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TAX REVENUE MOBILIZATION AND SUSTAINABLE DEVELOPMENT IN NIGERIA

By

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Abstract

This study examined the effect of tax revenue mobilization on sustainable development in Nigeria proxied by the Sustainable Development Expenditure Ratio. The study adopted a quantitative research design using ex-post facto methodology and relied on secondary annual time-series data spanning 1994 to 2025. Data were sourced from the Central Bank of Nigeria Statistical Bulletin, Annual Reports, and the World Development Indicators. The Auto regressive Distributed Lag model was employed to estimate both short-run and long-run relationships among mixed-order integrated variables. The study revealed that Value Added Tax, Customs and Excise Duties, Petroleum Profit Tax, and Capital Gains Tax had significant positive effects on Sustainable Development Expenditure Ratio in both the short-run and long-run periods. Conversely, Company Income Tax (both the short run and long run, Stamp Duties Tax, and Personal Income Tax had no statistically significant effect on Sustainable Development Expenditure Ratio across both time horizons. The significant negative coefficient of the error correction term confirmed a stable long-run equilibrium, indicating that short-term deviations in tax revenue components adjust rapidly toward steady-state Sustainable Development Expenditure Ratio. The study concluded that tax revenue mobilization has a mixed but generally positive effect on sustainable development in Nigeria, with only selected tax components effectively contributing to development expenditure. The study recommended improved tax administration, enhanced compliance mechanisms, and strengthened fiscal governance to maximize the developmental impact of tax revenue. The study has contributed to knowledge by providing empirical evidence on the heterogeneous effects of tax revenue components on sustainable development expenditure in Nigeria and offers policy-relevant insights for fiscal sustainability.

Keywords: *Revenue mobilization, Company Income Tax, Value Added Tax, Customs and Excise Duties, Petroleum Profit Tax, Capital Gains Tax, Stamp Duties Tax, Personal Income Tax and Sustainable Development Expenditure Ratio*

1. Introduction

Tax revenue mobilization has become a vital mechanism for financing sustainable development globally. Governments depend on taxation to fund public goods, social services, infrastructure, and development programmes necessary for economic and social progress (Abdul & Mominur, 2022). Unlike external borrowing and aid, tax revenue provides a more stable source of domestic financing for achieving sustainable development goals (Salaudeen, 2024; Uwejeyan, et al, 2025). Effective tax systems, including corporate income tax, personal income tax, value added tax, and other revenue instruments, enable governments to invest in education, healthcare, environmental protection, and infrastructure (Idebi et al., 2024; Adegbie et al., 2025). Therefore, strong tax revenue mobilization remains essential for sustainable development outcomes (Ajeigbe et al., 2023). In Africa, taxation plays a crucial role in addressing fiscal limitations and financing development activities. However, many African countries experience low tax revenue generation due to challenges such as large informal sectors, weak tax administration, and tax evasion (Abdul & Mominur, 2022). Despite these constraints, improved tax collection has been associated with better government capacity to finance poverty reduction, infrastructure, and social welfare programmes (Ajeigbe et al., 2023). Strengthening tax policy

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frameworks and improving compliance across corporate income tax, personal income tax, value added tax, and customs duties are therefore important for improving sustainable development outcomes (Salaudeen, 2024).

Nigeria provides an important context for examining the relationship between tax revenue mobilization and sustainable development because of its persistent development challenges and dependence on oil revenue. Declining petroleum income and fluctuations in global oil prices have increased the need to diversify government revenue sources through taxation (Ezejiofor & Nwakoby, 2023). Major tax components, including Company Income Tax (CIT), Value Added Tax (VAT), Customs and Excise Duties (CED), Petroleum Profit Tax (PPT), Capital Gains Tax (CGT), Stamp Duties Tax (SDT), and Personal Income Tax (PIT), represent important sources of revenue for financing infrastructure, healthcare, education, and environmental programmes. However, Nigeria's low tax-to-GDP ratio indicates significant potential for improving domestic revenue mobilization (Adelusi et al., 2025). Company Income Tax (CIT) contributes substantially to government fiscal capacity by providing revenue from corporate profits for development expenditure (Idebi et al., 2024). Similarly, Personal Income Tax (PIT) supports state-level revenue generation and funds public services such as education, healthcare, and social welfare (Nwankpa & Anaba, 2024. Strengthening PIT administration through improved compliance, digital systems, and simplified tax processes can expand Nigeria's domestic revenue base (Adelusi, et al., 2026). Value Added Tax (VAT), customs and excise duties, and petroleum-related taxes also contribute significantly to government revenue. VAT provides a stable source of funding for infrastructure and social services, while customs and excise duties support revenue generation from trade and manufacturing activities (Olubunmi et al., 2025). Petroleum Profit Tax, Capital Gains Tax, and Stamp Duties Tax further strengthen revenue mobilization and influence government capacity to finance development programmes (Abdulrahman & Yusuf, 2025).

Despite the importance of these tax instruments, Nigeria continues to face challenges including weak tax administration, corruption, tax evasion, poor compliance, and inefficient public expenditure management. These challenges limit the contribution of tax revenue to sustainable development outcomes (Ubali et al., 2024). Improving institutional frameworks, expanding the tax base, enhancing compliance, and promoting transparency in public expenditure are necessary to maximize the developmental impact of taxation. Existing studies have largely focused on tax revenue and economic growth rather than sustainable development expenditure specifically (Bakare et al., 2024). Many studies have also examined limited tax components, leaving gaps regarding the combined effects of CIT, VAT, CED, PPT, CGT, SDT, and PIT (Duo-Duo, 2024; Ogbonna et al., 2024). Furthermore, empirical findings remain inconsistent, indicating the need for techniques that capture both short-run and long-run relationships. The Autoregressive Distributed Lag (ARDL) approach is appropriate because it accommodates mixed integration orders and estimates short-run adjustments and long-run effects (Ogbonna et al., 2024).

