Tax Revenue and Economic Growth in Nigeria

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DECLARATION

I declare that:

1. This project report is based on a study undertaken by me in the Department of Accounting, University of Benin, Benin City under the supervision of Prof. O.O. Omokhodu
2. This work has not been previously submitted for the award of a degree elsewhere
3. All ideas and views are products of my personal research, where the views of others have been expressed, they have been duly acknowledged.

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CERTIFICATION

This is to certify that this research project was carried out by Omieibi DAGOGO with the matriculation number PG/MGS1714745 of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, in partial fulfilment of the requirement for the award of Postgraduate Diploma Degree (PGD) in Accounting.

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DEDICATION

This dissertation is dedicated to Almighty God and my father of blessed memory, Chief Barrister J.L.D. Dagogo

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

In an economy, some interest groups such as households, firms, public and private sectors often collaborate and participate in the process of economic development. However, the government sector plays a predominant role in achieving the desired changes in the structure of any economy. Indeed, the uniqueness of public sector arises from the fact that, apart from being part of the economy the government sector plays a decisive role in attaining macroeconomic objectives of stability, growth and development, through a package of economic policy measures and regulatory framework (Sackey & Ejah, 2014). For the Nigerian government to effectively carry out its primary function and other subsidiary functions, she requires adequate funding (Abomaye-Nimenibo, Williams & Friday, 2018).

Tax is therefore a major source of government revenue all over the world. It is an opportunity for government to collect revenue needed in discharging its pressing obligations. It has a bearing on the Gross Domestic Product (GDP) which is the standard indicator for measuring the economic wellbeing of a nation. (Okafor, 2012) and Sanni (2007), advocated the use of tax as an instrument of social engineering, to stimulate general and/or sectoral economic growth. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and tends itself toward creating an environment conducive to the promotion of economic growth (Azubike, 2009).

Tax revenue is the bread-and-butter of state and local governments (Slemrod, 2015) and even for the Federal government. According to Azubike (2009), tax is a major player in every society of the world. The tax system is an opportunity for government to collect additional revenue needed in discharging its pressing or fundamental obligations. A tax system offers

itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic growth. Offiong (2016) defines tax as a compulsory payment made by individuals and organizations to the government in accordance with predetermined criteria for which no direct or specific benefit is received by the taxpayer. Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic wellbeing of the society (Appah, 2004; Appah & Oyandonghan, 2011).

Anyanfo (1996) opined that taxes are imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities and so on. The main purpose of tax is to raise revenue to meet government expenditure and to redistribute wealth and management of the economy (Bhartia, 2009; Jhingan, 2004; Ola, 2001). As posted by Nzotta (2007), four key issues must be understood for taxation to play its functions in the society. First, a tax is a compulsory contribution made by the citizens to the government and this contribution is for general use. Secondly, a tax imposes a general obligation on the taxpayer. Thirdly, there is a presumption that the contribution to the public revenue made by the taxpayer may not be equivalent to the benefits received. Finally, a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family. Thus, it is evident that a good tax structure plays a multiple role in the process of economic development of any nation which Nigeria is not an exception (Appah, 2010a). Taxation is the most viable strategy in the long run to bring a country out of foreign aid dependency. Developing countries are already financing most of their budgets with taxation, but the least developed countries are still highly dependent on foreign assistance (Mascagni, Moore & McCluske, 2014).

In Nigeria the incidence of tax evasion and avoidance by tax payers is high, leading to low level of government revenue which further reduces the level of government expenditure,

culminating into a reduction in the income savings and expenditure of households and firms, leading to low level of economic activities and economic growth (Fagbemi, Uadiale & Noah, 2010). Most developed countries for example Canada, derive substantial revenue Company Income Tax, Value Added Tax and Import Duties etc and have used these taxes to create prosperity and economic development (Adiegbie & Falike, 2010). It is in the light of the foregoing that this study will examine the extent to which the tax system has contributed to economic growth of Nigeria.

1.2 Statement of Problem

Nigeria and other African Countries are today facing series of challenges when it comes to optimizing taxation revenue for economic and social growth while aiming to reach development targets. The most glaring difficult challenge is how to find the optimal balance

between a tax regime that is business and investment friendly while at the same time leveraging enough revenue for public service delivery which in turn makes the economy more attractive to investors. The attitude of Nigerians towards taxation is worrisome as many prefer not to pay tax. As a result of the unwillingness to pay tax as well as evading tax, the economy therefore continues to lose huge amount of revenue. Over the years, tax compliance literature indicated that so many factors including deterrent, socio-psychological, fiscal exchange and comparative treatment have an effect in determining individual compliance decision of whether to pay taxes (Devos, 2012).

The inability of the Federal Inland Revenue Service Board to ensure total compliance to tax rules by companies and bring all operational companies into the tax net has significantly limited the contribution of tax revenue to economic growth. According to James and Moses (2012), the prevalence of tax evasion in the Nigeria tax system, has curtailed the amount of revenue collected from tax income, this in no doubt has effect on the government expenditure

and inflation in the economy. Moreover, the revenue generation capacity of the nation's present tax administrative system is hampered by challenges such as paucity of data, inefficient monitoring and enforcement system, and corrupt practices, as noted by, (Leyira, Chukwuma & Asian, 2012).

If the lost revenue is ploughed back into the economy and well utilized, it can change the fortune of the nation. In developing countries like Nigeria, this problem of tax evasion has been lingering for so long which requires urgent attention and solution. Also, the cost of collecting tax in Nigeria is too high to the extent that if left unchecked the cost may soon outweigh the benefit or value derived from such operation and that will not be appropriate for the system as this unwholesome act is against the cannon of administrative efficiency.

This study, therefore, examines tax revenue in the context of its contribution to general economic growth in Nigeria.

1.3 Statement of Research Objective

The main objective of this work was to examine the impact of tax revenue collected by federal government on the economic growth of Nigeria. The specific objectives are to:

1. Assess the impact of companies' income tax on economic growth of Nigeria;
2. Ascertain the influence of Petroleum Profit Tax on economic growth of Nigeria;
3. Examine the impact of custom and excise duties on economic growth of Nigeria and
4. Determine the impact of VAT on the economic growth of Nigeria.

1.4 Research Questions

Research questions were employed to pilot this research, testing for the efficiency and effectiveness of tax revenue to produce the desired economic growth. The following questions were developed:

1. What is the impact of companies' income tax on economic growth of Nigeria?
2. What is the influence of Petroleum Profit Tax on economic growth of Nigeria?
3. In what ways has custom and excise duties impacted the economic growth in Nigeria?
4. To what extent does VAT impact the economic growth of Nigeria?

1.5 Research Hypotheses

The following is the hypotheses this study:

1. Companies income tax has no significant impact on the economic growth of Nigeria.
2. Petroleum Profit Tax has no influence on the economic growth of Nigeria.
3. Custom and excise duties have no significant impact on the economic growth of Nigeria.
4. VAT has no significant impact on the economic growth of Nigeria.

