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Research Article

Enhancing Transparency and Accountability in Public Financial Management in Nigeria: Challenges and Opportunities in Revenue Mobilization

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Abstract: This research examined the challenges and opportunities associated with enhancing transparency and accountability in revenue mobilization within Nigeria's public financial management (PFM) system. The study interrogates why Nigeria continues to experience persistent revenue underperformance despite ongoing institutional and policy reforms. Drawing on theoretical insights from Principal–Agent Theory and Public Choice Theory, the research adopts a qualitative analytical approach grounded in secondary data from government reports, international financial institutions, and empirical studies. Findings revealed that although Nigeria has recorded significant improvements in revenue collection, particularly through digitalization initiatives and reforms such as the Treasury Single Account and the Petroleum Industry Act, systemic challenges continue to undermine transparency and accountability. Key constraints such as institutional fragmentation, weak data management systems, corruption, political interference, high cost of revenue collection, and the predominance of the informal sector, contributes to revenue leakages, limited fiscal space, and weakened public trust in government institutions. The study also identified emerging opportunities for reform, including the expansion of digital tax systems, adoption of Integrated Financial Management Information Systems, implementation of international accounting standards, and increased civic engagement in fiscal governance. It argued that strengthening transparency and accountability requires not only technical reforms but also institutional realignment, improved oversight mechanisms, and enhanced political commitment. The paper concludes that sustainable improvement in Nigeria's revenue mobilization depends on integrated reforms that address governance deficits, broaden the tax base, reduce collection inefficiencies, and reinforce the fiscal social contract. These measures are essential for promoting efficient resource utilization, reducing dependence on borrowing, and achieving long-term national development.

Keywords: *transparency, accountability, public financial management, revenue mobilization.*

1. Introduction

Public financial management (PFM) constitutes the institutional architecture through which governments mobilize, allocate, expend, and account for public resources in pursuit of socio-economic development. At its core, PFM is not merely a technical budgeting exercise but a governance framework that reflects the degree of transparency, accountability, and fiscal discipline embedded within a political system (Allen et. al 2013; Andrews et. al 2014). In developing democracies, especially those with complex federal arrangements such as Nigeria, revenue mobilization forms the bedrock upon which public expenditure management and service delivery rest. Without predictable, transparent, and accountable revenue streams, fiscal planning becomes unstable, public investment declines, and governments resort excessively to borrowing, thereby exacerbating debt vulnerabilities (IMF, 2023; World Bank, 2022).

Nigeria, Africa's most populous country and one of its largest economies, presents a compelling case study in the dynamics of revenue mobilization and public accountability. Despite vast natural resource endowments, particularly in the petroleum sector, Nigeria's fiscal performance has historically been characterized by volatility, low tax compliance, and persistent revenue shortfalls (Sala-i-Martin & Subramanian, 2013; Usman, 2020). For decades, dependence on oil revenues created structural distortions in fiscal governance, weakening domestic tax institutions and limiting incentives for broad-based revenue

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mobilization (Okojie & Shimeles, 2006). When oil prices decline, fiscal crises emerge, revealing the fragility of Nigeria's revenue architecture and exposing weaknesses in transparency and accountability mechanisms (Budina et al. 2007; IMF, 2022). The imperative of strengthening transparency and accountability in revenue mobilization has become increasingly urgent in light of Nigeria's declining oil receipts, expanding fiscal deficits, and growing public debt obligations (Debt Management Office DMO, 2024). Empirical evidence shows that Nigeria's tax-to-GDP ratio remains among the lowest globally, hovering between 8 and 11 percent in recent years, compared to an African average exceeding 16 percent (OECD, 2023; World Bank, 2023). This weak revenue performance limits fiscal space for infrastructure, healthcare, education, and poverty alleviation programs. Moreover, weak revenue administration, data opacity, and governance deficits continue to erode public trust in fiscal institutions (Agbiboa, 2021; Transparency International, 2023). Transparency and accountability are normative and functional pillars of modern public administration. Transparency refers to the availability, clarity, and accessibility of fiscal information to stakeholders, while accountability denotes the obligation of public officials to justify actions and accept responsibility for fiscal decisions (Bovens, 2007; Hood, 2010). In the context of revenue mobilization, transparency requires that tax laws, collection procedures, revenue flows, and cost-of-collection metrics be publicly disclosed and understandable. Accountability demands that deviations, leakages, or inefficiencies be subject to oversight, audit, and sanction (Diamond & Khemani, 2005; Schick, 1998).

In Nigeria, although institutional reforms such as the modernization of the Federal Inland Revenue Service (FIRS), the enactment of the Petroleum Industry Act (2021), and the implementation of Treasury Single Account (TSA) frameworks have aimed to enhance revenue transparency, structural challenges persist (Adeniran & Ojo, 2021; Eme & Ugwu, 2021). Multiple revenue-collecting agencies operate across federal, state, and local government tiers, often with fragmented databases, inconsistent reporting standards, and overlapping mandates (Akanbi & Akindele, 2022). This institutional fragmentation complicates monitoring and weakens intergovernmental fiscal coordination.

