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AN EVALUATION OF TAX AVOIDANCE AND EVASION ON INTERNALLY GENERATED REVENUE OF SUBNATIONAL GOVERNMENT: EMPIRICAL EVIDENCE FROM JIGAWA STATE 2015-2024

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Abstract

Internally Generated Revenue (IGR) is playing significant role in supplementing federal allocations and contributing to disposable funds available to state governments in Nigeria. However, tax non-compliance in form of tax avoidance and evasion are practices that are reducing the potential revenue that state governments can mobilize to fund essential public services. The aim of this study is to assess the existence of tax avoidance and evasion and their impact on the IGR collected by Jigawa state 2015-2024. To achieve the aim of the study, quantitative secondary data on budgeted and actual IGR from all sources were collected from the annual reports and accounts of the state auditor-general. Economic theory of tax compliance which posit that taxpayers act rationally when deciding whether to evade taxes or comply guided the conduct of this study. Collected data was analyzed by simple descriptive statistical tools of tables, charts, and percentages. Results from the study on the overall revealed existence of tax avoidance and evasion on the IGR of Jigawa state as the incidences occurred in six out of the ten years covered by the study. Similarly, the result revealed negative impact on IGR of the state over the period of the study. The policy implication is that tax authorities should strengthen tax administration to ensure consistency in collection as fluctuations in meeting budgeted targets over the period of the study may be implying loopholes in collection efforts.

Key Words: Internally Generated Revenue, Tax Avoidance and Evasion, Theory of Planned Behavior, Tax Administration

1. Introduction

Taxation simply defined as the compulsory unrequited payments to the general government or to a supranational authority (Organization of Economic Cooperation and Development, 2026) has been a viable and sustainable means of public revenue of olden civilizations of Mesopotamia, Rome, China, Greece etc. This is also applicable to the modern civilizations of

Europe, United States of America, Canada, Australia etc., as tax to Gross Domestic Product (GDP) ratio of countries of Organization of Economic Cooperation and Development (OECD) averaged 34.10% in 2024 (Mirage, 2025). In countries practicing federalism or some form of devolution of power to federating units, such federating units are often having jurisdiction to collect some taxes and levies as internally generated

revenue (National Bureau of Statistics, 2025; Pew, 2025; Reserve Bank of India, 2021). Internally generated revenue by subnational governments or federating units is playing significant role in supplementing receipts from the federal government and contributing to the pool of fund available to the subnational governments (National Bureau of Statistics, 2025). It is the pooled fund that the subnational governments are using to undertake developmental projects and provide public goods and services (Adefunke & Ivie, 2024; Reserve Bank of India, 2021).

Therefore, any reduction in budgeted revenue against actual receipts impliedly means shortfall in anticipated pool fund for execution of developmental projects and provision of public goods and services by subnational governments. The reduction in anticipated revenue could arise through tax avoidance which is legal and evasion which is illegal (Alabede, 2020; James & Nobes, 2020). From the broad perspective, countries around the world have lost US\$1.7trillion in tax in 2025 through tax abuse by multinational corporations and wealthy individuals; perhaps, through tax avoidance and evasion (Tax Justice Network, 2025; 2024). From the narrow perspective, subnational governments of states in the United States of America faced budget deficits from IGR in 2025 (Jones, 2025). Similarly, tax avoidance and evasion have been reported in subnational state governments in Nigeria with negative effects on fiscal stability and overall economic performance (Abdulaziz, Balami, & Abubakar, 2022; Onigbinde & Oyedokun, 2023).

The aim of this study is to evaluate tax avoidance and evasion on the internally generated revenue collected by Jigawa state as a subnational government 2015-2024 based on data availability. The objectives are one, to assess the existence or otherwise of tax avoidance and evasion, two assess their trend over the period of the study and three assess their impact on IGR collection by the state 2015-2025. This study may assist policy makers and tax administrators in the state to have an empirical finding that not only reveal the existence or otherwise of tax evasion and avoidance but their trend over the period of the study. This may in turn assist

them to further strengthen the state tax system with a view to improving IGR to continue supplementing federal allocations for sustainable growth and development of the state. This is section one which is the introduction followed by section two on literature review both conceptual and empirical which is followed by section three as the research method section. Section four is on results and discussion while section five is on conclusion and recommendations.

2. Literature Review

2.1 Conceptual Review

Tax Avoidance

Tax avoidance simply refers to the strategic use of legal loopholes to minimize tax liabilities (Pandoyo, 2025). From perhaps a broader perspective, tax avoidance is also defined as a legitimate practice employed by individuals and businesses to reduce their tax liability by utilizing legal tax planning strategies. Being legal, it involves taking advantage of available deductions, tax credits, and tax incentives to lower taxable income and ultimately decrease the amount owed in taxes (Tamplin, 2025). In addition to taking advantage of available deductions, tax credits, and tax incentives, saving for retirement in tax-advantaged accounts, and offshoring profits are common methods of tax avoidance (Kagan, 2025). Therefore, to the tax payers, tax avoidance is helping in reducing their tax liabilities on the overall, but to the tax authorities, tax avoidance is significantly impacting on revenues and contributing to economic disparities (Pandoyo, 2025).

