
Effects of Fiscal Policy on Standard of Living in Nigeria

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Abstract

This study investigates the effects of fiscal policy on standard of living in Nigeria. An Ex post facto descriptive research design was adopted for the study. Secondary data were gathered from various statistical bulletins of Central bank of Nigeria and national bureau of statistics. The study employs time series data which covered the period from 2017 to 2022. World Bank foreign debt; Value Added Tax and Petroleum Profit Tax were adopted as proxies for fiscal policy while Human Development Index (HDI) was adopted as a proxy for standard of living. The data collected were analyzed using simple and multiple regression analysis methods of ordinary least square technique while Analysis of Variance (ANOVA) was used to test the hypothesis. The study concludes that fiscal policy has a positive strong effect on standard of living in Nigeria. The study recommends that the government should focus on policies that will boost human development through improved healthcare system, investment in education, inclusive governance, security, peace building, entrepreneurship, job creation and youth empowerment.

Keywords: Fiscal policy, External debt, Value Added Tax, Petroleum Profit Tax and Human Development Index (HDI).

1. Introduction

The way by which government makes use of income from tax revenue and carries out expenditure in order to influence the economy is described as fiscal policy (Taylor, 2017; Gregory, 2014 in Omodero and Dandago, 2018). The government of every country has the responsibility of stabilizing her economy through fiscal policy in order to achieve economic growth and development. Fiscal policy can either be contractionary or expansionary. It becomes expansionary when the government expenditure increases or where there is reduction in tax revenue and contractionary whenever there is reduction in spending of government or rise in taxation. (Omodero and Dandago, 2018).

Whenever there is a general slowdown in economic activity, government stimulates the economy through expansionary fiscal. The contractionary fiscal policy is applied by the government during period of an economic boom in order to control inflation (Taylor, 2017 in Omodero and Dandago, 2018). For this reason, the living standard of the people in an economy becomes major consideration in all government fiscal policies. The main connection between the inflation and living standard is depicted by rising costs, pressure mounting on limited resources available to people and households, thereby reducing people's ability to provide for themselves basic amenities of life (Daniel et al, 2021).

According to Oranefo (2022), Nigeria's inflation has continued to be a reoccurring factor that confronts every government that comes to power with rising numbers thereby making it

impossible for local opportunities to be harnessed by Nigerians so as to make better their living standard. According to Bawa, Abdullahi and Ibrahim (2020) the living standard key indicators include exchange rates, manufacturing industries full scale maximization, Human Development Index (HDI) and rate of unemployment, which are all linked to per capita income are multi-dimensional. Samuel et al. (2021), stated that it is imperative to achieve a sustainable economic growth and development with an exchange rate that is competitive through a balance foreign and local fiscal policies (Idris, 2021).

2. Conceptual Framework

2.1 Fiscal Policy (FSP)

The utilization of revenue from taxes and public expenditure so as to achieve economic change and growth by the government is known as Fiscal Policy. Fiscal Policy ensures that there is economic direction from usage of income and government spending in order to secure the following goals of macroeconomic. Such macroeconomic objectives include price stability, a positive balance of payment, full employment attainment, equitable distribution of income and economic growth (Jhinghan, 2008). Fiscal Policy has been described to mean management of government revenue from tax system, expenditure and public debt management to achieve pre-determined macroeconomic objectives (Asaju, Adagba & kajang, 2014). It is referred to as that aspect of policy of government that is concerned with utilization of public spending, taxation and financial programmes existing in the annual budget and finding the appropriate way by which the collected revenue should be used in order to actualize general economic objective (Ozoh, Umeh & Odionye ,2016). Lopez, Thomas and Wang (2010) stated that fiscal policy is essential for apportioning resources to be balanced among the three key assets of the society; human, natural and physical capital Ogbegbor et al. (2020).

2.2 The Human Development Index (HDI)

According to Ibadin and Oluwatuyi (2021), Human Development Index (HDI) was introduced in 1990 through a Report of Human Development by the United Nation Development Programme, (UNDP). The HDI value means the value which shows the well-being of the society, showcasing a country's success in three (3) aspects of economic change (Ibadin & Eiya,2019; Osberg & Sharpe, 2005). These aspects are (i) long life and healthy living, which is expressed by life expectancy at birth (ii) knowledge, which is expressed by enrolment in schools and high literacy level and (iii) decent living standard, which is expressed by GDP per capita (Ibadin & Eiya, 2019). Under the condition of standards of living, living power ought to be the crucial point of assessment of sound economic development of peoples' good, healthy and comfortable state instead of purchasing power (Morgan, 2012). Neumayer (2001) stated that HDI brought the atmosphere of establishing the people as the main point of development thereby leading to its annual reports (Hassan, 2012). Anand and Sen (2000) and the Human Development Report (HDR) (1990) perceived human beings to be the focus as major indices in measurement and evaluation of economic development (Radovanovic, 2011). These indices are described to be healthy and have long life, to have access to resources, to be educated and the basic services necessary for a good standard of living (Sina & Moshtaghi, 2014). For this reason, HDI has been concluded as a single compound index that combines three measuring instruments such as longevity, education and standard of living (Nafziger, 2006).

