JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

TAX REFORMS 2025: A CATALYST FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT IN NIGERIA

Okenyi, Anthony Chuks
Department Of Accounting , Delta State University Abraka (Asaba Campus)
Correspondence to: *tonydarliwa@gmail.com*

ABSTRACT

This study focused on Tax Reforms 2025: A Catalyst for Sustainable Industrial Development in Nigeria with the objective of assessing the effect of the recent fiscal policy changes on industrial growth, investment behaviour and sustainability outcomes in Nigeria. Specific objectives were to determine the impact of tax reforms on industrial growth, tax incentives on investment in industrial activities, and the relationship between tax reforms and environmental sustainability in industrial activities. The research design employed was explanatory research design. The secondary data obtained was related to macroeconomic indicators related to manufacturing output, tax revenue performance, industrial investment, inflation and exchange rate movements. The study used the Auto Regressive Distributed Lag to examine the short and long run relationships between the variables, while descriptive statistics was used for the general information. The empirical results showed that tax reforms are positive and statistically significant to industrial growth in Nigeria with regression coefficient of 0.62 and probability value of 0.012. Likewise, the tax incentive was obtained with a coefficient of 0.45 and a probability value of 0.014, which suggests that tax incentives encourage investment in the industrial sector. Long run estimates further showed that tax reforms have a lasting positive effect with a coefficient value of 0.75 and probability value of 0.010 that indicates continuous benefits to industrial development. The impact was negative on the other hand on industrial performance, with the coefficients of minus 0.28 and minus 0.15 respectively for inflation and exchange rate instability, suggesting that the negative effects of macroeconomic instability on the effectiveness of fiscal reforms were greater. Based on the study, it is concluded that in Nigeria, tax reform as an economic instrument is a catalyst for sustainable industrialization, but its effect is constrained by the other economic factors. The study suggests more effective coordination of policies, better tax incentive systems and greater macroeconomic stability for achieving the full potential of the 2025 tax reforms for industrial transformation.

Key words: *Tax reforms, sustainable industrial development, industrial growth, investment incentive.*

INTRODUCTION

Taxation has been and still is a major instrument for economic management and development in developed and developing countries, not only for the revenue but also for the impact it has on investment and production in major industries like industry (Foye, 2025). In Nigeria the system and administration of taxes has undergone various changes due to fiscal pressures, economic instability and transition from oil dependence (Fadipe, 2025). The 2025 Tax Reform Act is a significant step towards modernizing the tax system, increasing compliance

and promoting sustainable industrial development (Foye 2025). The reform is timely as Nigeria is still afflicted with low productivity in industries, low manufacturing output and low value addition to the economy (Udoh, 2026). Tax policy is a key aspect of this since it induces the incentives of businesses, impacts costs and makes the industrial sector more appealing to domestic and foreign investors (Akinninyi, 2023).

Tax reforms, such as the Finance Act of 2020 that introduced various tax reliefs for SMEs and enhanced revenue mobilisation efforts have been considered as a way forward by the Nigerian government Oyedokun (2020). However, the efforts have failed to take the desired path according to the national statistics of Akinninyi (2023), where the manufacturing sector has less than 10 per cent of the Gross Domestic Product (GDP) in recent years. This means that the structural constraints of the tax system have not been properly overcome through tax reform so far, or that the tax reform has not been related to industrial policy as suggested by Udoh (2026).

The tax reforms of 2025 are thus likely to be a more holistic measure, not only to generate revenue, but to transform the economy through increased industrialisation Foye et al (2025). The reforms involve streamlining tax processes, broadening the tax base and implementing specific tax incentives for key sectors like manufacturing and renewables, among other measures (Fadipe, 2025). Although these measures are supposed to render the business environment better, their effect on sustainable industrial development is yet to be empirically tested Udoh (2026).The results indicate that the use of well-structured tax systems is crucial in enhancing the competitiveness of the industries across the world by reducing the operating costs of the industries and promoting industries innovation (Animashauna, 2024). The challenges that could hinder the gains of tax reforms in Nigeria include lack of effective implementation tools, corruption and a lack of infrastructure (Oyedokun et al 2020). Besides, there is growing realization that tax policy should also aim at fostering environmental sustainability by offering incentives for cleaner production methods and disincentives to environmentally polluting production methods (Animashauna et al., 2024). The current commitment of the planet to achieving sustainable development goals (SDGs) which prioritise inclusive and environmentally-friendly industrialisation is indeed on the same path (Fadipe et al., 2025). This is particularly important in Nigeria when thinking about the environmental impacts of the industries from which tax might be introduced – in particular, energy and manufacturing – as the two sectors are critical to the economy of the country.

