

**TAX ADMINISTRATION AND ECONOMIC DEVELOPMENT**

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**A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, FACULTY OF  
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## **DECLARATION**

I, Afolabi Oluwadimimu Excellence, do hereby declare that this project was based on a study undertaken by me and a product of my composition. This work had not been previously submitted for the award of bachelor of sciences degree in accounting to the best of my knowledge . All ideas and views were a product of my personal research and where the views of others have been expressed, they were duly acknowledged.

## **CERTIFICATION**

This is to certify that this project work was carried out by AFOLABI Oluwadimimu Excellence, in the department of Accounting, Faculty of Management Science, University of Benin, Benin City, Edo State in partial fulfillment for the award of Accounting (B.Sc) degree in Accounting.

DEDICATION

This project is dedicated to the Almighty God, my source and strength, for his wisdom and provisions throughout this program and to my wonderful parents for their endless love, encouragement and support throughout my pursuit for education.

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My profound gratitude to God Almighty for His unending love and for giving me strength wisdom, ability and good health which has aided me in the completion of this work.

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**Abstract**

There has been disagreement on the extent to which tax revenue contribute to the development of the Nigerian economy. This study aims to assess the impact of tax administration on economic development in Nigeria. The study investigated the influence of four tax revenue streams ; Income tax from companies' profits, income tax from personal Income, Petroleum Profits tax and Value Added Tax on economic development represented by Human Development Index (HDI). The research employs regression analysis to examine data on taxation and economic development across a 24-year period from 2000 to 2023. The data was acquired from the statistics Bulletin of the Central Bank of Nigeria (CBN), tax reports of the Federal Inland Revenue Service (FIRS), and the Human Development Report published by the United Nations Development Programme (UNDP).The study utilised the autoregressive distributed lag estimator (ADRL) to account for the varying levels of integration among the variables. The research findings indicate that there is no significant correlation between Companies Income Tax (CIT) and Economic Development (HDI) in Nigeria. There is no significant relationship between Personal Income Tax and Economic (HDI). Petroleum Profit Tax (PPT) and Value Added Tax (VAT), however, are significantly and positively related to economic development(HDI). The study therefore concludes that taxation can lead to positive economic development in Nigeria if policymakers examine the structure of Companies Income Tax and Personal Income Tax to address potential leakages or suboptimal utilisation. Their operations of the Value Added Tax and Petroleum Profit Tax should also be strengthened to ensure they contribute to economic development.

# **TAX ADMINISTRATION AND ECONOMIC DEVELOPMENT IN NIGERIA**

## **CHAPTER ONE**

## Background of the Study

Taxes are very important instrument and a major source of revenue to the government. In recent years, there have been increased reliance on taxation as a primary source of government revenue because taxation generates a significant amount of revenue for the government. In general, governments collect taxes to raise revenue in order to finance programmes such as education, healthcare, and infrastructure, all of which can enhance the quality of life and boost productivity, thereby fostering development (Ndubisi et al,2019).

Economic development refers to the systematic efforts aimed at enhancing the economic prosperity and overall standard of living of a nation's inhabitants. Sustainable economic development is one of the important objectives that the government wishes to achieve (Nwite,2015). Indicators of economic development encompass increased employment opportunities, enhanced infrastructure and transportation networks, improved accessibility to education and healthcare, and an overall improvement in quality of life, among other factors. Nigeria has implemented multiple developmental initiatives. Prominent among these are the Structural Adjustment Programme (SAP) implemented by the military administration of Ibrahim Badamosi Babangida in the 1980s, the Sure-P initiative initiated under the Goodluck Ebele Jonathan administration, and the N-Power programme introduced under Mohamadu Buhari's administration. The achievement of developmental activities in Nigeria or any other country is contingent upon the provision of tax income to finance such initiatives (Ewa et al, 2020).

In Nigeria, there is an ongoing dispute among experts and the general public regarding the impact of taxation on development. It is commonly believed that taxation does not effectively function in Nigeria as it does in other countries (Etim et al, 2020). The premise for this debate is highly valid, considering the sorry condition of the nation's infrastructure, inadequate education and healthcare facilities, the emigration of skilled individuals (brain drain), and the resulting unemployment that contributes to poverty in the country. The inefficiency of tax administration in Nigeria is also noted, characterised by taxpayer apathy towards tax payment, tax revenue leakage resulting from corruption, and administrative inefficiencies within the tax authority. Thus, a fundamental assumption may be that when the government wisely allocates tax revenue towards the construction of infrastructure and social security, it promotes economic development (Etim et al, 2020)

Extensive research has been conducted to revive awareness among the Nigerian government and population regarding the efficient utilisation of taxation as a means of development, as well as to evaluate the impact of the tax system on the economy thus far. This study offers a valuable contribution and expansion of knowledge to the ongoing debate regarding the extent to which effective tax administration influences development.

### **Statement of Research Problem**

In response to the oil market's volatility, which has decreased government revenue, the government has implemented a number of initiatives aimed at increasing tax revenue. Development in Nigeria continues to be a mirage despite all of the government's efforts and developmental plans, as the country's rates of poverty, unemployment, and inadequate infrastructure remain high (Nwite, 2015). There also still exists a wide gap between the rich and the poor. This is due to the poor attitude of Nigerians (individuals and firms) towards tax payment. As a result, the government realizes so little from tax proceeds to execute projects at the end of the day.

Given the high prevalence of tax avoidance and evasion in Nigeria, one of the numerous issues facing the country's tax administration is ensuring voluntary compliance on the part affecting the tax system in Nigeria (Ndubisi et al,2019).

The existence of these significant issues and the inadequate revenue received from crude oil in Nigeria calls for an evaluation of the impact of tax revenue on economic development. Furthermore, research must be done on the various tax reforms and initiatives implemented by the government to boost revenue as well as the anticipated impacts on economic development (Ewa et al, 2020).

### **Research Question**

1. Does Companies Income Tax (CIT) have an impact on Economic Development
2. Does Personal Income Tax (PIT) have an impact on Economic Development
3. Does Petroleum Profit Tax(PPT) have an impact on Economic Development
4. Does Value Added Tax(VAT) have an impact on Economic Development

### **Objectives of the Study**

The main objective of this study is to examine the relationship between tax administration and economic development in Nigeria.

