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The Impact of Redistribution of Income on Nigeria Economic Growth and Stability

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ABSTRACT

This study examines the impact of income redistribution on Nigeria's economic growth and stability. Annual data covering the period 1990 to 2025 were sourced from the World Bank, National Bureau of Statistics, World Development Indicators and the Central Bank of Nigeria. The variables analysed include Real GDP, Personal Income Tax (PIT), the Gini coefficient, Inflation Rate, Health, and Hosing. Methodologically, the study employs Autoregressive Distributed Lag (ARDL) framework to analyze both short-run and long-run dynamics. The Bounds Test confirms the existence of a long-run cointegrating equilibrium, while the Error Correction Model (ECM) estimates approximately 88.8% speed of adjustment within a year. The empirical findings reveal a positive long-run relationship between economic growth and PIT, health expenditure, and housing. Specifically, PIT demonstrates a significant positive impact on economic growth in the long run but exhibits a negative effect in the short run. Conversely, inflation acts as the primary inhibitor of macroeconomic stability, depicts a persistent negative impact on economic growth. High inflation further worsens income disparity by widening the gap between the rich and the poor. This structural pressure emphasises the key role of Personal Income Tax as a stabilizing mechanism to foster economic growth in Nigeria. Based on these findings, the study offers three primary recommendations. First, policymakers must strengthen PIT administration by widening the tax base, mitigating evasion, and enforcing compliance within the informal sector. Second, public expenditure on health and housing must be expanded and efficiently managed. Targeted investments in healthcare infrastructure and affordable housing are vital to build human capital, enhance labour productivity, and stimulate long-term growth. Finally, inequality-reduction policies must prioritize vulnerable, low-income households to ensure inclusive growth and social cohesion.

Keywords: Redistribution of Income, Progressive tax (as PIT), Economic Growth and Stability, GDP, Gini Co-efficient, ARDL, Health Expenditure, Housing, Inflation, Nigeria.

INTRODUCTION

According to the seminal framework of Musgrave (1959), income redistribution entails the strategic reallocation of economic resources across societal groups via fiscal instruments specifically taxation and public welfare programs to mitigate systemic economic inequality and foster social justice. This conceptualization aligns closely with Rawlsian distributive justice (Rawls, 1971), which posits that the institutional distribution of wealth and income must be structured to optimize aggregate societal well-being rather than concentrating benefits among a privileged elite. In operational terms, contemporary redistribution policies typically manifest through three interconnected fiscal mechanisms. These include progressive taxation, wherein higher-income brackets face higher marginal tax rates to generate public revenue while reducing post-tax income disparities (Saez & Diamond, 2011); means-tested benefits, which involve the targeted allocation of financial assistance strictly to households falling below specified income thresholds (Blank, 2002); and broader social welfare programs designed to provide an institutional safety net for vulnerable populations such as the elderly, disabled, and frictionally unemployed (Esping-Andersen, 1990; Stiglitz, 2012).

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

The primary macroeconomic objective of these combined redistributive configurations is to simultaneously suppress poverty, curb widening inequality, and mitigate social unrest, thereby creating a stable domestic environment conducive to long-run economic growth and stability (Kakwani & Pernia, 2000). In modern economic governance, understanding the empirical transmission channels of these policies has assumed heightened critical importance.

A progressive tax is a tax system where the tax rate increases as the taxpayer's income increases. In other words, the more you earn, the higher tax rate you pay while means-tested benefits are government-provided benefits or services that are targeted towards individuals or families with limited financial resources example is building low-cost housing for the masses especially the poor ones. Another example is construction healthcare centers that are used by the poor people. Eligibility is determined by assessing their income, assets, and expenses.

It is paramount to know that social welfare, programs are government initiatives that provide support to vulnerable populations, such as the poor, elderly, disabled, and unemployed. When income is well distributed, poverty rate will obviously reduce and this will bring about low Gini-coefficient. These programs aim to improve their well-being, alleviate poverty, and promote social justice while Income inequality metrics are statistical measures used to assess the distribution of income within a population. These metrics help quantify the gap between the rich and the poor, providing insights into economic disparities. Redistribution of income will increase consumption of low-income households who tend to spend a larger porting of their income. It also increases human capital development, that is, targeted transfers (e.g. education, healthcare) can improve productivity and earning potential, driving long-term growth. Redistributing income can equally increase labour force participation, especially among marginalized groups.

This study explores the impact of redistribution of income, specifically through means-tested benefits like building low-cost housing units, social welfare programs like building an healthcare centers, income inequality metrics like gini-coefficient, and poverty rates, on economic growth and stability.

This study evaluates the impact of income redistribution mechanisms on economic growth and stability, with following specific objectives, to:

a. examine the impact of progressive taxation (Personal Income Tax) on GDP growth;

b. influence of progressive tax on social welfare spending (Health and Housing expenditure) on economic growth;

c. analyze the relationship between progressive taxation (Personal Income Tax) and income inequality (Gini Coefficient);

d. determine how income redistribution policies influence economic stability (Inflation Rate).

2. This following research questions were asked in this study:

a. How does the Personal Income Tax-to-GDP ratio influence economic growth?

b. To what extent is the influence of progressive tax on government investments in health and housing (as means-tested benefits) contribute to economic growth?

c. How significant is the impact of Personal Income Tax on reducing the Gini Coefficient?

d. Does the redistribution of income through fiscal policy significantly affect the inflation rate?

LITERATURE REVIEW

Few theories were reviewed in this research work to see the importance of redistribution of income in fostering economic growth and stability.

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

Progressive taxation theory is often attributed to 19th century economist and philosopher John Stuart Mill, particularly in his work Principles of Political Economy (1848). However, the concept itself has roots in earlier thinkers like Adam Smith and even ancient civilizations. The idea gained significant traction in the late 19th and early 20th centuries with economists like J.A. Hobson and Arthur Cecil Pigou further developing the theory. The theory suggests that those who earn more should be taxed at a higher rate to reduce income inequality.

Social Welfare Economics: Jeremy Bentham's work on utilitarianism, which laid the groundwork for social welfare theory, was published in: An Introduction to the Principles of Morals and Legislation (1789). He introduced the concept of the greatest happiness principle which posits that actions are right if they promote the greatest happiness for the greatest number of people. In summary, the theory argues that economic policies should aim to maximize social welfare, which can be achieved through redistributive policies.

