GENDER EQUALITY AND INCLUSIVENESS, THE PSYCHOLOGICAL IMPACT IN THE CONTEXT OF TAX REFORMS AND NATIONAL DEVELOPMENT

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ABSTRACT
This study investigates the psychosocial impacts of gender-inclusive tax reforms, with a specific focus on Nigeria's 2025 Tax Act. While such reforms aim to correct structural biases, their psychological consequences for men and women remain critically underexplored. Employing a sequential mixed-methods design including a survey of 402 adults and in-depth qualitative interviews, this research examines how the reform influences mental well-being, self-esteem, and the “gendered psychological contract” within Nigeria's unique context of high informality and public distrust. Findings reveal a stark perception gap: 71% of women rated the tax system as unfair compared to 39% of men, with this perceived inequity strongly correlating with higher psychological distress among women ($r = 0.57$). The data further indicates that the Act's progressive provisions, though positively associated with women's sense of economic recognition, are undermined by administrative complexity and persistent informal levies. Crucially, the study identifies that the reform's success is heavily mediated by non-fiscal factors, including the absence of care infrastructure and entrenched social norms. The study concludes that a purely technical approach to reform is insufficient and recommends a holistic policy paradigm. This includes legislating mandatory gender-impact audits, creating simplified “presumptive tax shield” pathways for informal workers, and integrating fiscal policy with social investment through mechanisms like a “Care Recognition Credit.” Only through such integrated measures can tax policy transform from a source of stress into a foundation for psychologically sustainable and equitable development.

Introduction
Gender equality is widely recognized as both a fundamental human right and a critical accelerator of sustainable development, with inclusive fiscal policy serving as a key mechanism for its realization. Taxation, in particular, is a powerful instrument that can either perpetuate existing inequalities or actively dismantle them, shaping household disposable income, access to public services, and incentives for labor force participation. This dynamic has been thrust into sharp focus in Nigeria, which in January 2025 embarked on its most ambitious fiscal overhaul in generations: the full implementation of the Nigeria Tax Act 2025. Described by the government as a “paradigm shift,” the Act aims to stimulate growth by protecting the vulnerable and simplifying a notoriously

complex system, consolidating over 60 different taxes into fewer than 10 statutes (The Africa Report, 2025). For the average Nigerian, especially the woman running a small shop or the young graduate navigating the workforce, these are not abstract changes but new rules that will directly shape the daily struggle for economic stability.

At its core, the reform promises a more progressive and inclusive system. Key provisions designed for immediate relief include raising the personal income tax-free threshold to ? 800,000 annually and granting a 100% Company Income Tax exemption to small businesses with a turnover below ? 50 million (The Africa Report, 2025). For the first time, taxpayers can deduct a portion of their annual rent, and VAT remains zero-rated on essential goods like basic food and healthcare. On paper, these measures target fairness, aiming to increase the disposable income of low earners and micro-entrepreneurs; groups where women, who perform an estimated five times more unpaid work than men and are often clustered in low-earning, informal trade, are disproportionately represented (Aiko & Logan, 2022; National Bureau of Statistics [NBS], 2023).

However, the journey from legislative intent to lived experience in Nigeria is fraught with a fundamental crisis of trust between the state and its citizens (PwC Nigeria, 2025). When the government has consistently failed to provide basic services, why should people believe that paying more or even paying differently, will lead to better schools, roads, or clinics? For many, especially in the vast informal sector, "taxation" is already a daily reality enforced not by the Nigeria Revenue Service, but by local touts and unions offering no public services in return. As one analysis notes, the state is not introducing taxation to these citizens; it is asking them to "switch loyalties" from a parallel, exploitative system to a formal one with an unproven record of delivering value (The Africa Report, 2025). This deep-seated suspicion forms the critical backdrop against which the reforms' psychological and social impact must be assessed.

