

## Value Added Tax and Revenue Yield in Delta State Nigeria

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### **Abstract**

*The study examined the effect of value added tax on the revenue yield of Delta State. Ex-post facto research design was deployed in the study. Data for this study were obtained from secondary sources, including the Delta State Government financial records, and the National Bureau of Statistics. The data encompassed a ten-year fiscal period from 2014 to 2023. Descriptive analysis was used to summarize the data. To test the null hypothesis concerning the effect of VAT on revenue yield, the Ordinary Least Squares (OLS) multiple regression technique was utilized. The finding revealed that VAT has a significant positive effect on the revenue yield of Delta State, with a coefficient of 14.15484 (p-value: 0.0000). In conclusion, harnessing the broad-based nature of VAT enables Delta state to continue to enhance its fiscal stability and fund essential public services, contributing to the region's overall development and economic resilience. The study therefore recommended that Delta State Government should implement targeted public awareness campaigns to educate citizens and businesses about the importance of VAT compliance in order to enhance collection rates and further boost revenue yield.*

**Keywords:** Value Added Tax, Revenue Yield, Delta State

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### **Introduction**

The economic domain of Nigeria has been shaped by various fiscal policies aimed at enhancing revenue generation and ensuring sustainable development. Among these policies, the Value Added Tax (VAT) system has emerged as a crucial component in the tax structure of the country. VAT is a consumption tax levied on the value added to goods and services at each stage of production or distribution. Introduced in Nigeria in 1994, the VAT system has undergone several reforms to improve efficiency and compliance (Olika, Ukomadu, Ogidan & Abiodun, 2024). In today's business environment, characterized by rapid globalization and technological advancements (Mmadubuobi, Nworie & Aziekwe, 2024), the relevance of VAT

and the effectiveness of revenue yield cannot be overstated. Businesses are increasingly engaging in cross-border trade, necessitating a taxation system that is both efficient and equitable. VAT serves as a significant source of revenue for governments worldwide, offering a transparent mechanism to tax consumption rather than income (Aliyu & Audu, 2024). This is particularly important in developing countries like Nigeria, where informal sectors dominate the economy, and traditional income tax systems may struggle to capture a broad tax base. The stability of revenue yield from VAT is essential for governments to finance public goods and services, such as education, healthcare, and infrastructure development (Odusina, 2023). In Delta State, the optimization of VAT collection can provide the necessary funds to address pressing socio-economic challenges and improve the quality of life for its citizens. Consequently, understanding the dynamics of VAT and its revenue implications is vital for policymakers, businesses, and the general populace.

The concept of Value Added Tax involves several key elements that warrant exploration. VAT is designed to be a multi-stage tax, meaning it is collected at various points in the production and distribution chain. The fundamental principle is that tax is paid only on the value added to the product at each stage, allowing businesses to reclaim the VAT they have paid on inputs. This mechanism is intended to minimize tax cascading, where tax is levied on tax, thus avoiding distortions in pricing and production decisions. In Nigeria, VAT is administered by the Federal Inland Revenue Service (FIRS) but is shared with states and local governments, providing them with a critical revenue stream (Akande, 2024). The VAT rate in Nigeria is currently set at 7.5%, reflecting adjustments made to enhance revenue yield amidst economic challenges. As businesses grow and consumer spending increases, the effective collection and management of VAT can significantly impact the financial capabilities of local governments, including Delta State.

