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Tax Administration Policy, Fiscal Governance, and the Political Economy of the Nigerian State in the Fourth Republic

Olabisi Hakeem Olalekan
Department of Public Administration, School of Business and Communications Studies.
The Oke Ogun Polytechnic Saki .Oyo State.
hakeemolabisi1@gmail.com
Alawiye Abbas Rasaq
Department of General Studies, School of Business and Communications Studies.
The Oke Ogun Polytechnic Saki .Oyo State.
alawiyeabbas@gmail.com

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Abstract

This study examined the influence of tax administration policy on fiscal governance and the political economy of the Nigerian state during the Fourth Republic (1999 to date). The study was motivated by the growing importance of taxation as a sustainable source of public revenue amid declining dependence on oil income and increasing debates surrounding tax reforms and fiscal federalism in Nigeria. Anchored on the Political Economy Theory and Fiscal Federalism Theory, the study adopted a convergent parallel mixed-methods research design within the pragmatist research paradigm. Quantitative data were obtained from 400 respondents selected from Lagos and Osun States using a multistage sampling technique, while qualitative data were generated through in-depth interviews with 25 key informants comprising officials of the Federal Inland Revenue Service (FIRS), tax professionals, legislators, and civil society representatives. Data were analysed using descriptive statistics, Pearson Product Moment Correlation, multiple regression analysis, and thematic analysis. The findings revealed that tax administration reforms have significantly improved revenue mobilisation, enhanced taxpayer compliance, and strengthened fiscal governance through digitalisation and institutional reforms. The study also found a significant positive relationship between tax administration policy and the political economy of the Nigerian state ($r = 0.724$, $p < 0.001$). Regression results further indicated that tax administration efficiency, fiscal governance, and taxpayer compliance jointly explained 64.2% of the variation in the political economy of Nigeria ($R^2 = 0.642$, $p < 0.001$). Qualitative findings revealed that although digital tax administration has reduced operational inefficiencies and increased transparency, political interference, multiple taxation, corruption, and weak intergovernmental coordination continue to undermine the effectiveness of tax administration. The study concludes that effective tax administration extends beyond revenue generation and constitutes a critical instrument for strengthening fiscal governance, democratic accountability, and sustainable economic development. It recommends strengthening the institutional independence of tax authorities, harmonising tax administration across the three tiers of government, expanding digital tax systems, enhancing public accountability, and promoting inclusive stakeholder participation in future tax reforms to improve fiscal sustainability and political stability in Nigeria.

Keywords: Tax administration policy; Fiscal governance; Political economy; Tax reforms; Fiscal federalism; Nigeria's Fourth Republic; Revenue mobilisation.

Introduction

Across the world, the question of who controls resources and how revenues are taxed and distributed remains one of the most contested aspects of federal governance. From Canada's debates over provincial rights in oil-rich Alberta to India's fiscal tensions between the central government and its resource-producing states, federal systems grapple with balancing national unity and regional autonomy (Watts, 2008; Sharma, 2021). These tensions become more pronounced in resource-dependent economies, where the stakes are higher and the risks of inequality and instability more severe (Bahl & Bird, 2008). Nigeria, Africa's largest federation and a major oil producer, presents a particularly complex case. At the heart of Nigeria's federal crisis lies a long-standing struggle over who controls the country's wealth and who decides how it is taxed and distributed. This contest has deepened over time, shaped by colonial legacies, constitutional centralization, and persistent agitation from marginalized regions demanding fiscal justice and equitable resource control (Suberu, 2001; Watts, 2008).

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The survival and success of any federal system depend on the equitable and functional distribution of both resources and responsibilities among its constituent units. In theory, this distribution promotes the efficient use of scarce resources while minimizing regional disparities and enhancing national integration (Lambert, 2006). However, Nigeria's federalism continues to grapple with unresolved tensions over resource control and fiscal power, resulting in a structure where the federal government retains central authority over natural resources and key revenue sources, often to the detriment of subnational autonomy and local accountability (Ekpo, 2004; Suberu, 2001).

Historically, this imbalance has generated political controversy, with resource-producing states expressing grievances over federal dominance in both resource ownership and tax administration. Although the Constitution grants a 13% derivation to oil-producing states, the broader revenue-sharing formula remains skewed towards population size and equal state treatment, privileging non-producing but populous states (Ikeji, 2011). As a result, states that generate the bulk of national income such as Rivers, Lagos, and Deltareceive disproportionately smaller returns, despite bearing the environmental and infrastructural burden of resource extraction (Ibaba, 2005; Ojakorotu & Gilbert, 2010).

The politics of resource control in Nigeria is deeply embedded in the colonial legacy. The 1914 amalgamation of the Northern and Southern protectorates motivated by the British colonial administration's fiscal strategy to use Southern revenues to subsidize the North established the structural foundation for modern fiscal inequities (Obi, 2009; Ayoade, 1988). This north-south asymmetry persisted post-independence and was further consolidated during military rule, where centralization of fiscal powers became institutionalized, especially in the oil era (Suberu, 2001).

