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TAXATION POLICIES AND HUMAN DEVELOPMENT IN NIGERIA: REFORM STRATEGIES TO ENHANCE THE HUMAN DEVELOPMENT INDEX

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Abstract
This study examines the relationship between taxation policies and human development in Nigeria, with specific focus on how fiscal policy instruments—particularly taxation—affect the Human Development Index (HDI) components of life expectancy, education, and standard of living. Using secondary data from 2016 to 2024 sourced from the National Bureau of Statistics, Central Bank of Nigeria, World Bank, and Debt Management Office, the study employs descriptive and quantitative analytical techniques to assess the impact of taxation on human development outcomes. The findings reveal that Nigeria's tax system has performed suboptimally, with tax-to-GDP ratios consistently below African averages, and that taxation policies have had negative effects on Human Development Index during the study period. The study recommends comprehensive tax reforms including broadening the tax base, strengthening tax administration, ensuring equitable tax allocation to human development sectors, and implementing growth-friendly taxation policies that do not overburden the poor. The study is anchored on Keynesian theory of fiscal policy, which posits that strategic government intervention through fiscal instruments can stimulate economic growth and enhance citizen welfare when properly implemented.
Keywords: Taxation Policy, Human Development Index, Fiscal Policy, Tax Revenue, Nigeria, Tax Reform

1. Introduction

Public policy is a course of action, a procedure or a body of measures that involves the use of government power to promote or favor certain values by using the resources. These preferred values can be in the form of upgraded infrastructure, or other programs that are required for improved human and economic prosperity. Public policy refers to a recommended governmental course of action or rules, which is always influenced by environmental changes, and has certain aims or objectives (Soltau, 2020). Fiscal policy is one of the important policy strategies enacted by government to encourage economic development among public policies. Fiscal policy involves the use of government spending and taxation to influence the future course of the economy. It is the use of revenue and public expenditure by the government for economic stabilisation and/or economic growth. Fiscal policy is related to the policy of the government with regard to the fiscal activities of the economy, including fiscal control in the economy.

The process of obtaining money from people and businesses for the use of the government for public services and infrastructure is called taxation. It covers a wide variety of taxes, such as income tax, company tax and more. In Archbong (2024), Charles defined tax as a mandatory financial requirement or charge levied on an individual or legal entity (taxpayer) to provide the required funds for the collective government expenditure, public spending or to eliminate negative externalities. The notion of taxation is both fascinating and extensive. One of the major misconceptions Nigerians have is that tax is not prominent in this region. This is false and based on incomplete information and understanding. This is somewhat different from the idea of taxation, which has been a cornerstone of nation building in general. Taxation in Nigeria is statutory and has the legal mandate.

It is impossible to overestimate the importance of taxation, it is essential for the economic development of the countries in the world. The objectives of taxation in Nigeria include the following: generation of revenue, infrastructural development, promotion of civic and social responsibility, tax compliance benefits, educational support and development, economic stabilization, redistribution of wealth, creation of jobs. Taxation can help to equalize income among people and reduce the disparities in living standards. It finances infrastructural improvement and economic development thus reducing the unemployment rate of the country as it creates job opportunity. Taxation is a way in which the government raises money from companies and people for its public spending.

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI is the geometric mean of the normalized indices for each of the three dimensions. The health dimension is evaluated by the life expectancy at birth, while the education dimension is measured by the mean of years of schooling for adult aged 25 years and older and expected years of schooling for children of school entering age. The standard of living dimension will be reflected by either gross national income per capita or unemployment rate. The HDI uses the logarithm of personal income, to reflect the diminishing importance of income with increasing gross national income (GNI). The scores of three-dimension indices of HDI are then combined into a composite index using geometric mean. However, the HDI can be used to raise questions about national-level policy decisions, such as the following: How will two countries with the same rate of GNI per capita have different human development outcomes (UNDP, 2025)?

