(RESEARCH ARTICLE)

Fiscal Reforms, Price Dynamics and the Socioeconomic Implications for Quality of Life in the Developing Nations of the Global South. Evidence from Nigeria

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Abstract

As structural adjustment policies and volatile commodity markets increasingly shape socio-economic outcomes, understanding their divergent impacts is crucial for effective policy formulation. This study investigates the interplay of fiscal reforms and price dynamics on the quality of life of citizens across developing nations in the Global South. Employing a vector autoregressive approach, the study utilizes time series data from Nigeria. The findings reveal two distinct and significant effects. First, fiscal reforms have a clear, significant positive impact on quality of life. This effect underscores the power of sound governance and equitable resource mobilization in fostering human development. Second, the impact of price dynamics is more complex because initial analysis indicates a slight negative impact on QoL, however, this effect quickly transitions to a net positive impact over the medium to long term. This suggests that while immediate price shocks may be absorbed or mitigated, the stability or eventual rise in commodity prices may signal broader economic vitality, leading to improved investment and ultimately, enhanced quality of life. The study concludes by advocating for fiscal reform implementation that is strategically timed to buffer populations against short-term price volatility, thereby maximizing the aggregate positive impact on quality of life in the global south.

Keywords; Fiscal reforms; Quality of Life; Price dynamics; Global South; Resource Mobilization

1. Introduction

Developing nations frequently deal with the dual challenge of fiscal volatility and the imperative for structural economic adjustment. Fiscal reforms are critical policy instruments that governments employ to enhance economic stability, promote sustainable growth, and improve the overall well-being of their citizens. These reforms typically involve efforts to increase revenue mobilization, improve public expenditure management, and foster transparency and accountability in fiscal policy implementation (Alesina & Perotti, 1996). The impact of such reforms on the quality of life, measured through indicators such as health, education, income levels, and access to basic services remains a subject of significant interest among policymakers and researchers. In Nigeria, fiscal reforms have aimed at diversifying the economy away from oil dependence, strengthening tax collection systems, and improving public financial management (World Bank, 2024)

Price dynamics have profound implications on the economic stability and overall well-being of individuals within the global south. Nigeria being one of the developing countries of the global south, do experience volatile price movements that directly influence household consumption, income levels, and access to essential goods and services (Udedi et al, 2023). These fluctuations often exacerbate income inequality and hinder sustainable development, thereby affecting the quality of life of its citizens. For instance, rising inflation erodes purchasing power, making basic necessities such as food, healthcare, and education less affordable for the average Nigerian household (Ahmed, 2023).

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Quality of Life is a broad multi-dimensional concept that refers to an individual's or a group's general well-being. It is a subjective measure that encompasses far more than wealth or income because it includes physical health, psychological state, personal beliefs, social relationships, and their relationship to salient features of their environment (WHOQOL, 1995). In essence, QoL measures how well people are living.

The interplay between fiscal reforms, price dynamics, and the quality of life in the global south is a complex and pivotal subject that reflects the broader economic and social challenges faced by these countries. Fiscal reforms, are instrumental in shaping macroeconomic stability and promoting sustainable development (Ihekwere, 2025). These reforms often influence price dynamics, including inflation and exchange rates, which directly affect the purchasing power of citizens and the affordability of essential goods and services. Consequently, fluctuations in prices and inflation rates can significantly impact the overall quality of life, particularly in a country with high levels of poverty and income inequality like Nigeria (World Bank, 2024). Understanding this relationship is crucial for policymakers aiming to foster economic stability while improving the well-being of Nigerian citizens (Obomeghie & Obomeghie, 2025).

Nigeria has experienced recurrent economic challenges characterized by fiscal deficits, inflationary pressures, and fluctuating income levels, which directly impact the quality of life of its citizens. Despite implementing various fiscal reforms aimed at stabilizing the economy, the country continues to grapple with persistent price volatility, especially in essential goods and services, thereby eroding household purchasing power and socio-economic well-being (Bredino et al. 2022). These economic fluctuations have profound implications for the quality of life, affecting access to healthcare, education, and other social amenities, particularly among the vulnerable population. Despite the significant reforms undertaken over the years, there is limited empirical evidence on how these fiscal policies influence price stability and, consequently, the overall well-being of Nigerian citizens. This gap underscores the need for a comprehensive analysis to inform policy interventions that promote sustainable economic growth and improved quality of life.

1.1. Significance of the study

This study is significant for the reason that it provides valuable insights into the relationship between fiscal reforms and price dynamics on the quality of life in countries characterized by diverse economic challenges and development needs. By identifying how fiscal policies can positively influence socio-economic well-being and understanding the complex effects of price fluctuations, the research offers evidence-based guidance for policymakers aiming to foster sustainable development. Analyzing how price fluctuation influences living standards can inform policies aimed at poverty reduction (Muhammed et, al. 2023). Exploring fiscal reforms helps assess their role in stabilizing prices and improving access to goods, thereby enhancing quality of life (Liao, et. al, 2024). Finally, the findings of this study will contribute to the broader discourse on economic stability and social progress, informing strategies that can enhance living standards and reduce poverty in emerging economies

1.2. Research objectives

The objectives of this study are to investigate the causal mechanisms through which fiscal reform and price dynamics moderates or exacerbates the effects of goods price variation on the quality of life in developing countries of the global south. Specifically, the objectives are;

- To analyze the impact of goods price dynamics on household welfare and quality of life in developing countries of the global south.
- To examine the effects of fiscal reforms on the quality of life of the global south.
- To identify policy recommendations for balancing fiscal reforms and price dynamics to enhance the quality of life in developing countries.