Key Point about Nigeria's HDI: Between year 2000 to 2019, Nigeria was ranked 161 out of 189 countries surveyed. Development Category: This value placed Nigeria in the "low human development" category. Regional Disparities: Significant variations in HDI exist between northern and southern states, with the north generally having lower HDI values. Factors Affecting HDI: Nigeria's HDI is impacted by factors like low life expectancy, low educational attainment, and low income levels (Bawa, Abdullahi and Ibrahim 2020).

Table 1 Nigeria's Human Development Index from 2006 to 2014

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014
VALUE	0.475	0.479	0.482	0.486	0.488	0.494	0.499	0.504	0.523

Source: United Nations Development Programme (2025)

Table 2 Nigeria's Human Development Index from 2015 to 2023

YEAR	2015	2016	2017	2018	2019	2020	2021	2022
VALUE	0.520	0.526	0.531	0.534	0.539	0.539	0.542	0.548

Source: United Nations Development Programme (2025)

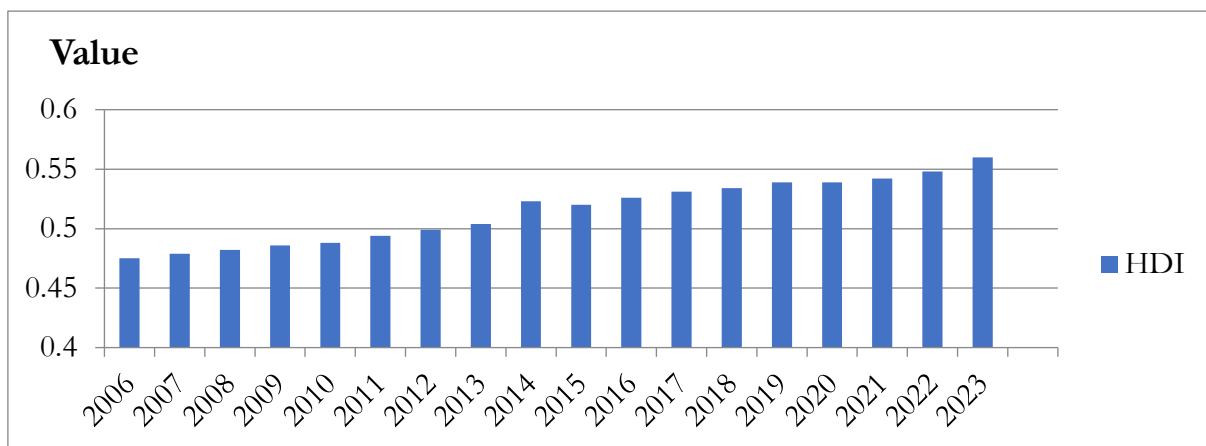


Fig 1 Nigeria's Human Development Index from 2006 to 2023

Source: United Nations Development Programme (2025)

2.2.1 External debt (EXD)

According to Ogbeifun, (2007) and (Omagbemi, 2016) in Onyiah, Ugwoke and Nwangwu (2024), as the needs of the modern society rises, the duties of government in meeting these needs rises as well. From daily public revenue arising from fees, duties, property and enterprise revenues, fiscal revenues, taxes, and penalties, the public expenditures are generally met. Despite these revenues, the government runs a deficit budget in order to finance the socio basic infrastructural amenities. For government to overcome this reoccurring situation, the government reverts to foreign loan (Aybarc, 2019). Foreign debt is not generated internally, and it means the money been utilized by a country which was not generated by local citizens whether individual or corporate bodies. Public debt or Government debts is described as the total sum of loans secured by government of a country, and this includes funds owned by public entities, private organizations and foreign governments.

2.2.2 Tax Revenue (TXR)

Omodero and Dandago (2018) in Onyiah, Ugwoke and Nwangwu, (2024), defined tax revenue as the income generated from taxes on profits and income, taxes levied on commodities, ownership taxes, payroll taxes, transfer of property and other taxes. The share of a country's output that government generates from taxes shows the total taxes as a percentage of GDP. This is perceived as a tool for controlling every economy's resources. Tax revenue provides a clear break down of incomes generated from various sources such as customs, stamp registration, value added tax, income tax, corporation tax, company income tax, petroleum profit tax, etc.