Corruption further undermines revenue transparency. Empirical studies have linked Nigeria's fiscal opacity to weak enforcement of anti-corruption laws, political interference in tax administration, and discretionary exemptions granted to politically connected entities (Igbuzor, 2017; Nwokoma, 2022). The Corruption Perceptions Index consistently identifies governance challenges that directly affect fiscal accountability (Transparency International, 2023). These dynamics reinforce the argument advanced by principal-agent theorists that weak monitoring mechanisms allow agents within revenue institutions to deviate from the public interest (Jensen & Meckling, 1976). Beyond corruption, structural informality within Nigeria's economy significantly constrains revenue mobilization. The informal sector accounts for a substantial proportion of economic activity, yet remains largely outside the formal tax net (Medina and Schneider, 2019). This narrow tax base places excessive pressure on a limited pool of compliant taxpayers, thereby reinforcing inequities and discouraging voluntary compliance (Fjeldstad & Heggstad, 2012). Furthermore, inadequate taxpayer education and limited public awareness of how revenues are utilized weaken the fiscal social contract between government and citizens (Moore, 2015). Institutional capacity deficits also contribute to transparency challenges. Weak data management systems, limited digital infrastructure, insufficient staff training, and manual record-keeping practices in some subnational governments undermine real-time tracking of revenue flows (Andrews et al., 2014; Ezejiofor et. al 2016). While digitalization efforts have improved federal-level tax administration, disparities across states create uneven standards of transparency. The consequences of these systemic weaknesses are profound. Persistent revenue leakages, delayed remittances, and opaque cost-of-collection practices reduce net revenue available for developmental expenditures (Okoye et al. 2023). Inadequate transparency erodes public confidence in taxation, fostering resistance and evasion. Weak accountability mechanisms discourage efficiency and incentivize rent-seeking behaviors, consistent with public choice theory's predictions regarding bureaucratic self-interest (Buchanan and Tullock, 1962). Yet, opportunities for reform exist. The expansion of digital tax platforms, integration of financial management information systems, adoption of international public sector accounting standards (IPSAS), and engagement with global transparency initiatives offer pathways to strengthening revenue accountability (IPSASB, 2022; World Bank, 2022). Comparative experiences from countries that have successfully broadened their tax bases and improved fiscal reporting demonstrate that institutional reform, technological innovation, and civic engagement can significantly enhance revenue transparency (Bird & Zolt, 2019; OECD, 2021).

Against this backdrop, this study interrogates the relationship between transparency, accountability, and revenue mobilization within Nigeria's public financial management framework. The central problem addressed herein is that despite institutional reforms and policy adjustments, Nigeria continues to experience persistent revenue underperformance, limited public access to fiscal information, and weak accountability structures that constrain effective public financial governance.

The study is guided by the following research questions:

i. To critically evaluate Nigeria's revenue mobilization practices within the PFM system;

ii. To examine theoretical and empirical insights explaining fiscal governance challenges;

iii. To assess institutional weaknesses and opportunities;

iv. To propose evidence-based policy recommendations for enhancing transparency and accountability in revenue mobilization.

In line with these questions, the objectives of this study are:

i. How transparent and accountable are Nigeria's current revenue mobilization processes within the broader PFM framework?
ii. What institutional and structural challenges impede effective revenue transparency and accountability?
iii. How can theoretical frameworks such as principal-agent theory, institutional theory, and public choice theory explain these challenges?
iv. What practical and policy opportunities exist for strengthening transparency and accountability in revenue mobilization?

Through this comprehensive analysis, this research seeks to contribute to scholarly and policy debates on fiscal governance in Nigeria and provide practical insights for strengthening domestic resource mobilization in pursuit of sustainable national development.

2. Conceptual Framework

2.1 Conceptual Explication

The conceptual framework for this study is anchored on the interrelationship between transparency, accountability, and revenue mobilization within Nigeria's public financial management (PFM) system. It provides a structured focal for understanding how institutional, governance and structural factors interact to influence the effectiveness of revenue generation and fiscal outcomes.

2.1.1 The Concept of Revenue Mobilization

Revenue mobilization refers to the processes through which government generates financial resources from taxes, levies, duties and other sources to fund public expenditures. The effectiveness of this process is shaped by the degree of transparency and accountability embedded within fiscal institutions.

2.1.2 The Concept of Transparency

Transparency refers to the openness, accessibility and clarity of fiscal information. In the context of revenue mobilization, transparency involves the public availability of tax policies, revenue data, collection procedures, and cost structures. Empirical literature demonstrates that increased fiscal transparency reduces information asymmetry, enhances public trust, and improves tax compliance (Bovens, 2007; Hood, 2010). When citizens and oversight institutions have access to reliable and timely information, they are better positioned to monitor government actions and detect irregularities.

2.1.3 The Concept of Accountability

Accountability represents the obligation of public officials and institutions to justify their actions and be held responsible for fiscal decisions. Accountability operates through mechanisms such as audits, legislative oversight, anti-corruption agencies, and judicial enforcement. According to Diamond & Khemani (2005), effective accountability ensures that deviations from established financial rules are identified and sanctioned, thereby reducing opportunities for corruption and inefficiency. In this framework, accountability functions both as an independent variable and as a mediating mechanism through which transparency influences revenue outcomes.

2.2 Theoretical Frameworks

A rigorous understanding of transparency and accountability in revenue mobilization can be informed by several public administration and governance theories. However this research adopted Principal-Agent Theory and Public Choice Theory

2.2.1 Principal-Agent Theory

Principal–Agent Theory constitutes one of the most influential analytical frameworks in contemporary public administration, political economy, and public financial management (PFM). Rooted in microeconomic theory and organizational analysis, the framework examines relationships in which one party, the principal, delegates authority to another party, the agent, to perform tasks on their behalf. The foundational work of Michael C. Jensen and William H. Meckling conceptualized the firm as a nexus of contracts and highlighted how information asymmetry and divergent interests create agency costs (Jensen & Meckling, 1976). In governance contexts, this theoretical insight has been extended to explain how citizens (principals) delegate authority to elected officials and public servants (agents), who may pursue self-interested objectives unless constrained by effective accountability mechanisms. In Nigeria's public financial management system, particularly in revenue mobilization, Principal–Agent Theory offers a powerful lens for diagnosing transparency deficits and designing accountability-enhancing reforms.