2. Literature Review

2.1. Concept of fiscal reforms

Fiscal reforms refer to significant and deliberate changes in a government's fiscal policy, which encompasses its approach to revenue collection (taxation) and public spending (expenditure), often including its debt management strategy. (Fanelli & Medhora, 1998). The primary goal of these reforms is typically to improve the efficiency, equity, and sustainability of public finances, supporting broader macroeconomic objectives such as controlling inflation, promoting sustainable economic growth, reducing poverty, and enhancing external creditworthiness. Fiscal reforms are usually undertaken with a focus on two main components which are the revenue reforms and the expenditure reforms. The objectives of fiscal reforms include: i) To reduce the gap between governments spending and revenue,

thus limiting the need for excessive borrowing and curbing macroeconomic instability like high inflation. ii) To promote economic growth and investment by designing a more efficient tax system and prioritizing public spending on high-quality, growth-promoting investments rather than unproductive consumption. iii) To enhance equity and redistribution by making the tax system more progressive and redirect public expenditure toward targeted social protection measures for the poor. vi) To improve governance and transparency by introducing institutional changes to strengthen tax administration, combat tax evasion and avoidance, and enhance the accountability and cost-effectiveness of government spending programs. (Fanelli & Medhora, 1998)

2.2. Concept of price dynamics.

Price dynamics refers to the study of how and why prices change over time in an economy or market. It moves beyond the static analysis of a single equilibrium price (where supply equals demand at one point in time) to examine the process, speed, frequency, and pattern of price adjustments in response to various economic, market, and behavioral factors. (Gahamanyi Niyonzima & Gérard, 2025). The concept is central to both microeconomics (firm-level pricing strategies) and macroeconomics (inflation and aggregate price levels). Price dynamics can be observed and analyzed through several key lenses. The key aspects of price dynamics include:

Market-driven dynamics (Demand and supply). In classical economics, price changes are driven by the shifting relationship between supply and demand. This entails; i) Adjustment to equilibrium, that is, when demand exceeds supply, prices rise; when supply exceeds demand, prices fall. ii) Price elasticity, this is the sensitivity of quantity demanded or supplied to a change in price. iii) Shocks, which means that prices react dynamically to unexpected shocks, such as a natural disaster affecting supply or a technological breakthrough affecting demand.

Firm-level dynamics (Dynamic Pricing). In modern commerce, particularly e-commerce and services, dynamic pricing is a strategy where a firm deliberately and automatically adjusts prices frequently and in real-time based on current market conditions. The goal is to maximize revenue by setting prices that reflect the maximum willingness to pay of different customer segments at any given moment. Prices are set by algorithms that factor in competitor pricing, inventory levels, time-based trends (e.g., time of day, season), and real-time demand fluctuations. This is common in airlines, hotels, and ride-sharing services.

Macroeconomic dynamics (Inflation and Rigidity). In macroeconomics, price dynamics address the movement of the aggregate price level, which is crucial for monetary policy. The speed at which aggregate prices adjust to monetary or fiscal policy changes. The fact that prices don't change instantaneously is called nominal rigidity or sticky prices.

2.3. Concept of quality of life (QoL)

The concept of quality of life (QoL) is a multidimensional and widely studied topic in both social sciences and health research. It refers to the general well-being of individuals and societies, encompassing both physical and psychological health, level of independence, social relationships, personal beliefs, and their environment. It is a broad-ranging concept affected by a person's physical health, psychological state, level of independence, social relationships, personal beliefs, and their relationship to salient features of their environment (WHOQOL, 1995) The key aspects of QoL includes: Physical health, psychological well-being, social relationships, environmental factors (living conditions, safety), and personal fulfillment and purpose. The assessment and enhancement of quality of life are critical for governments, public health bodies, and non-profit organizations for several key reasons including: i) A high Quality of Life is not just a result of economic development; it is an engine for it. ii) Better health, nutrition, and education (all key QoL domains) lead to higher levels of human capital. iii) A healthier, more educated, and satisfied workforce is more productive, fostering innovation and sustained economic growth.

Regions or nations with high QoL scores are better at attracting and retaining skilled labor and foreign investment, contributing to a virtuous cycle of development (Obomeghie, 2025).

3. Theoretical Framework

3.1. Classical theory of price adjustment

This theory is rooted in classical economics, primarily associated with the works of Adam Smith, David Ricardo, and later economists like Alfred Marshall. It posits that markets are inherently self-correcting and that prices are flexible, adjusting quickly to deviations from equilibrium. This theory assumes that supply and demand interact freely, leading to the natural regulation of prices, output, and employment (Hudea, 2015). The core assumptions of the theory are; i) Price flexibility, that is, prices are perfectly flexible, meaning they can adjust instantly in response to changes in supply

or demand. ii) Market clearing, this means that markets tend toward equilibrium where supply equals demand. Any excess supply or demand is temporary. iii) The "Say's law" which posits that, supply creates its own demand," implying that production inherently generates enough income to purchase all produced goods, preventing prolonged shortages or surpluses. iv) No money illusions, which notes that, prices and wages are assumed to be rational and adjust quickly without causing confusion or delays.