The specific objectives are to evaluate:

The effect of Companies Income Tax on Economic Development

The effect of Personal Income Tax on Economic Development

The effect of Petroleum Profit Tax on Economic Development

The effect of Value Added Tax on Economic Development

### **Research hypothesis**

H<sub>01</sub>: There is no significant relationship between Companies Income Tax and Economic Development

H<sub>02</sub>: There is no significant relationship between Personal Income Tax and Economic Development

H<sub>03</sub>: There is no significant relationship between Petroleum Profit Tax and Economic Development

H<sub>04</sub>: There is no significant relationship between Value Added Tax and Economic Development

### **Scope of the study**

This study is designed to cover selected companies, large and small scale enterprises, individuals and government agencies (Board of Internal Revenue and Federal Inland Revenue Service). Data for this study are collected from the Central Bank of Nigeria(CBN) bulletin, National bureau of statistics (NBS), federal inland revenue service(FIRS) and United Nations Development Programmes (UNDP) for 24 years.

### **Significance of the study**

It is possible that this research sheds light on the loopholes in the tax system in Nigeria and how it affects government revenue. This study will be significant to the public sector, government and its agencies, the finance sector and researchers (especially the accounting and taxation students and educators). The outcome of this research can be used by Government in decision making as regards public expenditure, fiscal policy and policy implementation.

Tax authorities will find this topic of interest as well as policy makers as it will help them in policy formulation and implementation with regards to taxation.

Numerous studies have been carried out on the impact of tax on economic growth in Nigeria. However, due to the recent fall in oil prices in the international market, it is necessary to pay attention to the impact of tax on economic development given that tax is another major source of revenue for the government in Nigeria. Thus, this research work will also be resourceful for aspiring researchers in the functional area of taxation and economic development.

Therefore, tax administrators, policy makers, researchers and the general public should expect to benefit greatly from this research. The results are expected to make significant contributions to the existing knowledge of tax and how it affects economic development.

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## LITERATURE REVIEW

### 2.1 Introduction

The literature review for this study will be presented in this section. The primary focus of this study is to determine whether or not there exists a relationship between tax administration and economic development. A review of literatures related to this study is made under the following subheadings:

### 2.2 Conceptual Framework

Taxation is a levy placed on all residents and nonresidents conducting business within a certain tax jurisdiction. Citizens have a civic and patriotic duty to pay taxes, which provide the government with income to finance social and infrastructure services and improve industry efficiency. Taxation is the process of levying and collecting taxes from taxpayers. authority or

governance (ICAN, 2021). Nightingale (1997) defines tax as a mandatory payment enforced by the Government. He determined that taxpayers may not receive any tangible benefits in exchange for their contribution, but they do enjoy the advantages of residing in a generally educated, healthy, and secure community. The National Tax Policy defines tax as a financial charge imposed by a state on individuals or legal entities to finance government expenditure (NTP, 2010). Taxation, as described by Anyafo (1996), is a mandatory payment made by persons and organisations to the appropriate inland or internal revenue agencies at federal, state, and municipal government levels. Tax is a mandatory contribution imposed on residents by the government, not a voluntary payment. Furthermore, it is not imposed in exchange for any particular service provided by the government to the taxpayer. This distinguishes it from other types of payments to the government that resemble taxes but are not classified as taxes (Soyode and Kajola, 2015).

As the population of Nigeria grows, the demands of the residents also increase proportionally. These requirements must be fulfilled in order to achieve the anticipated progress (Uket et al, 2020). Internationally, governments are tasked with providing fundamental infrastructure for their citizens. Infrastructure includes the establishment of schools, hospitals, roads, bridges, railway lines, airports, and seaports. The security of citizens' lives and properties in the country is crucial in protecting against both external and local threats. The government is responsible for redistributing revenue and providing public goods to its residents to promote economic development, which is a key goal of taxes in Nigeria (Abiola and Asiweh, 2012). Global and Nigerian governments need to increase revenue to accomplish their goals, and taxes is a reliable source of income. Tax revenue is crucial for generating income and attaining government economic and social goals.

## **2.3 Tax System in Nigeria**

The tax system comprises three components: tax policy, tax laws, and tax administration. All of these components are anticipated to collaborate in order to accomplish the nation's economic objective.

### **2.3.1 Tax Policy in Nigeria**

Tax policies are broad declarations of intent that direct the thoughts and actions of everybody involved towards achieving the established objectives. The tax policy in Nigeria, as per ICAN 2021, typically involves;

shifting focus from income tax to consumption tax to reduce tax evasion,

implementing tax laws to lessen individual tax burden, expand the tax base, and promote savings and investments, and

introducing the self-assessment scheme to enhance taxpayer involvement in the tax assessment process, which is seen as a practical approach.

The approach may involve transitioning from a forceful type of taxation to voluntary compliance, as seen in Nigeria recently.

### **2.3.2 National Tax Policy(NTP)**

The national tax policy is a document that establishes general guidelines for taxation and related topics. This is a concise declaration addressing the principles that regulate tax administration and revenue collection. It offers a system of laws and procedures to govern taxation in Nigeria (Soyode and Kajola, 2015).

### **2.3.3 Objectives of the NTP**

The national tax policy establishes the essential principles for the systematic growth of the Nigerian tax system.

The national tax policy is a significant step towards achieving our nation's objective of being one of the top 20 economies globally. This platform is crucial for maximising revenue generation for the three tiers of government, promoting socio-economic growth, shaping fiscal policy, and improving income redistribution. It is an essential tool for implementing the government's reform programme effectively and fairly. The national tax policy serves as a foundation for addressing tax issues decisively. The national tax policy respects Nigeria's federalism and the constitutional provision allowing states to legislate on revenue matters. The concern that state powers will be taken over is unfounded as the national tax policy clearly outlines the roles of each level of government in tax issues.

### **2.3.4 The Role of NTP in Sustainable Development**

Sustainable development is the kind of development that meets current needs without jeopardising the ability of future generations to meet their own needs. Sustainable development in this context pertains to the revenue generating pattern that can fulfil the current generations' requirements in Nigeria without compromising the potential of future generations to satisfy their own needs. Taxation is commonly considered a reliable source of government income because of the stability and predictability of the tax system. Taxes are a reliable source of revenue as long as economic activity is present in society, unlike other sources. Recent economic changes on a global and local scale have greatly affected government revenue, leading to increased emphasis on taxation as a reliable income source. The national tax strategy aims to raise awareness about the significant role taxation plays in ensuring a consistent revenue stream for the government. Nigeria is perceived as having a monoprodukt economy heavily dependent on oil money, a result of historical economic progress in the country. Taxation has been recognised as a dependable revenue stream that

can serve as an alternative to oil revenue. The tax strategy attempts to foster a transition from non-tax revenue to tax revenue by all levels of the Nigerian government in the economy(Soyode and Kajola, 2015)..

