Federally Collected Taxes and Economic Growth in Nigeria

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Abstract
This study examines the federally collected taxes on economic growth in Nigeria. The study proxies federally collected taxes with companies' income tax, petroleum profits tax, Custom and Excise Duties, and value-added tax while economic growth is proxy with real gross domestic product. It adopts an ex post facto research design. The study employs secondary data from the various annual official publications of the Federal Inland Revenue Service and the Central Bank of Nigeria Statistical Bulletin. These data were collected over thirty years, covering the period from 1994 to 2023. The study employs the Vector Error Correction Model to estimate both short- and long-term effects of federally collected taxes on economic growth in Nigeria. The study found that companies' income tax, petroleum profits tax, and value-added tax have a positive significant effect on economic growth in Nigeria in the long run. In the short run, companies' income tax and Value Added Taxes have no significant effect on economic growth, while Petroleum profits tax has a significant positive effect on economic growth in Nigeria in the short run. The study concludes that federally collected taxes, such as companies' income tax, petroleum profits tax, and value-added tax enhance the economic growth of Nigeria in the long run. The study also concludes that in the short run petroleum profits tax improves the Nigerian economy while companies' income tax and value-added do not improve the economic growth of Nigeria in the short run. It recommends that government should continue to ensure that tax revenues are properly managed in a manner that will accelerate economic growth.

1.1 Introduction

Taxation is typically recognized as a very successful fiscal policy tool. As a result, governments put up mechanisms to be able to collect as much money as possible from the numerous sorts of taxes. Taxation should be designed in a way that generates enough money to pay for government spending and other government programs. The availability of money and other material and human resources is a precondition for any country's growth and development. Tax is a legally compulsory payment or levy that the government of a jurisdiction imposes on individuals and business

organizations according to specific standards in exchange for a benefit that the taxpayer receives or expects to receive (Salawu, 2023).

To sustain social amenities, provide security, and stimulate economic growth, the government charges taxes on persons or their property (Taddesse, 2022). Ayeni and Omodero (2022) feel that taxes pay for a higher share of the country's commitments. It is entirely up to the government, acting through tax agents, to determine the amount of tax that must be paid, the person who is required to pay it, the reason for taxing, the time limit for paying it, and the items on which tax must be paid. This confirms the claim made by Etim et al. (2021) that taxes are vital to a country's economic progress, but that many rising nations have not yet profited from this.

Taxation is a mandatory tax that the government collects from its residents through its agency, according to Chijioke et al. (2018). These taxes are levied on non-public income, which includes royalties, dividends, reductions, interest, and profits from commercial businesses. It is also applied to capital earnings, petroleum profits, business profits, and capital transfers. The majority of modern governments' income, usually 90 percent or more, comes from taxes, making them the most significant source of support. Taxes are a popular technique to generate income for government spending. To supply the government with financing, people and organizations are expected to pay their taxes as defined by law. Economic growth is the process of steadily boosting the economy's potential for production over time to improve a nation's output and revenue, according to Rahman et al. (2023). In recent times, the tax system in Nigeria has been improperly built, with several issues of taxation, including double taxation. As is common in both wealthy and developing nations, the nation is struggling to enforce tax rules and collect taxes (Oz Yalaman, 2019). President Muhammad Buhari of the Federal Republic of Nigeria signed the Finance Bill, 2020 into law on December 31, 2020. Twenty years later, the Finance Act of 2019 was enacted to repeal some antibusiness and superfluous tax legislation policies. The Finance Act of 2020 went into effect on January 1, 2021, after the president signed it. With dropping oil prices, it is becoming increasingly vital for the government to adjust its tax system and policies to reflect evolving reality. In Nigeria, the reform of tax laws and policies appears not to have yielded the desired results. The various components of federally collected tax revenue require a high degree of reforms to reduce revenue loss occasioned by tax avoidance and evasion and administration of the component. It is for this purpose that this study sets out to evaluate the impact of these federal revenues (Custom and Excise Duty, Value Added Tax, Company Income Tax, and Petroleum Profit tax) on Nigeria's economic growth using the Gross Domestic Product as a proxy.

1.2   Statement of Research Problem

Nigeria's development objectives can no longer be sufficiently supported by its oil revenue due to the significant decline in oil prices in recent years. This has resulted in a reduction in the total amount of revenue generated by the government. Therefore, governments at different levels must explore alternative sources of revenue generation to ensure sustainable economic growth in Nigeria (Didia & Tahir, 2022). This viewpoint is supported by Maganya (2020), who stated that

all levels of the Nigerian government must find new ways to improve their revenue base due to the country's diminishing revenue and rising operating expenses. To fund her projects, the government was forced to look for other ways to raise money.

The statement of the problem for the project topic "Federally Collected Taxes and Economic Growth in Nigeria" revolves around the need to establish a strong relationship between federally collected tax revenues and economic growth in Nigeria. The project aims to investigate the impact of federally collected taxes, such as Company Income Tax (CIT), Value Added Tax (VAT), and Customs and Excise Duties (CED), on the growth of the Nigerian economy. Previous studies have resulted in mixed outcomes. For instance, some scholars such as (Ajayi, 2019; Korkmaz, 2019; and Egnunike, 2019) found a positive relationship between federally collected taxes in Nigeria using company income tax, value value-added tax as proxies for federally collected taxes while economic growth was measured using the real gross domestic product. Conversely, some other researchers such as (Juliana, 2018; Idris, 2017) investigated the relationship between federally collected taxes and economic growth in some African countries and discovered a negative relationship hence there is a need for further investigation.

2.1   Conceptual Clarification
2.1.1 Federally Collected Taxes
Federally collected taxes are compulsory charges imposed by the United States government on individuals and businesses to finance public services and activities. These taxes encompass Income taxes, payroll taxes, corporate taxes, customs duties, sales and excise taxes, and non-tax revenues such as Federal Reserve earnings and proceeds from government resource sales. The main goal of these taxes is to generate funds to cover the expenses of government functions like infrastructure, emergency services, education, and national defense. Taxes are categorized as direct, imposed on individuals and entities, or indirect., applied to goods and services. In the fiscal year 2022, the federal government amassed $5.03 trillion in revenue, with income taxes contributing over half of this total.