The relationship between Value Added Tax and revenue yield is multifaceted, involving several factors that influence the effectiveness of VAT as a revenue-generating tool. Firstly, compliance and enforcement mechanisms play a crucial role in determining how much revenue is collected through VAT. High levels of tax compliance can lead to substantial revenue yields, while evasion and avoidance undermine the system (Oluwatobi, Omodero, Ololade, Ekundayo, & Odhigu, 2024). Factors such as the administrative capacity of tax authorities, the level of awareness among taxpayers, and the complexity of the tax code can significantly influence compliance rates. Furthermore, the economic environment itself, including inflation rates, consumer behavior, and the overall economic activity, can also affect how much revenue is generated through VAT. An increase in consumer spending typically leads to higher VAT revenue, while economic downturns can result in lower sales and, consequently, reduced VAT collection. It is expected that the Value Added Tax (VAT) system should function as an efficient and effective mechanism for revenue generation, contributing significantly to the state's financial resources (Olika, Ukomadu, Ogidan & Abiodun, 2024). An optimal VAT framework would ensure high levels of compliance among businesses, facilitated by clear regulations and strong administrative capacity. This would enable the state to collect substantial revenue, which could be reinvested into essential public services such as education, healthcare, and infrastructure. In this envisioned situation, citizens would benefit from improved public goods and services, leading to enhanced quality of life and socio-economic development across the state.

However, despite the potential of VAT to enhance revenue yield, various challenges hinder its effective implementation. These challenges include low levels of taxpayer awareness, inadequate enforcement mechanisms, and a significant presence of informal economic activities that escape VAT obligations (Yeldu, Illo, Abubakar & Oladele, 2023). Many small and medium-sized enterprises (SMEs) struggle to navigate the complexities of the VAT system, resulting in low compliance rates. Consequently, the revenue collected through VAT remains significantly below its potential, limiting the state's financial capacity to address pressing developmental needs.

Consequently, limited VAT revenue hampers the ability of the Delta State government to fund essential public services and infrastructure projects, perpetuating a cycle of underdevelopment. As a result, critical areas such as healthcare and education suffer from inadequate funding, affecting the quality of services provided to citizens. Additionally, the inability to leverage VAT effectively leads to increased reliance on alternative revenue sources, which may be less stable and more vulnerable to economic fluctuations. Ultimately, this situation undermines the state's economic growth and development prospects, posing significant challenges for policymakers striving to improve the welfare of their constituents.

The existing literature on the effects of Value Added Tax (VAT) on revenue generation in Nigeria has primarily focused on broader national impacts and comparisons among various states. For instance, Aliyu and Audu (2024) explored the monopolistic aspects of VAT among certain states and its detrimental effects on low-revenue-generating states. Nwaiwu (2024) and Mohammed et al. (2024) examined VAT's relationship with economic growth and total government revenue, respectively, utilizing macroeconomic data and statistical analysis to draw their conclusions. Furthermore, studies by Musa et al. (2023) and Odusina (2023) have investigated VAT's impact on income generation and revenue in specific regions, emphasizing the significance of effective tax collection mechanisms. However, there remains a notable gap in understanding the localized effects of VAT on the revenue yield specifically within Delta State, where unique economic conditions and governance challenges may influence VAT performance differently from other states.

While the aforementioned studies contribute valuable insights, they often overlook the specific context of Delta State, which has distinct socioeconomic factors, demographic challenges, and governance structures affecting tax revenue. The empirical studies conducted by authors like Aliyu and Audu (2024), Nwaiwu (2024), Mohammed et al. (2024), Musa et al. (2023), and Odusina (2023) primarily aggregate data at the national or regional levels without disaggregating findings to reveal the localized dynamics of VAT revenue generation. This gap signifies the need for a focused investigation into how VAT influences revenue yield in Delta State, addressing local economic conditions and administrative practices that may either facilitate or hinder effective VAT collection. A comprehensive understanding of this localized impact can provide targeted recommendations for enhancing revenue generation strategies within the state, thus contributing to a more equitable and efficient tax system.

## **Objective of the study**

The objective of the study is to examine the effect of value added tax on the revenue yield of Delta State.

## **Hypothesis**

Value added tax has no significant effect on the revenue yield of Delta State.

## **Literature Review**

### **Conceptual Review**

#### **Value Added Tax**

Value Added Tax (VAT) is a consumption-based tax levied on the value added to goods and services at each stage of the production and distribution process (Akande, 2024). This tax system was designed to replace cascading taxes, where multiple taxes are levied on the same product at different stages, resulting in inefficiencies and inflated prices. Introduced in various countries around the world, VAT is considered a more transparent and equitable taxation method, as it allows businesses to reclaim the tax paid on inputs, thereby taxing only the final consumer. The tax is typically collected by businesses on behalf of the government, which makes it an indirect tax (Olika, Ukomadu, Ogidan & Abiodun, 2024).