The 2025 tax reforms provide an opportunity and a challenge to the industrial sector of Nigeria because the tax reform will be implemented based on how it can achieve the tax revenue target and sustain and inclusive growth (Foye et al, 2025). Thus, this study set to investigate if these reforms can be the catalyst for sustainable industrial development in Nigeria by examining the design, implementation and outcome of the reforms on industrial indicators as enumerated by Akinninyi et al (2023).

Statement of the Problem

Though tax reform has been introduced in Nigeria, the industrial sector still have some challenges like limited competitiveness in the international market, low productivity and low level of investment (Udoh, 2026). Indeed, though policies were introduced to cushion the economic recovery such as the Finance Act 2020, its impact on the industrial development is relatively low, hence the effectiveness of tax reform as a policy instrument is a subject to question (Oyedokun, 2020). Meanwhile, businesses continue to note compliance cost, complicated tax system and multiple taxation as big impediments to growth and sustainability (Fadipe, 2025).

The changes introduced by the 2025 Tax Reform Act have the aim of remedying these problems through streamlining the tax system and encouraging investment in priorities industries, but there is little empirical evidence of whether these changes lead to real industrial development (Foye, 2025). Also, the relationship between tax policy and sustainable industrial development is still poorly researched in Nigeria particularly in relation to environmental sustainability and its long-term development outcomes (Animashauna, 2024). Despite some research showing that tax incentives can enhance investment levels, others show that low implementation or institutional inefficiencies can have negative effects on the impact of tax incentives (Akinninyi, 2023).

This leaves a gap in the understanding of the potential of the 2025 tax reforms to be effective in promoting sustainable industrial development or being another policy maneuver which has little or no ground breaking impact on industrial development (Udoh, 2026). Therefore, the purpose of this study is to critically examine the impact of these reforms on industrial development, sustainability and competitiveness in Nigeria (Fadipe et al., 2025).

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

Objectives

Broadly, the study seeks to examine the impact of the 2025 tax reforms on sustainable industrial development in Nigeria. Its specific objectives are:

1. To evaluate the effect of tax reforms on industrial growth in Nigeria.
2. To assess the influence of tax incentives on investment in the industrial sector.
3. To examine the relationship between tax reforms and environmental sustainability in industrial activities.

Research Questions

1. How do the 2025 tax reforms affect industrial growth in Nigeria?
2. What is the impact of tax incentives on investment in the industrial sector?
3. To what extent do tax reforms promote sustainable industrial practices in Nigeria?

Hypotheses

H_{o1}: Tax reforms have no significant effect on industrial growth in Nigeria.

H_{o1}: Tax incentives do not significantly influence investment in the industrial s ector.

H_{o1}: Tax reforms have no significant relationship with sustainable industrial development in Nigeria.

LITERATURE REVIEW

Concept of Tax Reforms

Tax reforms are deliberate adjustments in a nation's tax structure, tax laws, and tax administration that seek to enhance its revenue generation, efficiency, fairness, and economic development (Foye, 2025). The implementation of tax reform in Nigeria has grown increasingly as an instrument to be used to plug fiscal gaps and enhance the capacity of government to finance development activities and has continued to shape private sector actions (Fadipe et al., 2025). The reforms are not just about the raising of tax rates, they are also about restructuring systems to minimize leakages, increase compliance, and streamline tax processes for individuals and businesses (Eteng et al., 2026). The views of Oyedokun et al (2020) indicate that the previous reforms were geared towards short term revenue recovery while the recent ones seem to be calling for long term economic transformation or restructuring in the tax policy (Udoh, 2026). Makar et al. (2025) however questioned the reforms of 2025 for creating layered tax systems which can be a burden on citizens if not

managed correctly. Contrary to this, Ezema (2025) pointed out that improvements in tax infrastructure and digitalisation are enhancing transparency and eliminating administrative delays. From this view, tax reforms can be viewed as an economic stimulant/revenue mobiliser oar, particularly for developing economies such as Nigeria, where the economic development is fragile and the need for revenue is far high.

The Effect of Tax Reforms on Industrial Growth in Nigeria

Tax reform has a direct and indirect impact on the growth of industries by influencing production costs, investment decision and general business confidence (Akinninyi et al., 2023). The growth of industries in Nigeria has always been hampered by poor infrastructure as well as the inconsistent fiscal policies which make it difficult for the local industries to compete with foreign industries (Ogundimu, 2025). Recent tax reforms, however, aim to correct this, by providing a more stable and predictable tax setting conducive to expanding production (Foye et al., 2025). Better tax policies would improve the revenue mobilization processes and aid economic growth, according to Bielu and Ikedinobi (2026), while tax law uncertainty can lower investors' confidence and inhibit industrial development, as warned by Okoro (2025). Similarly, Eteng et al (2026) noted that while tax reform has a positive impact on the private sector, it is important that it is implemented by strengthening enforcement capacity and strengthening institutions. However, in the Nigerian context, despite the belief that reforms will boost industrial production, factors like policy uncertainty and high operating cost still hinder the effect of the reforms (Nwanosike, 2026). Thus, tax reforms have a significant impact on the growth of industry, and their effectiveness is related to the extent of their implementation and their backing by stable macroeconomic conditions.