The mathematical representation of this theory is given below;

$$\frac{Dp}{Dt} = \lambda\ (P^*-P)$$

P = the current price

P*= the equilibrium price

λ = is a positive constant representing the speed of adjustment

$\frac{Dp}{Dt}$ = is the rate of change of price over time.

This represents that prices adjust proportionally to excess demand or supply.

The classical theory dominated economic thought until the Great Depression, when phenomena like unemployment and price rigidity challenged its assumptions. This led to the development of Keynesian economics, emphasizing demand-side factors and sticky prices (Inoua & Smith, 2022).

3.2. The Keynesian price theory

The Keynesian price theory emerged from John Maynard Keynes's revolutionary work, "The General Theory of Employment, Interest and Money in 1936". It fundamentally challenged classical notions of price flexibility and market clearing, emphasizing instead that prices and wages are often sticky, leading to persistent unemployment and economic fluctuation (Estenson, 1992). The core concepts of Keynesian price theory include; i) The concept of price and wage stickiness. This concept posits that, prices and wages do not adjust quickly or fully to economic shocks due to contracts, menu costs, wage-setting mechanisms, and other institutional rigidities. ii) The concept of demand-driven fluctuations. This concept notes that, fluctuation in aggregate demand primarily determine output and employment levels. iii) The short-run price and output determination concept. This concept states that prices are considered nominal rigid in the short run. The equation of the Keynesian price theory is given as follows:

$$Y = C + I + G + (X - M)$$

Where; Y (output) depends on autonomous components and induced consumption, which is sensitive to income levels.

Critics argue that Keynesian models oversimplify price-setting behavior and underestimate the flexibility of prices in certain sectors (Howard, 2014).

3.3. The monetary theory of price dynamics

This theory emphasizes the central role of the money supply and monetary factors in determining the price level and inflation. It posits that changes in the money supply, when not matched by real output, lead directly to proportional changes in prices over the long run (Otaki, 2015). This theory is foundational in understanding inflation, hyperinflation, and long-term price level behavior in modern economies. The core concepts of this theory include: i) Quantity theory of money: This concept asserts that a direct relationship between money supply and the price level, assuming constant velocity and output in the long run. ii) Velocity of money (v): The velocity of money represents the rate at which money circulates in the economy. iii) Long-run neutrality of money: this means that money supply changes influence only the price level in the long run, with no effect on real output or employment. iv) Short-run price stickiness: this concept posits that in the short run, prices may not adjust immediately, leading to inflationary or deflationary pressures.

The mathematical framework of this theory is given as:

$$MV = PYMV\ =\ PY$$

$$MV = PY$$

Where:

M = Money supply

V = Velocity of money

P = Price level

Y = Real output

The criticisms of this theory are that: i) the assumption of stable velocity is often violated, especially during financial crises and periods of rapid economic change. ii) Real output can be affected in the short run due to demand or supply shocks. iii) the theory does not fully explain transitions between different inflation regimes or hyperinflation episodes. iv) Empirical evidence suggests that in the short term, other factors also influence price dynamics. (Huerta, 2024).

3.4. Theories of fiscal reforms

3.5. Classical theory of fiscal reforms

The classical theory of fiscal reforms is rooted in classical economics, emphasizing the principles of free markets, limited government intervention, and the belief that fiscal policies should be designed to promote economic stability and growth without distorting market mechanisms. Classical economists generally advocate for fiscal reforms that ensure efficient taxation, minimal government expenditure, and a balanced budget to foster long-term economic prosperity. (Galbács, 2015). The core principles of classical fiscal policy include:

- *Laissez-faire approach:* The classical perspective advocates for minimal government intervention in the economy, emphasizing that market is self-correcting and efficient when left to their own devices.
- *Balanced budget doctrine*: Classical economists believe that government budgets should be balanced over the economic cycle to prevent inflationary or deflationary pressures.
- *Taxation principles:* these includes; i) Equity: taxes should be equitable and fair. ii) Efficiency: taxes should not distort economic incentives or reduce productivity. iii) Simplicity: tax systems should be simple to administer. iv) Tax neutrality: taxes should not influence economic decisions or distort resource allocation. v) Limited government spending: fiscal reforms should aim to reduce unnecessary government expenditure, thereby avoiding deficits that could lead to inflation or crowding out private investment.

According to Öner, (2016), the criticisms of the classical theory of fiscal reforms includes:

- *Neglect of market failures*: Overly optimistic about market self-correction; ignores market failures and externalities.
- *Inflexibility:* Rigid adherence to balanced budget may be unsuitable during recessions.
- *Inadequate in crisis situations:* During economic downturns, fiscal expansion may be necessary, contrary to classical principles.
- *Distributional concerns:* Uniform tax policies may ignore social equity considerations.

However, the classical fiscal theories laid the foundation for later Keynesian and post-Keynesian fiscal policies, which recognized the need for active government intervention during economic downturns.