1.6 Significance of the Study

Tax revenue is one of the major sources of revenue to the government. The government uses revenue obtained from tax to achieve economic growth, maintain equilibrium in the economy by combating element of depression, inflation or deflation, achieve equity in income and wealth distribution and address issues of poverty and promote socioeconomic development, hence the need to find out the extent tax revenue impacts on Nigeria's economic growth . The

research findings would be of importance to policy makers at national level as they designed policies aimed at enhancing economic and development through a better tax revenue system. Policymakers, especially Federal Inland Revenue Service will use the outcome of the study to gauge its performance, and determine the level of input it would have to make impact positively to the Nigeria

1.7 Scope of the Study

The scope of the study is centred on Tax Revenue generation and Economic Growth in Nigeria over a period of five (5) years running from 2013 – 2017. The trend of company income tax, petroleum profit tax, customs and excise duties, value added tax are examined for the period to determine their correlation with the Nigerian economy which will be captured as gross domestic product (GDP). The focus will be based on the date obtained from the firms quoted in Statistical Bulletin of central bank of Nigeria (CBN) as at the year 2018.

1.8 Limitations of the Study

The constraints facing this research include the relatively short times to conduct it and finances. Also, inadequate previous current literature on the topic is another constraint.

1.9 Operational Definition of Terms

Nigeria Tax Authorities: This refers to the revenue collection agencies of the Federal Government of Nigeria represented by the Federal Inland Revenue Service (FIRS), State Internal Revenue Service (SIRS) and Local Government Revenue Committee.

Joint Tax Board (JTB): This is the supervisory and regulatory body that defines the scope of operation and administrative system between the various tiers of tax authorities.

Revenue: Implies resources or pool of funds available to the Federal Government of Nigeria from internal and external sources.

Tax: Obligatory transfer of financial resources from the private organisation to the public sector for common pool

Tax Administration: Refers to tax management process and procedures for the effective and efficient transfer of financial resources from the private organisation to the public pool.

Board: This refers to the Federal Board of Inland Revenue (FBIR)

Service: This refers to the Federal Inland Revenue Service (FIRS)

Tax Justice: This refers to the tax administration transparency issues in Nigeria.

Tax Reform Policies: These are policies established by the Federal Government in Nigeria on tax administration and implementation.

Tax Consultants: These are firms employed by the Federal Government of Nigeria charged with the duties of tax administration and collection.

Tax Evasion: This refers to the deliberate failure to pay taxes usually by making false reports. It is using illegal means to avoid paying taxes. Typically, tax evasion schemes involve an individual or corporation misrepresenting their income to the Inland Revenue Service

Tax Avoidance: This refers to the minimization of tax liability by taxpayers through lawful methods. This is the legal usage of the tax regime to one's own advantage to reduce the amount of **tax** that is payable by means that are within the law.

Oil Revenue: This is revenue generated through oil exploration and production in Nigeria.

Non-oil Revenue: This is revenue generated from other sources apart from oil sector in Nigeria. An example is tax.

Thin Capitalization: This is a situation where firms are heavily financed through debt with the aim to pay less tax since interest on debt is an allowable expense under tax laws

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter surveys extant literatures on the tax revenue generation by the Federal Government of Nigeria and economic growth in Nigeria. It provides a comprehensive review of the main concepts used in this study and gives an in-depth break down of theories and models propounded by notable scholars. It also reviews an overview of the Tax System in Nigeria, as well as empirical findings from past research works. This chapter is classified into four sections namely; conceptual framework, theoretical review of literature, empirical review of literature and summary gaps in literature.

2.1 Conceptual Review

Taxation is said to have come into existence "from time immemorial" without a specific mention of when exactly it evolved. However, the origin of tax levies can be traced to the ancient cities of Greek and Rome in modern literature; but from the Bible account, it has been as old as the world. In these so-called cities of Greek and Rome, taxes were levied on consumption, saving, investment and properties (Abomaye-Nimenibo, 2017). From the account of St. Mark's gospel (Chapter 12:14-16), a disciple of Jesus Christ precisely St. Peter was reported in the Holy Bible was confronted by the tax authorities and he met Jesus Christ who commanded him to get money with which Peter paid for himself and the Lord Jesus Christ. St. Mathew gospel chapter 17:24- 27 of the Holy Bible stated that our Lord Jesus Christ Himself paid tax. Furthermore, in Matthew 19:21 we see tax money having its functions to perform in the society which enables government authorities to use in providing social services that will be enjoyed by all the citizens of a country. Such social services include the provision of health and education, maintenance of law and order, provision of

basic amenities and infrastructures etc. Tax payment is therefore part of the price to be paid by sound members of an organized and orderly society.

Furthermore, taxation is as old as humanity and it predates the Colonia era in Nigeria. It cuts across social political and religious divides as it has been shown that people pay taxes in one form or the other to support the common good. In the biblical times even before the birth of Jesus Christ, taxes were ordained as part of the human existence and it was known that the two major religions support the payment of taxes. Before the advent of colonial rule, the native chiefs and kings extract taxes/tributes from their subjects either for the common good or as a form of right.

Taxation is an instrument employed by the government for generating public funds (Ofoegbu, Akwu & Olive, 2016) and (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons and corporate organisations which involves the application of tax rate to a tax base (Ofoegbu et al 2016 & Piana, 2003). According to Okafor (2012) and Brautigam (2008), a well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability. The main purpose of a tax is to enable public sector to finance its activities to achieve some nation's economic and social goals. It can also be for the purpose of redistribution of wealth to ensure social justice (Ayuba, 2014 and Ola, 2001). Taxes, therefore, can be used as an instrument for achieving both micro and macroeconomic objectives especially, in developing countries such as Nigeria. Macek (2014) and Musgrave (2004) commented that, the dwindling level of tax revenue generation in the developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic development. Governments of the countries like Canada, United States, Netherland and United Kingdom have substantially influenced their economic

development through tax revenue generated from Company Income Tax, Value Added Tax, and Personal Income Tax and have prospered through tax revenue (Oluba, 2008). In Africa, natural resources such as income from production sharing, royalties, and corporate income tax on oil and mining companies yield the significant portion of tax revenue (Pfister, 2009). The sources taxes are the basic and most reliable sources of government revenue because of their certainty and flexibility characteristics.

Going by the definition of taxation, Nzotta (2007) identified four key issues which must be understood for taxation to play its functions in any society. First, a tax is a compulsory contribution made by the citizens to the government and this contribution is for general common use. Secondly, a tax imposes a general obligation on the taxpayer. Thirdly, there is a presumption that the contribution to the public revenue made by the taxpayer may not be equivalent to the benefits received. Finally, a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family. Thus, it is evident that a good tax structure plays a multiple role in the process of economic development of any nation which Nigeria is not an exception (Appah, 2010).

2.1.1Taxation in Nigeria

Different types, forms and classes of taxes exist (Anyaduba, 2004) but the commonest classification in Nigeria is that according to the taxpayer categorised as direct or indirect. The direct tax is a levy on personal, corporate income or property. Examples are Personal income tax, company income tax, petroleum profit tax, and capital gains tax. When the imposition is on the price of goods and services, then it is called an indirect tax. Indirect tax is payable on the consumption of products and services associated with import duties/tariffs, export duties, value added tax and excise duties. In Nigeria, the government can emphasize on any one of the tax forms depending on the objective it wants to pursue. In Nigeria, different legislations

that allow the government tax its citizens and to increase the tax revenue of the country exist. These legislations are the Personal Income Tax Amendment Act 2011, Companies Income Tax Amendment Act 2007, the Petroleum Profit Tax Amendment Act 2004. Others are the Capital Gains Tax Amendment Act 2004, the Value Added Tax Amendment Act 2007 and the Education Tax Amendment Act 2004.