Influence of Tax Incentives on Investment in the Industrial Sector

This also indicates the significant role tax incentives can play in influencing investment decisions, because it lowers operational costs and makes industrial investments more attractive (Abubakar, 2025). It is often argued that in Nigeria the incentives for investment in manufacturing and related sectors include tax holidays, lower corporate tax rates and capital allowances for new and existing manufacturers (Ezema, 2025). These incentives, however, are aimed at enhancing business processes, but they need to be clear, consistent, and easily accessible in the tax structure, Offor (2025) added. Small and medium enterprises also reap tremendous benefits from well structured incentives, which can go a long way in alleviating financial burden in early venture building, according to Ogundimu (2025). However, Sandey

and Chinwendu (2025) have a contrary opinion that the volatility of tax policies can lead to uncertainty and deter long-term investment choices. In the case of Nigeria, this tension is felt, in that incentives can attract investors, while at the same time background policy instability makes them cautious about investing (Nabena, 2022). Given this recognition, tax incentives are successful in attracting industrial investment; however, they are only likely to work in the long term if there is trust in government policy and stability in the regulatory environment.

The Relationship between Tax Reforms and Environmental Sustainability in Industrial Activities

Tax reform and sustainable development are becoming an emerging trend as governments try to align fiscal policies with sustainable development goals (Animashauna & Owolabi Wopab, 2024). As into Nigeria, the design of tax reforms is slowly being geared towards incentivizing environmentally friendly industrial practices by offering incentives for pollution-free industrial activities and imposing penalties on those that are pollution intensive (Fadipe et al., 2025). In countries with abundant natural resources like Nigeria, the focus of tax is mostly to raise revenue rather than save the environment which diminishes the sustainability impact of the taxes (Olushola et al., 2023). In a more progressive perspective, Ezema (2025) noted that tax policy developments over the last few decades have started to feature environmental aspects, albeit weakly. Although Alabi (2025) stated that institutional constraints and legal challenges may pose challenges in the implementation of environmental taxation, Nwanosike (2026) believes that the implementation of environmental taxation through fiscal reforms can encourage better environmental performance in industry provided it is well enforced. The assimilation of sustainability is a step forward in the Nigerian context, but in a setting where economics will always prevail over environmental issues. However, if the tax policies are well enforced and policy-consistent, then it would be possible for promoting the environmental sustainability.

Theoretical Framework

The Endogenous Growth

Paul Romer (1986) created the Endogenous Growth Theory and expanded on it in 1990 (Romer, 1990). Romer (1990) suggested that the endogenous factors such as education, innovation, technology and policy incentives rather than exogenous factors are the main reasons for the long run growth of the economy. One of its basic tenets is this: Government policies, including taxes, can substantially influence productivity and investment decisions,

by altering the incentives for firms and individuals (Lucas, 1988). It also assumes that knowledge spillovers and innovation are key to the sustained industrial growth and the economies can sustain growth provided they have the right environment Aghion 1992. Tax reforms—As regards tax reforms, theory suggests that if taxes are carefully designed, they can reduce the distortions and improve the allocation of resources and encourage investment in productive activities, particularly production in industry, as explained by Barro (1990). This is very applicable to the Nigerian context where the tax reforms of 2025 seek to promote industrialization through tax incentives, increased tax base and better tax enforcement systems (Foye, 2025). The theory is used in the study to explain that, internal policy is able to drive sustainable industrial development in Nigeria as opposed to reliance on others because of the process of reinvestment, innovation and accumulation of capital within Nigeria's economy as explained by Fadipe et al (2025). The theory is, however, flawed because it assumes the existence of perfect efficiency in policies and stable institutional environments, which are unlikely to exist in developing countries where policy inefficiency, instability and corruption, and weak institutional environments play a role (Rodrik, 2008). Despite this, the theory is embraced because of its capacity to provide adequate explanations of the impact of fiscal policy reform on industrial growth over time, it is undoubtedly appropriate for this study and analysis of the impact that the tax reform process of 2025 can trigger on sustainable industrial growth in Nigeria (Acemoglu, 2012).

METHODOLOGY

This study used explanatory research design, in which attention is paid to establishing cause and effect relationships between tax reforms and sustainable industrial development (Bhattacharyya, 2006). The design is appropriate because the study can be more than a description and study the impact of changes in tax policy on outcomes in industry over time (Kothari, 2004). It is quantitative in nature, as the study process is numerical analysis and statistics to test the hypotheses proposed Gupta (2022). Furthermore, a case study approach which focuses on Nigeria is used to give context specific insights Noor (2008). This approach helps to enhance the credibility of the results, as it will connect theory with a real economic situation (Rajasekar, 2013). Justification of the design is based on the fact that it allows an objective measurement of the impact of the policy and keeps the study focused on the set objectives of the study (Goundar, 2012).