Therefore, this study examined the effects of tax revenue mobilization on sustainable development in Nigeria by assessing the specific influence of CIT, VAT, CED, PPT, CGT, SDT, and PIT on Sustainable Development Expenditure Ratio (SDER) in Nigeria. Specifically, the study addressed the following questions: to what extent does CIT, VAT, CED, PPT, CGT, SDT, and PIT affects SDER in Nigeria.

2. Review of Related Literature

2.1 **Tax Revenue Mobilization**

Tax revenue mobilization in Nigeria is recognized as a key mechanism for financing government expenditure and promoting economic development. It involves generating revenue from taxes imposed on individuals and corporate entities to fund public goods and services (Asema et al., 2024). With declining oil revenue, taxation has become increasingly important for financing infrastructure, social services, and economic growth (Igwe & Ugwuanyi, 2024). Effective tax administration enhances government capacity to provide essential services and strengthens fiscal stability while reducing dependence on external borrowing (Asema et al., 2024; Agi et al., 2024). However, tax revenue mobilization in Nigeria is constrained by weak administration, corruption, tax evasion, and a large informal sector.

Extant Studies emphasize that improved tax policies, compliance mechanisms, electronic tax systems, and institutional reforms are necessary for expanding the tax base and reducing revenue leakages (Azubuike et al., 2024). Furthermore, revenues from company income tax, value added tax, customs and excise duties, and petroleum profit tax contribute significantly to government fiscal capacity and development financing. Strengthening tax compliance, improving institutional efficiency, and implementing effective reforms remain essential for enhancing sustainable economic development in Nigeria (Agi et al., 2024).

2.2 Sustainable Development

Sustainable development is conceptualized as an approach that balances economic growth, social inclusion, and environmental protection while preserving resources for future generations. In Nigeria, recent studies have expanded the concept beyond environmental concerns to include governance, poverty reduction, energy security, and institutional reforms. Scholars emphasized that sustainable development depends on environmental stewardship, social equity, accountable regulation, long-term planning, and responsible resource management (Omoijuanfo et al., 2024). Recent literature also highlighted the importance of renewable energy, climate resilience, climate finance, and inclusive growth in achieving sustainability across Africa (Effoduh, 2024).The Sustainable Development Expenditure Ratio (SDER) measures the proportion of government expenditure directed toward sustainable development-related activities, including social welfare, environmental protection, and infrastructure. It serves as an indicator of fiscal commitment

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to sustainable development goals (SDGs) (Akpan et al., 2023).

2.3 Theoretical Review

This study is anchored on the benefit received theory of taxation. The Benefit Received Theory, developed by Wicksell (1896) and Lindahl (1919), posits that taxpayers should contribute to government revenue according to the benefits derived from public goods and services. In this study, the theory explains the relationship between tax revenue components (CIT, VAT, CED, PPT, CGT, SDT, and PIT) and sustainable development expenditure ratio (SDER). Efficient and transparent tax utilization enhances government capacity to finance infrastructure, healthcare, and education (Omodero, 2022).

The theory highlights that taxpayer compliance improves when citizens perceive tangible benefits from public spending. However, governance challenges limit its effectiveness in Nigeria (Lawal et al., 2021). Improved transparency, digital tax administration, and accountability can strengthen the link between taxation and sustainable development (Adejumo & Afolabi, 2024). The relevance of the benefit received theory lay in its ability to explain the connection between taxation and public service delivery, particularly in developing economies like Nigeria. It provided a framework for understanding how improved tax compliance, including compliance with Personal Income Tax (PIT), could be achieved through visible and equitable distribution of public goods. By emphasizing fairness and accountability, the theory supported policies that strengthened trust between taxpayers and government, thereby promoting efficient revenue mobilization and sustainable allocation of resources toward development priorities. In this study, the theory was relevant because it explained how tax components such as CIT, VAT, CED, PPT, CGT, SDT, and PIT could influence SDER when the revenue generated from these sources was effectively applied to development-related expenditure.

2.4 Empirical Review

Igube and Okafor (2025) examined the effect of federal taxes on economic growth in Nigeria following an *ex post facto* design with secondary data from 1995 to 2024. Applying ARDL and descriptive statistics, the study found limited short-run effects of taxation on GDP and concluded that improved tax administration is essential beyond revenue expansion. Amusan and Ojemuyide (2025) investigated the influence of the 2019 Finance Act on tax revenue and economic growth using quarterly data from 2016 to 2023. Employing DOLS, FMOLS, and other econometric techniques, the study revealed that tax reforms strengthened the positive relationship between taxation and GDP, recommending broader tax bases and technology-driven administration.

Onukelobi, et al (2025) assessed tax effects on economic growth from 2004 to 2024 using OLS regression. Findings showed mixed effects, with VAT and CIT negatively related to growth while CED had a positive influence, suggesting the need for targeted tax reforms. Nsentip, et al (2025) examined CGT and CED effects on GDP using ARDL analysis. Results indicated that CGT positively influenced long-run growth, while CED had no significant long-run effect, emphasizing the importance of strengthening capital gains tax enforcement. Obentey, et al (2025) investigated PPT effects on GDP and capital formation using ARDL and Error Correction Model with data from 1995 to 2024. Findings showed positive short-run effects, indicating that petroleum tax revenue can support development when efficiently allocated.

