An Empirical Analysis of Financial Inflows and Per Capita Income in Nigeria

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Abstract
This study examined the effect of financial inflows on per capita income in Nigeria over the period 1980–2025. Specifically, it investigated the effects of tax revenue and foreign remittances on per capita income. The study adopted an ex post facto research design and utilised annual secondary time-series data covering 46 observations. Data were obtained from relevant publications of the Central Bank of Nigeria and the World Bank's World Development Indicators. Descriptive statistics, correlation analysis and the Augmented Dickey–Fuller unit root test were employed for preliminary analysis, while the ordinary least squares regression technique was used for estimation. The Breusch–Pagan–Godfrey test was conducted to examine heteroskedasticity. The results revealed that tax revenue had a positive but statistically insignificant effect on per capita income, with a coefficient of 0.046296 and a probability value of 0.6274. Similarly, foreign remittances had a positive but statistically insignificant effect, with a coefficient of 0.114003 and a probability value of 0.1758. The coefficient of determination indicated that the explanatory variables jointly explained approximately 69.59% of the variation in per capita income, while the overall regression model was statistically significant. The study concludes that, although tax revenue and foreign remittances were positively associated with per capita income, their individual effects were not statistically significant during the period examined. It recommends strengthening tax administration, improving the productive allocation of public revenue, promoting affordable formal remittance channels and encouraging productive investment of remittance funds to support sustainable improvements in income.

Keywords: *Financial inflows, tax revenue, foreign remittances, per capita income, Nigeria.*

Introduction

Financial inflows are important to economic development because they provide resources for public expenditure, household consumption, business investment and improvements in living standards. In Nigeria, tax revenue and foreign remittances represent two important channels through which financial resources enter the economy. Tax revenue enables government to finance infrastructure, education, healthcare and social protection, while foreign remittances provide households with additional income for consumption, savings and investment. Per capita income (PCI), which expresses national income relative to population, provides an important indicator for examining whether these financial inflows are associated with improvements in average economic

welfare. Omodero, et al (2021) highlighted the relevance of personal income tax revenue to Nigeria's aggregate earnings, while the World Bank (2025) emphasized the importance of mobilizing domestic revenue and improving public expenditure efficiency for inclusive development. These considerations establish the importance of assessing financial inflows in relation to income per person. Tax revenue contributes to development by providing government with resources to deliver public goods and services, strengthen productive capacity and create an enabling environment for employment and private enterprise. However, the developmental benefits of taxation depend on the efficiency of revenue collection and the productive allocation of public funds. Adesola (2024), examining tax revenue and human development in Nigeria using per capita income as a proxy, found that tax revenue had an insignificant effect in both the short and long run. This finding raises questions about whether increased revenue mobilisation necessarily translates into improved economic welfare. Similarly, the World Bank (2026) stressed that improved fiscal resources must be accompanied by effective and accountable public spending to generate tangible benefits for citizens. Foreign remittances constitute another important source of financial inflows because they transfer resources from Nigerians abroad to recipients at home. These transfers can supplement household earnings, support education and healthcare expenditure, finance small businesses and strengthen financial resilience. The World Bank (2025) reported that Nigeria remained a major recipient of international remittances, underscoring their relevance to domestic economic activity. Nevertheless, the contribution of remittances to average income may depend on their productive utilisation, transaction costs and prevailing inflationary conditions.

Two concerns therefore motivate this study. First, tax revenue may increase without a corresponding improvement in PCI where public expenditure is inefficient, revenue leakages persist or the benefits of government spending fail to reach citizens. Second, foreign remittances may improve the welfare of recipient households without generating proportionate, sustained gains in average national income, particularly when transfers are concentrated on immediate consumption. These concerns create the need for empirical evidence on the relationship between both financial inflows and PCI in Nigeria.