The tax performance of Nigeria between 2016 and 2024 has been below average, largely due to low compliance, high tax evasion, reliance on oil, weak tax administration, ambiguous tax laws, corruption, lack of transparency and low taxpayer morale. This has led to very low tax to GDP ratios (less than 10%, well below the African averages) notwithstanding tax measures put in place to boost the tax base, which highlights the gap between taxes collected and developmental outcomes. Many registered taxpayers are evading compliance, resources are being wasted, and the relationship between tax payment and responsibility are not well connected.

Persistent poverty and unemployment, weak governance, corruption and policy inconsistency, underfunding and poor management of the educational and health sectors (brain drain) and ineffective utilization of tax revenues are some of the critical issues shaping Nigeria's Human Development Index between 2016 and 2024. Even with government expenditure, the results of the HDI are low due to the problems of fiscal discipline, transparency and ineffectiveness of development policies.

The purpose of this study is to answer the basic question: What is the effect of the tax policies on human development in Nigeria? The broad objective of this study is to analyze taxation policies and their impacts on Human Development Index in Nigeria from 2016 to 2024. The specific objectives are (1) Examine the impact of taxation on the Human Development Index components in Nigeria from 2016 to 2024. (2) Determine the significant relationship between tax revenue and human development outcomes in Nigeria. (3) Find the correlation between tax policies and standard of living indicators in Nigeria. (4) Suggest taxation reforms that can help to curb the negative effects of taxation on human development index in Nigeria. This is especially relevant in Nigeria, Africa's largest economy in terms of GDP but with an unsound and unsustainable economic system. According to Adesina (2025), the economic plunge in the country was due to a series of policy mistakes, institutional shortcomings, and inadequate investment in key sectors. Nigeria's persistently weak human development outcomes suggest that taxation policies fail to align with spending that is effective in delivering development outcomes.

The World Bank's new poverty and equity Brief for Nigeria (PDF) for April 2025 indicates that the rural population is disproportionately affected by the economic stagnation, inflation, and structural issues that have plagued Nigeria over the past few years. It indicates that the Nigeria population's poverty rate has come to an alarming figure of 75.5%. These same policies of previous governments just contributed to increased inequality, increased the few who benefitted from the policy, and left behind the vast majority who were made poorer. The present is no different, but the pain is greater, the anger is louder and the government's response is not heard in the lives of the people.

2. Literature Review

Overview of Human Development Concept and HDI

In 1990, Mahbub and Amartya came up with an alternative indicator for economic development that was later adopted by the United Nations Development Programme (UNDP): the Human Development Index (HDI). The technique is based on a per capita income measure, plus measures of life expectancy and adult literacy. Sen (1983) argues the importance of education and health as they directly enhance the capacity of the individual to have agency over his/her life. He suggests that indicators such as literacy rates or higher life expectancy could be a more accurate reflection of improvements in skills rather than simply a higher PCI. The extent of this difference between the national rankings based on the actual social and economic conditions and those based on per capita income (PCI) is reflected in the HDI. Thus, a greater per capita yield (PCY) is not necessarily associated with a greater personal and social well-being, and vice versa (Prabha, 2020).

The Human Development Index (HDI) is an indicator that measures the three components of human development – longevity and health, educational attainment and standard of living – in a composite measure. Human Development Index is used to measure the improvement of human life by development. The indicators of Human Development Index include life expectancy, which is the number of years a child of a certain age can expect to live; infant mortality rate, defined as the number of babies that die before their first birthday per 1000 live births; maternal mortality rate, which is the number of women who die during childbirth or in the first few weeks after giving birth per 1000 live births; adult literacy ratio, which is the percentage of people over the age of 15 who can read and write; and the proportion of the population living below the poverty line (Bastian and Pablo, 2023).

The HDI was created to emphasise that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. This index measures the degree of human development of countries based on 4 different indicators: life expectancy at birth, expected years of schooling, mean years of schooling and GNI per capita. The data come from international organizations that have the expertise to gather national data on the key indicators of human development (UNESCO, 2025).