2.3 Theoretical Framework

The theoretical framework that underpins the effects of fiscal policy on standard of living in Nigeria is Keynesian fiscal theory.

2.3.1 Keynesian Fiscal Theory

Keynesian fiscal theory was propounded by John Maynard Keynes in his work “the General Theory of Employment, Interest and Money” in 1936. It arose during the Great Depression of 1929 to 1939, a period when classical economics failed to explain persistent unemployment and economic stagnation. The core assumptions of the theory were that prices and wages are sticky downward, so recessions are not self-correcting and that government intervention through fiscal policy (spending and taxation) is necessary to stabilize output and employment. The reason for underpinning the study on Keynesian fiscal theory is because role of government expenditure is a key principle of Keynesian fiscal theory. This principle indicates that public spending injects demand directly into the economy and higher government expenditure on infrastructure, housing, education, health stimulates investment, employment, consumption and improves human development outcomes.

2.4 Empirical Review

2.4.1 World Bank Foreign Debt and Human Development index

Obafemi (2012) studied the impact of public debt on Nigeria’s economic growth. OLS technique in an augmented Cobb-Douglas model was used. Foreign debt, total debt, domestic debt and budget deficit were used as the variables. The study revealed that there was a negative and quite significant impact of debt on economic growth in the long-run though in the short-run the impact was useful.

Onyeiwu (2012) did research on the correlation between domestic debt and economic growth in Nigeria. The quarterly data period covered from 1994 to 2008 for budget deficit money supply, foreign exchange rate, GDP and credit to the private sector. The result showed that the domestic debt of government holding was beyond the 35 % of bank deposits healthy borderline. This has occasioned a negative effect on economic growth.

Ajayi & Oke (2012) studied the effect of foreign debt on Nigeria’s economic growth and change and discovered that foreign debt burden poses a negative effect on the Nigeria’s income resulting into continuous industrial strike, currency devaluation, poor education system and increase in retrenchment.

Osuji & Ozurumba (2013) conducted the impact of foreign debt financing on Nigeria’s economic change. The study used vector error correction model. It was discovered that London club financing had positive impact on growth while multilateral, promissory notes and Paris club were inversely related to growth.

Azam, Emirullah, Probhakar & Khan (2013), conducted a study on the role of foreign debt of Indonesian economic growth. The Ordinary Least Square (OLS) was used discover the role of foreign debt in Indonesian economic growth. The study revealed that external foreign stock had a negative impact on growth, and this amounted into a huge burden Indonesia.

Ijirshar, Joseph & Godoo (2016), assessed the relationship between foreign debt and Nigeria’s economic growth. VEC model was used. The study reported that external debt stock had a positive effect on growth while external debt service payment negatively contributed to growth.

2.4.2 Value Added Tax and Human Development Index

Adereti, Adesina and Sanni (2011) examined the impact of VAT on Nigeria's economic growth. A time series period of 1994 to 2008 was employed by the study. Gross Domestic Product (GDP) was used as a proxy for Economic growth. The methodology employed was ordinary least square. The Study found out that Value Added Tax is positively significant to economic growth in Nigeria.

Ehigiamusoe (2013) studied the effects of VAT on economic growth and total tax revenue in Nigeria. A time series period of 1994 to 2010 was used by the study. Results of the regression analysis revealed that VAT has a significant effect on both total tax revenue and GDP.

2.4.3 Petroleum Profit Tax and Human Development index

Jibrin, Ejura, and Ifurueze (2012) examined the impact of petroleum profit tax on Nigeria's economic change. A time series period of 2000 to 2010 was used. The Simple regression method was adopted by the study to analyze the data. The study revealed a significant statistical relationship between petroleum profit tax and economic change in Nigeria.

Jibrin et al. (2012) conducted a study on the impact of petroleum profit tax on Nigeria's economic development. Ordinary least square analysis method was used. The study revealed that petroleum profit tax has a statistically significant and positive impact on the Gross Domestic Product of Nigeria.

Akwe (2014) studied the effect of oil tax revenue on Nigeria's economic growth from 1993 to 2012. Secondary sources of data were sourced from the Statistical Bulletin of the Central Bank of Nigeria (CBN) of 2012. The ordinary Least Squares Regression technique was employed to analyze the data. It was showed that there is a positive impact of Non-oil Tax Revenue on Economic Growth in Nigeria.