Amuche (2025) analyzed PPT, GDP, monetary policy, and inflation from 1985 to 2023 using ECM. The study found that PPT had a positive but insignificant effect on GDP, recommending effective utilization of petroleum tax revenue. Onoh, et al (2025) examined VAT on imports, exports, and non-oil revenue from 2015 to 2024 using OLS regression. Findings revealed significant positive effects on GDP, highlighting the importance of sustainable VAT administration and expansion of the non-oil tax base.

Olagunju, et al (2025) investigated the effect of personal income tax on internally generated revenue in Osun State using primary data from 357 respondents and regression analysis. Findings showed that personal income tax, particularly PAYE and direct assessment, significantly improved state revenue generation. The study recommended stronger compliance mechanisms and efficient tax administration. Collins and Essien (2024) examined tax revenue, education expenditure, and health expenditure effects on economic development in Nigeria using secondary data from 1990 to 2022. Findings revealed that tax revenue positively influenced economic development, especially GDP, and recommended increased allocation of tax proceeds to productive sectors.

3. Research Methodology

This study adopted the quantitative and ex post *facto* in design and used secondary data to examine the effect of tax revenue mobilization on sustainable development in Nigeria from 1994 to 2025. A census population was adopted because the population was finite and consisted of 32 annual observations ensuring a comprehensive coverage of fiscal changes, tax reforms, and economic transitions. Data were obtained from secondary sources, including Central Bank of Nigeria (CBN) Annual Reports, CBN Statistical Bulletins, and World Development Indicators. The study employed the Autoregressive Distributed Lag (ARDL) model to accommodate variables integrated at I(0) and I(1) and to estimate both short-run and long-run relationships.

Data analysis involved descriptive statistics, correlation analysis, Variance Inflation Factor (VIF) testing, serial correlation tests, heteroskedasticity tests, and Augmented Dickey-Fuller (ADF) unit root tests. Descriptive statistics summarized data distribution, while correlation analysis examined variable relationships and potential multicollinearity. VIF values were assessed to ensure reliable coefficient estimates. The Breusch-Godfrey Serial Correlation

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LM test was used to detect residual autocorrelation, while the Breusch-Pagan-Godfrey test examined heteroskedasticity.

The ADF test determined variable stationarity, with the ARDL approach requiring that no variable was integrated beyond order I(1). The ARDL bounds testing technique was then applied to establish long-run relationships among tax revenue components and sustainable development expenditure. Cointegration was confirmed where the calculated F-statistic exceeded the upper critical bound. Following confirmation of cointegration, long-run ARDL coefficients and the error correction term (ECT) were estimated. A negative and significant ECT indicated adjustment toward long-run equilibrium after short-run deviations. The econometric model was adapted from Igube and Okafor (2025) and Nsentip et al. (2025), specifying sustainable development expenditure as a function of CIT, VAT, CED, PPT, CGT, SDT, and PIT. The framework captured both short-run and long-run effects of tax revenue mobilization on sustainable development expenditure in Nigeria.

The functional model could be represented as:

$SDER_t = f(CIT_t, VAT_t, CED_t, PPT_t, CGT_t, SDT_t, PIT_t)$ …. *Eqn 3.1*

The long-run ARDL model will take the form:

$$SDERt = \partial_0 + \partial_1 CIT_t + \partial_2 VATt + \partial_3 CED_t + \partial_4 PPT_t + \partial_5 CGT_t + \partial_6 SDT_t + \partial_7 PIT_t + \epsilon_t \quad .. \text{ Eqn } 3.2$$

Where a_0 is the intercept term, a_1 to a_7 are the long-run coefficients capturing the elasticity of SDER with respect to each tax revenue component, and ϵ_t is the stochastic error term capturing unobserved factors. This long-run model provided insights into how changes in tax revenue mobilization influenced sustainable development expenditure over the period under study. To capture the short-run dynamics, the study employed the error correction representation of the ARDL model. This specification allowed the investigation of immediate adjustments in SDER in response to changes in tax revenue components, while simultaneously accounting for deviations from long-run equilibrium, and was specified as:

$$lnSDER = \partial_0 + \partial_1 lnSDER + \partial_2 lnCIT_{t-1} + \partial_3 lnVAT_{t-1} + \partial_4 lnCED_{t-1} + \partial_5 lnPPT_{t-1} + \partial_6 lnCGT_{t-1} + \partial_7 lnSDT_{t-1} + \partial_8 lnPIT_{t-1} + \sum_{i=1}^{k} \gamma_1\, i\Delta lnSDER_{t-1} + \sum_{i=1}^{k} \gamma_2\, i\Delta lnCIT_{t-1} + \sum_{i=1}^{k} \gamma_3\, i\Delta lnVAT_{t-1} + \sum_{i=1}^{k} \gamma_4\, i\Delta lnCED_{t-1} + \sum_{i=1}^{k} \gamma_5\, i\Delta lnPPT_{t-1} + \sum_{i=1}^{k} \gamma_6\, i\Delta lnCGT_{t-1} + \sum_{i=1}^{k} \gamma_7\, i\Delta lnSDT_{t-1} + \sum_{i=1}^{k} \gamma_8\, i\Delta lnPIT_{t-1} \text{ ---------- Eqn 3.3}$$

The equation expresses the relationship between SDER (in natural logarithm form) and its own past values alongside several tax-related variables, also expressed in logarithmic form. The term ∂_0 represents the constant, capturing the baseline level of SDER when all explanatory variables are held constant. The coefficient ∂_1 ln SDER reflects the persistence effect, indicating how past values of SDER influence its current level. The co-integrating long-run relationship will be estimated using the specification below:

$$\Delta lnSDER = \partial_0 + \partial_1 lnSDER_{t-1} + \partial_2 lnCIT_{t-1} + \partial_3 lnVAT_{t-1} + \partial_4 lnCED_{t-1} + \partial_5 lnPPT_{t-1} + \partial_6 lnCGT_{t-1} + \partial_7 lnSDT_{t-1} + \partial_8 lnPIT_{t-1} + \varepsilon_t \text{ ……. Eqn 3.4.}$$

