MPACT OF TAX REVENUE ON INFRASTRUCTURAL DEVELOPMENT IN NIGERIA (2000-2025): SHORT-RUN AND LONG-RUN EVIDENCE

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ABSTRACT

Infrastructural deficit remains one of the major constraints to economic development in Nigeria, despite various reforms in tax administration aimed at boosting revenue generation. The Nigerian government has over the years relied heavily on oil revenue, but the volatility of oil prices and dwindling oil revenue has necessitated a shift towards taxation as a sustainable source of financing infrastructure. However, the extent to which tax revenue has translated into tangible infrastructural development remains empirically contested. This study therefore examines the impact of tax revenue on infrastructural development in Nigeria from 2000 to 2025.The broad objective is to assess how tax revenue affects infrastructural development in Nigeria. The specific objectives are to: (i) examine the effect of Company Income Tax (CIT) on infrastructural development; (ii) evaluate the impact of Value Added Tax (VAT) on infrastructural development; (iii) assess the effect of Petroleum Profit Tax (PPT) on infrastructural development; and (iv) determine the impact of Customs and Excise Duties on infrastructural development in Nigeria. The study is anchored on the Benefit Theory of Taxation and Wagner's Theory of Public Expenditure. The study adopts ex-post facto research design. Secondary data will be sourced from Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS) reports, and National Bureau of Statistics (NBS). Infrastructural development is proxied by government capital expenditure on infrastructure and an infrastructure index. The data covering 2000-2025 was analyzed using descriptive statistics, Augmented Dickey-Fuller (ADF) unit root test, Johansen Cointegration test, and Autoregressive Distributed Lag (ARDL) model. The findings reveal a significant positive relationship between tax revenue components and infrastructural development, with Company Income Tax and VAT being the most significant drivers. The study recommends strengthening of tax administration, expansion of tax net, reduction of tax evasion, and ensuring earmarking of certain tax revenues for critical infrastructure to promote transparency and sustainable development.

Keywords: Tax Revenue, Company Income Tax, Value Added Tax, Petroleum Profit Tax, Infrastructural Development, Capital Expenditure, ARDL.