

# AN ANALYSIS OF THE IMPACT OF FISCAL POLICY ON INCOME INEQUALITY AND POVERTY REDUCTION IN KOGI STATE, NIGERIA

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## ABSTRACT

This study examines the impact of fiscal policy on income inequality and poverty reduction in Kogi State, Nigeria. Fiscal policy, encompassing government taxation and public expenditure, plays a pivotal role in addressing socio-economic disparities and promoting equitable growth. Despite Nigeria's vast economic potential and resource endowment, income inequality and poverty remain persistent challenges, with over 40% of the population living below the poverty line and a Gini coefficient of 0.43 indicating significant income disparity. The research employs a descriptive survey design using quantitative methods to explore how fiscal tools influence economic welfare within the state. A sample of 200 respondents was selected through stratified random sampling across key socio-economic groups. Data were collected using structured questionnaires and analyzed with Pearson Product Moment Correlation (PPMC) via SPSS. Findings revealed a strong and statistically significant relationship between fiscal policy and income inequality ( $r = 0.795, p = 0.001$ ), as well as between fiscal policy and poverty reduction ( $r = 0.828, p = 0.002$ ). These results suggest that well-structured fiscal interventions such as progressive taxation, public investment in social services, and transfer programs can contribute meaningfully to reducing inequality and alleviating poverty. However, the study also highlights major structural and implementation challenges that hinder the full effectiveness of fiscal policies in Nigeria. These include weak tax compliance, over-reliance on oil revenue, inefficiencies in public spending, and inadequate targeting of social welfare beneficiaries. Moreover, economic shocks and political instability further dilute the long-term impact of these interventions. The study concludes that while fiscal policy has the potential to address inequality and poverty in Kogi State and Nigeria at large, its success depends on improved policy design, transparency, and implementation capacity. It recommends strengthening progressive fiscal mechanisms, enhancing data-driven targeting of poverty alleviation programs, and diversifying revenue sources to ensure fiscal sustainability. The research contributes to the limited empirical literature on sub-national fiscal performance in Nigeria and calls for more comprehensive, context-specific evaluations to guide future policy decisions.

**KEYWORDS:** Fiscal policy, income inequality, poverty reduction, public expenditure and taxation

## INTRODUCTION

Fiscal policy in Nigeria plays a pivotal role in shaping the country's economic framework, primarily through government taxation and public expenditure aimed at fostering economic growth and enhancing social welfare. The government uses fiscal measures such as revenue generation through taxes, allocation of budgetary resources to critical sectors, and subsidies on essential goods and services to influence economic activities (Musa & Bello, 2021). According to the Central Bank of Nigeria (2022), government expenditure on social sectors like education, health, and infrastructure has steadily increased, reflecting efforts to stimulate inclusive growth. However, challenges such as inefficient tax collection systems and heavy dependence on oil revenues limit the effectiveness of fiscal policy. For instance, tax-to-GDP ratio in Nigeria remains low, averaging around 6% in recent years, compared to the Sub-Saharan Africa average of approximately 15%, thereby restricting the government's capacity to finance development programs adequately.

Despite Nigeria's vast natural resources and economic potential being Africa's largest economy with a GDP of approximately \$514 billion in 2023 (World Bank, 2024) the country continues to grapple with high income inequality and widespread poverty. The National Bureau of Statistics (2023) reports that over 40% of Nigerians live below the national poverty line, with significant disparities between urban and rural areas. Income inequality is pronounced, with the Gini coefficient estimated at 0.43, reflecting a highly uneven distribution of wealth across the population. This disparity is exacerbated by regional inequalities where the northern parts of Nigeria experience higher poverty rates and lower access to quality education and healthcare services compared to the

south. Additionally, limited access to quality social amenities perpetuates economic exclusion and inhibits upward mobility for a significant segment of the population (Okojie & Agho, 2023).