The agency of the federal government in charge of the administration and collection of these taxes, (except customs/excise duties) up to April 2007 was the Federal Board of Inland Revenue (FBIR). In 2007, the board was scrapped and replaced by the Federal Inland Revenue Services (FIRS). Nigeria has recorded an increase in tax revenue above the target every year. The Federal Inland Revenue Service (FIRS) reported taxation increased from N2.83 trillion to N4.71 trillion between 2010 and 2014. These figures do not include those taxes collected by tax authorities in the State Board the Local Government Revenue Committee (LGRC). The chart in figure 1below shows the target and actual tax revenue collected from 2000 to 2014.

2.1.3 Tax Revenue and Economic growth in Nigeria

2.1.3.1 Company Income Tax and Economic Growth

Company Tax is established by the Companies Income Tax Act (CITA) CAP C21 2004 LFN for both resident and non-resident companies in Nigeria. All companies in Nigeria are liable to pay companies Income Tax on their global profits accruing in, brought into, derived from or received in Nigeria. However, the Companies Income Tax Act (CITA) defines company in a broader sense. It defines a company as any company or corporation (other than corporation sole) established by or under any law in force in Nigeria or elsewhere. The tax rate applied to small companies is 20% on the taxable profit instead of the 30% of a normal trade or business.

Chigbu, Akujuobi, and Appah, (2012) examined the causality between economic growth and Company Income tax in Nigeria for the period 1970-2009. To achieve the objective of the study, data was collected from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service (FIRS). The data collected from the secondary sources were analysed using relevant econometric models such as Augmented Dickey-Fuller, Diagnostic Tests, Granger Causality and Johansen Co-integration. The results from the econometric analysis reveals that taxation as an instrument of fiscal policy affects the economic growth and taxation granger cause economic growth of Nigeria. Based on the econometric result, the study concluded that taxation is a very important instrument of fiscal policy that contributes to economic growth of any country. Based on the conclusion, useful recommendations were provided that will improve the generation of revenue from taxation that would stimulate the economy of Nigeria positively.

Adegbie and Fakile (2011) worked on company income tax and Nigeria's economic development. They used the GDP to capture the Nigerian economy and Petroleum Profit Tax (PPT), Company Income Tax (CIT), Customs and Excise Duties and VAT to measure Company Income Tax. Findings revealed that there is a significant relationship between company income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation.

2.1.3.2 Value Added Tax and Economic Growth

VAT is established by the Value Added Tax Act Cap VI, 2004 LFN. This Act replaced the Sales Tax in operation under the Federal Government legislated decree No. 7 of 1986. The Value Added Tax is a special type of indirect tax in which a sum of money is levied at each stage of production and distribution of a product or service. VAT refers to the tax on the value added. The value added of a firm is the difference between a firm's sales and its

purchases of inputs from other firms. In other words, it is the amount of value a firm contributes to a good or service by applying its own factors of production namely land, labour, capital and entrepreneurial ability. In Nigeria VAT is charged at a flat rate of 5% on selected items of goods and services. Though, exemption is granted in respect of medical and pharmaceutical products, basic food items.

Smith, Islam, and Moniruzzaman, (2011) attempt to analysis the contribution and performance of VAT in Bangladesh compared to other developing countries. The result shows that the performance of VAT was quite satisfactory in the initial years; afterwards, VAT collection remained stagnant at a certain level. The study finds that the stagnation happened as a result of: relatively small number of VAT tax-payers, a general lack of awareness, and a weak monitoring system. Samimi, and Abdolahi, (2011) scanned the impact of implementing Value Added Tax on Export of goods and services in selected countries. Four different indices for export; export of goods and services, export of goods and services (BOP), export of goods and services (annual % growth), export of goods and services (% of GDP) to investigate the sensitivity to different definitions. Findings of the study based on Mean Difference Statistical Test in two three-year periods before and after introduction of VAT show that, in different indices, the impact of VAT on export is positive.

Ihenyen and Mieseigha (2014) examined taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin during the period 1980 through 2013, data of Corporate Income Tax (CIT), Value Added Tax (VAT) and Economic Growth (GDP) was estimated using the Ordinary Least Square (OLS) technique. The empirical result suggests that the hypothesized link among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Thus, the result offer tantalizing evidence that taxation is an instrument of economic growth in Nigeria. This conclusion points to the need for additional measures by

government in ensuring that taxpayers do not avoid and evade tax so that income can be properly redistributed in the economy.

2.1.4.3 Petroleum Profit Tax in Nigeria and Economic Growth

Petroleum profit tax Act is a legislation which imposes tax upon profits from the mining of petroleum in Nigeria and provides for the assessment and collection thereof and for the purposes connected therewith. The applicable law is the Petroleum Profits Tax Act (PPTA), which was first enacted in 1959 with retrospective effective date of 1 January,1958. This principal Act and all amendments thereto have been re-enacted as Chapter P13 of the Laws of the Federation of Nigeria (LFN) 2004. Petroleum profit tax (PPT) is a tax applicable to upstream operations in the oil industry. It is particularly related to rents, royalties, margins and profit-sharing elements associated with oil mining, prospecting and exploration leases. It is the most important tax in Nigeria in terms of its share of total revenue contributing 95 and 70 percent of foreign exchange earnings and government revenue, respectively.

Onaolapo, Fasina, and Adegbite (2013) studied empirically the effect of petroleum profit tax (PPT) on Nigeria economy, secondary data were obtained from central bank of Nigeria statistical bulletin covering the period of 1970 to 2010. In concluding the analysis, multiple regressions were employed to analyse data on such variables Gross Domestic Product (GDP), petroleum profit tax, inflation, and exchange rate were all found to have significant effects on the Economics Growth.

Ihenyen and Mieseigha (2014) examined taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin during the period 1980 through 2013, data of Corporate Income Tax (CIT), Value Added Tax (VAT) and Economic Growth (GDP) was estimated using the Ordinary Least Square (OLS) technique. The empirical result suggests that the hypothesized link

among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Thus, the result offer tantalizing evidence that taxation is an instrument of economic growth in Nigeria. This conclusion points to the need for additional measures by government in ensuring that taxpayers do not avoid and evade tax so that income can be properly redistributed in the economy.

Also, Success, Success and Ifurueze (2012) examined the Impact of Petroleum Profit Tax on the economic development of Nigeria for the period 2000- 2010. The method of analysis used was ordinary least square method. Results showed that Petroleum profit tax impact positively on Gross Domestic Product of Nigeria and it is statistically significant.

Furthermore, Okafor (2012) explored the impact of income tax revenue on the economic growth of Nigeria as proxied by the gross domestic product (GDP) using the ordinary least square (OLS) regression analysis over the period 1981-2007. The regression result indicated positive and significant relationship. However actual tax revenue generated in most years fell below the level expected. The anomaly was attributed to dysfunctional ties in the income tax system, loopholes in tax laws and inefficient tax administration.

