

Sustainable Financing for Nigeria's Development: Empowering Domestic Resource Mobilization for Sustainable Growth

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Abstract

Despite the growing discourse on sustainable development, empirical insights into how domestic resource mobilisation impacted sustainability outcomes in Nigeria remained limited. Previous studies often overlooked the dysfunctional interplay among public finance, private investment, and governance. This study contributed uniquely by empirically disentangling the long-run interactions between domestic resource mobilisation and sustainability outcomes in Nigeria, explicitly accounting for these interdependencies. Using annual data from 1990 to 2023 sourced from the World Bank and the Central Bank of Nigeria, the study employed the Dynamic Ordinary Least Squares (DOLS) technique, and Johansen's co-integration test confirmed long-run relationships at the 5% significance level. Private sector investment (PSI) exhibited a significant negative relationship with the Sustainable Development Index (SDI), reflecting investments in extractive and real estate sectors that were environmentally harmful and socially exclusive. Economic growth (GRT) also had a negative impact, indicating unsustainable, capital-intensive expansion. Financial inclusion (FI) negatively affected SDI, suggesting that access to finance remained concentrated among urban elites. Government expenditure on social services (GES) showed a marginally negative effect, likely due to inefficiencies or misallocations. In contrast, domestic resource mobilisation (DRM), particularly through non-oil revenue, showed a strong positive relationship with SDI. The corruption perception index (CPI) also had a positive effect, underscoring the importance of anti-corruption efforts. The study recommended targeted tax incentives for green sector investments, performance-based public spending reforms, the digitisation and broadening of non-oil tax collection, and the establishment of an independent anti-corruption agency with enforcement powers to enhance governance and optimise DRM for sustainable development.

Keywords: Sustainable financing, resource mobilization, financial inclusion, corruption perception, Sustainable Development.

1.0 Introduction

Nigeria, Africa's most populous country and largest economy, stands at a pivotal point in its development. Despite abundant natural resources and human capital, it continues to face structural imbalances, macroeconomic instability, and socio-political fragility. Persistent fiscal deficits, inflation, high unemployment, and underinvestment in infrastructure have weakened economic stability and threaten inclusive, sustainable growth (Aladejana, Ehinomen, & Akanbi, 2021; Aladejana, Alabi, & Oke, 2022; Aladejana, Alabi, Olaosebikan, & Joseph, 2024). A major constraint is Nigeria's long-standing dependence on oil revenues, which exposes the economy to global shocks. This underscores the need for a stable, self-reliant development model centred on sustainable financing. Sustainable financing involves mobilising and managing financial resources to support long-term growth, social equity, and environmental sustainability (Afolabi & Oladipo, 2019; Oluwatoyin & Adekunle, 2024). Achieving this vision requires not short-term foreign inflows but effective use of domestic economic potential, making Domestic Resource Mobilisation (DRM) a developmental imperative.

DRM refers to how governments raise and manage domestic funds—primarily through taxation, savings, and investment. It is essential for fiscal sustainability and enables predictable, equitable, and accountable funding for development (Umeokwobi & Nkoro, 2019; Olaoye & Borode, 2019). In Nigeria, enhancing DRM is key to reducing reliance on external financing and expanding fiscal space for human capital, infrastructure, and social investments. Fundamentally, DRM sustains the financing cycle vital to long-term resilience.

This central role of DRM is supported by Resource Mobilisation Theory and Fiscal Contract Theory. Resource Mobilisation Theory emphasises a state's internal financial capacity, especially through efficient taxation and investment (Obi & Ifelunini, 2019; Soyinka et al., 2024). Fiscal Contract Theory highlights the citizen–state relationship, where revenue generation is tied to transparency, service delivery, and trust. Together, these theories frame DRM as not only fiscal policy, but also a governance tool that enhances legitimacy and accountability (Johnson & Omodero, 2021; Yaru, 2022).