The main source of federal revenue is individual income taxes, with substantial contributions also coming from payroll taxes, corporate income taxes, and excise taxes. These tax revenues support numerous federal programs and services, such as defense, currency regulation, foreign affairs, health, education, transportation, and housing and urban development. Additionally, the federal government generates revenue from service fees like national park admissions and customs duties. The Internal Revenue Service (TRS) Oversees the collection of federal taxes, while businesses significantly contribute by paying and collecting taxes for the government.

2.1.2   The Concept of Taxation
Taxation serves as a crucial avenue for governments to generate public revenues, enabling them to finance investments in areas such as human capital, infrastructure, and citizen services. It plays a vital role in managing the economy by facilitating the financing of public goods, influencing consumption patterns, directing production towards desired commodities, and protecting emerging industries. According to Ayeni and Omodero (2022), a significant portion of a nation's responsibilities is funded through taxes, with the government and tax agents determining the tax

amounts, taxpayers, basis of taxation, payment periods, and taxable items. Gale (2014) suggests that a nation's tax system directly impacts its economic growth, a viewpoint supported by Etim et al. (2021), who highlights the critical role of taxation in driving economic growth, particularly in many developing countries where its full potential remains untapped.

Taxation is a mandatory charge imposed by governments on the income and assets of individuals and businesses, with the revenue generated playing a crucial role in a nation's development and investment (Abomaye-Nimenibo et al., 2018). Tax is a legally required payment enforced by governments on businesses and individuals within a jurisdiction, with the expectation of receiving specific benefits in return (Salawu, 2023). Osho et al. (2018) note that both corporate entities and individuals are subject to taxation, either directly or indirectly, to provide the government with the necessary funds for social and economic purposes such as infrastructure development, education, healthcare, and other essential services. Asaolu et al. (2018) emphasize that tax revenue can enhance the standard of living by enabling governments to invest in human capital, infrastructure, and social welfare programs. Etim et al. (2021) highlight the global recognition of tax revenue as a key driver of economic growth, contributing significantly to a country's Gross Domestic Product (GDP). OECD (2022) data shows that tax revenues as a percentage of GDP increased globally in 2021, with Nigeria experiencing a notable rise according to the National Bureau of Statistics (NBS) (2023). This increased focus on tax revenue in Nigeria has sparked debates regarding its impact on economic growth, as evidenced by previous studies (Osamor et al., 2023; Ihenyen & Ogbise, 2022; Uket et al., 2020; Obaretin & Ohonba, 2018; Okwara & Amori, 2017).

These studies have primarily examined the one-way relationship between tax revenue and economic growth in Nigeria, without providing empirical evidence of the bidirectional effects. Hence, there is a need for further investigation into the reciprocal relationship between tax revenue and economic growth in Nigeria.

2.1.3   Economic Growth

Economic growth is the expansion of an economy's ability to produce goods and services over time, which is crucial for overall development and improving living standards. Al-Shatti (2014) defines it as an increase in income or real gross national product (GNP), while Krugman (2019) describes it as a rise in a country's total production or output. This growth involves a steady increase in per capita output or income, driven primarily by factors such as technological innovation and positive external influences. It serves as a fundamental measure of an economy's performance and plays a pivotal role in determining a nation's success.

Typically, Gross Domestic Product (GDP) changes serve as the primary indicator for measuring economic growth, representing a comprehensive measure of a country's overall economic activity. GDP encompasses various components like private and public consumption, government spending, investments, and exports, often calculated on an annual basis.

Economic growth, therefore, can be understood as the process of expanding national economies, especially reflected in macroeconomic indicators like GDP per capita, moving in an upward trajectory with positive impacts on the economic and social sectors. Development, on the other hand, illustrates how growth influences society by enhancing living standards. Economic growth results from efficiently utilizing available resources and increasing a country's production capacity, facilitating income redistribution within the population and society. Over time, even small

differences in growth rates can accumulate into significant changes, particularly over decades. Redistributing income is more manageable in dynamic, growing societies compared to static ones. However, there are instances where economic growth may be mistaken for economic fluctuations. The implementation of expansionary monetary and fiscal policies can mitigate recessionary gaps and boost GDP beyond its potential level. Economic growth entails modifying potential output through changes in factors such as labor, capital, and factor productivity. When economic growth rates are high, the production of goods and services increases, leading to a decline in unemployment rates, expansion of job opportunities, and improvement in the population's standard of living.

2.1.4 Gross Domestic Product

GDP is defined as the final value between the borders of a country of all finished goods and Services produced within a given time. It is measured as the amount of private consumption, Government spending, investment in private resources, and net exports in an open economy at Market rates. It is an aggregate of the market values of the many goods and services produced in the economy. Goods and services that are not sold in the market, such as unpaid housework are Not counted in GDP. The relationship between GDP and expenditure on goods and services can be summarized by the equation:

$$Y = C+I+G+NX$$

Where;

Y= total output,

C = private consumption,

I = the sum of all spending on capital

G= the sum of government spending, and

NX= to total net exports, which can be negative.

GDP can be divided into nominal GDP and Real GDP. Nominal GDP is a measure of GDP that includes

The quantities produced are valued at the current year's prices. Nominal GDP measures the current money value of production. Real GDP is a measure of GDP in which the quantities produced are valued at the prices in a base year rather than at current prices. Real GDP measures the actual physical volume of production.