2.1.3.4 Custom & Excise Duties and Economic Growth

Customs duties in Nigeria are the oldest form of modern tax revenue. Their introduction dates to 1860 known as import duties, which represents taxes on imports into Nigeria, charged either as a percentage of the value of imports or as a fixed amount of contingent on quantity (Buba, 2007). Customs duty is a major source of revenue for the Federal Government which is payable by importers of specified goods (Buyonge, 2008). According to Buba (2007), excise duties were also introduced on several goods to broaden the revenue base in Nigeria in 1962. Customs and excise duties is an important component of the non-oil revenue and has remained an important source of revenue before and after discovering of oil in Nigeria and

over the years contributed significantly to national development. He further stated that the Nigeria custom service is saddled with the responsibility of collecting duties, excise, fees, tariffs, and other levies imposed by the Federal Government on imports, exports and statutory rates. It is a crucial facilitation of trade and key instrument of state sovereignty.

Odusola (2006) examined the impact of various taxes on the economic growth in Nigeria, using a time period of 1985-2004. Results showed that customs and excise duties was negatively related to gross domestic product, implying that an inverse relationship existed between customs excise duties and economic growth in Nigeria. Amunonimim, Ngerebo & Masa (2012) analyzed the impact of non-oil tax revenue on economic growth from 1993 to 2010 in Nigeria. The data sourced from the 2012 statistical bulletin of the Central Bank of Nigeria (CBN), were analyzed using the ordinary least square regression technique. The results showed the existence of a positive relationship and impact of non-oil tax revenue on the economic growth in Nigeria. Baghebo and Edoumiekumo (2012), empirically investigated the impact of taxation on the growth of the Nigerian economy from 1976-2006. The study employed the use of both simple and multiple linear regression analysis of the ordinary least square method to determine the impact between the endogenous variable, RGDP, and the exogenous variables, PPT, CIT, CED and VAT. It was discovered that all exogenous variables, including CED, had a significant impact on the economy of the nation.

2.1.4 Challenges of Tax Administration in Nigeria

In the study of Soyode and Kajola (2006), the challenges facing tax administration in Nigeria was identified several challenges as explained below.

Tax evasion is a deliberate and deliberate practice of not disclosing full taxable income to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or

untrue claims on the income tax form, (Samuel and Tyokoso, 2014). Tax is evaded through different methods such as refusing to register with the relevant tax authority, failure to furnish a return, statement or information or record keeping required, making an incorrect return by omitting or understating an income liable to tax refusing or neglecting to pay tax; overstating of expenses to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid; A taxpayer hides away totally without making any tax return at all and entering into artificial transactions.

Tax Avoidance can be described as the arrangement of taxpayers' affairs using the tax shelters in the tax law and avoiding tax traps in the tax laws. This enables the taxpayer to pay less tax than he or she would otherwise pay. That is, a person pays less tax than he ought to pay by taking advantage of loopholes in a tax levy (Samuel and Tyokoso, 2014). Tax avoidance can arise in various ways: incorporating the taxpayer's sole proprietor or partnership into a limited liability company; the ability to claim allowances and reliefs that are available in tax laws in order to reduce the amount of income or profit to be charged as tax.

Some other challenges of taxation are highlighted below (FRN i1997, 2002; Ariyo 1997; Ola 2001; Odusola 2002, 2003; study group on tax reform 2003)

Taxation has been the oldest governmental activity since the country's unification is 1914, so one would expect tax statistics to be readily available. This expectation, however, is misplaced. Apart from the states of Delta, Lagos, Kaduna and Katsina and the Nigeria Customs Services, other agencies of the states and relevant federal tax offices have serious failures in data management. Moreover, there are no efforts to have the limited data that are available collated or analyzed on a routine basis, not to mention, having it stored, or made

more easily assessable or retrievable. This situation does not provide much input to policy process.

The political economy of revenue allocation in Nigeria does not prioritize tax efforts. It is, instead, anchored on such factors as equality of states (40 percent), pollution (30percent) landmass and terrain (10percent), social development needs (10 percent), and internal revenue effort (10percent). The approach discourages a proactive revenue drive, particularly for internally generated revenue, makes all government tiers heavily reliant on unstable oil revenues which are affected by the volatility of the international oil markets. Aside from the national syndrome of 'cake sharing', the instability and volatility of oil revenue should have created an opportunity for improved tax efforts within the provisions on taxation ratified in the 1999 constitution. Although some state governments have initiated measured to enhance their tax generation attempts, the outcome has not reflected any level of serious effort.

Tax administration and individual agencies suffer from limitations in manpower, money, tools and machinery to meet to meet the increasing challenges and difficulties. In fact, the negative attitude of most tax collectors toward taxpayers can be linked to poor remuneration and motivation. Philips (1997) consider the paucity of administrative capacity as a major impediment to the government in its attempts to raise revenue in Nigeria. As of March 2003, the federal inland revenue service (FIRS) had 7,643 staff members throughout the country; of these a mere 12.6 percent, or 645 employees, were tax professionals/officers. The predominance of support staff in a professionally inclined agency like the FIRS does not augur well for the country. The situation at the local government level is more precarious. Anecdotal evidence shows that staffs are not provided with regular training to keep them abreast of developments in tax related matters. This makes the administration of taxes in terms of total coverage and accurate assessment very weak.

A major problem facing the country is the multiplicity of taxes. Individuals and corporate bodies complain about the ripple effects associated with the duplication of tax, this problem arose from the states' complaints about the mismatch between their fiscal responsibilities and fiscal powers or jurisdiction. To compensate, some states took the initiative of levying certain taxes, which has led to arbitrariness, harassment and even closure of businesses. To rectify this embarrassing situation, the taxes and Levies Act of 1998 was enacted. Lagos state is a good example of efforts to offset the inequitable distribution of VAT proceeds: it imposed certain taxes and proposed a re-introduction of the sales tax. To control multiple taxation, the joint tax board started to publish a list of approved taxes and levies and to declare unspecified taxes illegal. This has created a degree of harmony, and checked the hitherto rampant taxation that had made the business

environment in Nigeria so harsh.

Since the early 1990s, Nigeria has been moving away from direct to the indirect tax considered to be less distortionary. VAT, for instance, is less distortionary because it is applicable to the value-added contents of imports and of domestically produced goods. The potential for maximizing the benefits of this taxation from however, is constrained by structural problems in the economy. The predominance of the informal sector, constituting more than 50 percent of the country's economy, enables most domestic production to circumvent VAT. Income tax also faces the same risk. Since operations in the informal sector are rudimentary without adequate recordkeeping tax assessments are difficult to make. Often tax administration resorts to estimates that are prone to a wide margin of error or open up tax evasion opportunities. Ariyo (1997) points out that the proportion of self-employed relative to the total working population is substantial, yet tax authorities have not devised appropriate means of collection effective personal income tax from this group. In fact, income from the self-employed or informal sector activities is grossly untapped. This situation applies equally

to excise tax and VAT-retail trade in Nigeria is incredibly large but substantially informal. VAT collection at this stage is bound to be a logistical nightmare, particularly where a large depends largely on the extent of economic administration. The coverage of these forms of taxes depends largely on the extent of economic progress.