Yahaya and Bakare (2018) assessed the effect of Companies' income tax and petroleum profit tax on economic growth in Nigeria between 1981 and 2014. The Regression Techniques adopted were the Single Equation Co-integration Test, Fully Modified Least Square (FMOLS), and Augmented Dickey Fuller Unit Root Test. It was revealed that company income tax (CIT) and petroleum profit tax (PPT) enhanced economic growth and had a significant and positive impact on gross domestic product (GDP) in Nigeria.

Alhassan, Musa and Mahmud (2020) assessed the effect of Petroleum Profit Tax on economic growth in Nigeria with the aim of finding the potential effects of the revenues from PPT on Nigeria's economic growth. Economic growth was proxied by RGDP, non-oil tax revenue, PPT, and governance was proxied by government accountability specified in the estimated models. The study revealed that PPT has a positive and significant impact on economic growth.

2.4.4 Fiscal Policy and Poverty

Emmanuel and Ngbede (2023) conducted a research on fiscal policy and poverty levels: Empirical evidence from Nigeria. The time series covered was from 1990 to 2021 using ARDL framework. The study revealed that government spending reduces poverty whereas public debt and tax revenue raise poverty. This result implied that revenue and debt combination and the progressive nature of Nigeria's tax system shape welfare outcomes.

2.4.5 Government Spending and human Development (HDI)

Onabote, Ohwofasa & Ogunjumo (2023) studied Government sectoral spending and human development in Nigeria: is there a link?. The time series covered was from 1986 to 2021 using ARDL framework. The study reported that there is no robust short-run or long-run link between sectoral spending on education, health and HDI. Complementary studies on Nigeria focusing on education, health spending and human capital showed mixed outcomes reinforcing the need

to examine standard of living results with more recent data. Collectively, the local evidence motivates the present study focusing on Nigeria and hence the study expands time coverage, uses World Bank Foreign Debt, VAT and PPT as variables; simple and multiple regression analysis methods of ordinary least square technique as analytical tool.

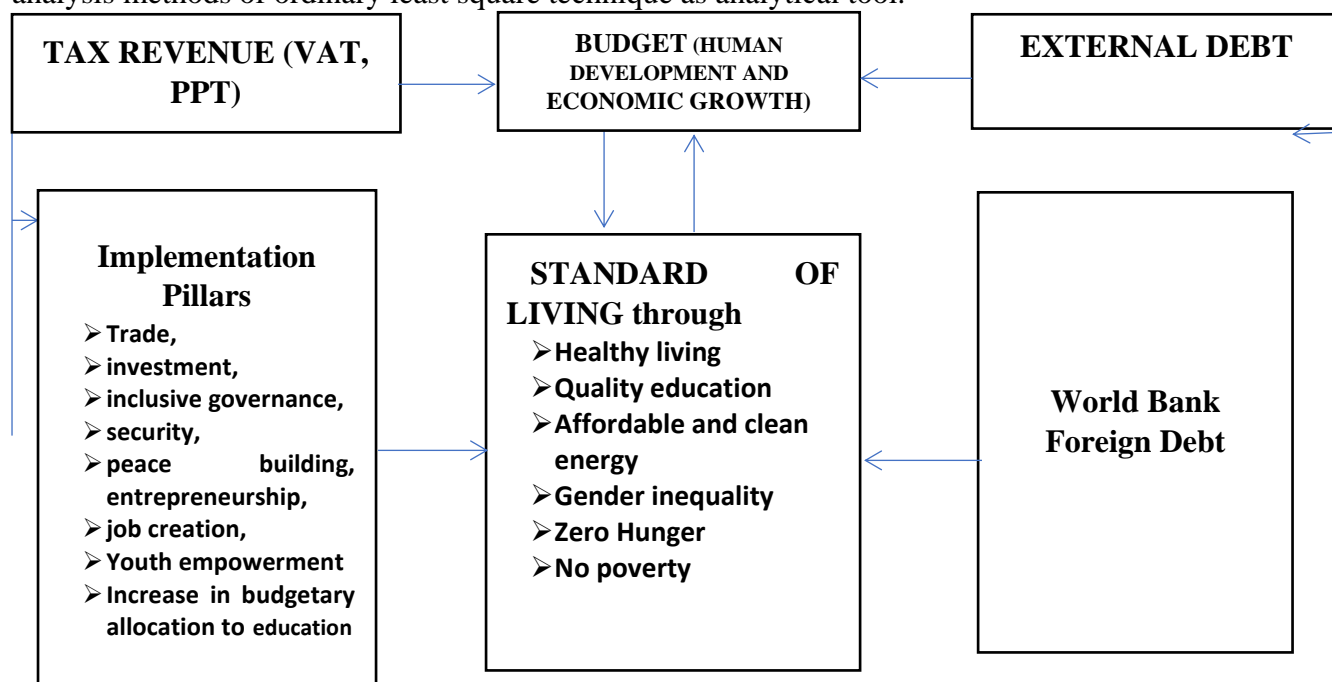


Fig 2 Conceptual Framework

Source: Researcher's Construction (2025)