Objectives of the Study

The main objective of the study is to examine the effect of financial inflows on per capita income in Nigeria. The specific objectives are to:

1. Examine the effect of tax revenue on per capita income in Nigeria.
2. Determine the effect of foreign remittances on per capita income in Nigeria.

Research Hypotheses

The following null hypotheses was tested:

H_{01}: Tax revenue has no statistically significant effect on per capita income in Nigeria.

H_{02}: Foreign remittances have no statistically significant effect on per capita income in Nigeria.

Literature Review

Concept of Financial Inflows

Financial inflows refer to monetary resources received by an economy, government, household or business from identifiable domestic or external sources. They increase the funds available for consumption, savings, investment, public expenditure and other economic activities. At the national level, financial inflows may include government revenue collected through taxation and transfers received from individuals living abroad. The economic importance of these inflows lies

in their capacity to supplement existing resources, finance productive activities and improve material welfare. The International Monetary Fund (2023) emphasized the importance of domestic revenue mobilisation in creating fiscal space for development, while the World Bank (2024) identified personal remittances as cross-border transfers that constitute an important source of external resources for recipient economies. Consequently, financial inflows can be examined through both domestic revenue mobilisation and international transfers, although their effects depend on how the resources are distributed and utilised.

Tax revenue represents a domestic financial inflow accruing to government through compulsory levies imposed on individuals, households and corporate entities under tax legislation. Major sources include personal income tax, company income tax, value-added tax and other statutory taxes. Tax receipts provide government with resources to finance public infrastructure, education, healthcare and other services that may enhance productivity and citizens' welfare. The International Monetary Fund (2023) discussed the importance of strengthening tax collection and addressing revenue mobilisation constraints in developing economies, while Olayinka, Phebean and Chris (2025) examined how tax components relate to economic development, including per capita income, in Nigeria. These perspectives indicate that tax revenue is not merely a fiscal receipt; it is also a potential channel through which government can influence the economic resources and opportunities available to citizens. However, its contribution to income improvement depends partly on administrative efficiency, expenditure quality and accountability in public resource management. Foreign remittances constitute a different form of financial inflow because they involve transfers from migrants and other senders abroad to recipients in their home economies. These transfers may support household consumption, education, healthcare, housing, savings and small-business investment. The World Bank (2024) defines personal remittances to include personal transfers and compensation of employees, providing a recognized basis for measuring these cross-border flows. Nangih and Bail (2024) examined diaspora remittances in relation to per capita income and gross domestic product in Nigeria, while Adesanya and Olalekan (2026) investigated the relationship between international remittances and human capital development, including income-related outcomes. These studies highlight the relevance of remittances to household welfare and economic development, although the extent to which they generate sustained national income improvements may depend on their productive use and the wider economic environment. Conceptually, tax revenue and foreign remittances share the characteristic of bringing additional monetary resources into the domestic economy, but they differ in origin, recipients and transmission mechanisms. Tax revenue enters government accounts and can influence income through public expenditure, whereas remittances initially accrue to households and other private recipients. Omodero, et al (2021) discussed the relationship between personal income tax revenue and Nigeria's aggregate earnings, while Adebayo (2026) examined remittances in relation to poverty and per capita income in Nigeria. These perspectives support examining the two inflows separately when assessing their relationship with per capita income.

Concept of Per Capita Income

Per capita income (PCI) refers to the average income attributable to each person in a country over a specified period, usually one year. It is commonly calculated by dividing a country's aggregate income by its total population. Where gross domestic product (GDP) is used as the numerator, the resulting indicator is GDP per capita, which the World Bank (2024) defines as GDP divided by the midyear population. The United Nations (2024) also recognizes per capita income indicators as useful measures for assessing countries' income levels and comparing economic conditions