Yet, Nigeria's DRM efforts are constrained by institutional and structural barriers. The tax base remains narrow due to a large informal sector employing over 65% of the workforce (National Bureau of Statistics, 2023). Corruption, inefficiencies in public finance, and weak institutions hamper revenue collection and discourage

investment (Mkandawire, 2010; Amutabi, 2023). Moreover, with 36% of the population unbanked (Demirgüç-Kunt et al., 2015), domestic savings and investment remain limited. These challenges highlight the urgent need for reforms in tax policy, governance, and financial inclusion.

This study critically assesses Nigeria's DRM strategies in advancing sustainable financing. It focuses on tax reform, financial inclusion, and governance accountability as levers for long-term development. Drawing from global experiences and theoretical frameworks, it explores how effective DRM can strengthen fiscal legitimacy, reduce external dependency, and lay the foundation for inclusive and sustainable growth.

1.1 Statement of Problem

While the importance of Domestic Resource Mobilisation (DRM) for sustainable financing is widely acknowledged, Nigeria's practical experience reveals profound limitations that extend well beyond structural deficiencies and macroeconomic volatility. The issue is not merely one of insufficient revenue or sectoral underperformance; rather, it reflects a deeper systemic inertia rooted in fragmented policy implementation, weak accountability mechanisms, and a misalignment between fiscal instruments and national development priorities. Despite successive reform efforts, Nigeria continues to exhibit significant institutional incapacity in translating DRM potential into tangible developmental outcomes. In particular, the country's tax reform initiatives have remained largely procedural rather than transformative (Adegbe & Fakile, 2011). These measures have failed to expand the fiscal base or incentivise compliance, especially within the predominantly informal economy. Similarly, financial inclusion initiatives have made limited inroads into rural and low-income populations, effectively excluding large segments of the populace from formal savings, credit, and investment channels (Adegbite & Machethe, 2022; Abubakar & Malumfashi, 2022). These persistent shortcomings raise serious concerns about the inclusivity and equity of Nigeria's DRM framework.

Moreover, Nigeria's governance architecture lacks the coherence and transparency required to sustain a reciprocal fiscal contract between the state and its citizens. This governance deficit not only erodes public trust but also undermines the legitimacy of tax institutions, creating a self-reinforcing cycle of non-compliance and resource leakage (Okanga, 2021; Obembe & Adegbite, 2021). This challenge is compounded by the weak alignment between domestic

resource strategies and Nigeria's broader sustainable development goals, leading to policy fragmentation and inadequate inter-sectoral coordination.

Existing literature on sustainable financing frequently acknowledges the significance of Domestic Resource Mobilisation (DRM); however, it often relegates DRM to a peripheral role or conflates it with broader fiscal policy frameworks, thereby neglecting its distinct strategic importance. For example, studies by Shobanjo (2022) and Williams *et al.* (2024) examine macro-financial linkages but fail to address Nigeria's deep-rooted institutional challenges, including fragmented policy implementation, weak inter-agency coordination, and a persistently narrow fiscal base constrained by widespread informality. Regional studies focusing on Africa—such as those by Ohemeng and Owusu (2013), Fakile *et al.* (2014), and Nnadozie *et al.* (2017)—provide valuable insights but suffer from limited generalisability due to heterogeneous fiscal contexts, divergent governance systems, and a lack of Nigeria-specific analytical depth. Within the Nigerian context, empirical analyses by Nwele *et al.* (2016) and Callistar and Innocent (2022) engage with DRM-related themes but are constrained by methodological weaknesses, reliance on outdated datasets, and insufficient incorporation of institutional dynamics. These methodological shortcomings—ranging from simplistic econometric techniques to neglect of institutional and behavioural variables—limit the explanatory power and policy relevance of their findings in addressing Nigeria's complex DRM challenges.

These limitations collectively highlight a critical gap in the literature and underscore the need for contextually grounded, methodologically robust research that captures the complexities of Nigeria's fiscal landscape and the interdependencies among DRM, governance, and long-term sustainable development. This study seeks to address these critical gaps by undertaking a rigorous, data-driven examination of the role of domestic resource mobilisation in fostering sustainable financing in Nigeria. By leveraging contemporary, high-quality data and employing a robust methodological framework, it aims to generate evidence-based, context-specific policy insights that can strengthen Nigeria's fiscal legitimacy, build civic trust, and enhance the country's long-term economic sustainability.