Tax Evasion

Tax evasion is simply the deliberate failure by the tax payers to comply with tax laws with taxpayers evading tax assessment and payment of their taxes. Tax evasion can be achieved by hiding income, offshoring income in areas that do not comply with a taxpayer's home country, falsifying tax records, and inflating expenses. Thus, it is an illegal act that can result in fines, penalties, levies, and even prosecution (Kagan, 2025). Tax evasion is also defined as illegal practices encompassing underreporting of income or falsifying

financial statements to escape tax obligations (Folorunso & Lokanan, 2022). Tax evasion is also negatively impacting on tax revenue collections and contributing to worsening economic performance (Pandoyo, 2025).

Internally Generated Revenue

Internally Generated Revenue (IGR) is the revenues gotten within the territory and jurisdiction of a state as a federating unit which come from various sources such as taxes like PAYE, road taxes, direct assessment, fines, licensing, interest on investments, rent from government properties, and fees (Adesoji & Chike, 2013; Heimduo, 2020). It is also defined as revenue generated internally apart from subventions, allocation, and grants from Governments (Okeke, Chidi & Eme, 2017). Similarly, Oluwole and Gbolahan (2020) defined IGR as funds that are generated by subnational governments such as states or municipalities within their own jurisdictions, independent of federal or central government allocations. This source of revenue is very vital for the financial health and autonomy of subnational governments, reduces dependency on central government transfers, allowing for greater flexibility in budgeting and spending on local development projects and leading to improved public service delivery, greater accountability, and increased citizen participation in governance (Akor et al., 2024; Oluwole & Gbolahan, 2020). Within the context of this study, IGR in Jigawa state means all funds collected by the state and which it classified as IGR.

Impact

Impact is a multi-dimensional concept with some definitions focusing on very precise understandings of impact while others look at it from broader perspective. Impact is defined as the powerful effect that something has on somebody or something (Oxford Learner's Dictionary, 2026). It is also defined as the positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended (Organization for Economic Development and Cooperation, 2010). Impact implies changes in people's lives including changes in knowledge, skill, behaviour, health or living

conditions for children, adults, families or communities which could be positive or negative long term effects such as economic, socio-cultural, institutional, environmental, technological or of other types (Hearn & Buffardi, 2011). For the purpose of this study, impact means the negative effect that tax avoidance and evasion have on the IGR of Jigawa state 2015-2024 measured by percentage changes in IGR collection between what is budgeted and actual collection with the difference being regarded as tax avoidance and evasion (Hashim, 2025; Mvunabandi, Nomala & Marimuthu, 2024; Onyeka & Nwanko, 2016)

2.2 Empirical Review

From the broad perspective of national economies, Mythreyi and Vaishali (2024) analysed the impact of tax evasion and tax avoidance on the Indian economy and the legal measures available to curb them. To test the developed hypotheses of the study to achieve its aim, data are collected from secondary sources like books, articles, journals and websites. No theoretical framework was employed to guide the conduct of the study while the collected data was analyzed using descriptive analysis to analyze the impact of tax evasion and avoidance on the Indian economy and proper solution on how to curb them. The result of the study revealed the prevalence of tax avoidance and evasion and that these are negatively impacting the Indian economy with significant benefits going to high income earners shifting the burden of taxation to the low income earners.

Similarly, Mvunabandi, Nomala, and Marimuthu (2024) analysed the link between tax evasion and avoidance with the main aim being to assess the implications of evasion and avoidance of taxes on South African economy progress from 1994 to 2021. The study collected secondary data relating to tax evaded and avoided and gross domestic product (GDP) obtained from the South African Revenue Services Tax Statistics 2021. The study employed tax compliance theory which suggests that individuals and firms make decisions about their level of compliance with tax laws based on a cost-benefit analysis guided the conduct of the study. Effective descriptive statistical tools of

means which shows consistencies and variabilities of observations were to reveal whether there was a gap between total budgeted tax income and realised tax income or not. Likewise, Ordinary Least Squares Regression (OLS) regression analysis was employed to evaluate whether the link between Gross Domestic Product (GDP) and Tax Evaded and Avoided is strong or weak. The finding of the study showed increased tax revenue resulting in surpluses between budgeted and actual tax revenue and economic growth (GDP), meaning tax evasion and avoidance is minimal. The regression analysis revealed that tax evasion and tax avoidance do not affect Gross Domestic Products (GDP).

Ng'ang'a and Ouma (2023) investigated the effect of tax evasion on revenue collected at custom boarder and control department of Kenya Revenue Authority (KRA) 2001-2022. The study through purposeful sampling collected primary data in form of administered questionnaires from sampled 120 businesses out of 7,431 businesses that are active in the export or importation of goods and clearing agents. Likewise, the study also applied the Taro Yamane formula to collect primary data in form of administered questionnaires from sampled 162 respondents out of 1,788 staff of KRA at the customs and border control department. The study was guided by the Rational Choice theory which argued that people make choices based on the costs and benefits calculations. Collected data was analyzed using descriptive and inferential statistical analyses with descriptive results revealing the existence of tax evasion caused such factors as high tax rates, compliance costs, tax filing complexities and inadequate tax support among others. The regression analysis revealed strong relationship between tax evasion and reduced government revenue, implying the negative effect of tax evasion on Kenyan economy.