across populations. PCI is an important economic indicator because it provides insight into average economic output or income relative to population size. An increase in per capita income may indicate improved economic performance when aggregate output grows faster than population. However, it does not necessarily mean that every citizen's income has increased, since the indicator does not reveal how income is distributed among individuals. The World Health Organization (2024) identifies GDP per capita and its growth rate as useful indicators for assessing economic performance and progress towards sustained economic growth. Similarly, the World Bank's World Development Indicators distinguish between current-price and constant-price per capita measures, enabling analysts to separate nominal changes from changes adjusted for inflation. Tax revenue may influence PCI through government expenditure on productive infrastructure and public services, while foreign remittances may supplement household resources and support consumption and investment. The extent of these effects depends on fiscal efficiency, the productive use of remittances, inflation and population growth. Accordingly, examining PCI alongside tax revenue and foreign remittances can provide evidence on whether these financial inflows are associated with improvements in Nigeria's average economic income.

Theoretical Framework

Keynesian Theory of Government Intervention

Keynesian economic theory, developed by John Maynard Keynes (1936), highlights the role of government intervention in influencing aggregate demand, output and income. According to this theory, private economic activity may be insufficient to sustain full employment and economic prosperity, making government expenditure an important instrument for stimulating economic activity. Tax revenue provides government with domestic resources to finance public expenditure on infrastructure, education, healthcare and other productive services. When these expenditures improve productivity, generate employment and stimulate private investment, they may contribute to higher national output and per capita income. The theory suggests that the economic implications of taxation depend partly on how the revenue collected is used. Productive public expenditure can strengthen economic capacity, while excessive taxation or inefficient expenditure may weaken private consumption, investment and incentives to produce. Consequently, an increase in tax revenue does not automatically translate into higher per capita income; the outcome depends on the effectiveness of revenue mobilisation and expenditure allocation.

The relevance of Keynesian theory to this study lies in its explanation of the channel through which tax revenue may affect per capita income in Nigeria. Where tax collections are efficiently administered and allocated to productive sectors, they can support employment, productivity and household welfare. Conversely, revenue leakages, poor public investment and inefficient spending may weaken the expected benefits. The theory therefore provides a basis for examining whether tax revenue has a statistically significant effect on per capita income in Nigeria.

New Economics of Labour Migration (NELM) Theory

The New Economics of Labour Migration (NELM) theory was developed by Stark and Bloom (1985) to explain migration as a household strategy rather than merely an individual decision to seek higher wages. The theory argues that households may encourage one or more members to migrate internationally to diversify income sources, reduce economic risks and overcome constraints arising from imperfect credit, insurance and labour markets. Under this framework, remittances are an important outcome of migration because migrants transfer part of their earnings to family members in their countries of origin. These transfers can supplement household income

and improve economic welfare. Taylor (1999) further explained that remittances may stimulate development by relaxing household production and investment constraints, particularly in developing economies where access to formal finance is limited. The theory identifies several channels through which foreign remittances can affect per capita income. First, remittances increase the financial resources available to recipient households, enabling them to meet basic needs and improve consumption. Second, when invested in education, healthcare, housing, agriculture or small businesses, remittances can strengthen human capital and productive capacity. Third, remittance-financed investment may create employment and generate additional income within the domestic economy. The International Monetary Fund (2003) similarly discussed the potential of migrant remittances to provide capital for development, while Taylor (1999) underscored that their development impact depends on the economic circumstances and uses of the transferred resources. The relevance of NELM theory to this study lies in its explanation of the relationship between foreign remittances and per capita income in Nigeria. Nigerian households receiving transfers from relatives abroad may experience improvements in disposable income, consumption and investment opportunities. These household-level benefits may contribute to national income when remittances support productive activities and stimulate domestic demand. However, the effect may be limited where remittances are largely spent on imported goods, are eroded by inflation or fail to generate sustained productive activity. The theory therefore provides a basis for hypothesizing a relationship between foreign remittances and per capita income without assuming that the relationship must always be positive or statistically significant.