At its core, Principal–Agent Theory is concerned with problems of delegation under conditions of information asymmetry. Agents typically possess more detailed knowledge about their actions and performance than principals. This informational advantage creates opportunities for moral hazard, adverse selection, and opportunistic behavior (Eisenhardt, 1989). In the public sector, citizens lack direct visibility into complex fiscal operations, including tax administration, customs valuation, oil revenue remittances, and internally generated revenue systems. Public officials responsible for revenue collection and reporting may therefore exploit informational gaps to divert funds, underreport receipts, or manipulate accounts. The resulting agency loss manifests as corruption, inefficiency, and weakened public trust. In democratic systems, the principal–agent chain is multilayered. Citizens delegate authority to legislators and executives, who in turn delegate responsibilities to ministries, departments, and agencies. In Nigeria's revenue mobilization architecture, this chain extends from taxpayers and citizens to the executive branch, then to agencies such as the Federal Inland Revenue Service and the Nigerian Customs Service, and further to subnational revenue authorities. Each layer introduces additional agency risks. Monitoring becomes increasingly complex as delegation deepens, and the probability of slippage between stated policy objectives and actual outcomes increases. The theory predicts that without robust oversight mechanisms, agents will pursue personal or institutional interests that may diverge from the public good. Revenue mobilization in Nigeria provides a particularly compelling context for applying Principal–Agent Theory because of the country's historical dependence on oil revenues. In resource-dependent states, the fiscal relationship between citizens and government is attenuated. When governments rely heavily on rents from natural resources rather than broad-based taxation, citizens' incentives to monitor revenue collection may weaken, and political leaders may feel less compelled to justify fiscal decisions. This phenomenon aligns with agency theory's insight that accountability weakens when principals lack effective leverage. The misalignment between citizens' interests in transparent revenue utilization and agents' interests in discretionary control over oil rents has historically contributed to opacity in Nigeria's extractive sector.

Agency problems are further exacerbated by the complexity of revenue collection systems. Tax administration involves assessments, audits, exemptions, waivers, and enforcement actions, each of which grants discretionary authority to officials. Discretion increases the scope for rent extraction, especially in environments where monitoring systems are weak. According to agency theory, reducing discretion and increasing transparency lowers moral hazard by aligning incentives. Nigeria's reforms aimed at automating tax processes, expanding electronic filing, and digitizing customs clearance procedures can therefore be interpreted as institutional responses designed to reduce information asymmetry and agency costs. By embedding transactions within digital platforms, the opportunities for hidden actions diminish, and audit trails become more accessible to oversight bodies. The problem of revenue leakages in Nigeria also illustrates the concept of adverse selection. Agents entrusted with revenue collection may possess hidden characteristics, such as susceptibility to corruption or allegiance to patronage networks, which principals cannot easily observe prior to appointment. Weak meritocratic recruitment processes within revenue agencies may thus compound agency risks. Strengthening recruitment standards, performance evaluation systems, and professional ethics frameworks addresses adverse selection by screening for competence and integrity. Agency theory predicts that when principals invest in credible screening and incentive-compatible contracts, the likelihood of opportunistic behavior declines.

Transparency functions as a central mechanism for mitigating principal–agent problems. Transparency reduces information asymmetry by making fiscal data accessible, timely, and comprehensible. In Nigeria, initiatives promoting open budget portals, revenue dashboards, and publication of monthly allocations from the Federation Account enhance citizens' capacity to monitor fiscal flows. From an agency perspective, transparency increases the probability that deviations from expected behavior will be detected, thereby altering the cost–benefit calculus of agents contemplating misconduct. The expected utility of corruption decreases when detection becomes more likely and sanctions more credible.

Accountability complements transparency by establishing consequences for non-compliance. Agency theory emphasizes that monitoring without enforcement fails to correct misaligned incentives. Independent audit institutions, legislative oversight committees, and anti-corruption agencies serve as monitoring mechanisms within Nigeria's PFM system. However, their effectiveness depends on autonomy, technical capacity, and political will. If oversight bodies themselves are subject to agency capture, monitoring may become symbolic rather than substantive. The theory therefore underscores the importance of institutional checks and balances that distribute authority across multiple actors, reducing the likelihood that any single agent can manipulate the system without scrutiny.

Revenue mobilization reforms in Nigeria increasingly incorporate performance-based incentives consistent with agency prescriptions. For example, revenue agencies may receive budgetary allocations tied to collection performance, while staff may be rewarded for meeting compliance targets. Such arrangements aim to align the interests of agents with those of principals. However, agency theory also warns that poorly designed incentives can create unintended distortions. Excessive emphasis on revenue targets may encourage overzealous enforcement, harassment of taxpayers, or neglect of equity considerations. Effective contract design must therefore balance revenue maximization with fairness and legal compliance. Intergovernmental fiscal relations introduce additional agency dynamics. Nigeria's federal structure entails revenue sharing among federal, state, and local governments. Subnational authorities act as agents in collecting internally generated revenue while also serving as principals in allocating funds for public services. Weak monitoring at the subnational level may result in under-collection, diversion, or misallocation of funds. Strengthening subnational public financial management systems, enhancing state-level audit capacities, and harmonizing revenue reporting standards can mitigate agency losses across tiers of government. Another critical dimension concerns citizen engagement in fiscal governance. Agency theory traditionally conceptualizes citizens as dispersed principals with limited coordination capacity. Collective action challenges may reduce citizens' ability to demand accountability, thereby weakening oversight. Enhancing civic participation through public hearings, participatory budgeting, and civil society monitoring initiatives strengthens the principal's monitoring role. When taxpayers perceive a tangible link between revenue contributions and service delivery, their incentive to scrutinize fiscal management increases, reinforcing the accountability loop central to agency theory.

The Nigerian parlance demonstrates that principal–agent challenges in revenue mobilization are not merely technical but deeply political. Political elites may influence appointments within revenue agencies, interfere in enforcement actions, or grant discretionary waivers that undermine transparency. Agency theory highlights that principals at one level may themselves be agents at another level, creating overlapping chains of accountability. Addressing these complexities requires constitutional and legal safeguards that insulate revenue institutions from undue political interference while maintaining democratic oversight. Principal–Agent Theory provides a robust conceptual framework for understanding and addressing transparency and accountability challenges in Nigeria's public financial management system, particularly in revenue mobilization. By identifying information asymmetry, moral hazard, and incentive misalignment as core drivers of agency loss, the theory directs attention to institutional reforms that reduce discretion, enhance monitoring, strengthen enforcement, and align incentives. Nigeria's ongoing efforts to digitize revenue collection, strengthen audit institutions, promote fiscal transparency, and professionalize revenue administration can be interpreted as attempts to recalibrate principal–agent relationships in favor of citizens. Sustainable improvement in revenue mobilization and fiscal governance ultimately depends on continuous refinement of these mechanisms to ensure that agents entrusted with public resources act consistently with the collective interests of the principals they serve.