Therefore, the possible research question for this study is; to what extent are domestic resource mobilisation strategies—particularly tax reforms, financial inclusion, and governance—effective in promoting sustainable financing for economic development in Nigeria?

The main objective of this research is to assesses the effectiveness of domestic resource mobilization strategies in promoting sustainable financing for Nigeria's economic development, with an emphasis on tax reforms, financial inclusion, and governance.

2. Literature Review

2.1 Theoretical Review

Resource Mobilization and Fiscal Contract Theories

The Resource Mobilization Theory (RMT) focuses on the role of effective governance and resource mobilization in achieving development. It advocates for diversifying Nigeria's revenue sources beyond oil, strengthening tax systems, and promoting financial inclusion, especially in the informal sector. This theory emphasizes expanding the fiscal base to reduce reliance on foreign aid and foster sustainable growth (Adegbite & Machethe, 2022; Abubakar & Malumfashi, 2023). In contrast, Fiscal Contract Theory highlights the relationship between the state and its citizens, where citizens pay taxes in exchange for public services. For Nigeria, rebuilding public trust through improved governance, transparency, and service delivery is crucial for enhancing tax compliance and resource mobilization. Together, these theories provide a framework for Nigeria's fiscal reforms. RMT offers mechanisms for resource mobilization, while Fiscal Contract Theory stresses the importance of trust and governance in sustaining these efforts.

2.2 Empirical Literature

This review examines the relationship between domestic resource mobilization and sustainable growth in Nigeria, highlighting theoretical perspectives, methodological approaches, and implications for developing economies. Nwele *et al.* (2016) explored Nigeria's potential for inclusive growth through effective resource mobilization, financial access, and inclusion. Using primary and secondary data, they found that Nigeria's vast human capital remains underutilized due to weak policy support, recommending targeted government investments to optimize resource use. Callistar and Innocent (2022) analyzed taxation's role in revenue mobilization for development financing in Nigeria, employing ARDL and ECM models with CBN and World Bank data. Their findings revealed that while tax and exports positively influence mobilization, tax evasion, weak administration, and corruption undermine development efforts. Ohemeng and Owusu (2013) examined tax reforms in Ghana and other nations through social learning theory and the revenue authority model, showing that reforms enhance revenue generation but require institutional stability. More so,

Williams *et al.* (2024) investigated sustainable finance's impact on rural social enterprises in Nigeria, emphasizing the need for long-term funding to expand services in health, electricity, and clean water. Despite government, financial institutions, and nonprofits playing critical roles, challenges such as limited donor funding and weak legislative frameworks persist. World Bank (2014–2023) data indicates that expanding financial initiatives strengthens rural enterprises, particularly in water services. The study advocates innovative financing models like community-based finance and social impact bonds to bridge funding gaps.

The relationship between domestic resource mobilization and sustainable growth in Nigeria remains underexplored. Existing studies often neglect its strategic role, relying on outdated data and flawed methodologies. Empirical evidence suggests that sustainable domestic resource mobilization hinges on strengthening tax administration, enhancing financial inclusion, and fostering institutional reforms. Addressing these gaps through robust policy interventions and innovative financing mechanisms is critical for Nigeria's long-term economic sustainability.

3.0 Methodology

3.1 Model specification

Based on the theoretical review and empirical consideration, the following model was used in this work:

The relationship between the variables of interest is presented in the following form:

$$SDI=f(DRM, PI/GES, PSI, FI, CPI, GDP) \text{ ----- (i)}$$

Where:

SDI= Sustainable development index at time t

DRM=Domestic resource mobilization: (Proxy by non-oil revenue)

PI= Public investment:(Proxy by government expenditure on social services)

PSI= Private sector investment: Investments made by the private sector in sustainable projects.