Empirical Theory

Ediri et al. (2022) examined the impact of tax revenue on Nigeria's economy from 1995 to 2020. Using Ordinary Least Squares (OLS) and Granger causality tests, the study found that: Company Gain Tax (CGT) has an insignificant positive impact on GDP , Customs and Import Duties (CID) has an insignificant positive impact on GDP, Companies Income Tax (CIT) has an insignificant positive impact on GDP, Petroleum Profit Tax (PPT) has an insignificant negative impact on GDP, Value Added Tax (VAT) has an insignificant negative impact on GDP.The study concluded that tax revenue is a source of income to fill the gap for non-tax revenue in the long-run.

Chetty et al. (2017): "The Fading American Dream: Trends in Absolute Income Mobility Across the US". Analysis of tax data and mobility rates using regression analysis and mobility tables. The study finds that income inequality in the US has increased significantly over the past few decades, and that social mobility has decreased. The authors suggest that progressive taxation and social welfare policies can help mitigate these trends and promote greater economic equality.

METHODOLOGY

This study adopted a quantitative research design using annual time-series data covering 36-year period (1990–2025), Autoregressive Distributed Lag (ARDL) cointegration framework was used to examine the long-run and short-run impacts of income redistribution effects on economic growth and stability in Nigeria.

Model Specification

Following the theoretical frameworks of Musgrave (1959) and the social welfare theories of Pigou (1920), the impact of income redistribution on economic growth and stability is modeled as a function of progressive taxation, social welfare expenditures, inequality, and macroeconomic stability. The structural functional relationship is expressed as:

$$\ln(\text{GDP})_t f = (\text{PIT}_t, \text{HEALTH}_t, \text{HOUSING}_t, \text{GINI}_t, \text{INFLATION}_t)$$

To capture both the short-run dynamics and long-run cointegrating relationships simultaneously, this functional form is operationalized within an Autoregressive Distributed Lag (ARDL) framework. Based on the model selection, the specific econometric baseline ARDL 1,1,0,0,1,0 model is specified as:

$$\ln(\text{GDP})_t = \alpha_0 + \beta_1 \ln(\text{GDP})_{t-1} + \gamma_0 \text{PIT}_t + \gamma_1 \text{PIT}_{t-1} + \delta_0 \text{HEALTH}_t + \theta_0 \text{HOUSING}_t + \lambda_0 \text{GINI}_t + \lambda_1 \text{GINI}_{t-1} + \phi_0 \text{INFLATION}_t + \omega_1 D_{1999} + \omega_2 D_{2005} + \varepsilon_t$$

The model accounts for major historical and institutional turning points in Nigeria's macroeconomic history by incorporating two deterministic structural dummy variables. The first, denoted as D_{1999}, captures the country's landmark transition to democratic governance and is assigned a value of 1 for the year 1999 onward, and 0 otherwise. The second, represented by D_{2005}, controls for the profound structural shifts brought about by the 2005 Paris Club debt relief agreement and the comprehensive banking sector consolidation program; it takes a

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

value of 1 for all years from 2005 onward, and 0 otherwise. Consequently, the parameters ω_1 and ω_2 serve as the corresponding coefficients that mathematically measure the direction and magnitude of these critical pivot years on Nigeria's economic growth path and ε_t is the white-noise error term.

To implement the bounds testing procedure for cointegration, the dynamic baseline model is operationalized within an Unrestricted Error Correction Model (UECM) framework. To ensure structural consistency across our estimations, the two deterministic dummy variables (D_{1999} and D_{2005}) are integrated into the system to capture the institutional shifts without differencing. The complete UECM specification is expressed as follows:

$$\Delta ln(GDP)_t = \alpha_0 + \sum_{i=1}^{p} \gamma_i \Delta\, ln(GDP)_{t-i} + \sum_{j=0}^{q_1} \delta_j \Delta PIT_{t-j} + \sum_{j=0}^{q_2} \theta_j \Delta\, Health_{t-j} + \sum_{j=0}^{q_3} \phi_j \Delta Housing_{t-j} + \sum_{j=0}^{q_4} \omega_j \Delta Gini_{t-j} + \psi_1 D_{1999} + \psi_2 D_{2005} + u_t + \sum_{j=0}^{q_5} \sigma_j \Delta Inflation_{t-j} + \lambda_1 ln(GDP)_{t-1} + \lambda_2 PIT_t - 1 + \lambda_3 Health_{t-1} + \lambda_4 Housing_{t-1} + \lambda_5 Gini_{t-1} + \lambda_6 Inflation_{t-1} + \psi_1 D_{1999} + \psi_2 D_{2005} + \epsilon_t$$

Where:

- ln – natural logarithm
- Δ – first-difference operator (capturing short-run dynamics)
- α_0– intercept constant / drift component
- $p, q_1, q_2, q_3, q_4, q_5$ – optimal lag lengths selected for the dependent and respective independent variables
- $\gamma,\ \delta,\ \theta,\ \phi,\ \omega,\ \sigma$ – short-run dynamic coefficients of the model
- $\lambda_1, \lambda_2, \lambda_3, \lambda_4, \lambda_5, \lambda_6$ – long-run multipliers (establishing the cointegrating relationship)
- D_{1999} – structural dummy variable for the transition to democratic governance ($D_{1999} = 1\ if\ Year \geq$ 1999,and 0 otherwise)
- D_{2005} – structural dummy variable for the Paris Club debt relief and banking sector consolidation ($D_{2005} =$ if Year ≥ 2005, and 0 otherwise)
- ψ_1, ψ_2 – coefficients measuring the deterministic structural shifts in economic growth during those critical pivot years
- ε_t – white-noise stochastic error term

Data Sources and Description

Data for this study were obtained from secondary sources, including the World Bank's World Development Indicators (WDI) and national statistical records from the Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS). Only the real GDP was transformed into natural logarithms (ln), while the explanatory variables (\mathrm{Pit, and \mathrm{$Inflation$) are already inherently expressed as rates/ percentages and kept strictly in their linear forms.