Ayele and Dagne (2019) assessed the level of Tax Evasion and Avoidance in Ethiopia and analyzed the controlling mechanisms of such practices. The study is designed as a descriptive research method with qualitative and quantitative data analysis approaches. Primary and secondary data related to the reporting

trend of tax payers' income and tax liability, the level of tax evasion and avoidance and controlling environment of tax evasion and avoidance were collected from Ethiopian Revenue and Customs Authority (ERCA) using collection tools such as interviews, questionnaires and from different books & reports. There is no any theory of taxation that was used to guide the conduct of the study. Descriptive method of data analysis was used to analyze collected data and findings from the study revealed the existence of tax avoidance and evasion. The major methods used by taxpayers to evade and avoid tax are non- declaration and under reporting of income, overstating business expense and deductions, overstating and understating trading stock, deduct personal expenses as business expenses to hide the exact tax liability.

Devarajapp (2016) conducted a study that explore the extent of income tax evasion and its impact on India's revenue generation 2000-2015. To conduct the study, secondary data was collected from internet, websites, professional magazines, referred journals, newspapers and conference books while the study is not guided by any theoretical framework. The collected data was analyzed by means of statistical tools of correlation and regression analyses. Results from the study revealed the existence of tax evasion which is significant in eight years representing 53.33% of the total fifteen years covered by the study. The correlation analysis revealed that there is less degree of positive relationship between tax evasion, budgeted revenue and actual revenue concluding that Tax evasion significantly increased on account of increase in the revenue collection by the Indian government.

Above studies are conducted at country levels; however, the relationship between tax avoidance and evasion and revenue generation has been investigated in states or regions with revenue generating powers. For instance, Mu, Fentaw and Zhang (2023) examined how tax evasion, tax payers and psychological egoism and other relevant factors affect tax revenue collection performance in Amhara state of Ethiopia. The study used a survey research design because of limited resources and it also used simple random sampling

techniques for collection of data from primary and secondary sources. For the primary data, a closed-ended questionnaire with five stages Likert scale was administered to Three Hundred Ninety-Five (395) taxpayers of the Amhara state selected from the total taxpayers' in the state. For the secondary data, the study utilized data from published journals, books, tax proclamations, and other internet sources. Theoretical triangulation of theories of psychological egoism tax evasion guided the conduct of the study while Structural Equation Modeling (SEM) with AMOS software was applied to analyze data. Results from the study revealed that tax evasion and psychological egoism negatively affect tax revenue collection performance while tax education and technology significantly and positively affected tax revenue collection performance.

Narrowing down to Nigeria as a country, Shehu (2025) examined the impact of tax evasion and tax avoidance on the Nigerian revenue generation 2004-2025. The study is designed as an ex-post facto research and quantitative secondary data on variables of Gross Domestic Product (GDP), Exchange rate, Trade balance, Inflation, and Tax revenue were obtained from annual publications of Central Bank of Nigeria (CBN) and Federal Inland Revenue Service (FIRS) 2005 - 2024. The Benefit received and Ability to pay theories guided the conduct of the study while Ordinary Least Square (OLS) regression model was used to analyse the collected data. Result of the data analyses revealed that there is no relationship between tax evasion and tax avoidance and the Nigerian revenue generation as both tax evasion and tax avoidance indicate an insignificant relationship with Nigerian revenue generation.

Similarly, Adefunke and Ivie (2024) examined the impact of tax evasion and avoidance on government revenue generated in Nigeria. In an attempt to achieve the aim of the study, library research techniques were applied to obtain the necessary data in which 100 questionnaires were administered to employees of the Federal Inland Revenue Service (FIRS) in Nigeria. Similarly, closed-ended questionnaires were administered to employees of specific companies to get the views of the respondents on inquiries about tax

avoidance and evasion and their impact on the growth of Nigeria's economy. Therefore, a survey research design was used for the study while the study was not guided by any theoretical framework. The collected data was analyzed by means of descriptive statistical tools of frequencies, percentages, and means to summarize quantitative data. The relationships between the variables and tested hypotheses were examined using inferential statistical tools of multiple regression analysis and correlation. Result from the study revealed existence of tax evasion and avoidance with significant negative impact on the Nigerian economy. The results further showed existence of strong and negative relationship between tax evasion and avoidance and Nigerian government revenue generation.

Further narrowing down to states as subnational governments in Nigeria, Yakubu and Kawugana (2025) evaluated the impact of tax evasion and avoidance on internal revenue generation in Bauchi state Nigeria 2019-2024 aimed at examining the prevalence of this practice, assess their contribution and identify their consequences on the state economic development. To achieve the aim of the study, primary data was collected using survey and interviews with tax official and tax payers, and secondary data from government records on tax collections were utilized. Theoretical triangulation combining the Economic Theory of Tax Compliance (or Rational Choice Theory), the Social Norms theory and the Institutional Theory of Tax Compliance were employed. The collected data was analyzed using both quantitative and qualitative techniques. The finding of the study revealed the prevalence of both tax avoidance and evasion which are also found as persistently increasing due to low enforcement. The existence of tax avoidance and evasion are found causing shortfalls in internally generated revenue in Bauchi state.