Empirical Review

Recent empirical studies on financial inflows and per capita income have produced mixed findings, suggesting that the effects of tax revenue and foreign remittances depend on the nature of the inflows, the period examined and the econometric methods employed. Adioha, Mbaeri and Obiah (2026) investigated the effect of company income tax, petroleum profit tax, customs and excise duties, and value-added tax on per capita income in Nigeria over 1994–2024. The study employed annual time-series data and the autoregressive distributed lag (ARDL) model. Its focus on per capita income is particularly relevant because it examines whether different categories of tax receipts are associated with average income rather than aggregate output alone. In the same year, Adesanya and Olalekan (2026) examined international remittances and human capital development in Nigeria using data for 1990–2024 and a vector autoregressive framework. Their findings showed that remittances were associated with improvements in life expectancy and income, but they did not exert statistically significant causal effects on the human-capital indicators, nor was a stable long-run equilibrium relationship established. This distinction between association and causality suggests that remittances may support immediate welfare without necessarily generating sustained improvements in income-related development outcomes.

Earlier evidence from Olayinka, Phebean and Chris (2025) examined tax revenue and sustainable economic development in Nigeria using data covering 2015–2024 and ordinary least squares regression. The researchers found that tax revenue components had significant positive effects on gross domestic product and per capita income, with capital gains tax and value-added tax emerging as particularly influential predictors. However, the effects on the human development index were statistically insignificant, indicating that increases in measured economic income do not automatically translate into broader improvements in human welfare.

Complementing this evidence, Ogu and Nnadi (2025) examined migrant remittances and economic development in Nigeria over 1986–2023, using GDP per capita as the principal indicator of economic welfare and ARDL to estimate short-run and long-run relationships. Their findings indicated that remittance inflows had a positive but statistically insignificant effect on per capita income at the 5% level. The authors attributed the limited effect partly to the possibility that remittances support consumption more than productive investment.

In 2024, Adesola examined the relationship between tax revenue and human development in Nigeria over 1990–2021, using per capita income as a proxy for human development. The study considered company income tax, petroleum profit tax, value-added tax, and customs and excise duties. Its results indicated that tax revenue had an insignificant effect in both the short and long run, suggesting that the collection of taxes may not be sufficient to improve average income where the transmission of revenue into productive public expenditure remains weak.

Further evidence on the relationship between income and tax mobilisation was provided by Baba and Jibir (2024), who examined the determinants of tax revenue in Nigeria over 1990–2022 using an ARDL model that accounted for structural breaks. Their results showed that per capita income had a positive but statistically insignificant relationship with tax revenue in both the short and long run. Although the direction of causality differs from the present study, the finding is relevant because it suggests that higher average income does not necessarily produce a corresponding increase in tax revenue. The relationship may depend on the size of the formal economy, the tax base and the effectiveness of revenue administration. Didia and Tahir (2022) examined diaspora remittances in relation to economic growth and government revenue generation in Nigeria, extending the discussion beyond household transfers to their potential implications for the domestic economy and public revenue. Their study is relevant to the present research because remittances can support household expenditure and business activity, while the resulting economic transactions may have implications for tax collection and national income. However, economic growth and government revenue are not equivalent to per capita income, so their findings should be interpreted as supporting context rather than direct evidence of the PCI relationship.

Similarly, Odugbesan, Sunday and Olowu (2021) investigated the asymmetric effects of financial development and remittances on economic growth in the MINT economies using a panel nonlinear autoregressive distributed lag approach. Their cross-country focus provides a broader perspective on how remittances may influence economic performance, while also highlighting that the effects of financial inflows may differ across countries and according to the direction of change in remittances. Because the study examined economic growth rather than Nigeria's per capita income alone, it does not directly establish the effect of remittances on PCI. Nonetheless, it reinforces the importance of country-specific analysis. Earlier, Cazachevici, Havranek and Horvath (2020) conducted a meta-analysis of the relationship between remittances and economic growth. Their synthesis of existing empirical research demonstrated why conclusions about remittances should be drawn cautiously: estimated effects can vary across studies because of differences in samples, model specifications and research settings. This broader evidence supports examining remittances in Nigeria over a sufficiently long period rather than assuming that results from other economies necessarily apply to the Nigerian context. Taken together, the literature reveals two important gaps. First, findings on tax revenue are inconsistent: some studies report a positive and significant relationship with per capita income, while others identify insignificant effects. Second, remittance studies frequently examine aggregate economic growth or household welfare rather than per capita income as a distinct macroeconomic outcome. The present study addresses these gaps by