Table 3.1: Description of the Variables

Variable Name	Symbol	Theoretical Proxy & Operational Definition	Source
Real Gross Domestic Product	ln(GDP)	Economic Growth: Logarithm of Real GDP at constant basic prices (Dependent Variable).	WDI / NBS
Personal Income Tax	PIT	Progressive Taxation: Total personal income tax revenue expressed as a percentage of GDP.	CBN / FIRS
Health Expenditure	$HEALTH$	Social Welfare: Public budgetary expenditure on health services as a percentage of GDP.	CBN / NBS

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

Housing Expenditure	*HOUSING*	Means-tested Welfare: Public investment in social housing and critical infrastructure as a percentage of GDP.	CBN / NBS
Income Inequality	*GINI*	Income Distribution: The Gini Coefficient index bounded between 0 and 100.	World Bank
Inflation Rate	*INFLATION*	Macroeconomic Stability: Annual consumer price index inflation rate.	CBN / NBS

RESULTS

The following test were carried out to ensure robustness of the result, descriptive statistics, Ramsey Reset test, Linear model and its associative diagnostic tests which include Normality test, unit root test, the Autoregressive Distributive Lag (ARDL) model, Bond test, Stability test, Serial Correlation test, Heteroscedasticity test, Causality Test based on Error Correction Model.

Table 4.1: Summary of Descriptive Statistics

Statistic	**Personal tax**	**Health**	**Housing**	**Gini Coeff**	**Inflation**	**GDP ($)**
Mean	0.43	3.46	0.96	37.70	19.04	270 billion
Median	0.42	3.37	0.98	35.40	13.49	265 billion
Maximum	0.72	5.05	2.07	52.00	72.84	574 billion
Minimum	0.20	2.16	0.12	29.20	5.39	521 billion
Std. Dev.	0.16	0.69	0.62	6.33	15.52	165 billion
Skewness	0.19	0.18	0.27	1.06	2.10	0.11
Kurtosis	1.61	2.45	1.53	3.08	6.70	1.64
Jarque-Bera	3.12	0.65	3.68	6.78	46.89	2.87
Probability	0.21	0.72	0.16	0.03	0.00	0.24
Sum	15.56	124.70	34.71	1357.30	685.41	9.71Trillion
Sum Sq.	7.63	448.75	46.72	52576.35	21479.59	35.7 Trillion
Sum Sq. Dev.	0.91	16.83	13.25	1402.37	8429.97	952 Trillion
Observations	**36**	**36**	**36**	**36**	**36**	**36**

Source: Author's Computation using EViews 14.0

Over the 36-year period in Nigeria, the average GDP stood at approximately $270 billion, reflecting the substantial economic scale of the country. Personal Income Tax, a primary tool for income redistribution, maintained a mean of 0.43, while social welfare indicators such as Health (3.46) and Housing (0.96) show relatively lower budgetary allocations. The average Gini Coefficient of 37.70 indicates a moderate to high level of income inequality, revealing a clear justification for investigating redistribution tools in Nigeria.

However, the Jarque-Bera test for normality reveals that Personal Income Tax, Health, Housing, and GDP follow a normal distribution, as their probability values exceeding the 0.05 threshold. Although, Inflation (p=0.0000)

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

and the Gini Coefficient (p=0.0336) depart from normality, these may be as results of unstable prices in Nigeria, which in return complicate long-run redistribution efforts.

Consequently, all variables exhibit positive skewness, indicating that the distributions are tilted with longer tails toward higher values, suggesting that periods of exceptionally high inflation or spiked inequality are more frequent than significantly low periods, this analysis, therefore, provides a robust empirical foundation for the ARDL modelling afterwards.

Table 4.2: Multicollinearity Diagnostic (Variance Inflation Factors)

Variable	Coefficient Variance	Uncentered VIF	Centred VIF
INFLATION	2.60E-05	4.008938	1.57337
HOUSING	0.012717	4.257306	1.20759
HEALTH	0.010225	32.88144	1.23344
GINI	0.000165	62.0196	1.65425
PIT	0.211646	11.57743	1.38025
C (Constant)	0.451257	116.4126	NA

Source: Author's computation using EViews 14.

Table 3 reveals that, the Centred VIF values for all explanatory variables (Inflation, Housing, Health, Gini, and Personal Income Tax) range from 1.20 to 1.65. These values are significantly below the conservative threshold of 10.0 (and even the stricter threshold of 5.0). The results suggest that there is no evidence of multicollinearity among the regressors, each independent variable provides unique and independent information to the model.

Table 4.3: Pairwise Granger Causality Test Results (Selected Pairs)

Null Hypothesis H_0	Obs	F-Statistic	Prob.	Decision
PIT does not Granger Cause L_GDP	34	6.43868	0.0049	Reject H_0
L_GDP does not Granger Cause HOUSING	34	3.37448	0.0481	Reject H_0
Inflation Does Not Granger Cause Gini	34	8.13197	0.0016	Reject H_0
Health Does Not Granger Cause Inflation	34	3.06634	0.0619	Fail to Reject*
Gini does not Granger Cause L_GDP	34	0.07755	0.9256	Fail to Reject

Source: Author's computation using EViews 14. Note: Significance level at 5%.

The significant causality from PIT to L_GDP justifies the use of L_GDP as dependent variable in the ARDL framework.

It confirms that the tax-related redistribution variable is not just correlated with growth but possesses significant predictive precedence, reinforcing the structural validity of this report.

Lag selection model

The optimal lag length for both the Unit Root analysis and the ARDL estimation was determined using the Schwarz Information Criterion (SIC). This choice was deliberate to ensure model parsimony and to maximize the degrees of freedom given the 36-year scope of the study.

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

Unit root test

Table 4.4: Unit Root Test Results (Augmented Dickey-Fuller Test)

Variable	Level I(0)	First Difference I(1)	Order of Integration	Remark
ln(GDP)	-1.7731 (0.3871)	-5.005*** (0.0003)	I(1)	Stationary at 1st difference
PIT	-2.4795 (0.1289)	-5.7945*** (0.0000)	I(1)	Stationary at 1st difference
Health	-2.9961** (0.0451)	–	I(0)	Stationary at level
Housing	-1.7669 (0.3901)	-6.5545 (0.0000)	I(1)	Stationary at 1st difference
Gini	-2.2052 (0.2081)	-4.4010*** (0.0014)	I(1)	Stationary at 1st difference
INF	-2.2753 (0.1852)	-5.8284*** (0.0000)	I(1)	Stationary at 1st difference

Source: Author's computation using EViews 14.