Businesses collect VAT on behalf of the government when they sell products, and they can reclaim the VAT paid on their own purchases (Umenweke & Nwoke, 2023). This system ensures that the tax is applied incrementally, making it more transparent and reducing tax evasion. Ultimately, the final consumer bears the cost of VAT, which is typically included in the price of the goods or services. VAT rates and regulations can vary significantly between countries.

VAT is applied to a wide array of goods and services, ranging from everyday consumer products to luxury items and professional services. The rate at which VAT is levied by Nigeria is 7.5%. The mechanism of VAT operates on a credit-invoice system, where businesses charge VAT on their sales and can deduct the VAT they have paid on their purchases from their total VAT liability. This ensures that the tax is effectively borne by the final consumer, as businesses do not incur a net tax burden. The implementation of VAT requires robust administrative systems to ensure compliance and enforcement, as businesses must keep accurate records of their transactions and tax liabilities (Akande, 2024). The effectiveness of VAT as a revenue-generating tool is heavily influenced by factors such as taxpayer education, administrative efficiency, and the overall economic environment, which can affect consumer spending patterns.

#### **Revenue Yield**

Revenue yield refers to the total amount of income generated from a specific source of revenue, such as taxes, fees, or sales (Odusina, 2023). In the context of taxation, revenue yield indicates the effectiveness of a tax system in generating funds for government expenditure, providing hints into how well the taxation framework is functioning. This concept is crucial for policymakers and fiscal analysts as it allows them to assess the performance of various

revenue-generating mechanisms, including Value Added Tax (VAT), income tax, corporate tax, and others (John, 2024).

Revenue generation of a state refers to the process by which a government collects funds to finance its operations, public services, and development projects (Musa, Abdullahi, Garba, Badamasi & Abdullahi, 2023). This revenue primarily comes from various sources, including taxes (such as income tax, sales tax, and property tax), fees for services, fines, and revenues from state-owned enterprises. Effective state revenue generation is essential for maintaining infrastructure, funding education and healthcare, and ensuring the overall economic stability of the region (Oduşina, 2023). By optimizing revenue collection and management, governments can better meet the needs of their citizens and promote sustainable growth.

In addition to assessing current revenue performance, revenue yield can also inform future fiscal planning. Understanding trends in revenue yield helps governments make informed decisions about tax policy, budget allocation, and resource mobilization strategies (Kamara & Kamara, 2023). For example, if the revenue yield from VAT is consistently low, policymakers might consider revising the tax structure, improving taxpayer education, or enhancing enforcement measures to increase compliance and overall revenue generation. Moreover, revenue yield is influenced by various factors, including economic conditions, consumer behavior, and demographic changes (Anastasiou, A., Kalligosfyris & Kalamara, 2024; Garg, Narwal & Kumar, 2024; Abdulkadir & Aliyu, 2024). In periods of economic growth, for instance, one might expect higher revenue yields as increased consumer spending leads to greater tax collection. Conversely, economic downturns can lead to decreased revenue yields as spending declines and compliance issues may arise. As such, monitoring revenue yield is essential for maintaining fiscal stability and ensuring that governments can adequately fund public services and infrastructure.

### **Theoretical Framework**

Resource Mobilization Theory emerged in the 1970s (Flynn, 2011), primarily developed by sociologists such as Charles Tilly and John D. McCarthy. It was initially formulated to explain how social movements gather and utilize resources to achieve their objectives. Over time, the theory has been adapted to various fields, including economics and public policy, highlighting the processes by which organizations and governments mobilize financial, human, and material resources to fulfill their goals. In the context of taxation, especially Value Added Tax (VAT), Resource Mobilization Theory provides a framework for understanding how states can leverage tax systems to enhance revenue generation.