Likewise, Rotimi, Adebayo, Ola and Oladipo (2024) investigated the impact of tax avoidance and tax evasion on revenue growth in Nigeria, with a specific focus on assessing their effects on government revenue and SMEs in Ekiti State. A purposive sample of eight Small and Medium Enterprises (SMEs) was selected from total of 407 enterprises, aiming to balance

practical constraints with comprehensive analysis. Similarly, the study obtained data from 108 staff of the SMEs using the Taro Yamane formula. The Taxpayer Compliance Model (TCM) theoretical framework for understanding taxpayer behaviour and compliance decisions in the context of taxation was used to guide the conduct of the study. Descriptive and regression analyses were used to analyze collected data while results from the study revealed existence of tax avoidance and evasion. Respondents acknowledged the adverse effects of tax avoidance and evasion on government revenue, public services, and SME operations while the regression analysis indicated a significant positive impact of tax avoidance and evasion on revenue generation.

Similarly, Onigbinde and Oyedokun (2023) conducted a study that explore the relationship between tax evasion and tax avoidance on Oyo State's IGR. The study adopts a quantitative research design, employing a standardized questionnaire as the primary research instrument administered to 350 personnel of the Oyo State Internal Revenue Service. The theory of Planned Behaviour (TPB) which argued that the antecedent of each behaviour is the intention to perform that behaviour even on payment of taxes guided the conduct of the study. The collected data was analyzed by means of descriptive analysis of responses received combined with regression analysis to find out relationships between tax avoidance and evasion and revenue generation. Respondents agreed that there are incidences of tax evasion and avoidance which are caused by varied factors. The regression analysis results revealed significant relationship between tax avoidance and evasion and the internally generated revenue of Oyo state.

Abdulaziz, Balami and Abubakar (2022) examined the extent to which tax evasion and avoidance affect government internally generated revenue and the extent to which tax evasion and avoidance affect Borno State Government. The study is designed as a cross-sectional descriptive survey research designed to collect data from the tax administrators at one time. Data for the study was collected by means of administering a Five-

point Likert Scale questionnaire to 86 respondents out of 109 staff of the Borno State Internal Revenue Service based on the Taro Yamane sample size determination. Ability to pay, Benefit and Equal distribution theories guided the conduct of the study. Collected data was analyzed using both descriptive statistics of tables and percentages; and inferential statistics of Chi-Square to test or measure the extent of association between tax evasion and avoidance as they affect government internally generated revenue accruing to Borno State. Results from the study revealed the prevalence of tax evasion and avoidance and both have significant effect on internally generated revenue of Borno state.

Ogar and Odumisor (2019) examined the effect of tax evasion and avoidance on revenue generation in Cross River State. The study was designed as survey research design and based on this design, the study used the questionnaire as a device for data collection in which total of 300 respondents were selected using a stratified random sampling technique. This comprises of 100 civil servants, 75 taxable adults, 75 business entrepreneurs and 50 tax agents/ revenue staff. The study adopted triangulation of Ability to pay, Benefit and Equal distribution theories to guide the conduct of the study. Descriptive and inferential statistical tools were used to analyze the collected data from which the results revealed the existence of tax evasion and tax avoidance in Cross Rivers state. The regression analysis revealed significant positive relationship between tax avoidance and tax evasion in Cross Rivers state.

The essence of conducting literature review is to identify possible gaps for the current study to make its contribution towards filling such gaps. Studies by Mythreyi and Vaishali (2024), Mvunabandi, Nomala, and Marimuthu (2024), Ng'ang'a and Ouma (2023), Ayele and Dagne (2019), Devarajapp (2016), and Mu, Fentaw and Zhang (2023) were conducted in countries other than Nigeria. Studies conducted by Shehu (2025), Adefunke and Ivie (2024), Yakubu and Kawugana (2025), Rotimi, Adebayo, Ola and Oladipo (2024) looked into Nigeria as the government at the centre while studies by Onigbinde and Oyedokun (2023), Abdulaziz, Balami and Abubakar (2022), Ogar and

Odumusor (2019) were conducted in subnational governments of states in Nigeria other than Jigawa state; thus, there are literature gaps of location, time period, theoretical underpinning, data, its collection and tools of analysis. Therefore, this study is justified as it gives us insight in the context of Jigawa state on the interplay of tax avoidance and evasion and revenue generation in the state. Consequently, this study attempted to provide answers to the following research questions.

- i. Does tax avoidance and evasion exist in Jigawa State 2015-2024?
- ii. What is the trend of tax avoidance and evasion on the internally generated revenue of Jigawa State 2015-2024?
- iii. What is the impact of tax avoidance and evasion on the internally generated revenue of Jigawa State between 2015 -2024?