The hidden or underground is usually taken to mean any undeclared economic activity. The major issue is how inland revenue authorities would tackle hidden economy covering these groups:

(a) Business that should be registered to pay tax, such VAT, but are not;

(b) People who work in the hidden economy such as the rural areas with difficult terrain and pay no tax at all on their earnings.

(c) People who pay tax on some earnings but fail to declare other additional sources of income

There are several serious policy issues that may results from the growth of the underground economy in Nigeria. Tax evasion caused by higher tax rates will siphon off revenue, forcing even higher tax rates in the areas where evasion is tax policy must depend on the type of enforcement that accompanies it. The opportunity to participate in the underground economy represent a "subsidy" to certain types of economic activity where evasion is easier. These are often relatively low productivity areas of the economy. The underground economy makes official statistics on economic growth less reliable, and this faculty information may lead to incorrect economic policy decision. The underground economy is just one of many concerns that affects the tax system. Whenever there are taxes, there will be tax evasion, and its consequences, alters the way in which taxes impact on economic efficiency and income distribution. Therefore, the underground economy needs to be considered in predicting the

impacts of tax changes. It can reasonably be argued, following Palda (1998), that anything which drives more activity into the underground economy reduces productivity.

Tax laws in Nigeria are complex and difficult for the common taxpayer to understand, and some cases are problematic even for literate officials. In addition to lack of understanding, many taxpayers are unaware of the existence of certain taxes. This coupled with the lack of information, laziness of the tax officials, uncooperative taxpayers and the habit of quick fix; solutions –encourages the use of 'the best judgement' approach. This may be a manifestation of the poor tax education and weak fulfilment by tax authorities of their responsibilities regarding public awareness.

2.1.5 Economic Growth

According to Olopade and Olapade (2010), growth means an increase in economic activities. Jhigan (2004) defined economic growth as the process whereby the real per capita income of a country increases over a long period of time. However, it can also be seen simply, as the increase over time of an economy's capacity to produce those goods and services needed to improve the wellbeing of the citizen in increasing numbers and diversity. It is the steady process by which the productive capacity of the economy is increased over time to bring about rising level of national income (Anyanwu & Oaikhenan, 1995). Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with same input of labour, capital, energy and materials. However, economist draws a distinction between short term economic stabilization and long-term economic growth. Economic growth is primarily concerned with the long run. The short run variation of economic growth is termed the business cycle (Devaranjan, Swaroop & Zou, 1996). A country's economic growth is a long-term rise in capital to supply increasing diverse economic goods to its population (Oremade, 2006).

Economic growth represents the expansion of a country's potential Gross Domestic Product or output. Rostow-Musgrave model (1999) conducted a study on growth of public expenditure where Rostow-Musgrave focused mainly on the utilization of taxes as the major revenue source. The study concluded that at the early stages of economic development, the rate of growth of public expenditure will be very high because government provides the basic infrastructural facilities (social overheads) and most of these projects are capital intensive, therefore, the spending of the government will increase steadily. Investment in education, health, roads, electricity, water supply are necessities that can launch the economy from the practitioner stage to the take off stage of economic development, making government to spend an increasing amount with time in order to develop an egalitarian society.

2.1.6 Gross Domestic Product (GDP)

According to World Bank Report (2011), GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. The Central Bank of Nigeria (2010) defined GDP as the money value of goods and services produced in an economy during a period irrespective of the nationality of the people who produced the goods and services. It is usually calculated without making any allowance for capital consumption (or deductions for depreciation).

2.1.7 Tax Revenue as a catalyst for Nigerian Economy Growth

It is evident that the taxes generated as revenue has not reached the level of income from oil sector despite the efforts of Nigerian government. Its implementation has been a bane due

to lack of commitments to target objectives, leakages, wastages, endemic corruption and the vast unorganized informal sector. A comparative review of tax revenue as a percentage of Gross Domestic Product (GDP) of some African countries between the period 2009 and 2012 indicate that Nigeria has the lowest tax revenue as a percentage to GDP (World Bank, 2014). According to Dwivedi (2004), economic growth is a sustained increase in per capita output or net national product over the period. It implies that the rate on increase in total output must be greater than the rate of population growth. Economic growth can be determined by four essential determinants such as; human resources, national resources, capital formation and technological development.

Desai, Foley and Hines (2004), postulated that governments have at their disposal many tax instruments that can be used to finance their activities. These taxes include personal and corporate income taxes, sales taxes, value added taxes, capital gain taxes and numerous others. It is not uncommon for a country to impose all these taxes simultaneously. In determining tax instruments to be used and the rates to be imposed, governments are typically influenced by their expectations of the effects of taxation on investment and economic activities; including Foreign Direct Investment (FDI). They stated that high corporate income tax rates are associated with low levels of FDI. Also, the high tax rate on company income tax is associated with reduced foreign direct investment by multinational organizations. Ogbonna and Appah (2012), investigated the impact of tax reforms on economic growth of Nigeria for the period 1994 – 2009.

The study adopted petroleum profit tax, company income tax, value added tax, education tax, personal income tax and customs and excise duties (independent variables) and Gross Domestic Product (GDP) as the dependent variable. The Augmented Dickey-Fuller was used to examine the unit root test and the Johansen's Co-integration test and Error correction technique was also adopted to run the regression analysis. It was discovered that there is a positive relationship between tax revenue and economic growth of Nigeria. They argued that 54% variation in the dependent variable (GDP) is as a result of change in tax revenue and that there exists long run equilibrium relationship between GDP and the independent variables. The Augmented Dickey- Fuller test conducted on the variables showed that all the series were stationary at 1(1) and that the series were significant between 1 and 5 percent except for companies' income tax and customs and excise duties that were significant at 5percent. In the study of Ogbonna and Ebimobowi (2012), on the impact of tax revenue on economic growth of Nigeria using relevant descriptive statistics and econometric analysis. It concluded in the various results that tax revenue is positively and significant related to economic growth. Also, tax revenue improves the revenue generating machinery of government to undertake social desire that will translate to economic growth in real output. However, in his view so far represented the most comprehensive assessment of the impact of tax revenue on Nigeria economic growth.

2.2 Theoretical Review

The following theories of taxation are discussed in this study

2.2.1 Socio political theory of taxation: Ogbonna and Appah (2012) affirmed this reasoning justifies the imposition of taxes for financing state activities and for the provision of a basis for apportioning the tax burden between members of the society. They advocated that, advocates for a tax system which is not designed to serve individuals but one that cures the ills of the society. The society is made up of individuals but is more than the sum total of its individual members; consequently, the tax system should be directed towards the health of the society, since individuals are integral part of the broader society (Chigbu, Akujuobi and Appah, 2012).

2.2.2 Expectancy theory: Ayuba (2014) and Bhartia (2009) asserts that, the taxation is such that every tax proposal passes the test of practicality and must be the sole consideration before the tax authorities in a bid for tax proposal. It strongly emphasises that, the economic and social objective of the state is considered irrelevant since it is meaningless to have a tax that cannot be levied and effectively collected.