Therefore, this study moves beyond the economic projections of the Nigeria Tax Act 2025 to investigate its human and gendered dimensions. We argue that the true test of this "generational reset" will be measured not only in quarterly revenue reports but in the psychological well-being, perceived economic autonomy, and social trust of ordinary Nigerians (PwC Nigeria, 2025). How do perceptions of tax fairness or the lack thereof influence mental well-being in a context of eroded trust? Do gender-conscious provisions mitigate economic stress and foster inclusion, or will administrative realities and implicit biases negate these gains? By applying a lens that integrates feminist political economy with stress and coping theory, this research seeks to understand whether the path to national development, paved by this landmark reform, can also be a path to greater individual dignity, gender equality, and inclusive well-being.

Theoretical framework

This study is principally grounded in an expanded application of the Psychological Contract Theory, integrating it with key insights from gender-aware fiscal analysis to form a cohesive lens for understanding citizen-state relations in the context of tax reform.

Originally developed to explain employer-employee relationships, Psychological Contract Theory posits that beyond formal laws, an unwritten set of mutual expectations and obligations exists between two parties. In this study, we apply this to the relationship between the citizen (the taxpayer) and the state. The citizen's obligation is compliance to paying taxes honestly and promptly. In return, they hold expectations of the state: the provision of public goods (infrastructure, security, social services), procedural fairness in policy design and enforcement, and a fundamental respect for their economic dignity. The core tenet is that when the state is perceived to uphold its end of this implicit bargain, trust and voluntary compliance increase. Conversely, a breach of this contract through corruption, unfair policies, or a failure to deliver services triggers a psychological and behavioural response: resentment, distrust, disengagement, and often, non-compliance.

This framework becomes critically gendered when we examine the specific terms of the contract for women. Due to structural inequalities, women often enter this fiscal relationship from a position of economic marginalization, carrying disproportionate unpaid care burdens and participating more in the informal sector. Their expectations of the state, therefore, are not merely for generic services but for policies that actively recognize and mitigate these gendered disparities (a *gendered psychological contract)*. A tax system that is blind to these realities constitutes a profound breach, signalling to women that their specific economic contributions and vulnerabilities are invisible to the state. This breach is not just an economic failure but a psychological stressor, eroding their sense of civic belonging and economic agency.

Therefore, this study uses the Gendered Psychological Contract as its central analytical tool. It allows us to investigate Nigeria's 2025 Tax Act not just as a set of fiscal rules, but as a pivotal moment of contractual renegotiation between the state and its citizens, with distinct implications for men and women. We will assess whether the Act's inclusive provisions are perceived as fulfilling the state's obligations in a gender-responsive manner, and how this perception, in turn, influences psychological well-being, trust, and compliance. In essence, we test whether the reform successfully repairs a long-broken contract or risks further breaching it, with significant consequences for both development and dignity.

Statement of the problem

The federal government's new tax law promises a fresh start, with charts showing how higher thresholds and simpler rules will put more money in people's pockets. On paper, it makes sense. But in the bustling markets, the small shops, and the homes where Nigerians stretch each naira, people are asking: "What's the catch?" For most, dealing with the government over money has never been fair. It has been a story of giving without getting. Paying officials or local touts only to face potholed roads and empty clinics. Trust isn't just low; it's broken. When a shiny new tax act promises fairness, it lands in a landscape of deep suspicion. The real problem is not whether the math adds up, but whether it can rebuild a broken relationship.

For women, that relationship is even more strained. Juggling a small business with household care, their time and money are already stretched thin. The law may be designed to help, but will it *feel* that way? Will they see more money, or just more paperwork? Will they feel seen by their government, or just managed by it? Right now, that human story is missing. This study therefore addresses three critical gaps: (1) the psychological toll of gender-biased taxation, (2) the efficacy of inclusive reforms in reducing distress, and (3) gendered differences in tax compliance behaviour. Until these questions are answered, we cannot know whether this "paradigm shift" will change lives or merely repeat old patterns of distrust and disparity.