FI= Financial inclusion: The percentage of the population with access to financial services.

CPI= Corruption perception index: A measure of corruption level in Nigeria.

GDP= Economic growth: Real gross domestic product growth rate as a control variable.

The explicit estimable econometric, equation (i) is written as:

$$SDI_t = \beta_0 + \beta_1 DRM_t + \beta_2 PI_t + \beta_3 PSI_t + \beta_4 FI_t + \beta_5 CPI_t + \beta_6 GDP_t + \varepsilon_t \text{ ----- (ii)}$$

β_0 is the Intercept and $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$, and β_6 are coefficients to be estimated.

ε = Error term

Justification for Variable Selection: The selected variables were chosen for their direct relevance to sustainable financing and development. CPI is used as a proxy for corruption due to its significant impact on the efficiency of resource mobilization and governance. Additionally, variables like DRM, PI, PSI, and FI were included to capture key dimensions of resource mobilization, investment, and financial inclusivity, all of which are essential for sustainable development in Nigeria.

The **a-priori** expectations for each variable based on theoretical understanding are as follows:

$\beta_1 > 0; \beta_2 > 0; \beta_3 > 0; \beta_4 > 0; \beta_5 > 0; \text{ and } \beta_6 > 0.$

3.2 Data and Sources

The study used annual data from reputable sources, primarily the Nigerian National Bureau of Statistics (NBS), covering the period from 1990 to 2023, while the NBS provides the most accurate reflection of Nigeria's fiscal landscape. However, some data, especially on indices like the Corruption Perception Index (CPI) and financial inclusion, were sourced from international organizations such as the World Bank. The use of both national and international data introduces potential biases due to differences in estimation methods and reporting standards. These biases are acknowledged, and their implications are considered in the analysis.

4. Results and Discussions

4.1 Descriptive Statistics

Table 1: Descriptive Statistics

	SDI	PSI	GRT	GES	FI	DRM	CPI
Mean	0.505	4.19E	4.066	346.102	4.679	1742.510	16.588
Median	0.506	110	4.213	271.992	0.000	844.281	19.500
Maximum	0.581	3.31E	15.329	1369.662	45.320	7944.561	28.000
Minimum	0.000	0.000	-2.035	0.000	0.000	0.000	0.000
Std. Dev.	0.097	8.81E	4.028	326.850	13.187	1993.942	10.136
Skewness	-4.252	2.469	0.522	1.403	2.486	1.328	-0.651
Kurtosis	23.147	7.893	3.240	4.779	7.363	4.289	1.927
Jarque-Bera	677.512	68.448	1.625	15.642	61.995	12.347	4.035
Prob	0.000	0.000	0.444	0.000	0.000	0.002	0.133
Sum	17.174	1.42E	138.244	11767.47	159.100	59245.33	564.000
Sum Sq. Dev.	0.309	2.56E	535.405	3525423.	5738.339	1.31E	3390.235
Obs	34	34	34	34	34	34	34

Source: Authors' Computation (2025)

Table 1 presents the descriptive statistics, indicating moderate sustainable development (SDI = 0.505), strong resource mobilization (DRM = 1742.51), and moderate growth (GRT = 4.07) and inflation (CPI = 16.59). Median values largely align with means, though PSI and DRM show notable skewness. SDI is extremely left-skewed (-4.252) with high kurtosis (23.147), suggesting a sharp peak and heavy tails—clear evidence of non-normality that may require transformation or robust estimation. FI is also highly skewed (2.486), while GRT (0.522) and CPI (-0.651) are more symmetric. The Jarque-Bera test confirms non-normality in SDI, PSI, GES, FI, and DRM, while GRT and CPI display near-normal distributions.