The equation expresses the relationship between the change in SDER (in natural logarithm form) and the lagged levels of SDER and various tax-related variables. The dependent variable, ΔlnSDER, represents the short-term change in SDER, meaning the model is focused on how SDER adjusts over time rather than its absolute level. The term ∂_0 is the constant, capturing the baseline change in SDER when all explanatory variables are held constant. The coefficient ∂_1 $lnSDER_{t-1}$ reflects the effect of the previous period level of SDER on its current change. The coefficients ∂_2 to ∂_8 represent the effects of the lagged levels of the tax variables on the change in SDER. The short-run dynamic model is specify thus:

$$\Delta lnSDER = \sum_{i=1}^{k} \gamma_1\, i\Delta lnSDER_{t-1} + \sum_{i=1}^{k} \gamma_2\, i\Delta lnCIT_{t-1} + \sum_{i=1}^{k} \gamma_3\, i\Delta lnVAT_{t-1} + \sum_{i=1}^{k} \gamma_4\, i\Delta lnCED_{t-1} + \sum_{i=1}^{k} \gamma_5\, i\Delta lnPPT_{t-1} + \sum_{i=1}^{k} \gamma_6\, i\Delta lnCGT_{t-1} + \sum_{i=1}^{k} \gamma_7\, i\Delta lnSDT_{t-1} + \sum_{i=1}^{k} \gamma_8\, i\Delta lnPIT_{t-1} + \varepsilon c_t \text{ ---------- Eqn 3.5}$$

The equation expresses how changes in SDER (in natural logarithm form) are influenced by past changes in itself and past changes in various tax-related variables over multiple periods. The dependent variable, ΔlnSDER, represents the short-term change in SDER, indicating that the focus is on fluctuations or adjustments in SDER rather than its absolute level. The first summation term, $\sum(i=1 \text{ to } k)\ \gamma_{1i}\ \Delta lnSDER_{t-i}$, captures the effect of past changes in SDER on its current change. This reflects the dynamic adjustment process, where previous increases or decreases in SDER may continue to influence its current movement. A positive coefficient suggests momentum (past increases lead to further increases), while a negative coefficient indicates a corrective or stabilizing effect. The subsequent summation terms represent the effects of past changes in the tax variables on the current change in SDER. Specifically:

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$\sum(i=1 \text{ to } k)\ \gamma_{2i}\ \Delta\ln CIT_{t-i}$ reflects how past changes in company income tax affect SDER.
$\sum(i=1 \text{ to } k)\ \gamma_{3i}\ \Delta\ln VAT_{t-i}$ shows the impact of past changes in value added tax.
$\sum(i=1 \text{ to } k)\ \gamma_{4i}\ \Delta\ln CED_{t-i}$ represents the effect of customs and excise duties.
$\sum(i=1 \text{ to } k)\ \gamma_{5i}\ \Delta\ln PPT_{t-i}$ captures the influence of petroleum profit tax.
$\sum(i=1 \text{ to } k)\ \gamma_{6i}\ \Delta\ln CGT_{t-i}$ shows the impact of capital gains tax.
$\sum(i=1 \text{ to } k)\ \gamma_{7i}\ \Delta\ln SDT_{t-i}$ reflects the effect of stamp duties tax.
$\sum(i=1 \text{ to } k)\ \gamma_{8i}\ \Delta\ln PIT_{t-i}$ reflects the effect of personal income tax.

$\alpha_0, \alpha_1, \ldots, \alpha_7$ = long-run coefficients

Δ = first difference operator

ECT_{t-1} = error correction term

ϵ_t, μ_t = error terms

4. Results and Discussion

Data analysis was conducted to examine the relationships and long-run interactions between tax revenue mobilization and sustainable development expenditure in Nigeria using rigorous econometric techniques.

Table 4.1: Descriptive Statistics

	LOGSDER	LOGCIT	LOGVAT	LOGCED	LOGPPT	LOGCGT	LOGSDT	LOGPIT
Mean	1.203197	5.287888	5.168103	4.977633	5.570272	4.363592	4.270364	5.116338
Median	1.200726	5.271099	5.192909	4.946665	5.569589	4.371949	4.277701	5.125856
Maximum	1.390051	6.550917	6.414813	6.215357	6.725350	5.669992	5.601545	6.336013
Minimum	1.007321	4.091935	3.902738	3.719643	4.405588	3.081768	2.928073	3.850641
Std. Dev.	0.114859	0.729661	0.772420	0.766920	0.712251	0.783919	0.791608	0.768498
Skewness	0.040665	0.037308	0.012893	0.006968	0.006722	-0.001265	-0.011353	-0.034097
Kurtosis	1.886622	1.815702	1.773608	1.771402	1.783064	1.804686	1.797896	1.781859
Jarque-Bera	1.661634	1.877507	2.006269	2.012862	1.974820	1.905043	1.927425	1.984692
Probability	0.435693	0.391115	0.366728	0.365521	0.372540	0.385767	0.381474	0.370706
Sum	38.50232	169.2124	165.3793	159.2843	178.2487	139.6350	136.6516	163.7228
Sum Sq. Dev.	0.408968	16.50455	18.49563	18.23317	15.72633	19.05040	19.42594	18.30828
Observations	32	32	32	32	32	32	32	32

Source: Econometric Views Version 9.0 (2026)

Table 4.1 presents the descriptive statistics of the ARDL variables based on 32 observations. The mean values show variations among the variables, with SDER recording the lowest mean (1.2032) and PPT the highest (5.5703). The closeness of the mean and median values indicates the absence of significant outliers and relatively symmetrical distributions. SDER had the lowest standard deviation (0.1149), showing minimal volatility, while SDT recorded the highest variability (0.7916). Skewness values were close to zero, indicating approximate symmetry, while kurtosis values below 3 suggest platykurtic distributions. The Jarque-Bera probability values exceeded 0.05 for all variables, confirming normal distribution. Overall, the variables exhibited moderate variability, normal distribution, and suitability for ARDL estimation.