3. Methodology

Research design adopted for this study was *Ex post facto* descriptive. Secondary data gathered from various statistical bulletins of Central bank of Nigeria and National Bureau of Statistics was employed. The study employs time series data which covered the period from 2017 to 2024. The proxies the study used for fiscal policy were World Bank foreign debt; Value Added Tax and Petroleum Profit Tax and the Human Development Index (HDI) was used as a proxy for standard living in Nigeria. With the aid of SPSS, data gathered were analyzed using descriptive statistics, simple, correlation and multiple regression analysis methods of ordinary least square technique with the aid of SPSS. To test the hypothesis, Analysis of Variance (ANOVA) was used. Test of statistical adequacy such as the t- statistics, f- statistics, Durbin – Watson and adjusted R square were used to find the comparable adequate significance of the variables and the reliability of model estimation factors.

Hypothesis One

There is no significant effect of World Bank foreign Debt on Human Development index in Nigeria.

$$HDI = \beta_0 + \beta_1 \text{ WBFD}$$

Hypothesis Two

There is no significant effect of Value Added Tax on Human Development index in Nigeria.

$$HDI = \beta_0 + \beta_2 \text{ VAT}$$

Hypothesis Three

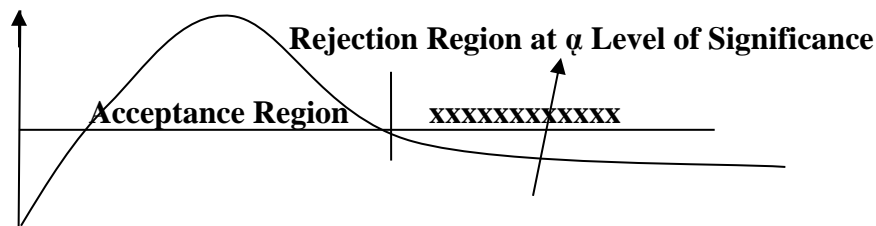
There is no significant effect of Petroleum Profit Tax on Human Development index in Nigeria.

$$HDI = \beta_0 + \beta_3 \text{ PPT}$$

Decision rule is as follows:

F calculated < Sig value	Accept the null hypothesis
F calculated > Sig value	Reject the null hypothesis

DECISION RULE



The null hypothesis is rejected (and the alternative accepted) if our calculated F value is greater than the value found in the table. Otherwise, the null hypothesis is accepted (and the alternative rejected) if our calculated F value is less than the value found in the table. Egbulun, (2007).

4. Data Presentation, Analysis and Discussion

4.1 Data Presentation

Table 3 World Bank foreign Debt, Value Added Tax, Petroleum Profit Tax PPT (N Million) and Human Development Index Value from 2006 - 2022

Year	World Bank foreign Debt	Value Added Tax VAT	Petroleum Profit Tax PPT	Human Development Index Value
2006	23,568.974	230.37030	203.8300	0.475
2007	27,424.819	301.70960	1500.600	0.479
2008	29,935.213	404.52780	14254.50	0.482
2009	41,360.915	468.38890	14385.60	0.486
2010	53,946.694	562.85700	14803.60	0.488
2011	61,259.363	649.50000	30705.90	0.494
2012	73,089.005	710.14600	32013.20	0.499
2013	84,144.784	795.59800	26663.70	0.504
2014	99,638.883	795.59800	245395.00	0.523
2015	123,672.384	104.66064	1289960.00	0.520
2016	203,206.553	828.19910	1157810.00	0.526
2017	245,310.390	972.34840	1520480.00	0.531
2018	265,866.989	1,108.03998	2467580.00	0.534
2019	310,126.181	1,189.98110	2114270.00	0.539
2020	437,669.001	1,531.17090	1516990.00	0.539
2021	511,405.930	2,070.000000	2008450.00	0.542
2022	710,077.532	1,814.14	1541580.00	0.548

Source: Statistical bulletins of Central bank of Nigeria and National Bureau of Statistics of various publication years.

4.2 Data Analysis

The Effect of World Bank foreign Debt on Human development index (HDI) in Nigeria.