2.1.5 Custom and Excise Duty

Fasoranti, (2013) described Import duty as a levy on imports by customs authorities in Nigeria to raise revenue for the government and protect domestic industries from predator competitors abroad. Oladipupoand Ibadin (2015), Import duty is generally on the value of goods or the weight, dimensions, or some other criteria that are determined by the government. They are charged as a percentage of the value of imports or a fixed amount of a specific quantity (Fasoranti, 2013). import duties are either fixed or calculated as a percentage of the product's value, which can change (Olurotimi, 2013). Sometimes, the government may want to protect certain domestic products from foreign competition. One way of doing so is by imposing import duty, which makes foreign products more expensive, thus keeping the same domestic products more competitive (Ilaboya,

2012). Okoye and Gbegi (2013) held that the government sometimes imposes duties to hurt another country by making its exports more expensive. This is usually done as a retaliatory measure in a trade war. It is based on the value of goods called ad valorem duty or the weight, dimensions, or other criteria of the item such as its size (Oladipupo & Ibadin, 2015). Olurotimi, (2013) asserted that export duty is levied on the goods passing through a customs area with a route to another area or country. Point of taxation will occur from the date of export or the movement of goods from one country to another (Okoye & Gbegi 2013). Export duties are no longer used to a great extent, except for certain mineral, petroleum, and agricultural products. Several resource-rich countries depend on export duties for much of their revenue (Ugochukwu & Azubike, 2015). Export duties were common in the past; however, were significant elements of mercantilist trade policies. Inyiama, Ikechukwu, and Madubuko, (2016) affirmed that an excise duty is the type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). Though the collection of excise duty augments revenue generated by the government to provide public goods and services, however, over the years it has been used as an instrument of fiscal policy to stimulate economic growth (Olurotimi, 2013). Customs and excise duties are two types of taxes levied by governments on goods. They are both used to raise revenue for the government, but they differ in their target and purpose.

2.1.6 Petroleum Profit Tax (PPT)

Petroleum Profit Tax Act 1959 as amended described petroleum profit tax as a liability where a company disposes of chargeable oil and gas. The disposal includes delivery of chargeable oil to the refinery; the tax is on the profit of the company from petroleum operation under the provision of PPTA in Nigeria. The petroleum operation as defined in the act, essentially involves petroleum exploration, development, production, and sales of crude oil. Section 8, of the Petroleum Profit Tax Act (PPTA), states that every company engaged in petroleum operation is under an obligation to render a return, together with properly annual audited account and computations, within a specified time after the end of the accounting period. Fasoranti (2013) affirmed that PPT involves charging tax on income accruing from petroleum operations. He noted that the importance of petroleum to Nigeria's economy gives rise to the enactment of different laws regulating the taxation of incomes from petroleum operations. Petroleum profit tax is a tax applicable to upstream operations in the oil industry as it is related to rent, royalties, oil mining prospecting, and exploration leases. It is an important tax in Nigeria in terms of its contribution to total revenue as it contributes over 70% to Government revenue and 95% to foreign exchange earnings Kiabel (2009). Ilaboya (2012) hinted that the basis period for Petroleum Profit Tax (PPT) is the actual profit of the accounting period. This implies that the basis period for any year of assessment is the same as the accounting period of the company.

As specified in the 1959 Petroleum Profit Tax Act, it is a liability that occurs when a corporation disposes of chargeable oil and gas. The levy is on the company's profit from oil activities under the Nigerian Petroleum Income Tax Act (Okoh, Onyekwelu & Iyidiobi, 2016)." Petroleum profit tax is Levied, assessed, and payable on the profits or income of each accounting period of any corporation Engaged in petroleum operations during any such accounting period, usually one year (January to December)." (Anvanwu, 1977). According to Attamah (2004), the Petroleum Profit

Tax is legislation That imposes a tax on profits from petroleum extraction in Nigeria and provides for its estimation and collection and the associated purposes. Petroleum profit tax (PAT) is a tax that refers to Upstream activities in the oil and gas industry, according to Odusola (2006). The Petroleum Profit Tax Act 1959(PPTA) provides for the imposition of tax on the chargeable profits of companies that are engaged in Petroleum operations in Nigeria petroleum operations are defined under the PPTA as "the winning or obtaining oi in Nigeria by or on behalf of a company for its account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, and the course of a business carried on by the company engaged n such operations, and all operations incidental thereto and any of or any disposal of chargeable oil by or on behalf of the company" Nigerian economy is dependent on oil, as it cannot finance social and economic growth in the absence of a large oi revenue base Oi accounts for about 9095% of the export revenue, over 90% of foreign exchange earnings and about 80% of government revenue. The oil industry is thus the hub of the Nigerian economy and needs to be sustained for the country to achieve real economic growth According to Nwete (2003), the oil glut of the 80s greatly impacted global oil prices. Gelb (1981) averred that oil and gas production had been reveling favorable tax treatment for many years, although one special provision Dealing with percentage depletion was repeated for most oil and gas producers in 1975. Companies engaged in petroleum operation (i.e. upstream sector of the petroleum industry) are assessable to petroleum profit tax. Companies operating in the downstream sector of the petroleum industry and all other companies are assessable to companies' income tax except those specifically exempted under the company's income tax Act. Petroleum Profits Tax is imposed on the income of companies in petroleum operations.

2.1.7   Value Added Tax (VAT)

The concept of Value-Added Tax has been given different definitions by different authors and writers. According to Abata (2014), "Value-added tax is described as a consumption tax whereby the consumers bear the tax burden. He explained that the tax burden is passed from the manufacturer to the wholesaler to the retailer and finally to the consumer who ultimately bears the burden. It therefore means that VAT can only be avoided by not buying and consuming the vatable goods or services. Similarly, a vatable person trades in vatable goods and services for considerations. Olurofimi (2013) asserted that indirect tax imposed on every sale begins at the production and distribution cycle and culminates in sales to the consumers. He went further to create an impression that, consumers absorb VAT as part of sales prices, meaning that VAT is essentially a consumption tax collected, throughout the production chain. VAT is broadly based tax on consumption with few exceptions, levied on goods and services at a rate that varies from one country to another. Okoye and Gbegi (2013) added that Value Added Tax is a multistage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution process and to services as they are rendered with its burden eventually borne by the final consumer and collected at each stage of production and distribution chain.

2.1.8   Company Income Tax

Companies Income Tax Act, LFN 2007 is the current enabling law that governs the collection of taxes on profits made by companies operating in Nigeria excluding companies engaged in Petroleum exploration activities. This Tax is payable for each year of assessment of the profits of any company at a rate of 30% (Adereti, 2011).