examining tax revenue and foreign remittances jointly against per capita income in Nigeria over 1980–2025, a period that captures several decades of economic and fiscal changes.

Methodology

This study adopts an ex-post facto research design to examine the effect of financial inflows on per capita income in Nigeria. The design is appropriate because the study relies on historical economic data that have already occurred and cannot be manipulated by the researcher. The study covers the period 1980–2025, providing 46 annual observations for analyzing the relationship between tax revenue, foreign remittances and per capita income. Nigeria constitutes the geographical scope of the study, given its experience with changes in fiscal policy, international migration, remittance inflows and macroeconomic conditions over the period.

The study utilizes annual secondary time-series data obtained from credible institutional sources. Data on per capita income will be obtained from the World Bank's World Development Indicators and cross-checked against relevant publications of the National Bureau of Statistics (NBS). Tax revenue data will be sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and relevant official revenue publications, while foreign remittance data will be obtained from the World Bank's World Development Indicators. Consistency in measurement, units and reporting periods will be maintained throughout the dataset to ensure comparability across the 46-year period. The study specifies per capita income (PCI) as the dependent variable, while total tax revenue (TTR) and foreign remittances (FREM) constitute the independent variables. The functional relationship is expressed as:

$PCI = f(TTR, FREM)$

The econometric model is specified in logarithmic form as:

$PCI_t = \beta0 + \beta1TTR_t + \beta2FREM_t + \epsilon$

where $\beta0$ represents the intercept, $\beta1$ and $\beta2$ are the coefficients of tax revenue and foreign remittances, respectively, ϵ is the error term, and t denotes the annual observation.

Data analysis involved descriptive statistics and correlation analysis to examine the characteristics and associations of the variables. The Augmented Dickey–Fuller (ADF) unit root test to determine their stationarity properties. Based on the integration characteristics of the variables, OLS estimation technique was selected. Diagnostic tests to assess serial correlation using heteroskedasticity. The hypotheses were evaluated at the 5% significance level.

Results and Discussions

The data collected was log-transformed to standardize variable scales and facilitate interpretation of their relationships in order to examine the effect of tax revenue and foreign financial inflows on economic growth in Nigeria for the period 1980–2025.

Descriptive Statistics

Descriptive statistics are used to summarize the characteristics of the study variables and provide an initial understanding of their distribution, central tendency, and variability.

Table 1: Descriptive Statistics of per capita income total tax revenue and foreign remittances

	PCI	TTR	FREM
Mean	10.76586	24.64655	24.37714
Median	10.86086	24.66396	24.20912
Maximum	12.18546	27.64872	27.02186
Minimum	9.134141	21.22416	21.71477

Std. Dev.	0.617337	1.107139	1.159433
Skewness	-0.122293	-0.289205	0.211075
Kurtosis	3.145356	4.239612	2.630598
Jarque-Bera	0.155155	3.586456	0.603115
Probability	0.925355	0.166422	0.739665
Sum	495.2298	1133.741	1121.348
Sum Sq. Dev.	17.14974	55.15909	60.49284
Observations	46	46	46