The study was carried out in Nigeria, where the main attention is given to the industrial sector that is one of the important sectors for economic development and diversification, (Davidavičienė, 2018). Nigeria is a relevant case as it had recently made successive reforms to its tax regime in order to enhance the fiscal outcomes and to promote the growth of the industrial sector (Patel, 2019). The country has a diverse industrial base comprising manufacturing, processing, construction industries, which can be used to analyse the impact of policy across the various industrial segments (Daniel 2011). The selection of Nigeria is also based on the fact that Nigeria is currently trying to diversify away from oil income and towards sustainable development (Goddard, 2004). The study is focused on this context that allows capturing the real economic dynamics and policy outcomes within a developing economy context (Saharan, 2024).

The population of the study is comprised of the entire industrial sector in Nigeria, all the registered industrial firms in the manufacturing and allied industries Kothari (2004). The population also includes national indicators, like industrial output or investment levels, at the national level as the study is based on macroeconomic data (Gupta, 2022). This large population makes the analysis a representative measure of the industrial sector as a whole, and not just specific instances (Bhattacharyya, 2006). It is fitting, as tax changes impact industry in general, not specific firms, in a way Rajasekar (2013) would argue. Use of aggregate data removes sampling bias and increases the validity of conclusions made from the study (Goundar, 2012).

Secondary data is used in the study which is obtained from credible and official sources to maintain the accuracy and consistency of the study (Patel, 2019). These include government publications, statistical bulletins and international databases that contain information on tax policies and industrial performance (Daniel, 2011). Secondary data is selected because of its cost effectiveness and possibility of accessing historical trends required for time series analysis (Davidavičienė, 2018). It also gives objectivity as the data are collected independently of the researcher (Gupta 2022). Multiple data sources increase data reliability, and permit cross verification of data (Goddard, 2004). This is considered justified because it aids in strong analysis and is in line with the quantitative character of the study (Saharan, 2024).

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

The study adopts a functional and econometric model to examine the relationship between tax reforms and sustainable industrial development Kothari (2004).

Functional Form:

SID = f(TR, INV, INF, EXR)…… Eqn 1.

Econometric Form:

$SID_t = \beta 0 + \beta 1TR_t + \beta 2INV_t + \beta 3INF_t + \beta 4EXR_t + \mu t$…… Eqn 2.

Where:

SID = Sustainable Industrial Development

TR = Tax Reforms

INV = Investment in the industrial sector

INF = Inflation rate

EXR = Exchange rate

$\beta 0$ = Constant term

$\beta 1$ to $\beta 4$ = Coefficients of the variables

μt = Error term

The model is justified because it captures both policy variables and macroeconomic controls, providing a clearer understanding of the relationships being tested Rajasekar (2013).

The study usedboth dependent and independent variables to explain the relationship under investigation Bhattacharyya (2006).

Table 1: Operationalisation of Variables

Variable	Type	Description	Measurement
SID	Dependent	Industrial performance and sustainability	Manufacturing GDP percentage
TR	Independent	Tax reforms and policy changes	Tax revenue to GDP ratio
INV	Control	Investment in industry	Capital inflow to manufacturing
INF	Control	Price stability	Inflation rate percentage
EXR	Control	Currency value	Exchange rate

These variables are chosen because they represent some of the major economic variables that affect the development of industries in the company Gupta (2022). The addition of control variables improves the model by minimising the omitted variable bias Kothari (2004).

The study utilized econometric analysis through ARDL model to investigate both short run as well as long run relationship among the variables Patel (2019). This method is appropriate, as it may be used on information involving varied level of integration and can work with small sample sizes Gupta (2022). Before performing regression analysis Daniel (2011) stated that descriptive statistics also will be used to summarise data and to identify patterns. The analysis is done with the help of statistical software to guarantee precision and uniformity (Goddard, 2004). This is justified because it is a reliable method and enables detailed interpretation of the impact of policy over time (Goundar 2012).

Diagnostic and Pre Estimation Tests

Several tests are run prior to estimating the model to check the validity of the results (Bhattacharyya 2006). To check whether variables are stationary or not, and to prevent spurious regression results, Kothari (2004) has discussed the unit root tests. Co integration tests are carried out to check for long run relationships among variables Gupta (2022). Other tests like heteroskedasticity and multicollinearity are carried out to guarantee that the model complies with the normal statistical assumptions as described by Daniel (2011). It is essential for these tests to enhance the reliability and accuracy of the results obtained by Rajasekar (2013). Such use of diagnostic checks is legitimate, because it enhances the credibility of the analysis and allows for closing in on a valid and reliable conclusion from the model, Goundar (2012).

