

Tax Burden Distribution and Social Inequality: A Study of Nigeria's Fiscal Policy

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Abstract

The study examined the relationship between fiscal policy and social inequality in Nigeria, with a focus on the distributional effects of tax burden, public debt, and capital expenditure. Using time-series data from 1981 to 2023 and a Vector Autoregression (VAR) model, the study evaluates how tax-to-GDP ratio, public debt-to-GDP ratio, and capital expenditure-to-GDP ratio influence social inequality, proxy by the Gini coefficient. The findings reveal that tax-to-GDP and capital expenditure-to-GDP ratios significantly affect income inequality, while public debt shows no significant impact. The results highlight the regressive nature of Nigeria's tax system, low capital investment, and ineffective debt utilization as key drivers of inequality. The study recommends progressive tax reforms, increased capital spending, and improved fiscal accountability as pathways to achieving equitable economic development.

Keywords: *Tax-to-GDP ratio, capital expenditure, public debt, Gini coefficient, fiscal policy.*

Introduction

Fiscal policy is an essential instrument for resource redistribution and socioeconomic transformation in both rich and developing countries. Theoretically, a well-crafted tax and expenditure plan should promote equity, reduce poverty, and promote inclusive growth. However, Nigerian fiscal policy has mostly failed to achieve these objectives, as evidenced by widening economic inequality, limited access to public goods, and persistent poverty (Ajakaiye, Jerome, Nabena, & Odugbesan, 2019). These findings raise important questions about the efficiency of government spending and the equity of the tax system.

Social inequality is a significant issue in Nigeria, with large disparities in wealth, income, access to opportunities, healthcare, and education. These discrepancies are particularly evident along regional, urban-rural, ethnic, and gender lines, with marginalized populations especially those in the rural and informal sectors having restricted access to basic services and economic empowerment. The nation's consistently high Gini coefficient is caused by a wide income gap and an uneven distribution of resources, which restrict social mobility and hinder sustainable development. Recent estimates indicate that despite economic growth, poverty and inequality remain widespread, posing a threat to inclusive advancement and social cohesion (World Bank, 2024; United Nations Development Programme [UNDP], 2025; National Bureau of Statistics (NBS), 2024).

One important indicator of fiscal success is the tax-to-GDP ratio, which displays the

amount of domestic resource mobilization relative to the size of the economy. The tax-to-GDP ratio in Nigeria has always remained below 10%, one of the lowest in Sub-Saharan Africa (OECD, 2023; IMF, 2022). A limited tax base, pervasive tax evasion, and an excessive dependence on oil revenue are the causes of this (Bakare, 2020; Oboh & Edeme, 2020). Participants in the informal sector and those with low incomes are frequently disproportionately affected by this, indicating poor tax administration and an unfair tax burden allocation. Of greater significance, Nigeria's tax system is biased in favor of indirect taxes like Value-Added Tax (VAT), which are regressive by nature and disproportionately affect low-income households (Adegbite & Nabena, 2021; Orji, Ogbuabor, & Eze, 2019). An arrangement like this runs counter to fiscal policy's goal of equity and exacerbates social inequality.

According to the International Monetary Fund (2024), the public debt-to-GDP ratio is another important indicator of fiscal sustainability and intergenerational justice. Nigeria's growing debt load is expected to surpass 40% of GDP by 2023 expresses worries that paying down debt will take priority over necessary development expenditures (DMO, 2023; Afolabi, 2022). Nigeria's public debt-to-GDP ratio increased dramatically to 46.6% as of 2024, and estimates suggest that it may climb even further to 46.8% in 2025 (IMF, 2024). According to the Debt Management Office (DMO), currency rate depreciation and increasing domestic borrowing were the main causes of the 5.97% increase in national debt from June 2024 to September 2024, when it reached ₦142.3 trillion (DMO, 2025). The state's capacity to lessen inequality and promote equitable development is jeopardized by high debt obligations, particularly when they are not backed by increasing productive investment (Okoye, Modebe, & Erin, 2021).

The capital expenditure-to-GDP ratio, which shows how much the government prioritizes long-term development, is related to this. Capital expenditures always make up a very modest portion of Nigeria's national budget because recurring expenses predominate, they are frequently below 30% (Budget Office of the Federation, 2023; Uchenna & Azubike, 2020). The redistributive and productivity-boosting effects of public funds are limited by this spending pattern, particularly in areas like infrastructure, health care, and education that are critical to reducing poverty and promoting equitable growth.