According to Ola (2006), Companies 'income tax administration in Nigeria does not measure up to appropriate standards. If good old tests of equity, certainty, convenience, and administrative efficiency are applied, Nigeria will score low considering the following points: Due to inadequate monitoring, persons in the self-employed and unquoted private companies group evade tax. In a study conducted by Festus and Samuel (2007) on company Income Tax and the Nigerian economy, they conclude that Company income tax is a major source of revenue in Nigeria but noncompliance with tax laws and regulations by taxpayers is deep in the system because of weak control. There is a need for general tax reform in the Nigerian company income tax system.

Company income tax is statutorily levied on an incorporated business, the incidence and burden of the tax is generally seen to be distributed in the entire economy among participants in the production value chain. On the one end, the key relationship is that the burden of company income tax is shared between the returns to capital in the form of investor profits and the return to labor in the form of wages paid to employees. If there is a "reduction in company income tax rates, in the form of incentive, companies would accumulate capital, attract inward investment of capital and incentivize innovation" (Engen & Skinner, 2008), thereby expanding output. On the other end, increased company tax rates are detrimental to investment expansion distort productivity, and reduce gross domestic product per capita. The two extreme views of the impact of taxation on productivity have attracted several debates in both developed and developing economies (Agenor, 2005).

2.3   Theoretical Framework

The theory that is most relevant to this study is the Laffer Curve theory. This is a curve that was developed after Arthur Laffer(1980s), suggesting that tax revenue was a defendant on tax base (number of tax-paying entities) and tax rate. He further stated that the tax rate can be increased to a certain point where it can yield maximum revenue. Tax revenue will start falling if this rate is surpassed.

2.4   Empirical Review

Osamor et al., (2023) empirically examined the effects of tax revenue (PPT, CIT, VAT, CTD) on economic Growth (GDP) in Nigeria. Time series quarterly data were collected from the statistical bulletins of CBN and FIRS between the periods of 2011 and 2020 and analyzed using descriptive analysis, unit root test, bounds Co-integration test, and ARDL. The findings revealed that PPT, CIT, VAT, and CTD had positive insignificant Effects on economic growth, and as such tax revenue had insignificant effects on the economic growth of Nigeria.

Ogbodo and Nweze (2021) reviewed on Effect of tax revenue on economic development: Evidence from Nigeria. The methodology used in the study was Expost Facto research design. The study found that companies' income tax has a significant positive effect on the per capita Income of Nigeria; petroleum profit tax has a significant positive effect on the per capita income Of Nigeria. In this study education tax was not considered as a measure of tax revenue.

In the same year, Onoja and Ibrahim (2020) investigated Tax Revenue (PPT, VAT, and CIT) and Nigeria's Economic Growth. Secondary data collected were analyzed with regression analysis and the study affirmed No significant but positive relationship between economic growth and Petroleum Profit Tax. While Value Added Tax and Companies Income Tax (non-oil Tax Revenue) revealed a significant relationship with Nigeria's Economic Growth. Subsequently, Olushlola, et al. (2020) assessed tax revenue and economic growth with an econometric approach. Secondary data was employed and analyzed using a multiple regression Model and the result suggested a positive relationship between tax revenue and economic growth. Furthermore, in the work of Ewa, et al. (2020), the impact of taxation proceeds (company profits, petroleum Profit, and value-added tax) on the development of the Nigerian economy covering a period from 1994 to 2018 was determined. The study adopted Ordinary Least Square and found a significant effect of CIT and Value Added Tax on Gross Domestic Product Growth, Petroleum profit tax has little or no effect on Gross Domestic Product growth in Nigeria. In a recent work by Antisera-Hameed (2021), the impact of taxation (PPT, CGT, and CIT) on the growth and development of the Nigerian economy was examined.

Agunbiade and Idebi (2020) examine the relationship between tax revenue and economic growth in Nigeria over the 1981–2019 period, with a special focus on Companies Income Tax, Value Added Tax, and Petroleum Profits Tax. The 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) to establish the nature and strength of the relationship between taxation and economic growth. The Johansen test of Cointegration reveals that there is at least one integrating equation in the long run between the variables. Granger causality test found a causal relationship between Real GDP and the different tax components. The impulse response functions and the variance decomposition analysis uphold the findings that the impact of the shock in the indirect tax (VAT) and direct tax (CIT and PPT) 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. Therefore, this study recommended that to expand tax revenue, there should be a broad base tax strategy, focusing on all key areas of the tax system with measurable outcomes. Emphasis should be on simplification of the tax system and ease of implementation with priority given to quick wins and low-hanging fruits, while more challenging aspects should be deferred until positive results are recorded. The regulatory authorities charged with the responsibility of collecting tax should further be strengthened to enforce compliance by taxpayers, among other recommendations.

Ntekpere and Olayinka (2020) examine the effect of Tax Revenue on Public Debt and capital Expenditure in Nigeria for the period 1999-2018. It adopted the Ordinary Least Square regression method to study the effect of the independent variables (represented by value-added tax, company income tax, petroleum profit tax, and customs and excise duty) on the dependent variable (external debt, internal debt, and capital expenditure). The data treatments used for the times series secondary data are descriptive Statistics, Unit Roots using Augmented Dickey-Fuller, Co-Cointegration tests using the Bounds Test, and the Vector Error Correction Model. The findings revealed that tax revenue had a statistically significant, positive, and negative effect on public debt

and capital expenditure. Tax revenue had both positive and negative effects on external debt in Nigeria (R2 = 0.789, f = 0.00010, p<0.05); Tax revenue had both positive and negative effects on internal debt in Nigeria (R2= 0.959, f = 0.00000, p<0.05) and Tax revenue had both positive and negative effects on capital expenditure in Nigeria (R2= 0.692, f = 0.00164, p<0.05). The study concluded that tax revenue affects public debt and capital expenditure in Nigeria. It was recommended that the government should ensure that revenue from taxes is spent on profitable investments like capital expenditure. Also, to reduce public debt, fiscal authorities should enhance the effectiveness of the tax system by sealing loopholes and enforcing compliance. The government should also look to other sources of income to further reduce the burden of public debt.