4.2 Correlation Analysis

Table 2: Correlation Analysis

	SDI	PSI	GRT	GES	FI	DRM	CPI
SDI	1	0.181	0.062	0.487	0.224	0.497	0.557
PSI	0.181	1	0.068	0.191	-0.134	0.186	0.289
GRT	0.062	0.068	1	-0.127	-0.008	-0.220	0.084
GES	0.487	0.191	-0.127	1	0.319	0.938	0.688
FI	0.224	-0.134	-0.007	0.319	1	0.402	0.325
DRM	0.497	0.186	-0.220	0.938	0.402	1	0.685
CPI	0.557	0.289	0.0836	0.688	0.325	0.685	1

Source: *Researcher's Compilation, 2025 from E-views-9*

The correlation matrix highlights the significant roles of domestic resource mobilization (DRM) and government expenditure on social services (GES) in sustainable development, as shown by their strong positive correlations with SDI. CPI, DRM, and GES demonstrate moderate impacts on SDI and are interlinked, with DRM strongly tied to GES (0.938). This high correlation between DRM and GES raises concerns about potential multicollinearity in subsequent regression analyses, as such a high degree of correlation can distort coefficient estimates and lead to unreliable conclusions. To mitigate this risk, careful consideration should be given to variable selection or the use of variance inflation factors (VIF) to assess multicollinearity. Private sector investment (PSI) and foreign investment (FI) show weak direct correlations with SDI, though FI moderately supports DRM (0.402). Growth rate (GRT) exhibits marginal influence, emphasizing that sustainable development depends on domestic resources, social spending, and price stability, with investments playing supplementary roles.

4.3. Unit Root Test Result

Table 3: Results of Unit Root Test

Test at Level					Test at first level difference			
Variable	Test Statistic	5% critical value	Remark	S/NS	Test Statistic	5% critical value	Remark	S/NS
SDI	1.053	2.960	I(0)	NS	4.015	2.964	I(1)	S
PSI	-5.354	-2.954	I(0)	S	-5.354	-9.202	I(1)	S
GRT	-9.786	-2.957	I (0)	S	-3.581	-2.954	I(1)	S
GES	-2.694	-2.954	I (0)	NS	-5.978	-2.960	I(1)	S
FI	-0.669	-2.964	1(0)	NS	-2.982	-2.576	I(1)	S
DRM	2.161	-2.960	1(0)	S	-6.869	-2.960	I(1)	S
CPI	-1.627	-2.954	I(0)	NS	-2.987	-2.957	I(1)	S

Where; S indicates Stationary; NS non-Stationary

Source: Researcher's Compilation, 2025 from E-views-9

Table 3 presents the Augmented Dickey-Fuller (ADF) test results at levels and first differences. The PSI, GRT, and DRM is stationary at the level, while SDI, GES, FI and CPI are non-stationary at the level, making them integrated of order I(1). This conclusion is based on the PIS, GRT, and DR's t-statistics exceeding the 5% critical values. At first difference, SDI, PSI, GRT, GES, FI, DRM and CPI become stationary, indicating no unit root, as their t-statistics surpass the 5% critical values.

4.4. Johansen Co-Integration Test Result

Table 4: Johansen Co-Integration Test

Trace Max-Eingen & Max-Eingen Statistics						
H ₀	Trace Statistics	Critical value at 5% level	Prob.	Max-Eingen Statistics	Critical value at 5% level	Prob.
None*	178.800	125.615	0.000**	69.318	46.231	0.000**
At most 1*	109.482	95.754	0.004**	46.575	40.078	0.008**
At most 2	62.907	69.819	0.157	26.389	33.877	0.298
At most 3	36.517	47.856	0.371	14.531	27.584	0.784
At most 4	21.986	29.797	0.299	11.199	21.132	0.627
At most 5	10.786	15.495	0.225	6.395	14.265	0.563
At most 6*	4.391	3.841	0.036**	4.391	3.842	0.036**

Trace test indicates 5 co-integrating eqn.(s) at the 0.05 level,

Denotes rejection of the hypothesis at the 0.05 level**
indicates statistically significant.

Source: Researcher's Compilation (2025)

The results of the co-integration test, shown in Table 4, show that the rank trace test rejects the null hypothesis that there is no significant co-integration at the 1% level for three co-integrating equations. The Maximum Eigenvalue test confirms significant co-integration at the same level. These findings demonstrate a long-term equilibrium relationship between the model's independent variables and the sustainable development index (SDI).