Nigeria's Gini coefficient, which has stayed reasonably high at about 0.35 as of 2020, suggesting notable income and wealth inequality, glaringly illustrates the effects of these fiscal inefficiencies (World Bank, 2022). Numerous studies have connected Nigeria's growing inequality to inefficient fiscal policy, contending that the state's ability to serve as a vehicle for social justice is constrained by regressive taxation, poor subsidy targeting, and inefficient public service delivery (Onye & Anoke, 2021; Izedonmi & Okunbor, 2014; Ude & Ekesiobi, 2014).

This study examines the relationship between social inequality, as indicated by the Gini coefficient, and Nigeria's fiscal policy framework, as indicated by the country's tax-to-GDP, public debt-to-GDP, and capital expenditure-to-GDP ratios. This study intends to offer policy-relevant insights on amending Nigeria's fiscal system for fair economic development by identifying the structural flaws in the distribution of the tax burden and evaluating the redistributive effect of government expenditure.

Research Questions

1. To what extent does tax revenue affect income inequality in Nigeria?

2. How does public debt influence income inequality in Nigeria?
3. What effect does capital Expenditure have on income inequality in Nigeria?

Literature Review

Social Inequality in Nigeria

In Nigeria, social inequality is still a multifaceted and enduring problem that is frequently quantified using the Gini coefficient, a common measure of income distribution. Nigeria's ingrained income disparities are reflected in the country's high and comparatively constant Gini coefficient (World Bank, 2022). Fiscal processes are a key component of the structural and policy-related issues that underlie these discrepancies. Many academics contend that because of inadequate execution, corruption, and a lack of progressivity, Nigerian fiscal policy has not been able to substantially reduce inequality (Orji et al., 2019; Onye & Anoke, 2021).

Tax Structure and Distributional Equity

The regressive nature and restricted redistributive potential of Nigeria's tax structure have drawn criticism. A number of academics contend that an excessive dependence on indirect taxes, such the Value-Added Tax, (VAT), exacerbates inequality by disproportionately affecting low-income households (Orji et al., 2019; Bakare, 2020). VAT has negative effects on equity even though it makes up a sizable portion of government revenue. Weak enforcement and widespread informal sector participation result in underutilization of progressive direct taxes, including personal income tax (Adegbite & Nabena, 2021; Izedonmi & Okunbor, 2014). According to empirical research, the tax-to-GDP ratio and income inequality are negatively correlated, indicating that well-managed tax increases may fund redistributive spending (Ogundana et al., 2017). However, Nigeria's government's ability to fund inclusive development projects is constrained by the country's low tax-to-GDP ratio, which averages less than 10% (OECD, 2023; IMF, 2022).

Public Debt and Fiscal Sustainability

One of the main issues in Nigeria's fiscal conversation these days is the growth of public debt as an alternative to revenue generation. Development can be financed by public borrowing, but how debt is used and maintained is crucial. Nigeria's growing debt profile, with a debt-to-GDP ratio above 40%, presents serious concerns to fiscal sustainability and intergenerational equity, claim Okoye et al. (2021). The redistributive capacity of debt is severely diminished when it is utilized to fund ongoing expenses as opposed to capital projects (Afolabi, 2022; Ude & Ekesiobi, 2014). Furthermore, capital expenditures are crowded out by unsustainable debt payment commitments, which restricts investments in infrastructure, health care, and education all of which are critical for lowering inequality (Onye & Anoke, 2021).

Public Expenditure and Capital Investment

When it comes to influencing budgetary results, the makeup of government spending is equally significant. Several studies highlight how capital expenditures can reduce structural inequality and promote equitable growth (Uchenna & Azubike, 2020; Ogunyemi & Ojo, 2019). But historically, long-term investments have been neglected in favor of recurring spending, such as wages, subsidies, and administrative expenses, in Nigeria's budget. When used wisely, capital expenditure can increase access to necessary services and close regional gaps. Regretfully, the developmental impact of public investments in

Nigeria has been constrained by inadequate budget execution, corruption, and institutional flaws (Izedonmi & Okunbor, 2014; Adegbite & Nabena, 2021).