Aliyu, and Mustapha, (2020) empirically the impact of tax revenue on economic growth in Nigeria, Spanning from 1981 to 2017. It employs time series data obtained from the CBN statistical bulletins, FIRS annual publications, and the National Bureau of Statistics (NBS) portal. To achieve the objectives of the study, OLS and ARDL techniques were employed. ARDL bound test revealed that the variables are co-integrated while ARDL long-run estimation indicated that petroleum profit, value-added tax, and Government domestic debt are significant and positively related to GDP.

Awa and Ibeanu, (2020) ascertained the influence of tax revenue on the economic development of Nigeria. The specific objectives are; to determine the influence of petroleum profit tax, company income tax, and value-added tax on economic development proxy by the human development index (HDI). Annual time series Data, from CBN and FIRS from 1997 to 2018 as used. The study used regression analysis. The result showed that petroleum profit tax and company income tax have a significant effect on economic development while value-added tax does not significantly influence economic development. The finding implies that the higher the amount of tax revenue generated, the higher the level of Economic development experienced by the economy. This implies that taxes that have a positive effect on Economic development are direct, thus direct taxes exert a more significant influence on economic Development in Nigeria than indirect taxes. This anomaly was attributed to dysfunctional ties in the tax System, loopholes in tax law, and inefficient tax administration. The lower the amount of revenue generated from tax the lower the quality of development to be witnessed. Government will generate Higher revenue if they strengthen the legal and regulatory framework to control tax evasion and Tax avoidance by taxpayers, and improve on the system of tax administration.

Also, Joseph and Omodero (2020) Discussed Nigeria's nexus between government revenue and economic development. Secondary Data from the CBN Statistical Bulletin and Federal Inland Revenue Services (FIRS) were Obtained over 40 years from 1981 to 2018 using exploratory and ex post facto analysis design. To assess the relationship, the OLS regression analysis was used. These studies notwithstanding, no empirical investigation on the effect of the various components of federally collected tax on the economic growth of Nigeria exists. This gap in the literature is what this paper sets to fill. Furthermore, Variable exclusion was observed in many studies from Nigeria while some foreign studies on the subject matter can be replicated in Nigeria. It is on the background of these conflicting Findings, geographical gap, and variable exclusion that this study is premised.

Agunbiade and Idebi, (2020) examined the relationship between tax revenue and economic growth in Nigeria Between the periods of 1981 to 2019. Vector Error Correction Model (VECM) was employed to establish the Nature and strength of the relationship between the variables. While the Johansen test of co-integration revealed That there is at least one co-integrating equation in the long run between the variables, the Granger causality test Found a causal relationship between Real GDP and the different tax components.

Festus, et. al., (2020) reviewed non-oil tax revenue on economic growth and Development in Nigeria. This study employed ex-post facto using time series data for the periods under study (1994-2017). This study also found a positive relationship between Customs and Excise Duties and Economic growth for the period under review. Obaretin and Uwaifo (2020) reviewed Value Added Tax and Economic Development in Nigeria. This study employed a longitudinal research design. The finding unveils that VAT has A positive and significant impact on economic development in Nigeria. In this study, education Tax was not considered a measure of tax revenue. Uket et al. (2020) reviewed The Impact of Tax Revenue on Economic Development in Nigeria. Longitudinal research design was considered suitable in this study Since the data used for the study was time series data. This finding revealed a significant relationship exists between Petroleum Profit Tax and Gross Domestic Product Growth Measuring economic development.

Clement et al. (2019) reviewed Tax Revenue and Economic Development in Nigeria. The data for the relevant variables of this study were extracted from the statistical bulletin of the Central Bank of Nigeria and the human development report of the United Nations Development Programme for the year under consideration in this study. The study revealed that taxation has a significant long-run relationship with Nigeria's economic Development.

In the study of Okonkwo and Chukwu (2019). Reviewed on Government Tax Revenue and economic development in Nigeria: 1996-2017. The study adopted study obtained Time series data. The government tax revenue has not significantly influenced the economic Development of Nigeria.

Muttaqin and Halim, (2019) investigated the effects of economic growth and inflation on tax revenue between the periods of 2010 to 2016. The data were analyzed using panel data regression analysis. Results from the Analysis revealed that the GDP/Economic Growth and Inflation variables significantly influence the Income of Income-tax and VAT. Several empirical studies have been conducted on the impact of taxes on economic growth. Joseph And Omodero (2020) discussed Nigeria's nexus between government revenue and economic Development. Secondary data from the CBN Statistical Bulletin and Federal Inland Revenue Services (FIRS) were obtained over 40 years from 1981 to 2018 using exploratory and ex-post-facto analysis design. To assess the relationship, the OLS regression analysis was used. These Studies notwithstanding, no empirical investigation on the effect of the various components of Federally collected tax on the economic growth of Nigeria exists. This gap in the literature is what this paper sets to fill. Furthermore, variable exclusion was observed in many studies from Nigeria While some foreign studies on the subject matter can be replicated in Nigeria. It is on the Background of these conflicting findings, geographical gap, and variable exclusion that this study Is premised.

Edewusi and Ajayi (2019) from Nigeria explored the nexus in Nigeria between tax revenue and Economic development. Specifically, the report examined the effect on Nigeria's economic

development of petroleum benefit tax, business income tax, and value-added tax. Although time Series data was gathered from the statistical bulletins of the Central Bank of Nigeria and the Federal Inland Revenue Services, the ex-post-factors analysis design was used. Using the Multiple Regression Analysis, Cointegration, and other post-estimation tests, data obtained were analyzed to assess the short and long-term influence of the variables. The findings of the analysis showed That the oil gain tax had a substantial positive effect on economic growth, that the corporate income Tax also had a positive and significant impact on economic growth, while the value-added tax had A noticeable and positive impact on economic growth. In this analysis, however, oil and gas Revenue were omitted as a component. Growth measured by GDP per capita has a significant effect on the tax mix of GDP per capita. It is shown that while the shares of personal and property taxes Have responded positively to economic growth, shares of the payroll and goods and services taxes Have shown a relative decline.

