Tax Income and Economic Development: The Resource Dependency Theory (RDT)

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Abstract

The paper systematically review various empirical studies on tax income and economic development. The findings from various studies revealed a better understanding of tax revenue and economic growth in Nigeria. Economic development and four other variables that represent petroleum profit tax, company income tax, personal income, and value added tax were reviewed to see which factors best describes economic development in Nigeria. Various results show that petroleum profit tax, company income tax, custom and value added tax are significant variables in explaining the economic development in Nigeria. Out of all the four independents variables, it is only personal income tax that shows significant negative insignificant relationship with economic development in most studies which implies that they are both moving in inverse direction. The implication of our findings is pointing majority at policy makers, especially the Federal Board of Inland Revenue as most of tax variables shows a positively significant relationship with economic development, meaning that there should be no area in tax collection that should be taken lightly as they have all proven to be a major variable in connection to the growth of the economy. Due priority must also be accorded to non-oil sector so as to improve government earnings from other non-oil sectors to significantly contributes to the growth and development of the economy. Government should be encouraged to persistently invest tax revenues from oil sector (particularly PPT) to develop other sectors of the economy so as to bridge the gaps between revenue accrued to the government and infrastructural deficiencies. There must be full entrenchment of good governance in the administration of tax system in Nigeria. Due to the significance of tax in bringing revenue to the government for various uses, its ability to affect consumption patterns lead to the growth of the economy, exert influence on economic variables, and its ability to affect consumption patterns, the government of every nation will strive to maximize the revenues from tax (Asaolu et al., 2018).

Keyword: *Tax income, economic development, resource dependency theory, research gaps, systematic reviews, framework, model formulation.*

JEL Classification code: *C22, C32, C58*

1.0 Introduction

The global economic challenges and the volatility in the price of crude has generated concerns for a shift in emphasis from tax revenue on oil and gas to really optimising revenue collection in the non-oil sectors (Babatunde *et al.*, 2017). It is imperative to note however, that the non-oil sector, which has been neglected almost completely by succeeding governments accounted for over 93 percent of the nation's GDP in 1960. But its percentage contribution has declined over years due to the attributed factors (Charles *et al.*, 2018).

The government gets most of its expenditure through tax revenue and resource allocation decisions according to the national priorities highly depend on the amount of tax collected. Also, economic planning is conducted through evaluating the level of imaginable resources required for future investment based on revenues earned through tax. Tax may affect economic choices and ultimately economic growth via its impact on return of physical and human capital (Shahmoradi *et al.*, 2019).
Tax revenue generation is a vital subject of any government and the development of the nation. In the past decades, the Nigerian government's focus for revenue generation has shifted from Agriculture (in 1950s) to Oil (in 1960s) and borrowings form external financial institutions and there has been less focus on internally generated tax revenue within the country. Despite the shift from one sector to another and to borrowings, external grants and foreign aids, Nigeria stills records a budget deficit balance since 1988 to 2021 except in 1995 and 1996 when the country recorded a surplus budget balance. The reliance on oil revenue has failed due to incessant drop in oil prices from 2014 to date (Lanem *et al.*, 2020).

Non-oil revenues are revenues generated from sources other than the oil producing activities (such as petroleum revenue from the upstream activity and other oil related operations). Examples of non-oil revenue include revenues from companies not engaged in oil & gas explorations, such as Companies Income Tax, Personal Income Tax, Custom and Excise Duties and Value Added Tax, etc. (Ebiaghan *et al.*, 2021). Thus, tax imposed on these non-oil producing activities by the government is called non-oil tax, and the revenue realized by the government in the imposition of non-oil tax is known as non-oil revenue.
According to Lanem *et al.* (2020), non-oil revenue in Nigerian tax system, comprises company income tax, customs and excise duties, and independent revenue sources, which consists of fees, licenses, rent on government property and so on. Egbunike *et al.* (2018) identified non-oil taxes revenue as comprising company income tax, personal income tax, capital gains tax, stamp duty, value added tax, custom and excise duties, amongst others. Non–oil revenues are usually generated from commodities that are not petroleum related (Yahaya & Bakare, 2018).