Fiscal Policy and Income Inequality in Nigeria

A key indicator of income inequality is still the Gini coefficient, and Nigeria's high and comparatively steady number illustrates the systemic injustices that have persisted despite fiscal policy's inability to address them. Numerous studies have tried to establish an empirical connection between the Gini coefficient and fiscal policy variables. Orji et al.(2019) discovered that because of inadequate targeting and leakages, fiscal policy has had little impact on lowering inequality. Similarly, Onye and Anoke (2021) argue that inefficiencies in public spending and a lack of progressivity in tax policy are major causes of growing inequality. These conclusions are also supported by comparative research conducted in Sub-Saharan Africa. According to Aderemi and Emenike (2021), fiscal policy has made a more significant contribution to fairness in nations with more robust capital expenditure regimes and higher tax compliance rates. In Nigeria, however, the evidence points to a disconnect between fiscal intentions and outcomes.

Theoretical Framework

Analyzing how governments handle economic disparity requires an understanding of the guiding concepts of fiscal policy and taxation. A number of theories, each focusing on a distinct facet of efficiency, social welfare, and fairness, have been put out to support the implementation and design of taxes. One of the most important of these is the Ability to Pay Theory, which provides a normative foundation for progressive taxation and redistributive policies by explicitly connecting taxes to an individual's financial capacity. In emerging nations, where poverty and economic disparity present serious obstacles to sustainable development, this concept is especially pertinent.

Ability to Pay Theory

Edwin R. A. Seligman publicly introduced the Ability to Pay Theory in 1893, expanding on previous philosophical ideas of justice and equality in taxation. This theory holds that taxes need to be imposed in accordance with a person's ability to pay, which is usually determined by their income, wealth, or consumption levels. It serves as the foundation for progressive taxation schemes, which guarantee both vertical and horizontal equity by taxing higher-income people at greater rates. In order to reduce economic inequities, redistributive fiscal policies—such as social welfare programs and subsidies—are shaped in large part by this notion. The ability to pay principle offers a solid basis for utilizing taxes as a weapon for wealth redistribution and inclusive economic development in the context of income disparity, particularly in developing countries like Nigeria. However, the operationalization of these principles remains inconsistent, leading to fiscal inefficiencies and socio-economic inequality (Oboh & Edeme, 2020; Aderemi & Emenike, 2021).

Gaps in the Literature

Few studies have integrated tax-to-GDP, public debt-to-GDP, and capital expenditure-to-GDP in a single framework to explain inequality as measured by the Gini coefficient, despite the fact that the body of existing literature offers insightful information about the relationship between fiscal policy and inequality. An important metric for evaluating how fiscal policies impact wealth distribution in Nigeria is the Gini coefficient, which is a commonly used indicator of total income disparity within a population. Furthermore, the majority of research focuses only on one aspect of spending dynamics or tax policy,

ignoring the combined effects of both. By offering a comprehensive examination of the ways in which fiscal policy shortcomings fuel inequality in Nigeria, this study aims to close that gap. Using a quantitative time-series econometric methodology, this paper investigates the connection between the distribution of tax burden and social inequality in Nigeria from 2000 to 2023. The study period ends in 2023 to include the most recent and complete data available for accurate and up-to-date analysis. The analysis focuses on how fiscal policy variable tax-to-GDP ratio, public debt-to-GDP ratio, and capital expenditure-to-GDP ratio affect income inequality, proxied by the Gini coefficient.

Empirical Review

According to research by Adegbite and Nabena (2023), indirect taxes like VAT continue to dominate the revenue structure, and Nigeria's tax-to-GDP ratio has remained below 10%. Lower-income households are disproportionately affected by this regressive tax structure, which exacerbates inequality (Orji, 2024; Bakare & Oladipo, 2023).

Nigeria's public debt-to-GDP ratio, which surged to 46.6% by the end of 2023 due to rising domestic borrowing and currency rate volatility, is a growing source of concern, according to a recent IMF analysis (2024) (DMO, 2025).

Afolabi and Emeka's (2024) empirical analysis reveals that although borrowing has provided short-term funding for government operations, the majority of this debt is used to pay for ongoing expenses rather than capital projects that have a positive influence on social justice. Okoye et al. (2023) provide more evidence for this crowding-out effect by demonstrating a negative association between rising debt servicing costs and investments in sectors critical to reducing poverty, such as education and health.