3.6. Keynesian perspective on fiscal reforms

The Keynesian perspective on fiscal reforms stems from the revolutionary ideas of John Maynard Keynes, articulated primarily in his seminal work "The General Theory of Employment, Interest, and Money in 1936". Keynes challenged classical economics by emphasizing the role of aggregate demand in determining output and employment. According to Keynesian economics, active fiscal policy is essential to manage economic fluctuations, combat unemployment, and stimulate growth (Estenson, 1992). The core principles of Keynesian fiscal reforms include: i) Primacy of aggregate demand, ii)-Economic output and employment are primarily driven by aggregate demand. iii) Insufficient demand leads to unemployment and unused capacity. According to Chand (1984), the core strategies of the Keynesian fiscal reforms include;

- *Increase in public expenditure.* The government should actively increase spending during economic downturns to stimulate demand. Investment in infrastructure, education, and social welfare creates jobs and propels economic growth.
- *Tax reforms;* Progressive taxation can be used to redistribute income. Tax cuts for lower-income groups can increase consumption, as they tend to spend a higher proportion of their income.
- *Budget deficits as a policy tool*; Running fiscal deficits temporarily to support aggregate demand, especially during slumps. Deficit financing is viewed as an investment in economic recovery.
- *Automatic stabilizers;* Policies like progressive taxes and social safety nets automatically adjust to economic changes, reducing volatility.

Keynesian fiscal reforms gained prominence during the great depression and post-World War II era, underpinning the Bretton Woods system and modern Keynesian economics. However, the stagflation of the 1970s challenged Keynesian orthodoxy, leading to the rise of monetarist and supply-side theories (Thomas, 2012)

3.7. Modern fiscal theory

Modern fiscal theory encompasses contemporary perspectives on government fiscal policy, emphasizing the roles of fiscal deficits, public debt, and the interactions between fiscal policy and macroeconomic stability. Unlike classical views advocating balanced budgets and minimal government intervention, MFT recognizes the complexities of economic dynamics, debt sustainability, and the importance of fiscal policy as an active tool for stabilization and growth. (Van Lear, 2025). The core concepts of modern fiscal theory include: *Functional finance.* The proponent of this concept is Abba P. Lerner (1943) cited in Elzinga & Mills, (2011). The principle of functional finance is that fiscal policy should be directed toward achieving full employment and price stability rather than balancing budgets. The government should use deficits and surpluses as tools to stabilize the economy.

- *Fiscal sustainability:* this concept states that the government's fiscal policy is sustainable if it can meet its debt obligations without requiring excessive future adjustments.
- *Debt monetization and modern monetary theory (MMT*). The proponents of this model are Stephanie Kelton, Warren Mosler, and others (Prinz & Beck, 2021). The core idea is that, countries with sovereign control over their currency can finance deficits by issuing money, and debt is not inherently burdensome if managed prudently. Policy Implication: Governments can run persistent deficits to achieve full employment, provided inflation remains controlled.
- *Automatic stabilizers and discretionary fiscal policy:* Modern fiscal policy emphasizes the use of automatic stabilizers (tax structures, social welfare) and discretionary measures to counteract economic fluctuations.
- *Counter-cyclicality:* this concept posits that; fiscal policy should be counter-cyclical (expanding during recessions and tightening during booms) to stabilize output and employment.

The debt accumulation process is analyzed through the debt dynamics equation as follows:

$$B_t = (1 + i_{t-1}) B_{t-1} + G_t - T_t$$

Where;

B_t = Nominal government debt outstanding at the end of period t

i_{t-1} = Nominal Interest Rate paid on the debt stock from the previous period.

G_t = Nominal government spending (excluding interest payments) in period t

T_t = Nominal tax revenue (and other non-debt revenue) in period t

B_{t-1} = Nominal debt outstanding from the previous period

$G_t - T_t$ = The nominal primary deficit (or negative primary surplus).

$(1 + i_{t-1}) B_{t-1}$ = The value of the previous period's debt plus interest

The criticisms of this theory include: Excessive deficits may lead to inflation if not carefully managed. Political economy factors may hinder active fiscal policy implementation. Concerns about long-term debt levels, especially in countries with limited monetary sovereignty. Fiscal policy impacts income and wealth distribution, which may require careful design.

3.8. Theories of quality of life

3.8.1. Hedonic and eudaimonic perspectives

This dual approach distinguishes between hedonic well-being (pleasure and happiness) and eudaimonic well-being (meaning, self-realization, and purpose). The Hedonic perspective focuses on pleasure attainment and pain avoidance as the primary components of well-being. It emphasizes subjective happiness, immediate gratification, and the experience of positive emotions. Essentially, it measures well-being based on the presence of pleasure and the absence of pain (Kahneman, et al, 1999). On the other hand, the eudaimonic perspective centers on meaning, self-realization, personal growth, and living in accordance with one's true self. It posits that well-being is derived from pursuing meaningful goals; fulfilling one's potential, and engaging in activities that contribute to personal development and virtue. Key proponent of this theory is (Seligman, 2011). The limitations of this theory include; A concise limitation to both the hedonic and eudaimonic perspectives is that they may oversimplify human well-being by focusing primarily on pleasure and purpose, respectively, potentially neglecting other important aspects such as social relationships, personal growth, and meaning beyond immediate happiness or virtue

3.8.2. The WHOQOL framework (World Health Organization quality of life)

WHOQOL is a multidimensional model emphasizing physical health, psychological health, social relationships, and environment. The WHOQOL framework is a comprehensive model developed by the World Health Organization to assess individuals' quality of life across different cultures and health conditions. It emphasizes a holistic view, considering physical, psychological, social, and environmental domains (Kim, 2014). The main advantage of the WHOQOL Framework is that it provides a comprehensive, multidimensional assessment of quality of life, encompassing physical, psychological, social, and environmental factors, which allows for a holistic understanding of an individual's well-being.