Table 4.2: Correlation Matrix

	LOGSDER	LOGCIT	LOGVAT	LOGCED	LOGPPT	LOGCGT	LOGSDT	LOGPIT
LOGSDER	1.000000							
LOGCIT	0.007079	1.000000						
LOGVAT	0.005457	0.398779	1.000000					
LOGCED	0.000328	0.399010	0.399149	1.000000				
LOGPPT	0.001220	0.398738	0.398819	0.398634	1.000000			
LOGCGT	0.011402	0.399168	0.398993	0.398827	0.399284	1.000000		
LOGSDT	-0.007096	0.398968	0.398990	0.398959	0.398672	0.399022	1.000000	
LOGPIT	-0.002598	0.398588	0.398838	0.398639	0.398886	0.398827	0.398860	1.000000

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Source: Econometric Views Version 9.0 (2026)

Table 4.2 presents the correlation matrix of the variables used in the ARDL model. The results show that SDER has very weak correlations with all explanatory variables, with coefficients close to zero, indicating limited linear relationships. The explanatory variables exhibit moderate positive correlations among themselves, with coefficients approximately around 0.399. The highest correlation was between PPT and CGT (0.3993), which is below the threshold for multicollinearity concerns. Therefore, the variables are related but not excessively correlated. The findings confirm the absence of serious multicollinearity problems, suggesting that all variables are suitable for inclusion in the ARDL estimation without risk of biased or unstable parameter estimates.

Table 4.3: Multi-Collinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LOGSDER(-1)	0.042301	131.3213	1.127771
LOGCIT	0.477896	190. 4784	6. 791601
LOGVAT	0.377835	149. 4557	2. 892304
LOGCED	0.428089	132. 3973	3. 821066
LOGPPT	0.519335	198. 5523	5. 993992
LOGCGT	0.361731	134. 4033	1. 316675
LOGSDT	0.308605	185. 2842	4. 847226
LOGPIT	0.449801	195. 3158	3. 626127
C	2.311212	135. 9127	NA

Source: Econometric Views Version 9.0 (2026)

Table 4.3 presents the Variance Inflation Factor (VIF) results for assessing multicollinearity among variables in the ARDL model. The centered VIF values ranged from 1.1278 to 6.7916, all below the critical threshold of 10, indicating no serious multicollinearity problem. SDER(-1) recorded the lowest VIF value (1.1278), while CIT had the highest (6.7916), though it remained within the acceptable limit. Other variables, including CGT, VAT, CED, PIT, SDT, and PPT, also showed moderate VIF values, confirming limited linear dependence among regressors. Although uncentered VIF values were relatively high, centered VIF values provided the appropriate basis for interpretation. Therefore, all variables were retained for ARDL estimation, as the absence of multicollinearity supports stable and reliable coefficient estimates.

Table 4.4: Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.770022	Prob. F(2,20)	0.1960
Obs*R-squared	4.661900	Prob. Chi-Square(2)	0.0972

Source: Econometric Views Version 9.0 (2026)

Table 4.4 presents the Breusch-Godfrey Serial Correlation LM Test results for detecting serial correlation in the ARDL model residuals. The test recorded an F-statistic of 1.7700 with a probability value of 0.1960, while the Obs*R-squared value was 4.6619 with a probability value of 0.0972. Since both probability values exceeded the 5% significance level, the null hypothesis of no serial correlation was not rejected. This indicates that the residuals are independently distributed over time and that autocorrelation is absent in the model. Therefore, the ARDL estimates are considered reliable, satisfying the serial correlation diagnostic requirement for valid statistical inference and policy analysis.

Table 4.5: Heteroskedasticity Test: Breusch-Pagan-Godfrey

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.554558	Prob. F(8,22)	0.8028
Obs*R-squared	5.202298	Prob. Chi-Square(8)	0.7358
Scaled explained SS	2.358107	Prob. Chi-Square(8)	0.9680

Source: Econometric Views Version 9.0 (2026)

Table 4.5 presents the Breusch-Pagan-Godfrey Heteroskedasticity Test results for examining the constancy of residual variance in the ARDL model. The test recorded an F-statistic of 0.5546 with a probability value of 0.8028, while the Obs*R-squared and Scaled Explained Sum of Squares statistics had probability values of 0.7358 and 0.9680, respectively. Since all probability values exceeded the 5% significance level, the null hypothesis of homoskedasticity was not rejected. This indicates that the residuals have constant variance and that the model does not suffer from heteroskedasticity. Therefore, the estimated standard errors and coefficient interpretations are reliable, confirming that the ARDL model satisfies the heteroskedasticity diagnostic requirement.