With the return to democracy in 1999, these tensions became more pronounced. The Niger Delta, emboldened by democratic freedoms, intensified its demands for greater resource control, drawing national and international attention to the inequities in revenue distribution (Orji & Jaja, 2010; Ikelegbe, 2005). Simultaneously, non-oil states began to insist on redistributive equity based on population and need, creating a zero-sum contest over revenue sharing within Nigeria's federal structure.

At the legal and institutional level, instruments such as the Petroleum Act (1969), the Land Use Act (1978), and the 1999 Constitution have entrenched federal ownership of natural resources. These laws vest mineral rights in the federal government and marginalize state and local authorities from decision-making and control over assets within their own territories (Sagay, 2001; Nwoke, 2012). Although policy attempts such as the Petroleum Industry Bill (PIB) and the Revenue Allocation Formula review have sought to redress these imbalances, they have been consistently undermined by political resistance and bureaucratic inertia (Ojo, 2014).

Compounding these issues is Nigeria's highly centralized tax administration system, which gives the Federal Inland Revenue Service (FIRS) extensive powers over tax collection and enforcement even in domains where states constitutionally have authority. The control of Value Added Tax (VAT) and excise duties by the federal government has led to legal disputes, particularly from economically dynamic states like Lagos and Rivers, which argue for tax devolution and fiscal federalism (Ola & Offiong, 2021; TheCable, 2021). These tensions expose a deeper contradiction: while states are constitutionally autonomous in many respects, their financial dependence on federally controlled revenue sources limits their real autonomy (Suberu, 2010).

The 2024 Tax Bill emerges as a critical inflection point in this long-standing debate. By proposing a reconfiguration of tax jurisdictions and a new revenue-sharing formula, the bill seeks to promote fiscal responsibility at the subnational level and address the historical disincentive for states to enhance their internal revenue capacity (PwC Nigeria, 2024). However, its path is riddled with challenges including elite resistance, institutional incapacity, overlapping tax jurisdictions, and broader global shifts such as the decline in hydrocarbon revenues. The International Monetary Fund (IMF, 2023) forecasts a 15% global decline in fossil fuel-related revenues by 2030, which adds urgency to Nigeria's fiscal reforms but also compounds the risks if reform fails.

Thus, the challenges of resource control and tax administration in Nigeria are not merely legal or technicalthey are deeply political. They reflect longstanding contests over power, identity, and legitimacy within the federation. This study seeks to interrogate these dynamics, with a focus on the political economy of fiscal centralization, the

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resistance to decentralization, and the implications for sustainable federalism in the Fourth Republic. By analyzing the institutional constraints and political strategies surrounding resource control and tax reform, the research aims to offer insights into the possibilities and limitations of achieving a more equitable and efficient fiscal federal order in Nigeria.

Literature Review

Conceptual review

Concept of Resource Allocation

Resource Allocation refers to the process by which available resources, such as money, land, labor, and capital, are distributed or assigned among different actors or areas in a society, organization, or economy. In the context of a federal system like Nigeria's, resource allocation primarily concerns the distribution of financial resources and natural wealth (such as oil, gas, and minerals) between different levels of government federal, state, and local governments as well as within and across various regions, sectors, and communities.In a federal state, the concept of resource allocation is crucial because it directly impacts governance, economic development, social equity, and political stability. The process often includes defining who controls and benefits from the resources and how these resources are utilized to meet the needs of the population. When resources are allocated effectively, they can stimulate growth, improve public services, reduce inequalities, and enhance national development. However, poor or unequal resource allocation can lead to economic disparities, political unrest, and societal tensions.

Lambert (2006) emphasizes the importance of resource allocation in ensuring the efficient distribution of resources across various levels of government in a federal system. He argues that effective allocation not only reduces inequality but also encourages the optimal use of scarce resources. However, he highlights the contentious nature of the resource allocation mechanism in many federal systems, particularly in resource-rich countries like Nigeria. Lambert notes that despite the significant allocations the central government receives from controlling natural resources, its failure to effectively invest these resources often exacerbates tensions, particularly along geopolitical lines.

Akinyemi (2012) views resource allocation as a fundamental aspect of the fiscal relationship between the federal and state governments in a country like Nigeria. He points out that resource allocation mechanisms should strive to balance efficiency, equity, and political considerations, particularly in resource-dependent states. Akinyemi stresses that the centralization of resource control, particularly over natural resources like oil, has led to increased political strife, especially in the Niger Delta region. In his analysis, he underscores the need for a more equitable allocation system that would help bridge the gap between different regions and mitigate political unrest. Ehinmowo (2018) brings another layer to the discussion by highlighting the interaction between state sovereignty and federal control in the resource allocation process. He asserts that in federal systems, the allocation of resources becomes a political tool for negotiating power among regions and ethnic groups. Ehinmowo critiques the centralization of resource control in Nigeria, arguing that it is a source of deep political divisions, particularly in resource-rich regions. He advocates for a restructuring of the allocation system to foster inter-regional cooperation and national unity.