WHOQOL recognizes that quality of life is influenced by various interconnected domains which are: physical health, psychological health, social relationships. Environmental factors, subjectivity and objectivity, and finally, cultural Sensitivity. The key criticism of the WHOQOL Framework is that it can be somewhat broad and subjective, making it challenging to measure consistently across different populations and cultures. Critics argue that its emphasis on self-reported quality of life may lead to variability due to personal perceptions, cultural differences, and social desirability biases. Additionally, some contend that the framework may lack specificity in addressing particular health conditions or domains, potentially limiting its utility for targeted clinical assessments or interventions (Kim 2023).

3.8.3. The social quality framework

This framework emphasizes social cohesion, social inclusion, social empowerment, and social production as determinants of QoL. The social quality framework is a theoretical approach that emphasizes the importance of social factors in achieving high-quality societies. It focuses on the social conditions that promote well-being, social cohesion, inclusion, and empowerment. The framework advocates for understanding social development through the lens of social relationships, social cohesion, social inclusion, and social empowerment. The framework was initially developed by Friedrichs, Lewis, and colleagues in the 1990s, notably in the context of social policy analysis (Lin & Herrmann, 2015).

The above theories collectively offer a comprehensive understanding of QoL, from subjective happiness to broader social and functional aspects. The key criticism of the Social Quality Framework of the quality-of-life theory is that it may be overly complex and difficult to operationalize. This framework emphasizes the interconnectedness of social factors such as social cohesion, social inclusion, social empowerment, and social equality, which can be challenging to measure objectively. Critics also argue that the broad and multifaceted nature of social quality makes it difficult to develop standardized indicators, potentially leading to inconsistent assessments and difficulties in applying the framework across different contexts or populations. (Ventegodt, et, al. 2003).

3.8.4. Empirical findings on the relationship between fiscal reforms and QoL

According to an IMF report (2015), fiscal reforms can significantly lift medium- to long-term growth, which is essential for QoL. Shifting spending toward infrastructure, education, and health is key for human capital accumulation. Equally, fiscal policies have an especially important effect on the quality of growth, specifically on aspects like reducing

inequality and poverty, which are central to QoL. Composition of spending (public vs. private goods) matters (Lopez, et al, 2010).

Equally, Ozili (2024), also noted that, fiscal policy is central to development, supporting macroeconomic stability, fostering growth, and helping to reduce poverty. Spending must be redistributive (investing in health/education for disadvantaged groups) and efficient.

A study by Alesina & Perotti (1996) highlights that fiscal discipline and responsible fiscal policies are associated with macroeconomic stability, which in turn creates a conducive environment for sustainable development and improved living standards. Additionally, evidence from developing countries suggests that well-implemented fiscal reforms can increase access to essential services, reduce poverty, and enhance overall well-being (Bahl, 2009). However, the impact of fiscal reforms varies depending on implementation, institutional capacity, and socio-economic context, emphasizing the need for tailored policy approaches (Keen & Mansour, 2010).

The empirical relationship between price dynamics and quality of life in the global south is highly complex, context-specific, and often non-linear. The consensus is that short-term volatility is generally detrimental to the poor, but long-term price trends, particularly for exporting countries, can signal economic vitality that ultimately benefits QoL.

Several studies have documented that high inflation rates in Nigeria lead to increased costs of essential goods and services, which disproportionately impact the poor and vulnerable populations (Olusola et al, 2022). This erosion of real income hampers access to basic needs such as food, healthcare, and education, thereby degrading overall well-being.

Research by Adekoya et al, (2025) indicates that, inflation volatility in Nigeria hampers economic growth and social development, as it discourages investment and savings, further limiting improvements in living standards. Additionally, the Central Bank of Nigeria's efforts to stabilize prices have shown to positively influence economic stability and, by extension, improve the quality of life (CBN, 2019). However, persistent inflation remains a significant challenge that affects Nigeria's socio-economic development, price dynamics, including inflation and relative price fluctuations, significantly influence the quality of life, especially in developing countries. High inflation erodes purchasing power, increases uncertainty, and can lead to higher living costs, which negatively affect households' well-being (Olusola, et al, 2022). Conversely, stable prices contribute to economic stability, enabling households to plan and invest in health, education, and other essential services, thereby improving overall living standards (Rogoff, 2003).