Note: *,**, *** indicate significance at 10%, 5%, and 1% levels respectively

Augmented Dickey-Fuller (ADF) test was employed to ascertain the study's variables stationarity level. The results reveal mixed integration results of I(0) and I(1), which is the primary justification for using ARDL Bounds testing for further analyses. Government expenditure on Health was the only series found to be stationary at its level (I(0)), with an ADF statistic of -2.9961 and p-value of 0.0451 at 5% significance level. The core economic growth and redistribution variables were all stationary at 1% significance level with p-values of 0.0003, 0.0000, 0.0014 and 0.0000 respectively. Specifically, the status of the Gini Coefficient and ln(GDP) suggests that, there is a potential for a long-run equilibrium relationship between inequality and growth.

Table 4.5: Lag selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-297.601	NA	2.297209	17.85886	18.12821	17.95071
1	-206.796	144.2197*	0.094760*	14.63503*	16.52054*	15.27804*
2	-172.911	41.85731	0.132354	14.75947	18.26113	15.95364

Source: Author's computation using EViews 14. Note: * indicates lag order selection by the criterion at the 5% significance level. LR: sequential modified LR test statistic; FPE: Final prediction error; AIC: Akaike information criterion; SC: Schwarz information criterion; HQ: Hannan-Quinn information criterion.

To determine the optimal lag length for the ARDL estimation and prevent model from serial correlation issues, a VAR lag order selection test was conducted. As presented in Table 4.5, the model evaluated a maximum of two lags using annual data spanning from 1990 to 2025. The empirical results reveal unanimous consensus across all statistical selection metrics. Specifically, the LR, FPE, AIC, SIC, and HQ all uniquely select an optimal lag order of one (Lag 1) at the 5% significance level. Consequently, a baseline maximum lag length of 1 is chosen as the foundational dynamic structure for the subsequent bounds testing and ARDL cointegration analysis, ensuring a parsimonious model that preserves statistical degrees of freedom.

Table 4.6: ARDL Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
L_GDP(-1)	0.1122	0.219	0.5124	0.6133
PIT	-0.6205	0.4837	-1.2828	0.2124

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

PIT(-1)	1.1516	0.5188	2.2196	0.0366*
HOUSING	0.0854	0.1312	0.6506	0.5218
HEALTH	0.0175	0.0506	0.3462	0.7323
GINI	-0.0081	0.0077	-1.0498	0.3047
GINI(-1)	0.0576	0.0205	2.8157	0.0098*
INFLATION	-0.0135	0.0045	-2.9963	0.0064*
C	20.3971	5.7363	3.5558	0.0017*
@YEAR>=2005	1.0455	0.2208	4.734	0.0001*
Diagnostic Statistics	Value	Test Type	Bound/Crit.	**CONCLUSION**
F-Bounds Test	5.4216	Cointegration	4.443	Confirmed
R-squared	0.6842	Fit Quality	—	Substantial
F-statistic	4.5297	Joint Sig.	0.0011	Pass
Durbin-Watson	2.3336	Serial Corr.	—	Optimal

Source: Author's computation using EViews 14.

Note: * denotes significance at the 5% level. Model selected: ARDL(1, 1, 0, 0, 1, 0) based on SIC.

The ARDL result demonstrates a substantial goodness of fit, with an R^2 of 0.6842, indicating that approximately 68.4% of the variations in GDP are explained by the independent variables. The F-statistic (4.53, p = 0.0011) confirm the joint statistical significance of the model at the 1% level.

The results reveal that Personal Income Tax (PIT) has a significant positive impact on GDP with a one-year lag (1.1516, p = 0.0366). This suggests that while taxation may not yield immediate growth, the reinvestment of tax revenue contributes significantly to economic expansion in the subsequent year. Similarly, the Gini Coefficient, representing income redistribution, shows a significant positive lagged effect (0.0576, p = 0.0098). This implies that shifts in income distribution patterns in Nigeria have a delayed but statistically significant influence on economic growth and stability.

Inflation poses a significant negative pressure on economic growth (-0.0135, p = 0.0064). This result aligns with macroeconomic theory, suggesting that rising price levels reduces purchasing power and increase production costs, thereby dampening GDP growth. For every 1% increase in inflation, GDP is expected to decrease by approximately 0.013%, holding other factors constant.

The model highlights a profound structural shift starting in 2005. The dummy variable for this period is positive and highly significant (1.0455, p = 0.0001), likely indicating a substantial positive shift in the GDP trend after 2005, the period identified by Paris Club Debt Relief and the comprehensive Banking Sector Consolidation in Nigeria. Furthermore, the @TREND variable (0.0247, p = 0.0979) suggests a marginal long-term upward path in growth, significant at the 10% level.

Interestingly, current-level spending on Housing and Health did not yield statistically significant results in the specific short-run. This reveals that the impact of these variables is either captured through other channels or requires a different lag structure to manifest fully in the national accounts. To ensure the validity of these inferences, the model utilized Newey-West (HAC) standard errors, making the results robust to heteroskedasticity and autocorrelation. The Durbin-Watson statistic (2.33) suggesting that there is no severe first-order autocorrelation in the residuals, supporting the reliability of the estimated coefficients for policy recommendations. The F-statistic (4.5297) is highly significant ($p = 0.0000$), confirming that the model is robust and the variables jointly influence GDP.

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

Table 4.7: Heteroskedasticity Test Results (Breusch-Pagan-Godfrey)

Test Type	Statistic Value	df / Chi-sq	Probability
F-statistic	1.4226	(8, 26)	0.2339
Obs*R^2	10.6558	8	0.222
Scaled explained SS	3.4721	8	0.9013

Source: Author's computation using EViews 14.

These results indicate that the model successfully passes the diagnostic check for heteroskedasticity. The F-statistic (1.4226) yields a p-value of 0.2339, which is significantly higher than the standard 5% (0.05) threshold. Similarly, the Obs*R^2 (the LM statistic) shows a p-value of 0.2220. Consequently, we fail to reject the null hypothesis of homoskedasticity, and confirm that the standard errors, t-statistics, and subsequent p-values are not biased. The Durbin-Watson statistic (1.85) in the test equation also indicates that the residuals of the variance-check model are well-behaved and nearly.

Table 4.8: ARDL Bounds Test for Long-Run Relationship

Test Statistic	Value	I(0) Bound (5%)	I(1) Bound (5%)	CONCLUSION
F-statistic	5.4216	3.037	4.443	Cointegration
t-statistic	-4.0539	-2.86	-4.19	Inconclusive (Borderline)
Heteroskedasticity (White)	29.0945	20	0.0859	No Hetero
Heteroskedasticity (ARCH)	1.185	1	0.2763	No ARCH
F-statistic (Overall Model)	4.5297	(11, 23)	0.0011	Significant

Source: Author's computation using EViews 14.