Korkmaz et al., (2019) analyzed the impact of both direct and indirect taxes on Economic growth in Turkey, using the autoregressive distributed lag (ARDL) approach. The Findings showed that indirect taxes had a positive and significant effect on economic development and that direct taxes had a negative and substantial impact. The effect of nontax taxes on economic Growth has not been studied.

Obaje and Ogirima, (2019) ascertained the effect of taxation on the economic growth in Nigeria. The Analytical tool used is the Ordinary Least Squares (OLS) technique of multiple regression models using Statistical time series data from 2008-2017. The statistical result of the tested hypothesis shows that there Is a positive relationship between Real Gross Domestic Product and Corporate Income Tax, Petroleum Profit Tax, and Value Added Tax. The value of the coefficient of determination ($R2$) is 0.92 which implies That 98% of the total variation in GDP is caused by the explanatory variables (CIT, PPT, and VAT) and the remaining 8% is caused by the error term which shows that the effect of independent variables on the Dependent variable is significant. Based on the aforementioned findings,

Abomaye-Nimenibo et al., (2018) empirically examined the effect of tax revenue (CIT, PPT, and CED) on Economic growth (GDP) in Nigeria from 1980 to 2015. Using multiple regression analysis to analyze the data, The Cointegration results revealed that there was a long-run relationship among the variables while the short-run regression result also showed that petroleum profit tax and company income tax have no significant relationship with economic growth in Nigeria. Custom and excise duties were found to have a significant relationship with economic growth in Nigeria.

Khumbuzile and Khobai (2018) investigate the impact of taxation on economic growth In South Africa. Yearly data for South Africa for the period 1981 to 2016 was used to develop the Auto Regressive Distribution Lag (ARDL) approach. The empirical results confirm that there is a negative relationship between taxes and economic growth in South Africa. The findings of the study include that Economic growth, trade and openness, capital, and taxes are co-integrated. This paper suggests that fiscal Policy is very important in forcing sustainable economic growth in South Africa.

A study conducted by Okeke, et. al., (2018) reviewed On the Effect of tax revenue on economic development in Nigeria. The research design Employed in this study is the Longitudinal Research

Design since the data is time series data. The findings showed that tax revenue has a statistically significant relationship with primary School enrolment, life expectancy, and per capita income, in Nigeria at a 5% level of significance respectively. The researcher intends to fill the gap of conceptual and empirical reviews relating to the study: the effect of Tax revenue on economic development in Nigeria. At the same time, the study intends to fill a gap in terms of time range, and geographical differences, and in some studies Education, tax was not considered as a measure of tax revenue.

3.1.   Methodology

In pursuit of the study's objectives, an ex-post facto design was employed, involving the acquisition of secondary data from reputable sources such as the Federal InlandRevenue Service (FIRS). The study focuses on analyzing the Nigerian economy over thirty years, with key indicators being the Gross Domestic Product (GDP) and Tax Revenue. The national economy of Nigeria is selected as the study's population and sample size, providing a broad perspective on the impact of federally collected taxes on economic growth. Secondary data from reputable sources such as the Central Bank of Nigeria, the National Bureau of Statistics (NBS), and the Federal Inland Revenue Service (FIRS) reports are utilized, ensuring the robustness and credibilityof the dataset. The timeframe from 1994 to 2023 allows for a longitudinal analysis, capturing economic fluctuations, policy changes, and potential structural shifts. To analyze the relationship between federally collected taxes and economic growth in Nigeria, the ordinary least square method was used because it is ideal for examining long-term relationships and short-term dynamics between variables like tax revenue and GDP. It allows for the assessment of how changes in tax components impact economic growth over time.

3.2.   Model Specification

This analysis aims to analyze the effects on Nigeria's economic development of federally received revenue. To achieve this, two variables were identified in the study, these are independent and dependent variables. The independent variables are the Tax revenues generated in Nigeria. 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.

RGDP = f (FCR)
The model of this study is expressed in functional form as
FCR= f (CED, VAT, CIT, PPT)   (1)
It can be expressed in equation form as shown below:
RGDP= α + β_1CED + β_2VAT + β_3CIT+ β_4PPT + £t(2)
RGDP = Real Gross Domestic Product
CED = Custom and Excise Duties
VAT = Value Added Tax
CIT = Company Income Tax
PPT = Petroleum profit tax

α is the intercept
β1 – β4 are the coefficients

4.0 ANALYSIS AND DISCUSSION OF FINDINGS
4.1   Pre-Test Results
4.1.1. Unit Root Test
In determining the characteristics of panel data, a preliminary analysis is done to test whether the variables are stationary or not. In other words, this preliminary analysis is conducted to test for the presence of a unit root in the variables. The unit root test results are shown below

Table 1: Summary of Unit Root Test (P-Values Only)

Variables	Elliott-Rothenberg-Stock test statistic	1% Critical Values	5% Critical Values	10% Critical Values	Order of Integration or Stationarity
RGDP	24.49364	4.220000	5.720000	6.770000	(0) Stationary
PPT	6.323949	4.220000	5.720000	6.770000	(0) Stationary
CIT	26.71203	4.220000	5.720000	6.770000	(0) Stationary
CED	6.797374	4.220000	5.720000	6.770000	(0) Stationary
VAT	1204.195	4.220000	5.720000	6.770000	(0) Stationary

Source: Researcher's Computations (2024) Using EViews13 Software.
The results of the Elliott-Rothenberg-Stock test statistic for unit root tests for all the variables of interest are reported in Table 1 above. The results showed that the test statistic is greater than all the tabulated critical values at the 1% Critical Value, 5% Critical Value, and 10% Critical Value. This means that all the variables of interest are I (0), that is, stationary at levels. When variables are not stationary, it means that they can drift apart in the long run and the regression results obtained can be spurious or nonsensical (Maeso-Fernandez et al. 2004). With this unit root test result, we can go ahead and perform the regression estimation using the ordinary least squares (OLS) or its variants method of estimation as shown in Table 4.4 below. See APPENDIX A for E-View's unit roots output results.