2.2.3 Benefits-received theory: This assumes an exchange or contractual relationship between the state and the taxpayers, certain goods and services are provided by the state and the cost of such goods and services are contributed in the proportion of the received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of the tax policy for bringing about economic growth or stabilization. Chigbu, et.al, (2012) see the cost of service theory as very similar to the benefits-received theory. The theory emphasizes on semi commercial relationships between

the state and the citizens to a greater extent. The implication according to Chigbu, et.al, (2012) was that, the citizens are not entitled to any benefits from the state and if they do, they must pay the cost thereof. In this theory, the costs of services are scrupulously recovered unlike the benefits-received theory where a balanced budget is implied.

2.2.4 Ability to pay theory: This theory of taxation upholds that, taxes imposed on taxpayers should be based on the progressive tax approach which maintains that taxes should be levied according to a tax-payer's ability to pay. This system of taxation requires that higher earning persons pay taxes higher than those with lower income. The basic tenet of this theory is that, the burden of taxation should be shared by the members of the society on the principle of equity and justice and that this principle necessitates that tax burden is apportioned according to their relative ability to pay. Adam Smith is the brain behind the principle of equity and justice. He advocates that, the amount of tax payable should be equal, this by implication means that, tax payable is in proportion to earned income. Equity and justice are assumed only when the tax system is based on the ability of the taxpayer to pay the amount levied as tax liability.

2.3 Empirical Literature

This section examines past and current empirical findings of various researchers on studies that are functional, technical and beneficial to this research. It highlights past studies on the impact of tax revenue on economic development, and other related topics. The effect of tax revenue on economic development is an issue of considerable debate.

Eyisi, Chioma and Bassey (2015) examined the effect of taxation on the macroeconomic performance in Nigeria using ordinary least squares regression method from 2002 to 2011

and found that revenue generation from taxation has a positive effect on the macroeconomic performance of the Nigerian economy. The study concluded that change in taxation will lead to high standard of living, provision of employment and reduction in interest rate. Kamiar and Hashem (2013) examined the impact of oil revenues on the Iranian economy for the period 1908 to 2010 and found that although oil has been produced in Iran over a long period, its importance in the Iranian economy was relatively small up until early 1960s. It was concluded that oil income has been both a blessing and a curse. In terms of maintaining and sustaining GDP growth, oil income has been a blessing. But it has also been a curse in inducing excess inflation, exchange rate volatility and macro-economic inefficiencies, with adverse political and institutional implications and recommendation were made that appropriate policy responses are needed to deal with the large swings in oil revenues that Iran has been facing, particularly over the past three decades. Abdullahi, Madu and Abdullahi (2015) examined the evidence of petroleum resources on Nigeria economic using simple linear regression model from 2000 to 2009 and found that petroleum has a direct and positive significant relationship with the Nigeria economy and therefore concluded that petroleum has been the mainstay of Nigeria economy since it discovery and it constitutes the major source of our foreign reserves and main source of development capital. They showed no evidence of whether a unit root was conducted, and as such one would not be inclined to affirm a generalized statement as claimed by them. Adegbite (2015) examined the effects of corporate income tax on revenue profile; it also determined the impact of corporate tax revenue on economic growth in Nigeria using multiple regression analysis method from 1993 to 2013 and found that there is a positive significant impact of corporate tax on revenue in Nigeria. The study concluded that government should reduce corporate income tax rather than eliminate corporate tax in Nigeria; lower corporate tax will increase the demand for labour which will in turn raises wages and increases consumption.

Afuberoh and Okoye (2014) also studied the impact of taxation on revenue generation in Nigeria for the period 1994 to 2004. Using petroleum profit tax, education tax and personal income tax as proxy for taxation (independent variables) and gross domestic product as the dependent variable. Regression analysis was employed by the researcher to analyse the data used in the study and discovered that taxation has a significant contribution to revenue generation and that taxation has a significant contribution on Gross Domestic Product (GDP). Naomi and Sule (2015) studied the company income tax in the light for alternative financing for sustainable development in Nigeria.

CHAPTER THREE

METHODOLOGY

This chapter provides information on the research design and methods under the following headings: research design, research methods, and population of the study. It also provides information on the sampling units, sampling methods, sampling size, and how they are individually determined. Furthermore, the chapter gives information on the instruments of the research and how they were applied in the process of data collection. Other important aspects of the methodology contained in this chapter include; validity and reliability, methods of data analysis, model specifications and a priori expectations.

3.1 Research Design

To achieve the objective of this study, Ex-post facto design was used by obtaining secondary data from the statistical bulletin of the Central Bank of Nigeria (CBN). This research design was adopted because it has been used in prior studies to investigate the possible cause and effect relationships between tax revenue generated on the economic growth of Nigeria (for example Okafor, 2012 and Success, Success & Ifurueze, 2012)

3.2 Population

The population of study is Nigerian economy measured by the Gross Domestic Product and Tax Revenue for a period of five years (2013-2017).

3.3 Sample size and sampling Technique

The population of this study is the sample size. The study made use of the judgmental sampling technique. The Central Bank of Nigeria (CBN) have been chosen for the purpose of this study. The justification for the choice of these body is because they are the custodians of information which includes aggregate tax figures in Nigeria. Hence the researcher deemed it

fit to draw from the pool of resources of this organization and believes that any information which elicits from CBN is expected to be effective in meeting the objectives of this study.

3.4 Sources of Data

Data used for this study were secondary data. The secondary data were obtained from the statistical bulletin of the Central Bank of Nigeria for the period between 2013 to 2017.

Data from these secondary sources are adjudged appropriate for this study due to the following reasons:

1. They are already validated by professionals and other regulatory bodies before they were published by the Central Bank of Nigeria (CBN).

2. Secondary data have been consistently used in prior studies and have produced good results. For example; Okafor (2012) and Success, Success and Ifurueze (2012).

3.4.1 Validity of the research instrument

Validity is defined as the degree to which a measuring instrument measures what it is designed to measure. Content validity implies that the contents of the scale are comprehensive enough to cover the full range of the subject matter while construct validity tests the accurate measurement of the diverse phenomena associated with that construct. The figures used for this work were verified and certified by the appropriate regulatory body of Central Bank of Nigeria.

Reliability Test

Reliability refers to the degree to which the instrument consistently measures what it is expected to measure, and a high degree of reliability indicates the extent to which the

researcher can place reliance on the data obtained using the instrument adopted. For the purpose of this study, the data on Companies Income Tax, Value Added Tax, Petroleum Profit Tax, Customs and Excise duty and the Gross Domestic Product for the various years were extracted from audited financial statements of various companies, parastatals, Ministries, Departments and Agencies and collated by the Central Bank of Nigeria. Hence these data are highly reliable and are expected to meet the objective of the study.

3.5 Model specification

The purpose of this study is to examine the impact of tax revenue generated on the economic growth of Nigeria. To achieve this, two variables were identified in the study, these are: independent and dependent variables. The independent variables are the Tax revenue generated in Nigeria in the following dimensions as surrogates: Companies Income Tax (CIT), Petroleum Profit Tax (PPT), Custom and Excise Duties (CED), Value Added Tax (VAT). The dependent variable on the other hand is Economic Growth (EG) measured by Gross Domestic Product (GDP) of Nigeria for the period under study. The following models were adopted.