Table 4 Model Summary of the first Independent Variable (World Bank foreign Debt)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.850 ^a	.723	.705	.01361	.723	39.194	1	15	.000	.312

a. Predictors: (Constant), WBFD

b. Dependent Variable: HDI

Source: Researcher's SPSS computation (2025)

Table 5 Coefficients of the first Independent Variable (World Bank foreign Debt)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.491	.005		104.888	.000
	WBGC	1.072E-007	.000	.850	6.261	.000

a. Dependent Variable: HDI

Source: Researcher's SPSS computation (2025)

Table 4 of the multiple regression model summary results R revealed a positive relationship between World Bank foreign Debt and Human development index (HDI) which is strong as 85 percent. R Square value of the multiple regression coefficients is .723 depicting that 72% of the total variation HDI is explained by the model World Bank foreign Debt while the balance of 28% is accounted for by factors not specified in the model. The adjusted R Square value of 0.7 and above depicts strong relationship between the variables, 0.5 to 0.7 depicts moderate relationship between the variables while below 0.5 shows weak relationship. Hence the adjusted R Square is .705 (approximately 70.5% model accuracy). From the above result, there is a significant positive and strong relationship between World Bank foreign Debt and Human development index (HDI) because the value for R-square and adjusted R-square is above 50% at a 5% level of significance as shown. Durbin-Watson (DW) is a test for autocorrelation in a regression model's output. In Table 4 the DW statistics is .312. Figures lower than 2.0 depict that there is positive autocorrelation and above 2.0 means negative autocorrelation. From the result, it reveals that there is a positive autocorrelation between World Bank foreign Debt and Human development index (HDI) in Nigeria.

In table 5, the coefficient of World Bank foreign Debt clearly has a significant effect on the Human development index (HDI) as shown by a coefficient (0.850) at a 5% level of significance. This depicts that a 1% increase in the World Bank foreign Debt will lead to a 0.850% increase in Human development index and also 1% decrease in the World Bank foreign Debt will lead to a 0.847% decrease in Human development index.

The Effect of Value Added Tax (VAT) on Human Development index (HDI) in Nigeria.

Table 6 Model Summary of the Second Independent Variable (Value Added Tax)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.805 ^a	.649	.625	.01534	.649	27.680	1	15	.000	.567

a. Predictors: (Constant), VAT

b. Dependent Variable: HDI

Source: Researcher's SPSS computation (2025)

Table 7 Coefficients of the Second Independent Variable (Value Added Tax)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.481	.007		68.261	.000
	VAT	3.680E-005	.000	.805	5.261	.000

a. Dependent Variable: HDI

Source: Researcher's SPSS computation (2025)

Table 6 of the multiple regression model summary results R revealed a positive relationship of Value Added Tax on the Human development index (HDI) which is strong at 80 percent. R Square value of the multiple regression coefficients is .649 depicting that 65% of the total variation HDI is explained by the model Value Added Tax while the balance of 35% is recorded for by factors not stipulated in the model. The adjusted R Square value of 0.7 and above depicts strong relationship between the variables, 0.5 to 0.7 depicts moderate relationship between the variables while below 0.5 shows weak relationship. Hence the adjusted R Square is .625 (62.5% model accuracy). From the above result, there is a positive significant and moderate relationship between Value Added Tax and Human development index because the figures of adjusted R-square and R-square is above 50% at a 5% level of significance as revealed. The DW statistics is .567. Figures lower than 2.0 reveal that there is a positive autocorrelation while figures above 2.0 show negative autocorrelation. From the result, it reveals a positive autocorrelation between Value Added Tax and Nigeria's Human development index.

In table 7, the coefficient of VAT clearly has a significant and positive effect on gross domestic product as revealed by a coefficient (0.805) at a 5% level of significance. This depicts that as Value Added tax increase by 1% it will lead to a 0.805% increase in Human development index while 1% reduction in the Value Added tax will cause a 0.805% reduction in Human development index.

The Effect of Petroleum Profit Tax (PPT) on Human Development index (HDI) in Nigeria.

Table 8 Model Summary of the Third Independent Variable (Petroleum Profit Tax)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.880 ^a	.775	.760	.01227	.775	51.687	1	15	.000	1.063

a. Predictors: (Constant), PPT

b. Dependent Variable: HDI

Source: Researcher's SPSS computation (2025)

Table 9 Coefficients of the Third Independent Variable (Petroleum Profit Tax)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.492	.004		120.667	.000
	PPT	2.436E-008	.000	.880	7.189	.000

a. Dependent Variable: HDI

Source: Researcher's SPSS computation (2025)