Taxation and Human Development Nexus: Theory and Empirical Evidence

Tax is an integral part of any modern societies and a key source of income for governments to support public services and provide infrastructure. A system whereby people and organisations pay a percentage of their income or wealth to the government. Taxation is an important factor of economic behavior, distribution of wealth and government policy. Taxation is one of the main purposes of taxation is to raise revenue for the governments. The taxes provide revenue for numerous services provided to the public such as health, education, defense, infrastructure, and social welfare programs. Governments would have a hard time providing services to their citizens without taxes.

A second important role of taxation is the redistribution of wealth. Progressive tax systems attempt to address the issue of income inequality by taking from the rich and giving to the poor. This will help close the social and economic gap. A third function is that of economic stabilization, which means that taxation can be a means of economic stabilization. Governments can reduce taxes to encourage consumers and businesses to spend more during a recession. On the other hand, when the economy is doing well, tax rates can be raised to dampen inflation.

The principles of taxation are equity, certainty and convenience. Taxation should be equitable and just. Vertical equity would mean that those with higher incomes should be taxed at a higher percentage of income. Horizontal equity implies the equal tax burden on people who are in the same financial position. Tax rules should be certain and predictable. Taxpayers should be aware of the amount and the time of payment of their tax. Tax regulations are often complex and may cause misunderstandings and non-compliance. For tax collection to be convenient, there is a need for the taxpayers to be convenient in payment of taxes, which involves various methods of payment, simplified tax forms and support for taxpayers' convenience.

The taxes are of various types such as income tax, which is tax levied on the income of an individual or an entity, corporate tax, which is levied when there is a business profit, sales tax, which is levied at the point of sale of goods and services and value added tax (VAT), which is levied at every stage of the production and distribution process.

Modern problems of taxation involve such things as tax evasion and tax avoidance, both of which are a problem in the government. It is a need of the hour that there should be a consensus between countries and that tax loopholes should be plugged. The digital economy has created a dilemma for tax officials when it comes to collecting taxes from the world's largest technology companies. The digital taxation and profit shifting problem is a critical issue in the global landscape today. As a result of globalization, there is a competition between countries for the tax revenue and some countries provide low tax environment for multinational companies resulting in lower tax revenue for other countries (Nelson, 2023).

Absence of proper designing or bad management of taxes will lead to reduction in household welfare for which the impacts will be felt in the education sector where parents/guidance are unable to pay school fees and a good number of school dropouts. It will limit access to quality health care and nutrition in the health sector. All these will generally have negative effects on human development index in Nigeria.

A number of empirical studies have investigated the link between taxation and human development. Onyekachi et al. (2021) examined the relationship between tax revenue and human development index (HDI) of the West African Commonwealth countries (WACC), which included Ghana, Nigeria, Sierra Leone and the Gambia. Ordinary least square regression analysis was applied and results show that while direct tax revenue has significant and positive effect, indirect tax revenue has negative and significant influence on human development index of West African Commonwealth countries. The findings indicated that tax revenue is a good opportunity to improve the human development index of West African commonwealth countries.

Umar Bello (2025) examined the link between human development and tax compliance and the quality of governance in Nigeria from 1999 to 2023. The study adopted spearman correlation and quantile regression method of analysis in order to analyze the relation at the lower quantile which is applicable to the low-HDI countries like Nigeria. The study revealed that overall, the level of compliance with taxes negatively affected the accountability of HDI. The paper suggested that the taxation should be a positive element of human development and allocation of tax revenues, governance and citizens friendly tax policy should be ensured.

Obaretin and Uwaifo (2020) assessed the effect of Value-Added Tax (VAT) on Nigeria Human Development Index (HDI) for the period 1994-2018. The study utilised a longitudinal research approach, obtaining data from the Federal Inland Revenue Service and the United Nations Data Bank. The Autoregressive Distributed Lag (ARDL) regression estimate technique found that there was a positive and significant link between VAT and HDI in Nigeria. This means that the implementation and gathering of VAT benefits the human development index of a country favourably in the period mentioned.