The main postulations of Resource Mobilization Theory emphasize the importance of organizational capacity, strategic planning, and the ability to leverage resources effectively (Angelopoulos, Canhilal & Hawkins, 2023). According to the theory, successful mobilization requires a clear understanding of available resources, efficient management of those resources, and the establishment of mechanisms to ensure continuous funding. It posits that organizations—be they social movements or governmental entities—must identify and utilize both internal and external resources, adapting to changing circumstances to sustain their objectives (Angelopoulos, Canhilal & Hawkins, 2023). In the case of taxation, the theory underscores the importance of implementing systems that maximize resource mobilization, thus ensuring that revenue generation mechanisms, such as VAT, function optimally.

This theory is particularly relevant to the study of VAT and revenue yield in Delta State, Nigeria, as it offers hints into how the state can enhance its capacity to generate revenue through effective tax mobilization strategies. By applying Resource Mobilization Theory, the research explores how Delta State can identify and utilize existing resources to improve VAT collection, enhance compliance among businesses, and ultimately increase revenue yield. The theory highlights the need for strong institutional frameworks, taxpayer education, and efficient administrative practices, all of which are essential for optimizing VAT as a reliable source of funding for public services and development initiatives. In this way, Resource Mobilization Theory provides a comprehensive lens through which to analyze the challenges and opportunities associated with VAT implementation in Delta State.

### **Empirical Review**

Aliyu and Audu (2024) examined the effect of value-added tax monopoly by some states on low revenue-generating states. An exploratory/survey approach was adopted, using employment, revenue generation, and economic development as proxies to measure the monopolistic effect of value-added tax on low revenue-generating states. Primary data were collected through a closed-end questionnaire, with a study population of 273 respondents drawn from Borno, Gombe, and Yobe states. A sample size of 256 was determined using a stratified sampling technique. Linear regression analysis was conducted with the help of SPSS version 27. Findings indicated that the monopoly of value-added tax by states negatively and significantly affects employment, revenue generation, and economic development in other states. The study concluded that value-added tax revenues should be generated for redistribution to states and local governments in Nigeria to augment their internally generated revenue, which would enhance growth and economic development. It recommended that the federal government redistribute resources equitably and fairly to reduce persistent friction in revenue allocation.

Nwaiwu (2024) explored the relationship between value-added tax and economic growth in Nigeria. The study adopted a longitudinal research design, collecting data from the Central Bank of Nigeria's statistical bulletin, the National Bureau of Statistics, Federal Inland Revenue statistics, and annual reports of the Central Bank of Nigeria from 1994 to 2021. The collected data were analyzed using descriptive statistics, ordinary least squares regression analysis, unit root tests, co-integration tests, and an error correction model, employing E-Views version II. The results indicated that input tax has a positive and significant relationship with gross domestic product (GDP), while output tax also positively relates to GDP. The study concluded that there exists a strong relationship between value-added tax revenue and economic growth in Nigeria, recommending that Nigeria's mono-product economy should be diversified to enhance taxation, given the positive relationship between taxation and economic growth. Additionally, the study suggested that the shift from direct to indirect taxation, as outlined in the New National Policy, should be reconsidered, as there exists a negative and insignificant relationship between value-added tax revenue and economic growth in Nigeria.

Mohammed, Suleiman, Olamide, Olamide, and Yusuf (2024) evaluated the contribution of value-added tax to total government revenue from 1994 to 2022. To achieve this aim, quantitative secondary data on VAT allocations to federal, state, and local governments, as well as total government revenue, were collected from the annual publications of the Central Bank of Nigeria. The collected data were descriptively analyzed using tables, figures, charts,

and percentages to illustrate the contributions of VAT to total government revenue during the specified period. Additionally, an Analysis of Variance test was conducted to statistically determine VAT's contribution. The study was guided by the theories of optimal taxation and the Laffer curve. Results revealed that VAT significantly contributes to total government revenue over the study period.