Taxes can be grouped into direct taxes and indirect taxes (Ayeni et al., 2017). Direct tax is a type of tax that is charged exactly on an individual or an organisation, and which the individual or organisation is required to pay by way of a notice known as an assessment notice. A taxpayer must have been informed of such tax payments. They are taxes that are remitted directly to the government by companies and individuals (Omodero *et al.*, 2021). Types of taxes that fall under direct tax include Petroleum Profit Tax, Withholding Tax, Capital Gains Tax, Company Income

Tax and Stamp Duties. Indirect tax are taxes whereby the tax burdens are not borne by the individuals or organisation imposed upon but are transferred to other individuals who will then bear the tax burdens. They are charged on goods and services where tax burden doesn't fall on the initial buyer but on the final consumers (Omodero, 2021; Ayeni *et al.*, 2017). Indirect taxes include Value Added Tax, Custom and Excise Duties.

1.1 Company Income Tax (CIT)

Company Income Tax (CIT) This is a percentage of the profit of a company accruing in, derived from, brought into or received in Nigeria (Olaoye &Adebayo, 2020). This tax is payable to the Federal Tax of Inland Revenue. The rationale behind the tax is to levy tax on the company which is juristic person as different from its shareholders as the company becomes a distinct legal entity at incorporation. The tax is regulated by the Companies Income tax Act 2004. CIT was created by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and collected by the Federal Inland Revenue Service (FIRS). The tax contributes significantly to the revenue profile of the Service. In 2021, the revenue target for Companies Income Tax is N3.877 trillion representing approximately 40percent of the total projected tax revenue of N14.957 trillion for the year (Federal Inland Revenue Service, 2021). In filing for Companies Income Tax, audited financial statement are statutorily required. This necessitates the engagement of External Auditors to prepare and/or certify the accounts to be submitted. The returns should mandatorily be accompanied by the tax computations and capital allowances computations on qualifying assets of the company (Nnyanzi *et al.*, 2018). The requirement for filing does not discriminate between small, medium or large taxpayers. To many taxpayers therefore, CIT is a complicated kind of tax, difficult to understand and to comply with (Federal Inland Revenue Service, 2021).

The CIT projection is based on the estimated nominal GDP, Companies' Profitability Ratio, and further improvement in collection efficiency. Estimates were derived taking into consideration the progress in COVID-19 vaccination and significant growth of domestic economic activities as well as the effective implementation of the Medium-Term NationalDevelopment Plan. Other important assumptions include improvement in the Nigeria business environment, stable tax rate and successful broadening of the tax net.

1.2 Value Added Tax (VAT)

Ajiteru *et al.*, 2018 defined VAT as a "multi stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and to services as they are rendered" which is eventually borne by the final consumer but collected at each stage of production and distribution chain. Ogbonna and Appah (2018) said that VAT is a tax paid at each stage of value added. It is a multi-stage tax which applies whenever goods and services are supplied by the producers. He also said that VAT are levied on the value gained or added on the products before being sold, VAT is an output tax less input tax. He went further to say that VAT is one of indirect taxes collected by the government in this case the incidence of tax is borne by either the producer or the final consumer or shared by both. VAT is referred to as tax on consumption of goods and services. VAT was first introduced in Nigeria in 1994 to

replace the sales tax. The decision to replace the sales tax with VAT was influenced by the fact that VAT is applied on a broader range of goods and services (including those that were exempted from sales tax), so it was meant to broaden government's tax revenue base. Currently, VAT is charged at a rate of 7.5% on all goods and services (Ebiaghan *et al.*, 2021).
In Nigeria budgetary estimate for fiscal year 2022, VAT was estimated using projected aggregate nominal consumption, taking into account vatable items and collection efficiency. Aggregate consumption is estimated at ₦149.35trillion in 2022 from the revised ₦136.57trillion estimated for 2021. Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of the provisions of the Finance Act, 2020 and improving efficiency.