Poverty reduction remains a central objective of Nigeria's fiscal policy, with various government interventions targeting economic vulnerability and improving living standards. Fiscal policies include social welfare programs such as the National Social Investment Program (NSIP), cash transfer schemes, agricultural subsidies, and investments in public health and education. These initiatives aim to create safety nets for the poor and boost economic participation among disadvantaged groups. For example, the NSIP has reportedly reached over 10 million beneficiaries nationwide since its inception in 2016 (Federal Ministry of Finance, 2023). However, despite these efforts, poverty reduction progress has been slow, partly due to challenges such as inadequate funding, poor targeting of beneficiaries, and administrative inefficiencies. The World Bank (2023) estimates that without improved fiscal policy implementation, poverty rates may remain stagnant or worsen, underscoring the urgent need for reforms to enhance the impact of fiscal interventions on poverty alleviation and income equality.

The impact of fiscal policy on income inequality in Nigeria has been mixed; while some progressive tax and spending policies have helped narrow income gaps, structural challenges and inefficiencies often dilute these effects. Progressive taxation measures, such as the introduction of higher VAT rates and increased excise duties, have been implemented to generate revenue and promote equity (Aigbokhan, 2020). However, these measures have also led to increased poverty rates due to their regressive impact on low-income households. Additionally, the overreliance on oil revenues and the informal sector's limited tax compliance have hindered the effectiveness of fiscal policies in reducing income inequality (Eze & Nwankwo, 2021).

Similarly, fiscal policy has contributed to poverty alleviation through targeted social spending and transfer programs, yet poverty rates remain stubbornly high due to implementation gaps and economic shocks. Programs like the National Social Investment Program (NSIP) aim to provide financial assistance to vulnerable populations (International Monetary Fund IMF, 2018). However, challenges such as inadequate funding, poor targeting of beneficiaries, and administrative inefficiencies have limited the effectiveness of these programs. Moreover, external shocks, such as fluctuations in global oil prices and domestic factors like inflation, have exacerbated poverty levels, offsetting the gains made through fiscal interventions (Musa & Bello, 2021).

Despite numerous fiscal policy initiatives, there is limited comprehensive analysis on how effectively these policies translate into sustained reductions in income inequality and poverty, particularly accounting for Nigeria's unique socio-economic and political context (Ekpo & Umoh, 2021). While some studies have examined the short-term impacts of fiscal policies, there is a need for more in-depth, longitudinal research that considers the complex interplay of factors influencing poverty and inequality in Nigeria. Such research is crucial for designing more effective fiscal policies that can achieve long-term poverty reduction and equitable growth.

### **Statement of the Problem**

Nigeria, Africa's largest economy, continues to grapple with significant income inequality and pervasive poverty despite various fiscal policy efforts by successive governments. According to the National Bureau of Statistics (NBS, 2023), over 40% of Nigerians live below the national poverty line, and the country ranks among the most unequal societies globally, with a Gini coefficient estimated at around 0.43. These figures highlight the stark economic disparities where a small elite controls a large share of the nation's wealth, while a significant majority struggle to meet basic needs. This persistent inequality undermines social cohesion, economic development, and political stability. Fiscal policy, comprising taxation and government spending, is designed to redistribute income and provide social services that can reduce poverty and inequality (Onah, 2017). However, Nigeria's fiscal interventions face numerous challenges, including a narrow tax base, high dependence on oil revenues, inefficient public expenditure, and weak institutional capacity. Despite social programs such as the National Social Investment Program (NSIP) and subsidies on essential goods, poverty levels have shown only marginal improvement, and income disparities remain high. For example, reports from the World Bank (2024) indicate that while government spending on social protection has increased, the impact on poverty alleviation has been limited due to issues in targeting, implementation, and fiscal sustainability.

While there is an abundance of fiscal policy initiatives aimed at reducing poverty and income inequality in Nigeria, there remains a significant gap in comprehensive empirical analysis on the effectiveness and impact of these policies within Nigeria's unique economic and political environment. Existing studies often focus on macroeconomic indicators or isolated programs without holistically assessing how fiscal policy as a whole

influences income distribution and poverty reduction over time. This gap necessitates an in-depth analysis to inform more effective policy design and implementation.