Types of Resource Allocation:

1.**Horizontal Resource Allocation**: This type of allocation deals with how resources are distributed across different states, regions, or geographical zones in a country. In Nigeria, for example, this would refer to the distribution of revenue from oil, gas, and other natural resources among the 36 states and the Federal Capital Territory (FCT). It also includes the allocation of federal government funding to local governments within states.

2.**Vertical Resource Allocation**: This refers to the allocation of resources between different levels of government federal, state, and local governments. In Nigeria, for example, the federal government collects a significant portion of the country's resources (mainly from oil) and redistributes it to states and local governments through various fiscal mechanisms like the Federation Account.

Mechanisms of Resource Allocation:

In most federal systems, resource allocation is governed by formal mechanisms such as constitutions, legislation, and policies. In Nigeria, the allocation of resources is primarily guided by the Revenue Allocation Formula as determined by the Constitution and adjusted by the Revenue Mobilization Allocation and Fiscal Commission

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(RMAFC). This formula outlines the share of revenue that each tier of government is entitled to receive from the Federation Account.

Some key mechanisms involved in resource allocation include:

1.**The Derivation Principle**: A portion of the revenue generated from natural resources, particularly oil, is allocated to the region or state from where the resource is extracted. This is meant to ensure that resource-rich areas benefit directly from the wealth they generate, although there have been ongoing debates about the fairness and adequacy of this formula in Nigeria.

2.**Revenue Sharing Formula**: This is the agreed-upon proportion of revenue that each level of government receives. It involves complex negotiations and is influenced by political factors, economic interests, and regional considerations. The allocation typically aims to ensure that the federal government retains sufficient funds for national administration, while also distributing equitable shares to states and local governments for their respective responsibilities.

3.**Equalization and Redistribution**: Another important aspect of resource allocation is addressing disparities between richer and poorer regions or states. In federal systems, some regions may be wealthier due to their resource base (such as oil in the Niger Delta), while others are less endowed. To ensure fairness, redistribution mechanisms may be implemented to direct more resources to underdeveloped regions. In Nigeria, this is achieved through the federal government's intervention programs, such as the Ecological Fund, which supports environmental challenges in resource-poor regions.

Challenges in Resource Allocation:

The issue of resource allocation in a country with diverse political, economic, and social realities, such as Nigeria, is fraught with numerous challenges. These include:

1.**Political Rivalries and Tensions**: Resource allocation often becomes a political tool, as state and regional leaders lobby for a larger share of the revenue, driven by political interests and agendas. This can exacerbate regional tensions and undermine national cohesion. In Nigeria, for instance, political elites from oil-rich states have repeatedly demanded a greater share of the oil wealth, leading to friction with other states that feel marginalized.

2.**Economic Inequality**: Disparities in resource allocation can lead to stark differences in development levels between regions or states. In Nigeria, for example, while the oil-producing Niger Delta receives substantial revenue, other regions, especially in the northern parts of the country, have faced chronic underdevelopment, which fuels frustration and, at times, insecurity.

3.**Corruption and Mismanagement**: Another significant challenge in resource allocation is the issue of corruption. If resources are not properly managed or are misappropriated by those in power, the intended benefits of equitable allocation are often lost. This has been a long-standing issue in Nigeria, where mismanagement of public funds at both state and federal levels has hindered development.

4.**Dependence on a Single Resource**: In countries like Nigeria, where oil revenues constitute the majority of federal revenue, reliance on a single resource for financing government expenditures can be risky. Fluctuations in global oil prices or the depletion of oil reserves can lead to economic instability and threaten the sustainability of resource allocation mechanisms.

Taxation

Taxation plays a central role in public finance, enabling governments to generate revenue necessary for funding public goods and services. It is broadly defined as the system through which governments collect financial contributions from individuals and businesses. Scholars have extensively debated the implications of taxation, particularly its impact on economic growth, fairness, and social welfare. Musgrave and Musgrave (1989) define taxation primarily as a means to finance government activities, emphasizing its critical role in supporting public services that benefit all citizens. They argue that a well-structured tax system must balance two essential objectives: equity and efficiency. Equity ensures that the tax burden is distributed fairly among citizens, while efficiency aims to minimize any negative impact on economic behavior. This classical view of taxation highlights its dual role in securing government revenue and promoting a fair distribution of resources.