Ikharo-Kadiri (2021) utilised an Autoregressive Distributed Lag (ARDL) model to analyse the influence of tax policy on inclusive growth in Nigeria from 1985 to 2020. The ARDL results for the long run confirmed that corporate income tax negatively and significantly affected the HDI at 5% level. While at the 1% level inclusive development is negatively and statistically significantly affected by VAT, the influence is minor. The petroleum profit tax has a negative impact on inclusive growth, and is statistically significant at the 5% level.

Nigeria's Taxation Policies and Human Development Context

The fiscal policy experience of Nigeria shows that a colonial period of customs taxation and local taxation has been replaced by a period since independence characterized by variable oil revenue which generates "boom-bust" cycles. Since then, a number of reforms have aimed to stabilise the economy, boost non-oil revenue and ensure prudent fiscal management including the Fiscal Responsibility Act of 2007, while current initiatives are geared towards diversification and increased infrastructure spending.

Nigeria has a Federal system of government comprising 36 states and the Federal Capital Territory with 774 Local Government Areas (LGAs). The tax system is heavily reliant on oil, and has a large informal sector which it struggles to develop revenue from. To achieve sustainable fiscal strength, Nigeria needs improvement in tax revenue collection, anti-corruption measures and economic diversification.

The policy was formulated in 2012 and updated in 2017, which recognises a challenge, namely the lack of a comprehensive strategy for taxation of the informal sector, and the excessive focus by all levels of government on enhancing the internally generated revenue, leading to a lack of accountability when granting regulatory authority for revenue generation. This has resulted in many taxes that have had a detrimental impact on the lives of people (HDI). It appears that the informal sector in Nigeria pays the cost of most of multiple taxation as there is no comprehensive system of taxation.

Although each of the 36 states in Nigeria have an internal revenue services charged with tax administration, they are often poorly staffed and not well equipped, and paid no reasonable wages to effectively carry out their functions. This is partly because of recruitment mechanisms, which are not necessarily open and transparent, and the lack of the ability to recruit, train and promote qualified personnel. The lack of capacity is even more precarious in rural LGs as the revenue offices are hardly effective beyond collecting motor park fees. Enforcement capacity is also low due to the skills gap as well as lack of political will to deal with wealthy and politically powerful tax evaders.

Political economy perspective on Nigeria, tax bases and economic development vary widely. Twenty-six.7% of revenues from oil and gas are already shared generally to nine states in the south, which then share an additional 13% of the revenues from the activity. This coincides with the views of Bala Mohammed of Bauchi state Nigeria, who stressed that the fiscal policy of Tinubu's government is not favouring the northern part of the country. Similarly, Rhodes-Vivor stressed that the current Nigerian fiscal policy is only favouring the political class of this country and impoverishing the citizens.

The taxable income slab in Nigeria is as follows:

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Table 1: Annual National Income Tax Band Rate in Nigeria

Income Band	Tax Rate
First N300,000	7%
Next N300,000	11%
Next N500,000	15%
Next N500,000	19%
Next N1,600,000	21%
Above N3,200,000	24%

Source: PwC Tax Summaries, TarabaBIR

Company Income Tax is based on assessable profits, with rates varying by turnover:

Table 2: Company Income Tax Rates in Nigeria

Company Category	Turnover Threshold	Tax Rate
Small companies	N25 million or less	Tax exempt
Medium companies	Above N25 million	20%
Large companies	N100 million or more	30%

Source: PwC Tax Summaries

The rate of education tax is 3% of the assessable profit. In Nigeria, some of the states take N36,000 from market men and women in the market and the street, yearly.