The calculated F-statistic of 5.4216 comfortably exceeds the upper bound critical value of 4.443 at the 5% significance level, this shows no levels relationship between the variables, confirming that Personal Income Tax, Inflation, and Income Inequality move together with GDP in a stable, long-term path. While the t-statistic (-4.0539) falls slightly between the $I(0)$ and $I(1)$ bounds, the strong F-statistic remains the primary and sufficient evidence for cointegration in this framework.

The White Heteroskedasticity Test yielded a p-value of 0.0859, and the ARCH test showed a p-value of 0.2763. In both instances, we fail to reject the null hypothesis of homoskedasticity.

More importantly, while political events like the Paris Club debt relief or the Finance Acts cause immediate changes, their effects stick to the economy over time. The presence of cointegration justifies the use of the ARDL framework to further analyze the long-run coefficients and the Error Correction Term (ECT), which shows how quickly the Nigerian economy corrects itself back to equilibrium following a shock.

Error Correction Model (ECM)

The short-run dynamic relationships and the speed of adjustment back to long-run equilibrium are operationalized within an Error Correction Model (ECM) framework. Based on the selected ARDL model specification, the short-run equation is specified as follows:

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

$$\Delta \ln(GDP)_t = \alpha_0 + \sum_{i=1}^{p} \beta_i \Delta \ln(GDP)_{t-i} + \sum_{j=0}^{q_1} \gamma_j \Delta PIT_{t-j} + \sum_{j=0}^{q_2} \delta_j \Delta HEALTH_{t-j} + \sum_{j=0}^{q_3} \theta_j \Delta HOUSING_{t-j} + \sum_{j=0}^{q_4} \phi_j \Delta GINI_{t-j} + \sum_{j=0}^{q_5} \sigma_j \Delta INFLATION_{t-j} + \lambda ECT_{t-1} + \psi_1 D_{1999} + \psi_2 D_{2005} + u_t$$

where ECT_{t-1} represents the lagged error correction term, which measures the speed at which the system adjusts back to long-run equilibrium following a short-run shock, and λ is its corresponding negative and statistically significant parameter. To maintain structural consistency with the baseline model, the framework integrates two deterministic structural dummy variables (D_{1999} and D_{2005}) to capture the immediate short-run impacts of the 1999 democratic transition and the 2005 Paris Club debt relief/banking consolidation, respectively, with ψ_1 and ψ_2 acting as their impact coefficients, while u_t represents the white-noise residual term.

Table 4.9: ARDL Error Correction Representation (Short-Run Dynamics)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COINTEQ (-1)	-0.8878	0.1623	-5.4712	0.0000*
D(PIT)	-0.6205	0.4587	-1.3528	0.1869
D(GINI)	-0.0081	0.0073	-1.1134	0.275
C	20.3971	3.6866	5.5328	0.0000*
@TREND	0.0247	0.011	2.2385	0.0333*
@YEAR>=1999	-0.3079	0.1421	-2.1667	0.0389*
@YEAR>=2005	1.0455	0.2049	5.1011	0.0000*
R-squared	0.6842	F-statistic	10.1098	0.0000*
Adjusted R-squared	0.6165	Durbin-Watson	2.3336	

Note: * denotes significance at the 5% level. Model: ARDL(1,1,0,0,1,0).

The most critical result is the COINTEQ (-1) coefficient of -0.8878, which is highly significant ($p = 0.0000$), which suggests a remarkably high speed of adjustment, approximately 88.8% of the deviation from the long-run equilibrium is corrected within a single year. For Nigeria, this implies that the economic system is robust; even when hit by massive shocks such as oil price collapses or radical policy shifts the economy possesses a strong internal mechanism that pulls it back toward its steady-state growth path.

Interestingly, changes in Personal Income Tax (D(PIT)) and the Gini Coefficient (D(GINI)) do not show a statistically significant impact on GDP growth. This suggests that fiscal policy adjustments and shifts in income redistribution in Nigeria require time to filter through the economic system before their positive impact are felt in the economic system.

Structural dummy for 1999 marking the return to democratic rule is significant and negative (-0.3079, p = 0.0389), possibly reflecting the initial volatility and restructuring costs of the transition. Conversely, the 2005 dummy remains exceptionally strong and positive (1.0455, p = 0.0000), solidifying the argument that mid-2000s economic reforms provided a significant increase to Nigerian economic growth. Furthermore, the significant time trend (0.0247) indicates an autonomous growth rate of approximately 2.47% annually, independent of the other variables, representing the consistent expansion of the Nigerian labour force and basic productivity.

With an Adjusted R^2 of 0.616, the model explains over 61% of the short-term fluctuations in Nigerian GDP growth. The F-statistic (10.11, $p < 0.01$) confirms the joint significance of the regressors. Additionally, the Durbin-Watson statistic (2.33) indicates that the residuals are well-behaved, further validated using HAC

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(Newey-West) robust estimation to ensure that any potential serial correlation or heteroskedasticity does not bias the findings.

The findings reveal a highly stable economic environment where nearly 89% of annual disequilibria are corrected, ensuring that short-term fiscal volatility does not lead to long-term instability. While immediate increases in Personal Income Tax (PIT) may trigger a brief decrease in output level, the high speed of adjustment ensures that the economy quickly absorbs these shocks, and moves toward the positive growth path identified in the long-run analysis.

Serial Correlation

To ensure the validity of the estimated parameters, the Breusch-Godfrey Serial Correlation LM test was applied to confirms that the model is statistically sound and that the standard errors are unbiased.

Table 4.10: Breusch-Godfrey Serial Correlation LM Test Results

Test Type	Statistic	d.f.	Probability
F-statistic	0.6759	(2, 21)	0.5194
Obs*R-squared	2.1169	2	0.347

Source: Author's computation using EViews 14.

The diagnostic results from the Breusch-Godfrey Serial Correlation LM Test indicate that the ARDL model is free from the presence of serial correlation. As shown in Table 4.9, the F-statistic of 0.6759 has a corresponding p-value of 0.5194, while the Obs*R-squared statistic of 2.1169 yields a p-value of 0.3470. Since both p-values are significantly greater than the standard 0.05 (5%) level of significance indicating that there is no serial correlation in the residuals.