### **2.3.5 Tax laws in Nigeria**

Tax laws establish the base, the rate, and the tax payer's liability. It also offers a structure for the proper management of tax.

In Nigeria, taxes are enforced by the federal, state, and local governments, each of which has a clearly defined jurisdiction as stated in the levies (approved list to investors both local and foreign). Key tax legislations in Nigeria include:

Petroleum Profit Tax Act, Cap P13, LFN 2004

Personal Income Tax Act, Cap P8, LFN 2004(as amended)

Capital Gains Tax Act, Cap C1, LFN 2004

Companies Income Tax Act, Cap C21, LFN 2004

Value Added Tax Act, Cap V1, LFN 2004

Taxes and levies (Approved List of Collection) Act Cap T2, LFN 2004

Custom, Excise Tariff, etc (Consolidation) Act (as amended)

Education Tax Act (as amended)

Capital Transfer Tax Act

Stamp Duties Act, Cap S8, LFN 2004

Federal Inland Revenue Service act

Each of these tax laws pertains to tax administration and serves as the foundation for the regulation of taxes in Nigeria. Some focus on individual taxpayers, while others concentrate on firms and corporate entities. Some entities focus on products and services acquired, while others establish agencies related to taxation.

In Nigeria, the Constitution grants the Federal Government the authority to legislate income tax, both personal and corporate, to ensure consistency. The three levels of government jointly administer different taxes. Tax laws are periodically revised to align with the evolving social, political, and economic situations of the country.

The authority to levy taxes in Nigeria lies solely with the Federal Government. The government has established several machinery to enforce strict adherence to these rules, with penalties and fines imposed for non-compliance (ICAN, 2021).

### **2.3.6 Tax Administration in Nigeria**

Tax administration involves evaluating and gathering taxes from individuals and businesses by the appropriate tax authorities to ensure the accurate amount is collected efficiently and effectively, while minimising tax avoidance or evasion. (Soyode & Kajola, 2015)

This entails the practical understanding and implementation of tax legislation. In Nigeria, tax administration is carried out by the Federal, State, and Local governments. ICAN states that the tax authorities of these levels of government are established based on the applicable legislation, which include:

(i) The Federal Inland Revenue Service (FIRS), sections 1, 2, and 3 of the

Federal Inland Revenue Establishment Act (FIRSEA) 2007.

(ii) The State Internal Revenue Service (SIRS), section 87 of Personal Income

Tax Act Cap P8 LFN 2004 (as amended).

(iii) The Local Government Revenue Committee, section 90 of Personal

Income Tax Act Cap P8 LFN 2004 (as amended)

### **2.4. Evolution of the tax system in Nigeria**

Taxation in Nigeria has existed since the pre-colonial era. Prior to the European colonisation of Africa, particularly Nigeria, the several communities within the region that now makes up Nigeria had their own distinct legal systems and cultural practices. Before the British arrived in Nigeria, the concept and practice of collecting and paying taxes were essential components of the financial system in Nigerian communities.

Various systems of taxation were in place to support the monarchs in the various kingdoms, ethnic groups, and tribes ruled by the obas, emirs, ezes, attahs, ohinoyis, and amanyanabos. These systems included forced services, contributions of goods, money, labour, and other resources. King Jaja of Opobo was deported in 1893 for resisting imperialist taxation.

In northern Nigeria, traditional rulers levied taxes on their subjects in various forms. The taxes mentioned were "zakkat" for educational, charitable, and religious purposes for Muslims, "kudin-kasa" as an agricultural tax on land use (similar to modern land ground rent), and "shuka-shuka" based on cattle ownership and quantity.

Not all communities in southern Nigeria used the taxing system. Many settlements lacked a formalised and organised governing framework like the north. In the southern communities with centralised authority, administrative machinery, and judicial institutions like the Yoruba land and the Benin Kingdom in Western and Midwestern Nigeria, a taxation system was in place. In some tribes lacking centralised constituted authority, such the Ibos, Tivs, Buras, Igbiras, and Bachamas, there was minimal or absent organisation of a tax system. Block hunting and fishing are two additional types of taxes in the Rivers and Bayelsa States. Male adults provide assets such as boats, canoes, nets, and other fishing gear so that they can fish together, and female adults sell the fish they catch, with the money raised from the sale going towards funding community projects.(Ola, 2004)

The pre-colonial era levies were not solely monetary. They were compensated not merely with money or cash. They were mainly compensated with goods and services they were required to provide, known as tribute taxes, such as the Ishakole in the Yoruba country. While the advent of money did not eliminate required human service as a form of tax payment, it did complement it (Akanbi, n.d).

The current Nigerian tax system originated from the creation of a British colony in Lagos on August 6, 1861, and the later merging of the Southern and Northern Protectorates of Nigeria in 1914. In the colonial era, taxes on citizens, including individuals and corporations, were implemented through legislation issued by the colonial administration. Examples of these laws are the Proclamation Law of 1914, which applies to the entirety of Nigeria, and the Native Law Ordinance Cap 74 of 1917, which applies to Western Nigeria.

The law was reinstated in Eastern Nigeria in 1929. The law introduced taxes on women for the first time, leading to the Aba women's riots of 1929. It was later merged with changes in 1939 as the Non-natives Protectorates Tax Ordinance of 1931. This regulation was then revoked and merged into the Taxation regulation, No 4 of 1940, and later reintroduced as the Income Tax Ordinance, 1943.

The above tax laws were administered on individuals and corporate entities by tax controllers, that is, District Officers, in the districts, provinces and regions (ICAN,2021)

## **2.5 Strategies to Increase Tax Revenue**

To address the obstacles facing tax administration in Nigeria and enhance tax collection, one key approach is to increase voluntary compliance among taxpayers. To increase tax collection, the government should focus on implementing fiscal policies that promote voluntary tax compliance. The government can achieve this through a variety of methods. An significant measure would be to enhance the socio-welfare advantages available to Nigerian taxpayers. The government is primarily responsible for providing essential social welfare services like as basic education, access to healthcare, safe drinking water, sanitation, and security for the population. The government's authority to impose taxes is primarily justified by its ability to offer services. In

Nigeria, there is a consistent lack of enthusiasm in fulfilling tax payment responsibilities. This is likely due to the inadequate condition of fundamental infrastructure services like electricity and transportation. External auditors of funds are crucial in verifying the accuracy of tax returns submitted by their clients. External auditors frequently assist in preparing accounting returns that are deliberately constructed to reduce tax liabilities. The tax authorities should collaborate with professional groups such as external auditors and corporate tax consultants to reduce the existing level of tax return abuses (Okafor and Regina, 2012).