Table 4.6: Ramsey RESET Test

Ramsey RESET Test

Equation: UNTITLED

Specification: LOGSDER LOGSDER(-1) LOGCIT LOGVAT LOGCED LOGPPT LOGCGT LOGSDT LOGPIT C

Omitted Variables: Squares of fitted values

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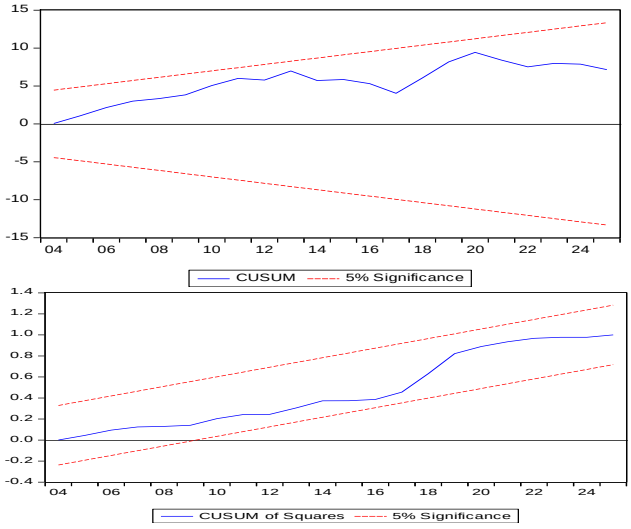
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	Value	Df	Probability
t-statistic	0.342310	21	0.7355
F-statistic	0.117176	(1, 21)	0.7355

Source: Econometric Views Version 9.0 (2026)

Table 4.6 presents the Ramsey Regression Specification Error Test (RESET) results for assessing the functional form and specification of the ARDL model. The test recorded a t-statistic of 0.3423 and an F-statistic of 0.1172, both with probability values of 0.7355. Since the probability values exceeded the 5% significance level, the null hypothesis of correct model specification was not rejected. This indicates that the model has no significant specification errors, omitted variable bias, or functional form problems. Therefore, the explanatory variables adequately capture variations in the dependent variable, and the estimated coefficients are considered reliable. The result confirms that the ARDL model is appropriately specified and satisfies an important diagnostic requirement for valid estimation.

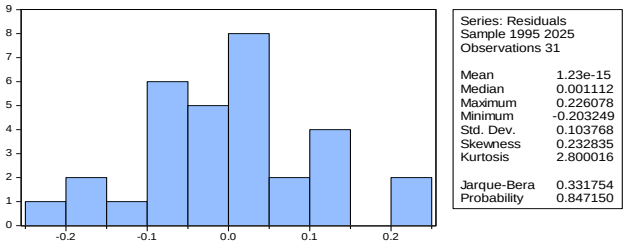
Fig. 4.1: Stability Tests (CUSUM and CUSUMSQ)



Source: Econometric Views Version 9.0 (2026)

Fig. 4.1 presents the CUSUM and CUSUMSQ stability test results used to assess the stability of the ARDL model parameters over the study period. The tests examine whether structural changes or instability exist in the estimated coefficients. The graphical results show that both CUSUM and CUSUMSQ plots remain within the 5% critical bounds throughout the period. Therefore, the null hypothesis of parameter stability cannot be rejected. This indicates that the model coefficients are stable over time and that no significant structural breaks affected the relationship among the variables. The result confirms that the ARDL model provides consistent and reliable short-run and long-run estimates, making it suitable for forecasting, policy analysis, and empirical inference.

Fig. 4.2: Jarque-Bera Probability Test



Source: Econometric Views Version 9.0 (2026)

Fig. 4.2 presents the Jarque-Bera Probability Test results for examining the normality of the ARDL model residuals. The test determines whether the residuals are normally distributed, which is essential for reliable statistical inference. The result shows that the Jarque-Bera probability value exceeds the 5% significance level; therefore, the null hypothesis of normal distribution is not rejected. This indicates that the residuals are normally distributed and do not exhibit significant skewness or kurtosis problems. Consequently, the estimated coefficients, standard errors, and hypothesis tests are considered reliable. The result confirms that the ARDL model satisfies the normality assumption, supporting the validity and robustness of the estimated short-run and long-run relationships.

Table 4.7: Summary of ADF Test

ADF test at Levels				
Parameter	**ADF test statistic**	**Test critical value @ 5%**	**Prob.***	**Decision**
SDER	-5.881907	-2.960411	0.0000	Stationary
CIT	0.871525	-2.967767	0.9936	Non-stationary
VAT	-0.296705	-2.960411	0.9144	Non-stationary
CED	0.151090	-2.976263	0.9639	Non-stationary
PPT	-4.240457	-2.986225	0.0023	Stationary
CGT	-0.631676	-2.976263	0.8474	Non-stationary
SDT	0.114306	-2.96397	0.9616	Non-stationary
PIT	-0.812004	-2.963972	0.8012	Non-stationary
ADF test at Ist Difference				

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SDER	-5.273729	-2.976263	0.0002	Stationary
CIT	-8.530796	-2.963972	0.0000	Stationary
VAT	-8.597759	-2.963972	0.0000	Stationary
CED	-6.727449	-2.976263	0.0000	Stationary
PPT	-3.168590	-2.998064	0.0353	Stationary
CGT	-5.176108	-2.976263	0.0003	Stationary
SDT	-8.001854	-2.963972	0.0000	Stationary
PIT	-	-	0.0000	Stationary
	10.47397	2.953972		

Source: Econometric Views Version 9.0 (2026)

Table 9 presents the Augmented Dickey-Fuller (ADF) unit root test results for determining the stationarity properties of the ARDL variables. At level form, SDER and PPT were stationary, with probability values below 0.05, indicating integration of order zero [I(0)]. However, CIT, VAT, CED, CGT, SDT, and PIT were non-stationary at level. After first differencing, all non-stationary variables became stationary, indicating integration of order one [I(1)]. No variable was integrated beyond order two [I(2)]. The presence of mixed integration orders (I(0) and I(1)) satisfies the requirement for applying the ARDL approach. Therefore, the ADF results confirm the suitability of the ARDL model for estimating both short-run and long-run relationships among tax revenue components and sustainable development expenditure.