According to empirical research by Uchenna, Azubike, and Eze (2024), insufficient capital investment limits the government's capacity to resolve infrastructure deficiencies and regional differences that worsen social inequality. These findings are consistent with data from the World Bank (2024) that indicates nations with greater capital expenditure-to-GDP ratios typically have better performance when it comes to lowering inequality.

Additionally, according to econometric analyses employing data from 2000 to 2023, tax revenue, state debt, and capital expenditures collectively account for a sizable amount of the variation in income inequality as determined by the Gini coefficient in Nigeria (Nwachukwu & Eze, 2025). According to their results, the key to using fiscal policy as a weapon for inclusive growth includes enhancing tax administration to increase the revenue base, reorganizing debt to finance capital projects, and raising productive expenditure.

Method

The study adopts a quantitative approach to examine the relationship between tax burden distribution and social inequality in Nigeria from 1981 to 2023. The analysis focuses on how fiscal policy variables; tax-to-GDP ratio, public debt-to-GDP ratio, and capital expenditure-to-GDP ratio affect income inequality, proxy by the Gini coefficient. Gini Coefficient which is the Proxy for social inequality, reflects income distribution across the population. The Independent Variables like tax-to-GDP Ratio measures government revenue effort through taxation also public Debt-to-GDP Ratio indicates the burden of

debt on national income while capital Expenditure-to-GDP Ratio represents the proportion of government spending directed toward long-term development projects and services.

The data was sourced from central Bank of Nigeria (CBN) Statistical Bulletins, Federal Inland Revenue Service (FIRS) Reports, National Bureau of Statistics (NBS), World Bank World Development Indicators (WDI)

In estimation, descriptive statistics was used to check the normality, explore the trend, central tendency, and dispersion of all variables over the study period. Stationarity of each variable was tested using the Augmented Dickey-Fuller (ADF). The results indicate that the variables are of mixed order one stationary at level I (0) and others at first difference I (1).

The Johansen cointegration test was employed to determine whether a long-run equilibrium relationship exists among the variables. The test results reveal no evidence of cointegration,

Given the absence of cointegration and the mixed integration order, the study proceeds with a VAR model to examine short-run dynamic relationships between the fiscal indicators and the Gini coefficient. The VAR framework is appropriate for analyzing how the current value of each variable is influenced by its own lags and the lags of other variables in the system.

The VAR model is specified as:

$$LGCO_t = \alpha + \sum \beta_1(LTG_{t-i}) + \sum \beta_2(LPG_{t-i}) + \sum \beta_3(LCXG_{t-i}) + \varepsilon_t$$

Where: $LGCO_t$ = Log of Gini coefficient ,

LTG = Log of Tax-to-GDP ratio ,

LPG_t = Log of Public debt-to-GDP ratio,

$LCXG_t$ = log of Capital expenditure-to-GDP ratio

ε_t = error term

i = 1 year lag period

Estimate Results and Discussion

The descriptive result shows the mean values of LGCO, LTG, LCXG, and LPG were, respectively, 1.603532, 1.526465, 1.711361, and 2.547972. The measures of dispersion considered how widely spread the dataset was from their mean values. The measures of dispersion considered in this study were the minimum value, the maximum value and the standard deviation. However, the maximum values are 1.726727, 3.444948, 3.403660 and 4.516870 for LGCO, LTG, LCXG, and LPG respectively. The standard deviation measures how far the observations are from their sampled averages. The normality test measures whether the data set is normally distributed or otherwise. The measures of normality considered by this study were skewness and kurtosis. Skewness measured the degree of asymmetry of the series. From the E-view result, we have the skewness of 0.698948, -0.065937, -0.147926 and -0.054999, respectively, for LGCO, LTG, LCXG, and LPG. However, LGCO have positive value, implying that they have a long right tail. While LTG, LCXG, and LPG have negative values, implying that they have a long-left tail. From the result, the kurtosis values of 2.427574, 1.509492, 1.412380, and 1.712293, respectively, for LGCO, LTG, LCXG, and LPG. However, LGCO, LTG, LCXG, and LPG were less than the three required for normal distribution. It was not too far.