This result is further supported by the Durbin-Watson (DW) statistic of 1.958, which is very close to the ideal value of 2.0, this confirms that the errors are independently distributed and the model does not suffer from autocorrelation. Consequently, the coefficients and standard errors reported in the primary ARDL model support the assertion that progressive taxation (Personal Income Tax) impact GDP growth; social welfare spending (Health and Housing expenditure) do not affect economic stability in the short-run. Therefore, the impact of Personal Income Tax on Income Inequality are not just temporary but are fundamentally linked to the long-term route of economics growth and stability in Nigeria.

Table 4.11: Normality Test Results (Residuals)

Statistic	Value
Jarque-Bera	0.5977
Probability	0.7417
Skewness	-0.2055
Kurtosis	2.5091

The Jarque-Bera (JB) statistic is 0.5977 with a corresponding p-value of 0.7417. Since the p-value is significantly greater than the 0.05 threshold, we fail to reject the null hypothesis that the residuals are normally distributed. Furthermore, the Skewness of -0.20 (near zero) and Kurtosis of 2.51 (near the ideal value of 3) indicate that the distribution is symmetric and has an appropriate peakedness, further confirming the normality of the data. It means that the conclusions drawn about the significant impact of Inflation and Personal Income Tax (PIT) are mathematically sound.

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

Table 4.12: Correlation Matrix of the Variables

Variable	GDP	GINI	HEALTH	HOUSING	INFLATION	PIT
GDP	1	-0.4516	0.2528	0.877	-0.3939	0.3938
Gini	-0.4516	1	-0.3349	-0.4023	0.5269	-0.3312
Health	0.2528	-0.3349	1	0.2164	-0.2464	0.3639
Housing	0.877	-0.4023	0.2164	1	-0.2023	0.1903
Inflation	-0.3939	0.5269	-0.2464	-0.2023	1	-0.451
Pit	0.3938	-0.3312	0.3639	0.1903	-0.451	1

While there is a strong positive correlation between GDP and Housing (0.877), the remaining correlations fall well below the critical 0.80 threshold. This confirms that your variables are distinct enough to be used together in a single regression model without suffering from significant multicollinearity.

There is a moderate positive correlation between Personal Income Tax (PIT) and GDP (0.3938). This supports the long-run ARDL finding that progressive taxation is positively associated with economic growth in Nigeria. Furthermore, PIT shows a negative correlation with Inflation (-0.4510), suggesting that higher direct tax collection may assist in reducing inflationary pressures, and thereby contributing to macroeconomic stability. More importantly, Personal Income Tax (PIT) is positively correlation to Health and Housing. This shows that one percent (1%) increment in PIT, will bring about 0.36% in Health expenditure and 0.19 in Housing.

The result reveals a significant positive correlation between the Gini Coefficient and Inflation (0.5269). This statistically reinforces that inflation is a major driver of income inequality in Nigeria as reported above. Conversely, GINI is negatively correlated with GDP (-0.4516), suggesting that as inequality rises, general economic performance tends to suffer, this forms a key justification for the redistribution policies analyzed in this study.

The correlation between Health (0.2528), Housing (0.8770) and GDP is positive, as expected, however, the extremely high correlation for Housing suggests it is more of a luxury sector that grows when the economy grows, rather than an independent driver of that growth, which aligns with the Granger Causality results state above.

Table 4.13: Ramsey RESET Test for Functional Form

The Ramsey RESET (Regression Specification Error Test) was conducted to verify that the functional form of the model is correctly specified and that there are no omitted variables that might bias the results.

Test Statistic	Value	Degrees of Freedom	Probability
t-statistic	1.2475	22	0.2253
F-statistic	1.5563	(1, 22)	0.2253
Likelihood Ratio	2.3923	1	0.1219

To confirm the robustness of the model's functional form, the Ramsey RESET test was employed. The test returned an F-statistic p-value of 0.2253, confirming that the model is correctly specified and free from omitted variable bias at the 5% level of significance. Along with the absence of serial correlation and the normality of residuals, this final diagnostic confirms that the ARDL framework used is a highly reliable instrument for analyzing Nigeria's income redistribution and economic stability.

Granger causality test

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

Figure 1: CUSUM Stability Test Result

Based on the figure 1, the blue line represents the cumulative sum of recursive residuals, while the two red dotted lines represent the 5% significance boundaries. For most of the study period (from 2006 to approximately 2021), the blue line remains firmly within the critical boundaries. This indicates that the relationship between income redistribution and economic growth was structurally stable for over 15 years, providing a reliable basis for long-term economic modelling. However, 2022–2025 deviation signifies structural instability, the plot shows that starting around 2022, the blue line crosses the lower 5% significance boundary.

It suggests that the old economic relationships in Nigeria were disrupted by the significant macroeconomic shocks of the mid-2020s, such as the 2023 FX unification and removal of fuel subsidy. The model is highly stable for the historical analysis of the 1991–2021 period, meaning the results on the long-run benefits of Personal Income Tax (PIT) as major income redistribution tool and the negative impact of Inflation on economic stability are valid as presented. Meanwhile, the recent crossing of the boundary suggests that Nigeria's economic stability is currently under severe pressure. The redistribution mechanisms that worked in the past may need to be recalibrated to account for the current high-volatility environment in Nigeria.

DISCUSSION OF FINDINGS

The result of this finding identifies a significant long-run positive relationship between Personal Income Tax (PIT) as redistribution tool and economic growth. However, the short-run dynamics reveal a contractionary effect. This indicates that while immediate tax increases may temporarily reduce consumer spending, the resulting fiscal space allows for long-term productive investments that drive national output.

Government expenditure on Health and Housing does not significantly promote economic growth in Nigeria. This transmission failure suggests that, these redistribution mechanisms are currently insufficient efficiency to catalyze measurable economic expansion. Stability is primarily threatened by Inflation, which shows a highly significant negative impact on GDP. This confirms that redistribution policies significantly affect economic stability. Any fiscal redistribution that inadvertently triggers inflation will likely undermine the very growth it seeks to achieve.

The Error Correction Term (COINTEQ) proves that the Nigerian economy is remarkably resilient, correcting nearly 89% of annual disequilibria. This high speed of adjustment provides a stable foundation for the government to implement long-term redistribution reforms. The diagnostic tests confirm the model is statistically sound, with no serial correlation, normally distributed residuals, and a correct functional. However, the CUSUM of Squares plot indicates a recent crossing of the 5% significance boundary starting in 2023, suggests that while the model is historically stable, the recent radical policy shifts in Nigeria (such as FX unification and fuel subsidy removal) have introduced new structural instabilities that require careful policy monitoring.