4.5. Dynamic Ordinary Least Squares (DOLS) Result

Table 5: Dynamic Ordinary Least Squares (DOLS)(Dependent Variable: SDI)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
PSI	-8.96E	2.10E	-4.267	0.005
GRT	-0.001	0.000	-2.150	0.075
GES	-0.000	3.33E	-8.518	0.000
FI	-0.005	0.001	-5.314	0.002
DRM	5.97E	5.35E	11.162	0.000
CPI	0.003	0.000	7.399	0.000
C	0.482	0.001	367.708	0.000
Adjusted R-squared	0.995			
R-squared	0.999			
Durbin-Watson stat	0.817			
Prob(F-statistics)	0.059			

** indicates statistically significant at 5% significance level

Source: Researcher's Compilation (2025)

The Dynamic Ordinary Least Squares (DOLS) results, presented in Table 5, explored the relationship between various macroeconomic variables and the Sustainable Development Index (SDI), offering crucial insights into the key drivers and challenges of sustainable development in Nigeria. The coefficient for private sector investment (PSI) was -8.96E, with a p-value of 0.005, indicating a statistically significant negative relationship with SDI. This result, although significant, did not align with the a-priori expectation ($\beta_1 > 0$) that private sector investment would have a positive impact on SDI. The negative coefficient suggested that private sector investment in sustainable projects had not effectively contributed to sustainable development. This finding, which contrasted with a priori expectations, was consistent with the studies of Babatunde and Adebayo (2018), Ogun and Akinyemi (2019), Akanbi and Olayiwola (2020), and Ojo and Yusuf (2021). However, it differed from the conclusions of Akinlo and Olayiwola (2019), Adegbie and Adefila (2020), and Igbokwe and Okeke (2021), who found

that private sector investment positively impacted Nigeria's sustainable development, particularly in sectors like energy and manufacturing. It appeared that private sector investments were often influenced by inefficiencies or driven by short-term profit motives, rather than focusing on long-term sustainability. To enhance the contribution of private sector investment to sustainable development, the Nigerian government would need to introduce policies that encourage long-term, sustainability-driven investments, such as tax incentives or subsidies for green initiatives. Additionally, strengthening regulatory frameworks and ensuring accountability could align private sector activities with broader social and environmental objectives. The coefficient for the growth rate (GRT) was -0.001, with a p-value of 0.075. This indicated a statistically significant negative relationship with SDI at the 10% level (since the p-value was below 0.10), but the negative coefficient suggested that an increase in GRT had a marginally adverse effect on SDI. Although statistically significant, the relatively weak significance (p-value near 0.05) indicated that the effect of GRT on SDI was not robust enough to draw definitive conclusions. This could be attributed to inefficient resource allocation or other confounding factors. Nevertheless, this finding did not align with the a-priori expectation ($\beta_2 > 0$) that economic growth would positively influence SDI. Government expenditure on social services (GES) showed a coefficient of -0.000, with a p-value of 0.000, indicating a highly significant but negligible negative relationship with SDI. Despite being statistically significant, the negligible coefficient suggested that government spending on social services may have been poorly targeted or inefficiently managed, failing to generate the expected benefits for sustainable development. This finding was in line with the studies of Galik and Durovic (2017), Kumari and Kumar (2019), Mbah and Ugwu (2020), and Udo and Oduro (2021), which found that government expenditure on social services had a statistically significant but negligible negative effect on sustainable development. In contrast, the results did not support the conclusions of Sachs and Schmidt-Traub (2015) and Mohanty and Sahoo (2017), who argued that effective public spending on social services could significantly enhance sustainable development outcomes. The discrepancy could be attributed to ineffective social policies and poor resource management within the public sector.