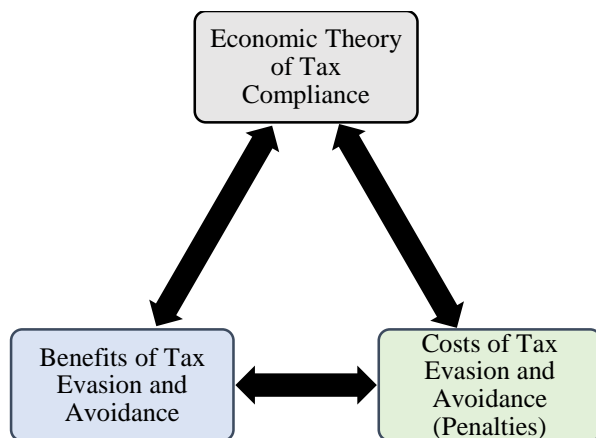
3. Research Methods

The aim of this study is to assess the existence of tax avoidance and evasion and their impact on the internally generated revenue collected by Jigawa state as a subnational government 2015-2024. The study is designed as ex-post facto research in which quantitative secondary data on budgeted and actual internally generated revenue collected by Jigawa state 2015-2024 was collected from the published annual reports and accounts of the state auditor general. The collected data was analyzed by means of descriptive statistics which allows the presentation of large volumes of research data that could be numerically or graphically presented in a more sensible way (Jaggi, 2024). Therefore, descriptive statistical tools of figures, tables,

percentages are utilized to present and analysed the collected data. The study analyzes existence of tax avoidance and evasion by comparing annual actual IGR collected from all sources with budgeted figures to determine the difference which is considered as tax avoidance and evasion (Hashim, 2025; Mvunabandi, Nomala & Marimuthu, 2024; Onyeka & Nwanko, 2016). The study also obtains the trend of the avoidance and evasion by looking into annual differences between actual and budgeted IGR while the impact of the avoidance and evasion is obtained by looking at the negative differences between the actual and budgeted IGR.

3.1 Theoretical Framework

The blueprint or the guide for the conduct of research study is what is referred to as theoretical framework (Fulton, 2010), it is also regarded as the foundation upon which a research is laid (Kivunja, 2018). Indeed, it is vied that to make research findings most meaningful (Yang, Bento & Akbar, 2019), theoretical framework need to be situated and contextualized to serve as guide (Akintoye, 2015). Consequently, it is of significance to identify and link this study with a suitable theoretical framework. Several theoretical theories are used to guide studies like the current one such as Ability to Pay, Benefit, Economic Theory of Tax Compliance, Social Norms, Institutional Theory of Tax Compliance, the Psychological Theory of Tax Compliance, the Compliance Tax Model, and Theory of Planned Behaviour amongst others. This study adopts the Economic Theory of Tax Compliance in consistence with Shehu (2025).



Source: This Study

The Economic theory of Tax Compliance, often referred to as the Rational Choice theory, assumes that taxpayers act rationally when deciding whether to evade taxes or comply. This theory posits that individuals weigh the costs and benefits of complying with tax laws, making a decision based on economic self-interest. The core assumptions of this theory is that Taxpayers as rational actors are always seeking to maximize their financial gain by minimizing costs, including tax payments (Shehu, 2025). Therefore, in its basic form, the theory views the individual taxpayer assesses the costs (determined by probability of detection and penalties for fraud) and benefits (determined by tax rate) of evading taxes, and thus chooses not to pay, if the benefit of non-compliance outweighs the costs (Bello & Danjuma, 2014; Walsh, 2012). The tax payers are influenced by factors such as the probability of detection, the severity of penalties, and the perceived benefit of tax avoidance. Hence, the key variables of the theory are one, probability of detection with higher probability increasing the cost of evasion and discourages non-compliance. Two, the severity of penalties, with higher penalties for tax

avoidance and evasion increasing their costs. Three, the tax rate with higher tax rate serving as incentive for taxpayers to avoid and evade taxes (Shehu, 2025). However, the theory has been criticized as not been realistic in explaining taxpayer compliance as it predicts a general substantial noncompliance beyond what is obtainable in reality (Slemrod, 2007).

4. Results and Discussion

To achieve the aim of this study, the objectives of the study need to be achieved by answering raised research questions which is done by collecting, organizing, summarizing, analysing and interpreting collected data for the study. This section present results from collected, organized, summarized and analyzed and interpreted data for the study with Figure 4.1 being on existence of tax avoidance and evasion on the IGR of Jigawa state 2015-2025.