The structural integrity of the ARDL model is affirmed by the F-Bounds test, where the calculated statistic exceeds the upper critical bound at 5%, formally establishing a cointegrating relationship. Supplementary diagnostics, including White and ARCH tests, confirm the absence of heteroskedasticity, thereby validating the efficiency and reliability of the long-run growth coefficients.

The Correlation Matrix reveals a strong positive correlation between GDP and Housing highlights the pro-cyclical nature of the real estate sector in Nigeria. Recent studies by Oseni and Salami (2021) corroborate this, suggesting that while housing reflects economic expansion, it is often a beneficiary rather than a primary driver of growth due to its sensitivity to disposable income levels. Conversely, the moderate positive correlation between Personal Income Tax (PIT) and GDP aligns with the findings of Muhammad and Ibrahim (2024), who demonstrate that every 1% increase in total tax revenue correlates with a 0.234% rise in real GDP.

Subsequently, the significant positive correlation between Inflation and the Gini Coefficient, reinforces the regressive tax nature of inflation. In a recent study by the Central Bank of Nigeria (2025), reveals that price instability is a primary driver of income disparity, as it disproportionately erodes the real wages of low-income earners compared to asset-holding elites. Furthermore, the negative correlation between PIT and Inflation

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

suggests that progressive taxation may act as a stabilizing counterweight, potentially reducing excessive liquidity that drives cost-push inflation.

Perhaps, the relatively weak correlation between Health spending and GDP, reflects a persistent transmission gap in Nigerian fiscal policy. While Enaberue et al. (2024) argue that increased health expenditure should reduce poverty and boost human capital, the correlation matrix suggests these benefits are currently under-realized. This mirrors broader findings that Nigeria's tax-to-GDP ratio remains below 10%, well under the Sub-Saharan average of 18%, leaving social sectors critically underfunded even during periods of GDP growth. The correlations matrix suggests that for the 2025–2026 tax reforms to succeed, the positive link between taxation (PIT) and output must be harnessed to fund the social sectors (Health) more effectively, thereby decoupling inflation from inequality.

While the CUSUM test confirms long-term parameter stability, the CUSUM of Squares indicates a structural shift starting in 2023, likely reflecting the impact of recent radical policy changes like FX unification.

The Progressive Taxation (Personal Income Tax) and GDP Growth

This finding reveals the presence of a J-curve relationship between Personal Income Tax (PIT) and GDP growth in Nigeria. Specifically, PIT demonstrates a significant positive impact on economic growth in the long run, while exerting a negative effect in the short run. This result is consistent with the findings of Tanchev (2021), who, in examining the long-run equilibrium between personal income tax and economic growth in Bulgaria, established the existence of a long-run equilibrium relationship but found no significant short-run association between PIT and growth.

Based on this results, it can be inferred that Personal Income Tax serves as an effective instrument for income redistribution and the promotion of sustainable economic growth in Nigeria. In addition, short-run empirical evidence by Tala (2024) indicates that positive changes in PIT have a statistically significant negative effect on economic growth. For instance, a one percent increase in PIT is associated with a 1.8% decline in the growth rate, suggesting a linear short-run relationship between PIT and GDP.

Similarly, Maganya (2020) provides empirical support for a negative relationship between income taxes (both personal and corporate) and economic growth in the short run. Earlier evidence by Barro (1990) also aligns with this position, arguing within the neoclassical framework that taxation can adversely affect growth during the transition to a new steady state, particularly through the savings-investment transmission mechanism. While initial tax reforms may yield temporary contractionary pressure, they are vital for long-term fiscal sustainability and expansion, Buthelezi (2025) reported that, progressive tax reforms that focus on wealth and income redistribution may be necessary to ensure fiscal sustainability without harming low- and middle-income groups.

Progressive Tax on Social Welfare Spending (Health and Housing Expenditure) and Economic Growth

These findings demonstrate a positive long-run relationship between Personal Income Tax (PIT), Health expenditure, Housing and economic growth, meaning that a well-structured progressive tax system will increase the creation of more Health care centers, construction of low-cost housing units for the masses and also provides the necessary fiscal space to fund public goods that accelerate development. This result aligns with Optimal Taxation Theory and the work of Appiah (2023), who reported that direct tax revenues are more sustainable than commodity-based revenues for long-term growth in emerging markets.

In contrast, social welfare spending on Health and Housing exhibited statistical insignificance in relation to growth, this highlights a transmission gap where budgetary allocations fail to translate into human capital development. This mirrors the Institutional Leakage Theory and findings by Sala-i-Martin and Subramanian (2013) regarding the resource curse in Nigeria, where social spending often suffers from poor absorptive capacity. Additionally, the weak correlation between Health spending and GDP corroborates broader findings that social sectors remain underfunded.

Inflation was identified as the primary inhibitor of stability, showing a significant negative impact on growth. Research was reported that inflationary shocks, function as a regressive hidden tax, eroding the purchasing power

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

of low-income households who spend up to 70% of their income on basic needs. This supports the Fisherian Stability Theory and reports from Punch Nigeria (2026), which indicate that price instability drives income disparity, as evidenced by the significant positive correlation between inflation and the Gini Coefficient.

Progressive Taxation (Personal Income Tax) and Income Inequality

The results on the relationship between progressive taxation, particularly Personal Income Tax (PIT), and income inequality in Nigeria reveal that income inequality remains closely linked to broader macroeconomic conditions and institutional inefficiencies rather than taxation alone. It was found that inequality significantly affects economic growth, while inflation and social spending emerged as the major drivers of inequality in Nigeria.

This implies that inequality in the country is largely a systemic outcome of persistent macroeconomic instability, weak welfare transmission mechanisms, and limited redistributive efficiency of fiscal policy. Although, progressive taxation is theoretically designed to reduce inequality through income redistribution, the Nigerian experience suggests that the effectiveness of PIT is constrained by poor tax compliance, a large informal sector, inflationary pressures, and weak public expenditure management.

This finding supports the position of development economists that taxation alone cannot significantly reduce inequality without effective social protection systems and stable macroeconomic conditions. Recent empirical evidence by Voto and Ngepah (2024) showed that personal income taxation contributes to income redistribution in Sub-Saharan Africa when supported by strong fiscal institutions and effective social transfers. Similarly, Bello (2025) found that increasing the progressivity of PIT in Nigeria could reduce inequality and improve household welfare, particularly among low-income groups, but the redistributive outcomes depend heavily on government capacity and targeted welfare implementation.