To improve the impact of government expenditure on social services, Nigeria would need to focus on better targeting of funds and enhancing the efficiency of service delivery. Strengthening accountability mechanisms and monitoring systems would ensure that social service spending contributed more effectively to

achieving sustainable development goals. The coefficient for financial inclusion (FI) was -0.005, with a p-value of 0.002, indicating a statistically significant negative relationship with SDI. Despite efforts to increase financial inclusion in Nigeria, these initiatives had not yet translated into tangible improvements in sustainable development. The negative coefficient suggested that financial inclusion did not fully align with the a-priori expectation ($\beta_4 > 0$), likely due to the low quality of financial services available to underserved populations or insufficient investment in long-term, sustainable economic projects. To improve the impact of financial inclusion on sustainable development, Nigeria needed to enhance the quality of financial services available to underserved populations and prioritize investments in sustainable economic projects. Domestic resource mobilization (DRM), proxied by non-oil revenue, exhibited a highly significant positive relationship with SDI, with a coefficient of 5.97E and a p-value of 0.000. This result was consistent with the a-priori expectation ($\beta_5 > 0$), underscoring the vital role of DRM in promoting sustainable development and reducing dependence on external funding. The finding aligned with the studies of Owuru and Olabisi (2020), Afolabi (2023), and Nduokafor et al. (2024), which emphasized the importance of non-oil revenue in achieving sustainable development goals.

To enhance sustainable development, Nigeria needed to improve tax compliance, expand the tax base, and strengthen institutions to ensure more effective resource allocation. The corruption perception index (CPI) showed a coefficient of 0.003, with a p-value of 0.000, indicating a positive and significant relationship with SDI. This suggested that reducing corruption, as reflected by a higher CPI, was linked to improvements in sustainable development, highlighting the importance of transparency, accountability, and good governance. This result was in line with the a-priori expectation ($\beta_6 > 0$). Policymakers needed to strengthen anti-corruption measures, enhance transparency in public procurement and financial management, and improve the effectiveness of institutions responsible for accountability. Overall, the DOLS results emphasized that domestic resource mobilization and reduced corruption were key drivers of sustainable development in Nigeria. However, while private sector investment, government expenditure on social services, and financial inclusion were significant, their impacts on SDI were either limited or negative, highlighting the need for targeted reforms to maximize their potential contributions to sustainability. The Nigerian government needed to focus on policy reforms that could better align these variables with long-term sustainability goals.

4.6 Post-Diagnostic Test Results

Table 6 Wald Test

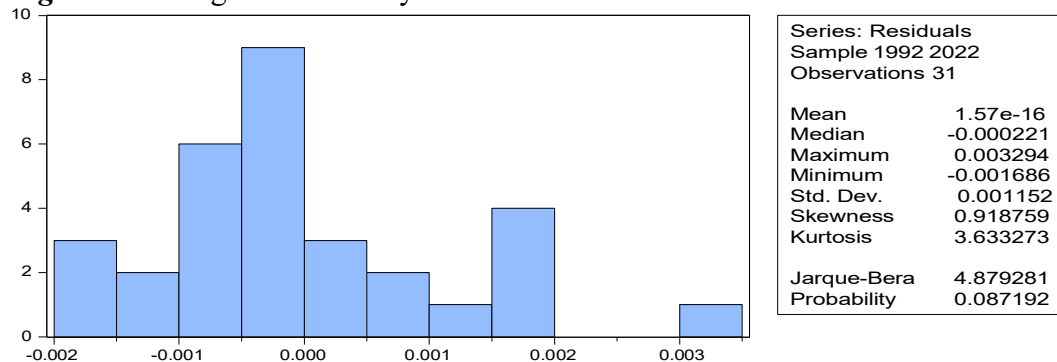
Test Statistic	Value	df	Prob.
F-statistic	515.449	(6,6)	0.000
Chi-square	3092.693	6	0.000

Source: Researcher's Computation (2025)

The results of the Wald test indicated a highly significant relationship, allowing the null hypothesis to be rejected due to the F-statistic (515.449) and the Chi-square statistic (3092.693), both showing p-values of 0.000. This suggested that all the variables in the model together had a significant effect on the dependent variable.