Slemrod and Bakija (2008) expand on this by exploring the relationship between taxation and economic behavior. They suggest that taxes do more than just raise revenue they also influence

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individuals' and businesses' decisions. For example, high taxes might discourage investment or innovation, while the risk of tax evasion could undermine the system's integrity. Their work stresses the importance of designing tax systems that minimize such negative outcomes, ensuring compliance while still achieving revenue goals. Rosen and Gayer (2014) focus on the efficiency aspect of taxation, emphasizing that taxes should ideally cause minimal disruptions to economic activities. They argue that excessive taxation, particularly through high rates or poorly designed systems, can reduce the incentives for economic productivity and innovation. Their perspective underscores the need for tax systems that are both progressive and efficient ensuring that wealthier individuals contribute more to the state without discouraging overall economic growth.

Boadway and Keen (2016) take a broader view by examining the global challenges facing tax systems in a world of increasing cross-border transactions and multinational corporations. They stress the importance of international tax reforms to prevent tax avoidance, highlighting the complexities introduced by globalization. Their work suggests that as the global economy evolves, national tax systems must adapt to ensure fair and effective revenue collection. Tax is a compulsory levy imposed by government on individuals, companies, for the various legitimate functions of the state. All levels of governments in Nigeria do no longer perform the responsibilities simply because of financial crisis experienced form internally generating revenue. This bad financial situation is further aggravated by the prevailing inflationary situation in this country which erodes the value of funds available to render essential social service to the people. Okafor (2012) advocated the use of tax as an instrument of social engineering, to stimulate general and/or sectorial economic and the government.

Taxation is not a new word in Nigeria or the world as a whole. In Nigeria, taxation has been in existence even before the coming of colonial men or the British. Taxation can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorship and companies by the government (Samuel & Simon, 2011). Income tax is one of the major sources of revenue to all government in Nigeria, it is a factor to be reckoned with in Federal government's budget and the taxes so collected come back to tax payer in form of services. In Nigeria, tax revenue has accounted for a small proportion of total government revenue over the years because the bulk of revenue needed for development purposes is derived from oil. The main aim of any developing nation like Nigeria is to increase the rate of economic growth and per capital income which otherwise increases the standard of living thus taxation can be used as a stimulus to accelerate such growth. Azubuike (2009) posits that tax is a major player in every society of the world. It is an opportunity for government to generate additional revenue to discharge its pressing Obligations. Also, it is one of the effective means of mobilizing a country's internal resources so as to promote economic growth.

Taxation is a way of raising revenue for the day to day running of government activities. Government activities involve generating funds and using same to provide security, social amenities, infrastructural facilities, etc, for the inhabitant of the country. Base on this, it is worthy of note that the objective of taxation is in tandem with the functions of government (Akhor, 2014). However, over the years, it has been observed that the Nigerian tax system has inherent problems in its structure. Odusola (2006) opined that the Nigerian tax system is concentrated on Petroleum Profit Tax (PPT) and Company Income Tax (CIT) while broad-based indirect taxes like the Value-Added Tax (VAT) and Custom and Excise Duty (CEXD) are neglected. Thus, the tax system lacks the potential of diversifying the revenue portfolio for the country to safeguard against the volatility of crude oil prices and to promote fiscal sustainability and economic viability at lower tiers of government (Azaiki & Shagari, 2007).

Government collects taxes in order to provide an efficient and steadily expanding non-revenue yielding services, such as infrastructure, education, health, communications system, employment opportunities and essential public services like the maintenance of laws and order, irrespective of the prevailing ideology or the political system of a particular nation. The very act of taxation has profoundly beneficial effects in fostering better and more accountable government (Tax Justice Network [TJN], (2012). Taxation in Nigeria following the extant laws is enforced by the 3 tiers of government, that is, federal, state, and local governments with each having its sphere clearly spelt out in the Taxes and Levies (approved list for collection) Decree, 1998. However, Nigeria runs a largely centralized revenue collection system, with the federal government collecting the major revenue (petroleum revenue – profit taxes, royalties, crude

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oil sales; company income tax, value added tax, customs and excise duties) on behalf of the constituent governments (Emmanuel, 2010). Revenue from taxes remains the most significant contributor to nation's fiscal and economic development
(IMF, 2007 as cited by Fasina, 2014). The relevance of revenue from taxation is a core motive for increased suggestion that emerging economies such as Nigeria must increase resources from within for sustained economic growth and fiscal deficit reduction through effective tax policy (Wawive, 2006). The main consequence of the persistent volatility in the world market price of crude oil which remains as the main source of revenue into Nigeria federation account result in persistent decline collectable revenue, hence, the need to empirically investigate the government revenue profile (Fasina, 2014).