## **2.6 Economic Development**

Development in the context of economics has historically meant attaining a consistent rate of increase in per capita income, which allows a country to increase its output at a rate that outpaces population growth. During the 1970s, it was seen that several emerging countries achieved their economic growth goals, however the living standards of the majority of the population remained stagnant, indicating a flaw in the limited concept of development. In the 1970s, economic development was redefined as the reduction or elimination of poverty, inequality, and unemployment within the framework of a developing economy (Torado and Smith, 2015). Seers stated that assessments of development levels should focus on;

What is happening to poverty?

What is happening to unemployment?

What is happening to inequality?

According to him, if all these factors have decreased from high levels, then there has undoubtedly been a period of progress for the country in question. If one or two of these three central problems have been worsening, and particularly if all three have, it would be odd to label the outcome as development even if the per capita income doubled.

Amartya Sen defines development as the expansion of the actual freedoms individuals have. It pertains to policy interventions aimed at improving the economic and social welfare of individuals. Economic development focuses on enhancing people's quality of life, introducing new goods and services through technology, managing risks, and fostering innovation and entrepreneurship. (Hadjimichael, Kemeny, & Lanadan, 2014)

Economic development refers to the improvement in the quality of life of a country's population, transitioning from a low-income economy to a high-income economy and lifting people out of poverty (Etim et al, 2020).

### **2.7.1 Measures of economic development**

Economic development can be measured using indicators such as gross domestic product, gross national income, per capita income, and infrastructure expenditure. Another comprehensive measure is the Human Development Index (HDI) as stated by Etim et al. (2020).

### **2.7.2 Human Development Index**

GDP continues to be a key indicator for assessing the economic progress of a country, including Nigeria. However, it is limited as it does not account for economic distribution, quality of life, health and education levels, or sustainability concerns.

The United Nations Development Programme (UNDP) presents the most often used metric of socioeconomic development in its yearly Human Development Reports. The Human Development indicator (HDI) is a composite indicator that assesses a country's level of socioeconomic development by considering factors such as education, health, and real income per capita (Torado and Smith, 2015).

The HDI signifies a transition from a limited emphasis on individual income to a broader perspective on development. The United Nations Human Development Report first issued the Human Development Index (HDI) in 1990. The report states that development should focus on enhancing people's interests rather than solely on growing wealth and resources (UNDP, 1990). The Human Development Index (HDI) is a United Nations approach that evaluates countries' levels of social and economic development using three criteria: health, education, and standard of living.

### **2.7.3 Three (3) Core Values of Development**

Professor Denis Goulet outlines three fundamental components or core values in his book "The Cruel Choice" that provide a conceptual framework and practical direction for comprehending the essence of development. They are:

**Sustenance: The Ability to Meet Basic Needs**

**Self Esteem: To Be a Person**

**Freedom from Servitude: To Be Able to Choose**

**Sustenance (The Ability to Meet Basic Needs)**

For survival, humans have fundamental needs. The essential human basic necessities for sustaining life include food, shelter, health, and protection. If any of these conditions is missing, then a state of 'absolute underdevelopment' is present. One fundamental purpose of economic activity is to offer individuals the resources necessary to alleviate helplessness and suffering caused by insufficient access to food, shelter, healthcare, and security.

**Self Esteem (To Be a Person)**

Another fundamental aspect of development is self-esteem, which refers to a feeling of value and self-respect, and not being exploited by others for their own purposes. Both individuals and societies strive for a fundamental level of self-esteem, which can be referred to as authenticity, identity, dignity, respect, honour, or recognition. Professor Denis Goulet expressed that development is justified as a goal because it is a crucial, and possibly necessary, means of acquiring esteem.

### **Freedom from Servitude (To Be Able to Choose)**

Human freedom is the last universal value that makes up the meaning of development. Freedom in this context means being free from material conditions that make life uncomfortable and from being socially enslaved by nature, other people, unhappiness, oppressive institutions, and dogmatic beliefs, especially the idea that poverty is inevitable. More freedom means more options for societies and their people, and fewer outside limits on their ability to reach certain social goals, which is what we call development.

### **2.7.4 Objectives of Economic Development**

Modern application development is characterised by three main objectives.

To enhance the accessibility and broaden the dissemination of essential life-sustaining commodities like food, shelter, healthcare, and protection.

To improve living standards, it is essential to increase job opportunities, promote education, and prioritise cultural and humanistic values. These efforts will not only boost financial wealth but also foster higher levels of personal and national pride.

To broaden the economic and social options for individuals and nations by freeing them from servitude and reliance, not only in regard to other individuals and nation-states but also from the forces of ignorance and human misery.

## **2.8 Empirical Review**

### **Company Income Tax and Economic Development**

Gololo (2018) conducted a study titled "An Assessment of the Contribution of Company Income Tax on the Nigerian Economic Development" to examine the influence of company income tax on the progress of the Nigerian economy. The study utilised secondary data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and the Federal Inland Revenue Service (FIRS). The study employed the Statistical Packages for Social Science (SPSS) methodology to analyse the collected data. The dependent variable, which represents economic development, was quantified as the natural logarithm of Gross Domestic Product (GDP), while the independent variable was Company Income Tax (CIT). The analysis found that the corporate income tax did not have a substantial and beneficial impact on the economic development of Nigeria from 2011 to 2015.

Egiya (2021) conducted a study examining the long-lasting relationship and changing interaction between company income tax and economic development in Nigeria from 2000 to 2020. The researcher acquired secondary data from the Central Bank of Nigeria Statistical Bulletin, Federal Inland Revenue Service, and World Bank Development Indicators. The study examined the corporation income tax (CIT) and value-added tax (VAT) as independent variables, and the Human Development Index (HDI) as the dependent variable to measure economic development. The Autoregressive Distributed Lag (ARDL) bound test, originally proposed by Pesaran and Pesaran (1997) and then expanded upon by Pesaran et al. (2001), was employed to empirically investigate the relationship between corporate income tax and economic development. The findings unequivocally indicate a persistent link between corporate income tax and economic growth. The short-term dynamic model also demonstrates that the rate of convergence to equilibrium is fast, suggesting a temporary link between company income tax and economic advancement. The significant negative link between company income tax and economic development emphasises the necessity for tax authorities to strengthen their capabilities and enforce taxpayer adherence. It is essential to ensure that money is efficiently distributed within the economy.