Objective One

To assess the existence of tax avoidance and evasion on IGR of Jigawa state 2015 – 2024 as presented in Figure 1

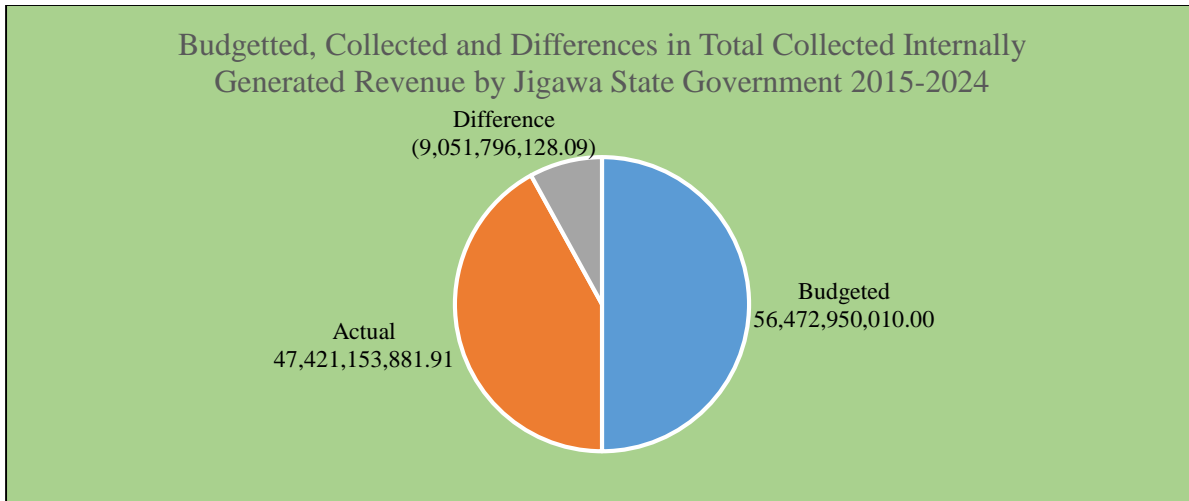


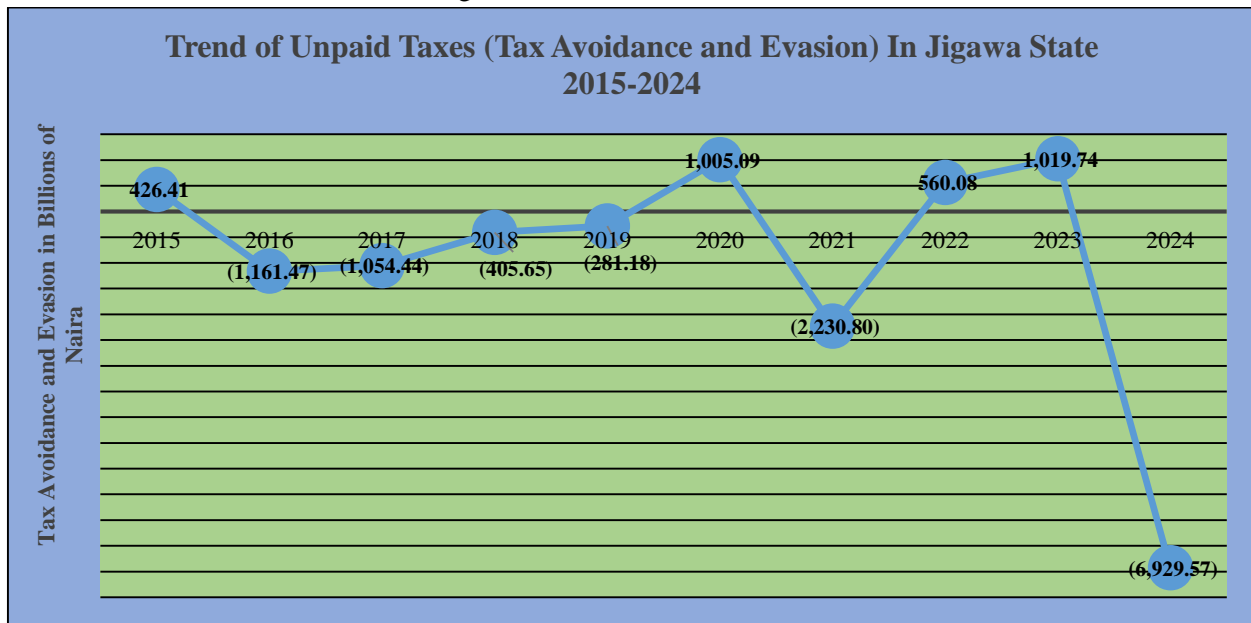
Figure 1: Total Budgeted, Collected, and Uncollected Tax Revenue (2015–2024)

From Figure 1, Jigawa State Internal Revenue Service (JSIRS) budgeted to collect the sum of N56.47billion as IGR 2015 - 2024 and out of this amount, the actual tax revenue collected amounted to N47.42billion indicating that the service was unable to collect the sum of N9.05billion from its budgeted IGR as the difference between collected and budgeted. This

difference of N9.05billion represent amount lost to tax avoidance and evasion by tax payers

Objective Two

To assess the trend of tax avoidance and tax evasion over the period of the study which is presented in Figure 2