$Y = f(X)$

$Y = y1$

$X = x1, x2, x3, x4, x5$

Where;

Y= Economic Growth (EG)

y1 = Gross Domestic Product (GDP)

X = Tax Revenue (TAR)

$x1$= Companies Income Tax (CIT)

$x2$ = Petroleum Profit Tax (PPT)

$x3$= Custom and Excise Duties (CED)

$x4$= Value Added Tax (VAT)

$Log(GDP)t = \alpha 1 + \beta 1\ Log(CIT)t + \mu 1$ 1

$Log(GDP)t = \alpha 2 + \beta 2\ Log(PPT)t + \mu 2$ 2

$Log(GDP)t = \alpha 3 + \beta 3\ Log(CED)t + \mu 3$ 3

$Log(GDP)t = \alpha 4 + \beta 4\ Log(VAT)t + \mu 4$ 4

The main model

ARDL model

$Log(GDP)t = \alpha 0 + \beta 0 Log(GDP)t\text{-}1 + \beta 0 Log(CIT)t + \beta 0 Log(CIT)t\text{-}1 + \beta 0 Log(CED)t + \beta 0 Log(PPT)t + \beta 0 Log(VAT)t + @Trend + \mu 0$

Long run form

$Log(GDP)t = \alpha 5 + \beta 5 Log(CIT)t + \beta 6 Log(CED)t + \beta 8 Log(PPT)t + \beta 8\ Log(VAT)t + @Trend + \mu 5$

Where:

Log(GDP)t is the natural Logarithm of Gross Domestic Product (GDP) in time ‘t’

Log(GDP)t-1 is the natural Logarithm of Gross Domestic Product (GDP) in time ‘t’ minus 1

Log(CIT)t is the natural Logarithm of Company Income Tax (CIT) in time ‘t’

Log(CIT)t-1 is the natural Logarithm of Company Income Tax (CIT) in time ‘t’ minus 1

Log(PPT)t is the natural Logarithm of Petroleum Profit Tax (PPT) in time ‘t’

Log(CED)t is the natural Logarithm of Custom and Excise Duty (CED) in time ‘t’

Log(VAT)t is the natural Logarithm of Value Added Tax (VAT) in time ‘t’

α1-5 are the intercepts.

β1-8 are the coefficients.

μ1-5 are the stochastic variable of each model. It was introduced in the models to accommodate influences of the other factors that may affects economic growth which are not implicitly included in the models.

3.6 Method of Data Analysis

The research employs only quantitative method of data analysis. This was done in four folds: firstly, the descriptive analysis was performed using the mean, maximum, minimum, skewness, kurtosis and the probability of jarque-berra statistics. This is with the aim of describing the data set to determine the normality of the series. Thus, p-value of Jarque Berra statistics higher than the acceptable level of significance of 5% implies that the series is normally distributed. Since normality of series is one of the fundamental assumptions of performing Ordinary Least Square (OLS) regression, all the series were tested, and if not normally distributed, the natural logarithm of the affected series were used in estimating Ordinary Least Square (OLS) regression.

Secondly, trend analysis was carried out to determine the trend of each of independent variable on the dependent variable. Thirdly, the study examined the relationship between each of the measures of tax revenue and economic growth through correlation analysis. Lastly, the study employed the simple linear regression analysis was used to determine the extent to which each of independent variables contributes to the dependent variable and

coefficient of determination (R2) was employed to know the degree to which each of the independent variable explained the effect on economic growth in Nigeria. Also, the study performed unit root test and bounds test was carried out through the Auto-regressive distributed lag (ARDL) model for the multiple regression analysis and estimation of long run was determined. Furthermore, the adjusted R- square was used to explain the degree to which the independent variables combined affect the variations in economic growth for the period of study and post estimation tests were conducted to determine the reliability of the ARDL model specified.

3.7 Model Estimation and Evaluation Technique

The ordinary least square regression and ARDL models were employed to obtain numerical values of the model coefficient. The probability of the t-test statistics was used to evaluate the estimated numerical values of the coefficients of the simple linear regression for statistical significance at 5% level while the probability of the f-test statistics was used to evaluate the estimated numerical values of the coefficients of the ARDL model for statistical significance at 5% level. The strength of the variables in predicting the impact of tax revenue generation on the Nigerian economy was evaluated based on the R square and adjusted R-square.

3.8 A priori expectation

It was expected that the tax revenue generated will have positive impact on the economic growth of Nigeria. It was expected that petroleum profit tax will have a positive significant effect on the Nigerian economy. It was expected that customs and excise duties will have a positive relationship with the Nigerian economy. It was expected that Value Added Tax would have a positive relationship with Gross Domestic Product of Nigeria. It was expected that company's income tax will have a positive relationship with economic growth.

Thus, in summary, it is expected that $\beta 1\text{-}8 > 0$.

3.9 Ethical consideration

The conducting of research requires not only expertise and diligence but also honesty and integrity. This is done to recognize and protect the right of human subjects. To render the study ethical, the right to self-determination, anonymity, confidentiality and informed consent was observed. Scientific honesty is regarded as a very important ethical responsibility when conducting the research.

CHAPTER FOUR

4.0 Introduction

This study analyzes the tax revenue and economic growth in Nigeria. To achieve the objective of the study, the study employed a short period of five (5) years (2013-2017). Data were sourced from the central bank of Nigeria statistical bulletin as at 2017 year end.

4.1 DATA ANALYSIS RESULTS AND DISCUSSIONS

4.1.1 Descriptive Statistics

The descriptive statistics of the model is presented in table 1

Table 1: Descriptive Statistics

	TR	CIT	PPT	CED	VAT
Mean	87.5905	0.21524	0.25365	1.65714	5.29E+00
Median	83	0.16667	0.33333	0	6.00E+00
Maximum	517	0.8	0.5	6	6.00E+00
Minimum	0	0	0	0	0
Std. Dev.	70.0086	0.19149	0.18876	1.98469	1.84E+00
Skewness	2.54426	0.8638	-0.1033	0.5927	-2.47878
Kurtosis	15.4836	3.80226	1.61763	1.73271	7.318858
Jarque-Bera	795.085	15.8733	8.5472	13.1741	189.1312
Probability	0	0.00036	0.01393	0.00138	0
Sum	9197	22.6	26.6333	174	5.55E+02
Sum Sq. Dev.	509725	3.8134	3.70555	409.657	3.51E+02
Observations	105	105	105	105	105

Author's Computation (2019)

The descriptive statistics of the variables used in the analysis presented in Table 1 explains the range, minimum, maximum, mid values, spread and normality of the variables. The mean economic growth (GDP) is about 87. The maximum value for tax revenue is about 517 days and the minimum value is revealing a large variation thereby showing some degree of

inconsistency. It also showed a high level of volatility with a value of 70.0086.TR was however skewed to the right with a value of 2.54426 and is normally distributed at 795.085. The mean values of all the explanatory variables are positive. Three of the explanatory variables namely company income tax (CIT), Petroleum Profit Tax (PPT), and Value Added Tax (VAT) exhibited positive Skewness. The Jacque-Bera probabilities with $p<0.05$ is an indication that all the variables are normally distributed.