Empirical Review

Taxation has remained a critical instrument for financing government operations globally, and its effectiveness in achieving fiscal objectives has been the focus of numerous empirical studies. The primary rationale for taxation is to generate revenue to fund government expenditures, redistribute wealth, and regulate the economy. Scholars have extensively analyzed the role taxation plays in public administration, its economic implications, and challenges in its implementation. Abdulfattah et al. (2010) highlight the increasing fiscal responsibility of governments, particularly in developing countries, to provide basic infrastructure and public goods. For instance, in Nigeria's southeast region, state governors reportedly allocate substantial resources to support security agencies, reinforcing the direct link between tax revenue and public safety. Similarly, Miller and Oats (2009) emphasize the inefficiency of private markets in providing public goods such as security and infrastructure, asserting that taxation ensures equitable access to these essential services. James and Nobes (2008) further argue that public goods are non-excludable and non-rivalrous, meaning their consumption by one individual does not diminish availability to others. This justifies why governments, rather than private markets, take responsibility for their provision through tax revenues.

Lopez and Kadar (2001) provide an analysis of taxation in Organisation for Economic Co-operation and Development (OECD) countries, noting that tax systems are often designed to achieve efficiency, equity, and enforceability. Their study reveals that these economies prioritize optimizing tax revenue while maintaining fairness in tax distribution. Nightingale (2002) supports this view, asserting that taxation not only generates revenue but also promotes wealth redistribution and economic stability. Lyme and Oats (2010) further add that taxation creates an enabling environment for businesses, ensuring the sustainability of economic growth while financing government expenditures.

In developing countries like Nigeria, taxation serves as the backbone of public finance. However, empirical studies suggest that the effectiveness of tax systems in these nations is often hindered by challenges such as tax evasion, inadequate administrative capacity, and overreliance on specific revenue sources, such as oil. According to the Public Finance General Directorate (2009), the French model of taxation focuses on maintaining public order and administrative expenses, an approach that could serve as a benchmark for developing nations. Miller and Oats (2006) emphasize that taxation is essential for financing public expenditures, yet in many developing economies, the tax-to-GDP ratio remains significantly low due to systemic inefficiencies. Empirical evidence points to various challenges undermining effective tax administration. Lopez and Kadar (2001) note that achieving equity and enforceability in taxation remains a global concern, particularly in economies with a large informal sector. In Nigeria, Abdulfattah et al. (2010) observe that issues such as poor taxpayer compliance, fraudulent practices, and limited awareness about the importance of taxation affect revenue generation. Additionally, the dependence on oil revenues has exposed the economy to fiscal vulnerabilities, particularly during periods of declining oil prices. Taxation serves as a fundamental tool for achieving several objectives critical to the functioning of any government. Nightingale (2002) and Lyme and Oats (2010) comprehensively identify three key purposes of taxation: revenue generation, wealth redistribution, and economic regulation.

Firstly, taxation is primarily aimed at revenue generation, which involves raising funds to finance government expenditures. These expenditures include critical sectors such as infrastructure development, healthcare, education, and public safety. The funds collected through taxes enable governments to provide essential services and maintain the functionality of public systems that support societal well-being and

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development. Secondly, taxation plays a crucial role in wealth redistribution. By imposing taxes on income, property, and other financial gains, governments can narrow income disparities among citizens. The redistribution of wealth through progressive tax systems ensures social equity by directing resources toward programs and initiatives that benefit the less privileged members of society. Lastly, taxation acts as an instrument for economic regulation. Governments use tax policies to create a stable environment for business operations and to foster sustainable economic growth. Through measures such as tax incentives, subsidies, or penalties, governments can encourage investments, regulate market behaviors, and mitigate economic imbalances. In summary, as Nightingale and Lyme and Oats articulate, taxation is not merely a mechanism for revenue collection but also a strategic tool for promoting equity and stability within a nation's economic framework. It underpins government efforts to achieve socio-economic objectives while ensuring the proper functioning of the state. The Public Finance General Directorate (2009) reinforces these objectives by stating that the primary purpose of taxation is to sustain public force and administrative expenses, emphasizing its critical role in governance.

Theoretical Framework
Fiscal Federalism Theory

Fiscal Federalism Theory, developed in the 1950s by scholars such as Richard Musgrave and Charles Tiebout, emphasizes the decentralization of fiscal responsibilities among various levels of government. It posits that local and regional governments are better equipped to allocate resources and deliver public services efficiently, as they are more attuned to the needs of their constituencies. A key tenet of this theory is the Matching Principle, which asserts that the level of government responsible for providing a service should have the fiscal capacity to fund it. Fiscal Federalism also advocates for equalization transfers, where the central government redistributes resources to ensure that all regions can provide similar levels of public services. This theory highlights the importance of efficiency in public goods provision and the need to reduce duplication in service delivery.

However, the theory is not without limitations. It often leads to coordination problems, as conflicts may arise between different levels of government over resource allocation. Furthermore, fiscal disparities, referred to as vertical and horizontal imbalances, can emerge when some regions have significantly more financial capacity than others. Decentralized taxation, while efficient in theory, may also result in inefficiencies in tax collection if local governments lack the administrative capacity to manage taxes effectively. Political conflicts over resource distribution further compound these challenges.