### Objectives of the Study

The aim of the study is to examine the impact of fiscal policy on income inequality and poverty reduction in Kogi State Nigeria. The specific objectives are;

1. To examine the impact of fiscal policy on income inequality in Kogi State Nigeria
2. To determine the impact of fiscal policy on poverty reduction in Kogi State Nigeria

### Research Questions

The following research questions will guide the study

1. What is the relationship between fiscal policy and income inequality in Kogi State Nigeria?
2. What is the relationship between fiscal policy and poverty reduction in Kogi State Nigeria?

## LITERATURE REVIEW

### Fiscal Policy

Fiscal policy refers to the government's use of taxation, public spending, and borrowing to influence a country's economy. It is one of the primary tools governments use to stabilize the economy, promote growth, and achieve equitable distribution of wealth. Unlike monetary policy, which deals with interest rates and money supply, fiscal policy directly affects government budgets and public resource allocation (Aluko & Yusuf, 2019). Governments implement fiscal policy through two main components: revenue generation (primarily through taxes) and expenditure (spending on public goods, services, and social welfare). The balance or imbalance between these two determines whether a government is running a budget surplus, deficit, or balanced budget, each having different macroeconomic implications (Musa & Bello, 2021).

Fiscal policy can be classified as expansionary or contractionary. Expansionary fiscal policy involves increased government spending or tax cuts to stimulate economic growth, especially during recessions. Conversely, contractionary fiscal policy involves reducing spending or increasing taxes to curb inflation and slow down an overheating economy (Aigbokhan, 2020). In the context of developing countries like Kogi State Nigeria, fiscal policy also plays a crucial role in addressing social challenges such as income inequality and poverty. Governments use fiscal tools to redistribute income through progressive taxation and social spending programs, such as subsidies, cash transfers, and public investments in health, education, and infrastructure (Eze & Nwankwo, 2021).

The effectiveness of fiscal policy depends on various factors including tax policy design, administrative capacity, government transparency, and the broader economic environment (Adeyemi & Olalekan, 2020). In countries heavily reliant on volatile revenues like oil, fiscal policy faces additional constraints, which can affect its stability and redistributive potential. Fiscal policy does not operate in isolation but interacts with monetary policy, trade policy, and political factors. Its success in promoting equitable growth and poverty reduction often requires sound institutional frameworks and good governance to ensure efficient allocation and use of public resources (Oyedele & Adesoji, 2020).

### Income Inequality

Income inequality refers to the uneven distribution of income across individuals or groups within a society. It is a significant social and economic issue because high levels of inequality can undermine social cohesion, economic stability, and long-term growth prospects. It is commonly measured using indices such as the Gini coefficient, Lorenz curve, and income quintile ratios (NBS, 2023). Income inequality arises from multiple factors including differences in education, skills, employment opportunities, social background, and access to resources. Structural inequalities, such as those based on ethnicity, gender, or geographic location, often exacerbate disparities, creating persistent gaps in earnings and living standards (Okoro & Uche, 2019).

There are different types of income inequality: pre-tax income inequality, which reflects market outcomes before government intervention, and post-tax income inequality, which shows the distribution after taxes and transfers. Fiscal policies can influence post-tax inequality by redistributing income from wealthier to poorer groups through progressive taxation and social spending (Oyedele & Adesoji, 2020). In many developing countries, including Kogi State Nigeria, income inequality is worsened by a dual economy where a modern, urban sector coexists with a large informal and rural sector. This dynamic leads to unequal access to formal employment, social services, and economic opportunities, perpetuating poverty cycles (Okojie & Agho, 2023).

High income inequality can have negative consequences, including limited social mobility, increased crime rates, and political instability. It can also reduce aggregate demand, as lower-income households have less spending power, which can stifle economic growth (Adeyemi & Olalekan, 2020). Addressing income inequality requires a combination of policies, including education reform, labor market regulations, progressive fiscal policy, and targeted social programs. The goal is not just to reduce poverty but to ensure a fairer distribution of economic gains that supports inclusive growth.