Research by Mishra & Pradhan (2013) demonstrates that inflation volatility hampers economic growth and adversely impacts social indicators such as health and education outcomes. In the context of the Global South, volatile prices often disproportionately affect the poor, exacerbating inequality and reducing access to basic needs (Coccia & Russo, 2025). Therefore, managing price stability is crucial for enhancing the quality of life through sustainable economic conditions. In summary, the empirical evidence overwhelmingly supports the idea that well-designed, strategically targeted fiscal reforms are a powerful driver of Quality of Life, particularly in the Global South where the need for equitable public service provision is highest

4. Methodology

4.1. Method of data analysis and the model

The VAR model is formulated and utilized for the analysis. All the variables used in the analysis are treated as both endogenous variable and a function of all variables in lags. The model can be represented as follows:

$$Y = \begin{pmatrix} QOL_t \\ PD_t \\ FR_t \end{pmatrix} \qquad \text{eqn 1}$$

$$Y_t = C + \sum_{i=1}^{p} \alpha_t Y_{t-1} + e_t \qquad \text{eqn 2}$$

$$QOL_t = \alpha_o + [\sum_{t=1}^{p} \alpha_{11}^{ij} QOL_{t-1} + \sum_{t-1}^{p} \alpha_{11}^{ij} PD_{t-1} + \sum_{t-1}^{p} \alpha_{11}^{ij} FT_{t-1}] + e_t$$

$$PD_t = \alpha_o + [\sum_{t=1}^{p} \alpha_{21}^{ij} QOL_{t-1} + \sum_{t-1}^{p} \alpha_{22}^{ij} PD_{t-1} + \sum_{t-1}^{p} \alpha_{23}^{ij} FT_{t-1}] + e_t$$

$$FT_t = \propto_o + [\sum_{t=1}^{p} \propto_{31}^{ij} QOL_{t-1\square} + \sum_{t-1}^{p} \propto_{32}^{ij} PD_{t-1\square} + \sum_{t-1}^{p} \propto_{33}^{ij} FT_{t-1}] + e_{t\square}^{\square} \qquad \text{eqn 3}$$

4.2. Definition of Variables.

- *Quality of life;* refers to the overall well-being and satisfaction experienced by individuals or groups, encompassing various physical, psychological, social, and environmental factors that contribute to a person's ability to live a healthy, comfortable, and meaningful life. In this study, human development index statistics are used as proxy
- *Price dynamics*; refer to the fluctuations and changes in the prices of goods, services, or assets over time within an economy. It encompasses the patterns, trends, and volatility of prices resulting from various factors such as supply and demand, inflation, monetary policy, market expectations, and external shocks. In this study inflation data are used as proxy.
- *Fiscal reforms (FR):* The study used the CPIA data which measures the extent to which a country's policy and institutional framework support sustainable growth and poverty reduction, and consequently the effective use of development assistance which include: Monetary and exchange rate policies, fiscal policy, debt policy and management,

4.3. Method of data collection and sources.

Time series data is used for the study; the data were collected from the CBN statistical bulletin (2024) and the World Bank's World development indicators database (2024). The data were from 2003 to 2023.

5. Results

The summary of the unit root test is presented below in table 1.

Table 1 Summary of unit root test

Variable	Order	ADF test	5% critical value	Conclusion
D(QOL)	1 (1)	-6.0431511 (0.0001)	-2.86	Stationary
D (FR)	1 (1)	-3.073181 (0.0042)	„	Stationary
D (PD)	1 (1)	-3.160756 (0.0386)	„	Stationary

Source; Authors computation using E-view econometric packages

From table 1 which depicts the stationarity test, it can be seen that all the variables are significant at first difference using the ADF test

Table 2 VAR residual serial correlation LM tests

VAR Residual Serial Correlation LM Tests						
Null hypothesis: No serial correlation at lag h						
Lag	LRE* stat	df	Prob.	Rao F-stat	df	Prob.
1	16.27874	9	0.0613	2.461652	(9, 12.3)	0.0720
2	10.06923	9	0.3449	1.218084	(9, 12.3)	0.3652
Null hypothesis: No serial correlation at lags 1 to h						
Lag	LRE* stat	df	Prob.	Rao F-stat	df	Prob.
1	16.27874	9	0.0613	2.461652	(9, 12.3)	0.0720
2	55.18029	18	0.0000	16.54733	(18, 6.1)	0.0010

*Edgeworth expansion corrected likelihood ratio statistic.	

From table 2 above, it can be seen that there is no problem of serial correlation in the analysis with our serial correlation LM test probability of 0.720 and 0.3652 which are higher than the 5% null hypothesis value

Table 3 VAR residual normality tests

VAR Residual Normality Tests				
Component	Skewness	Chi-sq	df	Prob.*
1	-1.207707	4.132577	1	0.0421
2	0.407275	0.469973	1	0.4930
3	-0.428297	0.519741	1	0.4710
Joint		5.122291	3	0.1631
Component	Kurtosis	Chi-sq	df	Prob.
1	5.692723	5.135954	1	0.0234
2	2.481359	0.190533	1	0.6625
3	2.711207	0.059076	1	0.8080
Joint		5.385563	3	0.1456
Component	Jarque-Bera	df	Prob.	
1	9.268531	2	0.0097	
2	0.660506	2	0.7187	
3	0.578817	2	0.7487	
Joint	10.50785	6	0.1048	

Table 3 shows that the values used for the analysis are normally distributed with the Jarque-Bera probabilities which are more than 5% rejection levels.