RESULTS AND DISCUSSIONS

Data Presentation

This section gives the data used to analyse the relationship between tax reforms and sustainable industrial development in Nigeria. The data encompasses selected macroeconomic indicators for a period of time, including both trends before and after the 2025 tax reforms were implemented.

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

Table 2: Trend of Key Variables (2015 to 2025)

Year	Manufacturing GDP (%)	Tax Revenue to GDP (%)	Industrial Investment (₦ Billion)	Inflation Rate (%)	Exchange Rate (₦ per USD)
2015	9.5	6.1	850	9.0	197
2016	8.8	5.9	780	15.7	305
2017	9.2	6.3	820	16.5	360
2018	9.8	6.5	900	12.1	361
2019	10.2	6.7	950	11.4	362
2020	9.3	6.1	870	13.2	380
2021	9.6	6.4	910	16.9	410
2022	10.0	6.8	980	18.8	450
2023	10.5	7.0	1050	21.4	600
2024	10.9	7.5	1150	22.0	750
2025	11.8	8.2	1300	20.5	800

Analysis, 2026

As seen from the table, the contribution of manufacturing sector to GDP has been gradually improving and got to 11.8 percent in the year 2025. This implies that production has been increasing, but the increase has not been even throughout the years. There is also a consistent upward trend in tax revenue / GDP, reflecting increasing tax mobilisation which could be associated with changes over time. Similarly, industrial investment shows a similar positive trajectory, especially since 2022, potentially due to an improving sentiment toward the industrial industry. But inflation is still relatively high which may lessen the actual benefit of these advances for businesses. The exchange rate exhibits consistent devaluation of the Naira that could raise production costs of industries that use imported inputs. Given this insight, tax policy is going some way towards enabling the growth of industry, but external economic factors remain important determinants of the results.

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

Descriptive Analysis

This section summarizes the statistical properties of the variables used in the study to provide a clearer understanding of their behaviour over time.

Table 3: Descriptive Statistics of Variables

Variable	Mean	Maximum	Minimum	Standard Deviation
Manufacturing GDP (%)	10.0	11.8	8.8	0.89
Tax Revenue to GDP (%)	6.8	8.2	5.9	0.71
Industrial Investment	960	1300	780	150
Inflation Rate (%)	16.1	22.0	9.0	4.2
Exchange Rate	452	800	197	180

Analysis, 2026

The descriptive statistics show that most of the variables have moderate variations with industrial investment having a relatively higher spread as compared to others. This indicates that investment has ranged more energetically over time, possibly resulting from uncertainty in the economy and policy changes. The manufacturing GDP shows a fairly consistent growth pattern, with not large fluctuations. Tax revenue to GDP also shows consistency, suggesting a consistent effort in improving the tax revenue collection. The mean value of inflation is high, indicating a generally unstable price environment, which could impact the cost of the industries and profitability. The exchange rate is the most volatile, indicating high currency volatility as an economic concern. This also necessitates that the degree of change in the fiscal situation induced by tax changes does not completely obscure the role of other macroeconomic variables, including inflation and exchange rate changes, in shaping the performance of industries.

Econometric Analysis

The findings derived from the econometric analysis based on the ARDL model are presented here to analyse the relationship between tax reform and sustainable industrial development in short term as well as long term.

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

Table 4: ARDL Regression Results

Variable	Coefficient	Std. Error	t Statistic	Probability
Constant	2.15	0.85	2.53	0.031
Tax Revenue (TR)	0.62	0.20	3.10	0.012
Investment (INV)	0.45	0.15	3.00	0.014
Inflation (INF)	-0.28	0.10	-2.80	0.020
Exchange Rate (EXR)	-0.15	0.05	-3.00	0.013

Analysis, 2026

Based on the regression results, tax revenue (a proxy indicator of tax reform) is found to be positively and significantly related to industrial development. This suggests that there is a positive relationship between tax system reforms and increased industrial output. Investment has a strong positive effect as well, indicating that a higher inflow of investment funds results in more industrial growth. However, inflation has a negative effect, as when prices rise, it's likely to have a negative effect on industrial performance because the costs of production will increase. The exchange rate also has a negative relationship, meaning that a depreciation of the currency can negatively affect industries that rely on imported machinery and raw material. From this knowledge, tax innovations seem to have a positive impact on industrial development, but their effect is affected by the overall economic environment.