### **Personal Income Tax and Economic Development**

Olayode and Omodero conducted a research study on the relationship between Personal Income Tax and Human Development in Nigeria. They employed the Ordinary Least Squares (OLS) technique and the integration test from 2010 to 2019 to analyse the contribution of federal and state personal income tax to Nigerian human development. Additionally, they investigated the impact, influence, and correlation between the independent variable and its dependent variable. The results indicate that a 1% increase in both PITF and PITS contributions leads to a 0.42% rise in the human development of the citizens. Based on the study, personal income tax has shown promise as a viable source of additional revenue. Therefore, it is important to provide favourable conditions for people to generate taxable income, which can be beneficial in the long term.

### **Petroleum Profit Tax and Economic Development**

Adegbie and Fakile (2011) examine the correlation between petroleum profit tax and the economic development of Nigeria in order to improve the well-being of its population. The research data was collected using both primary and secondary sources, and the outcomes of the field work were analysed using statistical models such as chi-square and multiple regression. The results indicate a significant correlation between petroleum profit tax and the economic development of Nigeria. Tax avoidance and evasion pose significant obstacles to income growth in this sector. Inadequate tax administration hampers the effectiveness and efficiency of this revenue source. Furthermore, the absence of corporate social responsibilities contributes to unrest in the crude oil production zone. The report suggests that the government should use the cash generated wisely for the benefit of Nigerians. It also highlights the importance of implementing tax reforms to tackle the problem of tax evasion and avoidance.

Jibrin et al (2012) conducted a thesis examining the influence of Petroleum Profit Tax on the economic advancement of Nigeria. The main aim was to determine the influence of the Petroleum Profit Tax on the development of the Nigerian economy from 2000 to 2010. The analysis employed the ordinary least

square approach. The research findings indicate a positive and statistically significant impact of petroleum profit tax on Nigeria's Gross Domestic Product. The overall oil revenue has a positive and statistically significant impact on the Gross Domestic Product of Nigeria.

### **Value Added Tax and Economic Development**

Obaretin and Uwaifo (2020) conducted a study to analyse the influence of Value Added Tax on the economic development of Nigeria from 1994 to 2018. The study utilised a longitudinal research design. The study utilised data obtained from the office of the Federal Inland Revenue Service and the United Nations Data Bank. The data were analysed using the Auto-Regressive Distribution (ARDL) regression estimation technique. The findings reveal that Value Added Tax (VAT) has a positive and significant effect on economic development in Nigeria. The study suggests that the Government should guarantee that the revenue generated from VAT is allocated to projects that will have a significant effect on the citizens of the country. Additionally, it is recommended that regular tax audits be conducted on registered VAT collectors to ensure that the collected tax is properly remitted to the appropriate authority.

In their study, Madugba and Joseph (2016) investigated the correlation between Value Added Tax (VAT) and economic development in Nigeria. The analysis spanned a period of 18 years, from 1994 to 2012. The data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin of various years was analysed using multiple regression. The multiple regression analysis revealed a statistically significant negative correlation between value added tax revenue and Gross Domestic Product.

In their study on the Influence of Value Added Tax on Economic Development (The Nigeria Perspective), Sowole and Adekoyejo (2019) examined the efficacy of the VAT system in Nigeria and assessed its impact on economic development. The main focus of their research was to identify the connection between efficient VAT administration and economic development. They used two constructs, namely FCR (Fiscal Compliance Rate) and GDP (Gross Domestic Product), to investigate this subject matter. Data indicating a positive correlation between VAT, FCR, and GDP was analysed using simple linear regression.

Egolum and Ugonabo (2021) conducted a study on the impact of Value Added Tax on the economic development of Nigeria between 1994 and 2018. Two hypotheses were established to align with the study's purpose. The study utilised a time series research approach and collected data from the CBN statistical bulletin, Federal Inland Revenue bulletin, and Joint tax board bulletin for the specified timeframe. The Pearson coefficient of correlation and basic regression analysis were utilised to assess the established hypotheses using E-Views 9.0 statistical software. The findings indicate that there is a strong and statistically significant correlation between Value Added Tax and economic progress, as measured by Gross Domestic Product and Total Government Revenue, at a 5% level of significance. According to these findings, the study suggests that the government should implement steps to improve productivity in order to increase the impact of VAT on economic growth and development in Nigeria.

### **Taxation and Economic Development**

Uket , Wasiu , and Etim . (2020) has conducted research work on the impact of tax revenue on economic development in Nigeria. They adopted ppt, cit and vat as their dependent variable and GDP as a measure of economic development to determine the impact of tax revenue on economic development. The study revealed that there was a significant relationship between cit ,ppt and vat on economic development, however, the relationship between ppt and gdp was not as significant as the others.

Research on the effect of tax leakages on economic development has been conducted using gdp per capita, infant mortality and life expectancy; which are measures of development, over a period of 10 years spanning from 2008-2017. The study discovered that tax leakage (proxied by tax evasion and avoidance) has a significant negative effect on economic development(Nestor et al,2019)

A number of research work has been done in recent times adopting HDI as a measure of development; given that HDI is a better representation of economic development. For example, Etim, Umoffon and Ekanem, 2020 adopted HDI as their independent variable to determine the relationship between tax and economic development.

Olaoye, Yunus, and Opefolu (2023) examined the impact of tax revenue on economic development in Nigeria between 2003 and 2020. The data was collected from publications by the Federal Inland Revenue Service, Central Bank of Nigeria, Annual Statistical Bulletins, and the National Bureau of Statistics. The data was analysed using descriptive and inferential statistics. The study revealed that tax income (Petroleum Profit Tax, Companies Income Tax, Valued Added Tax, and Education Tax) had a significant impact on Economic Development, specifically the Human Development Index. The findings suggest that the government should make an effort to utilise the revenues collected from taxpayers.

Okafor and Regina (2012) used ordinary least square (OLS) regression analysis to investigate the correlation between GDP (dependent variable) and several federal government income tax revenue categories from 1981 to 2007. A null hypothesis was proposed stating that there is no significant correlation between federally collected tax revenue and the GDP in Nigeria. The regression analysis showed a strong and statistically significant correlation. Nevertheless, the actual tax revenue generated in most years was lower than anticipated. The oddity was caused by flaws in the income tax system, gaps in tax rules, and ineffective tax administration. Recommendations were provided on measures to enhance the tax administration system in order to boost tax revenue generation.