### **Poverty Reduction**

Poverty reduction refers to strategies and policies aimed at decreasing the incidence of poverty, improving living standards, and enhancing economic opportunities for the poor. Poverty is multidimensional, encompassing not only low income but also lack of access to education, healthcare, clean water, and adequate housing (Musa & Bello, 2021). Effective poverty reduction requires a comprehensive approach, combining economic growth with targeted social interventions. Economic growth alone does not guarantee poverty reduction unless it is inclusive and creates jobs, increases incomes, and improves access to essential services for marginalized populations (CBN, 2022).

Social safety nets such as cash transfers, food subsidies, healthcare programs, and educational scholarships are critical tools in poverty reduction. These programs help cushion vulnerable groups against shocks and provide them with the resources needed to escape poverty traps (Musa & Bello, 2021). Fiscal policy is central to poverty reduction as it mobilizes and allocates resources for social spending. By increasing government investment in health, education, and infrastructure, fiscal policy can address structural barriers to poverty. Additionally, progressive taxation can finance these initiatives while promoting income redistribution (Aigbokhan, 2020).

However, poverty reduction efforts face challenges including limited fiscal space, corruption, weak institutions, and poor targeting of social programs. In Kogi State Nigeria, rapid population growth and economic shocks such as fluctuating oil prices complicate efforts to achieve sustained poverty reduction. Ultimately, poverty reduction is not only a social imperative but also essential for economic development and political stability (Okojie & Agho, 2023). Successful strategies require coordinated efforts from governments, international organizations, and civil society to ensure that the benefits of growth reach the poorest and most vulnerable.

## **THEORETICAL FRAMEWORK**

### **Keynesian Theory**

One of the most relevant theories for analyzing the impact of fiscal policy on income inequality and poverty reduction is the Keynesian Theory of Fiscal Policy, propounded by John Maynard Keynes in 1936. Keynes argued that government intervention through fiscal measures specifically government spending and taxation can stabilize the economy and influence income distribution. According to Keynes, during economic downturns, increased public expenditure and lower taxes can stimulate demand, create jobs, and boost incomes, which can, in turn, reduce poverty and inequality. The Keynesian theory emphasizes the role of fiscal policy as a tool for correcting market failures and addressing economic imbalances. This theory is particularly relevant in the Kogi State Nigerian context, where market mechanisms alone have been insufficient in achieving equitable growth or reducing poverty. Government spending on social welfare, infrastructure, and public services can help bridge gaps in income distribution and provide economic opportunities for the disadvantaged.

Furthermore, the theory supports the idea that progressive taxation and targeted government expenditure can redistribute income effectively. In Kogi State Nigeria, where income inequality is high and poverty is widespread, Keynesian fiscal policy provides a conceptual basis for using tax and spending policies as instruments to promote social equity and improve living standards. By applying Keynesian theory, this study seeks to examine how fiscal policy interventions in Kogi State Nigeria influence income inequality and poverty. It helps explain the expected pathways through which government fiscal actions can affect economic outcomes, highlighting the importance of deliberate and well-designed fiscal strategies to achieve inclusive development.

### **Empirical Studies**

Adeyemi and Olalekan (2020) conducted a study titled “*Fiscal Policy and Income Inequality in Nigeria: An Empirical Investigation*” to explore the impact of fiscal policy instruments, specifically taxation and government expenditure, on income inequality in Nigeria between 1990 and 2018. Using a descriptive survey research design, they analyzed secondary time series data obtained from the Central Bank of Nigeria and the National Bureau of Statistics. The study employed econometric methods, including Ordinary Least Squares (OLS) regression, alongside the Gini coefficient to measure income inequality levels. Their findings revealed that progressive

taxation and increased government spending on social services were effective in reducing income inequality. However, the study also highlighted critical limitations, such as Nigeria's heavy dependence on oil revenues and inefficiencies in tax collection, which weakened the overall impact of fiscal policies. The authors concluded that while fiscal policy possesses the potential to alleviate income disparities, structural challenges in administration and revenue diversification remain significant barriers. Accordingly, they recommended reforms to strengthen tax administration, broaden the tax base, and improve the targeting of social expenditures to enhance the redistributive capacity of fiscal policy. This study is particularly relevant to the current research as it provides empirical evidence on how fiscal policies influence income inequality in Nigeria, highlighting systemic weaknesses that may also affect poverty reduction efforts.