4.1.2   Heteroscedasticity Test

Heteroscedasticity means unequal scatter. In regression analysis, we talk about heteroscedasticity in the context of the residuals or error term. Specifically, heteroscedasticity is a systematic change in the spread of the residuals over the range of measured values. Heteroscedasticity is a problem because ordinary least squares (OLS) regression assumes that all residuals are drawn from a population that has a constant variance (homoscedasticity). That is, when the variance for all observations is equal, it is called *homoskedasticity*. To satisfy the regression assumptions and be able to trust the results, the residuals should have a constant variance.

In the presence of heteroskedasticity, there are two main consequences on the least squares estimators:

1. The least squares estimator is still a linear and unbiased estimator, but it is no longer best. That is, there is another estimator with a smaller variance.
2. The standard errors computed for the least squares estimators are incorrect. This can affect confidence intervals and hypothesis testing that use those standard errors, which could lead to misleading conclusions.

Table 2 Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

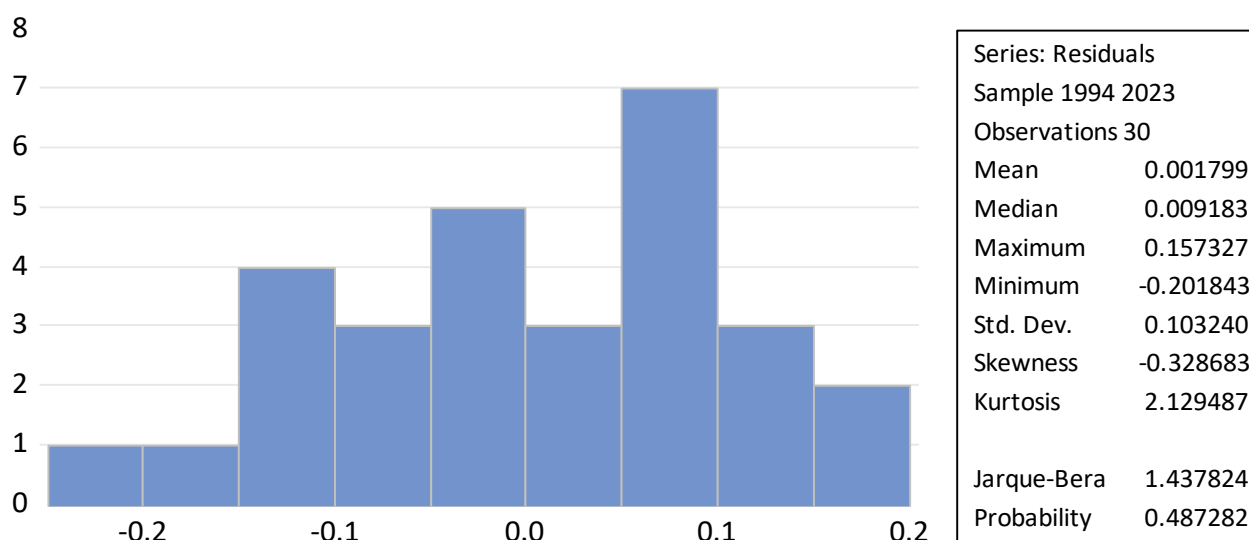|			
F-statistic	0.584102	Prob. F (4,24)	0.6772
Obs R-squared	2.572705	Prob. Chi-Square (4)	0.6317
Scaled explained SS	1.272496	Prob. Chi-Square (4)	0.8660

The results of the Breusch-Pagan-Godfrey Heteroskedasticity Test show that the probabilities of all the Test Statistics-F-statistic (0.6772); Obs R-squared (0.6317) and Scaled explained SS (0.8660)-are greater than the critical values at 5% level of significance. This is an indication that there is no problem with heteroscedasticity but that the residuals of the White heteroskedasticity test are homoscedastic (Egbadju & Oriavwote, 2016).

4.1.3. Normality Test

The normality Test is a test conducted to assess the distribution of data in a group of data or variables, whether the distribution of data is normally distributed or not. The normality Test is useful for determining data that has been collected in the normal distribution or taken from a normal population. *Descriptive statistics, correlation, regression, ANOVA,* t-tests, *etc, all make use of normality assumptions in data analysis and analysis of data. Although* Ghasemi and Zahediasl (2012) observed that *violating the normality assumption should not be a major issue once the sample size is 100 and above according to the central limit theorem (CLT), this normality assumption should be adhered to despite the sample size because selecting a wrong data set representation will lead to wrong interpretation (*Mishra et al., 2019*). Again, i*n regression models, it is scientific to check for non-normal errors because the assumption of normality plays a very important role in inference procedures validation, forecasting, and model specification tests, both for conceptual and methodological reasons (Alejo et al., 2015).

From the value of the Jarque-Bera statistic and its probability in Table 4.6, the data used in analyzing the regression model are normally distributed since the p-value (0.487282) is greater than 0.05.

Table 3: Normality Test Result

Series: Residuals	
Sample 1994 2023	
Observations 30	
Mean	0.001799
Median	0.009183
Maximum	0.157327
Minimum	-0.201843
Std. Dev.	0.103240
Skewness	-0.328683
Kurtosis	2.129487
Jarque-Bera	1.437824
Probability	0.487282

Source: Researcher's Computations (2024) Using EViews13 Software.

4.2. Estimation of the Regression Models

In order to determine the effect of tax revenue on economic growth in Nigeria, the Dynamic Panel Ordinary Least Squares (EGLS) model is used to examine the relationship between the independent variables (CED, VAT CIT, and PIT) and the dependent variable (RGDP). The results obtained are presented in Table 4 below.

Table 4. Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RGDP (-1)	28.37769	16.84861	1.684274	0.1051
PPT	1.174727	1.488342	0.789286	0.4377
CIT	-0.025790	0.004913	-5.249697	0.0000
CED	-5.710642	9.951951	-0.573821	0.5714
VAT	14.81979	2.142118	6.918287	0.0000
C	-1050.460	2137.717	-0.491393	0.6276

R-squared	0.888812	Mean dependent var	2800.270
Adjusted R-squared	0.865648	S.D. dependent var	13955.65
S.E. of regression	5115.319	Akaike info criterion	20.09472
Sum squared resid	6.28E+08	Schwarz criterion	20.37496

Log-likelihood	-295.4209	Hannan-Quinn criteria.	20.18437
F-statistic	38.37005	Durbin-Watson stat	1.728920
Prob(F-statistic)	0.000000		

Source: Researcher's Computations (2024) Using EViews13 Software.