Normality test for Residual

Figure 1: Histogram Normality Test for Residual



Source: Researcher's Compilation (2024)

Figure 1 showed that the p-value of 0.087 indicated that the likelihood of observing the residuals was 8.7% if they had a normal distribution. Since this was higher than the conventional significance level of 0.05, the null hypothesis of normality was not refuted. As a result, there was no strong evidence that the residuals deviated from normality, and they were approximately normally distributed.

5.0 Conclusion and Recommendations

This study assessed the effectiveness of domestic resource mobilization (DRM) strategies in financing Nigeria's economic development from 1990 to 2023. The

analysis revealed both strengths and inefficiencies in Nigeria's financing model. Notably, private sector investment (PSI) had a significant negative impact on the Sustainable Development Index (SDI), suggesting a misalignment between private investment and sustainable development goals. Similarly, the growth rate (GRT), government social expenditure (GES), and financial inclusion (FI) all exhibited negative or marginally negative relationships with SDI. This implies that without strategic targeting, these variables alone do not effectively drive development. Conversely, DRM—measured through non-oil revenue—was found to have a highly significant and positive relationship with SDI, reinforcing its role as a critical driver of sustainability. The corruption perception index (CPI) also showed a strong positive effect on SDI, indicating that reduced corruption significantly enhances developmental outcomes through better governance and transparency. This study fills a gap in the literature by integrating DRM with sustainable development dynamics using a comprehensive empirical framework specific to Nigeria. Its contribution lies in highlighting the paradoxical effects of common growth levers and in positioning DRM as a more sustainable long-term financing mechanism.

To maximise the developmental impact of Domestic Resource Mobilisation (DRM) and promote long-term sustainable growth, the following prioritised and actionable policy measures are recommended:

- i. Strengthen Domestic Resource Mobilisation (Top Priority): To broaden the non-oil tax base, digital tax compliance should be enforced, alongside a review of existing tax holidays. Furthermore, revenue collection efficiency can be enhanced through the deployment of technology-driven systems within the Federal Inland Revenue Service (FIRS) and state-level agencies. Additionally, performance-based incentives should be introduced for revenue-generating institutions to promote accountability and efficiency.
- ii. Realign Private Sector Investment with Sustainability Objectives: Tax rebates and other fiscal incentives should be offered to certified green projects and businesses aligned with sustainability goals, while a regulatory framework mandating Environmental, Social, and Governance (ESG) disclosures, especially for large enterprises should be implemented. Furthermore, public-private partnerships (PPPs) should be encouraged in key sectors, including renewable energy, waste management, and climate-resilient infrastructure.
- iii. Optimise Public Expenditure on Social Services: Public expenditure on social services should be optimised by shifting from broad-based subsidies to

- targeted, needs-based programmes, informed by verifiable data from the National Social Register. Furthermore, annual performance audits for education and healthcare expenditures should be institutionalised to enhance service delivery and accountability. Additionally, a digital monitoring platform should be developed to enable real-time tracking of budget allocations and project outcomes.
- iv. Enhance Financial Inclusion through Digital and Targeted Interventions: Mobile banking infrastructure and agent networks should be expanded in underserved and rural communities, while collaborating with fintech companies to provide affordable credit and savings products tailored to small and medium-sized enterprises (SMEs) and the informal sector. Additionally, consumer protection frameworks should be strengthened to build trust and promote the uptake of digital financial services.
 - v. Combat Corruption through Transparent and Enforceable Accountability Measures: Public officials' asset declarations should be made accessible, with penalties enforced for non-compliance, and public procurement processes should be fully digitised, with contract awards published on open-access platforms to enhance transparency. Additionally, the independence of anti-corruption agencies should be safeguarded, and legal protections for whistle-blowers should be strengthened.

Prioritizing DRM, aligning private investment with sustainability objectives, and enhancing the efficiency of public spending and governance, Nigeria can chart a more resilient, transparent, and inclusive development path.

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