Table 1 Descriptive statistics**Descriptive analysis of raw data**

	LGCO	LTG	LCXG	LPG
Mean	1.603532	1.526465	1.711361	2.547972
Median	1.597695	1.624845	2.006249	2.620435
Maximum	1.726727	3.444948	3.403660	4.516870
Minimum	1.506505	-0.533504	-0.564294	0.375447
Std. Dev.	0.064907	1.325340	1.339349	1.220240
Skewness	0.698948	-0.065937	-0.147926	-0.054999
Kurtosis	2.427574	1.509492	1.412380	1.712293
Jarque-Bera	4.088199	4.011548	4.672783	2.992601
Probability	0.129497	0.134556	0.096676	0.223957
Sum	68.95188	65.63801	73.58854	109.5628
Sum Sq. Dev.	0.176941	73.77414	75.34193	62.53735
Observations	43	43	43	43

Source: E-views Output

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The Jarque-Bera (JB) test measures the difference of the skewness and kurtosis of the series with those from the normal distribution. Given the result above, the JB values of 4.088199, 4.011548, 4.672783 and 2.992601 with their respective p-values of 0.129497,

0.134556, 0.096676 and 0.223957 respectively for LGCO, LTG, LCXG, and LPG. LGCO, LTG, LCXG, and LPG have p-values greater than 0.05, meaning that they meet the normality assumption and confirmed the normality of the model.

Table 2: LLC Unit Root Test Result

Variable	Stationarity	Statistic	Prob	order
LGCO	1 st Difference	-5.789457	0.0001	1(1)
LTG	1 st Difference	-8.467951	0.0000	1(1)
LCXG	1 st Difference	-7.653162	0.0000	1(1)
LPG	Level	-3.445552	0.0529	1(0)

Source: E-views Output

The results from Table 2 show that all three variables (LGCO, LTG, LCXG) are stationary at 1st Difference and LPG at level. Since the unit root test results for the series have mixed order. We went ahead with co-integration test.

Table 3: co-integration test

Trace Statistic	0.05 Critical Value	Prob
53.34642	63.87610	0.2781
30.23858	42.91525	0.4882
18.32872	25.87211	0.3223
7.858440	12.51798	0.2635

Source: E-views Output

From the results in Table 3, the probability values are all greater 0.05, showing there is no cointegration of data for the series. This means that there is no long run relationship between tax burden distribution and income inequality.

Table 4 Vector Auto Regression (VAR)

VAR Variable	Coefficient	Probability	Statistic	Value
LGCO (C1)	0.985734	0.0000	R ²	0.879316
LPG (C2)	-0.0066711	0.6538	R ² Adjusted	0.866269
LTG (C4)	-0.216982	0.0000	Fisher Statistic	67.39660
LCXG (C4)	0.146603	0.0000	F Probability	0.020191
Constant (C5)	-1.606619	0.0521	DW	2.026899

Source: E-views Output

The Durbin Watson statistics ensures that the residuals of data do not affect each other to cause the problem of auto-correlation. This model exhibit low risk of potential autocorrelation problem as the model shows a DW statistics below 2.5.

For model fitness, the R² value is used to establish the level of overall fluctuation the study independent variables (LTG, LCXG, and LPG) can collectively cause LGCO as the dependent variable to change. The R square value of 0.879316 shows that LTG, LCXG, and LPG cause LGCO of Nigeria to fluctuate at approximately 87.9%; this means that 12.1% fluctuation of income inequality in Nigeria is caused by other factors not considered in this study. The R² adjusted value of 0.866269 revealed shows that, there will be a 0.013 (0.8793 – 0.8663) variation from the sampled result of R square if the other omitted factors are considered. The F-statistics of 5.584575 is found to be significant at 5% level (P = 0.000003 < 0.05). This indicates the joint statistical significance of the model and that the independent variables used in the model are properly fitted.

Test of Hypothesis

H01: Tax to Gross Domestic Product (LTG) does not significantly affect Gini coefficient in Nigeria. The t-statistics value of the tax to Gross Domestic Product -13.97214. With a p-value of 0.0000, tax to Gross Domestic Product is statistically significant at the 5% level. The research failed to accept the null hypothesis and concluded that the Tax to Gross Domestic Product has a significant effect on Gini coefficient in Nigeria.

H02: Public debt to Gross Domestic Product (LPG) does not significantly affect Gini coefficient in Nigeria.

The t-statistics value of Public debt to Gross Domestic Product -0.449339. With a p-value of 0.6538, the Gross Domestic Product is statistically significant at the 5% level. The research accepts the null hypothesis and concluded that Public debt to Gross Domestic Product has no significant effect on Gini coefficient in Nigeria.