Source: Author's e-views computation, 2026

The descriptive statistics in Table 1 summarize the characteristics of per capita income (PCI), total tax revenue (TTR) and foreign remittances (FREM) in Nigeria over the 46 years from 1980 to 2025. PCI recorded a mean of 10.76586 and a median of 10.86086, indicating that the average value was slightly below the midpoint of the distribution. Its minimum and maximum values of 9.134141 and 12.18546 reveal variation over the study period. The standard deviation of 0.617337 suggests relatively low dispersion around the mean. The skewness of −0.122293 indicates a slightly negatively skewed distribution, while kurtosis of 3.145356 suggests a distribution close to normal. The Jarque–Bera probability of 0.925355 exceeds 0.05, implying that the null hypothesis of normality is not rejected. TTR recorded a mean of 24.64655 and a median of 24.66396, showing that the two measures of central tendency were very close. Values ranged from 21.22416 to 27.64872, while the standard deviation of 1.107139 indicates variation in tax revenue across the period. Its skewness of −0.289205 indicates a negatively skewed distribution, and kurtosis of 4.239612 suggests a more peaked distribution than the normal distribution. However, the Jarque–Bera probability of 0.166422 indicates that the normality assumption is not rejected at the 5% significance level. FREM had a mean of 24.37714 and a median of 24.20912, with values ranging between 21.71477 and 27.02186. Its standard deviation of 1.159433 indicates the greatest dispersion among the three variables. The positive skewness of 0.211075 suggests slight positive asymmetry, while kurtosis of 2.630598 indicates a relatively flatter distribution. The Jarque–Bera probability of 0.739665 suggests that FREM is also normally distributed at the 5% significance level.

Correlation analysis

Correlation analysis was conducted to examine the direction and strength of the linear relationships among the study variables.

Table 2: Correlation Analysis of per capita income total tax revenue and foreign remittances

	PCI	TTR	FREM
PCI	1.000000	0.738014	0.739170
TTR	0.738014	1.000000	0.786729
FREM	0.739170	0.786729	1.000000

Source: Author's e-views computation, 2026

The correlation matrix presents the association between per capita income (PCI), total tax revenue (TTR) and foreign remittances (FREM) in Nigeria over the study period. The correlation coefficient between PCI and TTR is 0.738014, indicating a strong positive relationship between the two variables. This suggests that higher tax revenue is associated with higher per capita income

in Nigeria. Similarly, PCI and FREM have a correlation coefficient of 0.739170, indicating a strong positive relationship. This implies that increases in foreign remittances are associated with increases in per capita income. Remittances may supplement household income, support consumption and finance productive activities, potentially contributing to improved economic welfare. The correlation coefficient between TTR and FREM is 0.786729, indicating a strong positive association between the two explanatory variables. This suggests that tax revenue and foreign remittances tend to move in the same direction over the study period. Overall, the results reveal positive associations among all three variables.

Unit root test

The unit root test was conducted to determine the stationarity properties of the study variables before estimating the regression models.

Table 3: Unit root test of study variables

Variable	ADF test statistic	Probability	Decision at 5%
PCI	-5.282847	0.0001	Stationary
TTR	-4.668060	0.0004	Stationary
FREM	-5.774028	0.0000	Stationary

Source: Author's e-views computation, 2026

The Augmented Dickey–Fuller (ADF) unit root test results indicate that all three variables are stationary at the 5% significance level. Per capita income (PCI) has an ADF statistic of −5.282847 and a probability value of 0.0001. Total tax revenue (TTR) records an ADF statistic of −4.668060 with a probability value of 0.0004, while foreign remittances (FREM) has an ADF statistic of −5.774028 and a probability value of 0.0000. Since all probability values are below 0.05, the null hypothesis of a unit root is rejected for each variable. This suggests that the series do not exhibit a unit root under the test specifications used.

Regression analysis

Ordinary Least Squares (OLS) regression analysis for the model was carried out to examined the effects of Total Tax Revenue and Foreign Remittances, on Per Capita Income in Nigeria.