Over the period 2015-2024, Jigawa State projected to collect various amounts of tax revenue, but there exist differences between actual and projected tax revenue as revealed in Figure 2. For instance, in 2015 actual collection resulted into a surplus of N426.41 million, which indicates that revenue collection exceeded the

initial target. In 2016, however, the state actual tax revenue against budgeted saw a shortfall of N1.161 billion, which represents tax avoidance and evasion during that year. Similarly, in 2017, the state actual tax collected fell short of the budgeted by N1,054.55 billion, reflecting sustained tax avoidance and evasion

by tax payers in the state. In 2018, the state experienced shortfall of ₦405.60 million to tax avoidance and evasion while in 2019, actual collection fell short of the budgeted by ₦281.18. The year 2020 presented a positive deviation, as the state collected surplus taxes of ₦1 billion, indicating improved compliance while in 2021, fell short of the budgeted ₦2.231 billion highlighting the continuing effect of tax avoidance and evasion on the state's IGR. In 2022, revenue collection exceeded projections again with actual collections

resulting into surplus of about ₦560.08 million and this is followed by another surplus of ₦1.02 billion in 2023 while in 2024, actual tax revenue fell short by budgeted by ₦6.93 billion, which reflects persistent challenges of tax avoidance and evasion.

Objective Three

To assess the impact of tax avoidance and evasion practices on the IGR of Jigawa state 2015-2024 as in Table 1

Table 1: Impact of Tax Avoidance and Evasion Practices on the IGR of Jigawa State 2015-2024

Year	Budgeted Revenue (N) in Billions	Actual Revenue (N) in Billions	Differences Revenue (N) in Billions	Percentage increase/Decrease
2015	3.30	3.73	(0.42)	12.91
2016	3.00	1.84	(1.16)	(38.70)
2017	2.99	1.93	(1.05)	(35.23)
2018	2.69	2.29	(0.40)	(15.04)
2019	5.40	5.11	(0.28)	(5.21)
2020	2.68	3.68	1.00	37.48
2021	10.17	7.94	(2.23)	(21.92)
2022	5.45	6.01	0.56	10.27
2023	5.65	6.67	1.02	18.03
2024	15.10	8.17	(6.93)	(45.87)
Total	56.47	47.42	(9.05)	(16.03)

Over the ten-year period of 2015-2024 covered by this study, Jigawa state experienced fluctuations in tax revenue collection relative to its budgeted targets, reflecting the influence of tax avoidance and evasion on internally generated revenue. From the above table shows that in 2015, the government budgeted ₦3.30 billion, but it collected ₦3.73 billion, which means the government received an additional ₦42 million, representing 12.91% above the budgeted revenue as positive impact on IGR. In 2016, the state budgeted ₦3.00 billion, but only ₦1.84 billion was collected, indicating a loss of ₦1.16 billion, or 38.70% of the budgeted revenue which is a negative impact on IGR, as a result of tax avoidance and evasion. In 2017, the projected revenue of ₦2.99 billion fell ₦1.93 billion, meaning the government lost ₦1.05 billion, or 35.23%

of the budgeted revenue and this impacted total IGR negatively. In 2018, the government budgeted for ₦2.69 billion, but collected ₦2.29 billion, resulting in a loss of ₦405.6 million, representing 15.04% of the budgeted revenue and impacted on IGR negatively. In 2019, the budgeted revenue of ₦5.41 billion yielded ₦5.11 billion, leading to a loss of ₦281 million, or 5.21% of the budgeted revenue; thus, negatively impacted total IGR collection. The year 2020 showed a positive outcome, as the government projected ₦2.68 billion, but collected ₦3.68 billion, resulting in an additional ₦1.00 billion, which is 37.48% above the budgeted revenue, reflecting a positive impact on IGR.

In 2021, the government budgeted ₦10.17 billion, but only ₦7.94 billion was collected, indicating a loss of

₦2.23 billion, which represent 21.92% of the budgeted revenue due to tax evasion and avoidance, thereby negatively impacting on IGR. In 2022, the government budgeted ₦5.45 billion but actual collection was ₦6.01 billion, meaning the government received an additional ₦560 million, which is 10.27% above the budgeted revenue; hence, positively impacting on the IGR. Similarly, in 2023, the state planned ₦5.656 billion but collected ₦6.67 billion, producing an extra ₦1.02 billion, or 18.03% above the budgeted revenue, highlighting improved tax compliance with positive impact on IGR. Finally, in 2024, the government projected ₦15.10 billion, but only ₦8.17 billion was collected, which means the government lost ₦6.93 billion, representing 45.87% of the budgeted revenue as a result of tax avoidance and evasion which has negative impact on total IGR collection.

4.1 Discussions of Findings

Internally generated revenue collected by subnational governments such as Jigawa state is coming from different sources and as it is the practice, at the beginning of the year, budgets are prepared on planned receipts from each source. These budgeted revenue form not only the revenue pool of the government, but also aids government ability to implement its budgeted expenditure for the year. Therefore, any shortfall in budgeted revenue collections is not only affecting the pool of revenue but affects government ability to deliver developmental projects and provision of public goods and services. The aim of this study is to empirically evaluate tax avoidance and evasion on the IGR of Jigawa state as a subnational government with the specific objectives being to assess the existence or otherwise of tax avoidance and evasion in the state IGR, assess the trend of the avoidance and evasion and determine their impact on the IGR of the state 2015-2024.