1.3 Personal Income Tax (PIT)

This is a form of tax paid on one's personal income as distinct from the tax paid on the firm's earnings. In an incorporated firm, the owners (shareholders) pay taxes on both their income (salary or dividend from the firm) and firm's income (profits). In partnerships and sole-ownerships, the tax is paid only once on the firm's profits. Olayungbo and Olayemi (2018) defined PIT as a direct tax charged on the income of a person. In the context of personal income tax, a 'person' means an individual, a sole proprietorship (non-juristic person), communities and families and on executors and trustees (of an undivided estate). The tax is on the Pay as You Earn (PAYE) basis, that is the tax payable depends on how much is earned by the tax payer. The tax is easy to collect among civil servants as it is deducted from source by the appropriate authorities unlike the private sector who will have to file returns of each tax payer which in most cases is not done (Adeusi *et al*., 2020). The tax is payable to both the Federal Board of Inland Revenue and the state Board of Internal Revenue depending on the sector in which the taxpayer is employed. The tax is regulated by the Personal Income Tax Act 2004 (Federal Inland Revenue Service, 2021).

1.4 Petroleum Profit Tax

According to Uzoka and Chiedu (2018), 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. Petroleum operation as defined in the PPTA essentially involves petroleum exploration, development, production and sale of crude oil. The Petroleum Profit Tax is regulated by the Petroleum Profit Tax Act of 1959 as amended by the Petroleum Profit Tax Act of 2007. Although the initial law was passed in 1959 to capture the first oil export made in that year (Ebiaghan *et al.*, 2021). Section 8 of Petroleum Profit Tax Act PPTA) states that every company engaged in petroleum operations is under an obligation to render return, together with properly annual audited accounts and computations, within a specified time after

the end of its accounting period. Petroleum profit tax involves the charging of tax on the incomes accruing from petroleum operations (Olaoye *et al.*, 2019). The author noted that the importance of petroleum to the Nigerian economy gave rise to the enactment of a different law regulating the taxation of incomes from petroleum operations.

2.0 Statement of Problem

Nigeria, being a third world developing economy requires huge revenue to make provision for the colossal infrastructural deficit occasioned by her ever-increasing population. (Ebiaghan *et al.*, 2021). Arguably, an efficient and/or effective tax system can possibly help governments in the area of generating sufficient revenue that would be used in catering for their projected expenditures on infrastructural development and satisfy the basic needs of their citizenry. This is why several countries of the world had relied heavily on taxation in order to generate the much needed revenue to cater for their respective developmental needs. In fact, studies have pointed that tax revenue guarantees a relatively stable and predictable stream of revenue to finance people-focused developmental projects (Ebiaghan *et al.*, 2021).

Government has different sources of revenue, but the most reliable source of government revenue is tax. Unfortunately the revenue that government generates from tax over the years has not been adequate to finance its increasing social and public spending needed in stimulating economic growth in the country. This has been as a result of high rate of tax evasion and tax avoidance, leakages and falsification of records in Nigeria. The study therefore studied the impact of tax income on the economic development in Nigeria.

3.0 Systematic Review of Literature

3.1 The Resource Dependency Theory (RDT)

Resource dependency theory (RDT) was propounded by Pfeffer and Salancik in 1978. RDT examines the sources of external control, their effects on inter-organizational relationships, and how those in charge of organizations exercise their authority and manage their reliance. The goal of an organization's leaders is to preserve the organization's existence, increase their own autonomy, and maintain stability in the exchange relationships of the organization. RDT provides guidance to managers on how to select the least-restraining mechanism to control interactions with their trading partners, so minimizing uncertainty and reliance and maximizing autonomy.

Fraczkiewicz-Wronka and Szymaniec (2012) supported the theory in their study resource based view and resource dependence theory in decision making process of public organization. The findings of their study shows that resource dependence and resource based view are adopted in their decision making process. The study exerts that public, private and non-profit organizations are not self-sufficient. They all operate as open systems and constantly interact with the environment.

Although the theory has been widely accepted and useful to academics, it has also been criticized on the basis that research on RDT has mainly concentrated on the cooperative aspect of

relationship development while disregarding the possibility that one party can be subverted. Furthermore, it has not been studied if the likelihood of being exploited affects a person's decision.

As a result, Katila, Rosenberger and Eisenhardt (2008) discovered that new firms engage in corporate investment relationships when financial resource needs are high, managerial resource needs are great, and firms have the ability to protect themselves from resource misappropriation through defense mechanisms. The resource dependence theory, according to the authors, ignores the competitive aspect of tie creation. However, these results demonstrate that while contemplating relationship creation, entrepreneurs take both resource needs and defense mechanisms into account.