Research objectives

1. Assess perceptions of gender fairness in Nigeria's tax system.
2. Measure psychological distress linked to tax-related economic strain.
3. Analyze the impact of inclusive reforms (e.g., maternal tax credits) on well-being and compliance.

Literature review

The foundational literature in feminist economics establishes that tax systems are rarely gender-neutral but are instead built upon often-invisible assumptions about labour, income, and economic roles (Stotsky, 2007; Grown & Valodia, 2010). One important argument is that tax policies conventionally designed around a "male breadwinner" model fail to account for women's disproportionate engagement in unpaid care work, their higher representation in the informal sector, and their greater consumption of essential goods. This results in implicit bias, where ostensibly neutral policies, such as flat-rate value-added taxes (VAT) on basic commodities, impose a heavier relative burden on women due to their spending patterns and economic vulnerabilities (African Tax Administration Forum [ATAF], 2021). In Nigeria, this bias is evident, with analyses showing that women bear a higher effective tax rate as a percentage of their income despite often earning less, a dynamic solidified by a tax structure that overlooks care responsibilities (National Bureau of Statistics [NBS], 2023).

The link between financial inequity and psychological well-being is well-documented in public health and economic psychology. Chronic financial strain is a potent psychosocial stressor, consistently correlated with higher levels of anxiety, depression, and reduced self-efficacy (Kahn & Pearlin, 2006). When this strain is systemic and linked to perceived institutional unfairness, such as a tax system is viewed as inequitable. It can erode a sense of control and foster feelings of helplessness and injustice (Wilkinson & Pickett, 2018). In the Nigerian context, Adewumi (2021) found that women report financial stress at 2.3 times the rate of men, explicitly connecting this distress to the "double burden" of unpaid labour and a fiscal system that offers them no compensatory relief or recognition, positioning tax policy as a direct determinant of mental health.

A distinct strand of literature examines the Nigerian state-citizen fiscal relationship, characterised by a profound "social contract deficit" (Joseph, 2014). Historical and political analyses argue that for many citizens, especially outside the formal salaried class, taxation has been experienced not as a civic contribution for public goods but as a form of arbitrary extraction, often enforced by non-state actors (Ogundiya, 2019). This has bred a culture of suspicion where compliance is driven by coercion rather than consent. The 2025 Nigeria Tax Act is thus not merely a policy adjustment but an attempt to redefine this fraught relationship, moving from a logic of extraction to one of reciprocal social contract (The Africa Report, 2025). Its success hinges on overcoming this historical legacy of distrust.

One challenge for inclusive reform is Nigeria's vast informal economy, where an estimated 80% of working women are employed (International Labour Organization [ILO], 2022). Extant literature on taxation and informality shows a paradox. While informal workers are often burdened by numerous irregular levies, they remain largely outside the reach and protections of the formal tax system (Joshi & Ayee, 2008). Policies like the 2025 Act's exemption for small businesses target this sector but presuppose a level of formality and record-keeping that may not exist. Studies, such as those by Aiko and Logan (2022), caution that without complementary measures to address women specific barriers to formalisation such as lack of collateral, limited mobility, and time poverty due to care duties, the benefits of such exemptions may fail to reach those most in need.

Moving beyond economic deterrence models, behavioural tax research increasingly employs the concept of the *psychological contract*. That is, the unwritten set of beliefs about mutual obligations between taxpayer and state (Feld & Frey, 2007). Compliance is higher when taxpayers perceive the state as trustworthy, fair, and using revenues effectively (OECD, 2019). A breach of this contract, through corruption or inequitable treatment, leads to resentment and non-compliance. In Nigeria, PwC (2025) identifies rebuilding this contract as the central challenge of the new tax era. For women, this contract has an added gendered dimension: does the state recognize their full economic citizenship, including their unpaid contributions? A breach of this *gendered psychological contract* may uniquely influence their compliance attitudes and emotional engagement with the fiscal system.