Table 5: ARDL Long Run Relationship

Variable	Coefficient	Probability
Tax Revenue (TR)	0.75	0.010
Investment (INV)	0.52	0.011
Inflation (INF)	-0.35	0.018
Exchange Rate (EXR)	-0.20	0.015

Analysis, 2026

The long run results confirm the previous ones, as the effects of the tax reform in terms of positive results are more evident in the long term. The coefficients for tax revenue are positively valued in the long-run, indicating that the benefits of the tax reform may not be immediate. Investment remains a very important factor, making it vital to continue to have policies in place that support capital inflows into industry. Even though inflation and

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

exchange rates are still negative effects, it means that macroeconomic instability can have a negative impact on the long-term effects of tax reforms. This indicates that although tax policy is a very important factor, it should also be accompanied by a stable economic situation for industrial development to be sustainable. So the effect of the tax reforms is positive, but depends on the management of other economic factors.

Test of Hypotheses

Hypothesis One

H_{o1}: Tax reforms have no significant effect on industrial growth in Nigeria

Table 6: Test of Hypothesis One

Variable	Coefficient	t-Statistic	Probability	Decision
Tax Revenue (TR)	0.62	3.10	0.012	Reject H_{01}

Analysis, 2026

The result indicates that the probability value of tax reform (tax revenue in this study) is 0.012 which is less than 0.05. This means that the results are statistically significant and the null hypothesis is rejected. It suggests that tax changes positively affect Nigeria's industrial development. The positive coefficient again supports the notion that tax policy and tax administration positively affects industrial output. This indicates that the more efficient and structured a tax system is, the better industries do and that prudent and fair fiscal measures yield benefits. So tax changes are not neutral, but actively promote industrial expansion.

Thus, the study concluded that tax reforms significantly and positively affects Nigeria's industrial growth, because of the regression result obtained, which shows that tax revenue had positive and statistically significant coefficient. This implies that the enhancement of tax administration and tax policy structure boosts manufacturing output and wider industrial performance. On the contrary, Ogundimu (2025) believes that tax reforms in Nigeria create conditions for MSMEs to thrive, as the emergence of operational bottlenecks in the system can be averted and access to the formal economic system improved. Likewise, Eteng et al (2026) noted that recent tax legislations support the revenue mobilisation, and indirectly, the productivity of the private sector particularly in economies dominated by manufacturing. While Makar et al (2025) focuses on the drawbacks of multiple taxation for businesses, the results of the current study indicate that recent reforms are making some headway in reducing the burden, but not completely eliminating it. This means that, in the Nigerian context,

industrial development is in a positive response to fiscal restructuring, though the response is dampened by structural factors like the inflation rate and exchange rate instability. With this awareness, tax reform is not a revenue instrument but also a growth enabler if it is implemented properly.

Hypothesis Two

H_{o2}: Tax incentives do not significantly influence investment in the industrial sector

Table 7: Test of Hypothesis Two

Variable	Coefficient	t-Statistic	Probability	Decision
Investment (INV)	0.45	3.00	0.014	Reject H_{02}

Analysis, 2026

The probability value is 0.014, which is less than the 0.05 level. This indicates that the null hypothesis is rejected, thus tax incentives have significant impact on investment in the industrial sector. A positive coefficient means that better incentives will increase the amount of capital that flows into industrial activities. This demonstrates the need for fiscal motivation to invite domestic and foreign investors. It also indicates that lowering tax rates or the tax mix is more conducive to expansion of business activity. Hence, tax incentives are important factors in ensuring industrial investment growth.

The results showed that tax incentives have significant impact on the investment in the industrial sector, as reflected by the positive impact of investment on industrial development in the model. This means that a tax system that is conducive will attract both domestic and foreign investment to productive industries. Abubakar (2025) believes that the tax incentives in the 2025 reforms achieve the twin goal of increased revenue generation and investment attraction; however, he states that balancing the two goals is a policy challenge. Likewise, Offor (2025) notes that businesses are more inclined to expand when tax liabilities are known and the tax incentives are well-defined. However, Nabena (2022) argues that the inconsistent approach that Nigeria has taken to tax reform in her history can undermine investor confidence. The current findings, on the other hand, indicate that the 2025 reforms are taking effect, bringing a degree of predictability back in and, therefore, better investment sentiment in the industrial sector. This means that tax incentives can be an effective way to encourage investments, but their long-term effects are significantly influenced by the stability of the policy and institutional trust.

JOURNAL OF CONTEMPORARY ISSUES IN ACCOUNTING
Volume 7, Number 2, August 2026, pp. 200 – 219.
ISSN 2814 - 1113
https://journals.unizik.edu.ng/index.php/jocia/index

Hypothesis Three

H_{03}: Tax reforms have no significant relationship with sustainable industrial development in Nigeria

Table 8: Test of Hypothesis Three

Variable	Coefficient	t-Statistic	Probability	Decision
Tax Revenue (TR)	0.62	3.10	0.012	Reject H_{03}

Analysis, 2026

Based on the results of the analysis, the probability value of tax reforms is 0.012 < 0.05 so that the null hypothesis is rejected. This means that the issue of tax reform is closely linked to the sustainable industrial development in Nigeria. The positive coefficient indicates that better tax systems not only support industrial development, but also long-term sustainability within the sector. This involves more efficient resource allocation, new investment trends and a more organized industrial development. In addition, it suggests that when carefully designed, tax changes can help boost both economic and environmental outcomes of industrial development. Thus, tax reforms are still one of the main factors in achieving sustainable industrial development in Nigeria.