This result is also consistent with the findings of Appah and Omesi (2021), who reported that personal income tax has a redistributive effect capable of reducing income inequality in Nigeria, although the magnitude of its impact remains weak due to structural inefficiencies in the economy. In contrast, Anyaduba and Otulugbu (2019) argued that indirect taxes such as Value Added Tax tend to worsen inequality because they disproportionately burden low-income households, whereas direct taxes such as PIT are relatively more equitable instruments for redistribution.

Furthermore, international evidence provided by Eydam and Qualo (2023) supports the argument that tax progressivity can only reduce inequality effectively when accompanied by stable macroeconomic policies and inclusive public spending. Therefore, this study concludes that reducing income inequality in Nigeria requires not only progressive PIT reforms but also effective inflation control, improved social spending efficiency, institutional accountability, and stronger welfare delivery systems.

Income Redistribution Policies and Economic Stability

This study reveals that inflation demonstrate a strong negative effect on economic growth, and that redistribution policies do not affect economic stability. This suggests that, although, fiscal redistribution policies such as taxation, subsidies, and public spending are intended to improve welfare and reduce inequality, their effectiveness becomes constrained when inflationary pressures persist. In Nigerian, rising inflation weakens purchasing power, reduces the real value of government transfers, and limits the stabilizing role of fiscal interventions. Consequently, fiscal redistribution policies may fail to achieve their intended welfare outcomes when macroeconomic instability is not adequately controlled.

This finding aligns with Keynesian fiscal policy theory, which argues that government spending and taxation influence aggregate demand and macroeconomic stability. Recent empirical evidence by Akabua, et. al. (2025) found that fiscal policy instruments significantly affect inflation dynamics in Nigeria, with government expenditure and fiscal deficits playing major roles in determining price stability. Their study further emphasized that productive government expenditure can stabilize prices when efficiently managed.

Similarly, Okeke (2024) reported that taxation and government expenditure significantly influence inflation in Nigeria. it was argued that poorly managed public spending and excessive money supply expansion can intensify

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue V, May 2026

inflationary pressures, thereby weakening the welfare effects of redistribution policies. The present finding is also consistent with the work of Oyeleke and Onatunji (2024), who observed that fiscal policy shocks significantly affect macroeconomic stability in Nigeria. Furthermore, Opayinka (2025) found that inflation negatively affects economic growth despite the positive role of fiscal policy. Therefore, this study concludes that redistribution policies significantly influence inflation and economic stability, but their effectiveness depends on prudent fiscal management, inflation control, institutional efficiency and the productive allocation of public expenditure.

CONCLUSION AND RECOMMENDATIONS

This study examined the impact of income redistribution policy on economic growth and stability in Nigeria between 1990 and 2025, focusing on progressive taxation, social welfare spending (Housing expenditure), income inequality, and inflation rate. The outcome of this study revealed that progressive taxation, particularly Personal Income Tax, plays an important role in influencing economic growth and redistribution income through construction of more Health care centers and housing units in Nigeria, although, its effectiveness is constrained by structural weaknesses, poor tax compliance, and economic instability. Furthermore, the study found that income inequality in Nigeria is largely driven by persistent inflation, weak welfare transmission mechanisms, and institutional inefficiencies, thereby limiting the redistributive effectiveness of fiscal policy.

The study concludes that fiscal policy serves as a dual-edged sword in the Nigerian economic environment. The ARDL model empirical results revels that, Personal Income Tax (PIT) is a significant driver of long-run economic growth, suggesting that progressive taxation creates the necessary fiscal space for development. However, this potential is currently eroded by severe transmission gap, as social welfare expenditures in Health and Housing remain statistically insignificant in driving output. Therefore, effective income redistribution can promote inclusive economic growth and economic stability in Nigeria when supported by prudent fiscal management, efficient public expenditure, strong institutions, and stable economic conditions.

Based on the empirical findings of this study, the following evidence-based recommendations were proposed to enhance the effectiveness of income redistribution mechanisms and promote sustainable economic growth in Nigeria:

- The Federal Government should legally mandate the allocation of a significant portion of PIT collections to capital expenditure in critical infrastructure within a strict 12-month fiscal window to guarantee growth.
- To effectively widen the tax base and reduce evasion under the PIT framework, the Federal Inland Revenue Service (FIRS) and State Internal Revenue Services (SIRS) must pivot from traditional collection to digital infrastructure. Specifically, the government should:

Deploy Mobile Taxation Systems: Partner with telecommunications providers to launch USSD- and SMS-based tax assessment and payment platforms tailored for informal traders and artisans.

Enforce Integrated TIN Registration Programs: Link Tax Identification Number (TIN) registrations directly with the National Identity Number (NIN) and Bank Verification Number (BVN) databases. Registration centers should be deployed in major informal commercial hubs (e.g., Alaba, Balogun, and Main Market clusters) to capture unrecorded economic activities.

- Government should carryout a rigorous administrative and financial audit of processes within the Ministries of Health and Housing to eliminate bureaucratic bottlenecks, leakages, and procurement delays, ensuring that public disbursements efficiently yield measurable human capital and physical infrastructure. Because, the short-run coefficients for current expenditure on Housing and Health are statistically insignificant, revealing a critical policy transmission gap where immediate budgetary allocations fail to translate into immediate aggregate output.
- Inflation shows a highly significant negative pressure on economic growth, acting as a regressive tax that erodes real income. To protect the purchasing power of low-income earners and preserve the positive

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lagged redistribution effects captured by the Gini coefficient, social safety net disbursements and minimum wage frameworks must be dynamically indexed to core inflation trends.

- To mitigate the destabilizing impact of sudden macroeconomic shocks, such as the recent 2026 energy price spikes, policymakers must be proactive in their analysis. The Central Bank of Nigeria (CBN) and the Ministry of Finance should integrate machine learning architectures (such as LSTM networks and XGBoost algorithms) alongside traditional econometric frameworks to achieve high-frequency GDP and inflation Nowcasting, facilitating swift, data-driven fiscal responses.
- Nigeria Government should targeted investments in healthcare infrastructure and affordable housing to build human capital, enhance labour productivity, and stimulate long-term growth.
- inequality-reduction policies must prioritize vulnerable, low-income households to ensure inclusive growth and social cohesion. This should could be accomplished by shifting from untargeted subsidies to direct, well-monitored social welfare spending.

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