Table 4.8: ARDL Bound Test

ARDL Bounds Test

Date: 05/31/26 Time: 17:01

Sample: 1995 2025

Included observations: 31

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	4.929041	7

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10.0%	2.03	3.13
5.0%	2.32	3.5
2.5%	2.6	3.84
1.0%	2.96	4.26

Source: Econometric Views Version 9.0 (2026)

Table 4.8 presents the ARDL Bounds Test results for examining the existence of a long-run relationship among the model variables. The test produced an F-statistic value of 4.9290 with seven explanatory variables (k = 7). Since the calculated F-statistic exceeded the upper bound critical values at the 10%, 5 supports the estimation of long-run coefficients and the Error Correction Model (ECM) within the ARDL %, 2.5%, and 1% significance levels, the null hypothesis of no cointegration was rejected. This confirms the existence of a stable long-run equilibrium relationship among SDER, CIT, VAT, CED, PPT, CGT, SDT, and PIT. The result implies that although short-run variations may occur, the variables move together and converge toward long-run equilibrium. Therefore, the presence of cointegration framework.

Table 4.9: ARDL Cointegrating and Long Run Form Analysis

ARDL Cointegrating And Long Run Form

Dependent Variable: LOGSDER

Selected Model: ARDL(1, 0, 0, 0, 0, 0, 0, 0)

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Date: 05/31/26 Time: 17:01

Sample: 1994 2025

Included observations: 31

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGCIT)	0.090768	0.337861	0.268654	0.7899
D(LOGVAT)	0.626769	0.279473	2.242682	0.0209
D(LOGCED)	0.722402	0.331430	2.179652	0.0370
D(LOGPPT)	0.696162	0.287039	2.425322	0.0099
D(LOGCGT)	0.555801	0.249848	2.224557	0.0136
D(LOGSDT)	-0.053503	0.165754	-0.322782	0.7490
D(LOGPIT)	-0.060015	0.741486	-0.080939	0.9362
CointEq(-1)	-1.066957	0.205672	-5.187652	0.0000

Cointeq = LOGSDER - (-0.0658*LOGCIT + 1.0201*LOGVAT + 0.1655 *LOGCED + 0.6964*LOGPPT -1.4827*LOGCGT -0.1910*LOGSDT -0.0562*LOGPIT -0.8535)

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGCIT	0.091820	0.343585	0.267240	0.7910
LOGVAT	0.630557	0.294952	2.137829	0.0208
LOGCED	0.624979	0.234674	2.663180	0.0143
LOGPPT	0.799595	0.295125	3.148334	0.0017
LOGCGT	0.658766	0.253974	2.593832	0.0159
LOGSDT	-0.054123	0.167995	-0.322169	0.7494
LOGPIT	-0.056249	0.695982	-0.080820	0.9363
C	1.247712	0.328757	3.795246	0.0006

Source: Econometric Views Version 9.0 (2026)

Table 4.9 presents the ARDL co-integrated form and long-run coefficient estimates for the relationship between SDER and the selected fiscal variables. The model is specified as ARDL(1,0,0,0,0,0,0,0), indicating one lag of the dependent variable and zero lag for all explanatory variables. The results capture both the short-run dynamics through difference terms and the long-run equilibrium relationships through the estimated coefficients. The error correction term (Coint. Eq. (-1)) is negative and statistically significant at the 1 percent level with a coefficient of -1.0670 (p = 0.0000). This confirms the existence of a valid long-run equilibrium relationship among the variables. The magnitude of the coefficient implies that approximately 106.7 percent of short-run disequilibrium is corrected within one period, indicating a rapid adjustment speed toward long-run equilibrium.

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CIT had positive but statistically insignificant effects on SDER in both the short run (β = 0.0908, p = 0.7899) and long run (β = 0.0918, p = 0.7910); therefore, the null hypothesis was accepted. This indicates that CIT did not significantly influence sustainable development expenditure in Nigeria. The result suggests a weak link between corporate taxation and development outcomes, possibly due to inefficiencies in revenue allocation, tax administration challenges, or leakages. From the perspectives of the Benefit Received Theory, Ability-to-Pay Theory, and Fiscal Exchange Theory, the insignificant effect implies that CIT revenue may not have translated into visible development benefits. The finding aligns with Igube and Okafor (2025) and Amuche (2025), who reported limited CIT effects, although Oziegbe and Itua (2024) and Omodero (2020) found significant positive impacts under stronger institutional conditions.

VAT had a positive and statistically significant effect on SDER in both the short run (β = 0.6268, p = 0.0209) and long run (β = 0.6306, p = 0.0208); therefore, the null hypothesis was rejected. This indicates that VAT consistently contributed to sustainable development expenditure in Nigeria. The result supports the Benefit Received Theory, as VAT revenue appears to have been translated into public services that reflect taxpayer benefits. It also aligns with the Ability-to-Pay Theory, Fiscal Exchange Theory, and Endogenous Growth Theory by demonstrating how consumption-based taxation can expand fiscal capacity and support productive expenditure. The finding agrees with Onoh et al. (2025), Olatunji and Adegbite (2021), and Korolo and Korolo (2024), who reported positive VAT effects on development outcomes. However, it differs from Onukelobi et al. (2025), who found mixed VAT effects, suggesting the role of institutional efficiency.