On objective one, findings from the study revealed the existence of tax avoidance and evasion on the IGR of Jigawa state as the state budgeted to collect ₦56.47 billion as IGR over the 2015-2024 period. However, the state collected ₦47.42 billion revealing a shortfall of ₦9.05 billion or 16.03% loss of budgeted

revenue. This could be contended as a significant percentage that may not only have affected the revenue pool of the state, but its ability to provide essential goods and services for its citizens. This finding is consistent with (Ayele & Dagne, 2019; Mythreyi & Vaishali, 2024; Ng'ang'a & Ouma, 2023; Devarajapp, 2016) that reported the existence of tax avoidance and evasion practices among tax payers in Ethiopia, India and Kenya. Similarly, the result is consistent with (Abdulaziz, Balami & Abubakar, 2022; Adefunke & Ivie, 2024; Ogar & Odumusor, 2019; Rotimi, Adebayo, Ola & Oladipo, 2024; Onigbinde & Oyedokun, 2023; Yakubu & Kawugana, 2025) that also reported the existence of tax avoidance and evasion in Nigeria.

This result indicating the existence of tax avoidance and evasion in this study is explained by the chosen Economic theory of Tax Compliance. The theory posits that tax payers as rational economic being decide between benefits of tax avoidance and evasion and their costs, settling at the most economically rational decision. Therefore, within the context of IGR collection in Jigawa state, some tax payers are rationally deciding on the benefits of avoiding and evading tax than deciding on the costs; thus, finding it most convenient to avoid and evade payment of taxes. In practice, on every aspect of life if an individual weight that the cost of committing any offence or crime outweigh the benefits of that crime or offence, the individual may decide otherwise. However, with weak regulatory and enforcement mechanisms bedeviling tax administrations in Nigeria (Akintola, Olurin & Ebo, 2021), tax payers are being enticed to avoid and evade taxes as evidenced in this study.

Objective two was to determine the trend of tax avoidance and evasion in the state over the period covered. Overall, during the ten-year period, the most significant impact of tax avoidance and evasion was observed in six years with the most prominent being in 2024, followed by 2021, 2016, 2017, 2018, and 2019, indicating varying degrees of non-compliance across the years. These six years represents 60% of the total ten years covered by the study; perhaps, implying that on year in year out basis, Jigawa state has been

experiencing tax avoidance and evasion by its tax payers. Conversely, in 2015, 2020, 2022, and 2023, which is four years out of the ten covered by the study or 40% of the total years, actual revenue collection exceeded budgeted targets suggesting no tax avoidance and evasion. Previous studies on tax avoidance and evasion and revenue generation have not looked into this perspective; therefore, this could be a new insight and a contribution on the subject.

Objective three is to determine the impact of tax avoidance and evasion on the IGR of Jigawa state 2015-2024. Results obtained from the study revealed on the overall, negative effect of tax avoidance and evasion on the IGR of Jigawa state over the period of the study as shortfall of actual collections against budgeted occurred in six years out of the ten years studied. This resulted in cumulative negative effect of shortfall of ₦9.05 billion which represents 16.03% of the total budgeted revenue. This demonstrates that tax avoidance and evasion have had a substantial negative impact on Jigawa State's internally generated revenue. This finding indicating on the overall the negative impact of tax avoidance and evasion on IGR of Jigawa state is consistent with (Abdulaziz, Balami & Abubakar, 2022; Adefunke & Ivie, 2024; Mu, Fentaw & Zhang, 2023; Mythreyi & Vaishali, 2024; Ng'ang'a & Ouma, 2023; Ola & Oladipo, 2024; Ogar & Odumusor, 2019; Onigbinde & Oyedokun, 2023; Rotimi, Adebayo, Yakubu & Kawugana, 2025) that reported tax avoidance and evasion as having negative impact on revenue

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generation. However, the results contradict (Devarajapp, 2016; Mvunabandi, Nomala & Marimuthu, 2024; Shehu, 2025) that reported tax avoidance and evasion as not affecting revenue generation. This could be attributed to country contextual factors for the first two studies which were not carried out in Nigeria or due to differences in method of data analysis in the case of the las study carried out in Nigeria.

Using the lens of Economic theory of tax compliance, taxpayers' decision to opt for tax evasion invariably translate to reduced tax revenue which certainly affect budgeted collection. In practice, it is the norm of life that if actual collection is less than budgeted, that translate to negative impact on overall collection as seen from the result in this study.

5. Conclusion and Recommendations

From the result obtained under objective one, it could be concluded that tax avoidance and evasion exists on the IGR of Jigawa state 2015-2024. Similarly, based on the finding from objective two, it could be concluded that there exists year in year out tax avoidance and evasion over the period of the study. Likewise, from the finding on objective three, it could be concluded that tax avoidance and evasion have had negative impact on the IGR of Jigawa state 2015-2024. Based on the findings and conclusions of the study, it is recommended that Jigawa state internal revenue service should strengthen its tax administration to ensure the minimization of tax avoidance and evasion.

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