Nigeria continues to have the lowest tax-to-GDP ratio in the African continent for a long time, report says. The tax revenue collection performance is much lower than the average ratio of tax revenue to GDP for Africa, which is 16.5%, and the global average in 2018, 14.58% (IMF, 2023). The immediate need for security, social facilities and infrastructure has led to an increase in the budget of the central government from N6.06 trillion in 2016 to N27.5 trillion in 2024, despite the less than impressive tax collection performance.

3. METHODOLOGY

3.1 Research Design

In this study, descriptive/quantitative research design was used. The descriptive design was used to explore and analyse the existing secondary data to examine the significant relationship between Fiscal policy and Human Development Index in Nigeria 2016-2024. The selection of this research design is because it gives a full picture of the situation of the variables being studied and helps in meaningful conclusion based on the limited data collected.

Instrument for Data Collection

The data collection tool used in this research is documentary/Record Review. This includes examining documents or records that already exist for relevant information. The sources are the official government report from the relevant ministries, agencies and departments, Statistical sources e.g. UNDP, NBS, CBN, Debt Management office, Academic publications, Newspaper, on-line publications of people opinions etc., because the sources are credible and relevant in reporting the variables and indicators related to fiscal policies and Human Development Index in Nigeria.

Validation of the Instrument

The instrument was face validated by experts in the field of Public Administration and Local Government, University of Nigeria, Nsukka. The experts were asked to review the validity of the data sources and variables to be analysed and the observations made were used to create the final draft of the instrument.

In this study data are presented in tabular form, that is rows and columns. For data used in this study, the data analysis used will be Correlation Analysis. The method of correlation analysis chosen by the researcher is the Rank correlation which is called Spearman's Rank Correlation. That automatically or scientifically hypothesis can be accepted or rejected by quantitative exploration and exploitation of data is the reason why the Rank correlation analytical technique is chosen. Or, that rank correlation analysis may be used as a non-parametric statistical tool, and be used to describe a relationship that exists between two variables that are represented numerically. It is used for testing the coefficient of dependency of a variable (Y) on the variable (X) where; variable (Y1) is Adult literacy rate, (Y2) is Unemployment rate in Nigeria, (Y3) is Life Expectancy rate in Nigeria, (X) is Nigeria's fiscal year (Budgetary Allocation) for the years 2016 - 2024. The level of significance in the application of Rank Correlation in this study analysis of data is 5% and when the value of critical value of ranked correlation on a determined level of freedom is greater than the value of t-statistics, then the null hypothesis postulated in the study is accepted, and when the value of critical value of ranked correlation on a determined level of freedom is less than the value of t-statistics, then the hypothesis postulated in the study is rejected while the alternative is accepted.

3.3 Regression Model Specification

This study builds on the Spearman's rank correlation analysis to give a better understanding of the causal relationships among fiscal policy variables and human development outcomes and specifies the following multiple regression model:

Model: Taxation and Human Development Index

$HDIt=\beta 0+\beta 1TGRt+\beta 2GEt+\beta 3PDt+\varepsilon t$

Where the variables are defined as follows:

Table 3: Definition of Variables

Variable	Description	Expected Sign
HDIt	Human Development Index	Dependent
PDt	Public Debt (Trillion ₦)	$\beta 1<0$
TGRt	Total Tax Revenue (% of GDP)	$\beta 1>0$
GEt	Government Expenditure (Trillion ₦)	$\beta 1>0$
$\boldsymbol{\beta 0}$	Intercept	—
$\boldsymbol{\beta 1,\beta 2,\beta 3}$	Slope coefficients	—
$\boldsymbol{\varepsilon t}$	Stochastic error term	—

Table 4: Nigerian Human Development Index Rate, 2016-2024

Year	HDI Rate
2016	0.53
2017	0.53
2018	0.53
2019	0.53
2020	0.54
2021	0.54
2022	0.55
2023	0.56
2024	0.54

Source: The Global Economy.com

The data on life expectancy rate during the period of study is as follows:

Table 5: Nigeria's Life Expectancy Rate, 2016-2024

Year	Life Expectancy (Years)	Annual Change
2016	62	-
2017	62.4	0.4
2018	62.7	0.3
2019	63.1	0.4
2020	62.8	-0.3
2021	63.4	0.6
2022	53.30	-10.1
2023	54	0.7
2024	55	1

Source: World Health Organization, 2025

The adult literacy rate data for the period is presented below:

Table 6: Nigeria's Adult Literacy Rate, 2016-2024

Year	Adult Literacy Rate (%)
2016	58.2
2017	62
2018	62
2019	63.16
2020	63.16
2021	63.2
2022	63.5
2023	64.0
2024	64.5

Source: World Bank Group Data, 2024; Education Team, 2025

4. Results and Discussion

Descriptive Statistics and Trends

Based on the study of Nigeria's taxation policy and human development indicator from 2016 to 2024, there are many significant facts. However, Nigeria's HDI has remained low and unchanging throughout the study period despite a series of tax reforms and measures to generate revenue. Despite a series of tax reforms and revenue-generating measures, Nigeria's HDI has remained low and unchanging throughout the study period; ranging from 0.53 to 0.56. This puts Nigeria in the low human development group, which is far less than Sub-Saharan Africa's average of 0.463 and the world's average of 0.682.

The life expectancy statistics are particularly worrying. Although Nigeria's life expectancy had improved from 62 years in 2016 to 63.4 years in 2021, the steep decline to 53.30 years in 2022 is a concern and a sign of trouble going on in the health care system. This decrease happened during the COVID-19 pandemic's aftermath, during an economic recession and with continuous underfunding of the health sector. The recovery is still far from the global average at 55 years by 2024, suggesting that health policies on tax have not raised enough revenue to have a meaningful impact on health outcomes.

The adult literacy rate has been improving slightly from 58.2% in 2016 to 64.5% in 2024. The adult literacy rate has, however, increased by only 6.3 percentage points in 8 years which is considered slow growth compared to some countries such as Ghana, Kenya and South Africa with literacy rate at higher than 75% among adults. Nigeria has one of the highest number of out-of-school children in the world and if the situation does not improve considerably, literacy gains will continue to be slow and steady among all groups.

Regression Analysis: Taxation Policies and HDI Relationship

From the analysis of the influence of taxation policies on Human development index in Nigeria, it was observed that there was a negative relationship between the two throughout the period of study. The effect of taxation (fiscal policies) will include impacts on inflation, rising transportation charges, a high cost of living, increased inventories and business shutdowns, rising unemployment, a lack of enabling environment and equipment for quality healthcare service delivery, and the brain drain among health workers (japa) between 2016 and 2024.

Nigeria, like most developing countries, also has one of the lowest tax-to-GDP ratios in the world, consistently below the 16.5% African average. The combination of this poor revenue performance, the increase in public expenditure and mounting debts has led to an accounting landscape in which tax is insufficient to finance human development priorities. Tax evasion and avoidance is not tolerated by the government and it exercises its authority to ensure compliance. However, enforcement capacity is low due to the skills gap as well as lack of political will to deal with wealthy and politically powerful tax evaders.

The regression analysis suggests that although the tax revenue has risen during the period, it has not been sufficient to invest in human development sectors. The Nigerian budget is split in such a way that nearly 70% is spent on recurrent expenditures while investment in infrastructure or capital expenditure is 30%. The Nigerian government has been incurring debts to cushion the effect of its activities, such as the removal of fuel subsidy, which was supposed to be implemented to save money and stop borrowing.

Discussion of Findings and Implications

The results of this study are corroborated by a number of empirical studies carried out in Nigeria. Overall, Umar Bello (2025) observed negative effect of compliance of taxes on accountability of HDI in Nigeria. Ikharo-Kadiri (2021) found that all three taxes (corporate income tax, VAT, and petroleum profit tax) have negative impacts on inclusive growth as reflected in HDI. The results of this study are different from Obaretin and Uwaifo (2020) which reported a positive relationship between VAT and HDI, indicating that the taxation-human development relationship is complex and conditional.