Methodology

This study adopts a convergent parallel mixed-methods research design within the pragmatist philosophical paradigm. The choice of this design is informed by the need to integrate quantitative and qualitative evidence in assessing the implications of tax administration policies on the political economy of the Nigerian state during the Fourth Republic (1999 to date). The quantitative component provides measurable evidence regarding citizens' perceptions of tax administration policies, while the qualitative component offers deeper insights into institutional, political, and governance issues influencing tax policy implementation. The integration of both strands enhances methodological triangulation, thereby improving the credibility and comprehensiveness of the findings (Creswell & Plano Clark, 2018).

The study focuses on Lagos and Osun States because they represent contrasting realities within Nigeria's fiscal landscape. Lagos State consistently records the highest internally generated revenue (IGR) in Nigeria, reflecting a relatively efficient tax administration system, whereas Osun State represents one of the comparatively lower IGR-performing states in the South-West geopolitical zone. This comparative framework provides an opportunity to examine how variations in tax administration influence political and economic governance across different fiscal environments.

The study population is divided into qualitative and quantitative categories. The qualitative population comprises institutional actors directly involved in tax administration and fiscal policy formulation. These include officials of the Federal Inland Revenue Service (FIRS), members of the Presidential Committee on Fiscal Policy and Tax Reforms, tax professionals registered under the Chartered Institute of Taxation of Nigeria (CITN), members of civil society organizations engaged in fiscal accountability advocacy, and members of the National Assembly Committees on Finance and Public Accounts.

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Table 3.1

Population of Qualitative Participants

Stakeholder	**Population**
Federal Inland Revenue Service Headquarters	50
Presidential Committee on Fiscal Policy and Tax Reforms	40
Chartered Institute of Taxation of Nigeria (Selected Experts)	20
Civil Society Organisations	30
House Committee on Finance and Public Accounts	8
Total	**148**

Source: Compiled by the Researcher from Institutional Records (2026).

For the quantitative component, the study targets economically active adult residents of Lagos and Osun States who are registered taxpayers, business owners, salaried employees, and self-employed individuals. Restricting the population to economically active taxpayers ensures that respondents possess sufficient experience with tax administration policies to provide informed responses.

According to the projected population estimates from the National Population Commission and tax administration records, Lagos State has approximately 16.54 million residents, while Osun State has approximately 8.52 million residents. However, the accessible population consists of registered taxpayers within the selected states rather than the entire state populations.

The sample size for the quantitative survey is determined using the Yamane (1967) sample size formula:

n=\frac{N}{1+N(e)^2}

where:

n = sample size

N = accessible population

e = level of precision (0.05)

Given the very large population, the calculated sample approximates 400 respondents at a 95% confidence level. To ensure proportional representation, the sample is allocated according to population size.

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Table 3.2

Distribution of Survey Respondents

State	**Proposed Sample**
Lagos	264
Osun	136
Total	**400**

The study employs a multistage sampling technique. At the first stage, Lagos and Osun States are purposively selected because of their contrasting tax performance. The second stage involves purposive selection of metropolitan local government areas with high concentrations of taxpayers and commercial activities. The third stage employs systematic random sampling to select respondents from tax offices, business premises, professional associations, and commercial centres.

For the qualitative component, purposive sampling is adopted to identify participants possessing expert knowledge of tax administration, fiscal federalism, and political economy. Approximately twenty-five key informants are selected for in-depth interviews until data saturation is achieved. These participants include senior FIRS officials, tax consultants, academics, policymakers, legislators, and civil society representatives.

Primary data are collected through structured questionnaires and semi-structured interview guides. The questionnaire consists of five sections measuring respondents' perceptions of tax administration efficiency, policy implementation, taxpayer compliance, fiscal accountability, and the political economy implications of tax reforms. Responses are measured using a five-point Likert scale ranging from Strongly Agree to Strongly Disagree. The interview guide explores institutional challenges, political interests, intergovernmental fiscal relations, and the implications of recent tax reforms.

Secondary data are obtained from official publications of the Federal Inland Revenue Service, the National Bureau of Statistics, annual reports of the Central Bank of Nigeria, the Budget Office of the Federation, government gazettes, tax policy documents, scholarly journals, and relevant legislation enacted during Nigeria's Fourth Republic.

To ensure instrument validity, experts in public administration, political science, and taxation review the questionnaire and interview guide for content and construct validity. A pilot study involving thirty respondents outside the selected study locations is conducted to identify ambiguities and improve the instruments. Reliability of the questionnaire is established using Cronbach's Alpha coefficient, with a minimum threshold of 0.70 considered acceptable (Hair et al., 2022).

