF)

Gujarati (2003) states that if the mean VIF is less than 10 or the 1/VIF is less than 0.10, there are no repercussions. The mean variance inflation factor (VIF) of the explanatory variables is shown in the table above. But because the mean VIF is 3.01 and latches within the range of 10, which is the threshold for multi-collinearity, the data indicates that there is no multi-collinearity.

Table 2. Variance Inflation Factor Test

Variable	VIF	1/VIF
Oacl	4.63	0.215965
Losa	4.26	0.234645
Imfl	1.58	0.632022
Woba	1.68	0.642646
Mean	VIF	3.01

DISCUSSION

To test the hypotheses of Public revenue models, the study used OLS regression and we also presented robust regression for the OLS results when the problem of heteroscedasticity is presence. Table 4 below shows the results:

Table 3. Finance cost regression result for creditors on revenue retention in Nigeria

Pubr	coef	Std.Err	t	P> t	[95% Conf. Interval]
Woba	.6778828	.3254546	2.08	0.052	-.005872 1.361637
Imfl	.9172105	.1750842	5.24	0.000	.5493723 1.285049
Pacl	.706854	.6531984	1.08	0.293	-.6654649 2.079173
Losa	-4.66e06	9.07e-07	-5.14	0.000	-6.57e-06 2.76e-06
_cons	28.84177	2.245505	12.84	0.000	24.12384 33.5591
Number of obs = 23 F(4, 18) = 46.43; Prob > F = 0.0000					
R-squared = 0.9116; Adj R-squared = 0.8920; Root MSE = 2.4087					

From the results obtained above we found that all the independent variables employed in this study were able to explain about 89.2% of the variation in the dependent variable of Public revenue retention model. This indicates that the independent variables of interest during the period under consideration were able to explain more of the variation in the dependent variable of Public revenue. That is to say that only 11.8% of intra-individual

variability of the endogenous variable is explained by exogenous variables. Furthermore, the probability value of F_statistics (0.0000) showed that the overall model is best fit and good for policy recommendation.

Hypothesis 1: Loan servicing does not impact Public revenue retention in Nigeria. The robust regression presented above showed the result of the variable of loan servicing as follows: (LOSA) (Coef. = $-4.66e-06$, $t = -5.14$ and P value = 0.000). The effect of loan servicing on public revenue retention in Nigeria is negative and statistically significant. This finding does not support a priori expectation such that a one number increase in the amount of loan servicing will not significantly reduce public revenue retention in the country. Based on the result, the study would not accept the null hypothesis. The study concludes that loan servicing has a statistically significant negative effect on public revenue retention in Nigeria.

This result supports the earlier findings of Akujor, Onodi, & Okonye (2024) which discovered that debt servicing has a significant effect on per capital income in Nigeria. Additionally, Otiko and Iheonkhan (2022) and Olabode and Usenobong (2023) demonstrated that foreign debt servicing has a major impact on GDP by examining the relationship between debt servicing and economic growth in Nigeria with corruption acting as a moderator, Essien (2024) found that both domestic and foreign debt servicing have a significant impact on GDP.

It seems sense that debt servicing outweighs investments in important industries. This was made clear by the national budget for 2023, which allocated 29% of its budget for debt service while leaving 8%, 5%, and 6% of the budget for infrastructure, education, and health, respectively (NBS,2023).

Hypothesis 2: World Bank loan does not significantly impact Revenue retention in Nigeria. The robust regression model presented above showed the variable of World Bank loan (woba) (Coef. = $.67788$, $t = 2.08$ and P value = 0.052). The effect of World Bank loan on revenue retention in Nigeria is positive and statistically insignificant. This finding does agree with a priori expectation since we expect higher World Bank loan to impactfully reduce revenue retention. Based on the result, the study accepts the null hypothesis and concludes that World Bank loan has positive statistical but insignificant effect on revenue retention in Nigeria. This directional position is a valid suggestion that as the World Bank loan is increasing by a percent in its ratio to Gross domestic product, the impact is felt by public revenue but insignificantly. This level of impact may be attributable to the fact that the additional world bank loan stock will continue to heighten the fiscal pressure which the finance cost relating to it will exert on public revenue from where public goods and services are provided to the citizens. The finding in this study does not support the result of Onoh and Ezech (2019) , wherein there was positive but significant effects on the dependent variable of FDI and GNI as a percentage to GDP. This result is however in tandem with the finding of Ghali (2016) who stated that the impact of the loans from World bank loan assisted projects has not helped the economy out of its quagmire.

Hypothesis 3: International Monetary Fund Loan does not significantly impact Public revenue retention in Nigeria. The robust regression model

presented above show the variable of International Monetary Fund (IMF) (Coef. = .91721, $t = 5.24$ and P value = 0.000). The result above is an evidence that the effect of International monetary fund loan on public revenue retention is positive and statistically significant. This result suggests that as the International monetary fund loan increases, public revenue improve and at a significant level. This result does not support apriori expectation hence we reject the null hypothesis and conclude that International monetary fund loan has a statistical significant positive effect on public revenue retention in Nigeria.

According to Shafiu et al. (2023), countries that borrow from the International Monetary Fund (IMF) have higher rates of inflation, unemployment, and poverty than those that do not as opposed to this study finding. However, Taye (2021) found that IMF funding has not positively impacted the lives of Nigeria as it has tighter conditions which conditions even the citizenry.

Hypothesis 4: Paris club loan does not significantly impact public revenue retention in Nigeria. The robust regression model presented above show that the Paris club loans (PACL) has (Coef. = .706854, $t = 1.08$ and P value = 0.293). Evidently, the result above, revealed that the impact of Paris club loan on revenue retention in Nigeria is positive and statistically not significant. This result suggests that as the proportion of Paris club loan increases in its ratio with GDP, Public revenue increase at an insignificant rate. In this regard, the null hypothesis is accepted and concludes that Paris club loan has an insignificant positive statistical effect on revenue retention in Nigeria.

CONCLUSIONS AND RECOMMENDATIONS

This study investigates the impact of finance cost and revenue retention in Nigeria. The scope of this study covers 23year period ranging from 2000 to 2022. World Bank and IMF loan has significant positive effect as Paris club loan has positive but statistically insignificant and loan servicing has negative and statistically significant effect on retained revenue at 5% significance level.

The study having developed a model fit on foreign creditors using (WBL, IMFL, PACL & LOSA) captured that they have joint effect on revenue retention. Based on this, the study concludes that foreign debt servicing has significant influence on revenue retention. Theoretically, the results of the regression on Paris club loan did not support the import of Crowding out theory; World Bank loan, IMF loan and Loan servicing laid credence to crowding out theory as the result is significant in Nigeria between 2000 and 2022.

Recommendations

1. Leverage World Bank Loans for Revenue-Enhancing Projects such as improving tax administration, digitizing tax records, and expanding the tax base and Focus on infrastructure projects with strict monitoring.
2. Utilize IMF Loans to Strengthen Fiscal Management, adopting Fiscal Discipline, Technical Assistance and Debt Management Strategy to ensure that IMF loans contribute to long-term fiscal sustainability.

3. Review and Optimize the Utilization of Paris Club Loans by regular Project Evaluation, Reallocation of Funds and Strengthening of implementation to maximize their impact on revenue.
4. Mitigate the Negative Impact of Loan Servicing on Public Revenue by Debt Restructuring, Revenue Diversification, Cost Management and Prudent Borrowing to ensure that any new loans are used for high-impact, revenue-generating projects.

FURTHER STUDY

This research still has limitations so further research needs to be done on the topic "Finance cost and Revenue Retention in Nigeria."

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