The Transactional Model of Stress and Coping (Lazarus & Folkman, 1984) provides a framework for understanding individual responses to policy-induced stress. Faced with a stressor like perceived unfair taxation, individuals employ coping strategies. Adaptive strategies might include collective advocacy, seeking financial advice, or leveraging social networks. Maladaptive strategies include disengagement, fatalism, or resentment that undermines civic participation. Applied to taxation, a fair and inclusive system can foster adaptive, pro-social coping, while a biased system may trigger disengagement or hostility (Kirchler, 2007). The literature suggests that for women, whose coping resources are often stretched thin, a tax system that adds to their burden without offering visible support may push them toward distress and disempowerment rather than resilience.

Comparative international studies offer insights into potential pathways and pitfalls. Research on gender-responsive budgeting in Rwanda and South Africa shows that deliberately linking fiscal policy to gender equality outcomes can improve service delivery for women and enhance their economic participation (UN Women, 2020). Similarly, analyses of child tax credits and caregiver allowances in other economies demonstrate their efficacy in reducing female poverty and recognising unpaid labour (Bastian et al., 2022). However, this literature also underscores that technical policy design is insufficient; success depends on implementation integrity, public awareness, and anchoring reforms within local cultural and institutional contexts to ensure they are perceived as legitimate and fair.

The existing literature collectively illuminates the terrain but leaves critical gaps specific to Nigeria's pivotal moment. First, while the gender biases of *past* tax systems are acknowledged, there is no empirical evidence on the *perceived fairness* and *psychological impact* of the new 2025 reforms on men and women. Second, the link between these perceptions, the state of the psychological contract, and subsequent compliance behaviour remains unexplored in a gendered, post-reform context. Thirdly, there is a lack of understanding on how women in the informal economy; the supposed primary beneficiaries of SME exemptions actually experience and navigate these changes. This study seeks to fill these gaps, providing the first empirical analysis of whether Nigeria's landmark tax reform is succeeding in its fundamental goal: not just to collect revenue, but to build a more equitable and psychologically sustainable foundation for inclusive development.

Methodology

This study employed a sequential mixed-methods design to investigate the psychological impact of the 2025 Tax Act across gender lines. The initial quantitative phase involved a cross-sectional survey of 402 working-age adults (aged 20-45) in Lagos, Abuja, and Enugu, selected through stratified random sampling to ensure representation across formal employment, informal enterprise, and gender. The quantitative instrument package included a Tax Fairness Perception Scale ($\alpha = .81$), the Kessler Psychological Distress Scale (K-10), and a Gender-Inclusive Reform Impact Index developed to measure awareness and perceived utility of specific Act provisions. Socio-demographic and coping strategy data were also collected. Following analysis, a qualitative phase was conducted, comprising 24 in-depth, semi-structured interviews (12 men, 12 women) and 4 gender-segregated focus group discussions to explore the nuanced narratives behind the statistical trends, particularly regarding trust, compliance behaviour, and the experience of the "gendered psychological contract."

Data analysis integrated both strands. Quantitative data were analysed using descriptive statistics, Pearson correlation to examine relationships between fairness perception and distress, and binary logistic regression to identify predictors of positive compliance intention. The qualitative data were transcribed and subjected to thematic analysis using NVivo software, with codes developed both deductively from the theoretical framework (e.g., "contract breach," "gendered burden") and inductively from participant narratives. This triangulation of survey results with personal narratives was designed to provide a comprehensive, evidence-based understanding of the reform's human dimensions, moving beyond revenue metrics to assess its impact on trust, well-being, and economic dignity.

Results

The data collected and analysed is summarized and discussed below.