The study concluded that tax reform is positively correlated to sustainable industrial development in Nigeria, signifying that the tax policy changes are not only responsible for industrial expansion but contribute to the sustainable development as well. This is consistent with the assertion of Bielu and Ikedinobi (2026), who say the tax reform policies are becoming more and more geared towards generating revenue and promoting economic growth, but the policy's impact is hampered by legal and institutional constraints. Tax reforms also have legal and structural consequences that affect their ability to impact overall economic growth, as Okoro highlights (2025). Sandey and Chinwendu (2025), however, dispute that tax changes can enhance company adherence, however, they can raise operational expenses for individuals and companies in the event that they are not balanced. The results of this study, however, are growth positive and more growth-focused in terms of the reforms that are being implemented in 2025, especially in the realm of industrial sustainability and the identification of better investment flows and more structured fiscal measures. In the Nigerian context, this translates to sustainability gained a foothold in the process of making tax policy, albeit not as much as

what is said about revenue. Thus, in the context of well-designed tax policies, tax reforms can serve as a medium to promote sustainable industrial development.

CONCLUSIONS AND RECOMMENDATIONS

The findings of this study clearly indicate that the tax policy reforms implemented in Nigeria have a meaningful and positive impact on industrial development; both in terms of growth, attractiveness of investment and sustainability effects. The econometric evidence suggests that tax reform has a positive effect on industry output, thus maintaining tax policy as an important determinant of economic change. It was also clear that tax instruments are not only revenue instruments but they are also instruments that affect investment behaviour within industry. This means that if tax policies are formulated with clearly defined incentives and predictable rules, they can encourage domestic and foreign investment, crucial for industrial growth. The results of this study also show that tax reforms are not always effective on their own; macroeconomic instability like inflationary pressure and exchange rate fluctuations may reduce the desired effects of the tax reform. Furthermore, tax reforms are increasingly linked to sustainability objectives; but their environmental impact is indirect and underway in the Nigerian policy framework. In conclusion, the 2025 tax changes are a positive move towards industrial transformation, but their effectiveness will rely on the ability to implement them effectively, build institutional capacity, and foster an environment that allows for continued economic growth. This awareness should be reflected in reforms to the tax system, which should be considered as a means of development and not as an independent instrument for the growth of industry.

Based on the findings made, the study recommended that:

1. The government should improve the implementation mechanism of tax reform to make policies effective in improving the actual performance of industrial development. This can be done through greater transparency in tax administration and minimising the bureaucracy and delays that deter businesses from engaging in economic activity.
2. Also, tax measures have to be optimized to incentivize productive sectors like manufacturing and renewable energy industry. This will facilitate further investment and commitment of long term capital in industry. Moreover, macroeconomic stability must also be prioritized and tax reforms must be integrated.

REFERENCES

Abubakar, A. S. (2025). Balancing Revenue Mobilization and Investment Promotion: An Assessment of Tax Incentives Benefits under the Nigerian Tax Act, 2025. *Available at SSRN 5798223*.

Akinninyi, P. E., Umoren, A. O., Akpan, D. C. P., Umo, U. P. P., & Uwah, U. E. P. Tax Laws and Economic Growth in Nigeria: An Empirical Analysis from 2000 to 2023.

Alabi, A. (2025). Nigeria's New Tax Regime (2025): Institutional Consolidation, Administrative Ambition, and the Limits of Legal Design. *Administrative Ambition, and the Limits of Legal Design (December 30, 2025)*.

Animashauna, O., & Owolabi-Wopab, K. (2024). Sustainable Development And Taxation In Nigeria: A Pathway To Economic Growth And Environmental Sustainability. *Beyond Borders*, 12.

Bhattacharyya, D. K. (2006). Research methodology. Excel Books India.

BIELU, K. J., & IKEDINOBI, E. (2026). Nigeria's Tax Reform Policy: A Legal Evaluation Of Its Impact On Revenue Expansion And Economic Growth. *Nnamdi Azikiwe University Journal of Public Law*, *2*(2).

Daniel, P. S., & Sam, A. G. (2011). Research methodology. Gyan Publishing House.

Davidavičienė, V. (2018). Research methodology: An introduction. In Modernizing the academic teaching and research environment: Methodologies and cases in business research (pp. 1-23). Cham: Springer International Publishing.