The negative correlation between tax burden and HDI in Nigeria can be explained by a number of factors. The tax system is multiple and the tax structures are complicated and overlapping, imposing high obstacles in the tax system, especially on corporations. Second, inadequate taxpayer accountability and morale have led citizens to see taxes as a vehicle for corruption not progress, thus eroding the social contract. Third, minimal developmental impact refers to that the increase in tax revenues, as a result of mis-allocation or poor implementation, is not a significant boost in human development.

The significance of these results is enormous. Zabiullah et al (2017) concluded that fiscal policy is very important in the Indian Economy because it helps to use the resources optimally, decrease inequality, use the National income optimally in distributing it and also giving fiscal incentives to the private sector. Likewise, in Ghana, it was found that the overall impact of fiscal policies has been to lower the proportion of people living in poverty and inequality rates (Danso-Mensah et al, 2024). From these fiscal policies experiences, one will understand that the good thing about fiscal policy is economic and human capital development. It is a fact, established by a number of researchers, that the only ship in the sea that is able to sail the economic growth waters is human capital development.

But this is not the case in Nigeria where there is no record of productive taxation. There is no network of functional railways in the country, the recently constructed ones were vandalized by suspected terrorists thereby crippling the economy of that region and the country at large. According to reports, in the event of tax administration, the convoy of the executive director of the FIRS is up to 40 vehicles. This opulence lifestyle poses questions as how such "expense" can be sustained on personal earnings and not on the income from the organisation. The negative effect of tax on human development index is in line with some failure in the organization administration among others.

5. Reform Strategies

Policy Recommendations to Enhance HDI through Taxation

The following policy recommendations are made based on the findings of this study to improve the HDI using tax reforms in Nigeria:

1) **Expand the Tax Base, Do Not Over Tax the Few.**

The study recommends using digital identity (NIN), (BVN) and TIN integration to track economic activities. Nigeria needs to move towards growth-oriented taxation and to refrain from undue increases in company income tax to discourage the new generation of business enterprises. The informal sector in Nigeria seems to endure the majority of the burden from multiple taxation, likely due to the absence of a comprehensive taxation structure. The informal sector tax policy framework should be formulated to make contributions to tax system and not burden the poor.

2) Increase the capability of Tax Administration, not only for policy.

There are 36 states in Nigeria, each with an internal revenue service, but they are inadequately staffed and lacked adequate equipment to carry out tax administration. It is important to have transparent recruitment processes, good training and competitive salaries to draw in skilled employees. Enforcement needs to be strengthened through political will and skills building to tackle high net-worth & high profile tax offenders. The tax administration should be a convoy of fiscal discipline, not of opulence.

3) Ensure that the allocation of tax revenue to human development sectors is ensured.

All fiscal policies need to be valued. The value of fiscal policy comes only when an expansion of budgetary spending produces real gains in literacy rate, life expectancy and standard of living for adults, and not merely increases in spending. Government should focus on increasing the budgetary allocation of sectors pertaining to Human capital development in Nigeria. Taxation that is public value delivery should be the guiding principle.

4) Put in place a meritocracy in Tax Administration.

The role of authority must be based on skills and competency, not wealth or social status, and the most capable people should be in charge of the country's tax system. This will increase efficiency, minimise corruption and increase the trust and confidence of taxpayers in the system.

5) Long-Term Strategic Planning

Nigeria should focus on long-term planning with fiscal policy - planning for future generations; decisions that will affect current citizens as well as future citizens. Additional attention needs to be paid to increasing the allocation of funds for education and health sectors; UNESCO recommends that education be funded 15-20% of the National budget, while the Abuja Declaration recommends funding for health be 15% of the National budget.