Table 2: Regression Analysis

Dependent Variable: GDP				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.84061	21.06158	0.752109	0.4538
CIT	20.86374	44.29101	0.47106	0.6387
PPT	31.98543	44.84941	0.713174	0.4775
CED	0.584304	3.86676	0.151109	0.8802
VAT	11.69271	5.459804	2.141599	0.0348
AR(1)	0.364648	0.098193	3.713576	0.0003
R-squared	0.283554	Mean dependent var		88.2692
Adjusted R-squared	0.231314	S.D. dependent var		69.9996
S.E. of regression	61.372	Akaike info criterion		11.1456
Sum squared resid	361586.1	Schwarz criterion		11.349
Log likelihood	-571.5706	Hannan-Quinn criter.		11.228
F-statistic	5.427831	Durbin-Watson stat		2.11434
Prob(F-statistic)	0.000029			
Inverted AR Roots	0.36			

Author's Computation (2019)

Table 4.4 shows the relationship between tax revenue and economic growth. The results show that about 28% of systematic variations in the dependent variable are explained by the independent variables. This figure further reduces to 23% when the R-squared statistics is further adjusted. The table shows that Company Income Tax (CIT), Petroleum Profit Tax (PPT), Custom excise Duties (CED), and Value Added Tax (VAT), exhibited a positive relationship with Economic Growth. In terms of significance, Petroleum Profit Tax (PPT)

exhibited a significant relationship with Economic Growth at 5% with a value of 0.0348. In terms of overall significance, the independent variables had a combined significance with EC which is reflected in the Prob (F-statistics) of 0.000029.The Durbin-Watson value of 2.11 is an indicating of the absence of auto-correlation.

Analysis of Diagnostic Tests

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	443.59	4.94429	NA
CIT	1961.69	2.29205	1.259521
PPT	2011.47	2.99245	1.550927
CED	14.9518	1.92044	1.453941
VAT	29.8095	12.2244	3.081364

Source: Author's Computation (2019)

The variance inflation factor was used to check for multicollinearlity. The rule of thumb is that they must be below the benchmark of 10. Thus since, all the centered VIFs are below 10, we conclude that there is no issue of multicollinearity in the model.

Heteroskedasticity Test

Table 3: Heteroskedasticity Test: Breusch-Pagan-Godfrey

Heteroskedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	0.97517	Prob. F(6,97)		0.4463
Obs*R-squared	5.91636	Prob. Chi-Square(6)		0.4326
Scaled explained SS	32.5858	Prob. Chi-Square(6)		0

Source: Author's Computation (2019)

The table above shows that the F-statistic and Obs*R-square values of 0.97517 and 5.91636 with p-values of 0.4463 and 0.4326 respectively indicates the absence of Heteroskedasticity in the model since the F-statistic and Obs*R-square with p-values of

0.4463 and 0.4326 are greater than the critical values at 5% level of significance. Thus, we can conclude that there is no presence of Heteroskedasticity in the model

4.5.3 Autocorrelation test

Table 4: Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	1.48891	Prob. F(2,94)		0.2309
Obs*R-squared	3.19344	Prob. Chi-Square(2)		0.2026

Source: Author's Computation (2015)

The table above shows that the F-statistic and Obs*R-square values of1.48891 and 3.19344 with p-values of 0.2309and 0.2026 respectively indicates the absence of autocorrelation in model1 since the F-statistic and Obs*R-square with p-values of 0.2309 and 0.2026 are greater than the critical values at 5% level of significance. Thus, we accept the null hypothesis that there is no higher order autocorrelation and we can conclude that there is no presence of autocorrelation in the model.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Findings

The results of the regression analyses for the different attributes of tax revenue components and economic growth on the whole revealed a number of puzzling findings. The results of the study showed that of company income tax, that is, (CIT), Petroleum Profit Tax (PPT),

Custom Excise Duties (CED) and Value Added Tax (VAT) exhibited a positive relationship with Economic Growth (GDP) in Nigeria. This implies that all the independent variables move in exactly the same direction with gross domestic product, which is a measure of economic growth. The positive relationship between the variables as revealed in the results of this study is in tandem with findings of Emeh and Appah (2013) as well as Apadore and Noor (2013). However, this is not consistent with the findings of Mohamad-Nor, Shafie and Wan-Hussin (2010) and Shukeri and Islam (2012) which revealed a negative relationship between the variables concerned. Nevertheless, only Petroleum Profit Tax (PPT) showed a positive significant association with economic growth in Nigeria.

In considering the variables individually, Petroleum Profit Tax (PPT) showed a positive insignificant relationship with economic growth (GDP) in Nigeria. This result is in tandem with the findings of Apadore, and Noor (2013) whose studies focused on listed firms in Malaysia. However, Emeh and Appah (2013), who performed their study within the Nigerian context likewise found a positive relationship between the variables which was statistically significant. This is at variance with the negative insignificant relationship reported between the variables by neither Mohamad-Nor, Shafie and Wan-Hussin (2010).

The relationship between frequency of Custom Excise Duties (CED) and Economic Growth (GDP) showed a positive and insignificant association. This relationship as revealed in the result is consistent with the findings of Apadore and Noor (2013) as well as Emeh and Appah (2013). However, this result is not consistent with the findings of prior studies of Mohamad-Nor, Shafie and Wan-Hussin (2010) and Shukeri and Islam (2012) that showed a negative significant relationship between the variables. Hashim and Abdul Rahman (2011) observed a negative insignificant relationship between the variables in their studies.

Value Added Tax (VAT) exhibited a positive insignificant relationship with Economic Growth results (GDP) as seen from the results of this study. This is consistent with

the findings of Apadore and Noor (2013). Emeh and Appah (2013) also found a positive relationship between the variables concerned which was statistically significant at 5 %. However, this result contradicts the finding of Hashim and Abdul Rahman (2011) which disclosed a negative significant relationship between the concerned variables. Shukeri and Islam (2012) and Mohamad-Nor et al (2010) found a negative insignificant relationship between Company Income Tax (CIT) and Petroleum Profit Tax (PPT) among Malaysian listed firms.

5.2 Conclusion and Recommendations

The broad objective of this study was to investigate the effect of tax revenue on economic growth in Nigeria. To achieve this objective, this study modified the models of prior studies of Emeh and Appah (2013) and Shukeri and Islam (2012). The model was tested using quoted companies in one sector of the Nigerian economy, being the banking sector. The empirical analysis provided that Petroleum Profit Tax (PPT) is significantly related to Economic Growth (GDP). It also revealed that custom excise duties is not significantly related to Economic Growth (GDP); Value Added Tax (VAT) is not significantly related to Economic Growth (GDP). The study therefore make the followings recommendations t based on the above findings.

1. The existing tax policies and laws should be rigorously enforced to ensure that capital gains tax continues to make more positive contributions towards the total revenue.
2. The amount expended on the collection of the tax should be kept at a very minimal level so that more revenue will be available to the government to carry out its responsibilities of infrastructural development and provision of social services which may translate into economic development and growth in the long run.

3. There should be proper enforcement of the recovery of outstanding Capital gains taxes so as to ensure that defaulters are not left to go free and to curb tax avoidance and evasion in the long run.
4. Proper records should be kept and provided for all capital assets sales in Nigeria so as to ensure that all taxes due to the government are collected.

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