2.2.2 Public Choice Theory

Public Choice Theory represents one of the most influential analytical frameworks for understanding the behavior of political and bureaucratic actors within public financial management systems. Developed primarily through the pioneering works of James M. Buchanan and Gordon Tullock, Public Choice Theory applies economic reasoning to political decision-making processes and challenges the traditional assumption that public officials inherently act in pursuit of the public interest (Buchanan & Tullock, 1962). Instead, the theory posits that politicians, bureaucrats, and voters are rational, self-interested actors who respond to incentives, constraints, and opportunities within institutional frameworks. When applied to public financial management (PFM) in Nigeria, particularly revenue mobilization, Public Choice Theory provides a rigorous lens for analyzing transparency deficits, accountability failures, and reform strategies. At its theoretical core, Public Choice Theory assumes methodological individualism, meaning that collective decisions result from the aggregation of individual preferences and strategic behavior. Political actors are utility maximizers who seek reelection, career advancement, budgetary expansion, or personal enrichment. This assumption does not imply that all officials are corrupt; rather, it emphasizes that institutional arrangements must account for the possibility of opportunistic behavior. In revenue mobilization systems, officials entrusted with tax administration, customs enforcement, or natural resource revenue management may respond to incentives embedded within the system. Where monitoring is weak and discretion is high, opportunities for rent extraction increase. Transparency and accountability mechanisms therefore function as institutional correctives that alter incentive structures and reduce opportunities for self-serving behavior. One of the central contributions of Public Choice Theory to the study of fiscal governance is the concept of rent-seeking. Building upon Tullock's analysis of the welfare costs of monopoly and tariffs (Tullock, 1967) and further developed by scholars such as Krueger (1974), rent-seeking describes the process through which individuals or groups attempt to obtain economic advantages through political manipulation rather than productive activity. In Nigeria's revenue mobilization context, rent-seeking may manifest in the granting of tax waivers, preferential import licenses, customs undervaluation, or opaque oil revenue remittances. Because public officials control access to regulatory privileges and fiscal exemptions, they may extract private benefits in exchange for favorable decisions. Public Choice Theory predicts that in environments characterized by high discretion and weak oversight, rent-seeking becomes institutionalized, thereby undermining revenue efficiency and public trust. The theory also provides insight into bureaucratic behavior through the influential work of William A. Niskanen, who conceptualized bureaucrats as budget maximizers (Niskanen, 1971). According to this model, public agencies seek to expand their budgets, staff strength, and regulatory authority because such expansion enhances prestige, job security, and influence. In Nigeria's PFM architecture, revenue agencies may advocate for larger operational budgets or expanded enforcement powers. While institutional strengthening is necessary for effective revenue collection, Public Choice Theory cautions that unchecked budget expansion without performance accountability can generate inefficiency. Transparency measures, performance audits, and legislative oversight serve as constraints that align bureaucratic growth with measurable outcomes in revenue mobilization.

Public Choice Theory further emphasizes the problem of rational ignorance among citizens, a concept articulated by Anthony Downs in his economic theory of democracy (Downs, 1957). Because the probability of an individual vote influencing policy outcomes is extremely small, citizens may have limited incentives to acquire detailed information about complex fiscal matters. Public financial management, particularly revenue mobilization, involves technical data that may be difficult for ordinary citizens to interpret. Consequently, political elites and bureaucrats may operate with limited public scrutiny. Enhancing transparency through simplified budget publications, open revenue portals, and civic education initiatives reduces the information barrier that sustains rational ignorance. By lowering the cost of acquiring fiscal information, the state can strengthen the accountability relationship between citizens and revenue authorities.

In Nigeria's context, the heavy reliance on oil revenues historically reduced the salience of domestic taxation as a mechanism of state–citizen engagement. Public Choice Theory suggests that when governments depend less on taxpayers and more on resource rents, the incentive to maintain fiscal transparency diminishes. Oil revenues, centralized and often volatile, create opportunities for discretionary allocation and political bargaining. This structure can weaken the fiscal social contract, as citizens may perceive limited linkage between their contributions and public service provision. Strengthening non-oil revenue mobilization through improved tax administration, digitalization, and broadened tax bases reinforces the accountability nexus by increasing the number of stakeholders invested in transparent fiscal governance. Political competition also shapes revenue policies through the lens of Public Choice Theory. Politicians seeking reelection may manipulate tax policy to maximize electoral advantage, granting exemptions to politically influential groups or postponing necessary but unpopular reforms. Such behavior reflects the pursuit of short-term political gains rather than long-term fiscal sustainability. Transparent fiscal rules, independent revenue authorities, and medium-term expenditure frameworks can mitigate opportunistic manipulation by constraining discretionary policymaking. Institutionalizing rule-based revenue management reduces the scope for politically motivated distortions. The theory additionally highlights the issue of concentrated benefits and diffuse costs, elaborated by Mancur Olson in 1965. Small, organized interest groups benefiting from tax exemptions or revenue leakages possess strong incentives to lobby for the preservation of privileges, while the broader population, bearing diffuse fiscal costs, may lack motivation to mobilize. In Nigeria, sectors benefiting from preferential tax treatment may resist reforms aimed at broadening the tax base. Overcoming such resistance requires transparency that exposes the fiscal cost of exemptions and empowers citizens to evaluate policy trade-offs.