Table 4: Regression Analysis of total tax revenue and foreign remittances on per capita income

Dependent Variable: PCI
Method: Least Squares
Date: 10/27/26 Time: 11:00
Sample: 1980 2025
Included observations: 46

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.334063	1.364917	-1.710040	0.0948
TTR	0.046296	0.094659	0.489082	0.6274
FREM	0.114003	0.082761	1.377499	0.1758

R-squared	0.695869	Mean dependent var	10.76586
Adjusted R-squared	0.666198	S.D. dependent var	0.617337
S.E. of regression	0.356671	Akaike info criterion	0.878313

Sum squared resid	5.215768	Schwarz criterion	1.077079
Log likelihood	-15.20121	Hannan-Quinn criter.	0.952772
F-statistic	23.45258	Durbin-Watson stat	1.260749
Prob(F-statistic)	0.000000		

Source: Author's e-views computation, 2026

The regression results examined the effect of total tax revenue (TTR) and foreign remittances (FREM) on per capita income (PCI) in Nigeria over the period 1980–2025, using 46 annual observations. The coefficient of TTR is 0.046296, with a t-statistic of 0.489082 and a probability value of 0.6274. This indicates a positive but statistically insignificant relationship between tax revenue and per capita income at the 5% significance level. Therefore, the null hypothesis that tax revenue has no statistically significant effect on PCI is not rejected. Similarly, FREM has a positive coefficient of 0.114003, a t-statistic of 1.377499 and a probability value of 0.1758. Since the probability exceeds 0.05, foreign remittances also have a positive but statistically insignificant effect on PCI. The coefficient of determination (R^2) is 0.695869, indicating that TTR and FREM jointly explain approximately 69.59% of the variation in per capita income. The adjusted R^2 of 0.666198 shows that the model explains about 66.62% of the variation after adjusting for the number of explanatory variables. The F-statistic of 23.45258, with a probability value of 0.0000, indicates that the model is statistically significant overall. Overall, the results suggest that tax revenue and foreign remittances have positive but insignificant relationships with per capita income in Nigeria.

Heteroskedasticity Test

The Breusch–Pagan–Godfrey heteroskedasticity test was conducted to determine whether the variance of the error terms in the OLS regression model remains constant at a 5% level of significance.

Table 3: Heteroskedasticity test of PCI model

Test statistic	PCI Model	Probability
F-statistic	0.258761	0.9026
Obs*R-squared	1.132675	0.8891
Scaled explained SS	1.026116	0.9058

Source: Author's e-views computation, 2026

The heteroskedasticity test results indicate that the PCI regression model satisfies the assumption of constant error variance. The F-statistic is 0.258761, with a probability value of 0.9026, while the Obs*R-squared statistic is 1.132675, with a probability value of 0.8891. Similarly, the scaled explained sum of squares is 1.026116, with a probability value of 0.9058. Since all three probability values exceed the 5% significance level, the null hypothesis of homoskedasticity cannot be rejected. This suggests that there is insufficient statistical evidence of heteroskedasticity in the model's residuals. Therefore, the error variance appears constant, supporting the reliability of the estimated standard errors and associated statistical tests with respect to heteroskedasticity.

Test of Hypotheses

Hypothesis One (H_{01}): Tax revenue has no significant effect on per capita income in Nigeria.

The regression results indicate that tax revenue (TTR) has a positive coefficient of 0.046296, with a t-statistic of 0.489082 and a probability value of 0.6274. Since the probability value exceeds the

5% significance level (0.05), the null hypothesis is not rejected. This implies that tax revenue has a positive but statistically insignificant effect on per capita income in Nigeria over the period 1980–2025. Although tax revenue may provide government with resources for public investment and service delivery, the results do not provide sufficient statistical evidence that changes in tax revenue independently explain changes in per capita income within the estimated model.

Hypothesis Two (H_{02}): Foreign remittances have no significant effect on per capita income in Nigeria.