TABLE 1:
Perception of tax fairness by gender

Perception	Female (%)	Male (%)	χ^2	p-value
Fair / Very Fair	29	61	32.1	< .001
Unfair / Very Unfair	71	39		

A stark perception gap emerged, with 71% of female respondents rating the tax system as "unfair" or "very unfair" compared to only 39% of males. This gender difference was statistically significant ($\chi^2 = 32.1$, $p < .001$), indicating that women perceive the fiscal system as substantially less fair than men do.*

TABLE 2:
Correlation between perceived unfairness and psychological distress

Population	Correlation Coefficient (r)	p-value
Women Only	0.57	< .001

Perceived unfairness showed a strong positive correlation with psychological distress among women ($r = 0.57$, $p < .001$). This finding suggests that women who view the tax system as inequitable experience significantly higher levels of anxiety, stress, and reduced psychological well-being*

Table 3: Awareness and perceived benefit among informal sector women

Measure	Percentage (%)
Aware of raised threshold (? 800,000)	68
Believe provisions will tangibly benefit them	29

While awareness of the Act's inclusive provisions was moderately high at 68%, only 29% of women in the informal sector believed these measures would tangibly benefit them. Those who expressed doubt frequently cited administrative complexity and a lack of targeted information as primary barriers to accessing the intended benefits.

Discussion

The results confirm that the success of the 2025 Tax Act hinges not on its technical design alone, but on its ability to mend a fractured psychological contract, a task that is inherently gendered. The strong correlation between perceived unfairness and psychological distress, especially among women, validates the core premise that inequitable fiscal policy is a direct psychosocial stressor. This extends the findings of Adewumi (2021) beyond general financial strain, pinpointing *tax system bias* as a specific institutional source of anxiety that erodes economic dignity. The observed perception gap where women view the system as less fair than men do, cannot be explained by income alone. It stems from a *gendered appraisal* of the fiscal relationship, where women evaluate

fairness through the dual lenses of financial burden and the non-recognition of their unpaid labour, a dimension largely absent from the male experience.
The qualitative insights into "sceptical waiting" and the pervasive doubt that formal exemptions will curb informal harassment are crucial. They reveal that the new law is not operating in a vacuum but is competing with a long-established, parallel system of extraction. This directly addresses the theoretical concern of a breached psychological contract (Feld & Frey, 2007; PwC Nigeria, 2025). For the contract to be rebuilt, the state must first convincingly assert its monopoly on legitimate taxation and demonstrably deliver value. The finding that women tie legitimacy to *recognition* (of care work) rather than men's primary focus on *reciprocity* (public services) suggests that a one-size-fits-all approach to building trust will fail. An inclusive reform must, therefore, communicate and administer its policies in ways that explicitly acknowledge the gendered realities of the economy.

Consequently, the study identifies a critical paradox at the heart of the reform: its progressive provisions are potentially undermined by the very administration meant to implement them and by the deeply ingrained cultural norms they do not address. The Act's focus on thresholds and exemptions tackles the symptom (low disposable income) but does not automatically address the foundational causes of women's fiscal stress (time poverty, informality, and unpaid labour/care burdens). Without complementary policies in childcare, transport, and financial literacy, the law's benefits may remain out of reach for its intended primary beneficiaries. Thus, the reform risks being perceived as another top-down decree rather than a meaningful renegotiation of the citizen-state bond. The pathway to compliance and improved well-being is not merely through a fairer law, but through a demonstrably fairer system that is seen to understand and value the totality of women's economic contribution.

Recommendations

Based on the findings of this study, the following targeted, actionable recommendations are proposed to enhance the gender inclusivity, psychological impact, and overall legitimacy of the 2025 Tax Act.

1. Integrate gender impact assessments into all tax policy designs.
2. Launch public awareness campaigns on inclusive tax benefits.
3. Train tax officials in gender-sensitive service delivery.
4. Establish mental health support for economically marginalized women.

Conclusion

This study concludes that the success of Nigeria's 2025 Tax Act hinges upon its ability to repair a deeply fractured psychological contract, a challenge that is fundamentally gendered. The research reveals that while the law's progressive design targets economic inequality, its legitimacy and psychological impact are undermined by women lived experiences of unpaid labour, administrative complexity, and entrenched distrust. For the reform to foster genuine development, it must transition from being gender-blind to gender-responsive, ensuring that fairness is not only legislated but tangibly felt, thereby transforming taxation from a source of stress into a foundation for dignity and inclusive growth.

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