Public Choice Theory's implications for enhancing transparency and accountability in revenue mobilization are therefore institutional rather than moralistic. The theory suggests that reform success depends on altering incentive structures rather than merely appealing to ethical norms. Digital revenue platforms that reduce face-to-face interactions between taxpayers and officials limit opportunities for bribery. Automated customs valuation systems minimize discretionary interpretation. Independent audit institutions increase the probability of detection and sanction. Legislative oversight hearings create reputational costs for noncompliance. Each of these mechanisms shifts the cost–benefit calculus confronting self-interested actors.

However, Public Choice Theory also recognizes that reform processes themselves are subject to political bargaining. Anti-corruption measures and transparency initiatives may threaten entrenched networks that benefit from opacity. Consequently, reform implementation may be gradual and contested. Sustainable progress requires coalitions that align reform incentives with political survival. When political leaders perceive transparency as enhancing legitimacy and electoral credibility, they are more likely to support robust PFM reforms. Public Choice Theory provides a comprehensive analytical foundation for understanding transparency and accountability challenges in Nigeria's public financial management system, particularly in revenue mobilization. By conceptualizing political and bureaucratic actors as rational and incentive-driven, the theory explains the persistence of rent-seeking, fiscal opacity, and policy distortions. It further underscores that effective reform depends on institutional arrangements that constrain discretion, enhance monitoring, and realign incentives with public welfare. Nigeria's efforts to diversify revenue sources, digitize tax administration, strengthen oversight institutions, and promote fiscal transparency reflect attempts to recalibrate the incentive structures identified by Public Choice Theory. Sustainable enhancement of accountability in revenue mobilization ultimately requires embedding these institutional safeguards within a broader culture of fiscal responsibility and democratic oversight.

Together, these theories imply that enhancing transparency and accountability in revenue mobilization is both a technical and governance challenge. Addressing it requires not just procedural reforms but also strong institutions that realign incentives toward compliance and public reporting.

2.2 Empirical Evidence on Revenue Mobilization in Nigeria

Recent empirical data shows that Nigeria has made some progress in revenue mobilization, particularly through reinforced tax collection systems and digitalization initiatives. Between 2021 and 2025, Nigeria's revenue collections by the Nigeria Revenue Service grew significantly, rising from ₦6.4 trillion to ₦28.3 trillion (see Table 1) reflecting both policy reforms and institutional changes in enforcement (Nairametrics, 2026; Investors King, 2026).

Table 1: Nigeria Revenue Service (NRS) Collection Performance (2021-2025)

Year	Target Revenue (₦ Trillion)	Actual Revenue Collected (₦ Trillion)
2021	6.41	6.41
2022	10.40	10.18
2023	11.50	12.34
2024	19.40	21.70
2025	25.20	28.29

Sources: Nairametrics (2026); Investors King (2026)

The above table highlights sustained growth in revenue collections and improved performance against targets in recent years. However, these figures also mask deeper structural issues. Cost of revenue collection, the portion that collecting agencies retain before remitting the balance to government accounts, has increased markedly. For example, the combined cost retained by revenue agencies in the first half of 2025 reached ₦575.14 billion, a 32.8% increase from the same period in 2024, signaling rising administrative and compliance costs (Punch, 2025) .

Other empirical reports reveal that non-oil revenue collections, especially from Company Income Tax (CIT), Value Added Tax (VAT), and other consumption taxes, are driving Nigeria's revenue growth, as oil revenues remain vulnerable to global price volatility (Nairametrics, 2026; Punch, 2025) .

3. Analysis

3.1 Current Practices in Revenue Mobilization

Revenue mobilization refers to the structured processes through which government authorities collect fiscal resources, including taxes, fees, levies, and royalties, to fund public services, public infrastructure, and other state obligations. In Nigeria, revenue mobilization practices are shaped by the country's federal system, constitutional mandates, institutional frameworks, and evolving economic realities. While Nigeria has initiated various reforms and introduced modernized systems, the current practices reflect both significant progress and persistent challenges in implementation, coordination, and transparency.

i. At the federal level, the Nigeria Revenue Service (NRS), formerly the Federal Inland Revenue Service (FIRS) has emerged as the principal agency responsible for mobilizing domestic revenues outside of natural resource royalties and customs duties (Adeniran and Ojo, 2021). The NRS administers key federal taxes, including Company Income Tax (CIT), Value Added Tax (VAT), Withholding Tax (WHT), Personal Income Tax (for non-indigenes and specific cases), and other statutory levies. In recent years, the NRS has embraced technological interventions aimed at broadening the tax base and improving compliance. These include electronic tax filing platforms, taxpayer identification numbers (TIN) integration with national data systems, and digital payment gateways that link tax collection with financial institutions (Okoye et al. 2023).

ii. Complementing the NRS, the Nigeria Customs Service (NCS) remains a cornerstone of revenue mobilization through the collection of import duties, excise taxes, export levies, and other border charges. Nigerian customs clearance procedures have undergone gradual reform with the adoption of the Nigerian Single Window Trade Platform (NSWTP) and other automation initiatives aimed at reducing human interference, simplifying declarations, and minimizing leakages at ports of entry (World Bank, 2022). These reforms have contributed to increased compliance, improved data quality, and more predictable revenue flows from customs duties.

iii. At the subnational tiers, states and local governments revenue mobilization is facilitated through respective State Internal Revenue Services (SIRS) and Local Government Revenue Committees (LGRCs). State governments collect personal income taxes (on indigenes), land use charges, business premises levies, and other state-specific taxes and fees. Local governments, in turn, collect market dues, tenement rates, licenses, and targeted community taxes. These subnational collections are governed by laws specific to each jurisdiction, though federal standards and guidelines often influence their design (Akanbi et al. 2022).

iv. A key feature of current revenue mobilization practices is digitalization. Federal and many state revenue agencies are progressively adopting Integrated Financial Management Information Systems (IFMIS) and Electronic Tax Administration Systems (e-TAS). Digital platforms facilitate e-filing, automated reminders for compliance, and real-time reconciliation of transfers into government accounts. For example, the TSA, instituted in 2015, has centralized government receipts into a single government account, reducing fragmentation and improving visibility of cash inflows across ministries, departments, and agencies (Eme & Ugwu, 2021). The TSA's implementation has been widely regarded as a major step towards improving treasury operations and minimizing unauthorized diversions of revenue.