4.3. Hypotheses Testing

Earlier, it was stated that each of our independent variables in their null forms will be subjected to a statistical test and the result of the test will either be accepted or rejected at the 5% significant levels. If the p-value of that explanatory variable is less than or equal to 5% (0.05), then there is a significant relationship between this explanatory variable and the dependent variable and so we reject the null hypothesis. If, however, the p-value of that explanatory variable is greater than 5% (0.05), then the null hypothesis is accepted that there is no significant relationship. We, therefore, restate each hypothesis and test for either acceptance or rejection based on their respective probability value (p-value).

The coefficient of PPT is positive (1.174727) but insignificant with a t-statistic (0.789286) and a p-value (=0.4377) at the 43.77% level of significance. The p-value is 43.77% which is greater than 5% and so we accept the null hypothesis that PPT has no significant relationship with RGDP. The coefficient of CIT is negative (-0.025790) but significant with a t-statistic (-5.249697) and a p-value (=0.0000) at the 1% level of significance. The p-value is 1% which is less than 5% and so we reject the null hypothesis that CIT has no significant relationship with RGDP. The coefficient of CED is negative (-5.710642) but insignificant with a t-statistic (-0.573821) and a p-value (-0.5714) at 57. 14% level of significance. The p-value is 57.14% which is greater than 5% and so we accept the null hypothesis that CED has no significant relationship with RGDP. The coefficient of VAT is positive (14.81979) but significant with a t-statistic (6.918287) and a p-value (=0.0000) at the 1% level of significance. The p-value is 1% which is less than 5% and so we reject the null hypothesis that VAT has no significant relationship with RGDP.

4.4. Discussion of the Regression Results from Table 4.4
4.4.1. Petroleum profits tax and economic growth.
PPT's relationship with RGDP is positively insignificant with a coefficient of 1.17472. The result shows that an increase in the amount of tax from petroleum profits will lead to an insignificant increase in economic growth. That is, a one naira increase in PPT will lead to a 1.17472% increase in RGDP, all things being equal. The sign or direction is in line with our expectations but the size or magnitude is not aligned with our expectations.
4.4.2. Company income tax and economic growth.
CIT relationship with RGDP is negatively significant with a coefficient of -0.025790. The result shows that an increase in the amount of tax from company income will lead to a significant decrease in economic growth. That is, a one naira increase in CIT will lead to a 0.025790% decrease in RGDP, all things being equal. The sign or direction is not in line with our expectations but the size or magnitude is aligned with our expectations.

4.4.3. Value-added tax and economic growth.

VAT relationship with RGDP is positively significant with a coefficient of 14.81979. The result shows that an increase in the amount of tax from value-added will lead to a significant increase in economic growth. That is, a one naira increase in VAT will lead to a 14.81979% increase in RGDP, all things being equal. The sign or direction as well as the size or magnitude are in line with our expectations.

4.4.4 Customs and excise duties and economic growth.

CED relationship with RGDP is negatively insignificant with a coefficient of -5.710642. The result shows that an increase in the number of duties from customs and excise will lead to an insignificant decrease in economic growth. That is, a one naira increase in CED will lead to a 5.710642% decrease in RGDP, all things being equal. The sign or direction as well as the size or magnitude are contrary to our expectations.

4.4.5 Overall Model Fits

Table 4 above shows the regression estimation results of the relationship between tax revenue (PPT, CIT, and VAT) and economic growth (RGDP) in Nigeria.

The coefficient (28.37769) of RGDP (-1) shows that it is positively insignificant with a t-statistic (1.684274) and a p-value (0.1051) at the 10.51% levels of significance. This result contradicts the position of the extant literature which states that the dependent variable (RGDP) and its lag (RGDP (-1)) move in the same positive direction and must be significant (Egbadju & Jacob, 2022). The extant literature position is that the positive coefficient means that the current year's GDP is directly affected by the previous period's GDP (-1). This means that the current year's performance can be directly affected by the previous period's performance in light of new information we were not aware of. The R-squared (0.888812) and the Adjusted R-squared (0.865648) indicate that about 87% of systematic variations in GDP are accounted for by PPT, CIT, CED, and VAT while the remaining 13% can be explained by other factors not captured by the model. The F-statistic (38.37005) and a Prob(F-stat.) of 0.000000 confirm that there is a joint statistically significant linear relationship between the variables (dependent and independent). With a Durbin-Watson stat of 1.728920, the model is assumed to be freed from serial correlation.

5.0 CONCLUSION AND RECOMMENDATIONS

The study is undertaken to ascertain the effect of tax revenue on economic growth in Nigeria. Annual secondary data from 1994 to 2023 obtained from the Central Bank of Nigeria Statistical Bulletins is used. Economic growth, represented by real gross domestic products, is the dependent variable while Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT), and Customs and Excise Duties (CED) are the independent variables. The choice of the model used, the Dynamic Ordinary Least Squares, is based on the scientific procedural analysis of the behavior of the data through unit roots tests. The results show that the PPT relationship with RGDP is positively insignificant; the CIT relationship with RGDP is negatively significant while the VAT relationship with RGDP is positively significant. Therefore, the study concludes that federally

collected tax has a weak negative relationship with economic growth in Nigeria. Based on the observed key findings and conclusions drawn above, the following recommendations are made. The federal government should ensure that qualified staff are employed to monitor the trend of petroleum profit tax to guarantee a significant positive impact on economic growth. The federal government should strengthen its potential in terms of legislation and procedure for the collection of Company Income Tax in Nigeria for as much as it presently decreases economic growth. The federal government should also ensure that qualified staff are employed to monitor the growth of value-added tax to ensure a more positive impact on economic growth. Policymakers should be keen on making more reforms on Customs and Excise Duties since they decrease economic growth although insignificantly.

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