Table 4 Vector Autoregression Estimates

Vector Autoregression Estimates			
	QOL	PD	FR
QOL(-1)	0.565557	87.32186	-8.568604
	(0.30547)	(119.765)	(11.3438)
	[1.85143]	[0.72911]	[-0.75536]
QOL(-2)	0.696501	57.84154	-3.624599
	(0.38225)	(149.867)	(14.1950)
	[1.82211]	[0.38595]	[-0.25534]
PD(-1)	-0.000611	0.562833	0.015076
	(0.00089)	(0.34771)	(0.03293)
	[-0.68866]	[1.61867]	[0.45776]

PD(-2)	0.000195	-0.266643	0.017020
	(0.00069)	(0.27180)	(0.02574)
	[0.28123]	[-0.98103]	[0.66111]
FR(-1)	0.008007	3.019149	0.882691
	(0.00725)	(2.84252)	(0.26924)
	[1.10439]	[1.06214]	[3.27850]
FR(-2)	0.002728	-0.057676	-0.457222
	(0.00776)	(3.04426)	(0.28834)
	[0.35127]	[-0.01895]	[-1.58568]
C	-0.161189	-75.58127	7.981039
	(0.11170)	(43.7952)	(4.14816)
	[-1.44301]	[-1.72579]	[1.92400]
R-squared	0.946619	0.720345	0.848611
Adj. R-squared	0.914590	0.552552	0.757777
Sum sq. resids	0.000610	93.80358	0.841545
S.E. equation	0.007812	3.062737	0.290094
F-statistic	29.55538	4.293064	9.342493

Source; Authors computation using E-view econometric packages

Table 4 above shows the Vector Autoregression Estimates which indicates that the estimates are adequate for the analysis with adjusted R^2 values of 92%, 55% and 76% respectively, as well as, F-Statistics values of 29.55538, 4.293064 and 9.342493 respectively.

Table 5 Variance decomposition

Variance Decomposition of QOL:			
Period	S.E.	QOL	PD	FR
1	0.007812	100.0000	0.000000	0.000000
2	0.009306	92.03744	2.734923	5.227641
3	0.011616	86.25374	2.240437	11.50583
4	0.012893	79.30627	1.837401	18.85633
5	0.014193	74.65519	1.837932	23.50688
6	0.015298	70.55398	2.037193	27.40883
7	0.016499	67.73166	2.157387	30.11095
8	0.017690	65.40560	2.132688	32.46171
Variance Decomposition of PD:			
Period	S.E.	QOL	PD	FR
1	3.062737	19.48229	80.51771	0.000000
2	3.572624	15.74024	79.21660	5.043160
3	3.837168	14.65873	68.95166	16.38961
4	4.043556	14.66996	62.14621	23.18383

5	4.129701	14.88459	59.84113	25.27428
6	4.191114	15.41083	58.93758	25.65158
7	4.264176	16.80067	57.32658	25.87275
8	4.366049	18.86179	54.71973	26.41848
Variance Decomposition of FR:				
Period	S.E.	QOL	PD	FR
1	0.290094	15.72607	0.360615	83.91331
2	0.421985	27.46256	1.982828	70.55461
3	0.493916	37.93294	7.981468	54.08559
4	0.538394	41.54814	12.39321	46.05865
5	0.555334	41.89107	12.89466	45.21427
6	0.561198	41.61866	12.65015	45.73119
7	0.566088	41.21171	12.89102	45.89726
8	0.571283	41.04726	12.97335	45.97939
Cholesky Ordering: QOL PD FR				

Source; Authors computation using E-view econometric packages

Table 5 above shows the variance decomposition of the VAR analysis. We can observe from period one that, QoL is 100% while PD and FR are 0% respectively. This indicates that at period 1, the forecast error in QoL is entirely due to shocks to QoL itself since other variables haven't had time to influence it yet. But in period 2, QoL is 92.04% while PD is 2.73% and FR is 5.23%. This shows that most of the forecast error variance of QoL is still due to its own shocks, but now some influence from PD and FR has emerged, with FR contributing about 5.23%. Finally, over time (Periods 3 to 8), the percentage of variance explained by own shocks (QoL) decreases gradually, while the contributions from PD and FR increase over time. For example, by period 8 QoL is 65.41% while PD and FR are 2.13% and 32.46% respectively. This indicates that shocks to FR become increasingly important in explaining the variability of QoL over time.
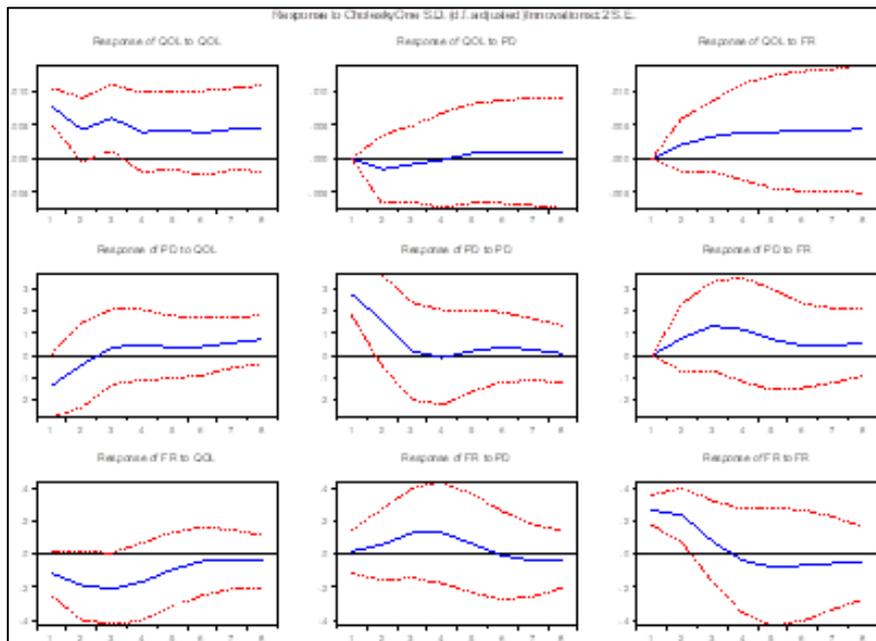