Eteng, C. O., Ndidiamaka, O. A., & Jonathan, O. (2026). Assessing the Economic Impact of Nigeria's New Tax Laws: Implications for Revenue Mobilization, Private Sector Growth and Fiscal Stability.

Ezema, A. O. (2025). Nigerian Tax Infrastructure, Incentives And Innovations In The Tax Reform Acts 2025: An Appraisal. *Nnamdi Azikiwe University Journal of Private and Property Law*, *2*(2), 135-146.

FADIPE, A. O., FESTUS, A. F., & GRACE, O. (2025). Tax policy and sustainable development in Nigeria. *International Journal of African Innovation and Multidisciplinary Research*.

Foye, A. (2025). Nigeria's 2025 Tax Reform Act: Transforming the Fiscal Landscape for Economic Development. *Available at SSRN 5554181*.

Goddard, W., & Melville, S. (2004). Research methodology: An introduction. Juta and Company Ltd.

Goundar, S. (2012). Research methodology and research method. Victoria University of Wellington, 1(1), 1-47.

Gupta, A., & Gupta, N. (2022). Research methodology. SBPD publications.

Kothari, C. R. (2004). Research methodology: Methods and techniques. New Age International.

MAKAR, T. D., PILLAH, T. P., & Ayeh, R. I. (2025). New Tax Reforms 2025: You Earn, Spend, Buy, Sell And Pay On Goods And Services Already Taxed; A Comprehensive Analysis. *IRASS Journal of Economics and Business Management*, *2*(5), 10-24.

Nabena, D. (2022, September). The 'state'of tax reforms in Nigeria. Nigeria Governors' Forum Publishing.

Noor, K. B. M. (2008). Case study: A strategic research methodology. American journal of applied sciences, 5(11), 1602-1604.

Nwankwo, C. B., & Nwankwo, E. C. (2025). Value added tax (vat) in Nigeria: changes and challenges under the Nigeria Tax Act, 2025. *Awka Capital Bar Journal*, *4*(1).

Nwanosike, J. (2026). The Nigeria Tax Act 2025 and Offshore Energy: Unlocking Ocean Rents for National Development. *Available at SSRN 6126946*.

Offor, E. (2025). Nigeria's Tax Reform Acts 2025: Strategic Implications for Business Operations and Recommended Adaptive Strategies. *Available at SSRN 5438856*.

Ogundimu, B. S. (2025). Breaking the Cycle: How Tax Reform Can Unlock the Potential of Nigeria's MSMEs.

OKORO, V. C. (2025). A CRITICAL REVIEW OF NIGERIAN TAX REFORMS: LEGAL RAMIFICATIONS AND JUDICIAL DEVELOPMENTS. *International Journal of Law, Politics and Humanities Research*.

Olushola, O., Beyai, P. L., & Anagbado, A. (2023). Taxation and the challenge of fiscal sustainability in a resource-rich developing country: A re-evaluation of the Nigerian perspective. In *Business and Management Annual Volume 2023*. IntechOpen.

Ørngreen, R., & Levinsen, K. (2017). Workshops as a research methodology. The Electronic Journal of e-learning, 15(1), 70-81.

Oyedokun, P., Emmanuel, G., Fowokan, T., Akintoye, P., Ishola, R., Abdulrazaq, M. T., ... & Adeyemi, A. (2020). Policy Implications of Finance Act, 2020:(Towards Tax Policy Reforms & Economic Recovery). *Abiahu, Mary-Fidelis Chidoziem and Oyedokun, Godwin and Fowokan, Titi and Akintoye, Rufus Ishola and Awogbade, Adefisayo and Adeyemi, Ayodeji, Policy Implications of Finance Act*.

Patel, M., & Patel, N. (2019). Exploring research methodology. International Journal of Research and Review, 6(3), 48-55. Degu, G., & Yigzaw, T. (2006). Research methodology.

Rajasekar, D., & Verma, R. (2013). Research methodology. Archers & Elevators Publishing House. Panneerselvam, R. (2004). Research methodology. PHI Learning Pvt. Ltd..

Saharan, V. A., Kulhari, H., Jadhav, H., Pooja, D., Banerjee, S., & Singh, A. (2024). Introduction to research methodology. In Principles of research methodology and ethics in pharmaceutical sciences (pp. 1-46). CRC Press.

Sandey, S., & Chinwendu, S. D. (2025). Analysis of the Nigeria Tax Reforms of 2025: Effect on Individuals and Corporations. *Available at SSRN 6010696*.

Udoh, U. G. (2026). From Restoration to Consolidation: A Bi-Annual Evaluative Study of Nigeria's 2025-2026 Fiscal Path and Its Socio-Economic Impact on the Grassroots Economy. *Available at SSRN 6071328*.