Focus on: Tax Efficiency, Equity, and Allocation to Human Development Sectors

Tax Efficiency

For tax efficiency, it is important that the cost of tax collection should not be greater than a reasonable share of total revenue collected. The present tax collection lag which is far less than Africa's average tax-collection performance reveals a system that is inefficient. The digitalization of tax processes, linking of databases and automated compliance monitoring can improve efficiency.

Tax Equity

Tax equity means that taxes should be apportioned fairly among individuals in various income groups. The existing tax structure is extremely unfair and leaves the burden of various taxes primarily on the shoulders of the informal sector, whereas both rich persons and corporations manage to escape taxes. Progressive taxation should be reinforced and tax exemptions, especially those in favor of the affluent, should be considered.

Allocation to Human Development Sectors

The ultimate test of taxation policy is its impact on human development. The study recommends that:

1) The allocation for the education sector should be in line with the UNESCO's recommendation of 15-20% of national budgets.

2) Abuja Declaration commitment of 15% of total budget in the health sector should be achieved
3) Social protection programmes should be sufficiently financed to mitigate impacts of economic reforms on the poor.
4) Emphasis on infrastructure investment should be given to those projects that have measurable economic benefits that create jobs, income or human capital.

Table 7: Recommended Budget Allocation Benchmarks for Human Development

Sector	Current Allocation (Average 2016-2024)	Recommended Benchmark	Source
Education	6.5%	15-20%	UNESCO
Health	4.8%	15%	Abuja Declaration
Social Protection	<1%	5%	International Best Practice

6. Conclusion

Summary of Key Findings

From the analysis of the influence of taxation policies on Human development index in Nigeria, it was observed that there was a negative relationship between the two throughout the period of study. The effect of taxation (fiscal policies) will include impacts on inflation, rising transportation charges, a high cost of living, increased inventories and business shutdowns, rising unemployment, a lack of enabling environment and equipment for quality healthcare service delivery, and the brain drain among health workers (japa) between 2016 and 2024.

The Human Development Index was consistently low with a range of 0.53-0.56 during the period of the study. The life expectancy plunged by a tremendous margin to 53.30 years in 2022, an indication of the healthcare challenges in Nigeria. There was a slow but inadequate gain in adult literacy rate (58.2% to 64.5%). The high rate of unemployment, especially in the informal sector still remains a serious problem.

The study revealed that the mismatch between taxes and development results are related to the following issues in tax administration: the problem of tax collection; corruption; lack of transparency; multiplicity of taxes; and inadequate allocation of tax revenue to human development sectors. There are many problems in the tax system like evading compliance by registered taxpayers, inefficient allocation of resources and there is lack of linkage between the tax system and the responsibility system.

Proposed policies and future research agenda.

The conclusions of this study have definite policy implications. Nigerian politicians should learn to take the attitude of ‘budget of truth', ‘true taxation'. Funds raised by taxation for any sector of government should be allocated with care, and utilized for its general purposes, and not diverted.

The government should turn the fiscal policy from political consumption towards human development. All project(s) financed with debt have to demonstrate how they contribute to the increase in employment, income, or in human capital. Addressing the root causes of unemployment, poverty, health and inequality – the core tests of Human Development Index – is the end remedy to the vicious circle of high spending and low development outcome.

Additional studies are needed to examine the nature of the mechanisms by which tax revenues can be better targeted to human development outcomes. Lessons could be learned from other highly successful fiscal policies, such as those of Ghana and Rwanda. Furthermore, longitudinal studies of the effect of targeted tax changes on the individual components of HDI would allow for a better understanding of the optimal design of the tax changes.

Lastly, the study finds that the gap between taxation and human development reality will only continue to grow while growth remains exclusive, policies remain focused on the productive sectors, jobs remain uncreated, and skills remain untrained. Nigeria has a choice between pursuing a route to underdevelopment for the masses and promoting development for all by changing its tax policies.

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