Musa, Abdullahi, Garba, Badamasi, and Abdullahi (2023) examined how Nigeria's value-added tax has affected the country's income generation over a twenty-year span (1999-2019). The study utilized secondary data from the Federal Inland Revenue Service Annual Reports and the Central Bank of Nigeria Statistical Bulletin. A simple regression technique was employed for the analysis. Results indicated that both company income tax and value-added tax have a statistically significant impact on Nigeria's income generation. The report recommended that the government should enhance the collection of value-added tax, ensuring that all VAT agents are committed and transparent in their collection and payment processes. Furthermore, expanding the tax base by including goods and services, especially from the informal sector, was highlighted as a key strategy.

Oduşina (2023) investigated taxation and revenue generation in South-Western Nigeria. The study adopted a descriptive survey research design, collecting primary data through a well-structured questionnaire. A sample of 551 staff from the State Internal Revenue Services in Lagos, Ogun, and Oyo states was selected using simple random sampling techniques from tax offices across the states. The study employed descriptive statistics (simple percentages) and regression analysis for data analysis. Findings revealed that taxation significantly enhances revenue generation in South-West Nigeria.

### **Methodology**

This study employed an ex-post facto research design to examine the effect of Value Added Tax (VAT) on the revenue yield of Delta State. This design is particularly suitable as it allows for the observation of the dependent variable, revenue yield, after the independent variable, VAT, has already been implemented. By analyzing historical data, the researcher can determine the potential relationship and impact of VAT on revenue yield, despite the inability to manipulate these variables directly. The ex-post facto approach is advantageous for studying phenomena where the variables of interest have already occurred and provides a clear framework for assessing their effects retrospectively.

Data for this study were obtained from secondary sources, including the Delta State Government financial records, and the National Bureau of Statistics. The data encompassed a ten-year fiscal period from 2014 to 2023, providing a comprehensive view of VAT implementation and its impact on revenue yield. This timeframe is critical for understanding trends and patterns in revenue generation related to VAT, allowing for an in-depth analysis of the tax's effectiveness.

**Table 3.1 Operational Measurement of Variables**

Variable	Type	Measurement
Revenue Yield	Dependent	Total revenue generated by Delta State
Value Added Tax (VAT)	Independent	Total VAT revenue allocated to Delta State during the fiscal period

Source: Researcher’s Compilation (2024)

The analysis of the secondary data collected for this study involved both descriptive and inferential statistical techniques. Descriptive analysis included calculating means, minimum and maximum values, and standard deviations to summarize the data effectively. To test the null hypothesis concerning the relationships between VAT and revenue yield, the Ordinary Least Squares (OLS) multiple regression technique was utilized. This method allowed for an empirical examination of the effect of VAT on revenue yield. Eviews Version 10 served as the statistical software for this analysis, providing robust regression outputs. The decision rule for this study dictates that the null hypothesis will be rejected if the computed p-value is less than the significance level of 5%. Conversely, if the computed p-value exceeds the 5% significance level, the null hypothesis will be accepted. This approach ensures that the conclusions drawn from the analysis are statistically valid and reliable. The model tested is presented as follows:

$$\text{Revenue Yield} = f(\text{VAT}) \text{_____} \text{eq1}$$

In econometric form, this relationship can be expressed as:

$$RY_t = \alpha_0 + \beta_1 \text{VAT}_t + \mu_t \text{_____} \text{eq2}$$

Where:

RY = Revenue Yield

VAT = Value Added Tax

$\alpha$  = constant

$\beta_1$  = coefficient of the independent variable

$\mu$  = error term

t = time in question.

**Data Analysis**

**Data Presentation**

In order to ascertain the extent to which VAT affects revenue yield of Delta State, the data shown in Table 4.1 were collected from both the financial statements of Delta state and also the statistical bulletins of the Bulletin of National Bureau of Statistics (2014- 2023).