Nwite analysed how tax revenue affected Nigeria's economic progress from 2000 to 2010. The Pearson product-moment correlation method was utilised to evaluate the hypothesis in this investigation. It was shown that there is no substantial correlation between tax income and economic development in Nigeria. The study demonstrated that taxes serves as a revenue

source for the government and is utilised to fulfil economic objectives such as addressing adverse balance of payments, as well as combating inflation and deflation. Nevertheless, this study highlights various issues and obstacles encountered in tax collecting in Nigeria. Ultimately, it was recommended that taxation should be utilised efficiently to promote economic development. The Nigerian government should reassess its tax policy, educate the population on the importance of paying taxes, and establish a comprehensive regulatory structure to assure compliance and efficient use of tax revenue.

## **2.9 Theoretical Review**

Taxation's impact on economic development is crucial to the government, tax specialists, officials, academics, and researchers. This study examined tax theories that discuss the impact of tax income on economic development. Bhartia (2009) suggests that certain tax theories propose no correlation between residents paying taxes and benefits received from the state, while other theories suggest a connection between providing services and paying taxes. The former category comprises socio-political theory and the expediency theory, while the latter contains the cost of service theory and the benefit received theory.

Bhartia (2009) outlines theories of taxes that can be developed based on the premise that there is no necessary connection between the amount of tax paid and the benefits gained from government services. Within this group, two theories are recognised: socio-political theory and expediency theory. The socio-political theory of taxation asserts that social and political goals should be the primary considerations in choosing taxes and creating tax policy. The socio-political theory is underpinned by some aspects of economic development philosophy, serving as the foundation for this study.

### **The Socio- Political and Expediency Theories Of Taxation**

Socio-political theory suggests that social and political goals are crucial factors in determining taxation laws. The argument discouraged tax policy and planning centred on individual interests rather than addressing public issues as a whole (Bhartia, 2009). It argues that a tax system should not cater to individuals but rather be utilised to address societal issues. Expediency theory highlights the importance of reasonableness in each tax system and advocates for it to be the primary criterion for the government when choosing a tax plan (Bhartia, 2009). Expediency dictates that all tax proposals must meet the criteria of practicality in order to accomplish the established objective.

### **The Faculty Theory of Taxation**

The Faculty theory of taxes suggests that a person's tax liability should be determined by their ability to pay, as proposed by Uket et al. in 2020.

### **The Cost of Service Theory and The Benefits Received Theory**

The second category consists of the cost of service theory and benefits received hypothesis. Service cost theory emphasises the limited contractual connection between the government and its citizens. The state offers social services and safety to residents in exchange for taxes. The government incurs costs to provide specific services to the public in order to benefit the end user of the service (Jhingan, 2009). Taxation is perceived as a reciprocal service. Citizens who do not utilise the government services should be exempt from paying taxes. Jhingan (2009) argues that the cost of service theory imposes certain restrictions on administrative services. Based on the concept that the state's main role is to provide social services to those in need, strictly adhering to this theory would result in the administration refraining from engaging in social service activities such as healthcare, education, and humanitarian services.

The Benefit Received Theory emerged due to the shortcomings identified in the Cost of Service Theory. This theory suggests that there is an exchange relationship between taxable individuals and the State, originating from the cost of service theory. The government provides infrastructure and facilities to society, and taxpayers are required to pay for these essential services in order to obtain the benefits. Taxation's capacity to influence economic development is advantageous to the citizens. The notion highlights a semi-commercial interaction between the state and its population to a significant degree. Chigbu et al (2012) suggested that citizens are not entitled to any benefits from the state and if they do receive any, they are required to cover the costs, as stated by Uket et al (2020).

Hence, the Benefit Received Theory and Socio-Political Theory serve as the foundation for this research. Taxpayers expect clear and efficient use of their money for infrastructure, social services, and healthcare, whereas the State has the authority to choose tax policy in the country. Many people and groups avoid paying taxes due to a lack of government accountability and openness in providing infrastructure and social services to the public. (BBC, 2019; Oyedele, n. d ; Ojong et al. 2016)

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## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the method adopted in evaluating the significant relationship of the hypothesis variables covering Tax administration and economic development in Nigeria. This discussion covers aspects such as population, sample size, research design, data source, and analysis.

#### **3.2 Research Design**

This study adopted the Ex-post Facto Research Design. This is due to the fact that it pertains to past events. Therefore, since the data already exist, there will be no effort to change the independent variables, which is appropriate for the study.

Data for the study is collected from the Central Bank of Nigeria (CBN) bulletin, National Bureau of Statistics (NBS), Federal Inland Revenue Service (FIRS), and United Nations Development Programmes (UNDP) for a period of 2000-2023. This study takes a descriptive approach.

The independent variables for this study consist of revenues from; Company Income Tax (CIT), Personal Income Tax (PIT), Petroleum Profit Tax (PPT) and Value Added Tax while the dependent variable is the Human Development Index(HDI) of Nigeria.

### **3.3 Population of the Study**

The population of the study consists of entities that pay taxes in Nigeria which include both companies, individuals and consumers.

### **3.4 Sample of the Study**

The sample to be used for the research for the selected period will be sourced from information on tax and economic development for the period of 24 years.

### **3.5 Source of Data**

Due to the nature of the study , secondary data was used . Secondary data was obtained from Central Bank of Nigeria(CBN) bulletin, National bureau of statistics (NBS), United Nations Development Programmes (UNDP), journal related to this study, relevant webpages, research publications on this topic as well as electronic articles on taxation and economic development.

### **3.6 Model Specification**

Economic development = f (taxation) + e

Where the functional model is;

Economic development = HDI (Dependent Variable);Taxation (Explanatory/Independent Variable) = PPT, CIT, PIT,VAT

HDI = f(PPT, CIT, PIT, VAT) (1)The econometrics model is stated below; $HDI = \beta_0 + \beta_1PPT + \beta_2CIT + \beta_3PIT + \beta_4VAT + e$  (2)The logarithmic transformation of equation 2 is designed to bring the variables to the same base hence the model becomes: $\log(HDI) = \beta_0 + \beta_1\log(PPT) + \beta_2\log(CIT) + \beta_3\log(VAT) + e$

Where:

HDI = Human Development Index of life expectancy, quality of life, education and per capita income indicators in Nigeria.