Delke (2015) critics of the RDT centers on the lack of thorough testing of the theory's fundamental concepts, such as resource dependence and power over controlling resources; adequate justification does not exist in the testing of hypotheses as to why an organization should be viewed as a political system rather than an economic and technical system; also, the acceptance of the statement that the organization is constrained by its environment and endeavor to manage resources. Casciaro and Piskorski's (2005) recent research of mergers and acqusitions from an RDT perspective provides a current illustration of RDT theoretical progress. They criticize RDT for: failing to distinguish between power disparity and mutual dependence, confusing normative recommendations and theoretical predictions, ambiguities surrounding its boundary conditions, and the majority of empirical work focusing on actor dependence rather than reciprocal interdependence.

According to Clegg/Rura-Polley (1998) since resources, as well as alternatives and interests, are "socially constructed," RDT was incorrectly based on a limited understanding of power over managing objective resources. This criticism is, at least in part, accurate: If one applies an overly materialistic or objective interpretation to RDT, it falls short. If one wishes to comprehend the dynamics around power, one must solely restrict oneself to the objective side. Because actors' values and interests as well as available resources and alternative resources are represented in cognitive maps, which are influenced by socialization processes, for example, these cognitive maps are socially formed. Assuming bounded rationality, it follows that in dependency situations, organizations, and more specifically: individuals inside organizations, must assess and value the resources available.

In the context of this study the financial sector and government are dependent on each other, the government needs to collect taxes from taxpayers in an effective manner, and the players in the financial sector has the resources and competence to do this on behalf of the government and in turn reduces the cost of collection of tax revenue by the government. Also the financial institution in the financial sector needs the funds collected for trading, they also possess third party information and evidence which are useful to the government to access the correct picture of the taxpayer’s profit.

3.2 The Benefits-received Theory

This theory was developed by Knut-Wicksell in 1896 and refined by Erik-Lindahl in 1919 which was subsequently restated by Paul-Samuelson (Richard and Peggy, 1973; Bernd, 2000). The theory maintained that, there exist an exchange or contractual relationship between taxpayers (citizenry) and the state (government), such that government make provision of essential public goods and/or services like adequate security, essential infrastructure (such as good road

networks, stable power supply and portable water supply, among others), health care facilities, construction and rehabilitation of public schools and a host of others for overall wellbeing of citizenry and economy; while citizenry in turn make payment of tax on the taxable activities and assets to the government to enable the government meets up with its financially social obligations of providing essential public goods and services to the citizenry (Bernd, 2000). However, inability of either of the party (citizen or government) to discharge its obligation of either to pay tax or to provide public goods/services would affects the ability of other party to fulfil its own obligation. Therefore, in this quid pro quo set up relationship, tax revenue is a means of earnings to the government for pursuing its growth and development goals of the economy. Furthermore, this theory bears the possible use of the tax policy for bringing about desired growth and stabilization (control of externalities from hampering the natural environment) of an economy. This study is therefore hinged on the principle of benefit-received theory on the premise of the existence of mutually reinforcing relationship between the taxpayers (citizenry) and tax recipients (government) to sustain the anticipated growth of the Nigerian economy.

Shahmoradi *et al*. (2019) investigated the impact of financial policy (tax) on GDP of the developed and developing countries using the panel data technique. The data is collected from World Bank database for the period 2008-2016. The results of analysis revealed that there is a negative and significant relationship between the logarithm of the ratio of tax revenues and GDP in the developed countries; however, there is no significant relationship between tax revenues and economic growth in developing countries.

Charles *et al.* (2018) in their study evaluated the relationship between federally collected tax revenues and Nigeria's economic growth rate between 2000 and 2016.The study adopted causal descriptive research method, and the data were drawn from annual reports of the Central Bank of Nigeria (CBN) and Federal Inland Revenue Services (FIRS) publications. The data analysis was based on the Johansen Co-Integration test showing that a meaningful long-run relationship exists between Federally Collected Tax Revenue (FTCR) and Gross Domestic Product (GDP) of Nigeria. Specifically, Custom and Excise Duties (CED) and Value-Added Tax (VAT) and Petroleum Profit Tax (PPT) Granger caused growth rate of Gross Domestic Product (GDP). This implies that proper and efficient administration of laws of these tax components will bring the desired improvement in the tax system and will greatly enhance revenue to the government for the implementation of her policies and programmes. The study, therefore, recommends that those policies that enhance tax compliance, such as reduction in the rates of taxes; blocking of income leakages should be put in place and this will stimulate economic growth and development in the short and long run. Also, regular monitoring of the taxpayers for tax compliance as well as increased education of the taxpayers will further stimulate an increase in revenue generated through the tax system