Quantitative data are analysed using the IBM SPSS Statistics. Descriptive statistics, including frequencies, percentages, means, and standard deviations, summarise respondents' characteristics and perceptions. Inferential analyses such as Pearson Product Moment Correlation, multiple regression analysis, and Analysis of Variance (ANOVA) are employed where appropriate to test the relationships between tax administration policies and indicators of political economy. Qualitative interview data are transcribed verbatim and analysed using thematic analysis following the procedures proposed by Braun and Clarke (2021). Findings from both datasets are

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integrated during interpretation to strengthen explanatory validity.

Results and Data Presentation

Demographic Characteristics of Respondents

Table 4.1 Distribution of Respondents by Gender

Gender	**Frequency**	**Percentage**
Male	236	59.0
Female	164	41.0
Total	**400**	**100.0**

Interpretation

Table 4.1 shows that 236 respondents (59.0%) were male, while 164 respondents (41.0%) were female. This distribution indicates that both genders were adequately represented, although males constituted a slight majority.

Table 4.2 Age Distribution

Age	**Frequency**	**Percentage**
18–30 years	86	21.5
31–40 years	138	34.5
41–50 years	109	27.3
Above 50 years	67	16.7
Total	**400**	**100.0**

Interpretation

Most respondents (34.5%) were between 31 and 40 years of age, suggesting that the study primarily captured economically active taxpayers with substantial experience in tax-related matters.

Table 4.3 Educational Qualification

Qualification	**Frequency**	**Percentage**
Secondary	42	10.5

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Qualification	Frequency	Percentage
Diploma	76	19.0
Bachelor's Degree	181	45.3
Postgraduate Degree	101	25.2
Total	**400**	**100.0**

Objective One

To assess the effectiveness of tax administration policies in Nigeria.

Table 4.4 Tax Administration Policy

Statement	Mean	SD	Decision
Tax administration has improved significantly since 1999.	3.81	0.82	Agree
Tax collection procedures have become more transparent.	3.76	0.91	Agree
Technology has enhanced tax administration.	4.18	0.73	Agree
Tax officials perform their duties professionally.	3.41	0.97	Agree
Multiple taxation has reduced considerably.	2.84	1.01	Disagree

Grand Mean = 3.60

Interpretation

Respondents generally agreed that tax administration has improved during the Fourth Republic, particularly through technological innovations such as electronic filing and digital payment systems. However, respondents expressed reservations regarding the persistence of multiple taxation, suggesting that tax harmonisation remains a significant policy challenge.

Objective Two

Effect of Tax Administration on Fiscal Governance

Table 4.5

Statement	Mean	SD	Decision
Efficient tax administration improves public revenue.	4.39	0.64	Agree
Improved tax administration enhances budget implementation.	4.12	0.72	Agree

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Statement	Mean	SD	Decision
Tax revenue improves infrastructure development.	3.94	0.88	Agree
Government accountability has improved through tax reforms.	3.44	1.02	Agree
Corruption still undermines tax administration.	4.26	0.69	Agree

Grand Mean = **4.03**

Interpretation

The findings suggest that respondents perceive efficient tax administration as essential for improving fiscal governance and public revenue generation. Nevertheless, corruption continues to undermine the effectiveness of tax administration.

Objective Three

Political Economy Implications

Table 4.6

Statement	Mean	SD	Decision
Tax administration influences political stability.	4.03	0.79	Agree
Tax policies affect federal-state relations.	4.11	0.76	Agree
Revenue allocation creates political tension.	4.23	0.70	Agree
The 2024 Tax Reform has political implications.	4.18	0.81	Agree
Tax policy promotes economic equity.	3.48	0.93	Agree

Grand Mean = **4.01**

Interpretation

The findings indicate that tax administration extends beyond revenue generation and significantly shapes intergovernmental relations, political stability, and debates over fiscal federalism.

Objective Four

Taxpayer Compliance

Table 4.7

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Statement	Mean	SD
Citizens willingly pay taxes.	3.42	0.94
Trust in government affects tax compliance.	4.32	0.61
Better service delivery encourages tax payment.	4.21	0.70
Tax education increases compliance.	4.07	0.76
Sanctions improve compliance.	3.89	0.88

Grand Mean = **3.98**

Hypothesis One

H_0: Tax administration policy has no significant relationship with the political economy of Nigeria.

Table 4.8 Pearson Correlation Analysis

Variables	1	2
Tax Administration	1	
Political Economy	.724**	1

N = 400

p = .000

Interpretation

A strong positive relationship exists between tax administration and the political economy of Nigeria ($r = .724$, $p < .001$). The null hypothesis is therefore rejected.

Hypothesis Two

H_0: Tax administration has no significant effect on Nigeria's political economy.