**Table 4.1 Data Presentation**

Year	VAT	Total Revenue Yield of Delta State
2014	615592572.54	42819209025.24
2015	848697046.32	191696301339.08
2016	9592344336.46	156542889136.47
2017	11321599918.25	244190310428.05
2018	13060073803.71	356210966291.37
2019	14767378587.54	351967982968.44
2020	17071036206.18	270948060712.67
2021	24447074360.92	343712641730.24
2022	29992454338.77	566153716156.14
2023	43854543322.27	727210058251.94

Source: Delta State Government financial statements and the Bulletin of National Bureau of Statistics (2014- 2023)

### Descriptive Analysis

**Table 4.2 Descriptive Analysis**

	Revenue Yield (₦'000,000)	VAT (₦'000,000)
Mean	325145.2	16557.08
Median	307330.4	13913.73
Maximum	727210.1	43854.54
Minimum	42819.21	615.5926
Std. Dev.	199222.1	13251.46
Skewness	0.721187	0.744920
Kurtosis	2.902796	2.884429
Jarque-Bera	0.870787	0.930407
Probability	0.647010	0.628007
Sum	3251452.	165570.8
Sum Sq. Dev.	3.57E+11	1.58E+09
Observations	10	10

Source: Eviews 10 Output (2024)

The descriptive analysis of revenue yield shows a mean value of ₦325.145 billion, indicating the average revenue generated over the study period. The maximum revenue yield reached ₦727.210 billion, highlighting a significant peak in revenue, while the minimum was ₦42.819 million, suggesting some years where revenue generation was notably low. The standard deviation of ₦199.222 billion indicates considerable variability in revenue yield across the years, suggesting that external factors likely influenced revenue generation. The positive skewness value of 0.721 indicates that the distribution of revenue yield is slightly skewed to the right, implying that a few years saw exceptionally high revenue, pulling the mean to the right of the median. The kurtosis value of 2.902, which is below the normal distribution value of 3, suggests a relatively flat distribution with lighter tails, indicating fewer extreme values. The Jarque-Bera statistic of 0.870787 and its associated probability of 0.647010 indicate that

the revenue yield data does not significantly deviate from a normal distribution, allowing for valid inferences from subsequent statistical analyses.

The analysis of VAT reveals a mean of ₦16.557 billion, reflecting the average VAT collected during the study period. The maximum VAT collected peaked at ₦43.854 billion, while the minimum amount collected was ₦615 billion, showing a wide range of VAT collection performance across different years. The standard deviation of ₦13.251 billion indicates a moderate level of variability in VAT collections, which may be attributed to economic fluctuations or changes in tax policy. The skewness value of 0.744920 suggests that the distribution of VAT collections is positively skewed, meaning that there are a few years with notably higher collections that elevate the average. The kurtosis of 2.884429, which is slightly less than the value of 3, indicates that the distribution is also relatively flat, similar to the revenue yield, with fewer extreme values. The Jarque-Bera statistic of 0.930407 and its probability of 0.628007 confirm that the VAT data does not significantly deviate from normality, allowing for robust statistical analysis in subsequent sections of the study.

### Test of Hypothesis

The hypothesis was tested using the OLS regression tool as shown below in Table 4.3.

**Table 4.3 OLS Regression Analysis**

Dependent Variable: Revenue\_Yield

Method: Least Squares

Date: 09/14/24 Time: 23:16

Sample: 2014 2023

Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAT	14.15484	1.790978	7.903410	0.0000
C	90782.46	37232.46	2.438261	0.0407
R-squared	0.886467	Mean dependent var		325145.2
Adjusted R-squared	0.872275	S.D. dependent var		199222.1
S.E. of regression	71199.25	Akaike info criterion		25.36121
Sum squared resid	4.06E+10	Schwarz criterion		25.42173
Log likelihood	-124.8060	Hannan-Quinn criter.		25.29482
F-statistic	62.46388	Durbin-Watson stat		2.336497
Prob(F-statistic)	0.000048			

Source: Eviews 10 Output (2024)

The hypothesis tested in this study is H01: VAT has no significant effect on the revenue yield of Delta State. The results of the Ordinary Least Squares (OLS) regression analysis, as presented in Table 4.3, provide useful hints into this hypothesis. The adjusted R-squared value of 0.872275 indicates that approximately 87.23% of the variation in revenue yield can be

explained by the VAT variable, suggesting a strong model fit. This high level of explanatory power reinforces the relevance of VAT in determining revenue yield in Delta State.