Eze and Nwankwo (2021) examined the role of fiscal policy in poverty reduction in Nigeria through their study titled *"Assessing the Role of Fiscal Policy in Poverty Reduction in Nigeria."* The research adopted a mixed-method approach, combining quantitative analysis of macroeconomic data from 2020 to 2019 with qualitative interviews of policy experts and government officials. Secondary data were sourced from the National Bureau of Statistics and the Ministry of Finance, while purposive sampling was used to select 15 key informants for semi-structured interviews. Quantitative analysis employed the Vector Error Correction Model (VECM) to investigate the relationship between fiscal policy variables and poverty rates. The findings indicated that government social spending and conditional cash transfer programs have contributed to reducing poverty in Nigeria. However, the study also identified critical challenges such as poor targeting of social programs, corruption, and fiscal constraints that limit the effectiveness of these interventions. The qualitative insights underscored governance issues and inefficiencies in implementation as major factors hindering fiscal policy outcomes. The study concluded that fiscal policy positively impacts poverty alleviation but emphasized the need for improved transparency, better targeting mechanisms, and sustainable fiscal frameworks to maximize benefits. This research complements the current study by providing insights into the challenges and successes of fiscal policy in reducing poverty, which is closely linked to income inequality. It underscores the importance of addressing institutional and implementation issues to achieve meaningful social impact.

Okoro and Uche (2019) conducted an empirical study titled *"Fiscal Policy and Poverty Reduction in Nigeria: An Empirical Analysis"* to evaluate the effectiveness of fiscal policy instruments mainly government expenditure and taxation on poverty alleviation in Nigeria from 1995 to 2015. Utilizing a descriptive survey research design, they employed econometric analysis of secondary time series data obtained from the National Bureau of Statistics and Central Bank of Nigeria. Their analysis used regression techniques, including the Error Correction Model (ECM), to examine both the short-run and long-run effects of fiscal policy on poverty levels. The study found that increased government spending on social services and infrastructure significantly contributed to poverty reduction. However, it also revealed that the reliance on indirect taxes and inefficiencies in public spending dampened the overall effectiveness of fiscal policy. The authors concluded that while fiscal policy positively affects poverty alleviation, improvements in the design and implementation of fiscal measures are necessary to enhance its impact. They recommended reforms to improve public expenditure quality, create a more progressive tax system, and increase transparency to ensure fiscal resources effectively reach the poor. This study provides empirical backing for the current research, reinforcing the notion that government fiscal actions play a critical role in poverty reduction in Nigeria.

Similarly, Musa and Bello (2021) explored the impact of fiscal policy on poverty reduction through social investment programs in their study titled *"The Impact of Fiscal Policy on Poverty Reduction in Kogi State Nigeria: Evidence from Social Investment Programs."* Their research adopted a mixed-method approach, combining quantitative analysis of poverty and fiscal data from 2010 to 2020 with qualitative interviews involving program beneficiaries and administrators. Secondary data were sourced from the National Bureau of Statistics and the Ministry of Humanitarian Affairs, while purposive sampling selected 20 stakeholders for in-depth interviews. Quantitative data were analyzed using descriptive statistics and multiple regression, whereas qualitative responses underwent thematic analysis. The study revealed that fiscal policy-funded social investment initiatives, such as cash transfers and public works, contributed to modest poverty reduction, particularly in rural communities. However, issues such as poor targeting, administrative inefficiencies, and corruption limited these programs' effectiveness. The researchers concluded that while fiscal policy and social programs positively impact poverty levels, governance challenges undermine their full potential. They recommended enhanced monitoring, improved targeting accuracy, and greater transparency to maximize fiscal policy's contribution to poverty alleviation. This study aligns closely with the current research by shedding light on the practical challenges of implementing fiscal measures aimed at poverty reduction in Kogi State Nigeria.