Olaoye and Ayeni (2018) examined value added tax and customs duties on revenue generation in Nigeria. Secondary data was sourced from Federal Inland Revenue Service (FIRS) ranging from 2000 to 2016. Autoregressive Distributed Lag (ARDL) and Granger causality tests were used as the estimation techniques. The findings of the study revealed that the F-statistics value was 2.883868 which is lesser than both the lower bound and the upper bound values of 3.79 and 4.85 respectively at the 5percent level of significance which implies that there is no long run relationship among value-added tax, customs duties and revenue generation. It was equally revealed that there is no causality among value-added tax, customs duties, and revenue

generation. The study concluded that value-added tax and customs duties no significant effect on revenue generation and there is no long-run relationship among value-added tax, customs duties and revenue generation in Nigeria during the study period. Thus the study recommended that the fiscal policy should discourage tax avoidance by emulating measures for compliance of value added tax and customs duties.

Joseph *et al*. (2022) examined the effect of tax revenue on economic growth of ten selected countries from the five sub-regions of Africa such as West Africa, Southern Africa, North Africa, Eastern Africa and Central Africa. The study applied multiple OLS regression techniques as a statistical tool of analysis. The study reveals CIT, PIT, CED and VAT as a whole do not significantly affect the GDP of Botswana, Cameroun, Tunisia, DR/Congo, Egypt, Ghana, Kenya, Nigeria, and Uganda. On the contrary, CIT, PIT, CED and VAT as a whole have significant effect on gross domestic product of South Africa. The study recommended among others that African countries should introduce and maintain policies that will boost the continual and sustainable growth in tax revenue from custom and excise duty, personal income tax, company income tax and value added tax which are progressive in nature and ensure that tax revenue generated are adequately utilized to ensure sustainable economic growth.

Egbunike *et al*. (2018) examined tax revenue and economic growth: A study of Nigeria and Ghana and comprises the period 2000–2016. Multiple regressions analysis was conducted (Granger causality, Least Squares Method (LSM). The study showed a positive impact of tax revenue on the gross domestic product of Nigeria and Ghana. Pairwise comparisons showed significant differences between standardized results of both countries. Thus, Nigeria had a marginally higher tax revenue rate than Ghana, but Ghana had more stable tax revenue than Nigeria.

Al-tarawneh *et.al (*2020) conducted a research on impact of taxation on economic growth in an emerging country covering the period 1980-2018 and using the Auto Regressive Distributed Lag (ARDL) regression on data collected discovered that there is a negative short and long run relationship between taxes and economic growth in Jordan.

Agunbiade and Alesanmi (2020) examined the relationship between tax revenue and economic growth in Nigeria over 1981–2019 period, with focus on Companies Income Tax, Value Added Tax and Petroleum Profits Tax as proxies for tax revenue and Real GDP as proxy for economic growth. Secondary data were sourced from the National Bureau of Statistics (NBS) and the Federal Inland Revenue Service (FIRS). The study employed the Vector Error Correction Model (VECM). Granger causality test found a causal relationship among Real GDP and the different tax components. The impulse response functions and the variance decomposition analysis through Vector Error correction model (VECM) upholds the findings that the impact of the shock in the direct tax and indirect tax on GDP growth does not die out over the specified period under consideration. Variance decomposition analysis found that the effect of the shock to the direct tax (CIT and PPT) on GDP growth tends to be low, whereas the effect of the shock to the indirect tax (VAT) on GDP growth tends to be significant to increase over the period.

Edewusi and Ajayi (2019) examined the nexus between tax revenue and economic growth in Nigeria. The *expost facto* research design was employed; time series were collected data from the statistical bulletins of the CBN and the FIRS. Economic growth was proxies with gross domestic product, while the tax revenue indicators consisted of petroleum profit tax, company

income tax and value added tax. Data collated were analyzed to ascertain the short and long run effect of the variables using the Multiple Regression Analysis, Co-integration and other post estimation tests. The result showed that petroleum profit tax, company income tax and value added tax exerts a positive significant impact on economic growth.