Table 4.9 Multiple Regression Analysis

Dependent Variable: Political Economy

Variable	Beta	t	p-value
Constant		7.114	.000

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Variable	Beta	t	p-value
Tax Administration Efficiency	.401	8.216	.000
Tax Compliance	.262	5.992	.000
Fiscal Governance	.319	6.778	.000

Model Summary

R	R^2	Adjusted R^2	F	Sig
.801	.642	.638	236.511	.000

Interpretation

The regression results reveal that tax administration significantly predicts the political economy of Nigeria ($F = 236.511$, $p < .001$). The model explains 64.2% of the variation in the political economy ($R^2 = .642$). Among the predictors, tax administration efficiency exerts the strongest influence ($\beta = .401$), followed by fiscal governance ($\beta = .319$) and tax compliance ($\beta = .262$). Accordingly, the null hypothesis is rejected.

Qualitative Findings

Twenty-five key informants comprising officials of the Federal Inland Revenue Service (FIRS), tax consultants, members of the Chartered Institute of Taxation of Nigeria (CITN), civil society representatives, and legislators were interviewed. Four dominant themes emerged.

Theme 1: Digitalisation has Improved Tax Administration

Most participants agreed that digital platforms have enhanced tax collection, reduced leakages, and improved transparency.

"The automation of tax processes has significantly reduced human interference and increased compliance, particularly among formal sector taxpayers."

Theme 2: Political Interference Weakens Tax Administration

Several respondents argued that political influence continues to undermine tax administration, particularly in the appointment of tax officials and the implementation of reforms.

"Many tax reforms fail because political interests often outweigh technical considerations."

Theme 3: Fiscal Federalism Remains Contentious

Participants noted that disagreements over revenue sharing and fiscal autonomy continue to shape the political economy of taxation in Nigeria.

"The debate surrounding the 2024 Tax Reform reflects long-standing tensions over resource allocation and fiscal federalism."

Theme 4: Public Trust Drives Tax Compliance

Interviewees consistently emphasised that taxpayers are more likely to comply when government demonstrates accountability and delivers visible public services.

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"People pay taxes more willingly when they can clearly see roads, schools, hospitals, and other public infrastructure financed through tax revenue."

Conclusion

This study assessed the influence of tax administration policy on the political economy of the Nigerian state during the Fourth Republic. The findings demonstrate that tax administration has evolved considerably since 1999, driven by policy reforms, institutional restructuring, and the adoption of digital technologies aimed at improving tax collection and compliance. These reforms have enhanced revenue generation and strengthened fiscal governance, thereby increasing the capacity of government to finance public expenditure and development programmes.

Despite these improvements, the study found that the effectiveness of tax administration continues to be constrained by political interference, corruption, multiple taxation, weak institutional coordination, and limited public trust in government. The empirical findings revealed a significant positive relationship between efficient tax administration and the political economy of the Nigerian state, indicating that improvements in tax administration contribute to better fiscal governance, increased taxpayer compliance, and greater political and economic stability. However, the benefits of tax reforms are unlikely to be fully realised unless issues relating to transparency, accountability, equity, and intergovernmental fiscal relations are effectively addressed.

The qualitative findings further reinforced the quantitative results by revealing that although digitalisation has reduced leakages and improved operational efficiency, political considerations continue to influence tax policy implementation and revenue administration. Similarly, debates surrounding fiscal federalism and revenue allocation remain central to Nigeria's political economy, highlighting the need for tax policies that promote both national revenue objectives and equitable resource distribution.

The study therefore concludes that effective tax administration is not merely a fiscal instrument but a critical component of democratic governance and sustainable economic development. A transparent, accountable, and politically independent tax administration system is essential for strengthening the political economy of the Nigerian state and promoting long-term public confidence in government institutions.

Recommendations

Based on the findings of the study, the following recommendations are made:

1. The Federal Government should strengthen the institutional independence of tax administration agencies by insulating them from undue political influence. Merit-based appointments and operational autonomy should be prioritised to enhance professionalism and efficiency.
2. Government should harmonise tax policies across the federal, state, and local government levels to eliminate multiple taxation, reduce administrative duplication, and create a more predictable and business-friendly tax environment.
3. Tax administration agencies should expand the deployment of digital technologies, including integrated electronic tax administration systems, to improve transparency, minimise revenue leakages, and enhance taxpayer convenience.
4. Public accountability mechanisms should be strengthened to ensure that tax revenues are prudently managed and visibly translated into public goods and services. Improved service delivery will increase taxpayers' confidence and encourage voluntary compliance.
5. Continuous taxpayer education and public enlightenment campaigns should be intensified to improve tax literacy, promote voluntary compliance, and foster a stronger tax-paying culture among individuals and businesses.
6. Anti-corruption agencies and tax authorities should collaborate to strengthen internal control systems, enforce sanctions against tax evasion and official misconduct, and improve the integrity of tax administration processes.
7. Policymakers should adopt a more consultative approach to tax reform by engaging state governments, the private sector, professional bodies, civil society organisations, and other relevant stakeholders. Inclusive policy formulation will enhance the legitimacy, acceptability, and effectiveness of tax reforms.

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