



BABCOCK
UNIVERSITY

ILISHAN-REMO, OGUN STATE, NIGERIA

COLLEGE OF POSTGRADUATE STUDIES

2022/2023 PhD Thesis Abstract

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RT: Tax Revenue and Debt Financing in Sub-Saharan African Countries

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AB: Debt financing occasioned by high level of indebtedness of countries in Sub-Saharan Africa (SSA) causes distortion in the economy and diverts revenue from social services. Escalation of public expenditure beyond earned revenue has caused governments to continually borrow with the obligation of repayment of principal debts and associated interests. Financing debts from insufficient tax revenue accumulates further debt and causes distortions in economic advancement. Previous studies have shown that sustainable debt profile is yet to be achieved as earned revenue from taxes had been insufficient to cater for enormous debt financing outlay. This study evaluated the effect of tax revenue on debt financing (external guaranteed public debt, external long term debt stock, external short term debt stock and total debt service) in SSA.

This study adopted ex-post facto research design. The population of the study consisted of the 48 countries in Sub-Saharan Africa. Purposive sampling technique was used to select 23 countries with relevant data for the period 1990 to 2020. Validity and reliability of the data were premised on the certification of regulatory agencies. Descriptive and inferential system Generalized Method of Movement (GMM) statistics were used to analyse the data.

The study found that tax revenue had significant effect on External Guaranteed Public Debt (J-stat $21.98 = 0.34$, $\rho > 0.1$). Exchange rate, inflation and corruption significantly controlled the effect of tax revenue and External Guaranteed Public Debt (J-stat $22.20 = 0.18$, $\rho > 0.1$). Tax

revenue exerted significant effect on External Long Term Debt Stock (J-stat 15.85 = 0.73, $\rho > 0.1$). Exchange rate, inflation and corruption had significant control on the effect of tax revenue and External Long Term Debt Stock (J-stat 22.90 = 0.20, $\rho > 0.1$). Tax revenue had significant effect on External Short Term Debt Stock (J-stat 20.05 = 0.39, $\rho > 0.1$). Exchange rate, inflation and corruption had significant control effect on tax revenue and External Short Term Debt Stock (J-stat 17.40 = 0.36, $\rho > 0.1$). Total Debt Service was significantly affected by tax revenue (J-stat 15.65 = 0.68, $\rho > 0.1$). Exchange rate, inflation and corruption had significant control effect on tax revenue and Total Debt Stock (J-stat 19.36 = 0.40, $\rho > 0.1$) of SSA countries.

The study concluded that tax revenue enhanced debt financing of countries in Sub-Saharan Africa. The study recommended that debt management offices should be more intentional in effective and efficient debt management. Countries should apply debts for the purpose for which they were borrowed. Tax revenue should be improved through various tax reforms to impact on debt repayment.

Keywords: Debt financing, Exchange rate, External guaranteed public debt, External long term debt stock, External short term debt stock, Tax revenue, Total debt service

Abbreviations: *RFN: Researcher's Full Name, RD: Researcher's Department, RS: Researcher's School, RE: Researcher's Email, RAE: Researcher's Alternate Email, RP: Researcher's Phone Contact, RT: Registered Title, MS: Main Supervisor, ME: Main Supervisor's E-mail Address, SP: Main Supervisor's Phone Contact, CS: Co-Supervisor, CE: Co-Supervisor's E-mail Address, CP: Co-Supervisor's Phone Contact, AB: Abstract*

Suggested Citation: Owolabi, K.M., Akintoye, I.R. & Dada, S.O. 2023. Tax Revenue and Debt Financing in Sub-Saharan African Countries. PhD Thesis Abstract, College of Postgraduate Studies, Babcock University. [https://doi.org/10.61867/pcub.1\(5\).072](https://doi.org/10.61867/pcub.1(5).072)