Table 8 of the multiple regression model summary results R revealed a positive relationship between Petroleum Profit Tax and Human development index (HDI) which is strong at 88 percent. R Square value of the multiple regression coefficients is .775; depicting that 78% of the total variation GDP is described by the model Petroleum Profit Tax while the balance of 22% is accounted for by factors not stipulated in the model. The adjusted R Square value is .760 (approximately 76% model accuracy). From the above result, there is a positive significant relationship between Petroleum Profit Tax and Human development index (HDI) because the value of adjusted R-square and R-square is more than 50% at a 5% level of significance as shown. Durbin-Watson (DW) is a measure for autocorrelation in a regression model's output. The DW statistics is 1.063. Figures below 2.0 depicts that there is positive autocorrelation while figures above 2.0 shows negative autocorrelation. This reveals that there is a positive autocorrelation between Petroleum Profit Tax and Human development index (HDI) in Nigeria.

In table 9, the coefficient of PPT clearly has a positive and significant effect on the Human development index (HDI) as indicated by a coefficient (0.880) at a 5% level of significance. This means that a 1% rise in the Petroleum Profit Tax will cause a 0.880% rise in Human development index (HDI) and also 1% reduction in the Petroleum Profit Tax will induce a 0.880% decrease in Human development index (HDI).

Test of Hypothesis

Hypothesis One

World Bank foreign debt has no significant effect on Human Development index in Nigeria.

World Bank foreign debt has a significant effect on Human Development index in Nigeria.

Table 10 ANOVA of hypothesis one

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.007	1	.007	39.194	.000 ^b
	Residual	.003	15	.000		
	Total	.010	16			

a. Dependent Variable: HDI, b. Predictors: (Constant), WBFD

Source: Researcher's computation (2025)

From the ANOVA table 10 which uses the computed F-value to test the acceptability of the model from a statistical perspective, the decision criterion is stated below as follows:

F calculated < Sig value Accept the null hypothesis

F calculated > Sig value Reject the null hypothesis

Decision: Since the F cal. (39.194) is more than the Sig. value (.000) at a 5% level of significance and 2 degrees of freedom, we reject the null hypothesis and accept the alternate hypothesis that World Bank foreign debt has a significant effect on Human Development index in Nigeria. Thus World Bank foreign debt is a means of generating revenue to increase Human Development index in Nigeria.

Hypothesis Two

Value Added Tax has no significant effect on Human Development index in Nigeria.

Value Added Tax has a significant effect on Human Development index in Nigeria.

Table 11 ANOVA of Hypothesis Two

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.007	1	.007	27.680	.000 ^b
	Residual	.004	15	.000		
	Total	.010	16			

a. Dependent Variable: HDI, b. Predictors: (Constant), VAT

Source: Researcher's computation (2025)

From the ANOVA table 11 which uses the computed F-value to test the acceptability of the model from a statistical perspective, the decision criterion is stated below as follows:

F calculated < Sig value Accept the null hypothesis

F calculated > Sig value Reject the null hypothesis

Decision: Since the F cal. (27.680) is more than the Sig. value (.000) at a 5% level of significance and 2 degrees of freedom, we reject the null hypothesis and accept the alternate hypothesis that Value Added Tax has a significant effect on Human Development index in Nigeria. Thus Value Added Tax is a means of generating revenue to increase Human Development index in Nigeria.

Hypothesis Three

Petroleum Profit Tax has no significant effect of on Human Development index in Nigeria.
Petroleum Profit Tax has a significant effect of on Human Development index in Nigeria.

Table 12 ANOVA of Hypothesis Three

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.008	1	.008	51.687	.000 ^b
	Residual	.002	15	.000		
	Total	.010	16			

a. Dependent Variable: HDI, b. Predictors: (Constant), PPT

Source: Researcher's computation (2025)

From the ANOVA table 12 which uses the computed F-value to test the acceptability of the model from a statistical perspective, the decision criterion is stated below as follows:

F calculated < Sig value Accept the null hypothesis

F calculated > Sig value Reject the null hypothesis

Decision: Since the F cal. (51.687) is more than the Sig. value (.000) at a 5% level of significance and 2 degrees of freedom, we reject the null hypothesis and accept the alternate hypothesis that Petroleum Profit Tax has a significant effect of on Human Development index in Nigeria. Thus, Petroleum Profit Tax is a means of generating revenue to increase Human Development index in Nigeria.