The F-statistic is significant, with a probability value (Prob(F-statistic)) of 0.000048, which is far below the conventional significance level of 0.05. This result indicates that the overall regression model is statistically significant, meaning that the independent variable (VAT) significantly contributes to explaining variations in the dependent variable (revenue yield).

Focusing on the coefficient for VAT, which is 14.15484, indicates that for every additional million naira collected in VAT, the revenue yield increases by approximately ₦14.15 million. The associated p-value of 0.0000 is also highly significant, confirming that the effect of VAT on revenue yield is statistically significant. Given that this p-value is less than 0.05, we reject the null hypothesis (H<sub>01</sub>) and conclude that VAT does have a significant positive effect on the revenue yield of Delta State. The constant term (C) of 90,782.46, with a p-value of 0.0407, also indicates that, when VAT is zero, the revenue yield would still be significant, further underscoring the importance of VAT in the revenue generation framework.

Having accepted the alternate hypothesis, VAT has a significant positive effect on the revenue yield of Delta State, with a coefficient of 14.15484 (p-value: 0.0000).

### **Discussion of Finding**

The findings regarding the positive effect of value-added tax (VAT) on revenue yield in Delta State are supported by several studies while also facing some contrasting views. For instance, Mohammed et al. (2024) affirm that VAT significantly contributes to total government revenue in Nigeria, aligning with the finding of a substantial positive coefficient for VAT in Delta State. Similarly, Nwaiwu (2024) highlights a strong relationship between VAT revenue and economic growth, suggesting that increased VAT can stimulate broader economic benefits, reinforcing the idea that VAT has a beneficial impact on revenue generation. However, Aliyu and Audu (2024) present a contrasting perspective by indicating that the monopolistic control of VAT by certain states adversely affects low revenue-generating states, suggesting a negative systemic impact that could complicate the overall revenue landscape. Additionally, while Musa et al. (2023) also confirm a significant positive impact of VAT on income generation, they emphasize the need for improved collection mechanisms to enhance this effect, echoing the recommendations for better resource allocation found in Aliyu and Audu's work. Lastly, Odusina (2023) reinforces the positive link between taxation and revenue generation in South-Western Nigeria, which resonates with the findings in Delta State, although the regional focus differs. Together, these studies depict a complex interplay of VAT's effects on revenue across different contexts in Nigeria.

### **Conclusion and Recommendations**

Value Added Tax (VAT) plays a crucial role in the revenue generation strategies of many states, including Delta State. As a consumption tax imposed on goods and services, VAT is an essential source of income for governments, particularly in developing regions where alternative revenue streams may be limited. The recent finding indicating that VAT has a significant positive effect on the revenue yield of Delta State, with a coefficient of 14.15484, underscores the importance of effective tax policies in enhancing public finance. The finding

that VAT has a substantial positive effect on Delta State's revenue yield, represented by a coefficient of 14.15484, suggests that for every unit increase in VAT revenue, the overall revenue increases significantly. Several factors contribute to the significant positive impact of VAT on Delta State's revenue. Firstly, the state's economic structure is likely characterized by a vibrant marketplace where various goods and services are traded. This dynamic environment ensures that VAT can be effectively collected across multiple sectors, thereby maximizing its yield. Additionally, the administration of VAT, when efficiently managed, can minimize tax evasion and ensure compliance, leading to an increased revenue flow.

Moreover, the demographic and economic characteristics of Delta State may support a strong VAT performance. With a growing population and rising consumer spending, there is a continuous influx of taxable transactions. This growth in consumption directly correlates with higher VAT revenues, as more transactions generate more tax income. The reliance on consumption taxes like VAT can also be more resilient to economic fluctuations compared to income taxes, making it a reliable revenue source. In conclusion, harnessing the broad-based nature of VAT enables Delta state to continue to enhance its fiscal stability and fund essential public services, contributing to the region's overall development and economic resilience. The study therefore recommended that Delta State Government should implement targeted public awareness campaigns to educate citizens and businesses about the importance of VAT compliance in order to enhance collection rates and further boost revenue yield.

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