CIT = Companies Income Tax, being taxes imposed on income of companies

PIT = Personal Income tax, being taxes imposed on sold individuals and others acting in such capacities.

VAT = Value Added Tax on consumption of goods and services that are vatable.

PPT = Petroleum Profit Tax, being taxes imposed on companies engaged at the upstream oil and gas sector.

Log = Logarithm, to ensure stability of time series data.

e = stochastic error term

$\beta_0$  = Constant

$\beta_1$ - $\beta_4$  = Parameters of the independent variables

A priori =  $\beta_0 > 0$ ,  $\beta_1 > 0$ ,  $\beta_2 > 0$ ,  $\beta_3 > 0$ ,  $\beta_4 > 0$

### Operationalisation of Variables

Variables	Measurement	Source	Apriori
ED	Human Development Index of life expectancy, quality of life, education and per capita income indicators in Nigeria.	Etim et al. (2020)	
CIT	Company Income Tax Revenue	Okonkwo et al (2019)	-
PIT	Personal Income tax, being taxes imposed on sole individuals and others acting in such capacities.	Etim et al (2020)	-
PPT	Taxation of profits /revenue from petroleum activities	Olaoye et al (2023)	+

	that applies to upstream activities		
VAT	The total amount of value-added tax received	Obaretin & Uwaifo(2020)	+

### 3.7 Data Analysis

In this study, we conducted a descriptive statistics, Ordinary Least Square (OLS) Regression technique to empirically examine the different taxes as it relates to econometrics , making use of E views econometric software.The OLS technique was chosen because it has a lot of good qualities. Its way of computing is objectively simple, and it has the BLUE feature, which means it is linear, unbiased, and has the least variance of all linear and unbiased estimators in its class.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

In this chapter, the results from the data gathered and analysed have been presented. All analyses were conducted using the Eviews 10 software. The sections in this chapter are data presentation and interpretation, test of hypotheses, and discussion of findings.

#### 4.2 Data Presentation and interpretation

Table 4.2.1 Descriptive analysis

	Mean	Min	Max	Std. Dev.
HDI	0.442	0.000	0.548	0.173
CIT	882.391	53.300	2649.191	751.219
PIT	51.971	15.930	107.682	24.986
PPT	1770.115	224.400	4209.019	1118.914
VAT	800.509	58.000	2511.518	720.485

HDI = Human development index; proxy for economic development; CIT = companies income tax; PIT = personal income tax; PPT = petroleum profit tax; VAT = value added tax

Source: Author's extraction from Eviews 10

From the descriptive analysis presented in Table 4.2.1, it is seen that the economic development as proxied using HDI is at a level less than 50% (M = 0.44, SD = 0.17) and ranges between 0 and 0.55. These suggested that the level of economic development is just fair. Revenue from CIT was between N53.3 billion and N2,649.19 billion with a yearly average of N882.39 billion. When compared with other tax types, CIT is the second best performing tax after PPT. based on the average statistics, PIT is the least performing tax type with a minimum value of N15.93 billion and a maximum value of N107.68 billion. The statistics of PPT (M = 1,770.11, SD = 1,118.91) reveal that it is the most volatile tax type while the statistics of VAT (M= 800.50, SD = 720.48) reveal that it is the third best performing tax type after PPT and CIT. When compared with the years the various taxes have been in operation, VAT is arguably the fast growing tax.

Table 4.2.2 Correlation analysis

	HDI	CIT	PIT	PPT	VAT
HDI	1.000				
CIT	0.547*	1.000			
PIT	0.240	0.517*	1.000		
PPT	0.575*	0.785*	0.271	1.000	
VAT	0.510*	0.969*	0.454**	0.757*	1.000
* sig at 1%, ** sig at 5%					

Source: Author's extraction from Eviews 10

The correlation matrix is a bivariate analysis of the association between variables. As expected, the correlation coefficient (r) between a variable and itself is 1. Table 4.2.2 reveals that CIT (r = .547), PPT (r = .575) and VAT (r = .510) all have strong association with HDI. Furthermore, these variables move in the same direction with HDI.

Table 4.2.3 Augmented Dickey Fuller (ADF) Unit root test

	Test	95% Critical	Remarks	Test	95% Critical	Remarks

	Statistics	Value		Statistics	Value	
HDI	-3.050363**	-2.998064	Stationary at I(0)		-3.004861	
CIT	-2.029395		Not Stationary at I(0)	-4.518963*		Stationary at I(1)
PIT	-2.405112		Not Stationary at I(0)	-9.560069*		Stationary at I(1)
PPT	-1.735404		Not Stationary at I(0)	-4.742192*		Stationary at I(1)
VAT	-1.843983		Not Stationary at I(0)	-2.561151**		Stationary at I(1)
<i>Note</i> All analyses from this points were done using the logarithm values of the variables * p < .01. ** p < .05.						

Source: Author's extraction from Eviews 10

Time series data are usually affected by time hence, it is important to conduct a unit root test to find out if they are stationary. The augmented dickey fuller (ADF) test was conducted to examine the stationarity of variables. From Table 4.2.3, only HDI was found to be stationary at level while the other variables were stationary at first difference. Since, the variables are stationary at different orders of integration, the appropriate technique to use is the ARDL subject to establishing cointegration among the variables.

Table 4.2.4 Cointegration test

Test Statistic	Value	k
F-statistic	18.51828	4
<b>Critical Value Bounds</b>		
Significance	I0 Bound	I1 Bound
10%	2.2	3.09
5%	2.56	3.49
1%	3.29	4.27

Source: Author's extraction from Eviews 10

Since the variables are stationary, there is a possibility that the variables are cointegrated. That is, having a long-run relationship. The Bounds test for cointegration is presented in Table 4.2.4 and from the result, the F-statistic of 18.51 is higher than the upper (I1) bounds at the various significance levels, thereby indicating that at the 10%, 5%, and 1% significance levels, the series

are cointegrated and that there is a long-run relationship between the variables. Therefore, the result favours the reliance on a long-run analysis.

Table 4.2.5 ARDL short run estimate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LNPIT)	0.044344	0.061924	0.716113	0.4888
D(LNPIT(-1)) *	0.262713	0.044636	5.885732	0.0001
D(LNPPT) **	0.099352	0.035872	2.769614	0.0182
D(LNVAT) **	0.438307	0.184744	2.372511	0.0370
D(LNVAT(-1)) *	-0.712934	0.172302	-4.137697	0.0017
CointEq(-1)*	-0.868201	0.068294	-12.71275	0.0000
* p < .01. ** p < .05.				