Figure 1 Response to Cholesky one S.D innovation

Figure 1 shows the impulse response to Cholesky one S.D innovation

6. Discussion

From the impulse response of the relationship between QoL, FR and PD, it is observed that there is a negative relationship between QoL and PD in the early stages. However, on the long-run the influence of PD on QoL became positive and above the mean line, indicating that on the long-run PD has a marginal positive effect on QoL. This is contrary to the findings of Gahamanyi Niyonzima, & Gérard, (2025). With respect to the effect of FR on QoL, FR exerted a mild positive effect on QoL at the early stage but it became constant from period 4 to 8. This has shown that Nigeria fiscal reforms have improved the QoL of the population over the period under review. This is line with similar studies by World Bank Group, (2024).

7. Conclusion

This study has examined the impact of fiscal reforms and price dynamics on quality of life in Nigeria. The conclusion of the study with respect to price dynamics is that, it has a short-term negative impact on quality of life, but this effect is reversed to a marginally positive one in the medium-to-long term. The key highlights can be explained in two stages viz;

Short-term negative effect (Early Stages 1-4): The initial negative effect on QoL suggests that immediate price changes act as a shock to individuals or the economy, leading to a quick deterioration in perceived quality of life. This could be due to factors like reduced purchasing power, financial uncertainty, or initial difficulty in adjusting consumption patterns.

Medium-to-long-term positive effect (Stages 5-8): The subsequent shift to a marginally positive effect implies a process of adjustment and adaptation. Over time, the negative shock dissipates, and price dynamics may begin to reflect or contribute to factors that improve QoL. This positive outcome could be attributed to market efficiency, where price dynamics drive resource allocation to more efficient areas, eventually leading to better goods and services available to consumers (Vörös, 2019).

With respect to fiscal reforms, the pattern observed in the Vector Autoregression (VAR) analysis (a positive effect in the early stages that then becomes stable positive from stage 5 to 8) indicates a successful and durable policy intervention. This can also be highlighted in two stages;

Short-term positive effect (Early Stages 1-4): The initial positive impact on QoL suggests that the implementation of fiscal reforms provides an immediate, noticeable benefit. This could be due to: i) Direct transfers where households feel the positive effect of increased disposable income or better social services right away. ii) Increased confidence in government fiscal policies. The commitment to reform boosts public and investor confidence, which quickly translates into better economic expectations and improved well-being.

Medium-to-long-term stable positive effect (Stages 5-8): The effect of stabilization at a positive level suggests that the reforms have successfully integrated into the economic system, leading to a new, permanently higher level of QoL rather than a temporary boom. This stability implies: i) Structural changes, where the reforms have led to deeper, more sustainable structural improvements in the economy (IMF, 2015). ii) Persistence of shock, where the initial impulse (shock) from the fiscal reform does not dissipate back to zero, but rather it leads to a permanent positive shift in the QoL level, which is consistent with the interpretation of permanent shocks in impulse response functions of VAR/VECM models.

Policy implications/recommendations

Based on the findings that price dynamics negatively affect quality of life (QoL) in the early stages and become marginally positive from stages 5 to 8, it is recommended that policy makers should implementation policies that targeted financial support in early stages by providing financial assistance or subsidies during the initial phases can cushion the negative impact of price fluctuations on individuals' QoL because early interventions can prevent economic strain that diminishes quality of life. They should also, enhance accessibility to essential services such as healthcare, housing, and nutrition early on because this can buffer the initial negative effects and promote stability in QoL. Finally, given that effects become less negative and turn marginally positive over time, policies should be adaptable. Continuous monitoring allows for adjustments that support economic stability and QoL improvements in later stages.

With respect to fiscal reforms, policy makers are advised to implement phased fiscal reforms since the positive effects are evident in the early stages, policymakers should prioritize strategic implementation of reforms in a phased manner to maximize initial benefits while monitoring stability over time. Also, policy makers are advised to sustain and

consolidate current reforms because once such reforms reach the stabilization phase (stage 5 to 8), efforts should focus on consolidating these gains and ensuring reforms are embedded sustainably into fiscal policy frameworks. Finally, complementary policies should be focused on, this is because to sustain improvements in QoL, fiscal reforms should be complemented with social policies, infrastructure development, and targeted programs aimed at vulnerable populations.

Compliance with ethical standards

This study adopted only secondary data hence, there is not ethical standard obligation for variables used

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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