Asaolu *et al.* (2018) in the study tax revenue and economic growth in Nigeria, obtained a secondary data for 22 years 1994-2015. Employed the Auto Regressive Distributed Lag (ARDL) Regression which findings revealed that Value Added Tax and Custom and Excise Duties had a significant relationships with economic growth while Company Income Tax has negative significant relationship with economic growth. However, Petroleum Profit Tax had no significant relationship with economic growth.

Popoola *et al.* (2017) investigated the tax revenue and Nigerian economic growth for period of three decade, using time series data from 1986 to 2015.Oil and non-oil tax revenue were indicators for tax revenue while Real Gross Domestic Product was for economic growth. The findings showed that, oil and non-oil tax revenue were positive and strongly correlated with RGDP, there was significant difference between the effects of oil and non-oil tax revenue on economic growth in Nigeria.

Aminu *et al.* (2020) investigated the potential impacts of the revenues from petroleum profit tax on the growth of Nigerian economy on the basis of time series data for the variables such as economic growth proxied by real gross domestic product, petroleum profit tax, non-oil tax revenue and governance proxied by government accountability specified in the estimated models. Upon verifying the stationarity properties of the series of the variables, the study employed Cointegration and fully modified ordinary least squares as the techniques of analysis to reveals: the existence long-run relationship between petroleum profit tax and economic growth in Nigeria; petroleum profit tax impact positively on economic growth at a statistical significant level; governance impact positively on economic growth in Nigeria; while non-oil tax revenue impact negatively on economic growth in Nigeria.

Olayungbo and Olayemi (2019) investigated the causal relationships between government expenditure, economic growth and non-oil income in Nigeria and data for 35 years (1981-2015) were examined. The study which was poised to establish if there was any long-run association between the variables, utilized the error correction model to examine the impulse responses among identified variables. Additionally, the Granger Causality Test (GCT) amongst others was employed to conduct further analyses. Observably, the ensuing outcomes indicated that government's spending adversely influenced economic.

Also, while non-oil income positively impacted significantly on government spending, its impact on Nigeria's economic growth was negative.

Ilori and Akinwunmi (2020) analyzed the effect of oil and non-oil revenue on the economic development of Nigeria. The study used ex post facto and correlational research design. The study collected secondary data from the Central Bank of Nigeria for the period 1989 to 2018.

The secondary used in the investigation were collected from the Central Bank of Nigeria Statistical Bulletin for the period under review. The data collected was analyzed using co-integration and error correction analysis. The multivariate analysis was conducted on oil and non-oil revenue, exchange rates, and real gross domestic product. The analysis disclosed that oil and non-oil revenues negatively affect real gross domestic products in Nigeria. However, the exchange rate contributes a positive and statistical significance on real gross domestic

products in Nigeria.

Lyndon and Bingilar (2016) investigated petroleum profit tax, personal income tax and economic growth for the period 2005 to 2014 in Nigeria. The study used ex post facto and correlational research design. The study employed time series secondary data from the Central Bank of Nigeria Statistical Bulletin. The time-series data collected from the CBN was analyzed using the ordinary least squares (OLS) technique. The dependent variable economic growth was measured using the real gross domestic product as the dependent variable while petroleum profit tax and personal income tax as the independent variables. The results of the analysis indicated that both petroleum profit tax and personal income positively and significantly influence economic growth. The study recommended that government should make a stronger tax administration system to widen the tax income, and embark on tax education to ensure voluntary tax compliance.

Olaoye and Adebayo (2020) assessed the effect which Nigeria's BEPS (Base-Erosion-and-Profit-Shifting) has on revenue generation. By adopting ex post-facto design, efforts were made to collect quarterly data on GDP and tax revenue from the statistical bulletin and annual reports of the country's central bank (CBN), exchange commission (SEC) and Inland Revenue Service (FIRS) respectively. The data were for 5 years (2013-2017) covering eighteen quarters. Simple regression with paired t-test alongside mean and other relevant statistics were computed and formed the basis of hypotheses testing. Results showed that revenue generated from tax after the adoption of BEPS significantly differs from what was gotten prior to BEPS adoption. Revenue from taxes was found to have exerted significant effect on Nigeria's economy. The conclusion was that BEPS exerts significant positive effect on Nigeria's economic growth.