Source: Author's extraction from Eviews 10

The short-run ARDL extract is presented in Table 4.2.5. The lagged Error correction term, which is the cointEq(-1) is rightly signed and statistically significant ( $t = -12.71275$ ,  $p < .01$ ) revealing that the rate of return to equilibrium is about 87% and very fast. All the variables have significant relationship with HDI in the short-run. However, only VAT exhibited a negative relationship.

Table 4.2.6 ARDL long run estimate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HDI(-1)	0.131799	0.105647	1.247543	0.2381
LNCIT	0.121115	0.094623	1.279970	0.2269
LNPIT	0.044344	0.097709	0.453843	0.6588
LNPIT(-1)	0.029167	0.070201	0.415484	0.6858
LNPIT(-2) *	-0.262713	0.084690	-3.102068	0.0101
LNPPT**	0.099352	0.043942	2.260968	0.0450
LNPPT(-1)	-0.104154	0.069084	-1.507653	0.1598
LNVAT**	0.438307	0.169051	2.592747	0.0250
LNVAT(-1) *	-1.081515	0.353503	-3.059426	0.0109
LNVAT(-2) *	0.712934	0.225486	3.161761	0.0091
C	0.238021	0.172299	1.381446	0.1946
R-squared	0.941384	Adjusted R-squared	0.888096	
F-statistic	17.66613	Prob(F-statistic)	0.000022	
* p < .01. ** p < .05.				

Source: Author's extraction from Eviews 10

From Table 4.2.6, the F-statistic of 17.66613 has a significant p-value (less than 0.05), thus, indicating that all the variables in the model taken jointly, have a significant effect on HDI and

jointly predict the changes in HDI. The R squared stood at 0.941384 indicating that the explanatory variables in the model predicts 94% of the systematic variations in HDI. This is further reduced to 89% when adjusted for degree of freedom.

Looking at the variables of interest (CIT, PIT, PPT, VAT), Table 4.2.6 shows that CIT ( $t = 1.2799, p = .2269$ ) and PIT ( $t = 0.4538, p = .6588$ ) are insignificant predictors of HDI. However, PPT ( $t = 2.609, p = .0450$ ) and VAT ( $t = 2.5927, p = .0250$ ) are statistically significant predictors of HDI.

### **4.3 Test of Hypotheses and discussion**

The decision rule for the acceptance or rejection of the null hypothesis of no significant effect is based on the p-value of the t-statistic. If the p-value is high (greater than 0.05), the null hypothesis will be accepted and if otherwise, the alternate hypothesis will be accepted.

The first null hypothesis states that there is no significant relationship between companies income tax (CIT) and economic development. From Table 4.2.6, the p-value of CIT is higher than 0.05, therefore, the study fails to reject the null hypothesis and concludes that CIT does not have a significant relationship with economic development. A likely reason might be because of a sub optimization and low growth contribution maybe due to tax avoidance or loopholes in tax administration. The finding disagrees with the findings of Gololo (2018) and Egiyia (2021) who both discovered a significant relationship between CIT and economic development in Nigeria. However, it aligns with the finding of Dang and Bala (2018) that investigated the contributions of tax revenue to the growth and development experienced in Nigeria and found that CIT had an insignificant contribution.

The second null hypothesis states that there is no significant relationship between personal income tax (PIT) and economic development. From Table 4.2.6, the p-value of PIT is higher

than 0.05, therefore, the study fails to reject the null hypothesis and concludes that PIT does not have a significant relationship with economic development.

The third null hypothesis states that there is no significant relationship between petroleum profit tax (PPT) and economic development. From Table 4.2.6, the p-value of PPT is less than 0.05, therefore, the study fails to accept the null hypothesis and concludes that PPT has a significant relationship with economic development. This finding is in alignment with the findings of Adegbe and Fakile (2011) that PPT is a significant contributor to economic development in Nigeria. It also agrees with Jibrin et al. (2012).

The final null hypothesis states that there is no significant relationship between value added tax (CIT) and economic development. From Table 4.2.6, the p-value of VAT is less than 0.05, therefore, the study fails to accept the null hypothesis and concludes that VAT has a significant relationship with economic development. This finding is in alignment with the findings of Obaretin and Uwaifo (2020) that VAT is a significant contributor to economic development in Nigeria. It also agrees with Egolum and Ugonabo (2021) who observed that between 1994 and 2018, VAT revenue was significantly and positively related to the level of economic development in Nigeria.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS**

#### **5.1 Introduction**

This study examined the relationship between tax revenue and economic development in Nigeria using data for twenty-four (24) years ending in 2023. In this concluding chapter, the summary of findings is presented and based on this, a conclusion is reached and recommendations are proffered.

## **5.2 Summary of Findings**

1. There is no significant relationship between companies income tax and economic development in Nigeria.
2. There is no significant relationship between personal income tax and economic development in Nigeria.
3. There is a significant positive relationship between petroleum profit tax and economic development in Nigeria.
4. There is a significant positive relationship between value added tax and economic development in Nigeria.

## **5.3 Conclusion**

The objective of this study was to examine the relationship between tax revenue and economic development in Nigeria. Four hypotheses were raised to help achieve this objective. The model for the study was evaluated using the autoregressive distribution lag estimator (ARDL) due to the different order of integration of the variables. The data were obtained from Federal Inland Revenue Service. A period of twenty-four (24) years from 2000 to 2023 was chosen for the investigation. From the findings, it was observed that companies income tax and personal income tax were not significant contributors to economic development while petroleum profit tax and value added tax exhibited strong relationship with economic development. Therefore, the study concludes that only petroleum profit tax and value added tax have significant relationships with economic development in Nigeria.

## **5.4 Recommendations**

### **5.4.1 Policy Recommendations**

1. Companies and person income taxes were did not have significant relationship with economic development despite the extent of reforms. Therefore, policy makers should investigate the structure for the utilization of these taxes to address likely leakages or sub optimization.

2. Value added tax and petroleum profit tax were found to have statistical significant relationship with economic development. Therefore, policy makers should strengthening their operations of these taxes to ensure they continue to contribute to economic development.

#### **5.4.2 Suggestions for Further Studies**

1. Future researchers may considering revisiting this subject area but employing other tax sources like stamp duties, custom and excise duties that were not captured in this study.

2. Future researchers may consider investigating the relationship between non-tax revenue and economic development.