4.3 Discussion of Findings

The outcome of the test of hypothesis revealed that World Bank foreign debt has a significant effect on Human Development index in Nigeria. This is because the income from World Bank foreign debt is assumed to be channeled into funding priority projects that will improve the economy towards translation into human development. This finding aligns with the results of many scholars like Sulaiman and Azeez (2012); Iya, Gabdo and Aminu (2013); Ijeoma (2013) and Onyiah, Ugwoke and Nwangwu, (2024). Sulaiman and Azeez (2012) conducted a research on the effect of foreign debt on Nigeria's economic growth. It was revealed that foreign debt has positively contributed to the economy of Nigeria. Iya, Gabdo and Aminu (2013) conducted a research on an empirical investigation of the impact of foreign debt on economic growth in Nigeria. The findings showed that foreign debt has positive impact on Nigeria's economic performance. The paper also revealed that foreign debt is a catalyst to the economic progress of the country. Ijeoma (2013) did a research on an empirical analysis of the impact of debt on the Nigerian economy. The result revealed that foreign debt stock has a significant effect on Nigeria's economic growth. Onyiah, Ugwoke and Nwangwu, (2024) did a study on effects of tax revenue and external debt on economic growth in Nigeria. The result revealed that there is a significant effect of tax revenue and External Debt on Gross Domestic Product (GDP) in Nigeria.

The outcome of the test of hypothesis revealed that Value Added Tax has a significant effect on Human Development index in Nigeria. This is because revenue from VAT is assumed to be channeled into funding priority projects that will improve the economy towards translation into human development. This finding aligns with the results several scholars like Ibadin and Oluwatuyi (2021); Ehimagusoe (2013); Unegbu and Irefer (2011) and Onyiah, Ugwoke and Nwangwu, (2024). Ibadin and Oluwatuyi (2021) conducted a research on tax revenue, human development index and economic growth in Nigeria. It was indicated in the long run in Nigeria that Value-added tax had a positive significant impact on real gross domestic product and

human development index. Ehimagusoe (2013) and Unegbu and Irefer (2011) results showed that value-added tax promoted economic change in Nigeria in the long run. Onyiah, Ugwoke and Nwangwu, (2024) conducted a research on effects of tax revenue and foreign debt on economic growth in Nigeria. The result revealed that there is a significant effect of Value Added Tax on Gross Domestic Product (GDP) in Nigeria.

The outcome of the test of hypothesis revealed that Petroleum Profit Tax has a significant effect of on Human Development index in Nigeria. This is because revenue from PPT is assumed to be channeled into funding priority projects that will improve the economy towards translation into human development. This finding aligns with the results many scholars like Etim, Nweze, Umoffon Ogbonna and Appah (2016); Jibrin, Ejura and Ifurueze (2012) and Onyiah, Ugwoke and Nwangwu, (2024). Etim, et al. (2016) carried a research on the relationship between components of tax revenue and economic growth in Nigeria from 1989-2018. The result showed that there is a significant and positive relationship between economic growth, CIT, PPT, PIT, and GDP. Jibrin, Ejura and Ifurueze (2012) revealed that petroleum profit tax had a significant and positive impact on the Nigerian economy. Onyiah, Ugwoke and Nwangwu, (2024) carried a research on effects of tax revenue and foreign debt on economic growth in Nigeria. The result revealed that there is a significant effect of Petroleum Profit Tax on Gross Domestic Product (GDP) in Nigeria.

5. Conclusion

This study examines effects of fiscal policy on standard of living in Nigeria. The study covers a time series of 2017 to 2022. World Bank foreign debt; value added tax and petroleum profit tax were adopted as proxies for fiscal policy and the human development index (HDI) was also used as proxy for standard living in Nigeria. From the results and analysis, the study concludes that fiscal policy has a positive strong effect on standard of living in Nigeria.

The findings of this study contribute to fiscal policy literature by affirming the applicability of Keynesian fiscal theory in the Nigeria's context. The results suggest that fiscal policy is not only a stabilization tool but also a mechanism for enhancing welfare outcomes. From a policy perspective, the evidence underscores the need for prioritizing productive government expenditure in social sectors, reforming taxation to enhance progressivity and equity and adopting sustainable debt management strategies that channel borrowed funds into growth-inducing projects. By so doing, Nigeria can strengthen the standard of living of its citizens and reduce poverty, thereby achieving inclusive and sustainable development.

That fiscal policy of government should focus on boosting human development through improved healthcare system, investment in education, inclusive governance, security, peace building, entrepreneurship, job creation, youth empowerment and increase in budgetary allocation to education in order to have quality education.

That the government must be ready to use the revenue generated from World Bank foreign debt; value added tax and petroleum profit tax to invest in infrastructure, foster a business-friendly environment, strengthen healthcare system, address corruption with a strong grip, reduce income inequality and promote social protection.

That the government should reduce the over reliance on oil and look inwardly to finance her economic growth by blocking tax leakages and loopholes and make use of local debts rather than World Bank foreign debt which comes with conditions and high interest rates.

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