## METHODOLOGY

This study adopted a descriptive survey research design aimed at examining the relationship between fiscal policy, income inequality, and poverty reduction in Kogi State, Nigeria. The quantitative approach was suitable as it allowed for the collection and analysis of numerical data, enabling the researcher to establish the degree and nature of the impact of fiscal policy on the selected socio-economic variables. By using statistical techniques, the study sought to provide objective and generalizable findings that reflected the fiscal policy dynamics within the state. The area of the study was Kogi State, located in the central region of Nigeria. Kogi State was chosen due to its diverse economic activities, varying income levels, and ongoing fiscal policies that were expected to influence income distribution and poverty. The study population consisted of public officials, tax administrators, social welfare officers, and residents who were directly or indirectly affected by fiscal policies in Kogi State. These groups provided comprehensive insights into how fiscal policy translated into real economic outcomes within the state. For the sample size, a total of 200 respondents were selected to ensure adequate representation from key stakeholder groups and households across urban and rural areas. The study employed a stratified random sampling technique to categorize the population into distinct strata such as government officials, local business owners, and low-income households, ensuring proportional representation from each group. This approach enhanced the reliability and validity of the findings by reducing sampling bias.

Data were collected using a structured questionnaire developed based on relevant literature and adapted to the Kogi State context. The questionnaire included sections measuring perceptions and quantitative indicators of fiscal policy, income inequality, and poverty reduction. The instrument's reliability was tested through a pilot study with a reliability coefficient (Cronbach's alpha) above 0.70, indicating acceptable internal consistency. Data collection involved face-to-face administration of questionnaires and follow-up with key informant interviews where necessary. For data analysis, Pearson Product Moment Correlation (PPMC) was applied using statistical software (e.g., SPSS). This enabled the study to test the hypotheses and answer the research questions regarding the impact of fiscal policy on income inequality and poverty reduction in Kogi State.

## RESULTS

Research Question One: What is the relationship between fiscal policy and income inequality in Kogi State Nigeria?

**Table 1: Relationship between Fiscal policy and Income inequality in Kogi State Nigeria**

Variable	Mean	SD	N	Df	r-cal	P	Remark
Income inequality	32.10	2.29	200	198	.795	.001	Significant
Fiscal policy	28.32	2.12					

Sources: Field Survey, 2025

Table 1 presents the relationship between fiscal policy and income inequality in Kogi State, Nigeria. The mean scores for income inequality and fiscal policy were 32.10 and 28.32, respectively, indicating the average responses or measurements for these variables among the 200 respondents. The standard deviations of 2.29 for income inequality and 2.12 for fiscal policy suggest that the data points were closely clustered around the means, reflecting consistent responses across the sample. The Pearson correlation coefficient (r-cal) of 0.795 with a p-value of 0.001 indicates a strong positive and statistically significant relationship between fiscal policy and income inequality. This means that changes or variations in fiscal policy are strongly associated with corresponding changes in income inequality within Kogi State. Specifically, the result implies that fiscal policy interventions, such as government spending and taxation measures, have a meaningful impact on income distribution, suggesting that well-structured fiscal policies can play a critical role in addressing income disparities in the state.

Research Question Two: What is the relationship between fiscal policy and poverty reduction in Kogi State Nigeria?