v. Another contemporary practice is the use of tax incentives and amnesty programs to increase compliance and mobilize additional revenue. Periodic tax amnesty initiatives have been rolled out to encourage informal sector operators to formalize and declare taxable incomes (IMF, 2022). Structural reforms such as these are often presented by policymakers as means of expanding the tax net beyond traditional formal sector actors. However, these incentives are not without controversy, as critics argue they may undermine long-term compliance culture if poorly designed or exploited (Moore, 2015).

vi. Intergovernmental revenue sharing also constitutes an important dimension of current practices. Nigeria's Constitution and fiscal laws mandate revenue allocation from federation accounts to federal, state, and local governments through predetermined formulas. This system, overseen by the Federation Account Allocation Committee (FAAC), redistributes revenues, especially from oil derivation and customs collections, to subnational governments (DMO, 2024; Olojede & Said, 2021). While intended to promote equitable resource sharing, this system has sometimes drawn criticism due to perceived delays, opaque allocation reporting, and tensions over fiscal autonomy.

Additionally, there has been incremental engagement with international best practices through participation in global transparency frameworks. Nigeria's membership in the Extractive Industries Transparency Initiative (EITI) aims to improve disclosure on natural resource revenues, although the scope and effectiveness of EITI reporting have varied over time (EITI, 2024). This engagement reflects broader efforts to align domestic practices with global standards of financial transparency and accountability.

vii. Revenue mobilization practices are also shaped by statutory reforms such as the enactment of the Petroleum Industry Act (2021), which introduced new regulatory frameworks for oil and gas revenues, including clearer provisions for royalty regimes and revenue administration (Akinyemi & Olawale, 2022). These reforms were intended to enhance transparency in a sector historically plagued by opaque transactions, complex contractual arrangements, and fiscal uncertainties.

viii. Despite these positive trajectories, current practices are marked by heterogeneous implementation, institutional fragmentation, and varying capacity across jurisdictions. For instance, while the federal revenue agencies have relatively advanced digital platforms, many state and local agencies remain dependent on manual filing systems or limited digital tools, constraining standardized reporting and data integration (World Bank, 2022). Moreover, data interoperability issues between agencies such as mismatches in taxpayer identifiers or inconsistent classification of revenue streams reduce the effectiveness of cross-agency monitoring.

ix. Another significant feature of current practices is the cost of revenue collection, which has become a concern among policymakers. Recent reports indicate that revenue collecting agencies in Nigeria retain a significant share of collected revenues to cover administrative expenses, sometimes exceeding benchmarks recommended by international standards (Punch, 2025). While cost retention is legally permissible, high collection costs can undermine net remittances into government coffers and reduce fiscal efficiency.

x. Transparency practices encompass the publication of annual budget performance reports and audited financial statements. The federal government regularly publishes budget implementation reports and agency financial statements, which are made accessible to citizens and stakeholders (Budget Office of the Federation, 2023). However, states and local governments exhibit wide variability in the frequency, comprehensiveness, and accessibility of such disclosures. In many cases, subnational budget data are published with delays or in formats that limit comparability and public oversight.

xi. Data quality and consistency represent ongoing concerns in revenue mobilization practices. Statistical gaps, irregular classifications, and incomplete revenue records often hinder accurate fiscal analysis. International organizations such as the World Bank and IMF continue to support Nigeria in strengthening statistical capacities, including the harmonization of revenue reporting systems and adoption of standardized public sector accounting frameworks (World Bank, 2022; IMF, 2023).

Nigeria's current revenue mobilization practices reflect a combination of institutional reform, digital innovation, statutory modernization, and ongoing challenges in implementation. While federal revenue agencies have made notable strides in expanding collections through digital platforms and policy reforms, subnational systems remain inconsistent, reporting standards vary, and transparency outcomes are often contingent on institutional capacities. These dynamics highlight the need for integrated frameworks that embed accountability into every stage of revenue collection and reporting.

3.2 Challenges to Transparency and Accountability

Ensuring transparency and accountability in revenue mobilization is critical for effective public financial management. In Nigeria, despite policy reforms and institutional restructuring, numerous systemic challenges undermine transparent revenue mobilization and weaken accountability mechanisms. These challenges stem from legal, institutional, technological, political, and socio-economic factors that interact to diminish fiscal performance, reduce public trust, and predispose government revenue systems to inefficiencies and corruption.

i. Institutional fragmentation and legal ambiguity within Nigeria's revenue architecture

The federal system establishes multiple revenue-collecting bodies including the Nigeria Revenue Service (NRS), Nigeria Customs Service (NCS), State Internal Revenue Services (SIRS), and Local Government Revenue Committees (LGRCs), each operating under distinct legal frameworks (Akanbi & Akindele, 2022). These fragmented responsibilities often result in overlapping mandates, inconsistent reporting standards, and insufficient coordination, which compromise the uniform application of transparency protocols and make comprehensive accountability difficult to achieve. The lack of a harmonized national revenue information system exacerbates data silos, impeding accurate revenue tracking and cross-agency verification (World Bank, 2022).

ii. Data quality and statistical inconsistency

Reliable revenue reporting requires accurate and timely data. However, Nigeria's subnational governments exhibit significant gaps in statistical capacity, with some states failing to maintain up-to-date revenue records or standard accounting classifications (Ezejiofor et al. 2016). These weaknesses erode transparency because incomplete or inconsistent data cannot meaningfully inform public analysis, legislative oversight, or public audits. In many cases, revenue figures published in budget documents are revised retroactively, leading to skepticism and a perception of fiscal opacity (World Bank, 2023).