CED had a positive and statistically significant effect on SDER in both the short run (β = 0.7224, p = 0.0370) and long run (β = 0.6250, p = 0.0143); therefore, the null hypothesis was rejected. This indicates that customs and excise duties significantly contributed to sustainable development expenditure in Nigeria. The finding supports the Benefit Received Theory, as trade-related tax revenues appear to have supported public goods and services. It also aligns with the Ability-to-Pay Theory, Fiscal Exchange Theory, and Endogenous Growth Theory by showing how effective customs administration can enhance fiscal capacity and development financing. The result agrees with Oziegbe and Itua (2024), Lawal et al. (2022), and Korolo and Korolo (2024), who found positive effects of CED on development outcomes. However, it differs from Nsentip et al. (2025), who reported insignificant long-run effects, suggesting that institutional effectiveness influences CED performance.

PPT had a positive and statistically significant effect on SDER in both the short run (β = 0.6962, p = 0.0099) and long run (β = 0.7996, p = 0.0017); therefore, the null hypothesis was rejected. This indicates that petroleum profit tax significantly contributed to sustainable development expenditure in Nigeria. The finding supports the Benefit Received Theory, as petroleum taxation represents public returns from natural resource exploitation. It also aligns with the Ability-to-Pay Theory, Fiscal Exchange Theory, and Endogenous Growth Theory by showing how petroleum revenues can enhance fiscal capacity and finance productive development projects. The result agrees with Obentey et al. (2025), Omodero (2020), and Lawal et al. (2022), who reported positive PPT effects on development outcomes. However, Amuche (2025) found an insignificant effect, suggesting that governance and expenditure efficiency influence PPT's developmental impact.

CGT had a positive and statistically significant effect on SDER in both the short run (β = 0.5558, p = 0.0136) and long run (β = 0.6588, p = 0.0159); therefore, the null hypothesis was rejected. This indicates that capital gains tax significantly contributed to sustainable development expenditure in Nigeria across both periods. The finding supports the Benefit Received Theory, as wealth generated from capital transactions is taxed and redirected toward public development. It also aligns with the Ability-to-Pay Theory, Fiscal Exchange Theory, and Endogenous Growth Theory by demonstrating how CGT can enhance government revenue capacity and support productive investment. The result agrees with Nsentip et al. (2025), who found positive long-run effects of CGT, although Onukelobi et al. (2025) reported mixed outcomes. Nwankwo et al. (2022) also noted its relevance despite weaker effects compared with other tax sources.

SDT had a negative and statistically insignificant effect on SDER in both the short run (β = -0.0535, p = 0.7490) and long run (β = -0.0541, p = 0.7494); therefore, the null hypothesis was accepted. This indicates that stamp duties tax did not significantly influence sustainable development expenditure in Nigeria. The finding suggests a weak connection between SDT revenue and development outcomes, possibly due to a narrow tax base, administrative limitations, or ineffective revenue utilization. The result provides limited support for the Benefit Received Theory, Ability-to-Pay Theory, Fiscal Exchange Theory, and Endogenous Growth Theory, as SDT did not demonstrate a meaningful contribution to public investment. The finding agrees with Omodero et al (2022) and Amuche (2025), who reported limited effects of smaller tax categories on development outcomes.

PIT had a negative and statistically insignificant effect on SDER in both the short run (β = -0.0600, p = 0.9362) and long run (β = -0.0562, p = 0.9363); therefore, the null hypothesis was accepted. This indicates that personal income tax did not significantly influence sustainable development expenditure in Nigeria. The finding suggests weak effectiveness of PIT due to possible challenges such as poor compliance, inefficient administration, and the dominance of informal economic activities. The result provides limited support for the Ability-to-Pay Theory, Fiscal Exchange Theory, Benefit Received Theory, and Endogenous Growth Theory, as PIT revenue did not significantly translate into development outcomes. The finding agrees with Igube and Okafor (2025), who reported limited tax effects on growth, but contrasts with

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Olagunju et al. (2025), who found significant PIT effects on internally generated revenue at the sub-national level.

5. Conclusion

The study concludes that tax revenue mobilization has a mixed effect on sustainable development expenditure in Nigeria. VAT, CED, PPT, and CGT demonstrated significant positive effects on sustainable development expenditure ratio in both the short and long run, indicating their important contributions to development financing. Conversely, CIT, SDT, and PIT had no significant effects, suggesting weak fiscal transmission mechanisms and limited developmental impacts. VAT emerged as a reliable source of sustainable development financing, while CED strengthened government revenue capacity. PPT maintained a strong positive influence, highlighting the importance of petroleum taxation in funding development activities. CGT also contributed significantly, reflecting the role of capital-related taxation. However, the insignificant effects of CIT, SDT, and PIT indicate challenges in translating these revenues into sustainable development expenditure during the study period.

5.1 Recommendations

Based on the findings, the study recommends that:

i. CIT administration should be strengthened through improved compliance monitoring and reduction of tax leakages to enhance its contribution to sustainable development.
ii. VAT systems should be further expanded and digitized to sustain and increase its positive impact on SDER.
iii. Customs and excise administration should be modernized to improve efficiency and maximize revenue contribution to development expenditure.
iv. Petroleum revenue management should be improved through transparency and accountability frameworks to sustain its strong contribution to SDER.
v. Capital gains tax enforcement should be strengthened to enhance its fiscal contribution to sustainable development.
vi. Stamp duties tax collection should be restructured and modernized to improve its effectiveness in revenue generation.
vii. Personal income tax compliance should be improved through tax education, automation, and enforcement to enhance its developmental impact.

5.2 Contribution to Knowledge

The study has contributed to knowledge by providing empirical evidence on the heterogeneous effects of tax revenue components on sustainable development expenditure in Nigeria and offers policy-relevant insights for fiscal sustainability in Nigeria.

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