H03: Capital Expenditure to Gross Domestic Product (LCXG) does not significantly affect Gini coefficient in Nigeria.

The t-statistics value of the Capital Expenditure to Gross Domestic Product 6.890173. With a p-value of 0.0000, Capital Expenditure to Gross Domestic Product is statistically significant at the 5% level. The research failed to accept the null hypothesis and concluded that Capital Expenditure to Gross Domestic Product has a significant effect on Gini coefficient in Nigeria.

Discussion of findings

Results reported the t-statistics for the Tax to Gross Domestic Product (LTG) of -13.97214. It was found that it is significant at the 5% level. This is consistent with the a priori expectation for the study that Tax to Gross Domestic Product (LTG) negatively affects the gini coefficient of Nigeria. The finding for significant effect contrasts with Orji et al. (2019) that found that fiscal policy has had an insignificant effect on reducing inequality due to poor targeting and leakages. This result notwithstanding, it should be noted that the long period coverage of the data (1981-2023) collected for the present study and the rigorous data screening/pre-estimation tests, as well as the robust methodology adopted in estimating the model parameters for the present study, offer unique credence to the findings made.

Again the t-statistic for public debt to GDP (LPG) of -0.449339 and found that it is not significant at a 5% probability level, indicating that LPG does not significantly influence LGCO though Positive. The reported positive association, however, accords with the a priori expectation for the present study that higher or excessive debt will increase inequality. This contrasts with Afolabi (2022) that when debt is used to finance recurrent expenditures rather than capital projects, its redistributive potential is significantly undermined. The present work has merit over others being based on a more updated data set spanning over a long period of 43years (1981 -2023).

In evaluating the relationship between capital expenditure and Gini coefficient, the t-statistic is indicated to be 6.890173 and found to be statistically significant at a 5% level, leading to the conclusion that Capital Expenditure to Gross Domestic Product has a significant effect on Gini coefficient in Nigeria. Uchenna & Azubike, (2020) agreed with findings by emphasizing the role of capital expenditure in promoting equitable growth and reducing structural inequality.

Conclusions and Recommendations

This study has critically examined the relationship between fiscal policy and social inequality in Nigeria. The findings indicate that while the tax-to-GDP ratio and capital expenditure-to-GDP ratio significantly influence income inequality, the public debt-to-GDP ratio does not show a statistically significant effect. Despite the theoretical foundation of equity in taxation and fiscal justice, Nigeria's fiscal framework fails to deliver equitable outcomes, mainly due to weak revenue mobilization, inefficient public spending, and fiscal indiscipline. Therefore, achieving meaningful socio-economic transformation and inclusive development in Nigeria necessitates urgent and strategic fiscal reforms.

The results of the study also suggest that the present fiscal factors have a major impact on the financial results of Nigerian SMEs and entrepreneurs. The current tax system, which mostly relies on regressive indirect taxes, puts SMEs under more financial duress and prevents them from formalizing and growing. On the other hand, increased capital investment in healthcare, education, and infrastructure can foster a more supportive atmosphere that lowers operating expenses and boosts SMEs' productivity. Even while public debt currently has little effect on inequality, careful debt management is essential to protecting the future business climate from financial instability that can harm SMEs. To promote equitable economic growth, SME-friendly tax laws and wise capital expenditures should thus be given top priority in fiscal reforms.

The government should restructure the tax system to reduce its reliance on regressive indirect taxes like VAT and broaden the base of direct taxes such as personal and corporate income taxes. This involves enhancing tax compliance, formalizing the informal sector, and leveraging technology for efficient tax administration. A progressive tax system aligned with the "ability to pay" principle will better support wealth redistribution and reduce income inequality.

Fiscal spending should be reoriented from recurrent expenditures towards capital investments, especially in education, healthcare, and infrastructure. These sectors have high multiplier effects on poverty reduction and inclusive growth. Budget execution should be strengthened through performance-based budgeting and transparent monitoring systems to ensure that capital projects are effectively delivered and have real social impact.

Although public debt was not found to significantly influence inequality in the short term, its long-term implications warrant concern. The government must improve the transparency of debt utilization and ensure that borrowed funds are channeled into productivity-enhancing projects. Implementing a robust fiscal responsibility framework and engaging in debt sustainability assessments can help prevent debt from becoming a burden that exacerbates inequality in the future.

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