iii. Weak institutional capacities at subnational levels

While federal agencies such as the NRS have made strides in digitalizing tax administration, most state and local revenue authorities lack robust information systems, trained personnel, or analytical tools required for transparent revenue mobilization (Moore, 2015). Deficiencies in human capital and technological infrastructure limit the ability to automate tax filing, cross-validate revenue streams, and publicly disseminate fiscal reports in user-friendly formats. The absence of modern Integrated Financial Management Information Systems (IFMIS) at all levels further weakens real-time tracking and accountability (World Bank, 2022).

iv. Governance and corruption vulnerabilities that permeate revenue systems

Transparency International (2023) consistently ranks Nigeria low on the Corruption Perceptions Index, reflecting entrenched governance weaknesses that extend into revenue administration. Corruption takes the form of under-reporting of collections, diversion of revenues before remittance to treasury accounts, and unauthorized exemptions granted to politically connected taxpayers (Igbuzor, 2017). Public procurement abuses and discretionary waivers erode accountability, making it difficult to trace actual revenues collected versus amounts recorded. These practices also fall within the scope of principal-agent problems where agents in revenue institutions exploit weak oversight to act in self-interest rather than in the public interest (Jensen & Meckling, 1976).

v. **Political interference**
Instances of politically motivated manipulation of revenue policy such as discretionary tax incentives, waivers for influential firms, or delay in publication of revenue reports for political advantage, disrupt consistency and breed opacity (Nwokoma, 2022). Political actors may obstruct audits or selectively withhold revenue information, complicating efforts by oversight bodies like state assemblies, anti-corruption agencies, or civil society to hold revenue collectors accountable.

vi. **Costly revenue collection practices**
Revenue agencies in Nigeria retain a portion of collections as administrative costs, a practice that, while legally provided for, has attracted scrutiny due to the magnitude of costs retained. In the first half of 2025, for example, revenue agencies collectively retained ₦575.14 billion, representing a significant share of total collections (Punch, 2025). High retention rates reduce net revenue available to government budgets and obscure clear understanding of gross versus net revenue performance. When collection costs are not adequately disclosed or explained, public accountability suffers.

vii. **Nigeria's low tax-to-GDP ratio**
Estimated at between 8 and 11 percent in recent years (OECD, 2023). Low revenue yields reflect both limited tax compliance and a narrow tax base. Informality in the economy compounds the difficulty of broad-based revenue mobilization. A substantial portion of economic activity in Nigeria occurs in informal sectors that are poorly integrated into formal tax systems (Medina & Schneider, 2019). With minimal data on informal earnings and weak enforcement mechanisms, significant revenue potential remains untapped. The consequence is a cycle of low revenue performance, fiscal stress, and limited resources for public accountability systems.

viii. **Limited taxpayer education and low compliance culture**
Many taxpayers, especially small and medium enterprises, lack clear understanding of tax obligations, filing procedures, and compliance requirements. This constrained knowledge environment results in confusion over tax liabilities, resistance to filing, and opportunities for evasion (Ajayi & Alaba, 2018). Without robust public education campaigns and transparent communication of how revenue supports public services, citizens often view taxation as extractive rather than participatory, diminishing tax morale and weakening accountability.

ix. **Technological gaps and cybersecurity**
Despite efforts to promote transparency through digital platforms and online reporting portals, technological gaps and cybersecurity concerns remain salient issues. Digitalization can advance transparency, but only when systems are secure, interoperable, and accessible to users. In Nigeria, some revenue authorities lack sufficient cybersecurity infrastructure, raising concerns about data protection and integrity (IMF, 2023). Technical vulnerabilities can undermine real-time reporting, distort revenue figures, and expose systems to fraud, all of which erode confidence in fiscal transparency.

x. **Insufficient public access to revenue information**
While some federal revenues and budget performance reports are published periodically, comprehensive disclosure of revenue sources, collection methodologies, and cost structures is often limited or delayed, particularly at state and local levels (Olojede & Said, 2021). Public engagement platforms that allow citizens, researchers, and oversight bodies to analyze, question, and monitor revenue performance are underutilized, limiting civic oversight and deepening accountability gaps.

Institutional fragmentation, weak data systems, capacity deficiencies, governance vulnerabilities, political interference, high collection costs, informality, limited taxpayer education, technological gaps, and restricted access to fiscal information collectively inhibit transparent revenue systems. Addressing these challenges requires holistic reforms that strengthen legal frameworks, standardize data systems, enhance institutional capacities, and foster an open and participatory fiscal environment.

3.3 Empirical Charts

Below are visual representations that illustrate revenue trends and cost performance in Nigeria's revenue mobilization (based on publicly available data).

Figure 1: Trend in NRS Revenue Collections vs Targets (₦ Trillion)

(Bar chart visualising data from Table 1)

Year	Actual Revenue (₦ Trillion)	Target Revenue (₦ Trillion)
2021	6.41	6.41
2022	10.18	10.40
2023	12.34	11.50
2024	21.70	19.40
2025	28.29	25.20

Sources: Nairametrics (2026); Investors King (2026)

Figure 2: Cost of Revenue Collection (First Half, ₦ Billion)

Agency	Cost Retained (₦ Billion)
FIRS (2025 H1)	231.25
NUPRC (2025 H1)	147.06
NCS (2025 H1)	196.83

Source: Punch (2025)

These charts demonstrate how revenue mobilization has improved over time but also how significant portions of revenue are absorbed in collection costs, both of which carry implications for accountability and net revenue available for public expenditure.

4. Conclusion

Transparency and accountability in revenue mobilization are central to the effectiveness of Nigeria's public financial management system and to the broader pursuit of sustainable development. Although Nigeria has implemented notable reforms, including digital tax administration, the Treasury Single Account framework, and statutory restructuring of key revenue sectors, systemic weaknesses continue to undermine the full realization of transparent and accountable revenue governance. Institutional fragmentation, inconsistent data systems, political interference, corruption vulnerabilities, high collection costs, informality, and limited public access to fiscal information collectively constrain revenue performance and weaken public trust.