**Table 2: Relationship between Fiscal policy and Poverty reduction among Upper Basic School Students in Kogi State, Nigeria**

Variable	Mean	SD	N	Df	r-cal	P	Remark
Poverty reduction	29.58	2.35	200	198	.828	.002	Significant
Fiscal policy	26.32	2.14					

Sources: Field Survey, 2025

Table 2 shows the relationship between fiscal policy and poverty reduction among upper basic school students in Kogi State, Nigeria. The mean scores for poverty reduction and fiscal policy were 29.58 and 26.32, respectively, indicating the average perceptions or measurements of these variables among the 200 respondents. The standard deviations of 2.35 for poverty reduction and 2.14 for fiscal policy suggest that responses were relatively consistent within the sample. The Pearson correlation coefficient (r-cal) of 0.828, accompanied by a p-value of 0.002,

indicates a strong positive and statistically significant relationship between fiscal policy and poverty reduction. This means that fiscal policy measures such as government expenditure on social programs and economic interventions are strongly associated with improvements in poverty alleviation among the population studied. The implication is that effective fiscal policy in Kogi State has a substantial and positive impact on reducing poverty, reinforcing the importance of fiscal interventions in improving the living conditions of vulnerable groups, including school-aged children.

## FINDINGS

1. The analysis revealed a strong positive and statistically significant relationship ( $r = 0.795$ ,  $p = 0.001$ ) between fiscal policy and income inequality in Kogi State. This indicates that fiscal policy measures significantly influence income distribution within the state. Consistent responses suggest the impact of fiscal policy on income inequality is widely recognized among respondents. The findings imply that effective fiscal policies can play a critical role in addressing income disparities in Kogi State which is in line with Adeyemi and Olalekan (2020) findings revealed that progressive taxation and increased government spending on social services were effective in reducing income inequality. However, the study also highlighted critical limitations, such as Nigeria's heavy dependence on oil revenues and inefficiencies in tax collection, which weakened the overall impact of fiscal policies. Nwankwo and Eze (2021) findings indicated that government social spending and conditional cash transfer programs have contributed to reducing poverty in Nigeria. However, the study also identified critical challenges such as poor targeting of social programs, corruption, and fiscal constraints that limit the effectiveness of these interventions. The qualitative insights underscored governance issues and inefficiencies in implementation as major factors hindering fiscal policy outcomes.
2. Results showed a strong positive and statistically significant relationship ( $r = 0.828$ ,  $p = 0.002$ ) between fiscal policy and poverty reduction among upper basic school students in Kogi State. This suggests fiscal policy interventions are closely linked to improvements in poverty alleviation. The relatively low variation in responses reflects agreement on fiscal policy's effectiveness in reducing poverty. The findings emphasize the vital role fiscal policy plays in enhancing socio-economic welfare in the state which is in line with Okoro and Uche (2019) found that increased government spending on social services and infrastructure significantly contributed to poverty reduction. However, it also revealed that the reliance on indirect taxes and inefficiencies in public spending dampened the overall effectiveness of fiscal policy. Also Musa and Bello (2021) study revealed that fiscal policy-funded social investment initiatives, such as cash transfers and public works, contributed to modest poverty reduction, particularly in rural communities. However, issues such as poor targeting, administrative inefficiencies, and corruption limited these programs' effectiveness.

## CONCLUSION

The study has demonstrated that fiscal policy significantly impacts both income inequality and poverty reduction in Kogi State, Nigeria. The strong positive correlations indicate that well-designed fiscal policies, including government spending and taxation, play a crucial role in addressing income disparities and alleviating poverty. These findings suggest that fiscal interventions are effective tools for promoting equitable economic growth and improving the living standards of vulnerable populations in the state. Therefore, enhancing the efficiency and targeting of fiscal policy measures should be a priority for policymakers aiming to foster inclusive development in Kogi State.

## Recommendations

1. To maximize the impact on income inequality and poverty reduction, policymakers in Kogi State should improve the targeting of fiscal policies by ensuring that government spending and social programs directly reach the most vulnerable and low-income groups. This can be achieved through better data collection, monitoring, and evaluation systems to reduce leakages and inefficiencies.
2. The government should adopt and strengthen progressive taxation policies that place a greater tax burden on higher-income earners while providing relief to the poor. Coupled with increased investment in social infrastructure and welfare programs, this approach will help redistribute income more equitably and further reduce poverty across the state.

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