The regression results show that foreign remittances (FREM) have a positive coefficient of 0.114003, a t-statistic of 1.377499 and a probability value of 0.1758. Since the probability value is greater than 0.05, the null hypothesis is also not rejected. This indicates that foreign remittances have a positive but statistically insignificant effect on per capita income in Nigeria during the study period. Although remittances may supplement household income and finance consumption, education and investment, the estimated result does not establish a statistically significant independent relationship with per capita income.

Discussion of Findings

Effect of Tax Revenue on Per Capita Income in Nigeria

The regression result revealed that tax revenue has a positive but statistically insignificant effect on per capita income in Nigeria, with a coefficient of 0.046296 and a probability value of 0.6274. The positive coefficient conforms to the a priori expectation that tax revenue should improve per capita income by providing government with resources to finance infrastructure, healthcare, education and other productive public services. However, the statistical insignificance indicates that the expected contribution of tax revenue to average income was not independently established over the period examined. The finding is consistent with the Keynesian theory of government intervention, which recognizes the potential of public expenditure to stimulate economic activity but does not imply that increased revenue automatically produces higher income. The effectiveness of taxation depends on how efficiently revenue is collected and allocated. Empirically, the result agrees with Adesola (2024), who reported insignificant short-run and long-run effects of tax revenue on human development in Nigeria using per capita income as a proxy. Conversely, it differs from Olayinka, Phebean and Chris (2025), who reported significant positive effects of tax revenue components on per capita income and economic development.

From a policy perspective, Nigeria should strengthen tax administration, reduce revenue leakages, broaden the tax base fairly and improve accountability in public expenditure. Greater emphasis should be placed on directing tax proceeds towards productive investments that raise labour productivity, generate employment and improve citizens' purchasing power. Thus, improved revenue mobilisation should be accompanied by demonstrable improvements in public service delivery.

Effect of Foreign Remittances on Per Capita Income in Nigeria

The regression result showed that foreign remittances have a positive but statistically insignificant effect on per capita income in Nigeria, with a coefficient of 0.114003 and a probability value of 0.1758. The positive coefficient conforms to the a priori expectation that increased remittance inflows should improve per capita income by supplementing household earnings, financing education and healthcare, supporting small businesses and stimulating domestic consumption.

The finding is consistent with the New Economics of Labour Migration theory, which explains that remittances can help households diversify income sources and overcome financial constraints. However, the theory also recognizes that the developmental benefits of remittances depend on how recipients utilise the funds. Empirically, the result agrees with Ogu and Nnadi (2025), who reported a positive but statistically insignificant effect of migrant remittances on per capita income in Nigeria. Conversely, it differs from the findings Olayinka et al (2024), which reported a significant positive effect of remittances on individual welfare.

Practically, the Nigerian government should encourage formal remittance channels, reduce transfer costs and improve financial inclusion. Policies that facilitate remittance-backed savings, entrepreneurship and productive investment could strengthen their contribution to income generation. Financial literacy programmes and accessible investment opportunities may also help households convert remittances into sustainable economic benefits. These measures could improve the developmental impact of remittances beyond immediate consumption, although their effectiveness requires further empirical evaluation.

Conclusion and Recommendations

This study examined the effect of financial inflows on per capita income in Nigeria from 1980 to 2025, focusing on tax revenue and foreign remittances. The findings revealed that both tax revenue and foreign remittances had positive but statistically insignificant effects on per capita income. Although the regression model was statistically significant overall, neither explanatory variable independently demonstrated a significant effect at the 5% level. The study concludes that financial inflows alone may not guarantee improvements in average income unless supported by effective fiscal management and productive utilisation of resources.

Based on the findings, the following recommendations are made

1. The Nigerian government should strengthen tax administration, minimize revenue leakages and ensure that tax proceeds are transparently allocated to productive sectors such as infrastructure, education, healthcare and employment-generating activities.
2. Government should encourage affordable formal remittance channels and promote financial literacy, savings and investment opportunities that enable recipient households to channel part of their remittances into productive enterprises, thereby supporting sustainable income generation.

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