Inimino *et al*. (2020) investigated the petroleum profit tax and economic growth of Nigeria for the period 1980 to 2017. The study employed ex post facto research and correlational research designs. The study used time series secondary data obtained from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics for the period under review. The secondary data collected was analysed using relevant econometric models such as unit root test, generalized method of moments (GMM) and granger causality tests. The results from the GMM analysis indicated a positive and significant influence of petroleum profit tax and the economic growth of Nigeria. The granger causality test disclosed bidirectional causality between petroleum profit tax and the economic growth of Nigeria.

Adeusi *et al.* (2020) investigated the causal link between non-oil income and economic growth. Four (4) proxies for non-oil income (VAT, CIT, PIT, and Excise Duties) were examined, whereas; GDP was utilized as the surrogate (proxy) for economic growth. These data (secondary) were gleaned from FIRS Statistical bulletin for 2018 and the NBS annual report of 2019. The data spanned from 1994-2018. Additionally, the OLS regression technique was applied to assess the causal link between growth and revenue (non-oil income) Findings indicates that secondary taxes (VAT and Excise Duties) exerted significant positive influence on Nigeria's

growth economically when compared to direct taxes (CIT and PIT). Equally, direct taxes exerted long run adverse shock on economic growth; thus necessitating the

recommendation that government should control the country's tax regimes by adopting and strategically implementing transparent and unassuming systems of tax

3.3 Gap Identification

The argument regarding the effect of tax revenue economic growth is still raging because of divergent results based on various empirical studies by researchers. Many empirical studies show disaggregated and conflicting findings in relation to the effect of tax revenue on economic growth. Some empirical studies that show positive effect of tax revenue on economic growth are as stated below among others (Babatunde *et al.*, 2017;Charles *et al.*, 2018; Egbunike, Emudainohwo & Gunardi, 2018; Popoola *et al.*, 2017;Aminu *et al.*, 2020;Lyndon & Bingilar, 2016; Olaoye & Adebayo, 2020; Inimino *et al.*, 2020); Adeusi *et al.*, 2020; Eke *et al.*, 2018; Nwawuru *et al.*, 2018; Nmesirionye *et al.*, 2018) under benefit-received theory. Some empirical studies that show negative effect of tax revenue on economic growth included but not limited to thus (Shahmoradi *et al.*, 2019;Asaolu *et al.*, 2018;Ilori & Akinwunmi, 2020); Joseph *et al.*, 2018; Olayungbo & Olayemi, 2019; Al-tarawneh *et.al.*, 2020). While some past studies reported insignificant effect between tax income and economic growth (Joseph *et al.*, 2022; Olaoye & Ayeni, 2018). Hence the need to re –assessed the methodology and model specification and conceptualization of the tax income and economic development under resource dependency theory.

4.0 Model Specification

The study proposed examination of the causal relationship between tax income and economic development;
Tax Income should be segregated into company income tax, value added tax, personal income tax and petroleum profit tax.
TIN=*f*(CIT,VAT,PIT,PPT) ……………………………………………………(1)

EDEV=*f*(CIT,VAT,PIT,PPT) ……………………………………………………(2)

The proposed model is adapted from work of Uremadu *et al.* (2020).

$EDEV=\beta_0+\beta_1CIT+\beta_2VAT+\beta_3PIT+\beta_4PPT+\varepsilon$ ………………...(3)
Where;