The analysis demonstrates that enhancing transparency in revenue mobilization is not merely a technical matter of improving reporting formats or digitizing tax platforms; it is fundamentally a governance challenge rooted in institutional incentives, legal enforcement, and civic engagement. Theoretical insights from principal-agent, institutional, and public choice perspectives underscore the need to align incentives, reduce information asymmetries, and strengthen oversight mechanisms to prevent opportunistic behavior within revenue institutions.

Sustainable improvement in Nigeria's revenue mobilization requires integrated reforms that harmonize institutional structures, modernize digital infrastructure, enforce legal accountability, reduce operational inefficiencies, expand the tax base, and deepen citizen participation. These reforms must be accompanied by sustained political commitment and investment in institutional capacity. If effectively implemented, such measures will not only enhance transparency and accountability but also expand fiscal space, reduce dependence on external borrowing, and strengthen the fiscal social contract between the Nigerian state and its citizens.

Ultimately, the credibility of Nigeria's public financial management system depends on the extent to which revenue mobilization processes are transparent, accountable, efficient, and equitable. Achieving this objective is indispensable for national development, macroeconomic stability, and democratic consolidation.

5. Policy Recommendations

Strengthening transparency and accountability in revenue mobilization in Nigeria requires comprehensive and coordinated reforms that address institutional, legal, technological, political, and socio-economic dimensions of public financial management. Given the multifaceted challenges identified, including institutional fragmentation, weak data systems, corruption vulnerabilities, political interference, high cost of revenue collection, informality, and limited public access to fiscal information, policy responses must be systemic rather than piecemeal.

i. **Institutional harmonization and integration of revenue administration systems across federal, state and local governments**.
Nigeria's fragmented revenue architecture requires a unified and interoperable revenue data framework that allows real-time sharing of information among agencies. Establishing a nationally standardized Integrated Financial Management Information System (IFMIS), linked to tax administration platforms and treasury systems, would significantly enhance transparency. Such a system

should incorporate a common chart of accounts and harmonized revenue classification standards to eliminate inconsistencies in reporting. Interoperability between the Nigeria Revenue Service, Nigeria Customs Service, and State Internal Revenue Services would reduce duplication, improve cross-verification of taxpayer information, and limit opportunities for revenue leakages. Digital integration must be accompanied by robust cybersecurity safeguards to protect fiscal data integrity and maintain public confidence.

ii. **Legal and regulatory strengthening is equally essential**
While Nigeria has enacted several reforms, including the Treasury Single Account (TSA) framework and petroleum sector legislation, enforcement gaps persist. Clear statutory provisions should mandate periodic and comprehensive publication of disaggregated revenue data, including gross collections, net remittances, and cost-of-collection breakdowns. Sanctions for under-reporting, unauthorized waivers, and delayed remittances must be enforced consistently, irrespective of political affiliation. Strengthening the independence and operational capacity of oversight institutions, such as the Auditor-General's Office, Public Accounts Committees of legislatures, and anti-corruption agencies, would further enhance accountability. Oversight bodies should be granted guaranteed funding and legal autonomy to conduct audits and investigations without political interference.

iii. **Reducing the cost of revenue collection**
While administrative cost retention by revenue agencies may be necessary for operational sustainability, excessive retention reduces net revenue available for public expenditure and may obscure true performance metrics. Government should establish clear performance benchmarks for collection efficiency, aligned with international best practices. Independent audits of revenue agencies' operational expenditures should be conducted annually, and detailed cost disclosures should be published to enhance transparency. Efficiency gains can be achieved through process automation, rationalization of staff structures, and performance-based incentive systems that reward net revenue growth rather than gross collection volume alone.

iv. **Expanding the tax base through formalization of the informal sector**
Expanding the tax base through formalization of the informal sector represents a long-term strategy for improving revenue mobilization while enhancing equity. Policies should incentivize informal enterprises to register through simplified tax regimes, digital registration platforms, and reduced compliance burdens. Linking tax registration with access to credit facilities, public procurement opportunities, and social protection schemes can create positive incentives for formalization. At the same time, improved data analytics and third-party information systems, including integration with banking, telecommunications, and national identity databases, can enhance compliance monitoring without resorting to arbitrary enforcement measures.

v. **Strengthening the fiscal social contract**
Public transparency must extend beyond publication of fiscal documents to active citizen engagement. Revenue agencies should institutionalize stakeholder consultations, town hall forums, and public reporting dashboards that allow citizens to track revenue performance and understand how funds are utilized. Open budget portals should present revenue and expenditure data in user-friendly formats, enabling civil society organizations, researchers, and the media to perform independent analysis. Strengthening the fiscal social contract requires that citizens perceive a direct link between taxes paid and public services delivered. Civic education campaigns explaining tax obligations, revenue uses, and accountability mechanisms would improve tax morale and voluntary compliance.

vi. **Capacity building**
Capacity building remains a foundational reform imperative. Continuous professional development programs for revenue officers, auditors, and financial analysts should focus on digital competencies, forensic auditing, data analytics, and international public sector accounting standards. Partnerships with international financial institutions and regional tax administration forums can provide technical assistance and benchmarking opportunities. Subnational governments, in particular, require targeted capacity support to modernize revenue systems and comply with national transparency standards.

vii. **Political will**
Political will is indispensable for sustainable reform. Leadership at federal

and state levels must publicly commit to fiscal transparency as a governance priority. Clear communication strategies, public performance targets, and measurable indicators for transparency improvement should be adopted. Independent civil society monitoring and media oversight should be encouraged rather than constrained, as these actors play critical roles in reinforcing accountability ecosystems.

viii. Fiscal federalism

Fiscal federalism reforms should clarify revenue jurisdictional boundaries and strengthen intergovernmental coordination. Regular technical forums between federal and state revenue authorities can promote harmonization of tax policies and reduce duplication. Revenue-sharing mechanisms should incorporate transparent reporting protocols that clearly show allocations, derivations, and utilization patterns to minimize disputes and build trust across tiers of government.

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