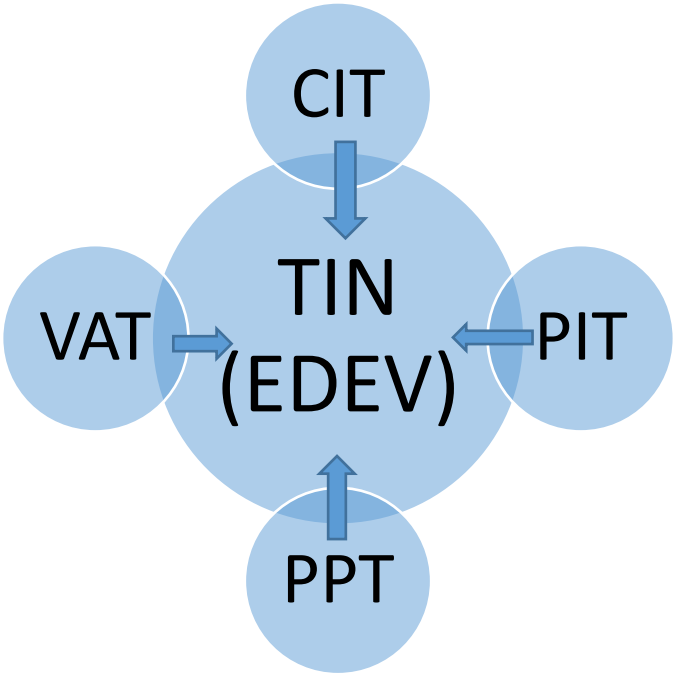
TIN represents Tax Income (Proxy for Economic Development (EDEV)) (Dependent variable),

CIT represents Company Income Tax (Independent variable)
VAT represents Value Added Tax (Independent variable)
PIT represents Personal Income (Independent variable)

PPT represents Petroleum Profit Tax (Independent variable)
β_0, β_1, β_2, β_3, and β_4 are regression coefficients to be estimated.
ε is Error term.

A-priori Expectation
$\frac{dCIT}{d\text{EDEV}} > 0$:connote that company income tax is expected to exert positive or negative relationship with economic development.
$\frac{dVAT}{d\text{EDEV}} > 0$: connote that value added tax is expected to exert positive or negative relationship with economic development.
$\frac{dPIT}{d\text{EDEV}} > 0$:connote that personal income tax is expected to exert positive or negative relationship with economic development.
$\frac{dPPT}{d\text{EDEV}} > 0$:connote that petroleum profit tax is expected to exert positive or negative relationship with economic development.

Framework Development



Source: Author's conceptualisation 2023

5.0 Conclusion and Recommendation

The paper systematically review various empirical studies on tax income and economic

development. The findings from various studies revealed a better understanding of tax revenue and economic growth in Nigeria. Economic development and four other variables that represent petroleum profit tax, company income tax, personal income, and value added tax were reviewed to see which factors best describes economic development in Nigeria. Various results show that petroleum profit tax, company income tax, custom and value added tax are significant variables in explaining the economic development in Nigeria. Out of all the four independents variables, it is only personal income tax that shows significant negative insignificant relationship with economic development in most studies which implies that they are both moving in inverse direction. The implication of our findings is pointing majority at policy makers, especially the Federal Board of Inland Revenue as most of tax variables shows a positively significant relationship with economic development, meaning that there should be no area in tax collection that should be taken lightly as they have all proven to be a major variable in connection to the growth of the economy. Due priority must also be accorded to non-oil sector so as to improve government earnings from other non-oil sectors to significantly contributes to the growth and development of the economy. Government should be encouraged to persistently invest tax revenues from oil sector (particularly PPT) to develop other sectors of the economy so as to bridge the gaps between revenue accrued to the government and infrastructural deficiencies. There must be full entrenchment of good governance in the administration of tax system in Nigeria. Due to the significance of tax in bringing revenue to the government for various uses, its ability to affect consumption patterns lead to the growth of the economy, exert influence on economic variables, and its ability to affect consumption patterns, the government of every nation will strive to maximize the revenues from tax (Asaolu et al., 2018).

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The study provide the recommendation that the government will have to leverage more on tax revenue to execute its public responsibilities and that government should make a stronger tax administration system to widen the tax income, and embark on tax education to ensure voluntary tax compliance.

Furthermore, studies revealed that revenue generation from taxation increases economic growth and growth that changes in taxation, repeatedly will affect individuals real standard of living (GDP), employment rate and interest rate. The study, therefore, recommended amongst others that government should consider taxpayers and other key stakeholders' interest in fiscal policy formulation and implementation in order to attain an enhanced tax compliance rate in Nigeria.

In order to significantly improve the non-oil tax revenues in Nigeria through company

Income tax, the federal government should marginally reduce the tax holidays and incentives granted to companies in other to boost or get more tax revenue from the increased profit of companies.

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